

1 [Loan Agreement and Ground Lease - 1064 Mission, L.P. - 100% Affordable Housing - 1064-
2 1068 Mission Street - Loan Amount Not to Exceed \$74,408,049 - Annual Ground Lease Base
3 Rent Amount of \$1]

4 **Resolution approving and authorizing the Director of the Mayor’s Office of Housing and**
5 **Community Development to execute an amended and restated Loan Agreement and a**
6 **long term Ground Lease with 1064 Mission, L.P., a California limited partnership, in a**
7 **loan amount not to exceed \$74,408,049 for a minimum loan term of 57 years to finance**
8 **the construction of a 100% affordable, 256-unit multifamily rental housing development**
9 **(plus two staff units) for low income adults and seniors experiencing homelessness**
10 **with ancillary commercial space for public benefit and community serving purposes for**
11 **a culinary job training program (“Project”) and a lease term of 75 years with one 24-**
12 **year option to extend, and with an annual base rent of \$1 in order to construct the**
13 **Project once the site is transferred to the City (“Ground Lease”); adopting findings that**
14 **the Loan Agreement and Ground Lease are consistent with the General Plan, and the**
15 **eight priority policies of Planning Code, Section 101.1; and authorizing the Director of**
16 **Property and the Director of the Mayor’s Office of Housing and Community**
17 **Development to execute documents, make certain modifications, and take certain**
18 **actions in furtherance of this Resolution, as defined herein.**

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

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

5 WHEREAS, The real property located at 1064-1068 Mission Street, on Mission Street
6 between 6th and 7th Streets, owned by the United States, located in the City and County of
7 San Francisco (the "City") was declared surplus and is subject to assignment for disposal for
8 homeless serving purposes by the Secretary of Health and Human Services under the
9 provisions of Section 203(k)(1) of the Federal Property and Administrative Services Act of
10 1949, as amended, and Title V of the McKinney-Vento Homeless Assistance Act, as
11 amended; and the rules and regulations promulgated thereto (the "Property"); and

12 WHEREAS, On May 23, 2017, the Board of Supervisors approved an application to
13 acquire the Property from the Department of Health and Human Services ("HHS") Federal
14 Property Assistance Program for use in constructing supportive housing for homeless San
15 Franciscans for \$1, which is on file with the Clerk of the Board of Supervisors in Resolution
16 No. 178-17 (File 170474) and is incorporated herein by reference; and

17 WHEREAS, MOHCD submitted an application to acquire the Property and in a letter
18 dated August 7, 2017, HHS determined that the City's application was approved for a lease
19 acquisition, with the requirement that the City provide copies of any and all financing
20 commitments and proposed documents that affect title to the property for HHS review and
21 approval; and upon demonstration of the City's ability to obtain the needed funding in line with
22 federal requirements, the City can request that the lease be converted to a Quitclaim Deed
23 (the "HHS Quitclaim Deed"); and

24 WHEREAS, An appraisal dated May 17, 2017, valued the Property at \$36,000,000;
25 and

1 WHEREAS, On October 10, 2017, MOHCD issued a Request for Qualifications
2 (“RFQ”), seeking submittals from qualified respondents to develop the Property as permanent
3 supportive housing for adults and seniors experiencing homelessness; and

4 WHEREAS, The joint development team of Episcopal Community Services and Mercy
5 Housing California, California nonprofit public benefit corporations, jointly responded to the
6 RFQ and were selected to be the developer for the Property; and

7 WHEREAS, Episcopal Community Services and Mercy Housing California
8 established 1064 Mission, L.P., a California limited partnership (“Lessee”), as a
9 separate entity under which to develop the Project; and

10 WHEREAS, On November 1, 2018, HHS entered into a short term lease with the City;
11 and

12 WHEREAS, MOHCD is also providing the Lessee with new financial assistance to
13 leverage equity from an allocation of low-income housing tax credits and other funding
14 sources in order for Lessee to construct the Project; and

15 WHEREAS, Two stories accessed from Stevenson Street, with a total of approximately
16 20,000 square feet, will be retained with the land for the City to develop a Homeless Services
17 Center to be operated by the Departments of Public Health and Homelessness and
18 Supportive Housing for homeless clients which is not part of the residential ground leased
19 parcel; and

