

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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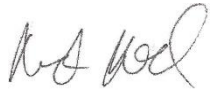
TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: June 3, 2026 Budget and Finance Committee Meeting

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Item 2 File 26-0559	Department: Office of Economic Workforce Development (OEWD)
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would approve Amendment No. 4 to the grant agreement between OEWD and Bay Area Community Resources (BACR) for management of the COVID-Response Hub Coordinator grant, with no change to the term, and increasing the not-to-exceed amount by \$1,500,000, for a total not to exceed \$16,779,999. Key Points - Under the grant agreement, BACR and its subcontractors operate the three Community Economic Recovery Hubs in the Mission, Excelsior, and Visitacion Valley. BACR and its subcontractors provide assessment and intake services, workforce referral services (such as for job training and placement), and services referrals (such as for safety net programs). Although the grant allows for distribution of gift cards, OEWD staff report no gift cards have been issued since FY 2023-24. - For FY 2025-26, BACR has a goal of providing assessments and enrollments in services to 3,740 participants. As of April 2026, the program has recorded 2,443 enrollments for FY 2025-26, or 65 percent of the goal at 75 percent through the fiscal year. In FY 2024-25, the program had a goal to serve 5,600 participants and OEWD reports that 7,150 were enrolled in services. We note that 7,150 is exactly half of the two-year goal of 14,300 participants in the grant agreement for FY 2023-24 – FY 2024-25 Fiscal Impact - The proposed \$1.5 million is to pay for program costs in FY 2025-26. OEWD did not establish a budget for this grant in FY 2025-26 and was unable to provide line-item actual spending detail or spending by BACR and its subcontractors for the proposed \$1.5 million. The contract is funded by a FY 2025-26 General Fund add-back for workforce programs. Policy Consideration - OEWD is requesting approval to retroactively add \$1.5 million to a grant agreement for services already rendered but not yet reimbursed, without a budget, without actual spending data, and questionable performance data. The funding will be used to pay BACR and two subcontractors, but only one of the subcontractors is permitted in the current and proposed versions of the grant agreements. Recommendations - Request OEWD: (a) Remove all references to gifts cards in the proposed grant amendment; (b) Validate the FY 2024-25 participant data for this grant; (c) Provide line-item spending detail and spending by BACR and any subcontractor for FY 2025-26 for this grant; (d) Clarify the permitted FY 2025-26 subcontractors for the grant and update the grant agreement to reflect the permitted subcontractors; (e) Commit to establishing line-item budgets for all of its grant agreements. - Do not approve the proposed resolution until OEWD fulfills all the above recommendations.	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years or (2) requires expenditures of \$10 million or more is subject to Board of Supervisors approval.

BACKGROUND

In April 2022, the Office of Economic and Workforce Development (OEWD) issued a Request for Proposals (RFP) to award economic and workforce development grants. The RFP had 24 grant program categories, including for awarding a COVID-Response Resource Hub Coordinator contract. OEWD received two proposals within this category and an evaluation panel scored them, as shown in Exhibit 1 below.¹

Exhibit 1: Proposals and Scores from RFP

Proposer	Score (Out of 100 Points)
Bay Area Community Resources	91.88
FACES SF	61.25

Source: OEWD. Proposals were scored on applicant qualifications and staff assignments (30 points), approach, activities and outcomes (40 points), performance measurement and reporting (15 points), and financial management and budgeting (15 points).

Bay Area Community Resources (BACR) was deemed the highest scoring proposer and was awarded a contract. In November 2022, OEWD retroactively executed a grant agreement with BACR for a term of one year, from July 2022 through June 2023, and an amount not to exceed \$8.25 million. In October 2023, OEWD retroactively executed the first amendment to the grant agreement, extending the term by one year through June 2024, and increasing the not-to-exceed amount of the grant to \$9.99 million. In July 2024, the Board of Supervisors retroactively approved the second amendment to the grant, increasing the value to \$14.8 million and extending the term through June 2025 (File 24-0739). In January 2026, OEWD administratively extended the agreement to June 2026 and increased the contract value to \$15.3 million. OEWD is again seeking retroactive approval to amend the contract to add \$1.5 million of funding for FY 2025-26.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 4 to the grant agreement between OEWD and Bay Area Community Resources (BACR) for management of the COVID-Response Hub Coordinator grant, with no change to the term, and increasing the not-to-exceed amount by \$1,500,000, for a total not to exceed \$16,779,999.

The resolution also authorizes OEWD to make further amendments to the grant agreement that do not otherwise materially increase the obligations or liabilities of the City.

¹ The evaluation panel included two Program Specialists from OEWD, a Data and Community Development Analyst from the Human Rights Commission, and the San Francisco Bay Area Director of Development from Juma Ventures.

Scope of Services

Under the grant agreement, BACR operates the following three Community Economic Recovery Hubs, which are each open two days per week. A previously funded site in the Bayview closed in FY 2024-25.

- Mission Hub, located at 701 Alabama Street;
- Excelsior Hub, located at 4834 Mission Street; and
- Visitacion Valley Hub, located at 150 Executive Park Boulevard.

OEWD states that BACR works with the following two subcontractors to operate the hubs: (1) Mission Language Vocational School (MLVS) and (2) Mission Economic Development Agency (MEDA). However, only MLVS is a permitted subcontractor in the current agreement and proposed amendment.

The resource hubs are intended to provide low-income, unemployed, underemployed, and dislocated workers with support and referral services. BACR and its subcontractors provide assessment and intake services for each new participant to determine program eligibility and needs. Workforce connection referral services include referrals to employment and job placement assistance, sector trainings, job readiness services, and subsidized and boot camp programming (for young adults). Services referrals include referrals to housing, unemployment insurance, public benefits, transportation assistance, and educational services. Although the grant allows for distribution of gift cards, OEWD staff report no gift cards have been issued since FY 2023-24. Given the high-risk nature of gift cards, we recommend OEWD remove any reference to gift cards from the grant agreement.

In February 2026, OEWD issued a Request for Proposals for Workforce Development Programs, including for central job centers. The Department issued funding award letters in late May 2026. The work currently being carried out by the hubs will be integrated into eight job centers.

Program Performance

The current grant requires that BACR collect and store program data and report such data to OEWD on a monthly basis, including participants provided intake/assessment, enrolled in services, provided supportive services, and provided referral services. For FY 2025-26, BACR has a goal of providing assessments and enrollments in services to 3,740 participants. As of April 2026, the program has recorded 2,443 enrollments for FY 2025-26, or 65 percent of the goal at 75 percent through the fiscal year. In FY 2024-25, the program had a goal to serve 5,600 participants and OEWD reports that 7,150 were enrolled in services. We note that 7,150 is exactly half of the two-year goal of 14,300 participants in the grant agreement for FY 2023-24 – FY 2024-25 and recommend OEWD validate FY 2024-25 participant data.

