

# Delegated Authority for Ground Lease Amendments

LAND USE AND TRANSPORTATION COMMITTEE

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JACKIE TSOU, Director of Asset Management MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

- MOHCD manages 125+ ground leases for affordable housing on City-owned sites
- Lease terms require long-term affordability and other restrictions that advance the City's affordable housing policy goals and objectives.
- The term of a ground lease is usually 75 years with a 24-year option to extend (99 years total)
- Historically, MOHCD ground leases include provisions for capped residual receipts
  - Limits the share of project cashflow an owner may retain
- Charter Section 9.118 and Admin Code Section 23.30 require that some ground lease amendments must be approved by BOS

### MOHCD Leases with Affordable Housing Providers

- Affordable housing providers suffered operational deficits during the pandemic and are continuing to experience operational challenges with increasing costs (insurance, staffing, utilities)
- Older ground leases include restrictions on residual receipts to affordable housing providers that are less favorable than current MOHCD policy
- 14 affordable properties have applied for ground lease amendments to align residual receipts allowances to MOHCD's current policy

#### Residual Receipts:

Project Income minus Project Expenses and allowable payments (i.e., debt service, and approved fees)

## The Need for Delegated Authority

# Ground Leases Requiring Amendments

	District	Neighborhood	Sponsor
Antonia Manor	5	Tenderloin	TNDC
Franciscan Towers	5	Tenderloin	TNDC
Golden Gate Apartments	5	Japantown	CCDC
Maria Manor	5	Tenderloin	TNDC
Richardson Apartments (Parcel G)	5	Hayes Valley	HomeRise
Sierra Madre	5	Tenderloin	TNDC
Turk & Eddy Apartments	5	Tenderloin	TNDC
Mission Creek Senior Community	6	Mission Bay	Mercy
Plaza Apartments	6	SOMA	TNDC
Rene Cazenave Apts (Transbay Block 11A)	6	Financial District/South Beach	HomeRise
Rich Sorro Commons	6	Mission Bay	MHDC
The Dudley	6	SOMA	Mercy
588 MBN (Mission Bay South Block 7 West)	9	Mission Bay	Related/CCDC
Dr. George W Davis Senior Housing	10	Bayview	McCormack Baron Salazar/BHP Multi Senior Svcs

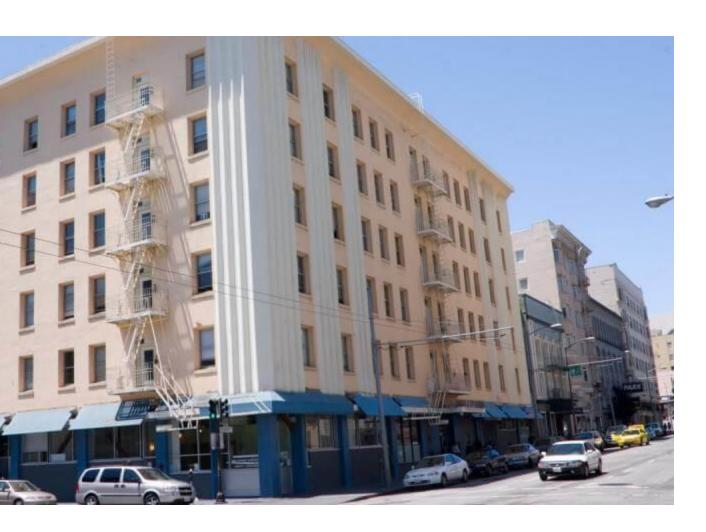
Delegate authority to MOHCD to amend ground leases for 100% affordable buildings or permanent supportive housing that meet the following criteria:

- Lease already approved by the Board or assigned to the City following Redevelopment dissolution
- Lesee is suffering financial shortfalls and/or needs to refinance to maintain the affordable housing
- MOHCD Director, in consultation with the City Attorney's Office, determines that an amendment is necessary to mitigate financial shortfalls and update the leases to reflect current MOHCD Residual Receipts Policy
- The amendment will only add, change, or remove terms related to
  - (1) residual rent or distributions of Residual Receipts to allow the affordable housing provider to retain a greater portion of Residual Receipts; and/or provide reasonable protections to a lender
  - (2) require that any greater portion of Residual Receipts retained by an affordable housing provider as a result of the amendment shall be used solely for affordable housing purposes within the City; and
  - (3) add, change, or remove any other terms that are relevant to MOHCD's policies on Residual Receipts
- Amendment does not increase the liability of the City under the lease, change the duration of the lease, or impose any other new obligations on the City
- Amendment aligns with current MOHCD Residual Receipts policy or lender protections to Director of Property, with recommendation from MOHCD, as approved by the Citywide Affordable Housing Loan Committee

#### Proposed Legislation

- Reduce process time to modernize these outdated leases
- Simplifies the process of standardizing leases across lesee portfolio
- Residual receipt clause allows affordable housing providers additional, flexible financial resources to support their portfolio needs within San Francisco
- Housing Element mandate to reduce process

#### Impact on Affordable Housing



# Thank you

Jackie Tsou
Director of Asset Management
Jackie.Tsu@sfgov.org

Sheila Nickolopoulos
Director of Policy and Legislative Affairs
Sheila.Nickolopoulos@sfgov.org