

**HEALTH COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
Resolution No. 25-05**

RESOLUTION ENDORSING A DRAFT NON-BINDING TERM SHEET BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND MERCY HOUSING CALIFORNIA FOR A SENIOR HOUSING PROJECT ON THE LAGUNA HONDA HOSPITAL AND REHABILITATION CENTER CAMPUS

WHEREAS, the Laguna Honda Hospital and Rehabilitation Center (LHH), is one of the nation's largest skilled nursing facilities and has continuously provided long term care to San Francisco residents for more than one hundred and fifty years. The facility currently offers long term and short term skilled nursing services and acute rehabilitation services; and

WHEREAS, The LHH campus is under the jurisdiction of City's Department of Public Health "DPH"); and

WHEREAS, In accordance with the San Francisco City Charter Sections 4.102 and 4.110, the Health Commission serves as the Governing Body of the DPH; and

WHEREAS, the Mayor's Housing and Community Development ("MOHCD") supports San Francisco residents with affordable housing opportunities and essential services to build strong communities; and

WHEREAS, Mercy Housing California ("Mercy Housing") has been one of the largest nonprofit owners, managers, and developers of affordable housing in the United States for over forty years; and

WHEREAS, In 2019, the San Francisco voters approved Proposition A, a \$600 general obligation bond to finance the construction of affordable housing, with \$50M set aside for the construction of senior housing on the LHH campus; and

WHEREAS, Norman Yee, former San Francisco Board of Supervisor, envisioned a housing project that would include assisted living, an adult day health center, and early childhood center; and

WHEREAS, in November 2019, MOHCD issued an RFQ for the development of new affordable housing at LHH and Mercy Housing was selected as the developer; and

WHEREAS, The Citywide Affordable Housing Loan Committee approved a \$3M predevelopment loan to conduct due diligence and create a master plan for this project; and

WHEREAS, Development activities for the project were paused during when CMS terminated LHH's participation in Medicare and Medi-Cal programs; and

WHEREAS, Development activities resumed in fall of 2024 after LHH achieved Medicare and Medi-Cal recertification; and

WHEREAS, Phase I development plans include affordable rental housing for low income seniors consisting of approximately 130 one bedroom units, a two- bedroom staff unit, and an early childhood education center (ECEC). The age and number of children served at the ECEC will be determined in the future. Current plans for the ECEC prioritize children of LHH and DPH staff, and then the wider San Francisco community; and

WHEREAS, PHASE II development plans include affordable senior rental housing with enhanced supportive services for older adults with chronic and long-term care needs consisting of approximately 90 studio units, a two-bedroom staff unit, and an adult day health center for older adults with deficiencies in activities of daily living; and

WHEREAS, The target population for the housing is low-income seniors aged 62 years of age and older. The team will explore if the term “Senior” could be defined as 55 years of age and older if it could be beneficial for the needs of Laguna Honda Hospital residents and still be financially feasible; and

WHEREAS, A portion of units in each phase are planned to be reserved for referrals for LHH residents being discharged from LHH who can live in a community setting with on-site supportive services; and

WHEREAS, The number of units ultimately allotted to LHH residents being discharged from LHH will depend on the amount of referrals from LHH and the availability of subsidies; and

WHEREAS, The proposed financing for Phase I includes funding from MOHCD, Low Income Housing Tax Credits, State of California housing loans, State allocated tax exempt bonds, and Local Senior Operating Subsidy; and

WHEREAS, The proposed financing for Phase II includes funding from MOHCD, Low Income Housing Tax Credits, HUD Section 202 grant and operating subsidy, State allocated tax exempt bonds, Local Senior Operating Subsidy; and

WHEREAS, MOHCD staff, LHH staff, and staff from Mercy Housing have negotiated a non-binding term sheet (the “Term Sheet”) that sets forth certain basic economic parameters and other fundamental terms to serve as the basis for LHH staff, MOHCD staff, and Mercy Housing staff to develop all phases of the project; a copy of the Term Sheet is attached as an Exhibit to the resolution and is incorporated by this reference; and

WHEREAS, the Term Sheet is not itself a binding agreement that commits the City or Mercy Housing to proceed with the approval or implementation of the Project, and all Project approvals by the City and Mercy Housing, including approvals for both phases of the project, including the Ground Lease, are subject to approval by the City; and

WHEREAS, MOHCD staff, LHH staff, and Mercy Housing staff wish to obtain the endorsement of the Term Sheet by the Health Commission prior to continuing development on the project; and


WHEREAS, the Health Commission remains concerned about determination of age and financial eligibility criteria for the housing component, impact of the project on LHH residents, accessibility and transportation issues for potential seniors living in the housing, impact of shifting federal policies on potential funding streams, potential impact of federal tariffs on building costs, and details of the ECEC.

NOW, THEREFORE, BE IT RESOLVED, That the Health Commission endorses the draft non-binding Term Sheet, and directs LHH staff to continue working with MOHCD staff and Mercy Housing staff to further develop project details; and be it further

RESOLVED, That the Health Commission's endorsement of the draft non-binding Term Sheet and direction to DPH staff does not commit the Health Commission or the City to approval of the implementation of the Project, nor does endorsement of the draft non-binding Term Sheet foreclose the possibility of considering alternatives to the proposal, mitigation measures, or deciding not to approve or implement the Project; and be it further

RESOLVED, That the Health Commission has requested that MOHCD and Mercy Housing provide monthly project updates to the LHH Joint Conference Committee and additional project updates to the full Health Commission until the project construction begins or another cadence determined by the Health Commission in the future.

I hereby certify that the San Francisco Health Commission at its meeting of April 21, 2025 adopted the foregoing resolution.



Mark Morewitz
Executive Secretary to the Health Commission