OEWD completed program monitoring for FY 2024-25, which included interviews with BACR staff, a review of policies and procedures, a site visit, review of six client files, and interviews with three clients. No corrective actions were identified. Program monitoring was for BACR programs in general and not specific to this grant agreement.

DCYF staff reviewed BACR's financial documents as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program. The review initially found that BACR did not have 30 days of operating cash and did not notice board meetings per City standards. In FY 2025-26, BACR received a good performance waiver from Fiscal and Compliance Monitoring.

FISCAL IMPACT

The proposed fourth amendment would increase the not-to-exceed amount of the grant agreement by \$1,500,000, for a total not to exceed \$16,779,999. OEWD did not establish a budget for this grant in FY 2025-26 and was unable to provide line-item actual spending detail or spending by BACR and its subcontractors for the proposed \$1.5 million. The contract is funded by a FY 2025-26 General Fund add-back for workforce programs.

The Board of Supervisors should not approve the proposed resolution without detail on what the \$1.5 million will be used for, including what types of expenses have been incurred, whether they are eligible for reimbursement, and whether they were incurred by BACR or a valid subcontractor.

POLICY CONSIDERATION

OEWD is requesting approval to retroactively add \$1.5 million to a grant agreement for services already rendered, without a budget, without actual spending data, and questionable performance data. The funding will be used to pay BACR and two subcontractors, but only one of the subcontractors (Mission Language Vocational School) is permitted in the current and proposed versions of the grant agreements. The delay in adding funding to the grant means that BACR and its subcontractors have been providing services without reimbursement since approximately September 2025. The Board of Supervisor should understand the use of requested \$1.5 million before approving the proposed resolution.

RECOMMENDATIONS

1. Request OEWD:
 - a. Remove all references to gifts cards in the proposed grant amendment.
 - b. Validate the FY 2024-25 participant data for this grant.
 - c. Provide line-item spending detail and spending by BACR and any subcontractor for FY 2025-26 for this grant
 - d. Clarify the permitted FY 2025-26 subcontractors for the grant and update the grant agreement to reflect the permitted subcontractors.
 - e. Commit to establishing line-item budgets for all of its grant agreements.
2. Do not approve the proposed resolution until OEWD fulfills all of the above recommendations.

Item 3 File 26-0507	Department: Airport
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would approve the first modification to the Airport's contract with SITA Information Networking Computing USA, Inc. (SITA) to increase the not-to-exceed amount by \$9,700,546 from \$7,080,000 to \$16,780,546 and to extend the term for three years for a new total term of July 1, 2024, through June 30, 2029. Key Points - The Airport selected SITA following a competitive solicitation process to support the Airport's existing Passenger Processing and Information Display System in the International Terminal and selected locations within domestic terminals. These systems include equipment and technologies that support airlines with tasks such as printing and scanning boarding passes and bag tags. Support for these systems includes hardware maintenance, system administration, and 24/7 monitoring of system and hardware performance. - According to data provided by the Airport, SITA is meeting performance expectations. Fiscal Impact - The proposed resolution increases the not to exceed amount by \$9,700,546 to a total of \$16,780,546 to fund the three-year contract extension. The FY 2026-27 budget is approximately \$3.2 million, and the contract is funded by the Airport operating budget. - The contract reimburses SITA for allowable operating costs and pays a fixed management fee. The amendment increases hourly labor rates for most roles, while leaving the management fee unchanged at about \$1.0 million per year. Recommendation - Approve the proposed resolution.	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In July 2023, the Airport released a Request for Proposals (RFP) to select a vendor to support the Airport's Shared Use Passenger Processing Systems (PPS) in the International Terminal and selected locations within domestic terminals. The Passenger Processing Systems include equipment and technologies that support airlines with tasks like printing and scanning boarding passes and bag tags. The RFP defined support for these systems as hardware maintenance, system administration, and 24/7 monitoring of system and hardware performance.

After entering into negotiations with the top-scoring proposer in October 2023, Airport staff identified inconsistencies in the original RFP.¹ The Airport subsequently rejected all proposals and reissued a new RFP in December 2023. The reissued RFP clarified which cost items should be categorized as Direct Labor Costs and which should be included in the Monthly Management Fee within the Fee Proposal.

The proposals were evaluated based on: (a) project approach; (b) staffing plan; (c) staff qualifications; (d) firm qualifications; (e) transition plan; (f) communication, reports, and future innovation; (g) fee proposal; and (h) the oral interview. The Airport received three proposals, and all three met the minimum qualification requirements. The proposal from SITA Information Networking Computing USA, Inc. (SITA) received the highest score from the review panel consisting of a Customer Service Manager from United Airlines, an Airport Manager from Qantas Airways Limited, and a Data Analytics Manager who also serves as a Hearing Officer at the Airport. Exhibit 1 below shows the results from the RFP evaluation process.

¹ The Airport received two proposals in response to the original RFP, both of which met the minimum qualifications. The top-scoring proposer was SITA Information Networking Computing USA, and the other proposer was ServiceTec International Inc.

Exhibit 1: RFP Evaluation Process

Proposer	Written (Max 4,275 points)	Oral (Max 1,125 points)	Total (Max 5,400 points)
SITA Information Networking Computing USA, Inc.	3,625.70	566.00	4,191.70
ESP Global Services	3,381.00	522.00	3,903.00
ServiceTec International, Inc.	3,449.15	450.00	3,899.15

Source: AIR Memo, 2024.

Original Contract and Proposed Amendment

On June 4, 2024, the Airport Commission approved a contract with SITA for an amount not to exceed \$7,080,000 to provide shared-use Passenger Processing Systems support services for an initial two-year term, with an option to extend the agreement for an additional three years. The original term commenced on July 1, 2024 and expires on June 30, 2026. Under the Contract, the services provided are Level 1 on-site support, which involves identifying, documenting, and resolving basic customer-facing issues, as well as performing routine maintenance on Passenger Processing Systems components such as workstations, printers, peripherals, and scanners.

On May 5, 2026, the Airport Commission approved an amendment to the contract extend the contract term through June 30, 2029, revise the scope of services, and increase the contract amount by \$9,700,546, bringing the total not-to-exceed amount to \$16,780,546 to ensure continued support for the shared-use passenger processing system.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first modification to the Airport's contract with SITA to extend the term for three years for a new total term of July 1, 2024, through June 30, 2029 and increase the not-to-exceed contract amount by \$9,700,546 from \$7,080,000 to \$16,780,546. The increase in the contract amount will be used to support hardware maintenance, system administration, and system monitoring at the Airport.

