

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

MEMORANDUM

DATE: FEBRUARY 7, 2025
TO: CITYWIDE AFFORDABLE HOUSING LOAN COMMITTEE
FROM: JACKIE TSOU, DIRECTOR OF ASSET MANAGEMENT, LYDIA ELY, DEPUTY
DIRECTOR OF HOUSING
RE: ALICE GRIFFITH – STABILIZATION LOAN

\$500,000 in Housing Trust Fund (HTF)

I. Summary of Request

McCormack Baron Salazar (MBS, or Sponsor), representing five separate limited partnerships, requests \$500,000 in loan funds to address immediate maintenance, repair, and habitability issues at Alice Griffith, a four-phase, five-project, 338-unit HOPE SF public housing revitalization project that serves very low-income households (Project or AG). MBS is the developer and principal general partner for all five sites, which are operated and managed by the John Stewart Company (JSCo).

Ongoing challenges at the Project -- including low tenant rent collection, abatement of project-based voucher subsidy payments by the SF Housing Authority (SFHA), significant vacancy loss, inflation and staff turnover/vacancy -- have resulted in decreased operating funds, which in turn have led to deferred maintenance and repairs and inadequate property management. The challenges stem from a complicated set of factors that were exacerbated by the COVID-19 pandemic. Solutions will require continued coordination among property management, tenants and SFHA; stabilization of on-site staffing and overall improvement of the Project's financial performance. These solutions will take time to fully implement; the proposed loan funds from MOHCD are intended to assist with a rapid stabilization of operations and address immediate habitability concerns at the site, including disabled elevators, broken doors, windows, and general deferred maintenance within 6 months of loan closing.

While the challenges experienced by the Project qualify MBS to submit a request to MOHCD under the April 2024 Post-COVID Stabilization Policy, MBS does not have cashflowing projects in its portfolio that can help cross subsidize the Project.

The requested funding is intended to quickly mobilize needed funds in order to address acute needs and thus directly improve living conditions for residents in the immediate term. Longer term strategies to ensure full and timely payment of project-based voucher subsidies, improve

tenant rent collection and stabilize staffing, must be employed to structurally stabilize the Project. MOHCD anticipates a follow up request for additional funds will be presented to the Loan Committee in Spring 2025, when longer-term strategies have been developed.

II. Background

HOPE SF is a city-wide initiative led by MOHCD to re-envision and redevelop the City's most distressed public housing sites. The Alice Griffith HOPE SF revitalization includes the reconstruction of the 256 Alice Griffith public housing units and 248 new affordable units across 5-6 phases.

On June 3, 2010, the former San Francisco Redevelopment Agency (now the Office of Community Investment and Infrastructure or OCII) executed a Disposition and Development Agreement (DDA) with CP Development Co, LP that includes a Below Market-Rate Housing Plan (Housing Plan). The Housing Plan includes the obligation to revitalize the Alice Griffith public housing development as a mixed-income, service-enriched community, developed according to the principles of HOPE SF. Based on the requirements of the DDA, MBS was selected by CP Development Co to be the Alice Griffith developer based upon their extensive experience revitalizing public housing across the country. Additional development team members included the San Francisco Housing Authority and Urban Strategies, Inc., which initially led the social services program at the Project.

Phases 1-4 were completed by MBS between 2015 and 2019, and are the subject of this request. All residents that were living at the former AG public housing site were moved into the new housing. In 2021, OCII transferred all assets related to constructed phases of the Project to MOHCD which is the designated Housing Successor Agency under Redevelopment Dissolution Law. In that role, MOHCD has the authority to provide urgent loans such as this one for life safety concerns.

Initially, McCormack Baron Management (MBM) was the property manager for the Project, and Urban Strategies was the services provider. In 2019, due to management issues with MBM, MBS engaged the John Stewart Company (JSCo) to take over property management at AG.

When JSCo began managing the site in 2019, they reevaluated onsite staffing and added additional management, janitorial and maintenance staff. At that time, the MOHCD/HOPE SF team worked with MBS to increase their resident services budget (initially with some excess development funds) and to hire Bayview Senior Services (BSS) as the new on-site services coordinator to increase housing stability and stabilization services available to residents.

Beginning in 2020 with the COVID-19 pandemic, most affordable properties across the City, including this Project, began struggling with project operations due to reduced operating income and increased operating costs. For example, across the Project, actual operating costs in 2023 were nearly 60% above projected costs. As a result, the Project is not generating enough cash to cover significantly increased operating expenses, which has resulted in maintenance and operational challenges that MOHCD/HOPE SF have been working with the on-site team to address. The Sponsor has over the years contributed nearly \$3M to cover insurance costs at the Project so that the Project can continue to make debt service payments.

MOHCD/HOPE SF staff have convened regular meetings for over a year with MBS and JSCo to review the finances of each building and status of maintenance requests, and manage cash flow. Given that the multi-faceted issues experienced by this multi-site community have persisted over several years, despite the ongoing work of the Sponsor, JSCo, MOHCD and SFHA, MOHCD is recommending an infusion of funds to rapidly stabilize operations and address immediate habitability concerns.

