

HOMEKEY

SUPPLEMENTAL MATERIALS FOR THE 1000 SUTTER STREET
APPLICATION ON BEHALF OF ECS

SUBMITTED TO HCD ON AUGUST 7, 2020

**EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO
Our Work in San Francisco Since 1983**

Episcopal Community Services of San Francisco (ECS) helps homeless and very low-income people every day and every night obtain the housing, jobs, shelter, and essential services each person needs to prevent and end homelessness.

Since 1983, ECS has created innovative models for addressing homelessness that honor the innate dignity and worth of all people. Today ECS is San Francisco's largest non-profit providing a continuum of services to help people to end homelessness in their lives. These services and programs assist over 13,000 extremely vulnerable and low-income people, most especially seniors and adults with disabilities and health challenges, and include the following:

- Twice daily meals for homeless adults in our shelters & Navigation Centers, and daily lunch for seniors and adults with disabilities attending our Senior Center.
- Healthy Aging Programs including a Senior Center, shelter-based behavioral health services for adults, and wellness services for extremely low-income seniors, and other single adults experiencing homelessness. We are designing an evidence-based Healthy Aging program for unhoused seniors and recently housed seniors who receive wraparound services in our permanent supportive housing program.
- Pathways to housing, which includes our citywide Coordinated Entry program assessing and assisting homeless single adults in locating housing; two year-round shelters, several seasonal shelters, and two Navigation Centers with full wraparound services.
- Permanent supportive housing, which provides 1,047 units with wraparound services for formerly homeless families and single adults. ECS is designing an additional 100 units for homeless seniors as part of a new supportive housing development, the City's largest such site.
- Workforce development and adult education programs.



**Episcopal Community Services (ECS)
Development and/or Rehabilitation, Ownership, and Operation of Similar Projects in Scope**

Under Construction:

1064-1068 Mission Street

Year Completed: on schedule for Fall 2021

Total Number of Units: 256

Population Served: supportive housing for formerly homeless, single adults and seniors

Primary Sources of Development Funds: Low-Income Housing Tax Credits, No Place Like Home funds, and City and County of San Francisco. ECS is the managing general partner, and will be operator, asset manager, and support services provider of the property. Property management is provided by Caritas Management Corporation.

ECS, in partnership with Mercy Housing, has been selected to develop San Francisco's largest-ever supportive housing development for formerly homeless people. The 7th and Mission site will be the location of a new supportive rental housing development for formerly homeless adults and seniors (age 55+). The approximately 256 studio apartments will be comprised of two buildings located on the current parking lot located at 1064-68 Mission Street. The site is adjacent to the James R. Browning Court House and is on land that is being provided by the federal government, which has stipulated that the site be used exclusively for supportive housing and services addressing the needs of formerly homeless persons. The Mayor's Office of Housing and Community Development (MOHCD) selection panel recommended the ECS/Mercy team to exclusively negotiate a ground lease for the site based on a detailed proposal submitted in response to a competitive Request for Qualifications. The housing element of the development will be fully covered by public funding services, a bond backed construction loan and tax credit equity. Construction is set to begin in January 2020 with a goal of 100% occupancy in spring 2022.

The development will be a national model, bringing together multiple best-practice elements to help San Francisco's most vulnerable, chronically homeless neighbors achieve housing stability, improve health outcomes, and lead stronger, more independent lives. In addition to housing and on-site case management, this community will be the new permanent home for the Department of Public Health's (DPH) Homeless Services Center, which includes dental services and a specialized Street Medicine program. The City's Department of Homelessness and Supportive Housing's (HSH) Homeless Outreach Team (HOT) will also be headquartered here.

ECS AFFILIATE PROPERTIES:

Canon Kip Community House

Year Completed: 1994

Total Number of Units: 104

Population Served: supportive housing for formerly homeless, single adults. Over 75% of the residents have a diagnosed disability. Over 80% of the residents are at or below 15% AMI. In addition, 80 units are set-aside through the Shelter Plus Care Program and 19 units were recently awarded project based VASH.

Primary Sources of Development Funds: Low-Income Housing Tax Credits, State of California Department of Housing and Community Development RHCP and MHP, City and County of San Francisco HOME.

ECS is the sponsor, developer, current limited partner, asset manager, and support services provider of the property. Property management is provided by Caritas Management Corporation.

Canon Kip Community House was the city's first new-construction supportive housing building for homeless men and women. While built with best practices in supportive housing at the time, the property was in need of extensive rehabilitation and a plan for long-term financial stability. To that end, the project finished a tax credit resyndication project of approximately \$24,000,000, including a substantial construction project (+\$10,500,000). The occupied rehab commenced in December 2016, completed construction in August of 2018. For this project, ECS and Mercy Housing have worked closely since early 2013, with ECS as lead developer and owner and Mercy as development consultant.

The property is also home to the ECS Senior Center serving very low-income and homeless seniors and younger people with disabilities as well as ECS's CHEFS program.

Canon Barcus Community House

Year Completed: 2002

Total Number of Units: 48

Population Served: supportive housing for formerly homeless families. There are over 100 children living on-site. In addition, 32 units are covered under San Francisco Housing Authority Project-Based Section 8 Program and 15 units are set-aside through the Shelter Plus Care Program, with five of those designated as HOPWA units restricted to households who have at least one member with HIV/AIDS.

Primary Sources of Development Funds: Low-Income Housing Tax Credits, City and County of San Francisco.

ECS is the sponsor, developer, current limited partner, asset manager, and support services provider of the property. Property management is provided by Caritas Management Corporation.

ECS completed its second new-construction supportive housing facility in 2002. Canon Barcus Community House is comprised of one- to four-bedroom units. The building includes a recently remodeled community room/kitchen, a new playground and tot lot, an after-school program (through the YMCA), a teen program, a therapy room, extensive support services offices, including conference room, and the Adult Education Center offering adult education and family literacy.

Canon Barcus Community House reached its 15-year compliance period and assumed the role of limited partner on January 1, 2017.

Bishop Swing Community House

Year Completed: 2009

Total Number of Units: 135

Population Served: supportive housing for formerly homeless, single adults. 63 units are designated MHP Supportive Housing Units. 54 units are designated MHP Special Needs Population Units. 17 units are set-aside through the Shelter Plus Care Program. The project receives operating subsidy through the city's Local Operating Subsidy Program (LOSP). The original LOSP contract was for nine years and was extended for an additional year with no extra funding required. ECS was awarded 42 project-based vouchers through the San Francisco Housing Authority. This new HAP contract and rental subsidy will reduce the City's LOSP payment by millions of dollars over the 20-year contract period. In 2019, the project received a new, 15-year LOSP contract.

Primary Sources of Development Funds: Low-Income Housing Tax Credits, State of California Department of Housing and Community Development MHP, City and County of San Francisco HOME.

ECS is the sponsor, developer, current limited partner, asset manager, and support services provider of the property. Property management is provided by Caritas Management Corporation.

ECS's third and newest new-construction project, Bishop Swing Community House is a five-story, 135-unit permanent supportive housing project and contains a community room, a community kitchen, a computer lab, extensive support services offices, including conference room, a community garden and two outdoor courtyards

ECS MASTER LEASED SITES:

The Alder

Master lease commenced: 2006

Total Number of Units: 116

The Henry

Master lease commenced: 2015

Total Number of Units: 121

The Crosby

Master lease commenced: 2006

Total Number of Units: 124

The Hillsdale

Master lease commenced: 2005

Total Number of Units: 75

The Elm

Master lease commenced: 2004

Total Number of Units: 80

The Mentone

Master lease commenced: 2004

Total Number of Units: 68

Population Served for all Master leased Properties: supportive housing for formerly homeless, single adults.

Starting in 2004, ECS master leased and rehabbed six residential hotels – The Alder, The Crosby (formerly The Coast), The Elm, The Henry, The Hillsdale, and The Mentone – as part of San Francisco's Housing First Program for chronically homeless adults through the Department of Homelessness and Supportive Housing (HSH). This program provides permanent, supportive housing with ECS providing on-site support services at each property. As master lease holder, ECS is responsible for selection and supervision of the third-party property management company, Caritas Management Corporation. ECS works directly with the six individual property owners, property management, support services staff, and HSH to ensure program compliance, adherence to budget and contract management, coordination of necessary capital repairs and improvements, and facilitation of support services, including case management, behavioral health, rent assistance, and housing retention.

The Auburn

Master lease commenced: 2017

Total Number of Units: 70

ECS and DISH (Delivering Innovations in Supportive Housing) entered into a partnership at The Auburn, which will provide permanent supportive housing for formerly homeless veterans through project-based and housing choice VASH. ECS is the master lease holder and support services provider. DISH is the property management agent. ECS applied for and was awarded 29 project-based VASH vouchers through a San Francisco Housing Authority RFP. We expect the population to include veterans who have experienced, chronic homelessness as well as presenting with substantial challenges around mental illness, trauma, substance use, and physical disabilities. ECS and DISH will be working closely with HSH and the Veterans' Administration to provide quality management of The Auburn.



Episcopal Community Services (ECS) Support Services Provider

ECS is one of the City's largest nonprofit providers of essential services to homeless and very low-income San Franciscans. Serving for over 33 years, our contributions to end homelessness in San Francisco are offered through a continuum of programming: Housing; Shelters; and Education, Employment and Senior Services. We have firsthand, deep experience in serving people living on the streets and in shelters – with multiple and complex diagnoses, many of whom are chronically homeless facing the plethora of issues that challenge accessing and maintaining housing. In FY '19, ECS served 13,356 people. More than 3/4 were currently homeless (79%); almost all earned less than \$15,000 a year (80%); a third were 55 years or older. The vast majority of all clients experienced one or more health conditions including chronic physical illness, physical disabilities, chronic substance use, and severe mental health conditions. That experience informs our services approach in supportive housing, and throughout our programs -- services and housing are delivered using a Housing First, tenant-centered, Harm Reduction model, employing a trauma-informed approach and motivational techniques.

ECS's Education, Employment and Senior Services Department consists of the Adult Education Center with specially designed services to meet the needs of San Francisco's poorest residents who have traditionally not accessed or succeeded in mainstream education, training, and employment systems through comprehensive basic education, literacy, GED and technology classes; the Conquering Homelessness through Employment in Food Services (CHEFS) 5-month culinary training and employment placement program; a Supportive Housing Employment Specialist who provides job readiness, placement and retention services to tenants in our housing; and the Canon Kip Senior Center that offers seniors so much of what is needed to continue to live in their own homes -- a breadth of socialization activities, case management, housing placement and retention services, and health education and nutrition services, including a hot lunch.

Description of On-Site Services Provided

ECS will provide extensive, on-site supportive services such as those described below at 1000 Sutter to ensure residents receive the support needed to stabilize and retain housing while working toward their individual goals. All residents at 1000 Sutter will have formerly experienced homelessness, many for years and with dual and triple diagnoses. The goal of all on-site services is to meet people where they are, using a harm reduction approach with the retention of housing as a primary goal.