The Contractor, SITA, must deliver basic Level 1 technical support across the Airport on a 24/7 basis. This support includes monitoring the Airport's Passenger Processing Systems as well as related systems such as check-in kiosks, self-service bag drops, information display systems, baggage messaging, and baggage reconciliation systems. SITA serves as the system administrator for the Passenger Processing Systems and is responsible for managing and resolving trouble tickets; repairing or replacing faulty customer-facing hardware; responding to airline service requests; managing inventory and reporting on spare parts; ordering and tracking consumable supplies; and replenishing printing materials, bag tags, and boarding passes. Under this contract modification, the scope of work will be updated to reflect current vendor applications, installed hardware, and equipment quantities.

Exhibit 2 below provides a summary of the estimated equipment counts through October 2027 under SITA's contract for Passenger Processing Systems in the International Terminal, Terminal 1, Terminal 2, Terminal 3, and Garages and Hotels at the Airport.

Exhibit 2: Equipment Counts (estimated through October 2027)

	Terminal 1	Terminal 2	Terminal 3	ITB	Garages/Hotel	TOTAL
Total Passenger Processing Equipment	1,006	584	289	1,909	0	3,788
Total Information Displays (ID)	713	354	395	820	94	2,376
Total Equipment	1,719	938	684	2,729	94	6,164
July 2024 Total	1,568	1,111	177	2,683	34	5,573
Change	151	-173	507	46	60	591
% Change	9.6%	-15.6%	286.4%	1.7%	176.5%	10.6%

Source: Modification No. 1, SITA Information Networking Computing USA Inc., May 5 2026.

As shown above, the total equipment to be supported by SITA staff is expected to increase by 591, or 10.6 percent, from 5,573 in July 2024 to 6,164 in October. The increase is driven by increases in equipment in Terminal 3.

Performance Monitoring

The agreement includes service level metrics that the contractor is expected to meet. Airport staff review monthly reports on topics such as asset inventory, hardware, and service tickets. Airport staff provided data on three service metrics by month over the term of the contract. Exhibit 3 below summarizes those measures. According to Airport staff, there are no outstanding performance issues.

Exhibit 3: Service Level Metrics

Service Level Metric	Goal	FY 2024-25	FY 2025-26 Jul - Apr
Mean Time to Acknowledgement of Open Ticket is within 3 min.	n/a	93%	92%
Mean Time to Arrival at site of incident is within 12 min	n/a	91%	99%
Percent of all SFO Help Desk Tickets resolved timely based on ticket priority	98%	98%	98%

Source: Airport

FISCAL IMPACT

The proposed resolution increases the not to exceed amount by \$9,700,546 to a total of \$16,780,546 to fund the three-year contract extension. Exhibit 4 below shows the contract budget by year, which is funded by the Airport's operating budget.

The budget is increasing by 7.6 percent in FY 2026-27 compared to FY 2025-26 due to underspending in FY 2024-25 (as discussed below) and contingencies in FY 2026-27 for supplies such as paper that vary based on passenger traffic at the airport. The FY 2027-28 budget is increasing by 14.1 percent relative to FY 2026-27 due to equipment purchases associated with the opening of check-in areas in Terminal 3.

Exhibit 4: Contract Budget

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Labor & Other Direct Cost	\$1,428,624	\$1,599,111	\$1,848,000	\$2,194,500	\$2,310,000	\$9,380,236
Management Fee	1,000,896	1,000,896	1,000,896	1,000,896	1,000,896	5,004,480
Consumables*	402,379	340,625	230,400	316,800	345,600	1,635,804
Contingency (5%)		64,803	153,965	175,610	365,650	760,028
Total	\$2,831,899	\$3,005,435	\$3,233,261	\$3,687,806	\$4,022,146	\$16,780,546

Source: Airport

*Consumables are supplies such as paper that vary based on passenger traffic at the Airport

As shown above, the majority of the budget growth over the extension period is driven by rising Labor and Other Direct Costs, which increase from approximately \$1.6 million in FY 2025-26 to \$2.3 million by FY 2028-29.

Under the contract, SITA is reimbursed for eligible expenses and receives a fixed management fee. The amended contract increases the estimated annual amount for consumables, parts, and

materials from \$300,000 to \$500,000 and increases the hourly labor rates for most positions. The amended contract maintains the existing annual management fee, which is approximately \$1.0 million.

Contract Spending

Of the existing contract amount of approximately \$7.1 million, the Airport projects \$5.8 million will be spent through June 2026, with \$1.3 million remaining to partially fund the extended term. According to Airport staff, underspending in the existing term is due to delays in the opening of passenger processing equipment on the north side of Terminal 2, which resulted in underspending on equipment and supplies, such as paper.

RECOMMENDATION

Approve the proposed resolution.

Item 8 File 26-0500	Department: Municipal Transportation Agency
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would retroactively approve an amended and restated lease agreement between the San Francisco Municipal Transportation Agency (MTA), as landlord, and Tad's, Inc. (Tad's), as tenant, for approximately 5,368 square feet of retail space at 44 Ellis Street in the Ellis-O'Farrell Garage. The amended lease would formalize the eight percent of gross sales rent structure, rent relief and other lease modifications implemented during the COVID-19 pandemic and remain in effect through April 30, 2029. Key Points - In May 2019, the Board of Supervisors approved a ten-year lease with Tad's for restaurant space at 44 Ellis Street with fixed annual rent totaling approximately \$5.3 million over the lease term. During the COVID-19 pandemic, MTA informally modified the lease by forgiving certain rent and water charge obligations and transitioning from fixed rent to a percentage rent structure based on eight percent of gross sales. - The proposed amended and restated lease would formalize these changes, including retroactive adoption of the eight percent gross sales rent structure, forgiveness of rent obligations from April 2020 through December 2020, forgiveness of outstanding water charges from February 2020 through January 2024, revised water charges, minimum operating hours, and a one-time administrative fee. - Under the percentage rent model, Tad's paid an average of approximately \$241,281 annually from FY 2022-23 through FY 2024-25, equivalent to approximately \$44.95 per square foot annually. This exceeds the January 2026 appraisal, which estimated market rent at \$43.03 per square foot annually. Fiscal Impact - Under the proposed amended and restated lease, MTA projects approximately \$1.9 million in rental revenue through the April 2029 lease expiration date. Compared to the original lease, projected rental revenue would decrease by approximately \$3.42 million, from \$5.32 million to approximately \$1.9 million. Revenues generated under the lease support MTA transit operations. Policy Consideration - Our report to the November 5, 2025, Budget & Finance Committee meeting disclosed that MTA had been conducting lease transactions verbally and recommended that the Department formalize its lease agreements. Since then, MTA has formally amended three leases of the 16 leases requiring amendments, while six leases are awaiting drafting and execution of finalized terms. Recommendations - Amend the resolution to state that Board of Supervisors approval is retroactive. - Approve the resolution, as amended.	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease, modification, amendment, or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Ellis-O'Farrell Garage (located at 123 O'Farrell Street) is owned by the City and is under the jurisdiction of the San Francisco Municipal Transportation Agency (MTA). The facility provides approximately 950 parking spaces and includes three commercial retail spaces totaling 11,000 square feet. In FY 2024-25, the retail tenants in the garage generated over \$395,841 in revenue for MTA.

