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Citywide Affordable Housing Loan Committee

San Francisco Mayor's Office of Housing and Community Development
Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure
Controller's Office of Public Finance

SSP AND PASS REFINANCE AND REHABILITATION FUNDS

Date:	March 17, 2023
From:	Omar Masry & Amanda Fukutome-Lopez
Evaluation of Request for:	Permanent Refinance and Rehabilitation Funding
NOFA/Program(s):	2019 Acquisition and Rehabilitation Financing for Small Sites Program Properties ("SSP") Preservation and Seismic Safety Loan Program ("PASS") Series 2020C
Applicant:	San Francisco Community Land Trust (SFCLT)
Project Name (if any):	SFCLT Four Site Refinance & Rehabilitation Bundle
Project Address (with cross street):	2840-2848 Folsom St (24th St), 308 Turk St (Leavenworth St), 4042-4048 Fulton St (& 1790 17th Ave) 568-570 Natoma St (7th St)
Number of Units with Unit Mix:	37 (36 existing and 1 proposed ADU studio) 2840-2848 Folsom St - 6 2BR units; 308 Turk St - 20 studio units; 4042-4048 Fulton St - 3 1BR units, 3 2BR units 568-570 Natoma St - 4 1BR units, 1 studio unit
Amount of Additional SSP Funds Recommended:	Up to $4,733,902
Amount of PASS Funds Recommended:	Up to $5,000,000
Source of Funds Recommended:	SSP: 2019 GO Bond PASS: 2016 GO Bond (Series 2020C)
Type of Financing:	Permanent Financing

1. SUMMARY/BRIEF PROJECT UPDATE /OVERVIEW

San Francisco Community Land Trust ("SFCLT," the "Sponsor," or "SFCLT TNFF LLC") requests up to $5,000,000 in Preservation and Seismic Safety ("PASS") Program funding, and up to $4,733,902 in additional Small Sites Program ("SSP") funding, for a cumulative total of $13,800,000 in SSP funding (not including PASS) from the Mayor's Office of Housing and Community Development ("MOHCD") for the permanent re-financing and rehabilitation of four individual SFCLT-owned properties, totaling 36 residential units located at:

1) 2840-2848 Folsom Street (Pigeon Palace);
2) 308 Turk Street;
3) 4042-4048 Fulton Street; and
4) 568-570 Natoma Street.

All four of these properties are currently owned by SFCLT and are operated as separate sites. Each property was acquired with MOHCD SSP Gap funding along with individual, 1st position financing with non-City loans as described further below.
In an effort to streamline loan administration and monitoring the proposed funding would result in one new PASS loan and one new SSP loan as a bundled refinance of four existing MOHCD SSP-funded sites. Each of the existing individual SSP loans will be recapitalized and replaced with one new single SSP loan along with a single new 1st position PASS loan across all four sites. A bundled refinance loan approach will:

1. Take out all existing higher-cost hard debt private loans, including loans that are coming due and on extension.
2. Create a more efficient and cost-effective method of simultaneously refinancing and re-capitalizing multiple projects in the SFCLT portfolio.
3. Create a more financially sustainable portfolio through lower-cost PASS financing, which was not available at the time of acquisition.
4. Finance the addition of an Accessory Dwelling Unit (ADU) studio at 4042 Fulton, resulting in 37 total units across four properties.
5. Finance capital needs ($2,276,304) for rehabilitation across all four properties that were not fully addressed at time of acquisition due to factors including capital availability.
6. Reduce loan origination and financing costs (e.g., through a shared annual fee across four properties for bond monitoring).

7. Utilize a shared approach to operating reserves to mitigate periods of shortfall should it occur within the property bundle.

8. Comply with updated underwriting standards for vacancy losses (increased from 5% to 10%), with overall vacancy rate within SSP standards across all four properties.

Existing Loan Structure

The table below summarizes the existing non-city loans secured by each of the four properties, a second position lien specific to 2840 Folsom which used crowdsourced funding raised through community family and friends (Pigeon Palace Inc.) towards a 10% down payment, existing SSP Soft Debt, along with new proposed funding for each property.

	1st Position Lender, Rate & Maturity Date	**Payoff Amount**	**New PASS Loan Amount**	**Existing SSP Funds**	**Additional SSP Funds**
2840 Folsom	Silicon Valley Bank 4.52% 12/31/22	$1,082,071, + $300,000 2nd position lien by Pigeon Palace Inc.	$810,811	$2,496,642	$767,660
4042 Fulton	Clearing House 7.75% 4/1/27	$890,559	$810,811	$2,125,000	$767,660
308 Turk	Enterprise 5.50% 06/17/25	$2,037,395	$2,702,702	$2,569,456	$2,558,866
568 Natoma	Silicon Valley Bank 3.94% 3/4/26	$270,308	$675,676	$1,875,000	$639,717
Total		**$4,580,033**	**$5,000,000**	**$9,066,098**	**$4,733,903**

Proposed Loan Structure

The proposed refinanced bundle would involve the following specific financing structure creating a more uniform loan package across all four properties:

1. One limited liability company titled "SFCLT TNFF LLC",

2. Four separate promissory notes for each of the individual sites.
3. One loan agreement for the combined PASS and SSP funding with income and rent restrictions noted for each property.
4. One PASS deed of trust recording on title reflecting the full value of each single note, broken out by loan product.
5. One SSP deed of trust recording on title reflecting the full value of each single note, broken out by loan product.
6. One Declaration of Restrictions encompassing both loans. The DOR will also include a City Option to Purchase Agreement which will be recorded in second position and senior to all deeds of trust.

Background

2840-2848 Folsom, also known as Pigeon Palace, consists of a six-units in a three-story residential building located in the Mission District. It was built in 1905 and all units feature two bedrooms plus a split bathroom. There is a small backyard shared by all units.

Four long-term tenants in the building had been working together since before 2011 to cooperatively self-manage the property. In 2013, the original elderly owner-occupant signed an "Intent to sell" the property to long-time tenants. Two months later the owner was found to be unable to manage the property and the estate and trust were placed in Conservatorship.

Pigeon Palace presently has an average household income of 63.67% AMI. The average unadjusted MOHCD AMI is 72.07%. Three of the units are leased at rent AMIs of 97.50%, 98.30%, and 90.80% which places average rent AMIs near the MOHCD target average of 80%. These AMIs have been consistent since 2017 as the building has had limited turnover and when units have become vacant the demand for affordable housing (which is limited in this neighborhood) and the size/condition of these large two bedrooms has allowed SFCLT to lease at near 100% AMI through the City's housing lottery (DAHLIA) without significant challenges.