20 WHEREAS, On September 30, 2019, MOHCD submitted a package of substantially
21 final financing documents and financing commitments to HHS for review and approval as
22 required prior to the lease being converted to a HHS Quitclaim Deed; and

23 WHEREAS, The Project received streamlined entitlements via Senate Bill 35 in
24 conjunction with the State Density Bonus Program and was determined to be exempt from
25 environmental review per California Environmental Quality Act (“CEQA”) Guidelines; and

1 WHEREAS, By letter dated May 4, 2017, the Planning Department found the
2 acquisition and transfer between HHS and MOHCD to be consistent with the General Plan,
3 pursuant to Section 4.105 of the Charter, and Sections 2A.52 and 2A.53 of the Administrative
4 Code and to be consistent with the eight priority policies of Planning Code, Section 101.1; and

5 WHEREAS, On September 20, 2019, the Citywide Affordable Housing Loan
6 Committee, consisting of MOHCD, Department of Homeless and Supportive Housing, and the
7 Office of Community Investment and Infrastructure, recommended approval to the Mayor of a
8 loan for the Project in an amount not to exceed \$40,413,843 in local funds and \$27,769,645 in
9 the State of California's first allocation of No Place Like Home Funds for a total loan of
10 \$74,408,049 (the "Agreement"); and

11 WHEREAS, The material terms of the Agreement also include: (i) a minimum term of
12 57 years; (ii) an interest rate of zero percent (0%); (iii) annual repayment of the loan through
13 residual receipts from the local funds portion of the loan; (iv) the Project shall be restricted for
14 no less than 57 years as affordable housing to low-income households with annual maximum
15 rent and income established by MOHCD; (v) the loan shall be secured by a deed of trust
16 recorded against the Sponsor's leasehold interest in the Property; and

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

20 WHEREAS, MOHCD and the Director of Property have approved the form of the
21 Ground Lease between MOHCD and the Lessee, pursuant to which MOHCD will lease the
22 Property to the Lessee for a base rent of one dollar (\$1) per year, in exchange for the
23 Lessee's agreement, among other things, to construct and operate the Project with rent levels
24 affordable to households up to 50% of unadjusted San Francisco Area Median Income (AMI),
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1 and a copy of the Ground Lease in a form substantially approved is on file with the Clerk of
2 the Board of Supervisors in File No. 191114, and is incorporated herein by reference; and,

3 WHEREAS, The Ground Lease provides, among other conditions, for a term of 75
4 years and one 24-year option to extend; now, therefore, be it

5 RESOLVED, That the Board of Supervisors hereby finds that the Project is consistent
6 with the General Plan, and with the eight priority policies of Planning Code, Section 101.1, for
7 the same reasons as set forth in the letter of the Planning Department Planning, dated May 4,
8 2017, and hereby incorporates such findings by reference as though fully set forth in this
9 Resolution; and, be it

10 FURTHER RESOLVED, That in accordance with the recommendations of the Director
11 of Property and the Director of MOHCD, the Board of Supervisors hereby approves the
12 Ground Lease, and authorizes the Director of Property (or designee) and the Director of
13 MOHCD (or designee) to execute and deliver the Ground Lease and any such other
14 documents that are necessary or advisable to complete the transaction contemplated by the
15 Ground Lease once the City has the HHS Quitclaim Deed, and to effectuate the purpose and
16 intent of this Resolution; and, be it

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

1 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
2 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
3 authority to undertake any actions necessary to protect the City’s financial security in the
4 Property and enforce the affordable housing restrictions, which may include, without limitation,
5 acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed
6 in lieu of foreclosure, or curing the default under a senior loan or the HHS Quitclaim Deed;
7 and, be it

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

11 FURTHER RESOLVED, That within thirty (30) days of the Agreement and the Ground
12 Lease being fully executed by all parties, MOHCD shall provide the final agreements to the
13 Clerk of the Board for inclusion into the official file.

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RECOMMENDED:

Andrico Q. Penick, Director of Property

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

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