

1 [Acquisition of Real Property - Turk 500 Associates, L.P. - 500-520 Turk Street/555 Larkin
2 Street - 100% Affordable Housing - \$0 in Exchange for \$12,250,000 Credit - Ground Lease
with Base Rent of \$15,000 - Loan Not to Exceed \$32,400,000]

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4 **Resolution 1) approving and authorizing the Director of Property, on behalf of the**
5 **Mayor’s Office of Housing and Community Development (“MOHCD”), to acquire real**
6 **property, located at 500-520 TurkStreet/555 Larkin Street (“Property”) from Turk 500**
7 **Associates, L.P. (“Developer”) for \$0 in exchange for a \$12,250,000 credit; 2) placing**
8 **the Property under the jurisdiction of MOHCD for use in constructing affordable**
9 **housing for San Franciscans; 3) approving and authorizing an Amended and Restated**
10 **Loan Agreement in an amount not to exceed \$32,400,000 for a minimum loan term of 57**
11 **years (“Loan Agreement”) to finance the construction of a 100% affordable, 108-unit**
12 **multifamily rental housing development (plus one staff unit) on the Property for low**
13 **income households with ancillary commercial space for public benefit or community-**
14 **serving purposes (“Project”); 4) approving and authorizing an Agreement for Purchase**
15 **and Sale for acquisition of the Property (“Purchase Agreement”) and a Ground Lease**
16 **back to the Developer for a lease term of 75 years and one 24-year option to extend and**
17 **an annual base rent of \$15,000 in order to construct the Project (“Ground Lease”); 5)**
18 **adopting findings that the Purchase Agreement, Loan Agreement and Ground Lease**
19 **are consistent with the General Plan, and the eight priority policies of Planning Code,**
20 **Section 101.1; and 6) authorizing the Director of Property to execute the Purchase**
21 **Agreement, Ground Lease, and authorize Director of MOHCD to execute the Loan**
22 **Agreement, make certain modifications to such agreements, and take certain actions in**
23 **furtherance of this Resolution, as defined herein.**

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1 WHEREAS, The City and County of San Francisco (the “City”), acting through
2 MOHCD, administers a variety of housing programs that provide financing for the
3 development of new affordable housing and the rehabilitation of single- and multi-family
4 housing for low- and moderate-income households and resources for homeowners in San
5 Francisco; and

6 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
7 and operators; administers loan agreements; reviews annual audits and monitoring reports;
8 monitors compliance with affordable housing requirements in accordance with capital funding
9 regulatory agreements; and if necessary, takes appropriate action to enforce compliance; and

10 WHEREAS, On April 18, 2016, MOHCD issued the Proposition A Notice of Funding
11 Availability (“NOFA”), for the acquisition and predevelopment financing for affordable
12 multifamily rental housing; and

13 WHEREAS, The Tenderloin Neighborhood Development Corporation (“TNDC”),
14 California nonprofit public benefit corporation, responded to the NOFA, and the Project was
15 selected for development funding; and

16 WHEREAS, TNDC established Turk 500 Associates, L.P., a California limited
17 partnership (collectively, with TNDC, the “Developer”), as a separate entity under which
18 to develop the Project; and

19 WHEREAS, The Developer acquired the Property (Lot 002, Block 0741) for the
20 purpose of developing the Project; and

21 WHEREAS, MOHCD has evaluated the Property and confirmed that it can utilize the
22 Property for development of permanently affordable housing, and the City desires to acquire
23 the Property, and place under the jurisdiction of MOHCD, from Developer for the purpose of
24 constructing affordable housing; and

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1 WHEREAS, By an authorization dated September 18, 2018 (the “Planning Department
2 Authorization”), the Planning Director authorized the affordable housing project authorization
3 for the Project, deeming the Project consistent with the General Plan, and eight priority
4 policies of Planning Code, Section 101.1, a copy of the authorization is on file with the Clerk of
5 the Board of Supervisors in File No. 191265, and is incorporated herein by reference; and

6 WHEREAS, City, through MOHCD and Real Estate Division, in consultation with the
7 Office of the City Attorney, has negotiated the Purchase Agreement to acquire the Property
8 from Developer for \$0 in exchange for a \$12,250,000 credit substantially in the form approved
9 by the Director of Property and the Acting Director of MOHCD and on file with the Clerk of the
10 Board of Supervisors in File No. 191265, incorporated herein by reference; and

11 WHEREAS, The Director of Property determines the Property to be at or below fair
12 market value, which was confirmed by an independent appraisal; and

13 WHEREAS, The Property will be delivered vacant at close of sale; and

14 WHEREAS, MOHCD and the Director of Property have approved the form of the
15 Ground Lease between City and the Developer, pursuant to which the City will lease the
16 Property back to the Developer for a term of 75 years and one 24-year option to extend and a
17 base rent of fifteen thousand dollar (\$15,000) per year, in exchange for the Developer’s
18 agreement, among other things, to construct and operate the Project with rent levels
19 affordable to households up to 80% of unadjusted San Francisco Area Median Income (AMI),
20 and a copy of the Ground Lease in a form substantially approved is on file with the Clerk of
21 the Board of Supervisors in File No. 191265, and is incorporated herein by reference; and

22 WHEREAS, The proposed rent of the Ground Lease is less than Market Rent (as
23 defined in Administrative Code, Section 23.2), but the lower rent will serve a public purpose by
24 providing affordable housing for low-income households in need; and

