

1 [Loan Agreement - 2550 Irving Associates, L.P. - 100% Affordable Housing at 2550 Irving
2 Street - Not to Exceed \$14,277,516]

3 **Resolution approving and authorizing the Director of the Mayor's Office of Housing and**
4 **Community Development with 2550 Irving Associates, L.P. to execute loan documents**
5 **relating to a loan to provide financing for the acquisition of real property located at**
6 **2550 Irving Street, and predevelopment activities for a 100% affordable multifamily**
7 **rental building, in an aggregate amount not to exceed \$14,277,516; approving the form**
8 **of the loan agreement and ancillary documents; ratifying and approving any action**
9 **heretofore taken in connection with the property; granting general authority to City**
10 **officials to take actions necessary to implement this Resolution, as defined herein; and**
11 **finding that the loan is consistent the General Plan, and the priority policies of**
12 **Planning Code, Section 101.1.**

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14 WHEREAS, The City and County of San Francisco, acting through the Mayor's Office
15 of Housing and Community Development ("MOHCD"), administers a variety of housing
16 programs financing the development of new affordable housing and rehabilitation of single-
17 and multi-family housing for low- and moderate-income households and resources for
18 homeowners in San Francisco; and

19 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
20 for the purpose of acquiring and developing 100% affordable housing within the City; and

21 WHEREAS, The 2019 Affordable Housing Bond priorities include \$15M each for
22 acquisition and predevelopment of low-income family and senior housing production to
23 achieve geographic balance; and

24 WHEREAS, MOHCD published a Notice of Funding Availability for acquisition and
25 predevelopment financing on December 27, 2019 to finance site acquisition and

1 predevelopment activities for proposed affordable family housing located in Districts 1, 2, 4, 7
2 and 8; and

3 WHEREAS, District 4 consistently has the lowest cumulative housing balance in the
4 City’s Housing Balance Report, due to low production and extreme loss of protected status
5 units, and has lost 461 units of rent-controlled housing in the last decade; and

6 WHEREAS, In fiscal year 19-20, there were 4,430 applications for affordable housing
7 in District 4, and only 35 applicants, less than 1%, were placed in affordable housing, all
8 outside of the Sunset; and

9 WHEREAS, the Planning Department’s Community Needs Assessment Report, a part
10 of the Sunset Forward neighborhood community planning process which aims to “stabilize
11 low- and moderate-income families and seniors in the Sunset”, showed that 65% of residents
12 think that housing in the Sunset is unaffordable and 40% think their future housing needs will
13 not be met in their existing homes; and

14 WHEREAS, Tenderloin Neighborhood Development Corporation, a California nonprofit
15 public benefit corporation, was recommended for an acquisition and predevelopment loan
16 under the NOFA, and established 2550 Irving Associates, L.P., a California limited partnership
17 (the “Borrower”) as an affiliate to acquire the Property and develop affordable housing; and

18 WHEREAS, The Borrower intends to acquire the real property located at 2550 Irving
19 Street, San Francisco (the “Property”) in order to develop a 100% affordable family rental
20 housing for extremely-low, very-low, low-, and moderate-income households with studio, 1-
21 bedroom, 2-bedroom, and 3-bedroom units, and ancillary space for residential property staff
22 offices and social services support, and a community-serving space, to be commonly known
23 as “2550 Irving”; and

24 WHEREAS, On April 2, 2021, the Citywide Affordable Housing Loan Committee
25 recommended approval to the Mayor of a loan in an amount not to exceed \$14,277,516 (the

1 “Loan”) to finance Borrower’s acquisition of the Property and predevelopment activities
2 associated with the development of affordable family housing on the Property; and

3 WHEREAS, MOHCD desires to provide the Loan to the Borrower pursuant to a Loan
4 Agreement, a Secured Acquisition Promissory Note, a Secured Predevelopment Promissory
5 Note, Declaration of Restrictions, and a Deed of Trust (collectively, “Loan Documents”), in
6 substantially the form on file with the Clerk of the Board in File No. 210763, and in such final
7 form as approved by the Director of MOHCD and the City Attorney; and

