[Acquisition of Real Property for $9,600,000 - Ground Lease with Base Rent of $15,000 - Loan Not to Exceed $16,956,650 - 2550 Irving Associates, L.P. - 100% Affordable Housing - 2550 Irving Street]

Resolution 1) approving and authorizing the Director of Property, on behalf of the Mayor's Office of Housing and Community Development ("MOHCD"), to acquire Real Property located at 2550 Irving Street ("Property") from 2550 Irving Associates, L.P. ("Borrower") for $9,600,000 under an Agreement for Purchase and Sale ("Purchase Agreement"); 2) placing the Property under the jurisdiction of MOHCD for use in constructing affordable housing; 3) approving and authorizing the Director of Property and the Director of MOHCD to enter into a Ground Lease to lease the Property back to the Borrower for a term of 75 years and one 24-year option to extend and an annual base rent of $15,000 ("Ground Lease") in order to construct a 100% affordable, 90-unit multifamily rental housing development affordable to low-income households, including one manager unit, and ancillary community space for public benefit use (the "Project"); 4) approving and authorizing an Amended and Restated Loan Agreement in an amount not to exceed $16,956,650 for a minimum loan term of 57 years ("Loan Agreement") to finance the development and construction of the Project; 5) adopting findings declaring that the Property is "exempt surplus land" pursuant to the California Surplus Lands Act; 6) determining that the less than market rent payable under the Ground Lease will serve a public purpose by providing affordable housing for low-income households in need, in accordance with Section 23.3 of the Administrative Code; 7) adopting findings that the Project and proposed transactions are consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1; 8) and authorizing the Director of Property and/or the Director of MOHCD to enter into certain amendments or modifications to the Purchase Agreement, Ground Lease, and

Loan Agreement, as defined herein, that do not materially increase the obligations or liabilities to the City and are necessary to effectuate the purposes of the contract or this Resolution, and take certain actions in furtherance of this Resolution, as defined herein.

WHEREAS, The City, 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 affordable housing and the rehabilitation of single- and multi-family housing for low- and moderate-income households and resources for homeowners 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, On December 27, 2019, MOHCD issued a Notice of Funding Availability: Affordable Multifamily Rental Housing Prop A ("NOFA") to finance site acquisition and predevelopment activities for proposed affordable multifamily housing projects located in Districts 1, 2, 4, 7 and 8; and

WHEREAS, Tenderloin Neighborhood Development Corporation, a California nonprofit public benefit corporation ("TNDC") responded to the NOFA and was selected for a loan for property acquisition, development, and construction under the NOFA, and TNDC established 2550 Irving Associates, L.P., a California limited partnership (the "Borrower") as an affiliate to acquire and develop property for affordable housing; and

WHEREAS, Under Resolution No. 363-21, the Board of Supervisors approved and authorized a Loan Agreement for a $9,012,905 loan to the Borrower ("Acquisition

Loan") for the acquisition of real property located at 2550 Irving Avenue in San Francisco (the "Property"), and a $5,264,611 loan to the Borrower for predevelopment activities related to the development of affordable housing on the Property; and

WHEREAS, The Borrower acquired the Property and completed predevelopment activities for the development and construction on the Property of a 100% affordable, 90-unit multifamily rental housing development affordable to low-income senior households, including 22 supportive housing units available for families exiting homelessness, 52 units serving low income households between 35% to 80% of MOHCD's area median income ("MOHCD AMI"), 15 units for veterans under the Veterans Administration Supportive Housing Program, plus one manager unit and ancillary community space for public benefit use (collectively, the "Project"); and

WHEREAS, On August 17, 2022, by Notice of Final Approval of an SB 35 Project, the Planning Department by case No. 2021-012100PRJ determined that the development of the Project met all the standards of the Planning Code and would be eligible for ministerial approval under California Government Code, Section 65913.4 (Senate Bills 35 and 765), California Public Resources Code, Section 21080, and the CEQA Guidelines, Sections 15002(i)(1), 15268 and 15369, and would therefore not be subject to the California Environmental Quality Act ("CEQA"); a copy of the Planning Department's Notice of Final Approval of an SB 35 Project is on file with the Clerk of the Board of Supervisors in File No. 240335, and is incorporated herein by reference; and

WHEREAS, By letter dated March 5, 2024, the Planning Department determined the Project was consistent with the City's General Plan, and eight priority policies of Planning Code, Section 101.1 (the "Planning Department Letter"); a copy of the Planning Department

Letter is on file with the Clerk of the Board of Supervisors in File No. 240335, and is incorporated herein by reference; and

WHEREAS, City, through MOHCD and the Real Estate Division, in consultation with the Office of the City Attorney, has negotiated the Purchase Agreement to acquire the Property from the Borrower for $9,600,000.00, substantially in the form approved by the Director of Property and the Director of MOHCD and on file with the Clerk of the Board of Supervisors in File No. 240335, incorporated herein by reference; and

WHEREAS, The Director of Property determines the Property to be at or below fair market value; and

WHEREAS, In consideration of the Borrower's agreement to convey the Property to the City, MOHCD will apply a credit of $9,600,000 against the principal and accrued interest of Acquisition Loan and forgive the remaining balance of the Acquisition Loan, subject to the conditions as described in the Purchase Agreement; and

WHEREAS, MOHCD and the Director of Property have approved the form of the Ground Lease between the City and the Borrower, pursuant to which the City will lease the Property to the Borrower for a term of 75 years and one 24-year option to extend and a base rent of $15,000 per year, in exchange for the Borrower's agreement, among other things, to construct and operate the Project with rent levels affordable to households up to 80% of MOHCD AMI, a copy of the Ground Lease in a form substantially approved is on file with the Clerk of the Board of Supervisors in File No. 240335, and is incorporated herein by reference; and

