

1 [Ground Lease and Loan Agreement - Mercy Housing California 97, L.P. - 600-7th Street -
2 100% Affordable Housing - Ground Lease with Base Rent of \$15,000 - Loan Not to Exceed
3 \$84,277,411]

4 **Resolution 1) approving and authorizing the Director of Property and the Mayor’s**
5 **Office of Housing and Community Development (“MOHCD”) to enter into a Ground**
6 **Lease for Real Property owned by the City and located at 600-7th Street (“Property”)**
7 **with the Mercy Housing California 97, L.P. (“Developer”) for a lease term of 75 years**
8 **and one 24-year option to extend and an annual base rent of \$15,000 (“Ground Lease”)**
9 **in order to construct a 100% affordable, 221-unit multifamily rental housing**
10 **development affordable to very-low and low-income households, with 120 units set**
11 **aside for households experiencing homelessness, and 4,223 square feet of commercial**
12 **space for community-serving purposes; 2) approving and authorizing a Loan**
13 **Agreement in an amount not to exceed \$84,277,411 for a minimum loan term of 57**
14 **years (“Loan Agreement”) to finance the development and construction of the Project;**
15 **3) approving and authorizing a Light, Air, Maintenance, and Access Easements**
16 **Agreement between the City, Archstone Concourse LLC, and the Developer for \$0 to**
17 **benefit the Project and maintain compliance with the Building Code and Fire Code**
18 **(“LAMA Easement”); 4) approving and authorizing the Director of Property and MOHCD**
19 **to enter into a Commercial Ground Lease for the Commercial Space with 600-7th Street**
20 **Mercy Commercial LLC at or prior to permanent financing; 5) adopting findings that the**
21 **Project and proposed transactions are consistent with the General Plan, and the eight**
22 **priority policies of Planning Code, Section 101.1; and 6) authorizing the Director of**
23 **Property and/or the Director of MOHCD to execute the Ground Lease, Loan Agreement,**
24 **and LAMA Easement, make certain modifications to such agreements, and take certain**
25 **actions in furtherance of this Resolution, as defined herein.**

1 WHEREAS, The City and County of San Francisco (“City”) owns certain real property
2 located at the intersection of 7th Street and Brannan Street in San Francisco, California,
3 which is comprised of approximately 30,800 square feet and known as Assessor's Parcel
4 Block No. 3783, Lot No. 010 (the “Property”); and

5 WHEREAS, Under Resolution No. 475-14, the Board of Supervisors authorized the
6 Director of Property to accept the Property from Archstone Concourse, LLC in accordance
7 with Planning Code, Section 419, and place the Property under the jurisdiction of the Mayor’s
8 Office of Housing and Community Development (“MOHCD”) for the purpose of developing
9 new affordable housing; and

10 WHEREAS, The City, acting through MOHCD, administers a variety of housing
11 programs that provide financing for the development of new affordable housing and the
12 rehabilitation of single- and multi-family housing for low- and moderate-income households
13 and resources for homeowners in San Francisco; and

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

18 WHEREAS, On May 17, 2019, MOHCD issued a Request for Qualifications (“RFQ”),
19 for a developer to work with the City to develop affordable family housing and a ground floor
20 community-serving space on the Property; and

21 WHEREAS, Mercy Housing California (“Mercy”), a California nonprofit public benefit
22 corporation, responded to the RFQ and was selected as the developer of a 100% affordable,
23 221-unit multifamily rental housing development affordable to very-low and low-income
24 households, with 120 units set aside for households experiencing homelessness (“Affordable
25 Housing”), and 4,223 square feet of ground floor commercial space for community-serving

1 purposes (“Commercial Space,” and together with the Affordable Housing, collectively, the
2 “Project”); and

3 WHEREAS, Mercy has established Mercy Housing California 97, L.P., a
4 California limited partnership (the “Developer”), as a separate entity under which to
5 develop and construct the Project, and 600 7th Street Mercy Commercial LLC
6 (“Commercial Space Owner”) to own and operate the Commercial Space; and

7 WHEREAS, By letter dated April 28, 2022 (the “General Plan Referral”), the
8 Planning Department by case No. 2020-003402GPR determined that the Project is
9 consistent with the General Plan, and eight priority policies of Planning Code, Section
10 101.1; a copy of the General Plan Referral is on file with the Clerk of the Board of
11 Supervisors in File No. 220513, and is incorporated herein by reference; and

