

1 [Loan Agreement - 1000 Sutter LLC - 1000 Sutter Street - 100% Permanent Supportive
2 Housing - Loan Not to Exceed \$71,125,575]

3 **Resolution 1) approving and authorizing a Loan Purchase Agreement for the purchase**
4 **of an existing loan in an amount of \$63,191,071 for a purchase price not to exceed**
5 **\$48,000,000 from the San Francisco Housing Accelerator Fund (“SFHAF Loan”) related**
6 **to the rehabilitation of a 214-unit single-room occupancy residential building for**
7 **permanent supportive housing to homeless households, with two managers units,**
8 **located at 1000 Sutter Street (the “Project”); 2) authorizing the assumption of**
9 **obligations under the SFHAF Loan to disburse an amount not to exceed \$17,000,000 for**
10 **rehabilitation of the Project; 3) approving and authorizing an Amended and Restated**
11 **Loan Agreement with 1000 Sutter LLC (“Borrower”) in an amount not to exceed**
12 **\$71,125,575 for a minimum loan term of 55 years (“City Loan Agreement”) to**
13 **consolidate the SFHAF Loan with a prior loan from the City to Borrower after**
14 **completion of the rehabilitation and provide permanent financing for the Project; 4)**
15 **adopting findings that the Project and proposed transactions are consistent with the**
16 **General Plan, and the eight priority policies of Planning Code, Section 101.1; 5)**
17 **authorizing the Mayor and the Director of Mayor’s Office of Housing and Community**
18 **Development (“MOHCD”) to execute the Loan Purchase Agreement and the City Loan**
19 **Agreement, and make certain modifications to such agreements, as defined herein, and**
20 **take certain actions in furtherance of this Resolution, as defined herein; and 6)**
21 **authorizing the Director of MOHCD to enter into any additions, amendments, or other**
22 **modifications to the Loan Agreement that do not materially increase the obligations or**
23 **liabilities to the City and are necessary to effectuate the purposes of this Resolution.**
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1 WHEREAS, The mission of the Department of Homelessness and Supportive Housing
2 (“HSH”) is to prevent homelessness when possible and to make homelessness a rare, brief,
3 and one-time experience in San Francisco through the provision of coordinated,
4 compassionate, and high-quality services; and

5 WHEREAS, Permanent supportive housing (“PSH”) is the most effective evidence-
6 based solution to ending chronic homelessness and also prevents new incidents of
7 homelessness among highly vulnerable people with long experiences of homelessness; and

8 WHEREAS, As of June 2024, the City and County of San Francisco (“the City”) has
9 approximately 9,000 units of site-based PSH providing permanent homes and services to
10 people formerly experiencing homelessness; and

11 WHEREAS, In April 2023, the City released the five-year strategic plan, “Home by the
12 Bay: An Equity-Driven Plan to Prevent and End Homelessness in San Francisco,” which calls
13 for 3,250 new units of permanent housing to meet the goals set out in the plan; and

14 WHEREAS, Additional PSH furthers the City’s commitment to dismantle systematic
15 racial inequities that disproportionately affect communities of color; and

16 WHEREAS, The California Department of Housing and Community Development
17 (“HCD”) began accepting applications for the Homekey Program on July 22, 2020, and within
18 a year, created 6,000 affordable housing units in record time and at a fraction of the cost; and

19 WHEREAS, The City, acting through HSH, together with Episcopal Community
20 Services (“ECS”), a nonprofit California public benefit corporation, as its co-applicant, was
21 issued an initial award not to exceed \$45,000,000 in Homekey funds from HCD in August
22 2020 to purchase a single room occupancy (“SRO”) hotel known as Granada Hotel at 1000
23 Sutter Street (Assessor’s Parcel Block No. 0279, Lot No. 005; the “Property”) for use as
24 permanent supportive housing for formerly homeless adults; and
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1 WHEREAS, On October 6, 2020, the Board of Supervisors adopted Resolution No.
2 445-20 that authorized the Director of HSH, in consultation with the City Attorney, to enter into
3 and execute a Standard Agreement with HCD and ECS, and affirmed the Planning
4 Department's determination that actions contemplated by this Resolution are not subject to or
5 are exempt from environmental review under CEQA, a copy of which is on file with the Clerk
6 of the Board of Supervisors in File No. 201063 and are incorporated herein by reference; and

7 WHEREAS, HCD notified HSH that it was increasing the grant award for the Granada
8 Hotel to reflect additional funding for both acquisition and operations of the site; and

9 WHEREAS, On December 8, 2020, the Board of Supervisors adopted Resolution No.
10 554-20 that authorized HSH to execute a revised Standard Agreement No. 20-HK-00024 with
11 HCD and ECS for a Homekey grant award not to exceed \$49,000,000, a copy of which is on
12 file with the Clerk of the Board of Supervisors in File No. 201268; and