Intensive Case Management. Ongoing, consistent *tenant engagement* is the foundation that the services team relies upon in order to build trust, rapport, and healthy communication. In addition to the initial, early outreach at commencement of tenancy, every resident at every site is contacted through outreach at least once per month to assess individual needs. Staff contacts and offers on-site services and referrals to other appropriate agencies to all residents who are delinquent in rent, have experienced a loss in benefits or income, or whose behavior indicates a substance abuse, mental health or other problem that puts their housing or health in jeopardy. Residents also receive regular outreach regarding groups, building events, and activities. Engagement barriers are addressed as part of care coordination conferences. ECS staff offer an *array of ongoing services* including advocacy and conflict resolution; assistance with basic needs (nutritious food, clothing, cleanliness and transportation); counseling; end of life counseling and, in consultation with SAMC staff, referral to care, such as hospice; care coordination to on-site and off-site medical/mental health care and substance use treatment, to legal services, including for financial or medical directives and estate planning and to various other resources needed; and assistance applying for/accessing income and in-kind benefit programs and entitlements, including those administered locally and by the Social Security Administration.

Clinical Assessments include needs assessment interviews conducted prior to move-in; intake interviews upon move in to assess service needs, strengths, potential challenges, physical and behavioral health, substance use, social support, housing history, and other useful indicators; and ongoing assessments conducted as tenant lives change, at least annually.

Individualized Health and Wellness Plans are created in collaboration between Case Manager and tenant, identifying tenant goals and Case Manager's role in achieving them. Built around tenant preferences and strengths, client driven Health and Wellness Plans provide opportunities for tenants to gain control over their lives. Guided by a Harm Reduction approach, staff assist tenants in reaching desired outcomes. This approach results in more realistic goals being set, elicits more tenant motivation and assists in engaging with residents who do not want to participate in services. Upon move-in, each tenant is encouraged to create a Health and Wellness Plan. Staff coordinates with off-site case management providers to assist in goal-setting and development of ongoing Health and Wellness Plans. Each plan is updated at least once every six months or new plans will be created as new goals arise.

Eviction Prevention and Housing Retention are primary goals while staff work to stabilize tenants who, once housed, may still face challenges posed by the entrenched life circumstances that led to homelessness. To ensure housing is maintained, at-risk tenants (those showing financial instability, behavioral or housekeeping issues) are provided services through ECS or referral for treatment of chronic medical, mental health, and substance use issues; referred by Case Managers to the RADco program of the Eviction Defense Council; or assisting in obtaining IHSS care or a one-time unit clean-up of unsafe conditions. Financial stability is further supported by linking tenants to money management services, with the cost subsidized by ECS in some of our properties. Every effort is made by property management and support services to avoid involving a tenant in a legal process, whether for non-payment or behavioral issues. Property management and support services staff meet for weekly team meetings to discuss all current tenant issues and strategize outreach efforts. Discussion continues at the monthly operations meeting, which is attended by on-site property management and support services staff as well as ECS's Director of Housing Services, Director of Housing Development and Asset Management, and senior property management leaders. No tenant is referred for a legal process without the agreement of the property manager and the support services manager. At that time, both property management and support services will have demonstrated through their written housing retention policies that legal action is the appropriate next step for a tenant. Housing retention or a successful exit from the property by every tenant is the shared goal of ECS and property management and every effort is made to avoid an eviction.

Transitions to Higher Levels of Care – Case Managers work to partner and coordinate care with long-term care facilities, hospitals and residential substance use treatment facilities to provide more intensive services if tenant needs require. ECS staff also regularly assess clients for “new accommodations needs” to help anticipate with enough time to secure the resources.

Community-building Activities and Groups, guided by principles of social rehabilitation, behavior modeling, and community building, are offered to tenants on a daily basis. Skill-enhancing/educational groups and recreational activities will provide opportunities to socialize with community while building life skills. Staff partner with tenants in cultivating a healthy living environment and creating a safe, supportive and empowered community. Examples of the variety of groups and activities we offer include holiday events and meals, organized outings, health fairs, Daily Coffee Hour, Women's Group, Art Therapy Group, Relapse Prevention Group and End of Life Care workshops.

Resident Empowerment is key to building strong community, and is cultivated through tenant involvement in program development and evaluation. Services staff and Property Management host monthly Community Meetings as a forum for tenant input. Staff work with tenants to develop a Tenant Council, a space in which tenants can collaborate and problem-solve regarding issues that directly concern them, while fostering a sense of ownership of the program. Regular and annual anonymous surveys are issued to gain tenant feedback about quality of services and preferences for groups/activities. Empowerment is further fostered

through the use of restorative justice practices, which encourage individuals to respond to and resolve conflict by addressing underlying causes and taking responsibility for actions. Offering prevention and intervention measures, the approach can be a reparative process that strengthens relationships and builds investment in community.

Crisis Intervention: ECS Support Services staff possess the clinical training and experience required to meet the complex needs of tenants that can result in crisis and intervene to successfully foster independent living. Crises can range from lease compliance and rent issues that may jeopardize tenancy, to more serious medical or psychiatric issues that may require immediate hospitalization. The licensed staff are equipped to address the myriad of challenges that residents might face. The diverse skill-sets, qualifications, and networks of clinical and nonclinical staff allow for interventions ranging from de-escalation, mediation, restorative justice practices and case conferencing to crisis counseling and involuntary hospitalization, if needed. This range of expertise assists in navigating tenants through an often complicated medical and mental health system. Staff are available on-call to respond to crises 24/7.

On-site Mental Health Services: In an effort to address the often profound mental health and substance use issues that many of our residents present, ECS offers residents at all of our sites short- and medium-term individual, couple, family, and child psychotherapy through our Housing Clinical Internship program. With long clinic waitlists and limited community resources available, providing these advanced professional services on-site promotes more consistent utilization of treatment, and also allows residents to address the very issues that may have initially led to homelessness and might continue to jeopardize their housing. Each housing site is also supported by a Roving Clinical Services Specialist, a licensed Marriage Family Therapist or Licensed Clinical Social Worker, who provides long-term psychotherapy, consultation, and other services, as needed, for the most clinically complex and highly acute residents of each building. These services are offered on-site, or off, depending on client preference.

On-site Medical Services: ECS maintains a long-term partnership with the Samuel Merritt University School of Nursing, which provides two-to-three nursing interns per site each academic semester to work with and educate our residents regarding health-related issues. The Nursing interns conduct on-site health screenings, blood pressure checks, medication consultation, and other medical services. Interns also facilitate health and wellness group at each site. These groups focus on such topics as hygiene, nutrition, dental care, podiatry issues, and other health-related subjects.

Vocational Occupational and Education: ECS provides tenants regular group and individualized off-site cultural, educational, health/behavioral health/recovery, volunteer and socialization experiences. For those interested in furthering their education, or in job readiness, vocational training or job placement services, Housing Case Managers can refer any tenant to ECS's Housing Employment Specialist; to courses at ECS's Adult Education Center or the CHEFS culinary employment program; and/or to ECS's Homeless Employment Collaborative partners.

Staff Collaboration, essential for the success of tenants, is fostered by weekly and ad hoc services team meetings, and between the services team and Property Management staff at each building. Such meetings allow for reinforcement of delineation of responsibilities, review of protocols, and ongoing planning to ensure the needs of individual tenants are balanced with the safety and security of the property. An important component to such meetings is discussion of critical tenant issues. Staff meetings are an important space in which to strategize about how to increase tenant utilization of services.

6B. Development Plan

The City of San Francisco (City), as lead applicant, and its co-applicant, Episcopal Community Services (ECS) (together, the Applicants), are partnering to create up to 232 units of permanent affordable housing for people experiencing homelessness or at-risk of homelessness and who are also vulnerable to COVID-19 (Target Population). The Applicants will ensure that this housing remains permanently affordable to the Target Population through three financial and regulatory mechanisms: 1) a Declaration of Restrictions; 2) a Deed of Trust; and 3) an Option to Purchase Agreement, all of which are tied to capital funding provided by the City. Further details on the mechanics of these required covenants are described below.

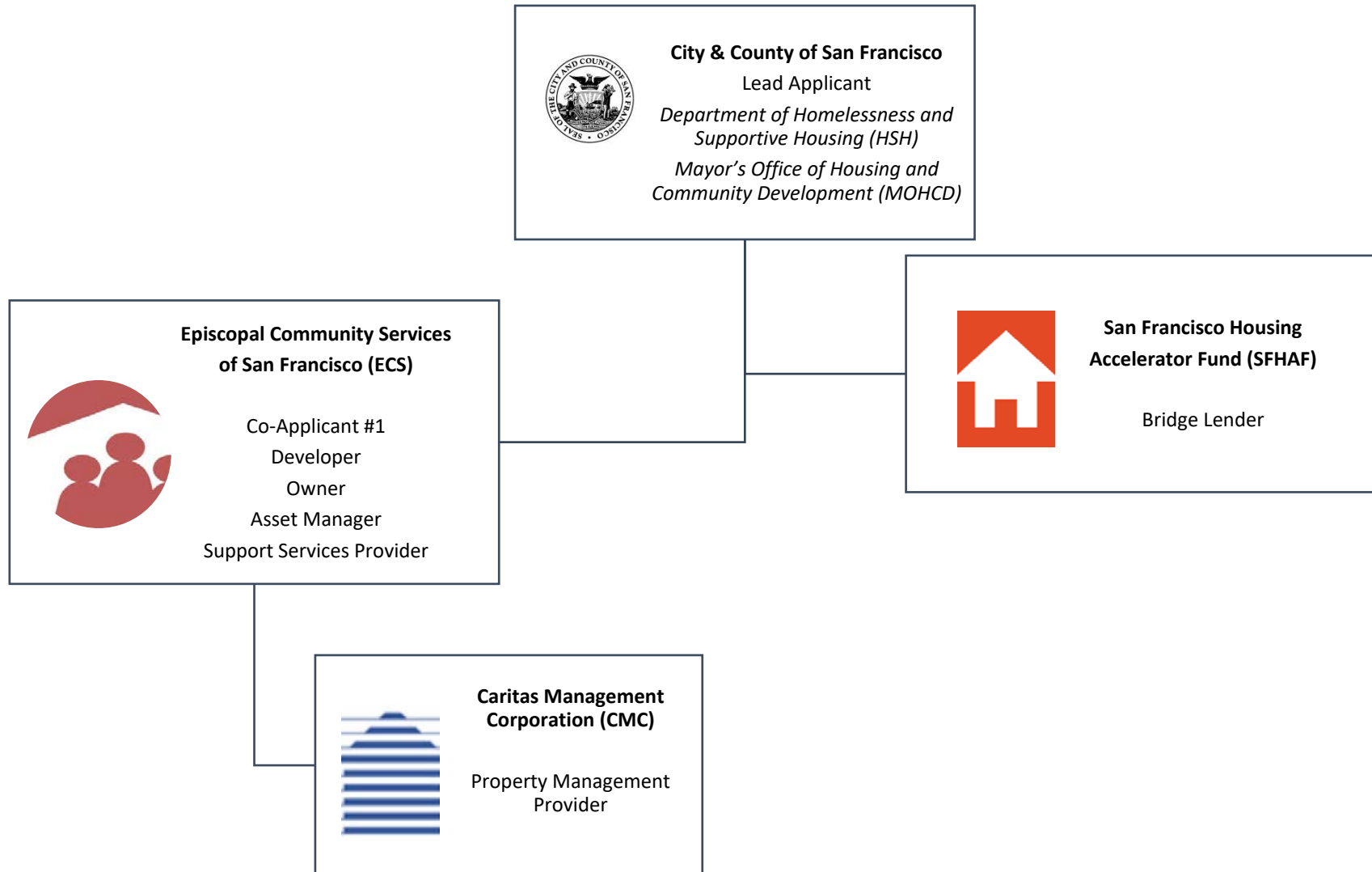
Declaration of Restrictions. ECS will purchase 1000 Sutter (Project; Property) using Homekey funding and bridge financing provided by the San Francisco Housing Accelerator Fund (SFHAF), a Development Team Member. The bridge funding will meet Homekey requirements for the local match, and the City will ultimately repay SFHAF and assume the role of permanent Project lender. At the Project's acquisition closing, SFHAF will require recordation of a Declaration of Restrictions (DOR) on the Property in favor of the City, acting through the San Francisco Mayor's Office of Housing and Community Development (MOHCD) and the SFHAF. The term of the DOR will be for the greater of 75 years or the life of the Project, and it will impose restrictions on: 1) occupant income; 2) rents charged; 3) rent increases; and 4) lease terms. In addition, the DOR will impose non-discrimination requirements; assert the fact that its covenants run with the land and are binding to successors; and give the City the right to enforce the DOR obligations.

