

Mayor's Office of Housing and Community  
Development  
City and County of San Francisco

## September Update

to the Joint Conference Committee of the San Francisco  
Health Commission

September 8, 2025

# Senior Affordable Housing at Laguna Honda Hospital Campus



# Agenda

- Funding Update
- Community Outreach Update
- Future JCC Meetings
- Jurisdictional Transfer

Unlikely to be a State NOFA next year for state capital funding

- Previously Mercy was showing \$20M in their Capital Sources from State Funding
- Mercy will:
  - *Refocus on the design for cost and efficiency*
  - *Explore alternate financing paths*
- Exploring the project as:
  - *Operating as an “enhanced services” model allows for exploration of developing all of the units in one phase*
  - *Reduce costs*
  - *Deliver project within the capital financing available*
- This will take some time to figure out:
  - *We will bring the site plan back to the JCC December 2025*

Funding  
Updates and  
Next steps

Mercy continues to do Community Outreach work to obtain community input.

List of upcoming meetings:

- September 4 – Laguna Honda Resident Council Meeting
- September 22 – West of Twin Peaks Neighborhood Association
- September 28 – Possibly table at Midtown Terrace Neighborhood Association Event
- October 8 – General community Meeting (via zoom) – mailing postcard invite to area north of Portola Dr and south of Kirkham St, West of Twin Peaks to 19<sup>th</sup> Ave.
- November 19 – Laguna Honda Leadership Council. We are working to get on their November meeting.
- Neighborhood Advisory Group – meets monthly

## Community Outreach



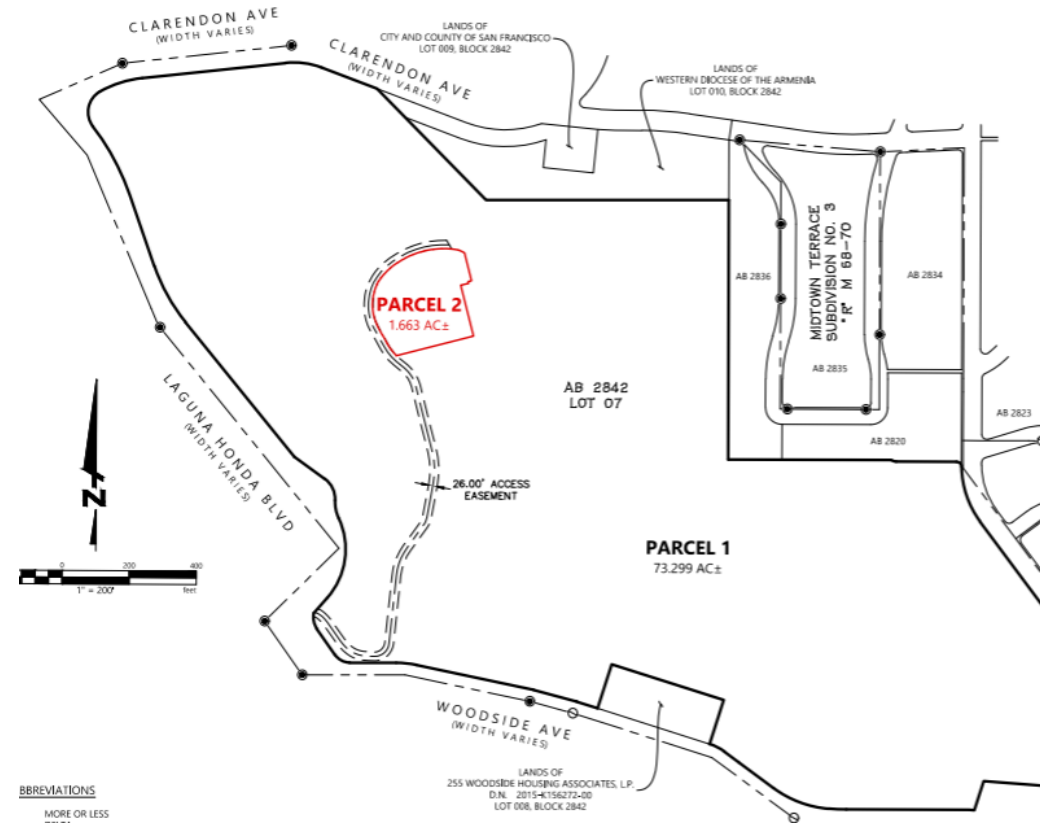
# Preliminary Schedule for Monthly JCC Updates

