

Senior Affordable Housing at Laguna Honda Hospital Campus

Mayor's Office of Housing and
Community Development

City and County of San Francisco

Presentation to the Joint Conference
Committee of the San Francisco Health
Commission

April 14, 2025



Review of Draft Term Sheet

Preliminary Planning Application for Entitlements

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- Sharon Christen, Senior Project Manager, Real Estate Development, Mercy Housing California

Appendices

- A. Draft Term Sheet
- B. Key Legal Documents
- C. Preliminary Site Plan
- D. Preliminary Apartment Count and Program
- E. Preliminary Project Schedule

Agenda

Preliminary Concept Plan

Phase I Development:

Independent Living senior housing 100% affordable rental housing for low-income seniors

- Current proposed unit count: 130 1- Bedroom units and one 2-BR staff unit

Early Childhood Education Center (ECEC)

- Childcare slots - to be determined # of children and infants will be served. Propose a priority for LHH and DPH staff and then the wider community

Phase II Development:

Affordable Senior Rental Housing with enhanced supportive services for older adults with chronic health and long-term care needs

- Current proposed unit count: 90 Studio units and one 2-BR staff unit
- An enhanced services model is proposed for Phase II since it has a known financing path. Typical affordable rental housing financing methods that allow the City/MOHCD contribution to the development will be leveraged with other State sources as well as Low Income Housing Tax Credits.

Adult Day Health Center (ADHC) for older adults with deficiencies in activities of daily living.

Phasing of the development

Phasing timing is still being explored

Target Population and Proposed Project Financing

Low-income Seniors aged 62 and older

- Will explore if senior being defined as 55 years and older makes sense given financing and needs of Laguna Honda Hospital residents

Continuum of care with Laguna Honda Hospital

- a portion of units in each phase are planned to be targeted to referrals from Laguna Honda Hospital who can live in a community setting with on-site supportive services
- The number of units depends on the demand from LHH and availability of subsidies

Proposed Project Financing

- **Phase I:** Low Income Housing Tax Credits; State of California housing loans, State allocated tax exempt bonds, Local Senior Operating Subsidy (SOS)
- **Phase II:** Assuming Rental Housing: Low Income Housing Tax Credits; HUD Section 202 grant and operating subsidy, State allocated tax exempt bonds, Local Senior Operating Subsidy (SOS)

Preliminary Project Schedule and HC Review

Quarter 1 2025	<ul style="list-style-type: none"> - <u>February 3 (JCC) and March 17, 2025 (Health Commission)</u> – Informational presentation to JCC and Health Commission - Outreach to LHH staff and residents - First meeting of Planning Advisory Committee - Community outreach
Quarter 2 2025	<ul style="list-style-type: none"> - <u>April 14 (JCC) and April 21, 2025 (Health Commission)</u> – Request for non-binding endorsement of Term Sheet and authorization for Mercy to submit preliminary Planning application - Health Commission - Mercy apply for entitlements including submitting any intent to submit for entitlements that could be required - Ongoing community outreach - Submit Planning Entitlements Application - Begin Parcel Mapping
Quarter 3 2025	<ul style="list-style-type: none"> - <u>September 2025</u> – Request for endorsement of proposed parcel map and approval of MOU – Health Commission - Determine Option to Lease and long-term Ground Lease path - Determine easements needed
Quarter 4 2025	<ul style="list-style-type: none"> - Planning entitlements approved through SB 423 for Phase I - Determine affordable housing model for Phase II
2026	<ul style="list-style-type: none"> - <u>January 2026</u> – Request for approval of jurisdictional transfer of Phase I Site to MOHCD – Health Commission - City Option to Ground Lease for Phase I - Financing Applications
2027	<ul style="list-style-type: none"> - <u>Spring 2027</u> – Request for approval of Logistics Plan, License Agreement and Easement Agreements – Health Commission - Earliest start of construction pending successful state, tax credit and bond financing applications
2029	<ul style="list-style-type: none"> - Earliest completion of Phase I
2029	<ul style="list-style-type: none"> - Earliest start of Phase II with two year construction period