2840-2848 Folsom was acquired by the San Francisco Community Land Trust on September 30th, 2015, with assistance from the Small Sites program for a total of $3,280,000.

All units in the building have been leased up since January 2022. Three of the four original tenants remain in their homes. The residents of the Pigeon Palace have lived in San Francisco for anywhere from 10 to 40 years, and are considered highly engaged community organizers, teachers, local historians, artists, arts administrators, and health care workers.

In 2016 rehabilitation and construction work was carried out, funded by the Small Sites Program, which primarily focused on bringing two vacant units into a habitable condition and ready for leasing. Health and safety issues were also addressed. The back stairs were found to be in imminent danger of collapse. Work on a seismic retrofit of the building also uncovered by a fire that had not been previously identified.

A capital needs assessment (CNA) was completed in 2018 and identified three areas of immediate needs including repairs to an exterior shell membrane of the overall building, plumbing improvements, and upgrades to electrical infrastructure. In early 2022, mindful of these unmet rehab needs, SFCLT updated the 2018 CNA and provide a detailed scope of work for the rehabilitation. Confirmation of the estimates was provided by quotes from licensed contractors.

Refinance Objectives:

1. Payoff Boston Private Bank Loan (acquired by Silicon Valley bank). The seven-year note matured ($1,082,000) on September 1, 2022, and is subject to a formal extension to March 2023 and a subsequent temporary grace period extension.
2. Payoff a promissory note to Pigeon Palace Inc. of $300,000 loan at 2% annual interest which matured September 1, 2022. The source of capital was an investment sourced by residents as Pigeon Palace Incorporated (residents onsite).
3. Finance rehabilitation per capital needs assessment, and a $5,000 relocation budget to repair the subfloor in one occupied unit (2848 Folsom). Existing tenants would be temporarily relocated to another SFCLT owned property.
4. Cover SSP allowed developer fees, including approximately $50,730 not previously taken at construction completion (eligible for $140,000, with $89,270 disbursed to date). At the time of acquisition, SSP regulations, circa 2016, allowed more in developer fees than were previously taken, to reduce costs at the time of acquisition.

308 Turk Street, a 20-unit residential building in the Tenderloin neighborhood, featuring all studio units. The building was acquired by SFCLT in June 2015 for $3,650,000 under the MOHCD Small Sites Program along with a subordinate interim hard debt loan from the Enterprise Community Loan Fund.

In 2016, SFCLT carried out rehabilitation of the building, funded by the Small Sites program. The rehab consisted of health and safety updates, including the addition of fire sprinkler monitoring and the full renovation of six units in substandard condition. The remaining 14 units do not require rehabilitation.

The 2020 COVID-19 pandemic severely impacted the residents of 308 Turk with 54% of households unable to pay rent. Due to the decrease in rental income, the Enterprise loan was put into forbearance through September 2021. SFCLT received $33,393 in rent reimbursement from State and Catholic Charities emergency rent relief.

SFCLT has engaged in renewed leasing activity, as of March 1st, 2023, there is one vacant unit currently marketed on the City's Affordable Housing lottery website, DAHLIA. To keep the unit leasing competitive, rents have been reduced to 20% below market prices as compared to those in the surrounding Tenderloin neighborhood.

Refinance Objectives:

1. To take out the existing $2,040,000 Enterprise Community Loan Fund 5.50% loan and reduce the cost of capital.
2. To fund needed security and safety measures in the building that have been identified because of ongoing operations after acquisition. This would include front door upgrades to address ongoing theft and trespassing issues.
3. To upgrade the electric supply to the building. It is expected that the Department of Building Inspection's District Electrical Inspector will mandate a supply upgrade due to a prior rehabilitation effort in 2016. Currently units are heated by gas wall heaters, and stoves are also gas powered. With changes in City codes since 2016, heating in newly renovated units will have to be converted to electric as will those units without a separately enclosed kitchen stove.
4. To continue SFCLT's ongoing program to renovate units. The scope of work includes renovation of two units that have not been renovated in the last ten years and two units in poor condition. The latest capital needs assessment (CNA) contemplates a schedule of renovation of four units every five years.
5. Cover SSP allowed developer fees, including approximately $147,484 not taken at construction completion (eligible for $280,000, with $13,256 disbursed to date). At the time of acquisition, SSP regulations (previous iteration of regulations circa 2016), allowed more in developer fees than were previously taken, in order to reduce costs at the time of initial SFCLT acquisition.

4042 Fulton Street, a two-story residential building in the Inner Richmond neighborhood featuring five apartments (two one-bedroom units and three two-bedroom units) with three parking spaces below. Tenants here are considered long-term and low-income, having lived in the building for 11, 22, 22, 28, and 39 years respectively. Three of the units are occupied by retired seniors and the other two units are occupied by families with children under 18.

The property has historically had issues collecting its full scheduled rent due to factors such as two seniors who are rent burdened (rents exceed more than 30% of monthly income) on fixed incomes and are challenged to pay their contracted monthly rent. Specifically, the debt service terms associated with this loan, along with rent collection loses due to COVID-19, negatively impacted cash flows to below a 1.0 debt service coverage ratio.

Building an additional accessory dwelling unit will help increase the properties gross potential revenue to address this. As part of this financing recapitalization the rents of the senior residents will be lowered to ensure they are not displaced. The current average household AMI is 34.8%. The average unadjusted MOHCD AMI is 49.31%.

The original acquisition financing included:

1. Boston Private Bank (now Silicon Valley Bank)– 7-year loan for $1.2 million – matured 9/1/22 and past due with a current extension.

2. $2,496,642 of prior Small Sites Program funding, which included construction and rehabilitation work in the amount of $414,414.

Refinance Objectives:

1. Construct one Accessory Dwelling Unit ("ADU") studio intended to serve a 70% AMI household to create more affordable housing within the Richmond District. To create this unit, SFCLT will be utilizing the building's garage, which currently features parking for three of the five residents. The 654 square-foot ADU will be primarily located in the first-floor rear storage area, and it is not expected to result in the removal of existing parking spaces. Construction is expected to begin in 2023 with the unit leased up by Spring 2025.