Monthly meeting schedule:	<p><b>JCC Monthly Meeting #5 (September 2025)</b></p> <ul style="list-style-type: none"><li>- Funding update</li><li>- Pros / Cons of jurisdictional Transfer</li><li>- Ongoing updates</li></ul> <p><b>JCC Monthly Meeting (October 13, 2025)</b></p> <ul style="list-style-type: none"><li>- No JCC meeting due to CCSF observed Indigenous People's Day</li></ul> <p><b>JCC Monthly Meeting (November 2025)</b></p> <ul style="list-style-type: none"><li>- No JCC meeting due to CCSF observed Veteran's Day</li></ul> <p><b>JCC Monthly Meeting #6 (December 8<sup>th</sup>, 2025)</b></p> <ul style="list-style-type: none"><li>- Site plan update</li><li>- Further discussion of City of San Francisco Jurisdictional Control</li><li>- Pros / Cons of jurisdictional Transfer from DPH to MOHCD</li><li>- Ongoing updates</li></ul> <p><b>JCC Monthly Meeting #7 (January 2026)</b></p> <ul style="list-style-type: none"><li>- Follow up on City of San Francisco Jurisdictional Control</li><li>- Overview of Draft MOU (between MOHCD, DPH/LHH, Mercy Housing)</li></ul> <p><b>JCC Monthly Meeting #8 (February 2026)</b></p> <ul style="list-style-type: none"><li>- Recommendation on City of San Francisco Jurisdictional Control</li><li>- Endorsement of draft MOU</li></ul>
Full Health Commission	<p><b>Full Health Commission = February/or March 2026</b></p> <ul style="list-style-type: none"><li>- Recommendation on City of San Francisco Jurisdictional Control</li><li>- Endorsement of draft MOU</li></ul>
2026	Further follow up and regular schedule for updated TBD

# Suggested Parcel Subdivision

The suggested Senior Housing parcel area is the area within the red dotted line:

- The total senior housing parcel area (Parcel 2) is approximately 1.6 acres.
- The Total LHH campus is 73.3 acres.



# Jurisdictional transfer

- Under Charter Section 4.110, the Health Commission has authority to “control the property under its jurisdiction.” Accordingly, the Health Commission has authority to approve or reject a jurisdictional transfer of the parcel, from DPH to any other City Department, such as MOHCD.
- But the Health Commission’s authority of its property is not exclusive, and the Board of Supervisors may approve or reject any jurisdictional action taken by the Health Commission.
- It is highly recommended to create legal language in MOU, jurisdictional transfer documents and the Ground Lease between the City and Mercy that allows provisions to transfer back the parcel to DPH in the event the funds for the Housing project do not materialize
- Affordable housing will be the only permitted use of the parcel once it gets transferred
- There is more time before a decision on this needs to be made because we are not trying to meet the financing deadline (and have site control) by Spring/Summer ‘26

# Questions?

## Appendix –

- Glossary of affordable housing terms
- Updated Questions and Answers



## **Senior Housing at Laguna Honda Hospital– Affordable Housing Terms**

*developed for use and reference by the Joint Conference Committee of Laguna Honda Hospital and the Health Commission of San Francisco’s Department of Public Health*

**Affordable Housing** is a term that refers to any housing where there is a regulatory restriction requiring the owner to rent units to households that meet certain eligibility criteria including income. Housing that is deeply affordable requires an operating or rental subsidy to fund operating expenses. Housing is affordable when a household spends 30% or less of their combined income in housing expenses (rent, mortgage, utilities, etc.).

### **What does “affordable” mean?**

Housing is affordable if a household can make a monthly payment without sacrificing food, well-being, health or other essentials.