III. Borrower Profile

McCormack Baron Salazar was the developer of the Project and is the General Partner of the five Limited Partnerships (LPs) that own the five Alice Griffith buildings.

Site	# Units	Borrower
Alice Griffith Phase 1	93	Alice Griffith Phase 1, LP
Alice Griffith Phase 2	91	Alice Griffith Phase 2, LP
Alice Griffith Phase 3A	82	Alice Griffith Phase 3A, LP
Alice Griffith Phase 3B	41	Alice Griffith Phase 3B, LP
Alice Griffith Phase 4	31	Alice Griffith Phase 4, LP
Total Units:	338	

IV. Proposed Uses of Funds:

Of the \$500,000 loan amount, MBS is requesting approximately \$130,000 for payment of invoices incurred by vendors who are not able to perform additional work until prior invoices have been paid, \$310,000 for new repair work, and \$60,000 for increased property management staffing as at the Phase I, Phase 2 and Phase 3A sites. A breakdown of proposed uses of funds is shown below.

1. Repairs. Funds will be used to address immediate and habitability issues including broken windows, inoperable or missing fire extinguishers, damage to walls, broken doors, broken gates, and disabled elevators. Most critically, elevator invoices at Phases 1 and 3A need to be paid, and this payment will be prioritized with the proposed funding. Payment of the invoices will put the Project back in good standing with the vendor and allow additional repairs to be made. Other payables include repair costs for fire alarm system, electrical and security-related contractors. A total of \$110k is estimated to pay accrued payables. An additional \$310k will pay for new repair work that will improve habitability; and additional elevator repairs needs will be prioritized for those funds.
2. Staffing. \$80k of the funding will be used to fund property maintenance staff (janitorial contracts). Of this amount, \$20k will be used to pay accrued payables, which must be prioritized as vendors will not perform any new work until their outstanding invoices have been paid. The remaining \$60k will be used to hire temporary third-party contractors (e.g., janitorial, landscaping, trash removal, hauling) to address property

deficiencies that affect habitability and public safety, eg pressure washing decks, sealing concrete, removal of trash in multiple locations and perimeter of the property; addressing unattended, poorly parked or possible abandoned vehicles. Weekly exterior deep cleaning will be performed at the three sites for 8-12 weeks.

	Phase 1	Phase 2	Phase 3A	Total
Repairs				
Accrued Payables	80,000	10,000	20,000	110,000
New Repairs	130,000	50,000	130,000	310,000
<i>Subtotal Repairs</i>	<i>210,000</i>	<i>60,000</i>	<i>150,000</i>	<i>420,000</i>
Staffing (Janitorial Contracts)				
Accrued Payables	10,000	5,000	5,000	20,000
New Staffing	20,000	20,000	20,000	60,000
<i>Subtotal Staffing</i>	<i>30,000</i>	<i>25,000</i>	<i>25,000</i>	<i>80,000</i>
Total	240,000	85,000	175,000	500,000

V. Summary of Proposed Loan Terms

The proposed loan amounts will be reflected as an amendment to existing residual receipts loans and promissory notes to each of the sites indicated.

Loan Amount:	Phase 1: \$240,000 Phase 2: \$85,000 <u>Phase 3A: \$175,000</u> Total: \$500,000
Loan Term:	Coterminous with existing loan agreement
Loan Maturity Date:	Coterminous with existing loan agreement
Loan Repayment Type:	Residual Receipts
Loan Interest Rate:	3%
Date Loan Committee approves prior expenses can be paid:	One (1) year prior to the date of the loan amendment

VI. Loan Conditions

1. MBS and JS Co will continue to work in good faith with SFHA to reconcile ledgers for the remaining three sites (Phase 1, Phase 2, Phase 3A) at the Project.
2. Disbursement of funds will be subject to MOHCD's standard draw requests and must be accompanied by invoices and photos of repairs. MOHCD reserves the right to physically inspect the Project.
3. Any future funding for the Project will be subject to a full underwriting. The Project must demonstrate stabilized operations and financial feasibility for additional funding.

1. Staff Recommendation


Staff recommends approval of \$500,000 in loan funds to support repairs and staffing that will improve maintenance, repair and habitability issues at Alice Griffith.

LOAN COMMITTEE MODIFICATIONS

LOAN COMMITTEE RECOMMENDATION

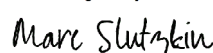
Approval indicates approval with modifications, when so determined by the Committee.

☒ APPROVE ☐ DISAPPROVE ☐ TAKE NO ACTION

DocuSigned by:

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


Date: 2/10/2025 | 5:48 AM PST

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.

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Marc Slutzkin on behalf of Thor Kaslofsky,
Executive Director
Office of Community Investment and Infrastructure

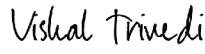
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☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.

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Salvador Menjivar, Director of Homelessness and
Supportive Housing.

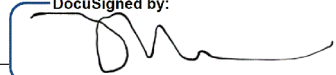
Date: 2/7/2025 | 11:44 AM PST

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.

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Vishal Trivedi on behalf of Anila van Degna,
Director
Controller's Office of Public Finance

Date: 2/10/2025 | 9:21 AM PST

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.

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

Date: 2/10/2025 | 8:05 AM PST