

1 [Loan Documents - 270 Turk Street - Acquisition and Preservation Programs - Up to
2 \$31,870,000]

3 **Resolution approving and authorizing the Director of the Mayor’s Office of Housing and**
4 **Community Development (“MOHCD”) to execute documents relating to loans for the**
5 **acquisition, rehabilitation, or permanent financing of at-risk housing located at 270**
6 **Turk Street (“Project”) pursuant to MOHCD’s acquisition and preservation programs,**
7 **including the Preservation and Seismic Safety Program, the Downtown Neighborhoods**
8 **Preservation Fund, and the Educational Revenue Augmentation Fund for a total loan**
9 **amount not to exceed \$31,870,000; confirming the Planning Department’s**
10 **determination under the California Environmental Quality Act; and finding that the**
11 **Project loans are consistent with the General Plan, and the eight priority policies of**
12 **Planning Code, Section 101.1.**

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14 WHEREAS, The average monthly rent for a two-bedroom apartment in San Francisco
15 jumped from \$2,611 in 2011 to \$4,550 in 2019, an increase of almost 75% in eight years,
16 according to real estate analyst Rent Jungle; and

17 WHEREAS, For a family of four with an annual income equaling San Francisco’s 2018
18 area median income (“AMI”) of \$118,400, a monthly rent payment of \$4,550 consumes 46%
19 of the family’s monthly income; and

20 WHEREAS, While low income San Francisco households earning less than 50% of
21 AMI have faced significant rent burdens for decades, the City’s high cost of housing now
22 burdens even moderate income households with an annual income of up to 200% of AMI; and

1 WHEREAS, High housing costs across the Bay Area have caused displacement, the
2 loss of cultural and ethnic diversity in some communities, transportation pressures, and
3 overall social and economic hardship; and

4 WHEREAS, The City and County of San Francisco, through the Mayor’s Office of
5 Housing and Community Development (“MOHCD”), is a leader in the creation and
6 preservation of affordable housing, offering a variety of loan and grant programs to
7 individuals, community-based organizations, and housing developers to create and maintain
8 affordable housing and provide essential community and supportive services; and

9 WHEREAS, The funding for these loans and grants comes from a variety of sources,
10 all of which are restricted to affordable housing and are subject to various housing program
11 restrictions; and

12 WHEREAS, MOHCD administers acquisition and preservation programs for the
13 purpose of preserving and stabilizing San Francisco’s existing rental housing stock of
14 buildings that are occupied by low- to moderate-income tenants who are vulnerable to
15 displacement due to market-driven increases in evictions; and

16 WHEREAS, MOHCD’s acquisition and preservation programs help San Franciscans
17 avoid displacement and eviction by removing properties from the speculative market,
18 stabilizing housing for current tenants of those properties, and converting the properties to
19 permanently affordable housing; and

20 WHEREAS, MOHCD administers the Downtown Neighborhoods Preservation Fund
21 (“Downtown Neighborhoods Preservation Fund,” or “DNPF”) for the purpose of preserving and
22 stabilizing San Francisco’s existing rental housing exclusively for the acquisition and
23 preservation of buildings occupied by low-to-moderate income tenants located within a one-
24 mile radius of 50 First Street; the Downtown Neighborhoods Preservation Fund prioritizes
25 buildings with 26 or more residential units; and

1 WHEREAS, MOHCD administers the Educational Revenue Augmentation Fund (the
2 “ERAF Affordable Housing Production and Preservation Fund” or “ERAF”) for the purpose of
3 funding land acquisition and production of new 100% affordable housing projects and
4 acquisition and preservation of existing housing to make that housing permanently affordable;
5 and

6 WHEREAS, MOHCD administers the Preservation and Seismic Safety Program
7 (“PASS Program”) for the purpose of providing low-cost and long-term financing for the
8 acquisition, rehabilitation, and preservation of multi-family housing as well as seismic retrofits;
9 and

10 WHEREAS, The PASS Program plays a critical role in advancing the City’s anti-
11 eviction and preservation strategies by providing access to a nimble source of financing not
12 currently available on the conventional market; and