Lease History

In May 2013, the Real Estate Division (RED) issued a Request for Proposals (RFP) for lease of the commercial space at 44 Ellis Street located on the street level of the Ellis-O'Farrell Garage. According to MTA, RED received one response from Les Joulins USA Inc. (Les Joulins). In May 2015, the Board of Supervisors approved a resolution authorizing a ten-year commercial lease between MTA, as landlord, and Les Joulins, USA, Inc. (Les Joulins), as tenant, for use as a restaurant and nightclub (File 15-0312). In March 2017, Tad's, Inc. (Tad's), which operates a restaurant, assumed the lease¹ with six years remaining from the initial lease term. In May 2019, the Board of Supervisors approved a retail lease agreement between MTA, as landlord, and Tad's, as tenant, for approximately 5,368 square feet of retail space at 44 Ellis Street, for a ten-year term plus two five-year extension options, at a total rent over the initial ten-year term of \$5,317,024 (File 19-0317).

In 2020, due to the COVID-19 pandemic, MTA granted rent relief to the tenant and informally waived certain rent and water charge obligations, amended the method for calculating base rent, and amended the water charges.

MTA is now requesting to memorialize the changes to the 2019 lease amendment under an amended and restated commercial lease agreement.

On April 7, 2026, the MTA Board of Directors approved and authorized the Director of Transportation to execute the proposed amended and restated lease agreement.

¹ According to MTA, the assignment and assumption of the lease agreement did not require Board of Supervisors approval because Section 16.2 of the lease outlines the tenant's right to transfer the lease with a written notice and financial statement of the proposed transferee. MTA states that Tad's Inc. was the transferee who had a strong financial background.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve an amended and restated lease agreement between the MTA, as landlord, and Tad's Inc., as tenant, for 5,368 square feet of retail space in the Ellis-O'Farrell Garage. The amended and restated lease would (1) revise the monthly base rent to 8 percent of gross revenues retroactive to January 1, 2021; (2) revise the monthly water charge to \$2,400 retroactive to February 1, 2024; (3) modify the base rent and water charge calculations for the first extension option; (4) require payment of a \$4,000 administrative fee; (5) establish minimum operating hours; (6) waive base rent obligations from April 1, 2020 through December 31, 2020; and (7) waive outstanding water charges from February 1, 2020 through January 31, 2024, effective through the April 30, 2029 lease expiration date. The resolution should be amended to state that the Board of Supervisors' approval is retroactive.

Exhibit 1 summarizes the key terms of the existing and amended and restated lease provisions.

Exhibit 1: Key Terms of Amended and Restated Lease Agreement

Provision	Current Lease	Proposed Amended and Restated Lease
Premises	Ellis-O'Farrell Parking Garage located at 123 O'Farrell Street, approx. 5,368 sq. ft. on the ground floor	No change
Lease Term	Ten-year initial term commencing May 1, 2019 and expiring February 28, 2029. Rent to commence nine months after lease commencement date.	Correcting ten-year initial term: commencing May 1, 2019 and expiring April 30, 2029.
Options to Extend	Two five-year options to extend	No change
Permitted Use	Commercial space serving traditional "American Food" cuisine	Restaurant and bar with ancillary sales of merchandise; tenant must operate at a minimum between 9:00 a.m. and 9:00 p.m. on Sundays and 7:00 a.m. to 7:00 p.m. Monday through Saturday, subject to MTA approval for adjusted hours
Base Rent	Monthly base rent of \$36,905 beginning in Months 10–12 of the lease term for a total of \$5,317,024.60 from Year 1 – 10	Percentage rent equal to 8% of monthly gross revenues (retroactive to January 1, 2021)
Rent Escalation	4% annually	None during initial term. If first extension term is exercised, base rent becomes the greater of 103% of the average percentage rent paid during the last 12 months of the lease term or the prevailing market rate. If second extension term is exercised, base rent becomes the greater of 103% of the rent immediately before the first extension expires or 95% of the prevailing market rate. MTA intends to add an annual 4% escalation for rent during the extension term, however that is not reflected in the proposed draft lease.
Security Deposit	\$50,000	Tenant has transmitted the \$50,000 security deposit to MTA
Utilities	Tenant responsible for all utilities except for water and sewer	Tenant is responsible for all utilities and garbage service. Unpaid water charges accrued between February 1, 2020 to January 31, 2024 totaling \$65,400 forgiven. Tenant will pay MTA a monthly water charge of \$2,400 retroactive to February 1, 2024.
Janitorial Services	Tenant's responsibility	No change
COVID-19 Rent Relief	No rent relief provisions	Base rent obligations from April 1, 2020 through December 31, 2020 forgiven due to COVID-19 impacts
Tenant Improvements	Tenant responsible for specified initial tenant improvements, including mechanical, electrical, plumbing, ventilation, fire suppression, restroom renovations, façade, canopy, lighting, and finishes	According to MTA, tenant has completed improvements in March 2020, which included full replacement of the hood ventilation system, upgrades to fire and life safety, electrical, and plumbing systems, and new ceiling, flooring, and ADA-compliant bathroom installations
Administrative Fee	None	One-time administrative fee of \$4,000 to cover MTA's administrative costs for amendment
Real Estate Taxes and Fees	Tenant's responsibility	No change

Source: Amended and Restated Lease Agreement

Changes to Rent Structure

The existing lease established a fixed base rent structure with yearly adjustments, but no portion of the rent was based on a percentage of gross sales. However, according to MTA, fixed rent was only paid until March 2020. Prior to the transition to the percentage rent model, monthly rent was \$36,905, equivalent to annual rent of \$442,860 (\$82.50 per square foot annually). Due to the COVID-19 pandemic, MTA reports that all of MTA's retail lease agreements either shifted to a percentage of gross sales and/or were provided rent forgiveness. The amended and restated lease includes a provision forgiving rent obligations from April 1, 2020 through December 31, 2020 (totaling \$332,145) due to the impact of COVID-19.