WHEREAS, The proposed rent of the Ground Lease is less than Market Rent (as defined in Administrative Code, Section 23.2), but the lower rent will serve a public purpose by providing affordable housing for low-income households in need; and

WHEREAS, The Property is "exempt surplus land," as defined in California Government Code, Section 54221(f)(1), because the Project will restrict 100% of the residential units to very low and low-income persons and families, pursuant to California Government Code, Section 25539.4; and

WHEREAS, MOHCD is also providing the Borrower with new financial assistance to leverage other funding sources in order for Borrower to construct the Project; and

WHEREAS, On March 15, 2024, the Citywide Affordable Housing Loan Committee, consisting of MOHCD, Department of Homelessness and Supportive Housing, the Office of Community Investment and Infrastructure, and the Controller's Office of Public Finance recommended approval to the Mayor of an increase in the loan to the Borrower for the Project for a total amount not to exceed $16,956,650 in local funds under an Amended and Restated Loan Agreement, a copy of which is in a form substantially approved is on file with the Clerk of the Board of Supervisors in File No. 240335, and is incorporated herein by reference ("Loan Agreement"); and

WHEREAS, The Loan Agreement would be entered into under the following material terms: (i) a minimum term of 57 years; (ii) no interest; (iii) annual repayment of the Loan Agreement by Borrower through residual receipts from the Project; (iv) the Project shall be restricted for life of the Project as affordable housing to low-income households with annual maximum rent and income established by MOHCD; and (v) the Loan Agreement shall be secured by a deed of trust recorded against the Borrower's leasehold interest in the Property; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby finds that the Project (and associated actions necessary to effectuate the Project) is consistent with the General Plan, and with the eight priority policies of Planning Code, Section 101.1, for the same reasons as

set forth in the Planning Department Letter, and hereby incorporates such findings by reference as though fully set forth in this Resolution; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby finds, in consideration of the foregoing, that the Property is "exempt surplus land," as defined in California Government Code, Section 54221(f)(1), because the Project will restrict 100% of the residential units to very low and low-income persons and families, pursuant to California Government Code, Section 25539.4; and

FURTHER RESOLVED, That in accordance with the recommendation of the Director of MOHCD and the Director of Property, the Board of Supervisors approves the Purchase Agreement, in substantially the form presented to the Board, and authorizes the Director of MOHCD and the Director of Property to execute and deliver the Purchase Agreement, in substantially the form presented to the Board, and any such other documents that are necessary or advisable to complete the transaction contemplated by the Purchase Agreement, and to effectuate the purpose and intent of this Resolution; and, be it

FURTHER RESOLVED, That MOHCD has legal authority, is willing, and is in a position financially and otherwise to assume immediate care and maintenance of the Property, and that the Director of Property is hereby authorized to accept the deed to the Property from the Borrower upon the closing in accordance with the terms and conditions of the Purchase Agreement, to place the Property under the jurisdiction of MOHCD, and to take any and all steps (including, but not limited to, the execution and delivery of any and all certificates, agreements, notices, consents, escrow instructions, closing documents and other instruments or documents) as the Director of Property deems necessary or appropriate in order to acquire the Property pursuant to the Purchase Agreement, or to otherwise effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Director of Property of any such documents; and, be it

FURTHER RESOLVED, That in accordance with the recommendation of the Director of MOHCD and the Director of Property, the Board of Supervisors approves the Ground Lease in substantially the form presented to the Board, and authorizes the Director of Property (or the Director's designee, as used throughout) and Director of MOHCD (or the Director's designee, as used throughout), to execute and deliver the Ground Lease, in substantially the form presented to the Board, and any such other documents or agreements (including such agreements to provide adequate or additional security or indemnities as required by lenders to consummate the financing of the Project or lease of the Property) that are necessary or advisable, in consultation with the City Attorney, to complete the transaction contemplated by the Ground Lease and to effectuate the purpose and intent of this Resolution, and determines that the less than Market Rent payable under the Ground Lease will serve a public purpose by providing affordable housing for low-income households in need; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan Agreement and the transaction contemplated thereby in substantially the form presented to the Board, and authorizes the Mayor and the Director of MOHCD, to execute and deliver the Loan Agreement and any such other documents that are necessary or advisable to complete the transaction contemplated by the Loan Agreement and to effectuate the purpose and intent of this Resolution; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Property and/or Director of MOHCD, in consultation with the City Attorney, to enter into any additions, amendments, or other modifications to the Purchase Agreement, the Ground Lease, and the Loan Agreement, and any other documents or instruments necessary in connection therewith (including, without limitation, preparation and attachment or, or changes to, any of all of the exhibits and ancillary agreements), that the Director of Property and/or

Director of MOHCD determine are in the best interests of the City, do not materially decrease the benefits to the City with respect to the Property, do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transaction contemplated in the Purchase Agreement, the Ground Lease, and the Loan Agreement, and that effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Director of Property and/or the Director of MOHCD of any such additions, amendments, or other modifications; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and delegates to the Director of MOHCD and/or the Director of Property, 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, without limitation, acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed in lieu of foreclosure, or 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 Purchase Agreement, the Ground Lease, and the Loan Agreement being fully executed by all parties, MOHCD shall provide the final agreements to the Clerk of the Board for inclusion into the official file.

RECOMMENDED:

/s/
Andrico Q. Penick, Director of Property

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