Roles and Responsibilities

MOHCD

- Predevelopment and permanent phase lender; facilitates bond issuance, monitoring and oversight of all phases; Ground Lessor

Department of Public Health and Laguna Honda Hospital

- Collaboration and planning around program and housing benefiting LHH patients; coordination around campus infrastructure issues; coordination around other hospital capital projects

Mercy Housing California

- Real Estate Developer
- Apply for entitlements including submitting any intent to submit for entitlements that could be required
- Owner of the “improvements” (A Mercy Housing affiliated entity will act as the “General Partner” of a limited partnership, which allows Mercy to control the limited partnership but also create the organizational ownership structure required to allow for Low Income Housing Tax Credits to be utilized for the financing of the improvements.)
- Wholly controlled Property Management firm: Mercy Housing Management Group, will provide professional property management for both Phase I and II.
- Mercy Housing California will be the lead services provider.
- Mercy will enter into MOUs and leases for the ECEC (Childcare) and ADHC (Adult Day Health) providers to lease those spaces (Mercy does not provide childcare or Adult Day Health Services. There will be an RFP to select these partners)

Financing Terms

MOHCD as lender

- Typical affordable housing financing terms that are utilized City wide. These are:
 - 55 year term; loan repayable with residual receipts; units will be restricted for the life of the project; compliance with City contracting requirements (Prevailing Wage, LBE goals, local hire, First Source Hiring)
 - Cashflow after all operating expenses, fees and debt are paid, “residual receipts”, will be utilized to pay down the MOHCD loan or will be paid to the City as “surplus rent” under the Ground Lease terms
 - Mercy only collects allowable fees for Asset and Partnership management and developer fee allowed under MOHCD’s existing Developer Fees policy.

100% of the units will be restricted at 60% of MOHCD AMI or less

- Mercy and MOHCD will maximize the number of units with operating or rental subsidy to allow residents to pay 30% of their income for rent. This will allow the unit to serve extremely low income households

Key Ground Lease Terms

Ground Lease

- 75 year lease with a 24 year option to extend
 - This long term is necessary to finance affordable housing with Low Income Housing Tax Credits
- Base rent paid to the City = \$15,000/year. Paid from the building's operating budget.
- Residual Rent = surplus cash flow after repayment of all outstanding debt
- Use restricted to Affordable Housing and other permitted public benefit uses (i.e. the Childcare and ADHC)
- The limited partnership controlled by a Mercy affiliate will own the improvements in fee. The land will continue to be owned by the City, with the Mercy controlled partnership having this long term ground lease.

Jurisdictional Transfer of the site

- *DPH to determine if the site should be transferred to MOHCD, for MOHCD to act for the City as Ground Lessor*
- Allows MOHCD to more efficiently be the long-term performance monitor of Mercy's performance and adherence to regulatory requirements, Ground Lease requirements, etc.



Appendices

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Appendix A - DRAFT TERM SHEET