MTA has been collecting rent as eight percent of gross sales since January 2021. According to MTA, the eight percent of gross sales rent structure was considered pursuant to the City Administrator's June 1, 2020 memo advising City departments to provide lease relief measures to support tenant retention and business continuity because of the pandemic. MTA states that the agency coordinated with other government departments and private sector entities to identify a lease structure, determining that a percentage rent model was the most appropriate structure and negotiated the percentage rent with the tenant. According to MTA, this structure enabled the tenant to continue operating despite a 40 percent decline in garage traffic and approximately 35 percent vacancy rates in the Union Square area, which occurred from 2020 to 2023. MTA states that the rent structure was maintained because the property location has not fully recovered and economic conditions remain uncertain. The percentage rent model provides flexibility and allows both parties to benefit as economic conditions improve.

The existing lease agreement was never formally amended to reflect this change and neither were MTA's other leases. MTA staff state that due to the state of emergency and capacity constraints (both internal and citywide) during the pandemic, they were unable to formally document these changes across their portfolio at the time, intending instead to formalize the rent structures as leases came up for renewal.

The amended and restated lease formalizes the eight percent of gross sales rent structure. There is no minimum monthly rent in the initial term. If the extension options are exercised, the lease transitions from a percentage rent model to a fixed rent structure. If the first extension term is exercised, base rent becomes the greater of 103 percent of the average percentage rent paid during the last 12 months of the lease term or the prevailing market rate. If the second extension term is exercised, base rent becomes the greater of 103 percent of the rent immediately before the first extension expires or 95 percent of the prevailing market rate. The rent then increases by four percent annually. According to MTA, the first extension term was intended to include annual four percent rent escalations; however, this provision is not currently reflected in the amended and restated lease. MTA is consulting with the City Attorney's Office regarding the necessary revisions.

Fair-Market Rent

An appraisal conducted in January 2026 determined that the fair market rent for this site is \$43.03 per square foot as of November 19, 2025 and in the condition prior to the tenant improvements completed in 2020. Under the eight percent gross revenue model, Tad's has paid

an average of approximately \$241,281 annually from FY 2022-23 to FY 2024-25, equivalent to approximately \$44.95 per square foot. This exceeds the independent appraisal, which estimated market rent at \$43.03 per square foot annually. Under the prior lease structure, base rent was calculated on a fixed price-per-square-foot basis.

Comparison to Other City Leases with Restaurants

The Airport reported to our office in 2024 that the average percentage rent rate for food and beverage tenants was 13 percent in CY 2023. All Airport leases have a minimum annual guaranteed rent and percentage rent structure. The Port reported to us in October 2025 that the average percentage rent rate for restaurant tenants was eight percent. All Port leases have a minimum annual guaranteed rent and percentage rent structure. Port leases are more comparable to the proposed lease. This suggests the proposed eight percent rent is reasonable, though the lack of a minimum guaranteed rent in the proposed lease is unusual. In November 2025, the Board of Supervisors approved another MTA garage lease, Mel's Drive-In at the Fifth & Mission Garage, with no fixed rent and percentage rent based on eight percent of sales (File 25-1052).

Additional Amended Lease Provisions

The amended and restated lease also establishes the monthly water charge to \$2,400 retroactive to February 1, 2024. MTA states this would align with water rates paid by sub-metered restaurants of similar size in the MTA portfolio. If the tenant exercises an extension option, the monthly water charge will start at \$2,500 per month, increasing by \$50 annually up to a maximum of \$3,000 per month during the extension term.

In addition, the amendment would waive Tad's obligation to pay outstanding water charges for the period from February 1, 2020 through January 31, 2024 (totaling \$65,400). According to MTA, the original water charges were based on pre-pandemic usage levels and determined to be excessive given current economic conditions and activity levels in the area.

FISCAL IMPACT

Under the proposed amended and restated lease, projected rental revenue over the lease term is approximately \$1,899,144. MTA projects annual rent of approximately \$241,281 from FY 2026-27 to FY 2028-29 (pro-rated to April 30, 2029) based on the three-year historical average actual rent from FY 2022-23 to FY 2024-25. Historical and projected revenue for the lease term are shown in Exhibit 2 below.

Exhibit 2: Historical MTA Revenue and Projection from FY 2025-26 to FY 2028-29

Fiscal Year	Amount
FY 2019-20 (Actual) ²	\$73,810
FY 2020-21 (Actual)	\$44,481
FY 2021-22 (Actual)	\$125,055
FY 2022-23 (Actual)	\$223,138
FY 2023-24 (Actual)	\$252,180
FY 2024-25 (Actual)	\$248,526
3-Year Historical Average (FY 2022-23 to FY 2024-25)	\$241,281
FY 2025-26 (Actual ³ and Projection)	\$248,325
FY 2026-27 (Projection)	\$241,281
FY 2027-28 (Projection)	\$241,281
FY 2028-29 (Projection to April 30, 2029)	\$201,067
Total Projected	\$1,899,144

Source: MTA

Compared to the original lease, the proposed amended and restated lease (which incorporates the percentage rent model) is projected to reduce rental revenue over the lease term by approximately \$3.42 million, from \$5.32 million to an estimated \$1.9 million.

Use of Revenues

Revenues from this lease will be used to fund MTA's transit operations.

POLICY CONSIDERATION

Our report to the November 5, 2025 Budget & Finance Committee meeting disclosed that MTA had been conducting lease transactions verbally and recommended that the Department formalize its lease agreements. According to MTA, the agency has worked over the past six months to formally amend existing leases and activate vacant spaces with new tenants. Since the November 5, 2025 Budget and Finance Committee meeting, MTA has formally amended three additional agreements of the 16 leases requiring formalization, while six leases are awaiting drafting and execution of finalized terms. MTA has also executed three new leases and expects to execute two additional new tenant leases by June 1, 2026.⁴

² Rent commenced in February 2020.

³ Actual revenues are as of April 30, 2026

⁴ These leases include the following: (1) Two Wells Fargo ATMs at 5th & Mission, (2) Pollalaster at 5th & Mission, (3) WM Glen at Sutter Stockton, (4) Real Mocha House at 1288 Polk and (5) Grace Jewelry at Ellis O'Farrell.