2. Takeout existing $890,000 Silicon Valley Bank loan with 7.75% interest rate and reduce cost of capital.

3. Cover SSP allowed developer fees, including approximately $39,855 not taken at acquisition (eligible for $130,000, with $90,145 disbursed to date). At the time of acquisition, SSP regulations, circa 2016, allowed more in developer fees than were previously taken, to reduce costs at the time of initial SFCLT acquisition.

568-570 Natoma Street, a three-story apartment building in the South of Market (SOMA) neighborhood featuring five apartments (four one-bedroom units and one studio unit). 568-570 Natoma was one of the first projects in the Small Sites portfolio, having been acquired by SFCLT in 2017, with a first mortgage from Silicon Valley Bank in the amount of $1,013,000. Four of the five households have lived in the building for more than 20 years; one multigenerational family occupies three separate units. Prior to the seller entering into contract with SFCLT, the building was contracted to sell to an investor who offered the tenants buy-outs. When the tenants refused, the buyer canceled the sale, at which time the seller ratified a contract with SFCLT for an acquisition price of $1,013,000. Given this history of speculative buy out and possible threat of conversion of the building to market rate tenancy-in-common (TIC) or another use, the residents were considered "at-risk" for eviction and/or displacement.

The five-unit building has been significantly impacted by rent collection losses, with 65% of overall rents decreased due to a non-paying tenant in one unit, and a vacancy in another unit. As of March 2023, leasing is near completion for the vacant unit. SFCLT has also taken possession of the unit with a non-paying tenant, however the building's budget replacement reserve is insufficient to cover the unit turnover. The proposed refinance is expected to fund unit turnover in Summer 2023.

Refinance Objectives:

1. Complete rehabilitation based on a 2023 Capital Needs Assessment and replenish the operating reserves ($1,385 existing for overall building) and replacement reserves ($852 existing for overall building) of the property. Reserves were initially partially funded upon acquisition due to lack of capital at the time.
2. Take out a $271,000 (3.94%) private hard debt loan with Silicon Valley Bank. The maturity date is March 4, 2026.
3. Cover SSP allowed developer fees, including approximately $70,000 not taken at construction completion (eligible for $140,000, with $70,000 disbursed to date).

Overall Development Costs

Source of New Funds for all Four Properties	Amount	Interest Rate
PASS Market Rate	$3,045,000	3.87%
PASS Below Market Rate	$1,680,000	0.96%
PASS Deferred	$275,000	0.96%
MOHCD SSP	$13,800,000	3.00%
Total Funding	**$18,800,000**	

The Total Development Cost ("TDC") for the entire four-site refinance Project is up to $18,800,000 ($508,108 per unit). The PASS loan would provide up to $5,000,000 ($135,135 per unit), and the proposed City SSP (soft) subsidy for the Project is up to $13,800,000 ($372,973 per unit). The refinance provides additional capital for private loan payoff, rehabilitation needs, as well as replenishment of required reserves. The requested City subsidy is in-line with the applicable SSP subsidy cap at $372,973 per unit.

A summary of reserves before and after re-capitalization is provided below:

Operating and Replacement Reserve Summary

308 Turk	Current Balance	After Capitalization	Funded
Operating Reserve	$80,565	$75,106	-$5,459**
Replacement Reserve	$160,906	$552,033	$391,127

568 Natoma	Current Balance	After Capitalization	Funded
Operating Reserve	$1,386	$18,777	$17,391
Replacement Reserve	$852	$138,008	$137,156

2840 Folsom	Current Balance	After Capitalization	Funded
Operating Reserve	$20,130	$22,532	$2,402
Replacement Reserve	$26,535	$165,610	$139,075

4042 Fulton	Current Balance	After Capitalization	Funded
Operating Reserve	$22,902	$22,532	-$370**
Replacement Reserve	$150,031	$165,610	$15,579

SFCLT TNFF Bundled Total			
	Current Balance	Revised Balanced	Funded
Operating Reserve	$124,982	$139,023	$14,041
Replacement Reserve	$338,325	$1,021,261	$682,937

2. PRINCIPAL REFINANCE AND DEVELOPMENT ISSUES

Higher than Average Vacancy Rates and Related Losses

A portion of the buildings specifically within the bundle have seen challenges with vacancies and bad debt losses; with greater vacancies at 568-570 Natoma and 4042-4048 Fulton.

While a portion of these vacancy challenges are attributable to the COVID-19 pandemic, SFCLT has contended with challenges related to non-paying tenants at multiple units within these properties. This issue is being addressed through mediation, relocation, and a tenant returning possession of the unit to SFCLT.

While 568-570 Natoma features a high individual building vacancy rate (two of five units), the portfolio-wide vacancy rate for all 36 existing units, across all four properties, at this time is 8.3% (three units out of thirty-six total).

Current rents for existing vacant units, and proposed rent for the one new proposed studio ADU (Fulton), will be set at the lesser of 20% below market rents or 100% Area Median Income, in conformance with SSP guidelines. The Sponsor anticipates completion and lease up of the new ADU studio unit in Spring 2025. As such, for the sake of simplicity the pro-forma shows existing rents as if the new unit was existing (and vacant) through 2023, with a corresponding vacancy loss through all of 2023 through Spring 2024.

The Sponsor has indicated they expect to reduce vacancies at all affected sites, and especially at Natoma, through these strategies:

1. Recent resolution of tenant challenges (a nonpaying occupant was relocated in 2023).
2. Completing the renovation of 570D Natoma, with funds for the renovations coming out of our reserves.
3. Increased asset management & property management staffing – SFCLT has promoted Junli Dai to lead the vacancy filling process for the organization.

The Sponsor estimates portfolio-wide (four sites) vacancy related losses at 10% or lower and bad debt losses at 5% or lower going forward (and a debt service coverage ratio minimum of 1.15 over a 20-year period). Staff believe this is a realistic operating assumption.

One advantage of a bundled approach would be greater flexibility with respect to reserves, in the event, for example, an individual property runs into a sustained period of vacancy losses, or substantial immediate property repair needs. In addition, the refinance would replenish existing reserves, currently restricted by individual property (to be operated in a cumulative manner), that were drawn down over the last three years due to vacancy losses and rent collection losses.

The total City subsidy (based on inclusion of the ADU studio) is estimated at $372,973 across all 37 units, which is below the PASS/SSP subsidy guideline of $380,000.