Draft Terms as of April 2024

PROJECT NAME	Senior Affordable Housing at Laguna Honda Hospital
BACKGROUND	<p>In 2019, over 71% of San Francisco voters approved Proposition A, a \$600 million General Obligation Bond for affordable housing, to finance the construction of affordable housing for extremely-low, low and middle income households. The bond included a set-aside for senior housing in the amount of \$150 million, of which \$50 million was targeted to the construction of 100% affordable senior housing and assisted living at the Laguna Honda Hospital campus.</p> <p>As envisioned by former Supervisor Norman Yee, the housing would include an adult day health center and early childhood education center and would create opportunities for programmatic synergies between the programs of Laguna Honda Hospital and the new housing. Subject to the Health Commission review and approval, there are potential opportunities for DPH to refer Laguna Honda patients who can live in a community setting to a set-aside of units with onsite support services. Creating a continuum of senior residential care on the campus would fulfill an original goal of Measure A passed in November 1999 to create senior housing on site as part of the rebuild of the hospital, which was too costly to implement at that time.</p> <p>The Mayor's Office of Housing & Community Development (MOHCD) issued a Request for Qualifications on November 18, 2019 for the development of new affordable housing at the Laguna Honda Hospital Campus Replacement Lot. Mercy Housing California was selected as the developer with extensive experience in the development and operations of senior and supportive housing. The Citywide Affordable Housing Committee approved a predevelopment loan in the amount of \$3 million on December 18, 2020 for due diligence, predevelopment activities and to create a master plan report, and the predevelopment loan closed on May 21, 2021.</p> <p>Mercy created a master plan which outlines the conceptual design of 170 units of independent senior housing with an early childhood education center on the ground floor (known as Phase 1), and 90 units of licensed assisted living or affordable senior housing with enhanced services, along with an adult day health center on the ground floor (known as Phase 2). Mercy met with neighborhood</p>

	<p>stakeholders identified by former Supervisor Norman Yee and in March 2022, presented with MOHCD to the DPH Joint Conference Committee and to senior staff at the hospital. The proposed site is the vacant gravel lot just north of the main hospital entrance plaza where Clarendon Hall had previously been demolished for the hospital rebuild.</p> <p>Development activities for the housing were paused when Centers for Medicare and Medicaid Services (CMS) terminated Laguna Honda Hospital’s participation in the Medicare and Medicaid Provider Participation Programs in April 2022. When Laguna Honda was approved for Medicare recertification in 2024, DPH and MOHCD agreed to restart the project planning. Given the delay, MOHCD is now planning on using 2024 GO Bond financing instead of 2019 GO Bonds for the City contribution.</p>
	<p>Preliminary concept plan:</p> <p>Phase 1</p> <ul style="list-style-type: none"> - Estimated at around 130 units of independent senior housing affordable to low-income households - Early Childhood Education Center <p>Phase 2</p> <ul style="list-style-type: none"> - Estimated 90 units of assisted living (structured as a licensed Residential Care Facility for the Elderly or “RCFE”) with affordability levels to be determined based on financing with the intent to be affordable to low and moderate income households - Alternatively, estimated 90 units of independent senior housing with enhanced services affordable to low-income households - Adult Day Health Center <p>On site parking for staff, visitors and drop-off</p>
TARGET POPULATION	<p>Phase 1 – low income senior households 62 year of age and older (development team will explore if senior age of 55 years and older makes sense from programmatic and financing perspective)</p> <p>Phase 2 – seniors 62 years of age and older with chronic health and long-term care needs who have inadequate informal care supports and inadequate financial resources to afford services at home</p>