RECOMMENDATIONS

1. Amend the resolution to state that Board of Supervisors approval is retroactive.
2. Approve the resolution, as amended.

Item 11 File 26-0509	Department: Department of Public Health
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would approve the first amendment to the agreement between the Department of Public Health and Westside Community Mental Health Center to extend the agreement term by two years, from June 30, 2026, to June 30, 2028, and increase the maximum agreement amount by \$13,691,234 for a new total not-to-exceed of \$21,466,168. Key Points - Program services are provided at the Eleanora Fagan Center (1018 Mission Street)—a partnership among Westside Community Services, DPH Behavioral Health Services, and the Department of Homelessness and Supportive Housing (HSH). The program is part of Mayor Lurie’s “Breaking the Cycle” Initiative. - Under the amended contract, Westside Community Mental Health Center would provide: (1) Respite Living Space Operations, which provides 76 non-congregate short-term respite beds for individuals walking in off the street for stays up to 90 days; and (2) Field-Based Clinical Services, which provides short-term urgent care interventions to the individuals residing in the respite beds at the Eleanora Fagan Center. According to DPH, there is no formal performance monitoring report available yet for FY 2025-26, but the respite program has met performance targets for the fiscal year to date. DPH conducted citywide fiscal and compliance monitoring for Westside Community Services for FY 2025-26 and identified no findings. Fiscal Impact - The Respite Living Space Operations reflect an annual cost of approximately \$70,045 per bed (which equates to \$13,443 per unduplicated client annually), and the Field-Based Clinical Services reflect an annual cost of approximately \$3,412 per unduplicated client. The cost per bed is similar to less medically intensive HSH shelter programs. - The amended contract is funded by Proposition C (Our City, Our Home) funds and Medi-Cal revenue. Recommendation - Approve the proposed resolution.	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Department of Public Health (DPH) selected Westside Community Mental Health Center pursuant to San Francisco Administrative Code Section 21A.4, which allows DPH to enter into agreements with service providers to meet the “imminent need for behavioral and public health needs” without adhering to the competitive solicitation requirements of the Administrative Code.

The current agreement was initiated on June 2, 2025 to provide short-term respite beds and health stabilization support at the Eleanora Fagan Center—a partnership among Westside Community Services, DPH Behavioral Health Services, and the Department of Homelessness and Supportive Housing (HSH). The program is part of Mayor Lurie’s “Breaking the Cycle” Initiative, which aims to integrate public health and homeless services. While this program is Public Health program, Westside is required to work directly with HSH and DPH to remain available for walk-in services and to coordinate client referrals, and the site must abide by HSH standards for city shelters and comply with the city grievance process for shelters. The proposed services are targeted toward San Francisco adults experiencing homelessness who have primary and/or behavioral health challenges, with a special focus on providing immediate stabilization, urgent behavioral health crisis support, and linkages to ongoing outpatient treatment and recovery services. The original contract agreement has a not to exceed value of \$7,774,934 and an initial term that included a brief one-month start-up period in June 2025 followed by one full fiscal year through June 30, 2026.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the agreement between DPH and Westside Community Mental Health Center to extend the agreement term by two years, from June 30, 2026, to June 30, 2028, and increase the maximum agreement amount by \$13,691,234 for a new total not-to-exceed amount of \$21,466,168. The proposed resolution would also authorize DPH to enter into amendments or modifications to the agreement that do not materially increase the obligations or liabilities to the City.

Services Provided

Under the amended contract, Westside Community Mental Health Center would provide the following two primary services at the Eleanora Fagan Center at 1018 Mission Street, acting as a first step for individuals to exit homelessness and transition into health and recovery.

Respite Living Space Operations includes 76 non-congregate short-term respite beds for individuals walking in off the street for stays up to 90 days.¹ The program provides 24/7 safety monitoring, basic health and hygiene supplies, daily meals, and on-site transitional case management. Case managers assist with exit planning, obtaining ID cards or health insurance, and coordinating linkages to offsite recovery, healthcare, and social services. This program component also includes a subcontract with The Salvation Army to provide a transition coach for participant mentorship.

Field-Based Clinical Services provides short-term urgent care interventions specifically to the individuals residing in the respite beds at the Eleanora Fagan Center. Services focus on immediate stabilization and include behavioral health assessments, medication evaluation and management (including medication-assisted treatment for opioid and alcohol use disorders), wound care, and routine nursing care. The field-based clinical team ultimately aims to link clients to ongoing outpatient treatment programs, community-based recovery supports, and appropriate housing resources.

DPH sets formal targets to serve 396 unduplicated clients annually in the Respite program and 337 unduplicated clients annually in the Field-Based Clinical program.

Program Performance

According to DPH, there is no formal performance monitoring report available for FY 2025-26 yet, but the Department was able to provide us with performance results for the current fiscal year to date. The amended agreement includes the following performance measures and results to date:

Respite Living Space Operations

- **Occupancy Target:** Maintain 85 percent program occupancy after the initial start-up period, with the goal of reducing homelessness by 23,579 bed nights annually (calculated as 85 percent occupancy of 76 beds for 365 days). Year to date, the program is at 86 percent occupancy.
- **Program Completion Target:** 60 percent of participants will successfully complete the program. A successful completion is defined as a positive exit outcome that serves as a step into recovery and out of street homelessness, such as transitioning to substance use disorder or mental health residential treatment, transitional or permanent supportive housing, or reconnecting with family. Year to date, the program has discharged 96 percent of clients to ongoing substance use disorder treatment.
- **Assessment Target:** 85 percent of clients will complete an adult coordinated entry assessment. Year to date, all clients have been connected to the coordinated entry system.

¹ According to DPH, the current average length of stay is 56 days.

- **Quarterly Reporting Metrics:** The contractor must track and report the number of admissions (including by referral source), unduplicated clients, demographics, length of stay, engagement in recovery and clinical services, completion rates, and discharge reasons and destinations. Year to date data was not provided for this metric.
- **Surveys:** The program must conduct client and staff feedback surveys at least twice annually. The Department reports that the program has implemented client and staff surveys at least twice this fiscal year.

Field-Based Clinical Services

The Department reported that it has developed performance measures for this program, but did not make them available for our review. The quarterly reporting metrics the clinical team must track include: the number of unique clients, client demographics, number of assessments, diagnoses, and number of visits. They must also track the number of clients started and stabilized on medications for opioid use disorder and mental health medications, as well as the discharge destinations for ongoing behavioral health treatment.