13 WHEREAS, The Homekey Program required a local match from the City, which it
14 committed to in an amount of approximately \$31,700,000 for permanent financing of the
15 Property to be provided to ECS under one or more future agreements with the City, which was
16 granted through Resolution 554-20; and

17 WHEREAS, ECS established 1000 Sutter LLC, a California limited liability company
18 (the "Borrower"), as a separate entity under which to own and rehabilitate the Property; and

19 WHEREAS, The Borrower is rehabilitating the Property into a 214-unit single-room
20 occupancy residential building consisting of 212 units of PSH for adults experiencing chronic
21 formerly homeless households, and two manager units, (the "Project"); and

22 WHEREAS, The San Francisco Housing Accelerator Fund ("SFHAF") is a nonprofit
23 organization that provides loans to nonprofit housing organizations for the purpose of
24 preserving, expanding, and accelerating the production of quality affordable housing; and
25

1 WHEREAS, The Borrower obtained from SFHAF a loan in the amount of \$63,191,071
2 (“SFHAF Loan”) to finance the rehabilitation of the Project, as evidenced by a Loan
3 Agreement dated November 13, 2020, a Promissory Note dated November 13, 2020, and
4 Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing dated
5 November 13, 2020 (collectively, the “SFHAF Loan Documents”), copies of which are on file
6 with the Clerk of the Board of Supervisors in File No. 240730, and is incorporated herein by
7 reference; and

8 WHEREAS, The Borrower has an outstanding balance of approximately \$39,450,000
9 as of May 2024, under the SFHAF Loan and anticipates completing the rehabilitation by May
10 2025; and

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

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

20 WHEREAS, The City, acting through MOHCD, and Borrower entered into that certain
21 Loan Agreement dated as of October 30, 2020, in which City made a loan of \$10,000,000
22 (“Original Loan”) to fund certain costs related to the Property; a copy of the Loan Agreement
23 and related documents are on file with the Clerk of the Board of Supervisors in File
24 No. 240730, and is incorporated herein by reference; and

1 WHEREAS, The Borrower and SFHAF have requested that the City purchase the
2 SFHAF Loan for the purpose of reducing interest carry costs of the Project, which will also
3 allow SFHAF to make new loans to other nonprofit housing organizations in the City; and

4 WHEREAS, On April 19, 2024, the Citywide Affordable Housing Loan Committee,
5 consisting of MOHCD, HSH, the Office of Community Investment and Infrastructure, and the
6 Controller's Office of Public Finance recommended to the Mayor that the City purchase the
7 SFHAF Loan to reduce the interest carry costs to the Project, and after completion of
8 rehabilitation of the Project, consolidate and recast the SFHAF Loan and Original Loan under
9 a single loan to the Borrower for permanent financing of the Project in an amount not to
10 exceed \$71,125,575 in local funds (the "Loan"); and

11 WHEREAS, The City will purchase the SFHAF Loan from SFHAF in an amount not to
12 exceed \$48,000,000 under a Loan Purchase Agreement, and a copy of the substantially final
13 forms of the Loan Purchase Agreement, assignment of loan secured by deed of trust, and
14 allonge is on file with the Clerk of the Board of Supervisors in File No. 240730, and is
15 incorporated herein by reference; and

16 WHEREAS, Pursuant to the terms of the SFHAF Loan Documents, the City, acting
17 through MOHCD, will be obligated to disburse up to \$17,000,000 to the Borrower for
18 completion of rehabilitation of the Project; and

19 WHEREAS, The City, through MOHCD, will consolidate and recast the SFHAF Loan
20 and Original Loan to the Borrower under an Amended and Restated Loan Agreement ("Loan
21 Agreement") and evidenced by a promissory note with the following material terms: (i) a
22 minimum term of 55 years; (ii) an interest rate of zero percent (0%); (iii) annual repayment of
23 the Loan by Borrower through residual receipts, if any, from the Project; (iv) the Project shall
24 be restricted for life of the Project as affordable housing to low-income households with
25 annual maximum rent and income established by MOHCD, but no less than 55 years as PSH;

1 and (v) the Loan Agreement shall be secured by a deed of trust recorded against the
2 Borrower's fee interest in the Property; a copy of the substantially final forms of the Loan
3 Agreement, promissory note, deed of trust, and declaration of restrictions is on file with the
4 Clerk of the Board of Supervisors in File No. 240730, and is incorporated herein by reference;
5 and

6 WHEREAS, As a condition of the Loan, the Borrower will enter into a purchase option
7 agreement under terms and conditions to have been reviewed in consultation with the Office
8 of the City Attorney, providing the City with an option and right of first refusal to acquire the
9 Property upon any proposed transfer of the Property and/or other certain events; and