  
**Monthly Housing Costs**


  
**LESS THAN**

**30%**
  
**Monthly Income**



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MOHCD finances affordable housing dedicated to low-income households which are typically developed, owned and operated by nonprofit organizations. In these buildings, units are designated for specific household incomes (defined as a percentage of the Area Median Income between 0% and 80%) and rent is set at 30% of those incomes.

**Area Median Income (AMI)** is the midpoint of the income distribution within a specific geographic area, typically a metropolitan area or county. It represents the income level where half of the households in that area earn more and half earn less. AMI is calculated annually by the U.S. Department of Housing and Urban Development (HUD) and is used to determine eligibility for many federal and state-funded housing programs. MOHCD uses its own calculations of AMI based off the HUD AMI.

**Who lives in Affordable Housing at these income levels?**

**2024 Area Median Income,  
by Household Size**

	 1 Person	 2 People	 3 People	 4 People
<b>Extremely Low-Income Households</b> <i>Earn up to 30% of Area Median Income</i>	\$31,450	\$35,950	\$40,450	\$44,950
<b>Very Low-Income Households</b> <i>Earn up to 50% of Area Median Income</i>	\$52,450	\$59,950	\$67,450	\$74,950
<b>Low-Income Households</b> <i>Earn up to 80% of Area Median Income</i>	\$83,900	\$95,900	\$107,900	\$119,900
<b>Moderate-Income Households</b> <i>Earn up to 110% of Area Median Income</i>	\$115,400	\$131,900	\$148,350	\$164,850
<b>Middle-Income Households</b> <i>Earn up to 130% of Area Median Income</i>	\$136,350	\$155,850	\$175,300	\$194,800

**How much is rent for an affordable unit? (2024)**

	<b><u>Studio rent</u></b>	<b><u>1 bedroom rent</u></b>
<b><u>Extremely Low Income</u></b> <b><u>30% AMI</u></b>	<b><u>\$786</u></b>	<b><u>\$899</u></b>
<b><u>Very Low Income</u></b> <b><u>50% AMI</u></b>	<b><u>\$1,311</u></b>	<b><u>\$1,499</u></b>
<b><u>Low Income</u></b> <b><u>80% AMI</u></b>	<b><u>\$2,098</u></b>	<b><u>\$2,398</u></b>

**Operating Expenses:** All residential buildings have operating expenses (including property management staffing, common area utilities, property insurance, trash collection, maintenance, required certifications of building systems and other related administrative business expenses.)

Affordable housing is no different and pays all of these typical expenses, with the exception that affordable housing is exempted from most property taxes.

**Operating / Rental Subsidy:** Operating or Rental Subsidy is a Federal, State or Local subsidy that is provided to a project to deepen affordability of the housing so that very low and extremely low income residents can live there and the project has sufficient funding to support operating costs. The subsidy contract typically requires that the resident pay 30% of their income in monthly rent and that they be under a certain income level and meet some other criteria to be eligible for the subsidy (for example: be a US Veteran, be currently unhoused and referred through Coordinated Entry, or be a resident of a hospital or institution and eligible for discharge with appropriate social service supports). These subsidies allow affordable housing providers to serve a very low income resident pool while receiving a rent that allows the provider to cover the building's operating expenses. Examples include Federal Continuum of Care ("CoC") for people experiencing homelessness, HUD Section 202 Project Rental Assistance Contract ("PRAC") for seniors, Veterans Affairs Supportive Housing ("VASH") for veterans, San Francisco Local Operating Subsidy Program ("LOSP") for people experiencing homelessness, and Senior Operating Subsidy ("SOS") for low and extremely low income seniors.