Fiscal and Compliance Monitoring

DPH conducted citywide fiscal and compliance monitoring for Westside Community Services for FY 2025-26 and identified no findings. The review evaluated multiple standards, including the agency-wide budget, audited financial statements, financial reports, and invoice review.

FISCAL IMPACT

The proposed first amendment would increase the not-to-exceed amount of the agreement by \$13,691,234, from \$7,774,934 to a total not to exceed \$21,466,168, including a 12 percent contingency. Exhibit 1 below summarizes the proposed contract budget as well as actual expenditures for June FY 2024-25 for start-up costs.

Exhibit 1: Proposed Contract Budget and Actual Expenditures

	Current Contract		Proposed		Total
	FY 2024-25 June	FY 2025-26 Budget	FY 2026-27	FY 2027-28	
Respite Living Space Operations	\$69,175	\$5,323,425	\$5,323,425	\$5,323,425	\$16,039,450
Field-Based Clinical Services	0	1,149,860	1,149,860	1,149,860	3,449,580
Cost of Dong Business Increase			90,626	287,543	378,169
Subtotal	69,175	6,473,285	6,563,911	6,760,828	19,867,199
Contingency (12%)					1,598,969
Total					\$21,466,168

Source: Proposed Amendment No. 1 and DPH

The Respite Living Space Operations reflect an annual cost of approximately \$70,045 per bed (which equates to \$13,443 per unduplicated client annually), and the Field-Based Clinical Services reflect an annual cost of approximately \$3,412 per unduplicated client. The cost per bed is similar to less medically intensive HSH shelter programs.

The amended contract funds 38.95 full-time equivalent (FTE) employees, which includes 35.25 direct service FTEs (such as nurse practitioners, vocational nurses, program monitors, case managers, and facility staff) and 3.70 indirect administrative FTEs.

Funding Sources

The amended contract will be funded by Proposition C (Our City, Our Home) funds and Medi-Cal reimbursements.

RECOMMENDATION

Approve the proposed resolution.

Item 12 File 26-0547	Department: Mayor's Office of Housing and Community Development
EXECUTIVE SUMMARY	
Legislative Objectives - The proposed resolution would: (a) approve an amended and restated loan agreement with Golden Gate Apartments, L.P. in an amount not to exceed \$22,578,308 to rehabilitate the Golden Gate Apartments; and (b) approve a ground lease for the property for a term of 75 years with one 24-year option to extend and an annual base rent of \$15,000. Key Points - The Golden Gate Apartments is an existing 72-unit affordable housing project, consisting of three buildings located at 1820 Post Street. The project is operated by Chinatown Community Development Center (CCDC). In 1999, the former San Francisco Redevelopment Agency acquired the land and leased it back to CCDC and provided a loan of \$746,833 to CCDC to acquire the improvements. MOHCD assumed the ground lease and acquisition loan when the Redevelopment Agency dissolved. - The proposed ground lease would replace the existing ground lease due to a change in ownership of the project. CCDC is refinancing the project, which allows the project to obtain new tax credit equity to finance rehabilitation. As part of the refinancing, a new limited partnership (Golden Gate Apartments, L.P.) is acquiring the project from the existing limited partnership (GGA 1920 Post, L.P.), though both are controlled by CCDC. - MOHCD is proposing to recast the existing acquisition loan and provide new loans under the Preservation and Seismic Safety (PASS) program to rehabilitate the project. The scope of work includes removal and replacement of exterior siding, new roofing, window replacement, conversion of eight units to code-compliant mobility units, unit upgrades, site improvements for accessibility, and replacement of the sewer lateral. Fiscal Impact - The City's subsidy for the rehabilitation of the project is \$22.6 million, or approximately \$314,000 per unit, including PASS funding of approximately \$306,000 per unit - The recast acquisition loan of \$532,308 is funded by the Low and Moderate Income Housing Asset Fund. New PASS loans of up to \$22,046,000 are funded by 2016 General Obligation Bonds for the PASS program. - The proposed resolution would also forgive \$1,330,257 in residual rent and accrued interest under the existing ground lease. These funds would otherwise accrue to the Low and Moderate Income Housing Asset Fund. Recommendation - Approve the proposed resolution.	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 23.30 states that the Board of Supervisors shall approve all leases on behalf of the City as landlord by resolution for which the term is longer than a year and costs over \$15,000 per month. Leases of City property that require Board of Supervisors approval may be less than market rate if the Board of Supervisors finds that doing so would serve a public purpose.

BACKGROUND**Rehabilitation of Golden Gate Apartments**

The Golden Gate Apartments is an existing 72-unit affordable housing project, consisting of three buildings located at 1820 Post Street. The project is operated by Chinatown Community Development Center (CCDC). In 1999, CCDC acquired the improvements and the former San Francisco Redevelopment Agency acquired the land and leased it back to CCDC. The Redevelopment Agency also provided an acquisition loan of \$746,833 to CCDC. MOHCD assumed the ground lease and acquisition loan when the Redevelopment Agency dissolved.

According to the Mayor's Office of Housing and Community Development (MOHCD) loan evaluation on the proposed loan (MOHCD Loan Evaluation), the project needs to be rehabilitated to preserve the building. The rehabilitation scope of work includes removal and replacement of exterior siding, new roofing, window replacement, conversion of eight units to code-compliant mobility units, unit upgrades, site improvements for accessibility, and replacement of the sewer lateral. In April 2026, the Citywide Affordable Housing Loan Committee approved a loan of up to \$22,578,308 for rehabilitation of the project. Construction is expected to begin in July 2026 and to be completed by April 2028.

Selection

CCDC applied for funding from the Preservation and Seismic Safety (PASS) program, which accepts applications on a rolling basis, and received an award based on the project's eligibility under PASS program regulations.¹

¹ The PASS program was authorized by voters in 2016 and provides low-cost financing to fund the acquisition and preservation of affordable housing and seismic retrofits to existing buildings. The program is funded by \$260.7 million in general obligation bonds, including \$156.0 million for market-rate loans and \$104.7 million for below market-rate loans. Unlike other MOHCD permanent loans for affordable housing which are structured as soft debt

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- Approve a ground lease for 1820 Post Street with Golden Gate Apartments, L.P. for a term of 75 years with one 24-year option to extend and an annual base rent of \$15,000;
- Approve an amended and restated loan agreement in an amount not to exceed \$22,578,308 to rehabilitate the project;
- Affirm the Planning Department's determination under the California Environmental Quality Act;
- Adopt findings that the proposed transactions are consistent with the General Plan and policy priorities of the Planning Code; and
- Authorize the Director of MOHCD to execute loan documents and amend loan documents as needed.