Deed of Trust. As part of the acquisition closing, SFHAF will also require recordation of a Deed of Trust (DOT) against the Property in first lien position, which will encumber ECS's fee interest and secure the SFHAF bridge loan. SFHAF and the Applicants expect the term of the SFHAF loan to be no greater than twelve months. Upon the City's readiness to repay the SFHAF loan, the City will become the permanent Project lender, at which time the SFHAF DOT will terminate and the City will encumber the Property with its own Deed of Trust to secure its interests. Upon the City's issuance of its permanent Project funding, it will also amend and restate the existing Declaration of Restrictions, which will then take first lien position on title, ensuring its priority enforcement above any other Project encumbrance.

Option to Purchase Agreement. As an added protection, the City will also require ECS to record against the Property an Option to Purchase Agreement (subordinate to the City's DOT)), that secures its right to purchase the property under any conditions that might ensue and require a sale during the life of the Project.

Finally, the terms of the City's DOR, DOT, Option to Purchase Agreement and permanent loan agreement will all be enforced through the City's proactive asset management of its affordable housing portfolio. This includes rigorous compliance monitoring protocols incorporated into an Annual Monitoring Report (AMR). Through the AMR process, the City will evaluate the Project's physical, financial and compliance performance. The report also provides additional critical data on household demographics, eviction rates, and services. Close analysis of these data allows MOHCD Asset Managers to identify "watch list" projects that require additional resources, as well as preservation opportunities.

**City and County of San Francisco &
Episcopal Community Services (ECS)
Flowchart and Description of Team's Connection**



Description:

The Applicants and Development Team

The Lead Applicant (City & County of San Francisco's Department of Homelessness and Supportive Housing, HSH, in partnership with the Mayor's Office of Housing and Community Development, MOHCD) and Co-Applicant #1 Developer (Episcopal Community Services of San Francisco, ECS) have worked in partnership for over 20 years (including HSH's predecessor agency, San Francisco's Human Services Agency) on a number of different projects to prevent and end homelessness in San Francisco. Namely, ECS owns or masterleases and operates and provides support services for ten of HSH's Continuum of Care, 100% permanent supportive housing properties. ECS provides on-site support services for an additional three of HSH-funded, permanent supportive housing properties. By the end of 2021, ECS will own or masterlease and operate and provide support services for an additional 347 units of HSH-funded, permanent supportive housing. Along with operating permanent supportive housing in partnership with HSH, ECS also holds the contract for the City's Adult Coordinated Entry Program (ACE). ECS and HSH work together to identify those who experience chronic homelessness on the City's streets and shelters and streamline the process for people to find permanent supportive housing units and live long and sustaining lives.

The San Francisco Housing Accelerator Fund (SFHAF), a Development Team Member and the Project bridge lender, supports San Francisco's most vulnerable populations through the creation and preservation of affordable housing. SFHAF accelerates the production and preservation of affordable housing for San Francisco's economically disadvantaged households and individuals by lending to, investing in, and directly acquiring real estate assets. The Fund provides affordable housing developers with acquisition, predevelopment, and rehabilitation financing. It offers an innovative, flexible and financially sustainable model for future housing initiatives coordinated with the public sector and fueled by its private and philanthropic partners, like Tipping Point Community, Dignity Health, The San Francisco Foundation, Crankstart, and First Republic Bank. SFHAF and ECS have worked together for three years, identifying the financial feasibility and acquisition of SRO hotels in the South of Market and Tenderloin neighborhoods and collaborating on the construction of 145 units of permanent supportive housing at 833 Bryant, which will open its doors in August 2021.

Caritas Management Corporation (CMC), also a Development Team Member and the Project's property manager, has provided property management services to ECS owned and master-leased properties (with HSH) since 2005. As of 2018, Caritas provides property management to 10 of ECS' permanent supportive housing sites with an additional three properties being added in 2021. The mission of CMC is to manage affordable housing in a way that enhances the quality of life for tenants and the surrounding community, and to provide long-term employment opportunities for community residents. CMC's on-site staff have learned ECS' Harm Reduction, behavioral health approach to work with disabled and non-disabled residents who are at different stages in behavioral change to keep their units habitable and to allow for community safety and enjoyment. CMC and ECS have done this by co-locating property management and services staff allowing for constant ad hoc communication, operation as a team and facilitating the formal weekly team meetings and monthly operations meetings which feature set agendas regarding vacancies, larger issues, and rent collection. Due to CMC's staff training in trauma-informed care and ECS services approach, the CMC staff at the ECS properties feel very connected to ECS' mission and CMC has been successful at property management staff staying in their positions or being promoted on site to learn and grow in expertise.

Working Together on 1000 Sutter Street (Project; Property)

The Applicants and the Development Team will tap their long experience working together and values-aligned approaches to the creation of permanent affordable housing in San Francisco to ensure the successful completion of the Project. As a first step, SFHAF will provide a below-market, flexible bridge loan to ECS to satisfy Homekey's local funding match requirement and close the Project acquisition by no later than 12/30/20. SFHAF's loan will require recordation of a Declaration of Restrictions against the Property that restricts its use to affordable housing.

Prior to and immediately upon closing, ECS will implement a minor rehabilitation program at the Property that provides accessibility and programmatic spaces and ensures that all units are ready for occupancy no later than 90 days from the date of acquisition. ECS will also immediately implement its successful supportive services program, so that existing residents at the site who qualify as part of the Target Population and new residents are able to live safely, securely, and with long-term residential stability. In addition, Caritas Property Management will be on site immediately, providing high-quality property management services that ensure the successful operation of the Property.

The City will also be involved in the Project as of the closing date through its coordination with ECS on the Project's lease-up. The City and ECS will use the City's Coordinated Entry program to identify prospective tenants. Coordinated Entry prioritizes homeless San Francisco residents with the most acute needs for occupancy in permanent supportive housing. This is a program that the City and ECS have implemented previously in numerous buildings.

Within a short time period, the City will assume the role of permanent Project lender by repaying the SFHAF loan. This action will include recordation against the Property of a City Declaration of Restrictions that assumes first lien position and further ensures permanent affordability at the site.

Finally, the City will assume responsibility for the provision of long-term operating and services subsidies for the Project once the Homekey operating subsidies expire. The City's commitment to these subsidies for Homekey purposes is five years, but the City and ECS expect that they will continue for as long as the need exists.

Non-Discrimination Statement & Racial Equity

Non-Discrimination Statement.

The City and County of San Francisco (City) prohibits discrimination in all its housing programs, and memorializes this prohibition in its contractual agreements, as it will in its funding agreement for 1000 Sutter (Project). The City and ECS agree that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other classes of individuals protected from discrimination under federal or state fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with program funds made available pursuant to the Homekey NOFA. The City and ECS further agree that they shall comply with the requirements contained in the Americans with Disabilities Act, the Fair Housing Amendments Act, the California Fair Employment and Housing Act, the Unruh Act, Government Code Section 11135, Section 504 of the Rehabilitation Act, and regulations promulgated pursuant to those statutes, including 24 C.F.R. Part 100, 24 C.F.R. Part 8, and 28 C.F.R. Part 35, in all of their Homekey activities.

The Project and Racial Equity.

On January 24, 2019, the San Francisco Point-in-Time (PIT) Count identified 8,035 people experiencing homelessness in San Francisco, a 17% increase since 2017. A six-year trend of comparable Point-in-Time Count data identified a 15% increase in the number of persons experiencing homelessness in San Francisco between 2013 and 2019. However, homelessness has not affected all communities equally, and racial inequity has played a determining factor in who experiences homelessness, with a disproportionate number of people of color experiencing homelessness compared to the City's general population. For example, 37% of PIT survey respondents identified as Black or African-American compared to 6% in the general population. 5% identified as Asian compared to 36% in the general population; 29% identified as White compared to 53% of the general population and 22% identified as Multi-racial compared to 5% of the general population. About 18% of survey respondents indicated their racial ethnicity as Hispanic or Latinx compared to 15% in the general population.

Similarly, COVID-19 has disproportionately impacted certain racial groups in San Francisco. According to data collected by the San Francisco Department of Homelessness and Supportive Housing (HSH), at least 39% of HSH clients staying in temporary Shelter-In-Place (SIP) hotel units, provided by the City in response to COVID-19, are Black or African American.

The City and County of San Francisco has shown its commitment to dismantling racial inequality among people experiencing homelessness and disproportionately impacted by COVID-19. At a broad, City-wide level, Mayor London Breed established an Office of Racial Equity to oversee City departments' progress to reverse policies that previously created, upheld, or exacerbated racial disparities. Correspondingly, the San Francisco Planning Commission adopted Resolution No.20738 on June 11, 2020, which the Planning Department's work program and resource allocation on racial and social equity. City agencies, led by the Human Right Commission (HRC), are defining racial equity, consistent with the Government Alliance on Race and Equity (GARE), as the point at which race can no longer be used to predict life outcomes, and outcomes for all racial groups are improved.

At a more targeted level, HSH has for many years incorporated equity principles and practices to address how resources, especially housing, are allocated among those most affected by homelessness, namely lower income people of color. In 2017, The City launched San Francisco Coordinated Entry (CE) after three years of piloting a previous triaging system that prioritized people only by their length of time homeless. The improved San Francisco Coordinated Entry System prioritizes people experiencing homelessness for housing based on vulnerability— physical health, behavioral health and history of trauma, barriers to housing-- frequency of arrest and history of evictions, and chronicity of homelessness. Housing opportunities are allocated to people experiencing the greatest needs.