Bundling Approach for Small Sites held by SFCLT

MOHCD staff support the overall operating expenses, vacancy loss assumptions, and net operating income assumptions proposed by the bundled refinance.

Buildings with stronger cash flows within the same bundle will be able to temporarily subsidize operations to buildings with short-term or long-term cash flow challenges. This would allow a portfolio manager more time to reposition more challenging properties through measures such as improved marketing, building or unit rehabilitation, and steps taken to improved tenant relations. In addition, bundling spreads loan costs such as bond monitoring and loan servicing fees of $5,000 across four properties, instead of each individual property.

Limited Equity Co-Op Provision (LECO)

MOHCD previously approved a LECO (SSP) loan provision for 2840 Folsom (Pigeon Palace) in 2015, and SFCLT is requesting to retain this provision, with modifications as noted in Attachment A. These modifications would recognize the change in private bank lender and clarify rent and loan structure responsibilities of SFCLT. This modified provision would apply only to 2840 Folsom, and only to the SSP loan, but not the PASS loan.

SFCLT has indicated support for such a provision and has indicated they generally envision a model where, in the event of a conversion, SFCLT would retain fee simple ownership of the land, while the co-op would take an ownership interest of the building and improvements. Under such a scenario, SFCLT would continue to act in a manner akin to an asset and property manager for both the land and building plus improvements.

3. BORROWER/GRANTEE PROFILE - San Francisco Community Land Trust (SFCLT)

San Francisco Community Land Trust (SFCLT) is a nonprofit organization whose mission is to create permanently affordable housing for low to moderate-income people through community ownership of land. Guided by the principles of anti-displacement and racial justice, SFCLT stabilizes neighborhoods, and creates greater access to housing and home ownership opportunities with a focus on BIPOC communities previously excluded from access to wealth, and, in particular access to home ownership.

Experience of Key Staff

Saki Bailey (JD & PhD), Executive Director, has a decade of experience in nonprofit management and program development roles, as well as in teaching and training roles both in the academic and non-profit sectors with a focus on the legal regulation around Community Land Trusts, Co-op formation, and incorporation. Saki is an attorney and real estate developer and worked at Bay Area Community Land Trust prior to joining SFCLT and developed the first Small Sites program project in Berkeley, at the Stuart Street Apartments.

Samir Habash, Director of Finance, Asset Management an experienced Asset Manager and Analyst who previously worked for Ballast Investments where he managed 3,200 units of multi-family housing. A Bay Area native, Samir graduated from Saint Mary's College of California with a Major in Economics and Minor in Politics.

Kristen Nation, Director of Stewardship, Asset Management joined the SFCLT in 2021. She pivoted into the non-profit sector working as a case manager for Conard House, a supportive housing non-profit located in the Tenderloin. Kristen has received her Asset Management Specialist Certification from the Consortium of Housing and Asset Management.

Junli Dai, Assistant Asset Manager works intensively with the Columbus United Cooperative, an LEHC founded in 2009. In 2001, she graduated with a bachelor's degree majoring in Economics and International Trade. She is bilingual in Mandarin and English, has over 11 years of customer service and property management experience in the housing sector, and also has experience in finance. Junli joined SFCLT in 2013. Through these experiences, she has seen low-income people of color transform their lives and their next generation through affordable housing. As a first-generation immigrant, Junli is passionate about assisting low-income people of color in gaining access to homeownership opportunities.

Recent Activity

In January 2022 SFCLT acquired a 42-unit building in the Tenderloin with 40 residential units and two commercial units. The building was removed from rent control in the 1980's, which resulted in tenants being subject to unchecked rent increases. In March of 2022 SFCLT acquired a four-unit building in Russian Hill with financing through the SF Housing Accelerator Fund (SFHAF).

Name/Location	Status / Year Completed	Total Units
285 Turk, Tenderloin	Acquired 2022	42
1130 Filbert, Russian Hill	Acquired 2022	4

3.1 Asset Management Performance & Capacity

SFCLT's first acquisition in 2007 was **53 Columbus Avenue**, a building of 21 residential units and 1 commercial ground floor unit. The 53 Columbus project was stabilized by SFCLT in 2011 and has been consistently cash flow positive for the last ten years. The 53 Columbus project exemplifies SFCLT's mission of empowering low-income tenants with control and ownership of their housing through conversion to Housing Co-operatives.

Since the completion of eight Small Site acquisitions in the period 2015-2017 SFCLT has been working on stabilizing the buildings. Major renovations focused on health and safety concerns; seismic retrofits have been done to all buildings. The renovation program will be completed for all buildings acquired under SSP this year. SFCLT's major focus has been to lease-up all vacant units. Asset Management has worked diligently with MOHCD to streamline the process and procedures for the lease-up of SSP properties.

In late 2022 SFCLT acquired 2 buildings – the 42-unit 285 Turk building in the Tenderloin, and the 4-unit building 1130 Filbert in Russian Hill.

In the past three years SFCLT has moved to an auditing firm with experience with SSP and MOHCD financing. The Annual Monitoring Reports from SSP properties have been delivered on time.

SFCLT Asset Management Plan:

1. Increase revenue consistent with SFCLT affordable housing mission.
2. Reduce operating costs and expenses including debt service.
3. Ensure long-term capital needs of the property are addressed through an up-to-date Capital Needs Plan.
4. Ensure there is sufficient capacity available to the organization to scale and operate an expanded portfolio.
5. Build on the successful experience of the asset management of 12 buildings over the last 5 years.
6. In 2022, the goal was to hire another full-time Asset Manager to focus on the Small Sites portfolio. Samir Habash has been hired for this position.
7. Develop and implement a recapitalization plan for the portfolio to reduce debt service and release equity from the buildings. This work has started and one building has been refinanced in 2022 with another 5 (including 2936 23rd Street) in the process of refinancing which is expected to be complete in Q1 2023.

8. Leverage the experience of Board Members in tenant engagement and communications.
9. Lease-up – work with MOHCD to improve the process and reduce lease-up times and Implement waitlists for all Small Site buildings.
10. 10.Ensure annual rent increases for Small Sites are implemented at a rate of between 2% to 3.5%.
11. Implement the recommendations of each building Capital Needs Assessment study. Ensure every seven years a new study is undertaken.
12. Look at opportunities to bring in new revenue by adding or expanding units through an ADU program.