Ground Lease

The project sponsor is refinancing the project, which allows the project to obtain new tax credit equity. As part of the refinancing, a new limited partnership (Golden Gate Apartments, L.P.) is acquiring the project from the existing limited partnership (GGA 1920 Post, L.P.). The proposed new ground lease is between the City and the new limited partnership and will replace the existing ground lease which is between the City and the existing limited partnership. The proposed resolution authorizes the termination of the existing ground lease and forgiveness of the remaining balance of residual rent and accrued interest in the amount of \$1,330,257.²

The proposed ground lease is for a term of 75 years with an option to extend for an additional 24 years and restricts the lessee to operating the housing development as affordable housing only. The ground lease includes a base rent of \$15,000 per year, plus residual rent up to 10 percent of the site's appraised value, for a maximum rent of up to \$500,000. Residual rent will be paid by residual receipts upon full repayment of the recast MOHCD acquisition loan. According to the MOHCD Loan Evaluation, the appraised value of the land and improvements is \$22,500,00 based on an appraisal dated May 15, 2025. MOHCD is working with CCDC to get the appraised value of the land only in order to calculate the final residual rent amount.

and repaid through residual receipts, PASS program loans are structured as hard debt, which means they must be repaid every month for the duration of the lending period.

² According to MOHCD staff, CCDC has consistently paid base rent (\$15,000 per year) under the existing ground lease but has not always been able to pay residual rent (\$128,400 per year) because the project did not have sufficient surplus cash. Under the terms of the original ground lease, the unpaid residual rent is deferred and accrues interest at a rate of 3% per year until paid. Under the proposed lease, if the project cannot make residual rent payments, residual rent is not owed.

Loan Agreement

The proposed Amended and Restated Loan Agreement would: (a) recast the existing loan, which has a remaining balance of \$514,473 plus unpaid interest of \$17,835, for a new principal amount of \$532,308; and (b) provide a new PASS program loan totaling approximately \$22.0 million. The total loan amount would be up to \$22,578,308. The PASS loans have 40-year terms, and the recast acquisition loan has a 55-year term. Key terms of the loan are summarized in Exhibit 1 below.

Exhibit 1: Loan Summary for Golden Gate Apartments

Loan	Amount	Annual Interest Rate	Interest Type	Repayment
PASS Market Rate	\$13,417,196	6.61%	Compound	Monthly Payments
PASS Below Market Rate	7,422,888	1.87%	Compound	Monthly Payments
PASS Deferred	1,205,916	1.87%	Compound	Repaid at Maturity
<i>PASS Subtotal</i>	<i>22,046,000</i>			
Existing Acquisition Loan, Recast	532,308	4.62%	Simple	Annual Payments, equal to Residual Receipts
Total	\$22,578,308			

Source: Master Promissory Notes

Loan Documents

In addition to the Amended and Restated Loan Agreement, the proposed resolution also approves the following associated loan documents:

- The Amended and Restated Declaration of Restrictions, which requires the project sponsor to maintain the housing affordability levels defined in the loan agreement for the life of the project, even after the loan is paid in full or otherwise satisfied;
- Four Promissory Notes for the loan (one for each loan type shown in Exhibit 2 above); and
- The Deed of Trust, which secures the loan.

FISCAL IMPACT

The proposed loan would provide up to \$22,578,308 to rehabilitate the Golden Gate Apartments. The sources and uses of funds are shown in Exhibit 2 below. The proposed resolution would also forgive \$1,330,257 in residual rent and accrued interest under the existing ground lease.

Exhibit 2: Sources and Uses of Proposed Loan

Sources and Uses	Amount	Per Unit
<u>Sources</u>		
<u>MOHCD Loans</u>		
Recast Acquisition Loan	\$532,308	\$7,393
PASS Loans	22,046,000	306,194
<i>Subtotal, MOHCD Loans</i>	<i>22,578,308</i>	<i>313,588</i>
Seller Carryback Loan*	20,795,592	288,828
Income from Operations	1,893,559	26,299
Deferred Developer Fee	5,091,502	70,715
General Partner Capital - Reserves	476,973	6,625
Limited Partner Equity	21,945,295	304,796
Accrued Deferred Interest	2,303,629	31,995
Total Sources	\$75,084,858	\$1,042,845
<u>Uses</u>		
Acquisition	22,703,750	315,330
Hard Costs (incl. 11% contingency)	30,614,395	425,200
Soft Costs (incl. 6% contingency)	13,958,645	193,870
Reserves	716,566	9,952
Developer Fee	7,091,502	98,493
Total Uses	\$75,084,858	\$1,042,845

Source: MOHCD

*In order to access tax credits and refinance the project, the new limited partnership must pay the full value of the property to the previous limited partnership. The Seller Carryback Loan is a loan from the previous limited partnership to the new limited partnership equal to the existing debt and carryback.

City Funding Sources

The recast acquisition loan is funded by the Low and Moderate Income Housing Asset Fund. New PASS loans are funded by 2016 General Obligation Bonds for the PASS program. If not forgiven, the \$1,330,257 in residual rent and accrued interest would otherwise accrue to the Low and Moderate Income Housing Asset Fund.

City Subsidy

The City's subsidy for the rehabilitation of the project is \$22.6 million, or approximately \$314,000 per unit, including PASS funding of approximately \$306,000 per unit, as shown in Exhibit 2 above. Because PASS funding is a hard debt product, there are no subsidy guidelines for PASS funding, but PASS loans are normally constrained and sized based on a minimum debt service coverage ratio of 1.15, a maximum loan-to-value ratio of 90 percent, and a maximum loan-to-cost ratio of 80 percent. However, the loan-to-value ratio of the proposed loans is 97 percent, which exceeds the normal limit of 90 percent, to provide a larger loan to the project. According to the MOHCD loan evaluation, the project is very stable and has low turnover. In the unlikely event the project

is not able to meet its debt service obligations, the project would still have sufficient value to cover the loan amount because the loan-to-value ratio is less than 100 percent. The Project's debt service coverage ratio increases from 1.15 in Year 1 to 1.27 in Year 20, which mitigates the risk that the Project will not be able to meet its debt service obligations.

Operating Budget

According to the 20-year cash flow analysis for the project, the project will have sufficient revenues to cover operating expenses, management fees, and debt service on the PASS loans. Project revenues consist of tenant rent and rental subsidies for 55 units funded by Federal funding under the Housing Choice Voucher program. A portion of net income after operating expenses (residual receipts) will be used to repay the recast acquisition loan and residual rent under the proposed ground lease once the acquisition loan is repaid.

RECOMMENDATION

Approve the proposed resolution.