

1 [Loan Agreement - 440 Geary LLC - 440 Geary Street - 100% Permanent Supportive Housing
2 - Loan Not to Exceed \$47,390,000]

3 **Resolution approving and authorizing a Loan Agreement with 440 Geary LLC in an**
4 **amount not to exceed \$47,390,000 for a minimum loan term of 55 years (“Loan**
5 **Agreement”)** to provide permanent financing for a 122-unit single-room occupancy
6 **residential building consisting of 121 units of permanent supportive housing to**
7 **homeless households, one manager unit, and two ancillary ground floor commercial**
8 **units (the “Project”) located at 440 Geary Street, adopting findings that the Project and**
9 **proposed transactions are consistent with the General Plan, and the eight priority**
10 **policies of Planning Code, Section 101.1; authorizing the Mayor and the Director of**
11 **Mayor’s Office of Housing and Community Development (“MOHCD”) to execute the**
12 **Loan Agreement, and make certain modifications to such agreements, as defined**
13 **herein, and take certain actions in furtherance of this Resolution, as defined herein;**
14 **and authorizing the Director of MOHCD to enter into any additions, amendments, or**
15 **other modifications to the Loan Agreement that do not materially increase the**
16 **obligations or liabilities to the City and are necessary to effectuate the purposes of the**
17 **Loan Agreement or this Resolution.**

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19 WHEREAS, The mission of the Department of Homelessness and Supportive Housing
20 (‘HSH’) is to prevent homelessness when possible and to make homelessness a rare, brief,
21 and one-time experience in San Francisco through the provision of coordinated,
22 compassionate, and high-quality services; and

23 WHEREAS, Permanent supportive housing (“PSH”) is the most effective evidence-
24 based solution to ending chronic homelessness and also prevents new incidents of
25 homelessness among highly vulnerable people with long experiences of homelessness; and

1 WHEREAS, As of July 2020, the City had approximately 8,000 units of PSH under its
2 control to provide permanent homes and services to approximately 10,000 San Franciscans,
3 and had the goal of adding 1,500 additional units of such housing over the following two years
4 as part of the Mayor’s Homelessness Recovery Plan; and

5 WHEREAS, As of December 31, 2022, the City had more than doubled this goal with
6 3,081 units of site-based and scattered site PSH that were active or under contract with a
7 non-profit provider since July 2020; and

8 WHEREAS, In April 2023, the City released the five-year strategic plan “Home by the
9 Bay: An Equity-Driven Plan to Prevent and End Homelessness in San Francisco,” which calls
10 for 3,250 new units of permanent housing to meet the goals set out in the plan; and

11 WHEREAS, Additional PSH furthers the City’s commitment to dismantle systematic
12 racial inequities that disproportionately affect communities of color; and

13 WHEREAS, The California Department of Housing and Community Development
14 (“HCD”) began accepting applications for Homekey on July 22, 2020, and within a year,
15 created 6,000 affordable housing units in record time and at a fraction of the cost; and

16 WHEREAS, The City and County of San Francisco (“City”) acting through HSH,
17 together with Episcopal Community Services, a nonprofit corporation (“ECS”), as its co-
18 applicant, was awarded \$26,000,000 in Homekey funds from HCD in October 2020 to
19 purchase a tourist hotel known as Hotel Diva at 440 Geary Street (Assessor’s Parcel Block
20 No. 0306, Lot No. 007, the “Property”) for use as permanent supportive housing for formerly
21 homeless adults; and

22 WHEREAS, Pursuant to Resolution No. 527-20, in November 2020, the Board of
23 Supervisors authorized the Director of HSH, in consultation with the City Attorney, to enter
24 into, execute and deliver Standard Agreement No. 20-HK-00050 with HCD and ECS, a copy
25

1 of which is on file with the Clerk of the Board of Supervisors in File No. 230927 (“Standard
2 Agreement”), that enabled ECS to purchase the Property; and

3 WHEREAS, Pursuant to Resolution No. 527-20, the Board also affirmed the Planning
4 Department’s determination that actions contemplated by this Resolution are not subject to or
5 are exempt from environmental review under CEQA, and a copy of these determinations are
6 on file with the Clerk of the Board of Supervisors in File No. 201193 and are incorporated
7 herein by reference; and

8 WHEREAS, The Standard Agreement required a local match from the City in an
9 amount no less than \$27,473,340 for permanent financing of the Property to be provided to
10 ECS under one or more future agreements with the City, which was granted through
11 Resolution No. 527-20; and

