Resolution 1) approving and authorizing the Director of Property and the Mayor’s Office of Housing and Community Development (“MOHCD”) to enter into a Ground Lease for real property owned by the City and located at 78 Haight Street and 120 Octavia Street (“Property”) with the Octavia RSU Associates, L.P. for a lease term of 75 years and one 24-year option to extend and an annual base rent of $15,000 (“Ground Lease”) in order to construct a 100% affordable, 63-unit multifamily rental housing development affordable to low-income households, including 32 units for Transitional Age Youth, of which 15 units will be targeted to residents who qualify as homeless households under the No Place Like Home Criteria, and including a childcare center (collectively, the “Project”); 2) approving and authorizing a Loan Agreement in an amount not to exceed $26,746,467 for a minimum loan term of 57 years (“Loan Agreement”) to finance the development and construction of the Project; 3) adopting findings declaring that the Property is “exempt surplus land” pursuant to the California Surplus Lands Act; 4) determining that the less than market rent payable under the Ground Lease will serve a public purpose by providing affordable housing for low-income households in need, in accordance with Section 23.3 of the Administrative Code; 5) 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; and 6) authorizing the Director of Property and/or the Director of MOHCD to execute the Ground Lease and the Loan Agreement, and make certain modifications to such agreements, as defined herein, and take certain actions in furtherance of this Resolution, as defined herein.
WHEREAS, The City and County of San Francisco ("City") owns certain real property located at 78 Haight Street and 120 Octavia Street in San Francisco, California, which is comprised of approximately 5,581 square feet and known as Assessor's Parcel Block No. 0853, Lot No. 065 and Lot No. 066 (formerly APN 0853-032) (the "Property"); and

WHEREAS, The City, acting through MOHCD, administers a variety of housing programs that provide financing for the development of new affordable housing and the rehabilitation of single- and multi-family housing for low- and moderate-income households and resources for homeowners in San Francisco; and

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

WHEREAS, On June 19, 2017, MOHCD issued a Request for Proposals ("RFP") for a developer to work with the City to develop affordable family housing and a ground floor commercial and community-serving space on the Property; and

WHEREAS, Tenderloin Neighborhood Development Corporation, a California nonprofit public benefit corporation ("TNDC") responded to the RFP and was selected as the developer of the Project; and

WHEREAS, TNDC has established Octavia RSU Associates, L.P., a California limited partnership (the "Developer"), as a separate entity under which to develop and construct the Project; and

WHEREAS, On February 21, 2020, by Notice of Final Approval of an SB 35 Project, the Planning Department by case No. 2019-021893PR determined that the development of the Project met all the standards of the Planning Code and would be
eligible for ministerial approval under California Government Code, Section 65913.4 (Senate Bills 35 and 765), California Public Resources Code, Section 21080, and the CEQA Guidelines, Sections 15002(i)(1), 15268 and 15369, and would therefore not be subject to the California Environmental Quality Act ("CEQA"); and

WHEREAS, The Planning Director has authorized the affordable housing project authorization for the Project, deeming the Project consistent with the City's General Plan, and eight priority policies of Planning Code, Section 101.1 (the "Planning Department Authorization"); a copy of the Planning Department Authorization is on file with the Clerk of the Board of Supervisors in File No. 220092, and is incorporated herein by reference; and

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

WHEREAS, MOHCD and the Director of Property have approved the form of the Ground Lease between the City and the Developer, pursuant to which the City will lease the Property to the Developer for a term of 75 years and one 24-year option to extend and a base rent of $15,000 per year, in exchange for the Developer’s agreement, among other things, to construct and operate the Project with rent levels affordable to households up to 65% of unadjusted San Francisco Area Median Income (AMI); a copy of the Ground Lease in a form substantially approved is on file with the Clerk of the Board of Supervisors in File No. 220092, and is incorporated herein by reference; and