12 WHEREAS, On July 7, 2021, by Notice of Final Approval of an SB 35 Project, the
13 Planning Department, by case No. 2020-009570PRJ, determined that the development of the
14 Project met all the standards of the Planning Code and would be eligible for ministerial
15 approval under California Government Code, Section 65913.4 (Senate Bills 35 and 765),
16 California Public Resources Code, Section 21080, and the CEQA Guidelines, Sections
17 15002(i)(1), 15268 and 15369, and would therefore not be subject to the California
18 Environmental Quality Act (CEQA); and

19 WHEREAS, The Property is owned in fee simple by City but it is “exempt surplus land”,
20 as defined in California Government Code, Section 55421(b)(1), because the Project will be a
21 100% affordable housing project under California Government Code, Section
22 55421(f)(1)(F)(i); and

23 WHEREAS, MOHCD and the Director of Property have approved the form of the
24 Ground Lease between the City and the Developer (“Residential Ground Lease”), pursuant to
25 which the City will lease the Property to the Developer for a term of 75 years and one 24-year

1 option to extend and a base rent of fifteen thousand dollars (\$15,000) per year, in exchange
2 for the Developer’s agreement, among other things, to construct and operate the Project with
3 rent levels affordable to households up to 80% of unadjusted San Francisco Area Median
4 Income (AMI) with an average of 50% of AMI across the rental units, and a copy of the
5 substantially final form of Residential Ground Lease is on file with the Clerk of the Board of
6 Supervisors in File No. 220513, and is incorporated herein by reference; and

7 WHEREAS, City and Developer intend to create a separate parcel containing the
8 Commercial Space for the purpose of permanently financing the Project and complying with
9 the Internal Revenue Code; and

10 WHEREAS, MOHCD and the Director of Property have approved the form of the
11 Commercial Ground Lease between the City and the Commercial Space Owner (“Commercial
12 Ground Lease,” and together with the Residential Ground Lease, collectively, the “Ground
13 Leases”), pursuant to which the City will lease a portion of the Property containing the
14 Commercial Space to the Commercial Space Owner on or before the permanent financing for
15 the Affordable Housing, for a term of 75 years and one 24-year option to extend, a base rent
16 of one dollar (\$1) per year, and a percentage rent of 40% of surplus cash from the operation
17 of the Commercial Space, in exchange for the Commercial Space Owner’s agreement, among
18 other things, to operate and manage the Commercial Space for community-serving purposes,
19 and a copy of the substantially final form of Commercial Ground Lease is on file with the Clerk
20 of the Board of Supervisors in File No. 220513, and is incorporated herein by reference; and

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

24 WHEREAS, In order to construct and maintain the Project in compliance with San
25 Francisco Building Code and San Francisco Fire Code, Archstone Concourse LLC has

1 agreed to grant to the City and the Developer easements across Archstone Concourse LLC's
2 adjacent real property to ensure the Project remains in such compliance and benefit the
3 Project at no cost to the City, on the terms and conditions set forth in the Light, Air,
4 Maintenance and Access Easements Agreement ("LAMA Easement"), a copy of which is on
5 file with the Clerk of the Board of Supervisors in File No. 220513; and

6 WHEREAS, MOHCD is also providing the Developer with financial assistance to
7 leverage equity from an allocation of low-income housing tax credits and tax exempt bonds in
8 order for Developer to construct the Project; and

9 WHEREAS, On April 1, 2022, the Citywide Affordable Housing Loan Committee,
10 consisting of MOHCD, Department of Homeless and Supportive Housing, the Office of
11 Community Investment and Infrastructure, and the Controller's Office of Public Finance
12 recommended approval to the Mayor of the Loan Agreement for the Project in an amount not
13 to exceed \$84,277,411 in local funds, and a copy of the substantially final form of Loan
14 Agreement and related documents are on file with the Clerk of the Board of Supervisors in
15 File No. 220513, and is incorporated herein by reference; and

16 WHEREAS, The Loan Agreement would be entered into under the following material
17 terms: (i) a minimum term of 57 years; (ii) an interest rate of up to three percent (3%); (iii)
18 annual repayment of the loan by Developer through residual receipts from the Project; (iv) the
19 Project shall be restricted for life of the Project as affordable housing to low-income
20 households with annual maximum rent and income established by MOHCD; and (v) the loan
21 shall be secured by a deed of trust recorded against the Developer's leasehold interest in the
22 Property; now, therefore, be it

23 RESOLVED, That the Board of Supervisors hereby finds that the Project (and
24 associated actions necessary to effectuate the Project) is consistent with the General Plan,
25 and with the eight priority policies of Planning Code, Section 101.1, for the same reasons as