By prioritizing people based on need, partnering with community-based partners to maximize the participation of historically excluded groups, and centering racial equity in the implementation, HSH has demonstrated remarkable progress on equity. A recent external evaluation commissioned by HSH found that Black people are proportionally represented (over 40%) among people experiencing homelessness who are prioritized and placed in housing. In order to maximize the equity of the system, HSH has partnered with 13 San Francisco Community Based Organizations to provide community-based access to Coordinated Entry city-wide, with special attention to neighborhoods where the need is highest.

In their acquisition of the Granada Hotel, the City and ECS will build upon the racial equity advances achieved through Coordinated Entry. Their creation of 232 new units of permanent supportive housing will meet the immediate and urgent need of providing new homes for homeless people living in SIP hotels, a disproportionate number of whom are people of color, as described above. And while the City uses a "Housing First Approach" (the theory that providing housing as a basic necessity is required in order for a person to address employment, mental health and substance abuse issues), ECS's service delivery model will further address the consequences of systemic racism. Residents will have access to a dedicated case manager who can provide individualized and culturally appropriate plans for health, wellness, and empowerment as well as resources to which marginalized people typically have no access.

The best demonstration of ECS's success in addressing racial inequities - as it will continue at 1000 Sutter Street -- is the demographics of its supportive housing tenants. Approximately 35% of residents living in ECS properties are Black (versus a 6% population number) and 25% are Latinx (versus a 15% population number). The retention rate in ECS buildings averages 93%, proving the efficacy of ECS's work and the ways in which the organization provides redress for racial discrimination.

Project Benefit Type: Permanent Housing (Section-305)

Control of Property: Please see Letter of Intent between Co-Applicant Episcopal Community Services (ECS) and property owners of the Granada Hotel.

Covenant, Operations and Services Funding, Description of Services: Please see Commitment Letter between ECS and the Department of Homelessness and Supportive Housing of the City and County of San Francisco.

Evidence of Committed Acquisition Funding: Please see Commitment Letter from San Francisco Housing Accelerator Fund to Provide Bridge Loan Funds

No housing or tenant displacement will result from this project.



August 6, 2020

655-685 4th St LP and Pantoll Holdings LLC
c/o Hans Geiszler & Robert Mellett
2155 Powell Street
San Francisco, CA 94133

Re: 1000 Sutter Street, San Francisco, CA 94109

Dear Mr. Geiszler & Mr. Mellett:

I am submitting this Letter of Intent on behalf of Episcopal Community Services of San Francisco ("ECS") as Buyer.

ECS has provided essential services to homeless San Franciscans since 1983, utilizing a holistic approach that addresses the multiple causes leading to homelessness. This past year, we served more than 13,000 people, guided by our mission to help homeless and very low-income people every day and every night obtain the housing, jobs, shelter, and essential services each person needs to prevent and end homelessness. ECS owns and master leases over 900 units of permanent supportive housing for people formerly experiencing homelessness with all properties located in the Tenderloin and South of Market neighborhoods, with another 300+ units scheduled to be added to its portfolio within the next 18 months. ECS provides asset management oversight and on-site support services to all of those units and partners with Caritas Management Corporation for property management services. The parties acknowledge that the City and County of San Francisco ("City") and ECS are working together on this project in connection with applying for state funding through its program Project Homekey. Because of the fast approaching deadline and the requirement for the City to include a fully signed letter of intent along with any application it submits tomorrow, this offer is ECS's best and final and expires at **2pm PST on Friday, August 7th, 2020**.

This Letter of Intent ("LOI") will outline the general business terms upon which Buyer would enter into a Purchase Agreement for the subject Property:

Seller: 655-685 4th St LP, and Pantoll Holdings LLC ("Seller")

Buyer: Episcopal Community Services of San Francisco ("Buyer")

Property: 1000 Sutter Street, Block 0279, Lot 005, San Francisco, consisting of approximately 10,000 Sq. Ft. of land plus improvements and any other rights and entitlements pertaining thereto. (the "Property").

Purchase Price & Terms: **Forty-Six Million Dollars (\$46,000,000)** Payable in cash at "Closing" (as defined below). Purchase is subject to Buyer's inspections and other due diligence described herein and entering into a definitive purchase and sale agreement satisfactory to the parties thereto.

Purchase and Sale Agreement:

Buyer and Seller shall execute a mutually agreeable Purchase and Sale Agreement ("PSA") embodying the terms and conditions of this Letter of Intent and Buyer shall open escrow ("Escrow") at Old Republic Title Company ("Escrow Holder"). Buyer shall provide the first draft of PSA.

Closing Date:

The Closing shall occur on or before **November 13, 2020** (estimated "Closing Date"), unless extended pursuant to this LOI.

Closing Date Extension:

If Buyer determines that the required conditions to close, for example, the State of California has awarded funding through Project Homekey, but the funds have yet to be received by Buyer, then Buyer may exercise a one-time option to extend (in writing) the Closing Date to December 15, 2020. Upon such extension, the parties agree to use best efforts to ensure closing occurs on or before the extended Closing Date, but in no event later than December 30, 2020.

Non-Refundable Deposit:

As consideration of such extension, Buyer will deposit One Million Dollars (\$1,000,000) into Escrow no later than November 16, 2020 (the non-refundable "Deposit"). The deposit shall become non-refundable except in the event of a Seller default or otherwise, if the transaction fails to close prior to December 30, 2020, other than for a Buyer default. The Deposit shall be retained in Escrow until Closing or termination of the Purchase and Sale Agreement. The Deposit (and all interest accrued) shall be applied toward the Purchase Price at Closing.

Title Review:

Seller shall deliver to Buyer a preliminary title report on the Property with copies of all items shown as exceptions on the title report (collectively, "Report") within three (3) business days of mutual execution of the Purchase and Sale Agreement. Buyer shall have thirty (30) days from its receipt of the Report to approve or disapprove the condition of title of the Property. There shall also be a title review period after any update of the Report (which will be described in the Purchase and Sale agreement). Title will be delivered to Buyer by grant deed on Closing, subject to matters approved by Buyer. Title shall be conveyed with no monetary liens, except payment of non-delinquent real property taxes.

Due Diligence Contingency:

Prior to the initial Closing Date Buyer shall have approved or disapproved the Property, including but not limited to the following:

- A. Physical Inspection: Buyer shall have the right to conduct such engineering, feasibility, seismic, surveys and other studies regarding the condition of the Property as it considers prudent. Seller agrees to allow Buyer and or Buyer's agents onto the Property during regular business hours to conduct studies and inspections of the Property, subject to Seller's prior reasonable approval and adequate notice (collectively, "Building Condition"). As part of determining the

Purchase Price, ECS assumes the major building systems, roof, fire life safety, and seismic performance are either at or above code requirements and/or are not materially deficient or in disrepair. In the event that estimated repair/replacement costs associated with the Building's Condition necessary for ECS's legal and safe occupancy exceed \$500,000 and the Seller does not reduce the Purchase Price for any amounts above \$500,000, ECS may terminate this Agreement at no cost.

- B. ADA Access: Seller had warranted the Property complies with the Americans with Disabilities Act (ADA). ECS is relying upon that assumption when determining the Purchase Price. In the event that estimated new ADA costs required for ECS's legal and safe occupancy exceed \$250,000 and the Seller does not reduce the Purchase Price for any amounts above \$250,000, ECS may terminate this Agreement at no cost.
- C. Environmental Audit: Buyer shall have the right to conduct an environmental audit and such environmental studies regarding the environmental condition of the Property as the Buyer determines are prudent (including without limitation, Phase I and Phase II environmental site assessments). As part of determining the Purchase Price, ECS assumes the environmental condition of the Property does not require major remediation in order for ECS's legal and safe occupancy. If the estimated environmental remediation expenses for ECS's intended use exceed \$250,000 and the Seller does not reduce the Purchase Price for any amounts above \$250,000, ECS may terminate this Agreement at no cost.
- D. Appraisal: ECS will obtain an MAI Appraisal and MAI Appraisal Review of the as-is, fair market value of the Property. In the event the appraised value is less than the proposed Purchase Price, ECS may terminate the Agreement at no cost. The parties acknowledge that if the Purchase Price is above the appraised value, then in no event will it be a Buyer's default if closing does not occur.
- E. Documents: Within ten (10) days of mutual execution of this LOI, Seller shall deliver to Buyer for Buyer's review the following information relating to the Property: (1) All building plans and specifications; (2) all service or maintenance contracts; (3) any other contracts and warranties; (4) a current rent roll and schedule of security deposits and any other lease deposits; (5) copies of all current tenant leases; (6) operating statements for the past 3 years; (7) current property tax bills and any notices of tax assessments; (8) any previously completed environmental reports, seismic reports, soils reports or other geotechnical studies, and any building inspection reports; (9) survey; and (10) other studies and relevant reports,

budgets, financial statements, any notices from governmental entities.

Access to Property: Upon at least 24 hours' notice, Seller shall allow Buyer access to the Property prior to the estimated Closing Date. The Purchase and Sale Agreement will specify any reasonable terms and conditions to conduct any inspections or investigations Buyer deems prudent. Notwithstanding, the parties may elect to enter into a license, permit or some other form of access agreement prior to the execution of the Purchase and Sale Agreement.

Closing Costs: Buyer shall pay for the City and County transfer tax. Buyer shall pay for escrow fee, all title insurance premiums (CLTA and ALTA) and all other closing costs.

Seller's Cooperation: Seller acknowledges that, during the course of the escrow, Buyer may seek certain governmental permits and approvals for the development of the Property. Seller agrees to cooperate with Buyer and take all actions and join in all applications and execute all documents reasonably necessary to allow Buyer to pursue and obtain such permits and approvals, as necessary, provided that such cooperation shall be at no cost or liability to Seller, or if there is cost or liability, Buyer reimburses such costs and /or provides a suitable indemnity. Buyer shall have no liability to Seller by reason of undertaking these activities in connection with government permits or approvals except as otherwise agreed to by Buyer as provided in this paragraph. Seller shall waive all provisions of the confidentiality agreement which prohibit communicating with governmental and quasi-governmental entities to permit communication as described in this paragraph.

Representations and Warranties: The Purchase and Sale Agreement shall include representations and warranties typically made by buyers and sellers in purchase and sale transactions.

Assignment: Buyer shall have the right, without Seller's consent, to assign this LOI to and/or the Agreement to: the ECS Housing Corporation, or an entity that is owned or controlled by Episcopal Community Services of San Francisco; the San Francisco Housing Accelerator Fund (SFHAF) or an entity that is owned or controlled by SFHAF; and the City.

Exclusivity: Seller agrees not to market the Property, nor negotiate or discuss any sale, lease or option of the Property or any interest in the Property, during the negotiation of the Purchase and Sale Agreement. Seller and Buyer shall negotiate the Purchase and Sale Agreement in good faith. The Purchase and Sale Agreement shall include a similar exclusivity agreement applicable to the term of the Agreement.

Representation: Seller to be represented by: _____
Buyer to be represented by: Goldfarb & Lipman LLP

This Letter of Intent is meant to be a general outline of the business terms upon which Buyer will buy and Seller will sell the Property. This Letter of Intent shall not be binding on either Buyer or Seller (except for the provisions of the "Exclusivity" section) unless and until both parties execute a binding Purchase and Sale Agreement. If these terms are acceptable to you, then please indicate so by having this Letter of Intent executed by the Seller in the space provided below. The terms and conditions of this Letter of Intent shall be null and void and no longer in effect if this Letter of Intent is not counter-signed and returned to the office of Episcopal Community Services of San Francisco prior to **2pm PST on August 7, 2020**.