12 WHEREAS, ECS established 440 Geary LLC, a California limited liability company (the
13 “Borrower”), as a separate entity under which to own and rehabilitate the Property; and

14 WHEREAS, The Borrower has rehabilitated the Property into a 122-unit single-room
15 occupancy residential building consisting of 121 units of PSH for adults experiencing chronic
16 formerly homeless households, one manager unit, and two ancillary ground floor commercial
17 spaces (the “Project”); and

18 WHEREAS, The City, acting through the Mayor’s Office of Housing and Community
19 Development (“MOHCD”), administers a variety of housing programs that provide financing for
20 the development of new affordable housing and the rehabilitation of single- and multi-family
21 housing for low- and moderate-income households and resources for homeowners in San
22 Francisco; and

23 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
24 and operators; administers loan agreements; reviews annual audits and monitoring reports;

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1 monitors compliance with affordable housing requirements in accordance with capital funding
2 regulatory agreements; and if necessary, takes appropriate action to enforce compliance; and

3 WHEREAS, On August 25, 2023, the Citywide Affordable Housing Loan Committee,
4 consisting of MOHCD, HSH, the Office of Community Investment and Infrastructure, and the
5 Controller's Office of Public Finance recommended approval to the Mayor of a loan to the
6 Borrower for refinancing the Project in an amount not to exceed \$47,390,000 in local funds
7 (the "Loan"); and

8 WHEREAS, The City, through MOHCD, will make the Loan to the Borrower under a
9 Loan Agreement and evidenced by a promissory note with the following material terms: (i) a
10 minimum term of 55 years; (ii) an interest rate of zero percent (0%); (iii) annual repayment of
11 the Loan by Borrower through residual receipts, if any, from the Project; (iv) the Project shall
12 be restricted for life of the Project as affordable housing to low-income households with
13 annual maximum rent and income established by MOHCD, but no less than 55 years as PSH;
14 and (v) the Loan Agreement shall be secured by a deed of trust recorded against the
15 Borrower's fee interest in the Property; a copy of the substantially final forms of the Loan
16 Agreement, promissory note, deed of trust, and declaration of restrictions is on file with the
17 Clerk of the Board of Supervisors in File No. 230927, and is incorporated herein by reference;
18 and

19 WHEREAS, As a condition of the Loan, the Borrower will enter into a purchase option
20 agreement under terms and conditions to have been reviewed in consultation with the Office
21 of the City Attorney, providing the City with an option and right of first refusal to acquire the
22 Property upon any proposed transfer of the Property and/or other certain events; and

23 WHEREAS, The Planning Department determined that the Project is consistent with
24 the General Plan, and eight priority policies of Planning Code, Section 101.1 (the "General
25 Plan Referral"); a copy of the Planning Department's General Plan Referral dated August 30,

1 2023 (“General Plan Referral”), is on file with the Clerk of the Board of Supervisors in File No.
2 230927, and is incorporated herein by reference; now, therefore, be it

3 RESOLVED, That the Board of Supervisors hereby finds that the Project (and
4 associated actions necessary to effectuate the Project) is consistent with the General Plan,
5 and with the eight priority policies of Planning Code, Section 101.1, for the same reasons as
6 set forth in the General Plan Referral, and hereby incorporates such findings by reference as
7 though fully set forth in this Resolution; and, be it

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

14 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
15 MOHCD, in consultation with the City Attorney, to enter into any additions, amendments, or
16 other modifications to the Loan Agreement, and any other documents or instruments
17 necessary in connection therewith (including, without limitation, a purchase option and any of
18 all of the exhibits and ancillary agreements), that the Director of MOHCD determine are in the
19 best interests of the City, do not materially decrease the benefits to the City with respect to the
20 Property, do not materially increase the obligations or liabilities of the City, and are necessary
21 or advisable to complete the transaction contemplated in the Loan Agreement, and that
22 effectuate the purpose and intent of this Resolution, such determination to be conclusively
23 evidenced by the execution and delivery by the Director of MOHCD of any such additions,
24 amendments, or other modifications; and, be it

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

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

10 FURTHER RESOLVED, That within thirty (30) days of the Loan Agreement being fully
11 executed by all parties, MOHCD shall provide the final agreements to the Clerk of the Board
12 for inclusion into the official file.

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RECOMMENDED:

/s/
Eric D. Shaw
Director
Mayor's Office of Housing and Community Development

/s/
Shireen McSpadden
Executive Director
Homelessness and Supportive Housing