

1 [Administrative Code - Exceptions to Seismic Safety Loan Program Requirements for a
2 \$2,379,464 Loan to Hotel Isabel, 1091 Mission Street]

3 **Ordinance approving exceptions to requirements of the Seismic Safety Loan Program**
4 **(SSLP) under the Administrative Code and the SSLP Program Regulations, regarding a**
5 **\$2,379,464 loan for an existing affordable housing project at the Hotel Isabel located at**
6 **1091 Mission Street.**

7 NOTE: Additions are *single-underline italics Times New Roman*;
8 deletions are ~~*strike-through italics Times New Roman*~~.
9 Board amendment additions are double-underlined;
10 Board amendment deletions are ~~strikethrough normal~~.

11 Be it ordained by the People of the City and County of San Francisco:

12 Section 1. Findings. The Board of Supervisors hereby finds and determines as follows:

13 (a) Hotel Grand Southern, a California limited partnership ("Borrower"), owns
14 an existing 72-unit affordable housing project located at 1091 Mission Street, San Francisco,
15 California and commonly known as the Hotel Isabel (the "Property"). Borrower is currently
16 undertaking a seismic retrofit and substantial rehabilitation of the Property to significantly
17 extend the useful life of the Property (the "Project").

18 (b) In 2008, the City and County of San Francisco (the "City") Mayor's
19 Office of Housing ("MOH") recommended providing a \$1,679,464 Deferred Extended Loan
20 (the "Loan") from the City, acting by and through MOH, to the Borrower pursuant to
21 Administrative Code Sections 66 and 66A, the Seismic Safety Loan Program ("SSLP
22 Program") and the Seismic Safety Loan Program Regulations dated May 2006, adopted
23 through Ordinance No. 122-06 ("Regulations"), for the purpose of seismically retrofitting the
24 Project. The Loan did not satisfy the SSLP Program loan-to-value ratio requirement as
25 required by Administrative Code Section 66A.4(1)(b); however, Borrower provided a Loan

1 guaranty (the “Guaranty”) secured by the Property, which MOH determined to be sufficient
2 additional security as permitted under the alternative lending criteria set forth in Administrative
3 Code Section 66A.4(2)(e)(i) and the Regulations.

4 (c) In 2011, MOH recommended providing an additional \$700,000 in loan
5 funds for the Project, such that the total Loan amount was now \$2,379,464 (the “Amended
6 Loan”). Because the Guaranty was determined by MOH to be insufficient security for the
7 Amended Loan amount, MOH terminated the Guaranty, and the Borrower secured the
8 Amended Loan with a Deed of Trust (the “Security Deed of Trust”) on another property owned
9 by a Borrower affiliate located at 737 Folsom Street, San Francisco, and commonly known as
10 Mendelsohn House (the “Secured Property”).

11 (d) The owner of the Secured Property now desires to refinance that
12 property, and in order to do so, has to remove the Security Deed of Trust from the title. As a
13 result, the Amended Loan will be out of compliance with the loan-to-value ratio requirement as
14 required by Administrative Code Section 66A.4(1)(b).

15 (e) MOH has determined that: (i) the Amended Loan is necessary to the
16 feasibility of the Project, (ii) Borrower is unable to provide additional collateral under
17 Administrative Code Section 66A.4(2)(e)(i) sufficient to secure the Amended Loan; and (iii)
18 preserving and extending the useful life of a significant existing affordable housing resource is
19 of overriding importance to the lending criteria outlined in Administrative Code Section 66A.4
20 and the Regulations.

21 Section 2. In accordance with the recommendations of MOH, the Board of Supervisors
22 hereby exempts the Amended Loan and the Project from the loan-to-value ratio requirement
23 and the alternative lending criteria set forth in Administrative Code Section 66A.4 and the
24 Regulations, subject to all other requirements set forth in Administrative Code Sections 66
25 and 66A and the Regulations.

1 Section 3. Effective Date. This ordinance shall become effective 30 days from the
2 date of passage.

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4 APPROVED AS TO FORM:
5 DENNIS J. HERRERA, City Attorney

6 By: _____
7 Evan A. Gross
8 Deputy City Attorney

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