	<p><u>Affordability levels</u> – 100% of the rental units in Phase 1 and 2 are proposed to serve low income seniors, not to exceed 60% of Area Median Income (AMI). The goal is to incorporate as many rental subsidies as possible to make a significant portion of units deeply affordable to serve extremely low seniors with a rent payment of 30% of the household’s income.</p> <p><u>A continuum of care with Laguna Honda Hospital</u> - a portion of units in each phase will be targeted to referrals from Laguna Honda Hospital who can live in a community setting with on-site services. The number of units depend on the demand from LHH and availability of operating and service subsidies to support these households.</p>																							
KEY LEGAL DOCUMENTS	<ul style="list-style-type: none">• Predevelopment Memorandum of Understanding (MOU)• Options to Ground Lease• Ground Leases• Reciprocal Easement Agreements• Loan Agreements, Promissory Notes, Deeds of Trust, and Affordability Restrictions• Planning Department Restrictions and Regulatory Agreements																							
PROJECT TEAM	<p>Mercy Housing California has selected the following development team partners:</p> <table><tr><td>Architect</td><td>Herman Coliver Locus Architecture</td></tr><tr><td>Architect Consultants</td><td>TS Studio</td></tr><tr><td>Structural Eng</td><td>Mar Structural Design</td></tr><tr><td>Owners Construction Mgr.</td><td>Design Studio Gonzalo Castro</td></tr><tr><td>Other Owners Consultants</td><td>Langan</td></tr><tr><td>General Contractor</td><td>Cahill/Guzman JV</td></tr><tr><td>Financial Consultant</td><td>Community Housing Partnership Corporation (CHPC)</td></tr><tr><td>Legal</td><td>Gubb & Barshay</td></tr><tr><td>Property Manager</td><td>Mercy Housing Management</td></tr><tr><td>Services Provider</td><td>Mercy Housing California</td></tr><tr><td>Owners Hazardous Cons.</td><td>Langan</td></tr></table>		Architect	Herman Coliver Locus Architecture	Architect Consultants	TS Studio	Structural Eng	Mar Structural Design	Owners Construction Mgr.	Design Studio Gonzalo Castro	Other Owners Consultants	Langan	General Contractor	Cahill/Guzman JV	Financial Consultant	Community Housing Partnership Corporation (CHPC)	Legal	Gubb & Barshay	Property Manager	Mercy Housing Management	Services Provider	Mercy Housing California	Owners Hazardous Cons.	Langan
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ENTITLEMENTS AND ENVIRONMENTAL REVIEW	<p>The Planning Department has confirmed that both Phase 1 and 2 can be entitled through the streamlined SB 423 process and would not trigger CEQA review. Assisted living is permitted as a conditional use under the underlying P zoning and SB 423 would eliminate any discretionary hearing for its approval.</p>																							

	<p>The preliminary schedule assumes that the entitlement application would be submitted to the Planning Department in Spring 2025 and would allow the Planning Department up to 6 months to approve through the streamlined SB 423 process.</p>
PROPOSED PROJECT FINANCING	<p><u>Phase 1 (Independent Senior Housing):</u></p> <ul style="list-style-type: none"> - Prop A General Obligation Bond (MOHCD) - State Multifamily Housing Program - Federal Home Loan Bank Affordable Housing Program - Low Income Housing Tax Credit (LIHTC) Equity - HUD Section 202 Supportive Housing for the Elderly General Partner Equity - CDLAC bond allocation - Local SOS operating subsidy <p><u>Phase 2 Assisted Living or Senior Housing with Enhanced Services:</u> to be determined by December 2025 based on policy direction and availability of State and local subsidies for affordable assisted living and service subsidies.</p> <p>Capital sources to be explored include:</p> <ul style="list-style-type: none"> - HUD / FHA 232 loan - HUD Section 202 Supportive Housing for the Elderly - Low Income Housing Tax Credits - MOHCD gap funding <p>Service and operating subsidies to be explored include:</p> <ul style="list-style-type: none"> - State Assisted Living Waiver - DPH “patch” - Project of All Inclusive Care for the Elderly (PACE) - Community Living Fund - Health plans - Local SOS operating subsidy <p>If Phase 2 is a licensed RCFE, Mercy Housing California will partner with an experienced operator to be selected in collaboration with City agencies.</p>
PROJECT SCHEDULE Key Milestones through entitlements and project financing Phase I	
January 2025 – April 2025	<ul style="list-style-type: none"> - Presentation to Health Commission JCC - 2/3/25 and 4/14/25 - Presentation to full Health Commission – 3/17/25 and 4/21/25 - Outreach to LHH staff and residents as recommended by LHH