AGREED AND ACCEPTED:

Buyer: ^{DocuSigned by:} Episcopal Community Services of San Francisco

Beth Stokes

By: 2F6F81C95BDB477

Title: Executive Director

8/6/2020

Date: _____

AGREED AND ACCEPTED:

Seller: ~~655-685 4th St~~ LP & Pantoll Holdings LLC

By: 

Title: Principal

Date: 8/6/2020



DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

August 7, 2020

Beth Stokes
Executive Director
Episcopal Community Services
165 Eighth Street
San Francisco, CA 94103

Re: Letter of Funding Commitment for the Granada Hotel Project

The Department of Homelessness and Supportive Housing (HSH) is pleased to provide this letter of commitment to Episcopal Community Services (ECS) for funding of social services and operations, including property management, for permanent supportive housing at the Granada Hotel (the Project).

Contingent on the City and County of San Francisco and ECS, as co-applicants, receiving state Homekey funding for the purchase of the Granada Hotel, and subject to the budget and fiscal provisions of the S.F. Charter, HSH is committed to entering into an agreement with ECS to operate the Project as permanent supportive housing for formerly homeless individuals. The Project is located at 1000 Sutter Street, a 232-unit single-room occupancy (SRO) hotel. Eighty units are currently occupied by low-income individuals, primarily reliant on short-term rental subsidy vouchers, who ECS will income-certify to establish their status as at-risk of homelessness; 152 units are vacant. ECS and the City agree to restrict the property for at least 55 years to provide affordable housing and to serve households who are homeless, at risk of homelessness and also impacted by COVID-19.

It is HSH's intention to provide funding for operating costs and supportive services attributable to the Project. Operating and services funding is estimated at \$1,400 per unit per month for up to 232 units, and available units are prioritized for homeless individuals referred through San Francisco's Coordinated Entry System. With the financial support of the City, ECS plans to provide on-site support services that include intensive case management; individual health and wellness plans, which may include substance use disorder treatment and/or behavioral health services; and financial assistance, including help with benefit programs and entitlements; and job-readiness, vocational, occupational, and educational training.

HSH requires ECS to obtain full occupancy of the project within 90 days from acquisition in accordance with the Homekey requirements. Rent contributions from tenants will be used to support operations and services for the project. However, rent payments for formerly homeless tenants should not exceed 30% of their adjusted monthly income.





DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

In order to achieve the Homekey program's occupancy requirement and Project use goals, the City intends to fund the cost of the Project's operations and services from the City's General Fund (or from other local tax revenue) and plans to enter into an agreement of up to 20 years with an option to extend. This commitment is subject to final negotiation of terms and conditions satisfactory to the City and, is subject to prior approval by the Board of Supervisors as required by the S.F. Charter, award of Homekey Program funds, compliance with funding requirements, and execution of all necessary legal documents and any other special terms and conditions related to the Project.

The Project is part of Mayor's Breed Homelessness Recovery Plan to create 1,500 new units of permanent supportive housing and ensure no one experiencing homelessness exits from emergency housing, provided in response to COVID-19, to the street. HSH looks forward to working with Episcopal Community Services on this important project. If you have questions or need additional information, please contact HSH's Director of Housing Salvador Menjivar at salvador.menjivar1@sfgov.org

Sincerely,

Gigi Whitley

Deputy Director for Administration and Finance



August 7, 2020

Ms. Abigail Stewart-Kahn
San Francisco Department of Homelessness and Supportive Housing
Acting Director
440 Turk Street
San Francisco, CA 94102
abigail.stewart-kahn@sfgov.org

Mr. Eric Shaw
San Francisco Mayor's Office of Housing and Community Development
Director
1 South Van Ness
San Francisco, CA

Ms. Beth Stokes
Executive Director
Episcopal Community Services
165 8th Street
San Francisco, CA 94103
bstokes@ecs-sf.org

Re: 1000 Sutter Street, San Francisco: Homekey Commitment

Dear Ms. Stewart-Kahn, Mr. Shaw, and Ms. Stokes:

The Housing Accelerator Fund ("HAF") is fully committed to participating in the City and County of San Francisco ("City") and Episcopal Community Services' ("ECS") Homekey Project application for 1000 Sutter Street, San Francisco ("Project"). The HAF will provide up to \$25 million in bridge loan funds so that the City and ECS can successfully meet Homekey's goals: acquisition of the Project no later than December 30, 2020 for the purpose of sustaining and expanding San Francisco's inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. The HAF's bridge loan is contingent upon the California Department of Housing and Community Development's award of a Homekey grant to the City and ECS (the "Project Team") at a level and with terms that meet the Project Team's application submission and proposed financing assumptions.

The mission of the HAF is to accelerate the production and preservation of affordable housing for San Francisco's economically disadvantaged households, individuals, and communities by lending to, investing in, and directly acquiring real estate assets. Since its establishment in 2017, the HAF has disbursed more than \$200 million in below-market loans that have helped create or preserve more than 900 affordable homes throughout the City. The HAF is able to offer excellent and flexible terms for its borrowers due to investments from and collaboration with financial partners such as Dignity Health Care West, the San Francisco Foundation, and the Crankstart Foundation, all of which are mission-aligned



with the HAF. In addition, a particular focus of the HAF's work is to assist the City in its effort to end chronic homelessness. To that end, the HAF manages the \$50 million Homes for the Homeless Fund established in partnership with Tipping Point Community (TPC). In 2020, the HAF, TPC and their development partners commenced construction of 145 new permanent supportive homes ("PSH") for individuals experiencing homelessness in San Francisco at 833 Bryant Street, with construction anticipated to be completed by summer 2021. Upon the successful execution of permanent bond financing for the 145 unit PSH project in July 2020, HAF has been able to recycle approximately \$20 million of its 833 Bryant Street investment, and intends to invest a significant portion of these funds into the 1000 Sutter Street HomeKey acquisition to further our focus on accelerating the delivery and reducing the cost of PSH.

The HAF is deeply committed to the goals of Homekey and the success of the Project. With a Homekey grant, the City and ECS will create up to 232 new, permanently affordable, and high-quality homes for homeless households who are particularly vulnerable to COVID-19. This Project will:

- Meet HCD's Tier One timing and occupancy requirements
- Create permanent supportive housing
- Draw upon ECS's deep experience acquiring, owning and operating PSH, including the provision of services for residents in need of mental health, substance abuse disorder, employment, primary health, and other assistance
- Draw upon the City's deep commitment to providing the resources necessary to operate PSH in a high-quality manner, for a minimum of five years, but with an expected term that extends for as long as the need exists
- Leverage significant philanthropic and private sector investments alongside the HomeKey funds, allowing the City of San Francisco to meet the year-end close requirements
- Address racial inequities that have resulted in a disproportionate number of people of color both experiencing homelessness and highly impacted by COVID-19.

1000 Sutter Street is an excellent Project that will fully meet Homekey goals, create significant benefits for the residents who will live there, and have a sustained positive effect upon the community as a whole. The HAF looks forward to its full participation as a development team member in this important effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Rebecca Foster", with a long horizontal flourish extending to the right.

Rebecca Foster
Chief Executive Officer

Project Benefit Type: Permanent Housing (Section-305)

Control of Property: Please Letter of Intent between Co-Applicant Episcopal Community Services (ECS) and property owners of the Granada Hotel.

Covenant, Operations and Services Funding, Description of Services: Please see Commitment Letter between ECS and the Department of Homelessness and Supportive Housing of the City and County of San Francisco.

No housing or tenant displacement will result from this project.

