



Delegated Authority for Ground Lease Amendments

LAND USE AND
TRANSPORTATION
COMMITTEE

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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
- Lessee 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

- Reduce process time to modernize these outdated leases
- Simplifies the process of standardizing leases across lease 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



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