	<ul style="list-style-type: none"> - First meeting of Planning Advisory Committee - Coordination with Supervisor Melgar's Office - Preliminary community outreach – presentations to neighborhood organizations and at least one open community meeting
Jan 2025 -May 2025	<ul style="list-style-type: none"> - MOHCD Conceptual Design Review process - Review SF Planning Design Standards adopted 11/14/24 by Planning Commission and incorporate - Architect prepares revisions to master plan based on financing requirements and feedback from stakeholders, presents Concept Design to MOHCD and DPH, and submits preliminary application to Planning in mid-January which will start the Tribal Notification process
May 2025	Submit Planning Entitlements application
May 2025 – October 2025	Planning Entitlement Review and on-going community outreach
October 2025	Planning entitlements approved
Summer – Fall 2025	Possible HUD 202 NOFO deadline
Summer 2025 - Summer 2026	Possible MHP Super NOFA deadline
Summer 2026	Possible TCAC/CDLAC application if all other gap financing committed
Spring 2027	Earliest potential start of construction
PROJECT SCHEUDLE Key Milestones through entitlements and project financing Phase II	
Jan 2025 -May 2025	Entitlement process included in Phase I:
Jan 2025 – Dec 2025	Feasibility evaluation of financing licensed RCFE and comparison with financing affordable senior housing with enhanced services
December 2025	Determination of project model for Phase II in collaboration with MOHCD and DPH
2026	Financing applications for RCFE or affordable housing with enhanced services
TBD	Earliest start of construction
ROLES AND RESPONSIBILITIES	
MOHCD	<ul style="list-style-type: none"> - Predevelopment and Permanent Financing Lender (and provision of certain types of subsidies) - Facilitating bond issuance by City - Monitoring and oversight through development, construction, and operations - Ground Lessor for Phase 1 and potential Ground Lessor for Phase 2 - Staff costs

<p>DPH / Laguna Honda Hospital</p>	<ul style="list-style-type: none"> - Provide site - DPH Commission approval of land use path - Participation and feedback around design - Collaboration and planning around potential program synergies between LHH and the new affordable housing - Coordinate campus infrastructure issues such as utilities, hospital logistics and operations - Coordination around other hospital capital projects - Potential jurisdictional transfer of Phase 1 site to MOHCD or act as direct ground lessor - Potential jurisdictional transfer of Phase 2 site to MOHCD or act as direct ground lessor - Staff costs
<p>Mercy Housing California</p>	<ul style="list-style-type: none"> - Developer - Coordination around LHH campus infrastructure issues such as utilities, hospital logistics and operations - Coordination around hospital capital projects - Collaboration and planning around potential program synergies between LHH and the new affordable housing - Housing operator - Service provider - Ground lessee - Predevelopment expenses (under the MOHCD loan) - Selection of assisted living provider operator if licensed RCFE is pursued for Phase 2
<p>FUNDING</p>	<p>MOHCD will provide loans to Mercy as follows:</p> <ul style="list-style-type: none"> - Up to \$50M for Phase 1 and 2 - Possible SOS operating subsidies for either or both phases
<p>KEY LOAN TERMS</p>	<p>Phase 1:</p> <ul style="list-style-type: none"> - 55 year loan term - Repayment through Residual Receipts - Interest Rate to be determined - Units will be restricted for life of the project - Comply with City contracting requirements (prevailing wage, LBE goals, local hire, First Source Hiring, etc.) <p>Phase 2: to be determined based on financing and type of project</p>
<p>JURISDICTIONAL TRANSFER</p>	<p>If DPH determines that the site should be transferred to MOHCD under a jurisdictional transfer, it would be initiated after subdivision of the parcel after approval by the Health Commission and resolution</p>

	<p>by the Board of Supervisors. Phase 1 resolution would include use of the Phase 1 site for senior affordable housing and comply with Surplus Lands Act exemption.</p> <p>DPH and MOHCD would then determine jurisdictional transfer of Phase 2 site according to schedule above.</p>
KEY GROUND LEASE TERMS	<p>The ground lease terms would comply with the MOHCD ground lease policy which applies for affordable housing developments on City-owned land to ensure the long-term affordability of housing funded by the City and / or developed on City-owned land. See: MOHCD CURRENT Ground Lease Policy</p> <p>Phase 1 Site:</p> <ul style="list-style-type: none">- 75 years with a 24-year option to extend for a total 99 year term- Base rent of \$15,000/year- Residual Rent from surplus cash after repayment of all outstanding debt- use restricted to affordable housing- Mercy to own improvements in fee and fully responsible for ownership, management, and operations of the housing <p>Phase 2 Site: to be determined based on type of project.</p>