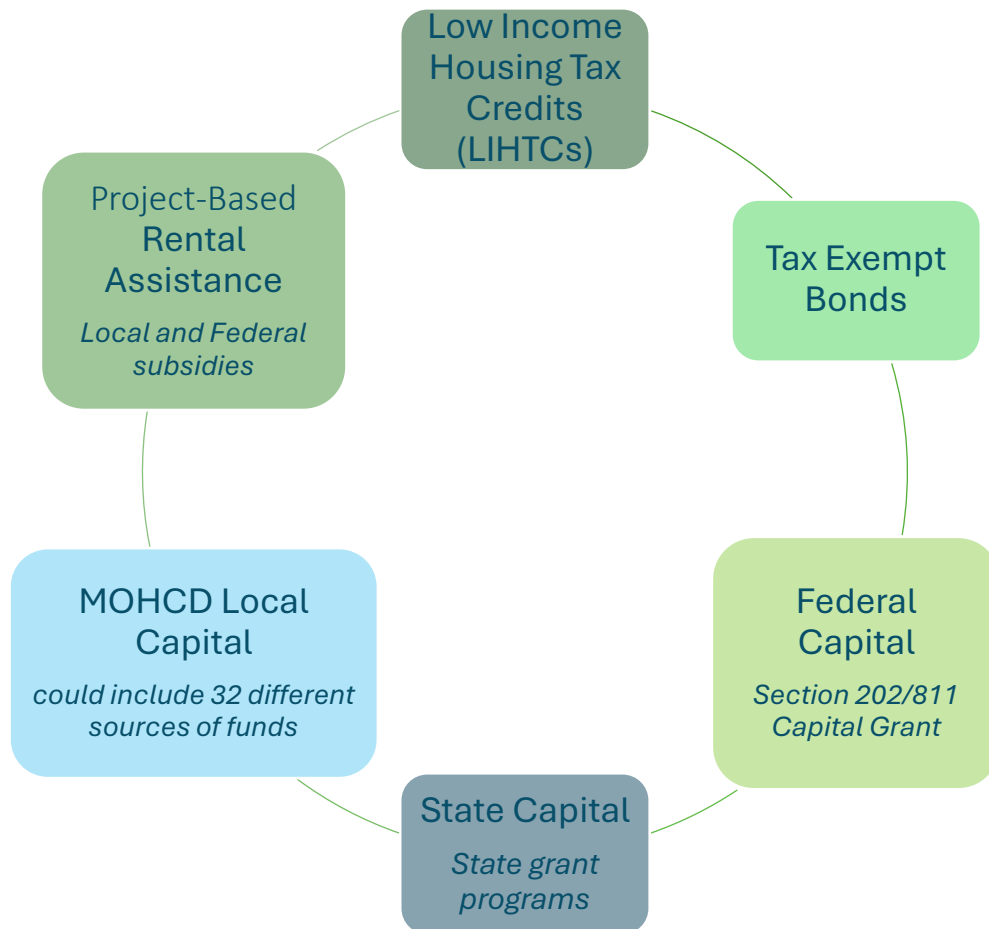
**Regulatory Restrictions:** Resident eligibility restrictions that accompany affordable housing funding, such as maximum income level. Each affordable housing source will have restrictions on income and other targeting, and the developer must assemble the sources with their restrictions in a way that make it feasible to operate the housing. The CA State Department of Housing and Community Development currently prioritizes projects for competitive funding by developers committing to serving very low income residents.

**Units without Operating Subsidy:** Units without operating subsidy still have the below market rent mandated by the financing, such as MOHCD and tax credit restrictions. Therefore, the resident household must meet the eligibility requirements for the unit, i.e. they must have income at or under the Targeted/Regulatory restricted AMI for that unit. Their rent is the underlying MOHCD rent based on the AMI targeting for that unit.

**Senior Housing:** Affordable housing that includes a regulatory restriction or an operating agreement to be restricted to rent to households where the head of household is 55 years or older or 62 years or older. For senior housing serving residents 62+ years, 100% of a residential community must serve "seniors" and senior must be defined similarly for all households.

**Ground Lease:** MOHCD's model in creating affordable housing is to own the land and ground lease the land to ensure the long-term affordability, oversight and compliance. The typical terms are 75 years with a 24 year option to extend. Base rent is typically \$15,000 / year, and affordability restrictions are established through the ground lease in addition to the regulatory agreement.

