

1 [Loan Documents - 629 Post Street - Small Sites Program, Academy of Art University
2 Settlement Fund - Not to Exceed \$30,385,225]

3 **Resolution approving and authorizing the Director of the Mayor’s Office of Housing and**
4 **Community Development to execute documents relating to a loan for the acquisition**
5 **and rehabilitation of 629 Post Street, pursuant to the Small Sites Program, utilizing the**
6 **Academy of Art University Settlement Fund for a total loan amount not to exceed**
7 **\$30,385,225; confirming the Planning Department’s determination under the California**
8 **Environmental Quality Act; and finding that the Project loan is consistent with the**
9 **General Plan, and the eight priority policies of Planning Code, Section 101.1.**

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11 WHEREAS, San Francisco ranked as the eighth most expensive city in the world to live
12 in 2022, according to the Economist Intelligence Unit’s Worldwide Cost of Living Index; and

13 WHEREAS, High housing costs across the Bay Area have caused displacement, the
14 loss of cultural and ethnic diversity in some communities, transportation pressures, and
15 overall social and economic hardship; and

16 WHEREAS, It is estimated that there were 4,397 unsheltered individuals living in San
17 Francisco in 2022, and over one third of these individuals were long-term San Francisco
18 residents, having lived in the City for 10 or more years, according to the San Francisco
19 Department of Homelessness and Supportive Housing (“HSH”); and

20 WHEREAS, Nearly one in 10 unsheltered individuals living in San Francisco in 2022
21 were veterans, and veterans experiencing homelessness in San Francisco cited job loss and
22 eviction as the top two reasons for homelessness in 2022, according to HSH; and

23 WHEREAS, Swords to Plowshares Veterans Rights Organization (“Swords to
24 Plowshares”) has been working to end veteran homelessness for nearly 50 years and

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1 currently operates veteran programming providing housing for 39 veterans in a leased
2 building on Eddy Street in San Francisco; and

3 WHEREAS, Swords to Plowshares seeks to acquire and rehabilitate 629 Post Street
4 (the “Project”) to create 62 units of permanently affordable housing in order to permanently
5 relocate Swords to Plowshare’s programming from the Eddy Street location, add additional
6 units to serve formerly homeless veterans, and prevent the displacement of formerly
7 homeless veterans in San Francisco; and

8 WHEREAS, The City and County of San Francisco, through the Mayor’s Office of
9 Housing and Community Development (“MOHCD”), is a leader in the creation and
10 preservation of affordable housing, offering a variety of loan and grant programs to
11 individuals, community-based organizations, and housing developers to create and maintain
12 affordable housing and provide essential community and supportive services; and

13 WHEREAS, The funding for these loans and grants comes from a variety of sources,
14 all of which are restricted to affordable housing and are subject to various housing program
15 restrictions; and

16 WHEREAS, Among its programs, MOHCD administers the Small Sites Program (or
17 “SSP”) for the purpose of preserving and stabilizing San Francisco’s existing rental housing
18 stock of buildings, and converting properties to permanently affordable housing;

19 WHEREAS, The Citywide Affordable Housing Loan Committee approved revised SSP
20 Guidelines on September 9, 2022, which consider sites with over 40 residential units, subject
21 to achievement of minimum scoring criteria per the SSP Scoring Rubric;

22 WHEREAS, MOHCD administers the Academy of Art University Settlement Fund
23 (“AAU Fund”) with a first priority for uses related to the creation or preservation of single room
24 occupancy (“SRO”) units; and

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1 WHEREAS, MOHCD desires to loan an amount not to exceed \$30,385,225 from the
2 AAU Fund and pursuant to the SSP Program, to Swords to Plowshares in order to provide
3 Swords to Plowshares a two-year acquisition and rehabilitation loan for the Project, which will
4 permanently provide 62 SRO units of affordable housing for veterans; and

5 WHEREAS, The two-year acquisition and rehabilitation loan will not bear interest in
6 order for the Project to undergo significant seismic, structural, and building system upgrades
7 during the loan term. The Project is projected to be stabilized by the end of the two-year
8 acquisition and rehabilitation loan, and MOHCD plans to convert the loan to a permanent loan
9 that incorporates debt service at that time; and

10 WHEREAS, The form of loan documents (the “Loan Documents”) evidencing and
11 securing the SSP Program loan for the Project are on file with the Clerk of the Board in File
12 No. 230173, and include: a Declaration of Restrictions restricting the Project to affordable
13 housing; a Loan Agreement; a Promissory Note; and a Deed of Trust; and

14 WHEREAS, A Declaration of Restrictions will restrict the Project as affordable housing
15 to low- and moderate-income households with annual maximum rent and income established
16 by MOHCD as long as all or any portion of the building remains on the property, but in no
17 event less than 99 years; and

18 WHEREAS, The Declaration of Restrictions for the Project will not be subordinated to
19 any third party financing instrument; and

20 WHEREAS, On November 4, 2022, the Citywide Affordable Housing Loan Committee,
21 consisting of representatives of MOHCD, the Department of Homelessness and Supportive
22 Housing, and the Office of Community Investment and Infrastructure, recommended approval
23 to the Mayor of a two-year acquisition and rehabilitation loan for the Project in an amount not
24 to exceed \$30,385,225; and

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1 WHEREAS, The Planning Department, by letter dated December 23, 2022, determined
2 that the proposed Project is categorically exempt under the California Environmental Quality
3 Act (“CEQA”, Pub. Resources Code, Section 21000 et seq.) pursuant to CEQA Guidelines,
4 Section 15301, and Chapter 31 of the City’s Administrative Code, and is consistent, on
5 balance, with the General Plan, and the eight priority policies of Planning Code,
6 Section 101.1, which letter is on file with the Clerk of the Board of Supervisors in File
7 No. 230173, and incorporated herein by this reference; now, therefore, be it

8 RESOLVED, This Board affirms the Planning Department’s determination under CEQA
9 and finds that the proposed Project loan is consistent, on balance, with the General Plan, and
10 the eight priority policies of Planning Code, Section 101.1, for the reasons set forth in the
11 Director of Planning’s letter; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
13 Documents, and authorizes the Mayor and the Director of MOHCD or the Director’s designee
14 to negotiate and enter into agreements based upon and substantially in the form of the Loan
15 Documents for the Project (including, without limitation, modifications of the Loan Documents,
16 and preparation and attachment of, or changes to, any of all of the exhibits and ancillary
17 agreements) and any other documents or instruments necessary in connection therewith, that
18 the Director determines, in consultation with the City Attorney, are in the best interest of the
19 City, do not materially increase the obligations or liabilities for the City or materially diminish
20 the benefits of the City, or are necessary or advisable to effectuate the purposes and intent of
21 this Resolution and are in compliance with all applicable laws, including the City Charter; and,
22 be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
24 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
25 authority to undertake any actions necessary to protect the City’s financial security in the

1 Project and enforce the affordable housing restrictions, which may include, without limitation,
2 acquisition of a Project site upon foreclosure and sale at a trustee sale, acceptance of a deed
3 in lieu of foreclosure, or curing the default under a senior loan; and, be it

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

7 FURTHER RESOLVED, That within thirty (30) days of the Loan Documents being fully
8 executed by all parties, MOHCD shall provide the Loan Agreement to the Clerk of the Board
9 for inclusion into the official file; and be it

10 FURTHER RESOLVED, That it is the City's intent to record a City Option to Purchase
11 in a future loan agreement.

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RECOMMENDED:

 /s/

Eric D. Shaw

Director, Mayor's Office of Housing and Community Development