WHEREAS, The proposed rent of the Ground Lease is less than Market Rent (as defined in Administrative Code, Section 23.2), but the lower rent will serve a public purpose by providing affordable housing for low-income households in need; and
WHEREAS, MOHCD is also providing the Developer with new financial assistance to leverage equity from an allocation of low-income housing tax credits and other funding sources in order for Developer to construct the Project; and

WHEREAS, On January 14, 2022, the Citywide Affordable Housing Loan Committee, consisting of MOHCD, Department of Homeless and Supportive Housing, the Office of Community Investment and Infrastructure, and the Controller’s Office of Public Finance recommended approval to the Mayor of the Loan Agreement for the Project in an amount not to exceed $26,746,467 in local funds, a copy of which is in a form substantially approved is on file with the Clerk of the Board of Supervisors in File No. 220092, and is incorporated herein by reference; and

WHEREAS, The Loan Agreement would be entered into under the following material terms: (i) a minimum term of 57 years; (ii) an interest rate of up to three percent (3%); (iii) annual repayment of the Loan Agreement by Developer through residual receipts from the Project; (iv) the Project shall be restricted for life of the Project as affordable housing to low-income households with annual maximum rent and income established by MOHCD; and (v) the Loan Agreement shall be secured by a deed of trust recorded against each of the Developer’s leasehold interest in the Property; now, therefore, be it

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

FURTHER RESOLVED, That the Board of Supervisors hereby finds, in consideration of the foregoing, that the Property is “exempt surplus land,” as defined in California Government Code, Section 54221(f)(1), because the Project will restrict 100% of the

Mayor Breed; Supervisor Preston
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residential units to low-income persons and families, pursuant to California Government Code, Section 54221(f)(1)(F)(i); and

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

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

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Property and/or Director of MOHCD, in consultation with the City Attorney, to enter into any additions, amendments, or other modifications to the Ground Lease and the Loan Agreement, and any other documents or instruments necessary in connection therewith (including, without
limitation, preparation and attachment or, or changes to, any of all of the exhibits and ancillary agreements), that the Director of Property and/or Director of MOHCD determine are in the best interests of the City, do not materially decrease the benefits to the City with respect to the Property, do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transaction contemplated in the Ground Lease and the Loan Agreement, and that effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Director of Property and/or the Director of MOHCD of any such additions, amendments, or other modifications; and, be it

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

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

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

/s/
Andrico Q. Penick, Director of Property

/s/
Eric D. Shaw, Director
Mayor's Office of Housing and Community Development
Resolution 1) approving and authorizing the Director of Property and the Mayor's Office of Housing and Community Development ("MOHCD") to enter into a Ground Lease for real property owned by the City and located at 78 Haight Street and 120 Octavia Street ("Property") with the Octavia RSU Associates, L.P., for a lease term of 75 years and one 24-year option to extend and an annual base rent of $15,000 ("Ground Lease") in order to construct a 100% affordable, 63-unit multifamily rental housing development affordable to low-income households, including 32 units for Transitional Age Youth, of which 15 units will be targeted to residents who qualify as homeless households under the No Place Like Home Criteria, and including a childcare center (collectively, the "Project"); 2) approving and authorizing a Loan Agreement in an amount not to exceed $26,746,467 for a minimum loan term of 57 years ("Loan Agreement") to finance the development and construction of the Project; 3) adopting findings declaring that the Property is "exempt surplus land" pursuant to the California Surplus Lands Act; 4) determining that the less than market rent payable under the Ground Lease will serve a public purpose by providing affordable housing for low-income households in need, in accordance with Section 23.3 of the Administrative Code; 5) 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; and 6) authorizing the Director of Property and/or the Director of MOHCD to execute the Ground Lease and the Loan Agreement, and make certain modifications to such agreements, as defined herein, and take certain actions in furtherance of this Resolution, as defined herein.

February 09, 2022 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

February 09, 2022 Budget and Finance Committee - RECOMMENDED AS AMENDED

February 15, 2022 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Haney, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton
I hereby certify that the foregoing Resolution was ADOPTED on 2/15/2022 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved
2/25/22