Exhibit A: Site Map

Appendix B Key Legal Documents

Mapping the path forward - accountability measures for the Project



Draft Term Sheet - see Appendix



Predevelopment Memorandum of Understanding defining roles including logistics plan – MOHCD, DPH, Mercy



Option to ground lease for financing applications



Easement Agreements



MOHCD Loan Agreements, Promissory Notes, Deeds of Trust and affordability restrictions



Planning Department Restrictions and Regulatory Agreement

Appendix C

Preliminary Site Plan

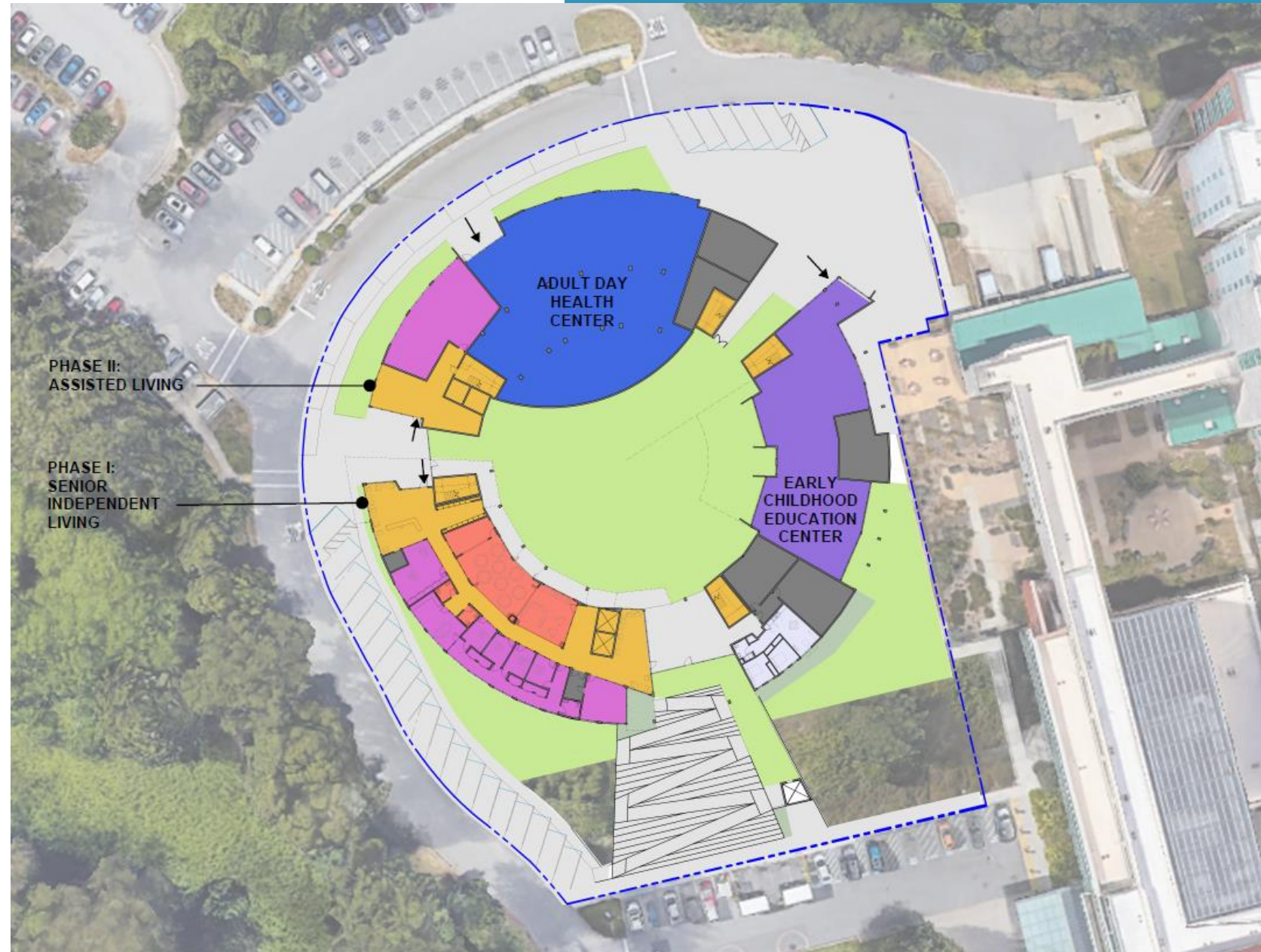
The proposed site was intended for a third tower that was never built (former Clarendon Hall site)

