

1 [Loan Agreement - Grove Street Development, L.P. - 100% Affordable Housing at 650
2 Divisadero - Not to Exceed \$15,000,000]

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3 **Resolution approving and authorizing the Mayor and the Director of the Mayor’s Office**
4 **of Housing and Community Development to execute loan documents relating to a loan**
5 **to provide financing for the acquisition of real property located at 650 Divisadero Street**
6 **(the “Property”), and predevelopment activities for a 100% affordable multifamily rental**
7 **building, in an aggregate amount not to exceed \$15,000,000; approving the form of the**
8 **loan agreement and ancillary documents; ratifying and approving any action heretofore**
9 **taken in connection with the property; granting general authority to City officials to**
10 **take actions necessary to implement this Resolution; and finding that the loan is**
11 **consistent the City’s General Plan and the priority policies of Planning Code Section**
12 **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, MOHCD published a Notice of Funding Availability for acquisition and
22 predevelopment financing on January 27, 2023 for Site Acquisition and Predevelopment
23 Financing for New Affordable Rental Housing (“NOFA”); and

24 WHEREAS, Jonathan Rose Companies LLC, a New York Limited Liability Company,
25 (“JRC”), and Young Community Developers, a California nonprofit public benefit corporation

1 (“YCD”), were selected as joint developers for an acquisition and predevelopment loan under
2 the NOFA, and JRC and YCD established Grove Street Development, L.P., a California
3 limited partnership (the “Borrower”) as an affiliate to acquire the real property located at 650
4 Divisadero Street, San Francisco (the “Property”) and conduct predevelopment activities in
5 furtherance of the development and construction of affordable housing on the Property; and

6 WHEREAS, The Borrower intends to acquire the Property in order to develop and
7 construct a 100% affordable, multifamily rental housing project for extremely-low, very-low,
8 and low -income households with studio, 1-bedroom, 2-bedroom, and 3-bedroom units, and
9 ancillary space for residential property staff offices and social services support, and a
10 community-serving commercial space, to be commonly known as 650 Divisadero (the
11 “Project”); and

12 WHEREAS, On October 13, 2023, the Citywide Affordable Housing Loan Committee
13 recommended approval to the Mayor of a loan in an amount not to exceed \$15,000,000 (the
14 “Loan”), consisting of \$12,775,000 for acquisition and \$ 2,225,000 for predevelopment
15 activities, to finance Borrower’s acquisition of the Property and predevelopment activities
16 associated with the development of the Project, respectively; and

17 WHEREAS, MOHCD desires to provide the Loan to the Borrower pursuant to a Loan
18 Agreement, a Secured Promissory Note (Acquisition), a Secured Promissory Note
19 (Predevelopment), Declaration of Restrictions, and a Deed of Trust (collectively, “Loan
20 Documents”), in substantially the forms on file with the Clerk of the Board in File No. 231199,
21 and in such final form as approved by the Director of MOHCD and the City Attorney; and

22 WHEREAS, The material terms of the Loan Documents include the following: (i) a term
23 of 57 years and an interest rate of three percent (3%) under the Secured Promissory Note
24 (Predevelopment); (ii) a term of 5 years and no interest rate under the Secured Promissory
25 Note (Acquisition); (iii) annual repayment of the loan through residual receipts after completion

1 of the Project; (iv) the Property will be restricted for life of the project as 100% affordable
2 housing to lower- and moderate-income households with annual maximum rent and income
3 established by MOHCD; (v) the loan will be secured by a deed of trust recorded against the
4 Property; and (vi) if the Property cannot be developed within the time period required by
5 MOHCD's loan agreement, the City can require the Property to be transferred to another
6 nonprofit organization or conveyed to the City, and the Loan will be deemed repaid in full; and

7 WHEREAS, The Borrower intends to convey the Property to the City as repayment of
8 the Secured Promissory Note (Acquisition), and the City intends to ground lease the Property
9 back to Borrower for construction of the Project, subject to approval by the Board of
10 Supervisors; and

11 WHEREAS, The Planning Department, through the General Plan Referral letter dated
12 November 6, 2023, found that the Project would be eligible for ministerial approval under
13 California Government Code, Section 65913.4 (Senate Bills 35 and 765), California Public
14 Resources Code, Section 21080, and the CEQA Guidelines, Sections 15002(i)(1), 15268 and
15 15369, would therefore not be subject to the California Environmental Quality Act ("CEQA",
16 Pub. Resources Code Section 21000 et seq.), and is consistent with the General Plan, and
17 the eight priority policies of Planning Code, Section 101.1; which letter is on file with the Clerk
18 of the Board of Supervisors in File No. 2023-010232GPR, and incorporated herein by this
19 reference; now, therefore, be it

20 RESOLVED, This Board affirms the Planning Department's determination that the
21 proposed Project and Loan is not subject to CEQA and is consistent, on balance, with the
22 General Plan and with Planning Code Section 101.1 for the reasons set forth in the Director of
23 Planning's letter; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
25 Documents, and authorizes the Mayor and the Director of MOHCD or the Director's designee

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

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

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

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

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