3.2 Development Experience.

SFCLT has successfully completed the rehab of 70 units in 10 buildings acquired with the assistance of MOHCD since 2016. The cost of the work to date totals $5,174,470.

3.3 How Selected.

A Notice of Funding Availability ("NOFA") was published on July 24, 2014 to provide acquisition and rehabilitation financing for multi-family rental buildings of five to 25 units. The NOFA established a fund to help stabilize buildings that are occupied by low- to moderate-income tenants throughout San Francisco that are particularly susceptible to market pressure resulting in property sales, evictions, and rising tenant rents.

4. SITE

4.1 Brief Site Description.

	308 Turk	2840-2848 Folsom	4042-4048 Fulton	568-570 Natoma
Address, Lot Block	308-310 Turk Street, 007/0337	2840-2842 Folsom Street, 007/6520	4042-4048 Fulton Street, 023/1659	568-570 Natoma Street, 074/3726
Lot Square footage	7,552	3,062	3,300	1,873
Building age	1923	1900	1921	1906
Neighborhood	Tenderloin	Mission	Richmond	South of Market Area
Number of buildings	1	1	1	1
Number of floors	2	3	2	3

Building typology	Apartment 15 units or more; masonry or concrete	Flats & duplex; wood or steel frame	Apartment 5 to 14 units	Apartment 5 to 14 units; wood or steel frame
Unusual characteristics	None	None	None	None
Recently completed rehab work	SSP funded rehab completed in 2016	Recently completed rehab work: SSP funded rehab completed in 2016	SSP funded rehab completed in 2017	SSP funded rehab completed in 2018

4.2 Site Characteristics.

See table above.

4.3 Environmental Issues/Site Suitability.

Phase I/II Site Assessment Status and Results:
Applicable assessment reports were provided as part of initial acquisition financing. No new assessment was requested as part of this refinancing activity, and staff and Sponsors are not aware of any related areas of potential environmental concern.

Potential/Known Hazards:
All rehabilitation activity associated with this re-finance activity is considered minor in nature and expected to utilize all required means and methods, as required by the Department of Public Health and Department of Building Inspection, to reduce exposure to hazards such as lead paint, or similar, if present.

5. ENTITLEMENTS

N/A

5.1 Zoning

308 Turk Street: The Project is currently zoned RC-4- (Residential-Commercial, High Density) and is in the 40-X Height and Bulk district. The proposed rehabilitation work will not change the use, density, height, or bulk of the building.

2840 Folsom Street: The Project is currently zoned RH-3 (Residential-House, Three Family) and is in the 40-X Height and Bulk District. The proposed rehabilitation work will not change the use, density, height, or bulk of the building.

568 Natoma Street: The Project is currently zoned RED (Residential Enclave District) and is in the 45-X Height and Bulk District. The proposed rehabilitation work will not change the use, density, height, or bulk of the building.

4042 Fulton Street: The Project is currently zoned RM-1 (Residential-Mixed, Low Density) and is in the 40-X Height and Bulk district. Proposed rehabilitation will add one ADUs to lowest level floor of the building adjacent to parking spaces. The ADU is considered a ministerially permitted project and will not the change the height or bulk of the building.

5.2. Local/Federal Environmental Review.

Staff expects the project to fall within the Categorical Exemption 1 (Existing Facilities) under CEQA. SFCLT will be required to obtain a formal Planning Department determination if, and when the project requires Planning Department approval of permits, including for the addition of an ADU studio.

5.3 Article 34 Authority.

308 Turk, 2840-2848 Folsom, and 568-570 Natoma are existing buildings, and no additional units will be added. 4042-4044 Folsom will add one additional ADU studio, and the Article 34 letter for the new unit will be issued prior to closing.

5.4 Resident/Community Support.

308 Turk – residents are supportive of the major rehab components – remodeling of units, improved security, new laundry room

2840-2848 Folsom – residents were involved in drawing up the scope of work for the rehab. They support the refinancing and rehab work.

4042-4048 Fulton – residents have not been involved to date with the refinancing plans.

568 Natoma - residents have not been involved to date with the refinancing plans.

6. DEVELOPMENT PLAN

6.1 Site Control.

	308 Turk	2840-2848 Folsom	4042-4048 Fulton	568-570 Natoma
Purchase Price	$3,650,000	$3,280,000	$2,100,000	$1,013,000
Status of Purchase & Sale Contract	Acquired 06/19/15	Acquired 09/10/15	Acquired 03/29/17	Acquired 04/01/16
P & S Contingencies	Released	Released	Released	Released

6.2 Appraisal.

Appraisals for each property were conducted at acquisition. New appraisal reports are not required when refinancing MOHCD-funded preservation projects.

6.3 Title Issues.

None.

6.4 Property Ownership Structure.

SFCLT owns fee title to the land and the improvements of the subject properties.

6.5 Proposed Rehab Scope.

The rehabilitation scope noted below does not include previous rehabilitation or construction completed after initial acquisition.

308 Turk

1. Mailboxes. The current mailboxes are easily broken into by trespassers. They will be replaced by more robust and secure containers.
2. Trade corridor gate. The gate needs to be replaced and kept secure. Replace entry gate, intercom system, & entry door.
3. Creation of a trash and recycling enclosure in the back patio, to hold the bins and to make recycling simpler, and to close the area off from the rest of the patio.
4. For the rear part of the building in the crawlspace, create a one inch thick "rat" slab to prevent rodents from burrowing into the dirt.
5. Replace chain link fence around the outdoor patio with wooden fencing.
6. Exterior painting of the front and the rear of the building and for the east and west and central light wells.
7. Install a new roof for the front two-story section of the building, and for the single-story rear section. The roof was replaced last in 2010.
8. Interior painting of the common areas, including hallways and stairs.
9. Replace 54 aluminum slider windows & Install ironworks.
10. Creation of a new laundry room.

2848 Folsom

1. Foundations/Structural
2. Electrical system: New 400 amperage service, as well as main & sub panels
3. Roof: Replaced in 2013, 20 Years of remaining useful life per CNA
4. Exterior: Demo, Insulate, & Repair full siding. Also, full exterior painting
5. Replace/Repair Windows throughout the building.

6. Full interior painting
7. Repair treads, landing, at front stairs, as part of façade repair/painting
8. Repair Damaged Subfloor in Unit 2848As part of electrical wiring work, install hard wired, interconnected smoke detectors with battery backups. These smoke detectors should cover units and common areas - basement spaces, stairs etc. This work must comply with current fire and building codes. Add fire extinguishers to kitchen areas where not found.