10 WHEREAS, The Planning Department determined that the Project is consistent with
11 the General Plan, and eight priority policies of Planning Code, Section 101.1 (the "General
12 Plan Referral"); a copy of the Planning Department's General Plan Referral dated May 15,
13 2024 ("General Plan Referral"), is on file with the Clerk of the Board of Supervisors in File
14 No. 240730, and is incorporated herein by reference; now, therefore, be it

15 RESOLVED, That the Board of Supervisors hereby finds that the Project (and
16 associated actions necessary to effectuate the Project) is consistent with the General Plan,
17 and with the eight priority policies of Planning Code, Section 101.1, for the same reasons as
18 set forth in the General Plan Referral, and hereby incorporates such findings by reference as
19 though fully set forth in this Resolution; and, be it

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

1 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes MOHCD to
2 assume the obligations under the SFHAF Loan Documents, including, but not limited to, the
3 disbursement of an amount not to exceed \$17,000,000 to the Borrower for the completion of
4 the rehabilitation of the Project; and, be it

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

11 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
12 MOHCD, in consultation with the City Attorney, to enter into any additions, amendments, or
13 other modifications to the Loan Purchase Agreement and/or the Loan Agreement, and any
14 other documents or instruments necessary in connection therewith (including, without
15 limitation, a purchase option and any of all of the exhibits and ancillary agreements), that the
16 Director of MOHCD determine are in the best interests of the City, do not materially decrease
17 the benefits to the City with respect to the Property, do not materially increase the obligations
18 or liabilities of the City, and are necessary or advisable to complete the transaction
19 contemplated in the Loan Purchase Agreement or the Loan Agreement, and that effectuate
20 the purpose and intent of this Resolution, such determination to be conclusively evidenced by
21 the execution and delivery by the Director of MOHCD of any such additions, amendments, or
22 other modifications; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
24 delegates to the Director of MOHCD and/or the Director of Property, the authority to
25 undertake any actions necessary to protect the City's financial security in the Property and

1 enforce the affordable housing restrictions, which may include, without limitation, acquisition
2 of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed in lieu of
3 foreclosure, or curing the default under a senior loan; and, be it

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

7 FURTHER RESOLVED, That within thirty (30) days of the Loan Purchase Agreement
8 and the Loan Agreement each being fully executed by all parties, MOHCD shall provide each
9 final agreement to the Clerk of the Board for inclusion into the official file.

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RECOMMENDED:

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

/s/ _____
Shireen McSpadden
Executive Director
Homelessness and Supportive Housing



City and County of San Francisco

Tails

Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 240730

Date Passed: July 16, 2024

Resolution 1) approving and authorizing a Loan Purchase Agreement for the purchase of an existing loan in an amount of \$63,191,071 for a purchase price not to exceed \$48,000,000 from the San Francisco Housing Accelerator Fund ("SFHAF Loan") related to the rehabilitation of a 214-unit single-room occupancy residential building for permanent supportive housing to homeless households, with two managers units, located at 1000 Sutter Street (the "Project"); 2) authorizing the assumption of obligations under the SFHAF Loan to disburse an amount not to exceed \$17,000,000 for rehabilitation of the Project; 3) approving and authorizing an Amended and Restated Loan Agreement with 1000 Sutter LLC ("Borrower") in an amount not to exceed \$71,125,575 for a minimum loan term of 55 years ("City Loan Agreement") to consolidate the SFHAF Loan with a prior loan from the City to Borrower after completion of the rehabilitation and provide permanent financing for the Project; 4) adopting findings that the Project and proposed transactions are consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1; 5) authorizing the Mayor and the Director of Mayor's Office of Housing and Community Development ("MOHCD") to execute the Loan Purchase Agreement and the City Loan Agreement, and make certain modifications to such agreements, as defined herein, and take certain actions in furtherance of this Resolution, as defined herein; and 6) authorizing the Director of MOHCD to enter into any additions, amendments, or other modifications to the Loan Agreement that do not materially increase the obligations or liabilities to the City and are necessary to effectuate the purposes of this Resolution.

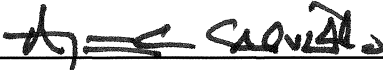
July 10, 2024 Budget and Finance Committee - RECOMMENDED

July 16, 2024 Board of Supervisors - ADOPTED

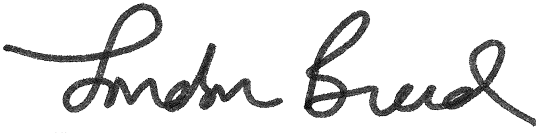
Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 240730

I hereby certify that the foregoing
Resolution was ADOPTED on 7/16/2024 by
the Board of Supervisors of the City and
County of San Francisco.



Angela Calvillo
Clerk of the Board



London N. Breed
Mayor

7/18/24

Date Approved