1 WHEREAS, MOHCD is also providing the Developer with new financial assistance to
2 leverage equity from an allocation of low-income housing tax credits, funds from the State of
3 California, and other funding sources in order for Developer to construct the Project; and

4 WHEREAS, On October 18, 2019, the Citywide Affordable Housing Loan Committee,
5 consisting of MOHCD, Department of Homeless and Supportive Housing, and the Office of
6 Community Investment and Infrastructure, recommended approval to the Mayor of the Loan
7 Agreement for the Project in an amount not to exceed \$32,400,000 in local funds for a total
8 loan amount of \$32,400,000, a copy of which is in a form substantially approved is on file with
9 the Clerk of the Board of Supervisors in File No. 191265, and is incorporated herein by
10 reference; and

11 WHEREAS, The Loan Agreement would be entered into under the following material
12 terms: (i) a minimum term of 57 years; (ii) an interest rate of zero percent (0%); (iii) annual
13 repayment of the Loan Agreement by Developer through residual receipts from the Project;
14 (iv) the Project shall be restricted for life of the Project as affordable housing to low-income
15 households with annual maximum rent and income established by MOHCD; and (v) the Loan
16 Agreement shall be secured by a deed of trust recorded against the Developer's leasehold
17 interest in the Property; and

18 WHEREAS, In consideration of and upon the Developer's conveyance of the Property
19 to the City, MOHCD will apply a credit of \$12,250,000 to the outstanding balance and accrued
20 interest under the Loan Agreement, subject to the conditions described in the Purchase
21 Agreement; now, therefore, be it

22 RESOLVED, That the Board of Supervisors hereby finds that the Project (and
23 associated actions necessary to effectuate the Project) is consistent with the General Plan,
24 and with the eight priority policies of Planning Code, Section 101.1, for the same reasons as
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1 set forth in the Planning Department Authorization, and hereby incorporates such findings by
2 reference as though fully set forth in this Resolution; and, be it

3 FURTHER RESOLVED, That in accordance with the recommendation of the Acting
4 Director of MOHCD and the Director of Property, the Board of Supervisors approves the
5 Purchase Agreement and the Ground Lease, each in substantially the form presented to the
6 Board, and authorizes the Director of Property (or the Director's designee, as used
7 throughout), to execute and deliver the Purchase Agreement and the Ground Lease, each in
8 substantially the form presented to the Board, and any such other documents that are
9 necessary or advisable to complete the transaction contemplated by the Purchase Agreement
10 and the Ground Lease, and to effectuate the purpose and intent of this Resolution, and
11 determines that the less than Market Rent payable under the Ground Lease will serve a public
12 purpose by providing affordable housing for low-income households in need; and, be it

13 FURTHER RESOLVED, That MOHCD has legal authority, is willing, and is in a position
14 financially and otherwise to assume immediate care and maintenance of the Property, and
15 that the Director of Property, is hereby authorized to accept the deed to the Property from the
16 Developer upon the closing in accordance with the terms and conditions of the Purchase
17 Agreement, to place the Property under the jurisdiction of MOHCD, and to take any and all
18 steps (including, but not limited to, the execution and delivery of any and all certificates,
19 agreements, notices, consents, escrow instructions, closing documents and other instruments
20 or documents) as the Director of Property deems necessary or appropriate in order to acquire
21 the Property pursuant to the Purchase Agreement, or to otherwise effectuate the purpose and
22 intent of this Resolution, such determination to be conclusively evidenced by the execution
23 and delivery by the Director of Property of any such documents; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
25 Agreement in substantially the form presented to the Board, and authorizes the Mayor and the

1 Director of MOHCD (or the Director's designee, as used throughout), to execute and deliver
2 the Loan Agreement and any such other documents that are necessary or advisable to
3 complete the transaction contemplated by the Loan Agreement and to effectuate the purpose
4 and intent of this Resolution; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
6 Property and/or Director of MOHCD, in consultation with the City Attorney, to enter into any
7 additions, amendments, or other modifications to the Purchase Agreement, Ground Lease,
8 Loan Agreement, and any other documents or instruments necessary in connection therewith
9 (including, without limitation, preparation and attachment or, or changes to, any of all of the
10 exhibits and ancillary agreements), that the Director of Property and/or Director of MOHCD
11 determine are in the best interests of the City, do not materially decrease the benefits to the
12 City with respect to the Property, do not materially increase the obligations or liabilities of the
13 City, and are necessary or advisable to complete the transaction contemplated in the
14 Purchase Agreement, Ground Lease, and Loan Agreement, and that effectuate the purpose
15 and intent of this Resolution, such determination to be conclusively evidenced by the
16 execution and delivery by the Director of Property and/or the Director of MOHCD of any such
17 additions, amendments, or other modifications; and, be it

18 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
19 delegates to the Director of MOHCD and/or the Director of Property, the authority to
20 undertake any actions necessary to protect the City's financial security in the Property and
21 enforce the affordable housing restrictions, which may include, without limitation, acquisition
22 of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed in lieu of
23 foreclosure, or curing the default under a senior loan; and, be it

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1 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
2 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
3 and be it

4 FURTHER RESOLVED, That within thirty (30) days of the Purchase Agreement, the
5 Ground Lease, and Loan Agreement being fully executed by all parties, MOHCD shall provide
6 the final agreements to the Clerk of the Board for inclusion into the official file.

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