13 WHEREAS, MOHCD expects to utilize PASS, DNPf, and ERAF funds for the
14 permanent financing of the acquisition and preservation of affordable housing located at 270
15 Turk Street, an 86 unit multifamily residential property in the Tenderloin (the “Project”); and

16 WHEREAS, The form of loan documents (the “Loan Documents”) evidencing and
17 securing the PASS, DNPf, and ERAF Program loans for the Project are on file with the Clerk
18 of the Board in File No. 200766, and include: a Declaration of Restrictions restricting the
19 Project to affordable housing; a Loan Agreement; four Promissory Notes; and two Deeds of
20 Trust; and

21 WHEREAS, A Declaration of Restrictions will restrict the Project as affordable housing
22 to low- and moderate-income households with annual maximum rent and income established
23 by MOHCD as long as all or any portion of the building remains on the property, but in no
24 event less than 75 years; and

1 WHEREAS, The Declaration of Restrictions for the Project will not be subordinated to
2 any third party financing instrument; and

3 WHEREAS, The City and the Borrower, 270 Turk GP, LLC, have agreed to enter into a
4 purchase option agreement, prior to or concurrent with execution of the Loan Agreement,
5 providing the City with an option and right of first refusal to acquire the Project upon any
6 proposed transfer of the Property, among other certain events; and

7 WHEREAS, On June 19, 2020, the Citywide Affordable Housing Loan Committee,
8 consisting of representatives of MOHCD, the Department of Homelessness and Supportive
9 Housing, and the Office of Community Investment and Infrastructure, recommended approval
10 to the Mayor of a loan for the Project in an amount not to exceed \$31,870,000; and

11 WHEREAS, The Planning Department, by letter dated May 13, 2019, and Note to File
12 dated July 7, 2020, determined that the proposed Project loan is not considered a project
13 under the California Environmental Quality Act (“CEQA”, Pub. Resources Code, Section
14 21000 et seq.) pursuant to CEQA Guidelines, Section 15060, and Chapter 31 of the City’s
15 Administrative Code, and is consistent, on balance, with the General Plan, and the eight
16 priority policies of Planning Code, Section 101.1, which letter is on file with the Clerk of the
17 Board of Supervisors in File No. 200766, and incorporated herein by this reference; now,
18 therefore, be it

19 RESOLVED, This Board affirms the Planning Department’s determination under CEQA
20 and finds that the proposed Project loans are consistent, on balance, with the General Plan,
21 and the eight priority policies of Planning Code, Section 101.1, for the reasons set forth in the
22 Director of Planning’s letter; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Loan
24 Documents, and authorizes the Director of MOHCD or the Director’s designee to negotiate
25 and enter into agreements based upon and substantially in the form of the Loan Documents

1 for the Project (including, without limitation, modifications of the Loan Documents, and
2 preparation and attachment of, or changes to, any of all of the exhibits and ancillary
3 agreements) and any other documents or instruments necessary in connection therewith, that
4 the Director determines, in consultation with the City Attorney, are in the best interest of the
5 City, do not materially increase the obligations or liabilities for the City or materially diminish
6 the benefits of the City, or are necessary or advisable to effectuate the purposes and intent of
7 this Resolution and are in compliance with all applicable laws, including the City Charter; and,
8 be it

9 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
10 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
11 authority to undertake any actions necessary to protect the City's financial security in the
12 Project and enforce the affordable housing restrictions, which may include, without limitation,
13 acquisition of a Project site upon foreclosure and sale at a trustee sale, acceptance of a deed
14 in lieu of foreclosure, or curing the default under a senior loan; and, be it

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

18 FURTHER RESOLVED, That within thirty (30) days of the Loan Documents being fully
19 executed by all parties, MOHCD shall provide the Loan Agreement to the Clerk of the Board
20 for inclusion into the official file.

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RECOMMENDED:
/s/ Eric D. Shaw
Eric D. Shaw
Director, Mayor's Office of Housing and Community Development