**Affordable Housing Funding Sources:** Assembling the funding needed to finance the costs to develop Affordable Housing is complex and dynamic. A typical project may include the sources below:



**Low Income Housing Tax Credits (LIHTC):** The Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. To qualify for LIHTC, a building must meet specific requirements related to occupancy, rent, and income limitations, ensuring that the units are occupied by low-income tenants at affordable rents. The LIHTC was enacted as part of the 1986 Tax Reform Act and is managed under the IRS Code Section 42. The federal government allocates tax credits authority to state and territorial governments based on population. State housing agencies then award the credits to private developers of affordable rental housing projects through a competitive process. Developers sell (or syndicate) the credits to private investors to obtain investment in the Project. Once the housing project is placed in service (made available to tenants), investors can claim LIHTCs over a 10-year period. Investors are typically passive investors in a limited partnership structure and exit the partnership after 10-15 years (i.e. after the credits claim period is completed.)

## Appendix B - Updated Questions and Answers

### Responses to questions from Health Commission JCC

#### 8/11/25 Responses to JCC questions

##### 1. Slide 14: What type of DPH subsidy is being considered ? (Chow)

##### **Possible funding vehicles for DPH referred households' operating subsidy:**

There is not budget authority for the LSH DPH referred units within any of these possible contracting methods discussed below, but these are the existing **contracting methods** that could be utilized.

- Community Living Fund: Scattered Site Housing and Rental Subsidy Administration (SSHRSA) program. SSHRSA provides housing options for individuals in skilled nursing facilities in San Francisco, or individuals who are at imminent risk for nursing home or institutional placement but are willing and able to live in the community with appropriate support. We understand that funding was added to this funding source in a recent budget cycle.
- Local Operating Subsidy Program: Currently only used for the Department of Homelessness and Supportive Housing (HSH) referrals of people that are currently homeless and referred through Coordinated Entry.

##### **Sources of funding:**

- DPH's budget possibly using sources of funds that support discharges.
- General Fund dollars (which are the source LOSP funding).

The likelihood of funding being made available for the senior housing at LHH would be dependent on DPH, MOHCD and other senior advocacy City departments advocating for funding to be allocated. We also believe that the comparison to what DPH spends to support patients at DPH settings who are ready for discharge could show that funding placements at LSH is a cost saving measure and allows for the capacity of LHH and other high acuity DPH settings to be preserved for those patients that need that acute setting.

MOHCD's SOS is not a potential funding source for DPH referral units (due to this source being available for applicants applying through the City's DAHLIA affordable housing application portal, i.e. not for referrals through DPH.)

##### 2. Slide 16: The community input seems quite concerned with Behavior health patients (DPH and MOHCD). What is being considered to address these concerns? (Chow)

Mercy proposes that we would create a resident selection criteria that identifies the need level of residents that the services plan is designed to serve. We anticipate that residents with a primarily diagnosed Behavioral Health Challenge of Serious Mental Illness (SMI) or active and persistent Substance Abuse Disorder (SUD) will not be identified as the population that the services plan is designed to serve. DPH is working separately to increase the number of beds to serve those populations in different settings. The resident selection criteria for the affordable housing will identify that the services plan is geared toward seniors with complex medical issues that are age related. We will not screen out residents with specific diagnosis but will work with the DPH or other entities that DPH identifies to refer residents that will most benefit from the services on site.



## Responses to questions from Health Commission JCC

### 6/9/25 JCC Update

#### 1. What is the difference In AMI measured from Medical eligibility vrs AMI used for affordable housing eligibility?

In San Francisco, San Francisco AMI is used for affordable housing eligibility. The Mayor's Office of Housing and Community Development of the City and County of San Francisco uses the unadjusted Area Median Income published annually by HUD to establish the income limits and maximum rents in a given year. Each year MOHCD publishes a chart of Maximum Incomes by Household Size that show these income limits as percentages of unadjusted AMI for households from 1 to 9 persons. MOHCD also publishes a chart of Maximum Monthly Rent by Unit Type that shows the maximum rents that may be charged, depending on the applicable income limit.