1 set forth in the General Plan Referral, and hereby incorporates such findings by reference as
2 though fully set forth in this Resolution; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors hereby finds, in consideration
4 of the foregoing, that the Property is surplus to the City's needs and not necessary for the
5 City's use, and further declares it to be "exempt surplus land" under Government Code,
6 Section 54221(b)(1) and 54221(f)(1)(F)(i); and, be it

7 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the City and
8 the Project will benefit from the acceptance of the LAMA Easement, which is serving a public
9 purpose by allowing the construction of affordable housing for low-income households in need
10 on the Property; and, be it

11 FURTHER RESOLVED, That in accordance with the recommendation of the Director
12 of MOHCD and the Director of Property, the Board of Supervisors approves the Residential
13 Ground Lease in substantially the form presented to the Board, and authorizes the Director of
14 Property (or the Director's designee, as used throughout) and Director of MOHCD (or the
15 Director's designee, as used throughout), to execute and deliver the Residential Ground
16 Lease, in substantially the form presented to the Board, and any such other documents or
17 agreements (including such agreements to provide adequate or additional security or
18 indemnities as required by lenders to consummate the financing of the Project or lease of the
19 Property) that are necessary or advisable, in consultation with the City Attorney, to complete
20 the transaction contemplated by the Residential Ground Lease and to effectuate the purpose
21 and intent of this Resolution, and determines that the less than Market Rent payable under
22 the Residential Ground Lease will serve a public purpose by providing affordable housing for
23 low-income households in need; and, be it

24 FURTHER RESOLVED, That in accordance with the recommendation of the Director
25 of MOHCD and the Director of Property, the Board of Supervisors approves the Commercial

1 Ground Lease in substantially the form presented to the Board, and authorizes the Director of
2 Property (or the Director's designee, as used throughout) and Director of MOHCD (or the
3 Director's designee, as used throughout), to execute and deliver the Commercial Ground
4 Lease, in substantially the form presented to the Board, and any such other documents or
5 agreements that are necessary or advisable, in consultation with the City Attorney, to
6 complete the transaction contemplated by the Commercial Ground Lease and to effectuate
7 the purpose and intent of this Resolution, and determines that the less than Market Rent
8 payable under the Commercial Ground Lease will serve a public purpose by providing
9 community serving commercial to the residents of the Project; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors hereby approves the LAMA
11 Easement and the transaction contemplated thereby in substantially the form presented to the
12 Board, and authorizes the Director of Property and the Director of MOHCD, to execute and
13 deliver the LAMA Easement and any such other documents that are necessary or advisable to
14 complete the transaction contemplated by the LAMA Easement and to effectuate the purpose
15 and intent of this Resolution; and, be it

16 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
17 Agreement and the transaction contemplated thereby in substantially the form presented to
18 the Board, and authorizes the Mayor and the Director of MOHCD, to execute and deliver the
19 Loan Agreement and any such other documents that are necessary or advisable to complete
20 the transaction contemplated by the Loan Agreement and to effectuate the purpose and intent
21 of this Resolution; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
23 Property and/or Director of MOHCD, in consultation with the City Attorney, to enter into any
24 additions, amendments, or other modifications to the Ground Leases, LAMA Easement, Loan
25 Agreement, and any other documents or instruments necessary in connection therewith

1 (including, without limitation, preparation and attachment, or changes to, any of all of the
2 exhibits and ancillary agreements, and notices of special restrictions required for construction
3 of the Project), that the Director of Property and/or Director of MOHCD determine are in the
4 best interests of the City, do not materially decrease the benefits to the City with respect to the
5 Property, do not materially increase the obligations or liabilities of the City, and are necessary
6 or advisable to complete the transaction contemplated in the Ground Leases, LAMA
7 Easement, and Loan Agreement, and that effectuate the purpose and intent of this
8 Resolution, such determination to be conclusively evidenced by the execution and delivery by
9 the Director of Property and/or the Director of MOHCD of any such additions, amendments, or
10 other modifications; and, 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, the authority to
13 undertake any actions necessary to protect the City's financial security in the Property and
14 enforce the affordable housing restrictions, which may include, without limitation, acquisition
15 of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed in lieu of
16 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 Ground Leases, LAMA
21 Easement, and Loan Agreement being fully executed by all parties, MOHCD shall provide the
22 final agreements to the Clerk of the Board for inclusion into the official file.

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