4042 Fulton

1. Foundations/Structural: SSR Complaint
2. Electrical system: Replaced in 2016, 23 Years of RUL per CNA.
3. Roof: 13 year of RUL per CNA.
4. Exterior: Full Paint to the Exterior (7500 GSF), Repair Work to Surface (7500 GSF)
5. Windows: 5 Years of RUL per CNA.
6. Interiors: Paint (4270 GSF) 10 Years of RUL per CNA.
7. Build 1 ADU Unit
8. Renovation of 4 Units
9. Replace (1) Set of Exterior Wood Stairs

568 Natoma

1. Foundations/Structural: SSR Complaint
2. Electrical system: Upgrade in 2018.
3. Roof: 13 years of remaining useful life.
4. Exterior: Three years of remaining useful life.
5. Windows: 8 of the 23 windows are to be replaced per the CNA.
6. Interiors: Vinyl composition tile in the common area to be replaced.
7. Interior paint of common areas per CNA.
8. Renovation of units 568A and 570C
9. Replace four wall heaters.

6.6 Commercial Space.

N/A

6.7 Service Space.

N/A

6.8 Population to Be Served

1. 2840-2848 Folsom (Pigeon Palace). Three of the units are occupied by the original tenants at the time of purchase in 2015.
2. 308 Turk – 80% of the residents of the building are first-generation families of Latin descent.
3. 4042-4048 Fulton – Five of the units are occupied by seniors. Three of the seniors are Russian (primarily) speaking.
4. 568 Natoma – Three of the units are occupied by the original tenants at the time of purchase in 2016.

6.9 Proposed Unit Mix & Affordability

See attached development pro forma for existing rent roll.

The properties feature 36 existing units that are approximately 90% leased. The proposed studio ADU studio is expected to be rented to households at or below 70% AMI. Six units feature heads of household using Section 8 vouchers and an additional unit receives assistance from the Shelter and Care program.

Household incomes at the Project range from 23% to 98% of AMI; with the overall average AMI below 80% AMI and are therefore in compliance with PASS and SSP guidelines.

6.10 Marketing & Occupancy Preferences.

The Project is subject to MOHCD's marketing procedures and will continue to be marketed according to multifamily marketing procedures. These units will be subject to the Certificate of Preference Program, the Displaced Tenant Housing Preference Program, the Neighborhood Preference Program, and the Live/Work in San Francisco preference. SFCLT will market vacancies with reference to the San Francisco Housing Authority for acceptance of Section 8 and VASH vouchers.

The use of bundled loan approach will not require changes to existing marketing, as each building will continue to be marketed individually using separate listings and marketing lists.

6.11 Relocation.

SFCLT anticipates the need for $45,000 in relocation funding to temporarily move five households. One household is anticipated to be relocated for two-week period for repair of the subfloor. The four other households will be impacted for a three-month period due to more extensive work. The plan is to relocate the households within the existing SFCLT portfolio whenever possible; however the budget assumes a low vacancy level within the overall SFCLT portfolio. This recapitalization includes funding for relocation and to account for the lost rental income for the units that will be used for onsite relocation.

6.12 Accessibility.

The proposed scope of work does not include any specific accessibility modifications.

6.13 Performance Schedule.

No.	Performance Milestone	**Estimated or Actual Date**
1	SSP Financing Commitment	5/5/23
2.	Site Acquisition	Varies
3.	Development Team Selection	
a.	General Contractor Selection	6/31/23
4.	Design	
a.	Submit Bid Package for MOHCD Approval	7/31/23
5.	Permits	
a.	Building Permit Application Submitted	8/31/23
6.	Construction	
a.	Notice to Proceed	9/31/23
b.	Complete Construction	3/31/25
7.	Marketing & Lease-up	4/31/25
a.	Lease Vacant Unit	5/31/25
8.	Close Out MOHCD Loan(s)	

7. DEVELOPMENT TEAM

7.1 Project Manager.

Name: Emily Silagon

Percentage Time Spent on Project: 2 months.

Experience:

Emily Silagon, a Bay Area transplant of 12 years, is a licensed architect by schooling (and seven exams), a construction project manager by profession, and a strategist by nature. Emily graduated from California College of the Arts in San Francisco and worked for several years in an architectural firm prior to transitioning into the construction management realm. As both an architect and construction manager she has sought work with a social impact, and brings that empathy and enthusiasm to SFCLT, along with her unique design and construction knowledge. Emily also brings two years of experience in establishing operational standards and building infrastructure for the construction management department at Mosser Companies, where her focus was preparing the company platform for sustainable growth. This balance of industry knowledge and operational prowess will be leveraged to elevate the Construction Management department within SFCLT.

7.2 Architect.

Firm: TBD

Brief Description of Scope of Work: Soft Story Design, Permitting, and

Construction Administration & Construction Management

Fee/Hours: TBD

7.3 Contractor.

Firm: to be determined by public bidding process

Procurement Requirements:

7.4 Other Consultants.

7.5 Property Manager.

1. **2840 Folsom:** Self-managed since acquisition in 2015.

2. **308 Turk, 4042-4048 Fulton, and 568-570 Natoma**: Kalco Properties has been managing SFCLT SSP properties since 2018.

8. FINANCING PLAN

8.1 Sources and Uses (attached)

SSP Funds Requested: $4,733,902 for a cumulative of $13,800,000 ($372,973/unit)

Leveraged Financing Amount and Terms

1. Lender MOHCD PASS Program
2. Loan Amount

   Up to $5,000,000 ($135,135/unit) composed of:

   $3,045,000 ($82,297/unit) (Market-rate loan)

   $1,680,000 ($45,405/unit) (Below-rate loan)

   $275,000 ($7,432/unit) (Deferred loan)
3. Interest Rates:

   Market-rate loan: 3.87289%

   Below market-rate loan: 0.95763%

   Deferred loan: 0.95763%
4. Term: 40 years
5. DSCR: At least 1.10 throughout the first 20 years of the Project

8.2 Development Budget

Sufficiency of Reserves

Replacement Reserves: Capitalized replacement reserves in the amount of $1,000,000 are budgeted to support the project's capital needs over the next 20 years.