- Why are these uses included in Phase I?

- Close to the hospital for easy access by hospital employees.
- ECEC entrance allows for auto drop off (most common means of childcare drop off). This location is flat AND allows for safe vehicle maneuvering.
- Capital and Operating funding is available to allow ECEC to be built concurrent with Phase I.

- Why are these uses included Phase II?

- Assisted Living as Phase II due to need for further exploration of the financing path for affordable Assisted Living.
- ADHC must be located in the “enhanced service” affordable housing phase. ADHC is an integral piece of the services model for this housing.
- ADHC drop off also at “flat” part of site that allows for ease of drop off to allow ADHC participants to come from the community.



Appendix D

Preliminary Apartment Count and Program

Phase I - Senior Independent Living:
Estimated **124 1-Bedrooms** plus
one staff unit

Phase I - Early Childhood Education
approximately 5,000 SF serving 40 kids

Phase II - Assisted Living or Highly Supportive Senior Housing:
estimated at 90 studio apartments

Phase II - Adult Day Health Center:
approximately 8,000 SF

38 parking spaces along Ring Road for Phase I and II staff and visitors

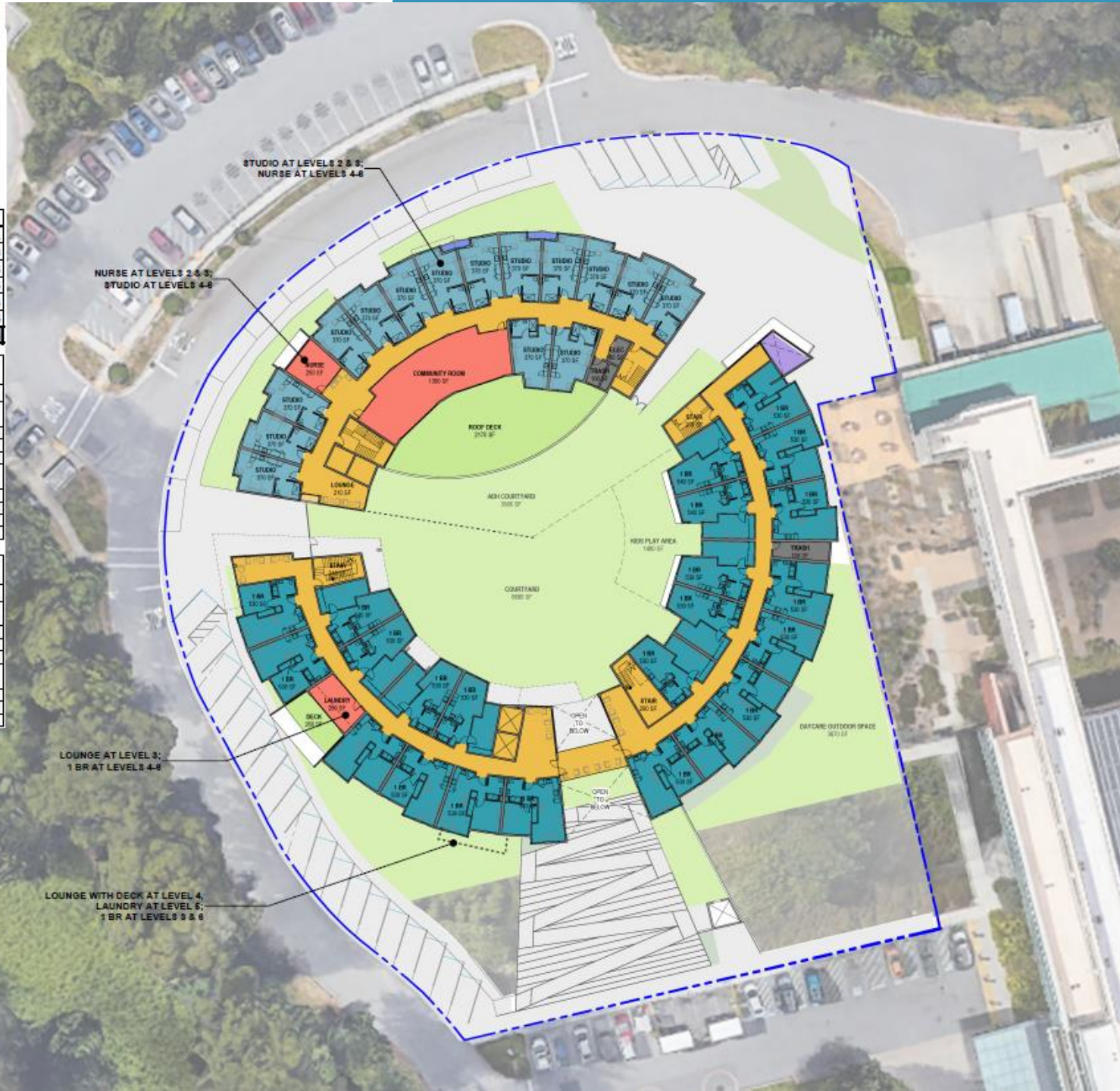
Phase I and II are proposed as 6 stories

LEVEL	STUDIO	1 BR	TOTAL
