

1 [Loan Amendment - TURK 500 ASSOCIATES, L.P. - 100% Affordable Housing - 555 Larkin
2 Street - Not to Exceed \$23,805,311]

3 **Resolution approving and authorizing the execution of a First Amendment to the**
4 **Amended and Restated Loan Agreement with TURK 500 ASSOCIATES, L.P., a**
5 **California limited partnership, to increase the loan amount by \$4,266,311 for a new total**
6 **loan amount not to exceed \$23,805,311 to finance additional construction costs and**
7 **loss of permanent financing related to the 100% affordable, 108-unit multifamily rental**
8 **housing development (plus one staff unit) for low and moderate income households**
9 **located at 555 Larkin Street in the Tenderloin neighborhood (“Project”); adopting**
10 **findings that the First Amendment to the Amended and Restated Loan Agreement is**
11 **consistent with the General Plan, and the priority policies of Planning Code, Section**
12 **101.1; and to authorize the Mayor and the Director of Mayor’s Office of Housing and**
13 **Community Development to enter into amendments or modifications to the First**
14 **Amendment that do not materially increase the obligations or liabilities to the City and**
15 **are necessary to effectuate the purposes of the agreement or this Resolution.**

16
17 WHEREAS, The City and County of San Francisco, acting through the Mayor’s Office
18 of Housing and Community Development (“MOHCD”), administers a variety of housing
19 programs that provide financing for the development of new housing and the rehabilitation of
20 single- and multi-family housing for low- and moderate-income households in San Francisco;
21 and

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

1 WHEREAS, By an authorization dated September 18, 2018, (the “Planning Department
2 Authorization”), the Planning Director authorized the affordable housing project authorization
3 for the Project, deeming the Project consistent with the General Plan, and eight priority
4 policies of Planning Code, Section 101.1, a copy of the authorization is on file with the Clerk
5 of the Board of Supervisors in File No. 191265, and is incorporated herein by reference and

6 WHEREAS, On March 29, 2018, per Motion No. 20148, the Planning Commission
7 certified a Final Environmental Impact Report, pursuant to California Environmental Quality
8 Act (“CEQA”) Guidelines 15183.3 and California Public Resources Code, Section 21094.5;
9 and

10 WHEREAS, Under Resolution No. 7-20, the Board of Supervisors approved an
11 Amended and Restated Loan Agreement between the City and Turk 500 Associates, L.P., a
12 California limited partnership (“Sponsor”), with Tenderloin Neighborhood Development
13 Corporation as general partner, a copy of which is on file with the Clerk of the Board of
14 Supervisors in File No. 191265 (“Loan Agreement”), and a loan in the amount of \$32,400,000
15 (the “Loan”) to the Sponsor for development and construction of a 100% affordable,
16 supportive housing project with approximately 108 rental units for low-income households on
17 the Property (the “Project”); and

18 WHEREAS, Under Resolution No. 7-20, the Board of Supervisors also approved a
19 Ground Lease between the City and the Sponsor, a copy of which is on file with the Clerk of
20 the Board of Supervisors in File No. 191265, and the City leased the Property to the Sponsor
21 for the purpose of constructing and operating the Project on January 30, 2020; and

22 WHEREAS, On January 30, 2020, the Sponsor closed construction and permanent
23 financing for the Project, which included tax exempt multifamily revenue bonds issued by the
24 City and low income housing tax credits, and commenced construction of the Project in
25 February 2020; and

1 WHEREAS, Administrative Code, Section 99.3 requires all tenants of the City to
2 receive electric service from the San Francisco Public Utilities Commission (“SFPUC”) unless
3 the SFPUC determines that such service is not feasible, but such tenants will continue to use
4 the distribution infrastructure owned by Pacific Gas & Electric (“PG&E”); and

5 WHEREAS, Under Resolution No. 541-21, the Board of Supervisors approved an
6 agreement between the City and PG&E (“PG&E Agreement”) in which PG&E agreed to
7 provide secondary-level wholesale distribution service to SFPUC for new 100 percent
8 affordable housing projects that are on City-owned land; and

9 WHEREAS, The Sponsor was required to commence construction of the Project prior
10 to approval and execution of the PG&E Agreement and could not determine the feasibility or
11 the cost to change electric service from PG&E to the SFPUC prior to the required construction
12 commencement date, which has resulted in additional construction costs that were not
13 budgeted under the Loan Agreement and construction delays of over six months to negotiate
14 new agreements and redesign the Project; and

15 WHEREAS, Because of an approximately 10 month construction delay and new costs
16 to switch to SFPUC electric service under the PG&E Agreement, the construction cost of the
17 Project was increased by \$4,266,311; and

18 WHEREAS, To complete construction of the Project, the Sponsor requires additional
19 funding to cover part of the increased construction costs and replace the decrease in senior
20 permanent loan and tax credit equity financing; and

21 WHEREAS, The Citywide Affordable Housing Loan Committee, consisting of MOHCD,
22 Department of Homeless and Supportive Housing, Office of Community Investment and
23 Infrastructure, and the Controller’s Office of Public Finance recommended approval to the
24 Mayor of a loan increase for the Project in an amount not to exceed \$4,266,311; and

25

1 WHEREAS, MOHCD desires to increase the Loan by an amount not to exceed
2 \$4,266,311 (“Additional Loan”), for a total loan to the Sponsor in the amount of \$23,805,311,
3 pursuant to a First Amendment to the Amended and Restated Loan Agreement (“First
4 Amendment”) in substantially the form on file with the Clerk of the Board of Supervisors in File
5 No. 230319, and in such final form as approved by the Director of MOHCD and the City
6 Attorney; and

7 WHEREAS, The material terms of the Loan Agreement, as amended by the First
8 Amendment, include: (i) a minimum term of 55 years; (ii) no interest will accrue on the
9 Additional Loan; (iii) annual repayment of the loan through residual receipts from the Project;
10 (iv) the Project shall be restricted for the life of the Project as affordable housing to low- and
11 moderate-income veteran households with annual maximum rent and income established by
12 MOHCD; (v) the Additional Loan shall be secured by the deed of trust currently recorded
13 against the Sponsor’s leasehold interest in the Property; now, therefore, be it

14 RESOLVED, That the Board of Supervisors hereby finds that the Project is consistent
15 with the General Plan, and with the eight priority policies of Planning Code, Section 101.1 for
16 the same reasons as set forth in the General Plan Consistency Determination; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors hereby approves the First
18 Amendment and authorizes the Mayor and the Director of MOHCD or his designee to enter
19 into any amendments or modifications to the First Amendment (including, without limitation,
20 preparation and attachment or, or changes to, any of all of the exhibits and ancillary
21 agreements) and any other documents or instruments necessary in connection therewith that
22 the Director determines, in consultation with the City Attorney, are in the best interest of the
23 City, do not materially increase the obligations or liabilities for the City or materially diminish
24 the benefits of the City, are necessary or advisable to effectuate the purposes and intent of
25