SSP Guidelines require a replacement reserve that is the greater of $2,000 per unit or the amount needed to pay replacement costs for the next ten years, as specified in an approved CNA. SFCLT is requesting $661,675 to fund the difference between the amount needed to pay replacement costs for the next ten years, as specified in approved CNAs, and the amount of reserves currently collectively held by the projects.

Operating Reserves: Capitalized operating reserves in the amount of $138,947 are budgeted to support unanticipated operating costs for at least 20 years. SSP Guidelines require an operating reserve sized at 25% of the first-year operating budget. SFCLT is requesting $13,964 to fund the difference between the amount needed size an operating reserve at 25% of the first-year operating budget and the amount of reserves currently collectively held by the projects.

Vacancy Reserve: Capitalized vacancy reserves in the amount of $44,400 are budgeted to account for unrealized income from the proposed ADU studio at Fulton, which will not be completed until 2025.

Developer Fee: SFCLT will receive a total of $371,360 in developer fees. $40,000 will be paid at loan closing, reflecting the amount of developer fee that was not taken at acquisition for 568 Natoma. The remaining $331,360 will be paid at construction completion. $371,360 consists of $13,000 in developer fee that will be paid for the construction of the new ADU at Fulton, and $318,630 in developer fee that was previously not taken at construction completion across the four sites.

8.3 Disbursement

Funds being used to pay off existing loans will be released at escrow. All other funds will be released on a reimbursement basis through MOHCD's standard draw process.

9. PROJECT OPERATIONS

9.1 Annual Operating Budget (attached)

9.2 Annual Operating Budget Analysis/Comments.

1. Per Unit Per Annum (PUPA) Operating Expense (w/out reserves) in Year 1, across the four sites and 36 existing units and proposed ADU are proposed at $9,187. This amount also includes unrealized income in the first year as the studio is not expected to be leased until January 2025. For comparison, 2021 operating expenses across 36 existing units at the four sites were $7,319.

2. Annual Reserve Deposits: $13,400, which complies with applicable SSP/PASS Underwriting Guidelines. The collective reserve amount is sized based upon the number of units in each building. Current SSP Guidelines for annual replacement reserve amounts are below. This amount would not be impacted by expenditures needed to meet current projected capital needs.

No. of Units	Replacement Reserve Deposits Per-Unit, Per-Year
Less than or equal to 10	$400
11-29	$350
Equal to or over 30	$300

3. Property Taxes in the amount of $25,307 are budgeted across the entire portfolio. The Projects will qualify for a partial Welfare Property Tax Exemption, since one unit at 568 Natoma and one unit at 2840 Folsom does not appear to qualify for the welfare tax exemption.

4. Surplus Cash: $30,016 in Year 1.

5. Annual Monitoring Fees: $5,000 ($2,500 for loan servicing and $2,500 for monitoring), total for all four properties.

9.3 <u>20-year Cash Flow</u> (attached)

1. Does Cash Flow Remain Positive for 20 years: Yes.
2. Income Assumptions: 2.5% escalation per year
3. Expense Assumptions: 3.5% escalation per year
4. Replacement Reserve Analysis: Replacement reserves are funded through Year 20.
5. DSCR: Starts at DSCR starts at 1.15 in Year 1 and gradually rises, hitting its maximum DSCR in Year 20 at 1.33.
6. Refinancing Plan: The recently approved SSP Underwriting Guidelines offer conservative underwriting parameters, including a 1.15 DSCR and a 10% vacancy loss assumption. Operating and replacement reserves are projected to be funded through Year 20 of the Project's lifecycle, ensuring that refinancing will not likely be required until at least that time.

10. STAFF RECOMMENDATIONS

10.1 <u>Proposed Refinance/Rehabilitation Loan Terms.</u>

Amount of SSP: $ 13,800,000 ($372,973/unit)

Amount of PASS:

$5,000,000 ($135,135/unit) composed of:

$3,045,000 ($82,297/unit) (Market-rate loan)

$1,680,000 ($45,405/unit) (Below-rate loan)

$275,000 ($7,432/unit) (Deferred loan)

Term: 40 years (SSP and PASS)

SSP Rate: 3% contingent interest in accordance with SSP Guidelines (which state that, in any given year, when the Project's cash flow is insufficient to repay all interest due, unpaid interest for that year shall be forgiven)

PASS Rate: 2.74201% blend, based on:

3.87289% (market-rate loan)

0.95763% (BMR loan)

0.95763% (deferred loan)

SSP Repayment: Residual receipts

PASS Repayment: The market-rate and below-market rate loans require monthly payments and are fully amortizing over the term; the deferred loan requires a balloon payment at maturity.

SSP Priority: Subordinate to senior financing and the City's Declaration of Restrictions

PASS Priority: Senior, in first position, but will subordinate to the City's Declaration of Restrictions

10.2 Recommended Loan Conditions.

1. All reserve accounts (vacancy, operating and replacement) must be established in separate interest-bearing accounts within 60 days.
2. Prior to any loan disbursement, SFCLT shall establish a dedicated limited liability company (LLC) incorporating all four existing properties. The LLC shall be responsible for managing loan fund disbursements and operating and replacement reserves for the four properties described herein only.
3. SFCLT shall obtain an updated General Plan Referral finding that this re-finance and proposed ADU addition is consistent with the City's General Plan, prior to loan disbursement.
4. Disbursement of new PASS and SSP loans shall include take out of all non-City loans within 60 days of Mayor's signature executing loan(s).
5. SFCLT will hold monthly construction update meetings with MOHCD staff regarding the progress of the rehabilitation.
6. Any unused portion of the vacancy reserve will be deposited into the replacement reserve at the end of the Project's rehabilitation.
7. SFCLT will be required to obtain a formal Planning Department determination if the project requires Planning Department approval of permits.

Approval indicates approval with modifications, when so determined by the Committee.

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

________________________________ Date: ________________

Eric D. Shaw, Director
Mayor's Office of Housing

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

________________________________ Date: ________________

Salvador Menjivar, Director of Housing
Department of Homelessness and Supportive Housing

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

________________________________ Date: ________________

Thor Kaslofsky, Interim Executive Director
Office of Community Investment and Infrastructure

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

________________________________ Date: ________________

Anna Van Degna, Director
Controller's Office of Public Finance

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

________________________________ Date: ________________

Tonia Lediju, Director
Housing Authority of the City and County of San Francisco

Attachments:

Attachment A: LECO Co-Op Condition (current and proposed)
Exhibit B: Sources and Uses
Exhibit C: 20-year Summary

REQUEST FOR PERMANENT FINANCING FOR A SFCLT FOUR SITE BUNDLE

Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Fri 3/17/2023 11:39 AM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Approve

Eric D. Shaw
Director/ Interim Director HopeSF

Mayor's Office of Housing and Community Development
City and County of San Francisco
1 South Van Ness Avenue, 5th Floor

RE: REQUEST FOR PERMANENT FINANCING FOR A SFCLT FOUR SITE BUNDLE.

Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>
Tue 3/21/2023 3:48 PM
To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>
Cc: Colomello, Elizabeth (CII) <elizabeth.colomello@sfgov.org>

Approved, thanks!

Best Regards,
Thor

office of COMMUNITY INVESTMENT and INFRASTRUCTURE
OCII

Thor Kaslofsky
Executive Director

One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415.749.2588
thor.kaslofsy@sfgov.org
www.sfocii.org

*Please note that if you are receiving this email outside of your normal working hours there is no urgent need to respond unless there is a specific request to do so.

From: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>
Sent: Tuesday, March 21, 2023 1:26 PM
To: Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>
Cc: Colomello, Elizabeth (CII) <elizabeth.colomello@sfgov.org>
Subject: Re: REQUEST FOR PERMANENT FINANCING FOR A SFCLT FOUR SITE BUNDLE.

Hi Thor,

Please reply with your vote for the subject matter of this email from 3/17 Loan Committee Meeting.

Thank you.

Vanessa Amaya

Assistant Housing Loan Administrator

San Francisco Mayor's Office of Housing and Community Development

1 South Van Ness Ave, 5th Floor, San Francisco, CA 94103

(628) 652-5967

REQUEST FOR PERMANENT FINANCING FOR A SFCLT FOUR SITE BUNDLE

Katz, Bridget (CON) <bridget.katz@sfgov.org>

Fri 3/17/2023 11:38 AM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Cc: Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Approve

Bridget Katz
Development Finance Specialist, Office of Public Finance
Controller's Office | City & County of San Francisco
Office Phone: (415) 554-6240
Cell Phone: (858) 442-7059
E-mail: bridget.katz@sfgov.org

Exhibit D: 1st Year Operating Budget

Attachment A: Limited Equity Co-Op Conversion Loan Condition Modification Request

Sponsor requests to modify the existing SSP Loan Condition shown further below applicable only to 2840 Folsom Street.

Change Request 1: remove all of section (c) c. i-iv and replace it with (c) c. "Carrying charges will be established at the time of conversion for all residents based on the amount necessary to support all of the operating expenses of the building as reflected by two years of audited financial statements."

Change Request 2: Modify language regarding 30% of income and "household current rent of $1200" to indicate that rents will be set based on a financial sustainability review.

Change Request 3: Remove reference to Boston Private loan as the loan will be taken out.

Change Request 4: Change item (c) a. at the last line from "Borrower will provide assistance to those households in the form of a no-interest loan or payment plan," to "Borrower will try to provide assistance to the extent feasible for the project and for SFCLT's organizational budget to those households."

Mayor's Office of Housing & Community Development
Small Sites Program, PASS Loan Program
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415.701.5500 • 415.701.5501 fax

Attachment A: Existing SSP Loan Condition for Pigeon Palace (only), part 1

(b) Borrower shall provide advance written notice to City (the "Conversion Notice") of its intent to pursue the Conversion no less than 6 months prior to the expected conversion date. Borrower shall include with the Conversion Notice the anticipated date of conversion, a narrative report outlining the coop structure, draft documents authorizing the formation of the LEHC, drafts of all legal and operational documents, and updated budgets with its application for coop conversion. Borrower shall promptly provide City with any further documentation in connection with the Conversion reasonably requested by City. City may approve or deny the application, in its reasonable discretion.

(c) If Borrower pursues the Conversion, Borrower shall ensure that the LEHC complies with the following provisions:

a. Borrower will set the equity share cost at a level that is affordable to qualifying households under the Small Sites Program (SSP) who desire to become a member of the LEHC. Borrower will complete a market analysis to determine the ability of potential qualified buyers to purchase the equity shares and will explore opportunities to stagger equity share prices according to target income levels of coop units prior to deciding on the final equity share cost. For those households who do not have the resources to acquire a share at Conversion (or upon that household's initial occupancy), Borrower will provide assistance to those households in the form of a no-interest loan or a payment plan.

b. Equity shares will appreciate according to the Consumer Price Index (CPI), as defined by MOHCD.

c. Carrying charges will be established at Conversion for all residents of the property as follows:

i. The carrying charges for those residents who were existing Tenants as of the date of the closing of the Loan (the "Closing Date") shall be the greater of:

A. Thirty percent (30%) of the household's gross income at the time of Conversion, provided that such carrying charge may not exceed 30% of 150% of Median Income; or

B. The household's current rent ($1,200) escalated according to SSP guidelines, plus the monthly dollar amount needed to refinance the Boston Private Bank Loan with adequate cash out to repay the Pigeon Palace Loan and to replenish the Replacement Reserve Account according to the 20-year CNA (the "Refinancing").

ii. If, as a result of a rent increase under Section 3.7(c)c(i), the building's average rent exceeds the SSP maximum average rent of 80% AMI, when closing the Refinancing the Borrower and the LEHC may only borrow up to the loan amount supportable by the 80% AMI average rent level, thus preventing the Project

Mayor's Office of Housing & Community Development
Small Sites Program, PASS Loan Program
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415.701.5500 • 415.701.5501 fax

Attachment A: Limited Equity Co-Op Conversion Loan Condition Modification Request

Existing SSP Loan Condition for Pigeon Palace (only), part 2

from becoming overly debt burdened and allowing future tenants/owners to participate according to SSP rent guidelines.

iii. The carrying charges for those residents who were not existing Tenants as of the Closing Date shall be equivalent to the household's rent on the date of Conversion.

iv. Upon vacancy after conversion, carrying charges for incoming cooperative members and rents for incoming tenants will be set according to Section b, above.

(d) Borrower will market vacant units according to the marketing requirements in **Article 6** of this Agreement and will include a disclosure to all incoming Tenants that the property may become a LEHC, what their rights are with regard to the Conversion, and that financial assistance to acquire an equity share is or will be available.

(e) For any households who cannot or do not wish to become a member of the LEHC, Borrower will offer leases according to SSP guidelines.