1	0	0	0
2	14	0	14
3	19	0	19
4	19	0	19
5	19	0	19
6	19	0	19
TOTAL	90	0	90

LEVEL	STUDIO	1 BR	2 BR	TOTAL
1	0	0	1	1
2		23		23
3		25		25
4		25		25
5		25		25
6		26		26
TOTAL	0	124	1	125

GROSS FLOOR AREA	
USE	AREA
PHASE 1	
DAY CARE	4892 GSF
OFFICES	2870 GSF
RESIDENTIAL	108280 GSF
	116040 GSF
PHASE 2	
ADH	8320 GSF
OFFICES	1520 GSF
RESIDENTIAL	58670 GSF
	66510 GSF

USABLE OPEN SPACE	
USE	AREA
PHASE 1	
DAYCARE COURTYARD	1480 GSF
DECKS	690 GSF
SENIOR LIVING COURTYARD	6000 GSF
	11270 GSF
PHASE 2	
ADJ. COURTYARD	3270 GSF
ROOF DECK	2340 GSF
	5610 GSF



Appendix E

Preliminary Project Schedule – Key milestones through entitlements and project financing

2025

- Entitlements sought for Phase I and II concurrently
- Financing plans and affordability levels explored and determined
- Enhanced Services Working Group – work to define the services included in this model and what services will not be delivered in a non licensed “Enhanced Services” Phase II model
- Explore the schedule for Phase II, which is dependent on the licensed Assisted Living or Enhanced Services Housing Model approach

2026

- Potential jurisdictional transfer of site to MOHCD
- Option to Ground Lease
- Financing applications for Phase I

2027

- Expected construction loan closing and construction start for Phase I (if financing applications in 2026 successful)