#### Medicaid eligibility for CA

Family Size	138% Poverty Level = Annually	as a % of SF AMI
1	\$21,597	21%
2	\$29,187	24%

#### 2. Would the Affordable Senior Housing at the Laguna Honda campus apartments be ADA accessible?

Mercy will be required to meet the California building code and requirements imposed by the California Tax Credit Allocation Committee in order for the project to be eligible for Low Income Housing Tax Credits. Therefore, its anticipated that the building's residential units would include the following to meet and exceed those requirements:

- 50% units with mobility features (spatially accessible, grab bars installed),
- 75%+ of units with roll in showers
- 10% of units are designed for Hearing/Vision Features
- Remaining units are adaptable to residents' specific needs (they are spatially accessible)
  - All units include grab bars in bathrooms
  - kitchens/doors/reach ranges/storage that are spatially accessible to allow for conversion to full mobility unit
- 5-6' corridors with grab bars on both sides
- All common areas are accessible to people with mobility impairments

The building will be designed throughout to Universal Design principals to allow the building to serve people with diverse disabilities.

### **3. How do residents afford utilities?**

Affordable housing targeted rents include utilities to allow for residents to pay a targeted 30% of income for rent and utilities. For example, the 40% SF AMI rent at \$1,248 would be reduced for a “utility allowance” to account for utilities that residents pay directly. It’s likely that residents at the Affordable Senior Housing at the Laguna Honda Hospital campus will pay just an electric bill directly. “Utilities” here includes electricity related to the heating and cooling of the unit. It does not refer to a land line phone or internet services which the resident may choose to have. Basic internet service via wifi will be provided to the units via the City’s Fiber to Housing program where the City provides no cost basic internet service to affordable housing communities ([Fiber to Housing Program | SF.gov](#)).

### **4. How do DPH and the City ensure that the project will serve low-income folks?**

MOHCD and other financing will restrict the property to low-income affordability levels, and the type of financing being pursued cannot fund market rate housing. These sources only fund affordable housing

- The entitlement path being pursued will restrict to affordable housing
- The long-term ground lease will restrict the property to affordable housing
- Mercy Housing California and MOHCD do not develop market rate housing

### **5. What are the options of transferring the jurisdiction of the Site to MOHCD to enter into a long term ground lease or DPH retaining the site and entering into the long term ground lease for the affordable housing?**

Either way, the Site will be owned by the City and ground leased to the Mercy limited partnership. If under jurisdiction of MOHCD, MOHCD has long term experience in overseeing and monitoring the property under a ground lease and is also the permanent lender. The loan agreement and ground lease are compatible and reinforce each other.

- 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.
- Phase 1 Site Terms:
  - 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.

If DPH wants to maintain jurisdiction of the Site, MOHCD will work with DPH to develop the affordable housing ground lease and can monitor on DPH's behalf; it is entirely doable but is a less efficient structure and will put more administrative burden on DPH.

### 5/12/2025 JCC Update

1. (Slide 4.) Where in the planning process steps is the evaluation of the impact of the neighborhood childcare center on the project?

The team can provide an update on the planning for the proposed Early Childhood Education Center (ECEC) at the June JCC meeting, including potential number of slots, how to reduce impacts on Laguna Honda Hospital, and how the team will plan to select a childcare provider.

2. It would be helpful to have clarification on what 30% entails. The definition of affordable housing states that all housing costs must equal no more than 30% of the monthly income, and utilities are included. MOHCD states that rent only constitutes 30% of the monthly income. Please clarify.

Rent in affordable housing means Rent plus Resident-Paid Utilities, i.e. housing cost. This is the standard for affordable housing. It is likely that the Phase 1 independent senior housing would have tenants responsible for paying their utilities, thus the amount for rent would be sized to include the "utility allowance" for the unit; at Phase 2, utilities would likely be paid by the building. When paid by the household, property management and supportive services staff assist the residents to access utility assistance for low income households.

3. Can you explain how you use AMI, and how the significant number of extremely high income households relate to the low income households when median income is used? This has been an issue for California in Medicaid FMAP calculations. (Green)

Please provide more context on the question.

4. Do you have projections on the future of subsidies for very low income/unhoused, and the funding sources on the final page of the appendix? Is it too early to stratify according to probabilities? (Green)