9A. PIT Count

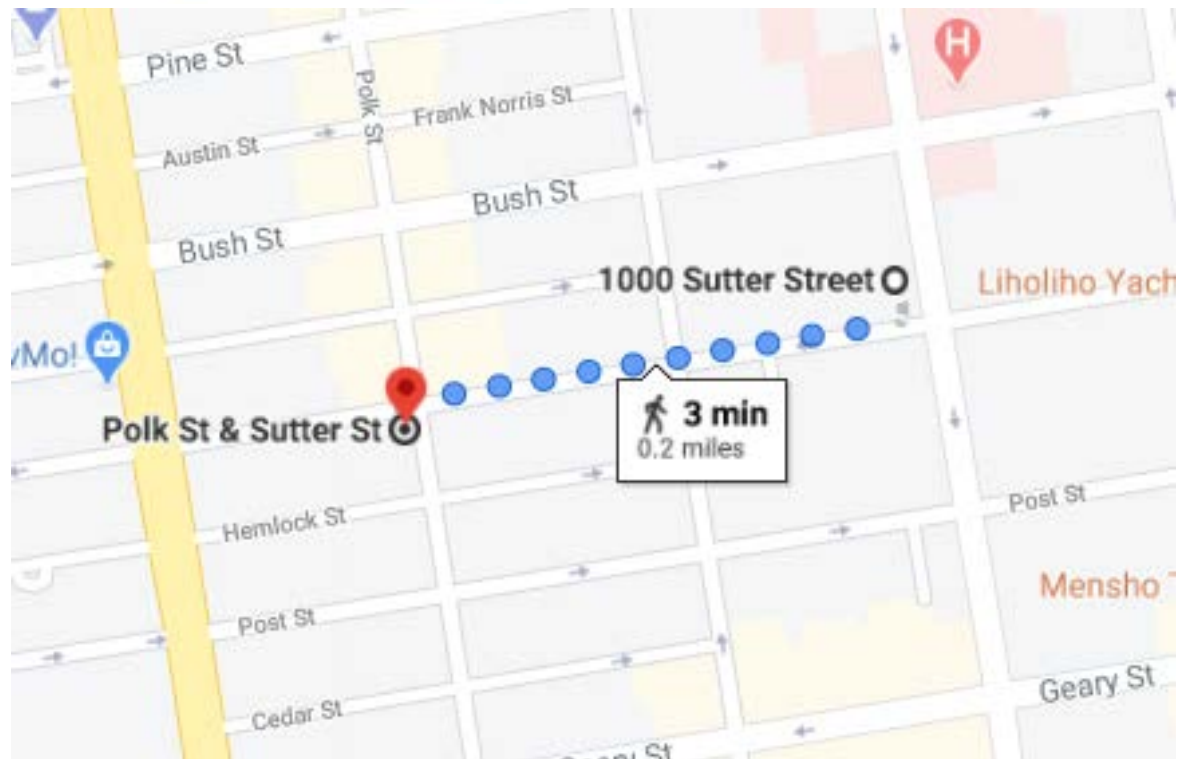
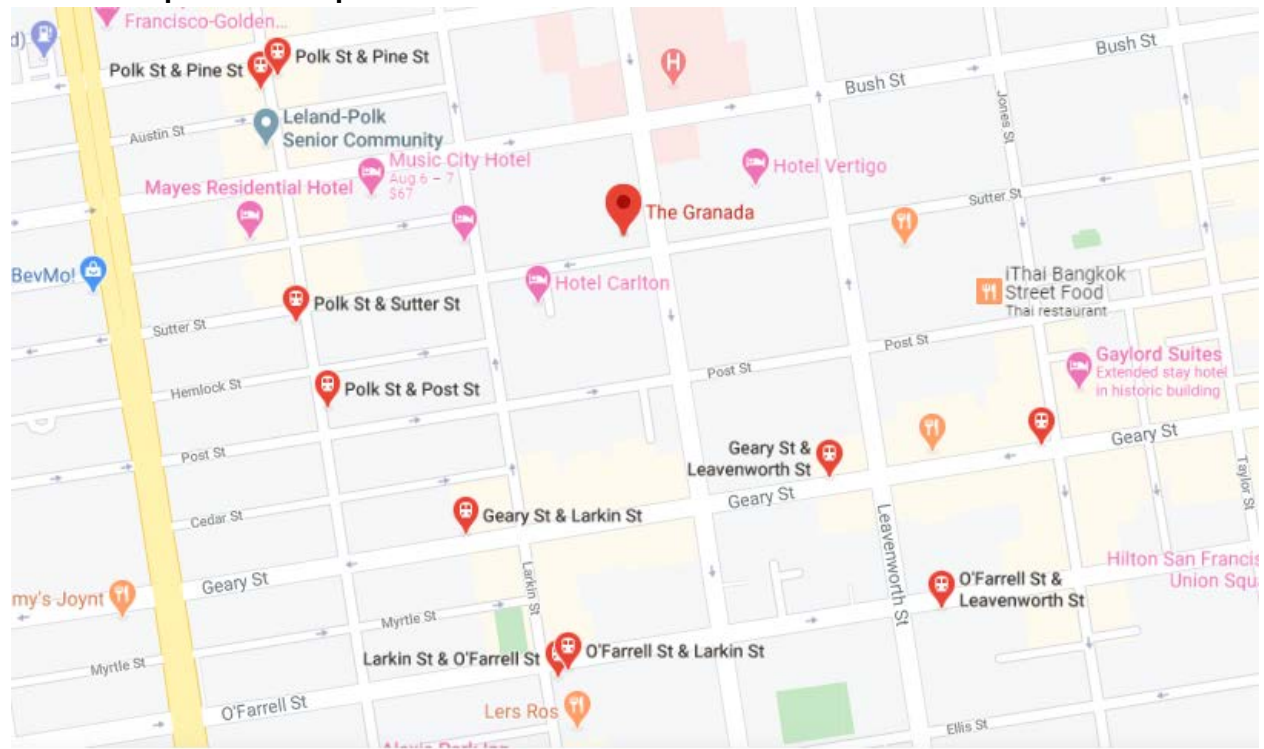
The 2019 Homeless Point-in-Time (PIT) Count conducted by the City and County of San Francisco (City) found 8,035 people experiencing homelessness, 5,180 unsheltered. Achieving a 5% reduction in the total PIT Count, controlling for inflow, would require adding 401 units of new permanent supportive housing (PSH). Given the level of funding available and the operational constraints of a PSH building, it is not possible to achieve this 5% reduction in a single project in San Francisco. However, this project is a key piece of San Francisco Mayor London Breed's Homelessness Recovery Plan to add 1,500 PSH units over the next two years, addressing 19% of the 2019 PIT count and ensuring that no one exits from COVID-19 emergency housing to the street. This Homekey project along with 145 units of new PSH at 833 Bryant Street opening in 2021, and 200 new scattered site housing subsidies for formerly homeless individuals, made possible through Tipping Point Community in 2020, will enable the City to exceed this 5% reduction in the PIT count next year.

Property Location:

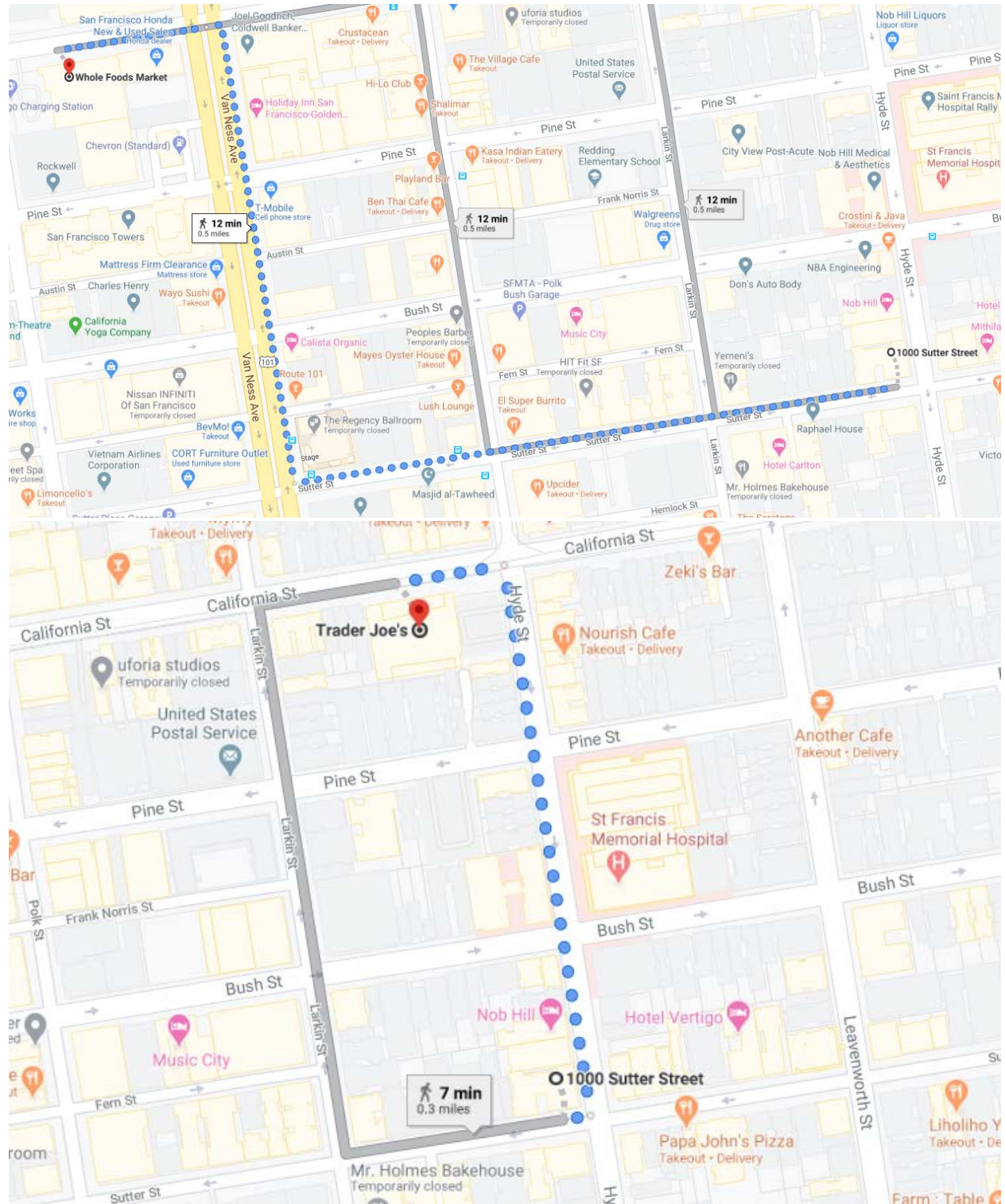
1000 Sutter Street (Currently "The Granada Hotel")
San Francisco, CA 94109

Amenity	Distance to Closest
Transit Stop	.2 miles
<i><u>Bus Stop:</u> Polk & Sutter</i>	.2 miles
<i><u>Light Rail Stop:</u> Powell Street Station</i>	.8 miles
Grocery Store	.3 miles
<i>Trader Joe's, 1095 Hyde St, San Francisco, CA 94109</i>	.3 miles
<i>Whole Foods Market, 1765 California St, San Francisco, CA 94109</i>	.5 miles
Health Facility	.5 miles
<i>St. Francis Memorial Hospital 900 Hyde St, San Francisco, CA 94109</i>	.1 miles
<i>St. Anthony's Medical Clinic, 150 Golden Gate Ave 2nd floor, San Francisco, CA 94102</i>	.6 miles
Book-Lending Public Library	.6 miles
<i>San Francisco Public Library, 100 Larkin St, San Francisco, CA 94102</i>	.6 miles
Pharmacy	.2 miles
<i>Walgreens Pharmacy, 1300 Bush St, San Francisco, CA 94109</i>	.2 miles