8 WHEREAS, The material terms of the Loan Documents include: (i) a term of 57 years;
9 (ii) an interest rate of up to three percent (3%); (iii) annual repayment of the loan through
10 residual receipts; (iv) the Property will be restricted for life of the project as 100% affordable
11 family housing to lower- and moderate-income households with annual maximum rent and
12 income established by MOHCD; (v) the loan will be secured by a deed of trust recorded
13 against the Property; and (vi) if the Property cannot be developed within the time period
14 required by MOHCD’s loan agreement time period, the City can require the Property to be
15 transferred to another nonprofit organization or conveyed to the City; and

16 WHEREAS, It is the City’s intent to enter into an agreement in which the City will take
17 ownership of the Property and enter into a ground lease for the Property with the Borrower at
18 the time of construction of the affordable housing; and

19 WHEREAS, The FY22-23 budget for the City includes a proposed subsidy for SRO
20 families that is pending approval by the Board of Supervisors; and

21 WHEREAS, City officials have received communications reflecting diverse
22 perspectives in the neighborhood, including supporting the maximum number of units
23 possible, supporting a shorter building due to concerns about height, and opposition to
24 affordable housing at the site; which has divided the community in controversy; and

1 WHEREAS, The Department of Toxic Substances Control verified the onsite presence
2 of the contaminant tetrachloroethene (PCE), has determined action is needed to ensure the
3 Site is suitable for residential use, and has recommended that TNDC prepare a Response
4 Plan. TNDC has submitted a draft for DTSC approval and that the Response Plan approval is
5 a condition of the loan disbursement according to the Citywide Affordable Housing Loan
6 Committee Evaluation; and

7 WHEREAS, The Planning Department, through the General Plan Referral letter dated
8 June 21, 2021, found that the loan for the acquisition of the Property is not considered a
9 project under the California Environmental Quality Act ("CEQA", Pub. Resources Code
10 Section 21000 et seq.) pursuant to CEQA Guidelines Section 15060 and Chapter 31 of the
11 City's Administrative Code, and is consistent with the General Plan, and the eight priority
12 policies of Planning Code, Section 101.1; which letter is on file with the Clerk of the Board of
13 Supervisors in File No. 210763, and incorporated herein by this reference; now, therefore, be
14 it

15 RESOLVED, This Board affirms the Planning Department's determination that the
16 proposed loan is consistent, on balance, with the General Plan and with Planning Code
17 Section 101.1 for the reasons set forth in the Director of Planning's letter;

18 RESOLVED, That the Board of Supervisors urges MOHCD to consider applying an
19 SRO families operating subsidy for 2550 Irving if such subsidy program is approved, created
20 and funded by the Board of Supervisors, and, be it

21 RESOLVED, That the Board of Supervisors urges MOCHD and TNDC to have a
22 transparent community process to find an equitable balance between the goal of maximizing
23 housing units and addressing concerns of nearby residents about height and scale, within
24 existing zoning and feasibility; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
2 Documents, and authorizes the Director of MOHCD or the Director’s designee to enter into
3 the Loan Documents, including, without limitation, modifications of the Loan Documents, and
4 preparation and attachment of, or changes to, any of all of the exhibits and ancillary
5 agreements, and any other documents or instruments necessary in connection therewith, that
6 the Director determines, in consultation with the City Attorney, are in the best interest of the
7 City, do not materially increase the obligations or liabilities for the City or materially diminish
8 the benefits of the City, or are necessary or advisable to effectuate the purposes and intent of
9 this Resolution and are in compliance with all applicable laws, including the City Charter; and,
10 be it

11 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
12 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
13 authority to undertake any actions necessary to protect the City’s financial security in the
14 Property and enforce the affordable housing restrictions, which may include, without limitation,
15 acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed
16 in lieu of foreclosure, or curing the default under a senior loan; and, be it

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

20 FURTHER RESOLVED, That within thirty (30) days of the Loan Documents being fully
21 executed by all parties, MOHCD shall provide the Loan Agreement to the Clerk of the Board
22 for inclusion into the official file.

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1 RECOMMENDED:

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3 /s/ _____

4 Eric D. Shaw, Director

5 Mayor's Office of Housing and Community Development

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