[Loan Amendment - Octavia RSU Associates, L.P. - 100% Affordable Housing at 78 Haight Street - Not to Exceed $35,306,233]

Resolution approving and authorizing 1) the execution of a First Amendment to the Amended and Restated Loan Agreement with Octavia RSU Associates, L.P., a California limited partnership, to increase the loan amount by up to $8,559,766 for a new total loan amount not to exceed $35,306,233 to finance additional costs related to a 100% affordable, 63-unit multifamily rental housing development affordable to low-income households, including 32 units for Transitional Age Youth who are homeless or at-risk of homelessness, and including up to 3,200 square feet of commercial space located at 78 Haight Street ("Project"); and 2) the Mayor and the Director of Mayor's Office of Housing and Community Development, to execute documents, make certain modifications and take certain actions in furtherance of this Resolution, as defined herein.

WHEREAS, The City and County of San Francisco, acting through the Mayor's Office of Housing and Community Development ("MOHCD"), administers a variety of housing programs that provide financing for the development of new housing and the rehabilitation of single- and multi-family housing for low- and moderate-income households in San Francisco; and

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

WHEREAS, The Planning Department determined that the Project is consistent with the City's General Plan and eight priority policies of Planning Code, Section 101.1 (the

"Planning Department Authorization"); a copy of the Planning Department Authorization is on file with the Clerk of the Board of Supervisors in File No. 220092, and is incorporated herein by reference; and

WHEREAS, The City is the fee owner of Assessor's Parcel Block No. 0853, Lot No. 065 and Lot No. 066, San Francisco, also known by its street addresses as "78 Haight" (the "Property"); and

WHEREAS, Under Resolution No. 62-22, the Board of Supervisors approved an Amended and Restated Loan Agreement between the City and Octavia RSU Associates, L.P., a California limited partnership ("Borrower"), with Tenderloin Neighborhood Development Corporation as the project sponsor, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 220092 ("Loan Agreement"), and a loan in the amount of $26,746,467 (the "Loan") to the Borrower for development and construction of a 100% affordable 63-unit multifamily rental housing development affordable to low-income households, including 32 units for Transitional Age Youth who are homeless or at-risk of homelessness, and including up to 3,200 square feet of commercial space (the "Project"), and a ground lease of the Property to Borrower for development and construction of the Project; and

WHEREAS, On April 8, 2022, the Borrower closed construction and permanent financing for the Project, which included construction loan financing and low income housing tax credits, and commenced construction of the Project on April 8, 2022; and

WHEREAS, The Borrower delayed construction activities in May 2022 to investigate unforeseen dangerous conditions of the adjacent property, which is at risk of collapse, that could damage the Project and harm workers if the adjacent property was left unabated and construction of the Project had proceeded; and

WHEREAS, The Borrower has entered into an agreement with the adjacent property owner on the needed work to stabilize the adjacent property and create a sound foundation for the Project; and

WHEREAS, Because of the construction delay to the Project and need for additional construction related to the adjacent property, the cost of the Project has increased by an estimated $10,552,524, which includes an increase in costs for the additional construction work, an escalation in Project costs due to the 18 month delay, increase in construction loan interest due to the new interest rate environment, increase in associated architecture and engineering and other professional service costs, and an increase in the capitalized operating subsidy reserve to meet the projected increase in operating costs over time; and

WHEREAS, The Borrower is contributing funds to cover a portion of the increased cost and will continue to apply for other financing; and to complete construction of the Project, the Borrower requires additional funding to cover up to $8,559,766 of the increased Project costs; and

WHEREAS, On January 5, 2024, the Citywide Affordable Housing Loan Committee, consisting of MOHCD, Department of Homelessness and Supportive Housing, Office of Community Investment and Infrastructure, and the Controller's Office of Public Finance recommended approval to the Mayor of a loan increase for the Project in an amount not to exceed $8,559,766; and

WHEREAS, MOHCD desires to increase the Loan by an amount not to exceed $8,559,766 ("Additional Loan"), for a total loan to the Borrower in the amount not to exceed $35,306,233, pursuant to a First Amendment to the Amended and Restated Loan Agreement ("First Amendment") in substantially the form on file with the Clerk of the Board of Supervisors in File No. 240092, and in such final form as approved by the Director of MOHCD and the City Attorney; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby approves the First Amendment and authorizes the Mayor and the Director of MOHCD or his designee to enter into any amendments or modifications to the First Amendment (including, without limitation, preparation and attachment or, or changes to, any of all of the exhibits and ancillary agreements) and any other documents or instruments necessary in connection therewith that the Director determines, in consultation with the City Attorney, are in the best interest of the City, do not materially increase the obligations or liabilities for the City or materially diminish the benefits of the City, are necessary or advisable to effectuate the purposes and intent of this Resolution and are in compliance with all applicable laws, including the City Charter; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and delegates to the Mayor and Director of MOHCD, and his designee, the authority to undertake any actions necessary to protect the City's financial security in the Property and enforce the affordable housing restrictions, which may include, curing the default under a senior loan; and, be it

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

FURTHER RESOLVED, That within thirty (30) days of the First Amendment being fully executed by all parties, MOHCD shall provide a copy of the final First Amendment to the Clerk of the Board for inclusion into the official file.

RECOMMENDED:

_____/s/_____
Daniel Adams, Director
Mayor's Office of Housing and Community Development