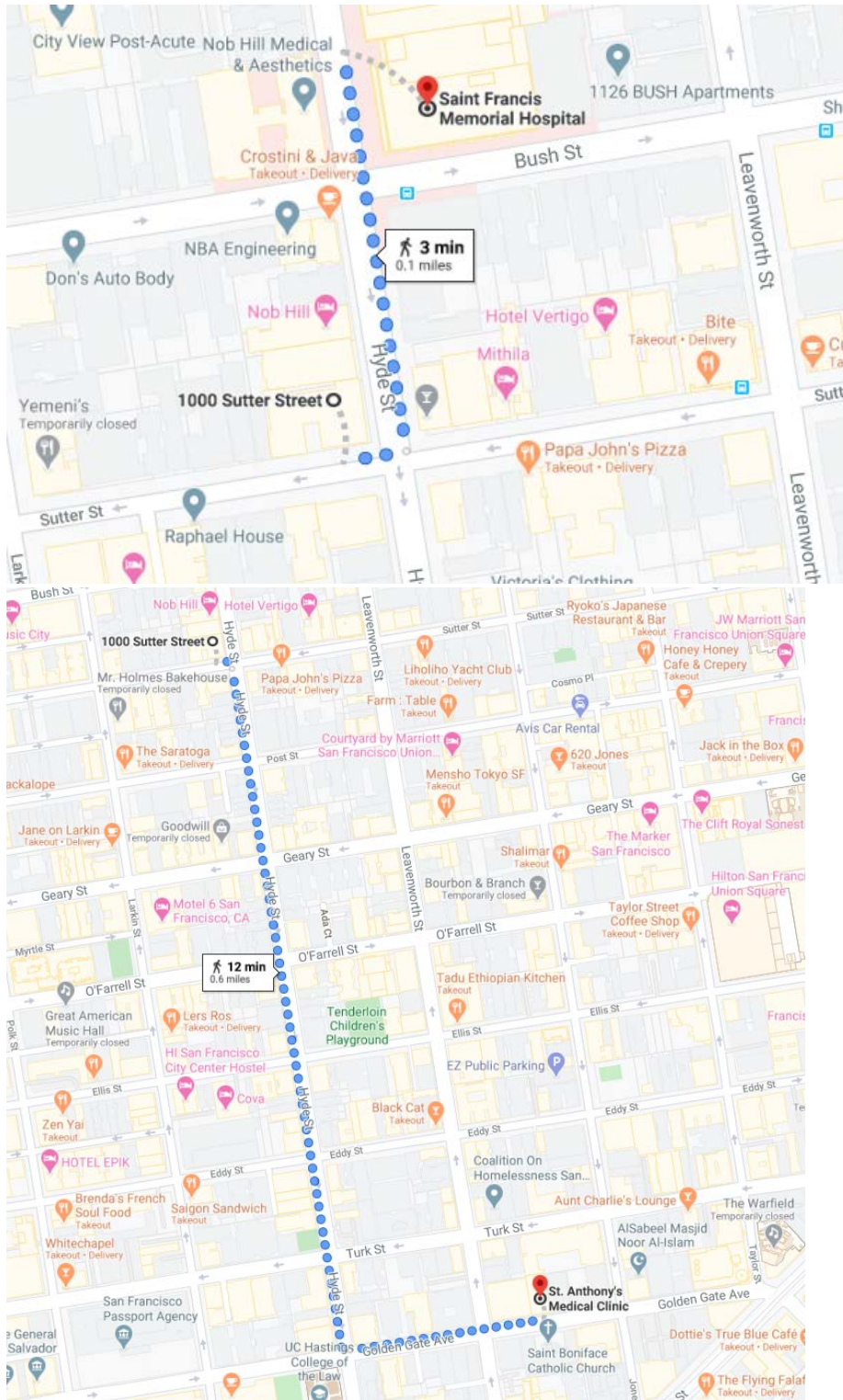
Transit Stops - Bus Stops



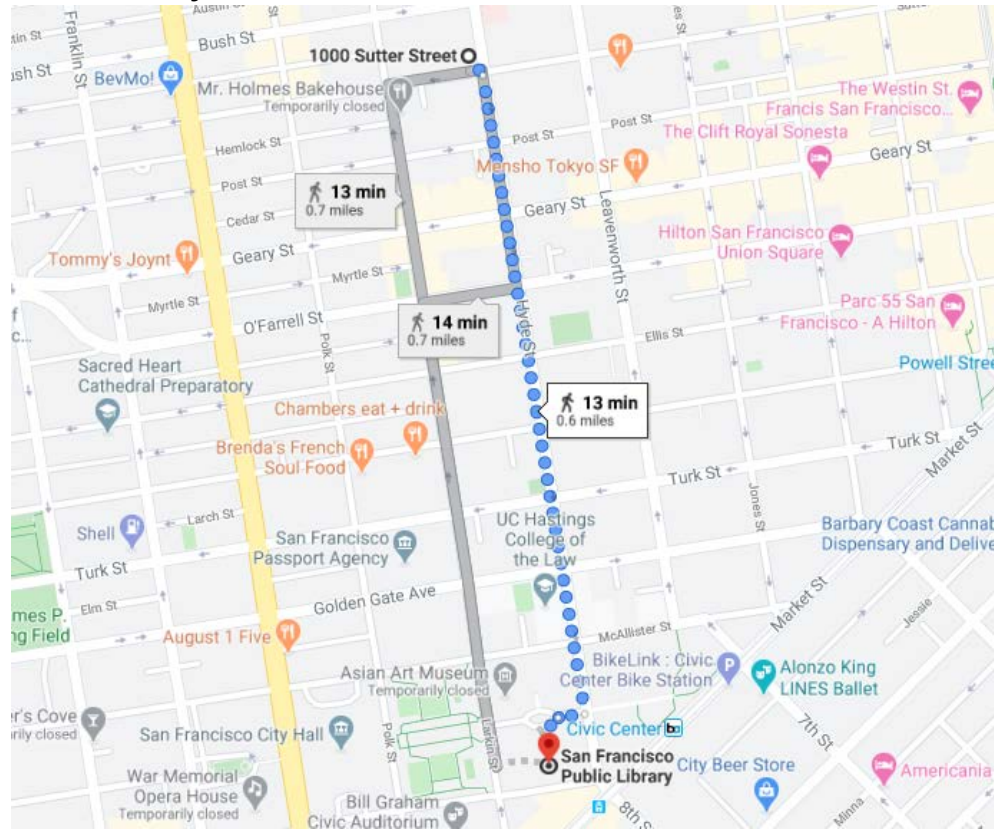
Grocery Stores



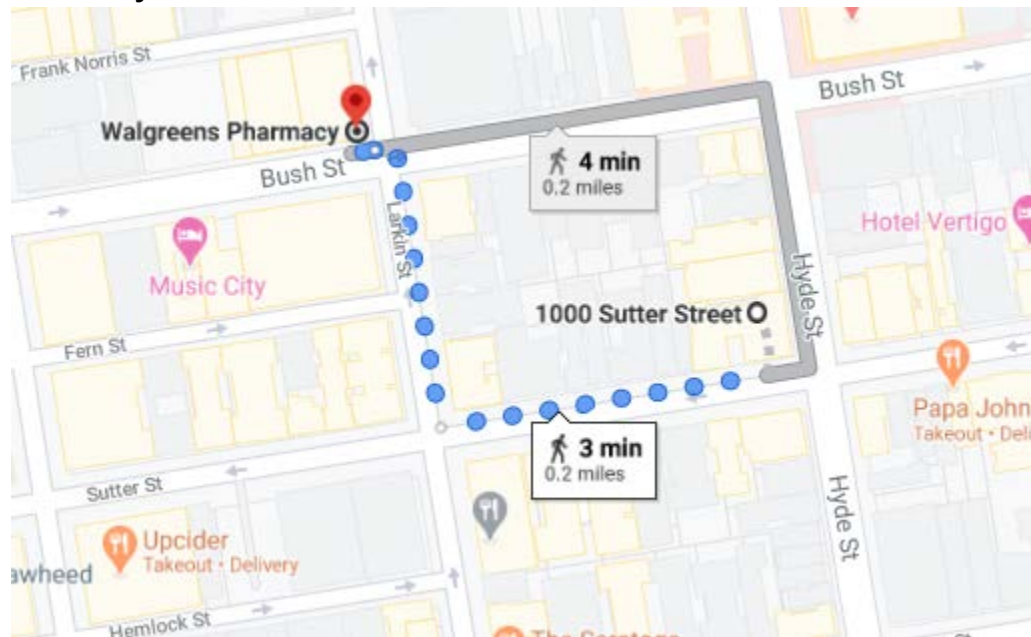
Health Facilities



Public Library



Pharmacy



HCD - Homekey Timeline Template

Subject	Objective	Description	Start Date	Finish Date	Note
1.0					
Requirements	Standard Agreement	Review SA upon award estimated in September, execute by November before Close of Escrow on property.	9/1/20	11/1/20	N/A
	Site Control	Enter into LOI in August, Close of Escrow in November	8/6/20	11/13/20	Application attachment
	Identifying Development Team	Team was identified upon NOFA issuance, and before application submittal.	7/16/20	8/6/20	N/A
	Appraisal Document	Appraisal to be started upon execution of LOI	8/10/20	9/18/20	N/A
	Physical Needs Assessment	PNA to be started upon execution of LOI	8/10/20	9/18/20	N/A
	Accessibility and Non-Discrimination Statement	Submitted with application	8/7/20	8/7/20	Application attachment
	Preliminary commitment for Title Insurance	Title search for commitment to begin upon execution of LOI	8/10/20	9/8/20	N/A
	Liability Insurance Coverage	Coverage with HCD as Add'l Insured to begin upon execution of S.A.	9/1/20	11/1/20	N/A
	Applicant Compliance Certification	Submitted with application	8/7/20	8/7/20	Application attachment
Certification of Occupancy	Site is currently in use as a residential building; occupancy already established	11/13/20	11/13/20	In place	
2.0					
Entitlements	No Change of Use/Variance/Conditional Use is Required	Not Applicable	N/A	N/A	N/A
3.0					
Permits	Building Permits	Submitted date and receipt of permit date	10/1/20	11/15/20	N/A
4.0					
Environmental Clearance	Site Assessment	Phase I to be started upon execution of LOI	8/10/20	9/25/20	N/A
	Submitting Documents	SB 35 Application	9/15/20	10/1/20	N/A
	CEQA Clearance (even if using exemption the applicant must document the exemption)	CEQA Clearance established through SB 35	9/15/20	11/15/20	See application attachment re: SB 35
	NEPA Clearance (if using local federal funding awards to support proposed activities)	Not Applicable	N/A	N/A	N/A
5.0					
Board or Governing Body Approval	Authorizing Resolution	City and County of San Francisco (CCSF), Lead Applicant	8/3/20	10/15/20	N/A
	Authorizing Resolution	Episcopal Community Services (ECS), Co-Applicant	8/3/20	10/15/20	N/A
6.0					
Closing Process	Closing Date	Intend to close on property acquisition by 11/13, but no later than 12/30 depending on due diligence needs or receipt of HCD Funding	11/13/20	12/30/20	Funding deadline

Note:

Applicants are required to provide answers to all lines above, even if the response is "Not Applicable."

Applicants should include all key milestones (tracked for the proposed project) to aide in the partnership between the Department and the applicant.

Applicants can add other items as needed to clarify objectives and the implementation process.



August 6, 2020

655-685 4th St LP and Pantoll Holdings LLC
c/o Hans Geiszler & Robert Mellett
2155 Powell Street
San Francisco, CA 94133

Re: 1000 Sutter Street, San Francisco, CA 94109

Dear Mr. Geiszler & Mr. Mellett:

I am submitting this Letter of Intent on behalf of Episcopal Community Services of San Francisco ("ECS") as Buyer.

ECS has provided essential services to homeless San Franciscans since 1983, utilizing a holistic approach that addresses the multiple causes leading to homelessness. This past year, we served more than 13,000 people, guided by our mission to help homeless and very low-income people every day and every night obtain the housing, jobs, shelter, and essential services each person needs to prevent and end homelessness. ECS owns and master leases over 900 units of permanent supportive housing for people formerly experiencing homelessness with all properties located in the Tenderloin and South of Market neighborhoods, with another 300+ units scheduled to be added to its portfolio within the next 18 months. ECS provides asset management oversight and on-site support services to all of those units and partners with Caritas Management Corporation for property management services. The parties acknowledge that the City and County of San Francisco ("City") and ECS are working together on this project in connection with applying for state funding through its program Project Homekey. Because of the fast approaching deadline and the requirement for the City to include a fully signed letter of intent along with any application it submits tomorrow, this offer is ECS's best and final and expires at **2pm PST on Friday, August 7th, 2020**.

This Letter of Intent ("LOI") will outline the general business terms upon which Buyer would enter into a Purchase Agreement for the subject Property:

Seller: 655-685 4th St LP, and Pantoll Holdings LLC ("Seller")

Buyer: Episcopal Community Services of San Francisco ("Buyer")

Property: 1000 Sutter Street, Block 0279, Lot 005, San Francisco, consisting of approximately 10,000 Sq. Ft. of land plus improvements and any other rights and entitlements pertaining thereto. (the "Property").

Purchase Price & Terms: **Forty-Six Million Dollars (\$46,000,000)** Payable in cash at "Closing" (as defined below). Purchase is subject to Buyer's inspections and other due diligence described herein and entering into a definitive purchase and sale agreement satisfactory to the parties thereto.

Purchase and Sale Agreement:

Buyer and Seller shall execute a mutually agreeable Purchase and Sale Agreement (“PSA”) embodying the terms and conditions of this Letter of Intent and Buyer shall open escrow (“Escrow”) at Old Republic Title Company (“Escrow Holder”). Buyer shall provide the first draft of PSA.

Closing Date:

The Closing shall occur on or before **November 13, 2020** (estimated “Closing Date”), unless extended pursuant to this LOI.

Closing Date Extension:

If Buyer determines that the required conditions to close, for example, the State of California has awarded funding through Project Homekey, but the funds have yet to be received by Buyer, then Buyer may exercise a one-time option to extend (in writing) the Closing Date to December 15, 2020. Upon such extension, the parties agree to use best efforts to ensure closing occurs on or before the extended Closing Date, but in no event later than December 30, 2020.

Non-Refundable Deposit:

As consideration of such extension, Buyer will deposit One Million Dollars (\$1,000,000) into Escrow no later than November 16, 2020 (the non-refundable “Deposit”). The deposit shall become non-refundable except in the event of a Seller default or otherwise, if the transaction fails to close prior to December 30, 2020, other than for a Buyer default. The Deposit shall be retained in Escrow until Closing or termination of the Purchase and Sale Agreement. The Deposit (and all interest accrued) shall be applied toward the Purchase Price at Closing.

Title Review:

Seller shall deliver to Buyer a preliminary title report on the Property with copies of all items shown as exceptions on the title report (collectively, “Report”) within three (3) business days of mutual execution of the Purchase and Sale Agreement. Buyer shall have thirty (30) days from its receipt of the Report to approve or disapprove the condition of title of the Property. There shall also be a title review period after any update of the Report (which will be described in the Purchase and Sale agreement). Title will be delivered to Buyer by grant deed on Closing, subject to matters approved by Buyer. Title shall be conveyed with no monetary liens, except payment of non-delinquent real property taxes.

Due Diligence Contingency:

Prior to the initial Closing Date Buyer shall have approved or disapproved the Property, including but not limited to the following:

- A. Physical Inspection: Buyer shall have the right to conduct such engineering, feasibility, seismic, surveys and other studies regarding the condition of the Property as it considers prudent. Seller agrees to allow Buyer and or Buyer’s agents onto the Property during regular business hours to conduct studies and inspections of the Property, subject to Seller’s prior reasonable approval and adequate notice (collectively, “Building Condition”). As part of determining the

Purchase Price, ECS assumes the major building systems, roof, fire life safety, and seismic performance are either at or above code requirements and/or are not materially deficient or in disrepair. In the event that estimated repair/replacement costs associated with the Building's Condition necessary for ECS's legal and safe occupancy exceed \$500,000 and the Seller does not reduce the Purchase Price for any amounts above \$500,000, ECS may terminate this Agreement at no cost.

- B. ADA Access: Seller had warranted the Property complies with the Americans with Disabilities Act (ADA). ECS is relying upon that assumption when determining the Purchase Price. In the event that estimated new ADA costs required for ECS's legal and safe occupancy exceed \$250,000 and the Seller does not reduce the Purchase Price for any amounts above \$250,000, ECS may terminate this Agreement at no cost.
- C. Environmental Audit: Buyer shall have the right to conduct an environmental audit and such environmental studies regarding the environmental condition of the Property as the Buyer determines are prudent (including without limitation, Phase I and Phase II environmental site assessments). As part of determining the Purchase Price, ECS assumes the environmental condition of the Property does not require major remediation in order for ECS's legal and safe occupancy. If the estimated environmental remediation expenses for ECS's intended use exceed \$250,000 and the Seller does not reduce the Purchase Price for any amounts above \$250,000, ECS may terminate this Agreement at no cost.
- D. Appraisal: ECS will obtain an MAI Appraisal and MAI Appraisal Review of the as-is, fair market value of the Property. In the event the appraised value is less than the proposed Purchase Price, ECS may terminate the Agreement at no cost. The parties acknowledge that if the Purchase Price is above the appraised value, then in no event will it be a Buyer's default if closing does not occur.
- E. Documents: Within ten (10) days of mutual execution of this LOI, Seller shall deliver to Buyer for Buyer's review the following information relating to the Property: (1) All building plans and specifications; (2) all service or maintenance contracts; (3) any other contracts and warranties; (4) a current rent roll and schedule of security deposits and any other lease deposits; (5) copies of all current tenant leases; (6) operating statements for the past 3 years; (7) current property tax bills and any notices of tax assessments; (8) any previously completed environmental reports, seismic reports, soils reports or other geotechnical studies, and any building inspection reports; (9) survey; and (10) other studies and relevant reports,

budgets, financial statements, any notices from governmental entities.

Access to Property: Upon at least 24 hours' notice, Seller shall allow Buyer access to the Property prior to the estimated Closing Date. The Purchase and Sale Agreement will specify any reasonable terms and conditions to conduct any inspections or investigations Buyer deems prudent. Notwithstanding, the parties may elect to enter into a license, permit or some other form of access agreement prior to the execution of the Purchase and Sale Agreement.

Closing Costs: Buyer shall pay for the City and County transfer tax. Buyer shall pay for escrow fee, all title insurance premiums (CLTA and ALTA) and all other closing costs.

Seller's Cooperation: Seller acknowledges that, during the course of the escrow, Buyer may seek certain governmental permits and approvals for the development of the Property. Seller agrees to cooperate with Buyer and take all actions and join in all applications and execute all documents reasonably necessary to allow Buyer to pursue and obtain such permits and approvals, as necessary, provided that such cooperation shall be at no cost or liability to Seller, or if there is cost or liability, Buyer reimburses such costs and /or provides a suitable indemnity. Buyer shall have no liability to Seller by reason of undertaking these activities in connection with government permits or approvals except as otherwise agreed to by Buyer as provided in this paragraph. Seller shall waive all provisions of the confidentiality agreement which prohibit communicating with governmental and quasi-governmental entities to permit communication as described in this paragraph.

Representations and Warranties: The Purchase and Sale Agreement shall include representations and warranties typically made by buyers and sellers in purchase and sale transactions.

Assignment: Buyer shall have the right, without Seller's consent, to assign this LOI to and/or the Agreement to: the ECS Housing Corporation, or an entity that is owned or controlled by Episcopal Community Services of San Francisco; the San Francisco Housing Accelerator Fund (SFHAF) or an entity that is owned or controlled by SFHAF; and the City.

Exclusivity: Seller agrees not to market the Property, nor negotiate or discuss any sale, lease or option of the Property or any interest in the Property, during the negotiation of the Purchase and Sale Agreement. Seller and Buyer shall negotiate the Purchase and Sale Agreement in good faith. The Purchase and Sale Agreement shall include a similar exclusivity agreement applicable to the term of the Agreement.

Representation: Seller to be represented by: _____
Buyer to be represented by: Goldfarb & Lipman LLP

This Letter of Intent is meant to be a general outline of the business terms upon which Buyer will buy and Seller will sell the Property. This Letter of Intent shall not be binding on either Buyer or Seller (except for the provisions of the "Exclusivity" section) unless and until both parties execute a binding Purchase and Sale Agreement. If these terms are acceptable to you, then please indicate so by having this Letter of Intent executed by the Seller in the space provided below. The terms and conditions of this Letter of Intent shall be null and void and no longer in effect if this Letter of Intent is not counter-signed and returned to the office of Episcopal Community Services of San Francisco prior to **2pm PST on August 7, 2020**.

AGREED AND ACCEPTED:

Buyer: ^{DocuSigned by:} Episcopal Community Services of San Francisco

Beth Stokes

By: 2F6F81C95BDB477

Title: Executive Director

8/6/2020

Date: _____

AGREED AND ACCEPTED:

Seller: 655-685 4th St LP & Pantoll Holdings LLC

By: *[Signature]*

Title: Principal

Date: 8/6/2020

1 [Apply for Grant - California Department of Housing and Community Development - Homekey
2 Grant - Not to Exceed \$45,000,000]

2

3 **Resolution authorizing the Department of Homelessness and Supportive Housing to**
4 **apply for Homekey grant funds in an amount not to exceed \$45,000,000 from the**
5 **California Department of Housing and Community Development on behalf of the City**
6 **and County of San Francisco.**

7

8 WHEREAS, The California Department of Housing and Community Development
9 (“Department”) issued a Notice of Funding Availability (“NOFA”) dated July 16, 2020, for the
10 Homekey Program (“Homekey” or “Homekey Program”) pursuant to Health and Safety Code,
11 Section 50675.1.1 (Assem. Bill No. 83 (2019-2020 Reg. Sess.), § 21.); and

12 WHEREAS, The Department is authorized to administer Homekey funds pursuant to
13 the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of
14 Division 31 of the Health and Safety Code); and

15 WHEREAS, The San Francisco Department of Homelessness and Supportive
16 Housing, on behalf of the City and County of San Francisco (“City”) (“Applicant”) desires to
17 apply for Homekey grant funds and will submit an application for Homekey funds
18 (“Application”) to the Department for review and consideration; and

19 WHEREAS, The Applicant plans to submit a placeholder application by July 31, 2020,
20 to demonstrate San Francisco’s commitment to participate in this opportunity as Homekey
21 grant funds are allocated on a first-come, first-serve basis to county applicants by the
22 Department; the application is not considered final until accompanied by a Resolution
23 approved by the San Francisco Board of Supervisors which must be approved prior to August
24 13, 2020; and

25

1 WHEREAS, Homekey funds will assist the City in creating up to 250 new units of
2 Permanent Supportive Housing for people experiencing chronic homelessness; and

3 WHEREAS, These funds will enable the City to acquire and rehabilitate hotels,
4 apartment buildings, or other multi-unit housing for occupancy in early 2021; and

5 WHEREAS, Additional permanent subsidized housing furthers the City's commitment
6 to dismantling systematic racial inequities that disproportionately effect communities of color;
7 and

8 WHEREAS, Permanent Supportive Housing is the most effective evidence-based
9 solution to ending chronic homelessness and also prevents new incidents of homelessness
10 among highly vulnerable people with long experiences of homelessness; and

11 WHEREAS, As of July 2020, San Francisco has approximately 8,000 units of
12 Permanent Supportive Housing that provide permanent homes and services to approximately
13 10,000 San Franciscans, and has the goal of acquiring new units of such housing over the
14 next two years; now, therefore, be it

15 RESOLVED, That the Board of Supervisors hereby authorizes The Department of
16 Homelessness and Supportive Housing on behalf of the City and County of San Francisco to
17 submit an Application to the California Department of Housing and Community Development
18 ("Department") in response to the Notice of Funding Availability ("NOFA"), dated July 16,
19 2020, for an amount not to exceed \$45,000,000; and, be it

20
21 FURTHER RESOLVED, That the Board of Supervisors acknowledges that if the
22 Application is successful, the Department of Homelessness and Supportive Housing shall
23 seek Board of Supervisors approval to accept and expend the funds, and to authorize
24 execution of a Standard Agreement, and any other documents required or deemed necessary
25 to secure the funds under the terms of the Program Guidelines.

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RECOMMENDED:

/s/ _____

Interim Director, Abigail Stewart-Kahn
Department of Homelessness and Supportive Housing