

# 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 San Francisco  
Health Commission

February 3, 2025



# Agenda

## Project Introduction and Overview

- Anne Romero, Senior Project Manager, MOHCD

## Preliminary Conceptual Design, Community Outreach and Schedule

- Tim Dunn, Associate Director, Real Estate Development, Mercy Housing California

## Appendices

- A. Preliminary Draft Term Sheet
- B. Community Outreach to date

# MOHCD

## 100% Affordable Housing Pipeline

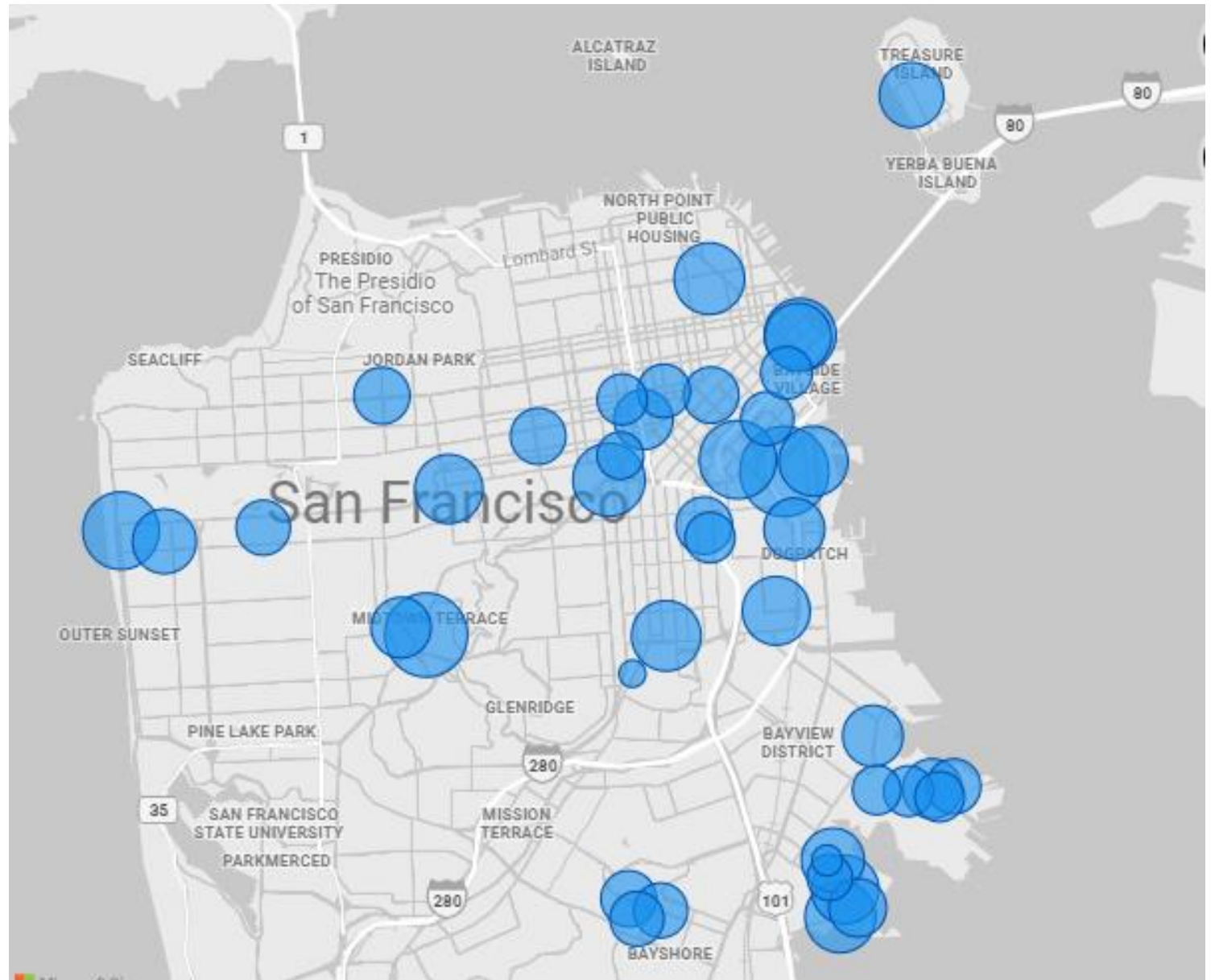
New Construction

52 projects

6,200 units

Source:

<https://www.sf.gov/data/mohcd-affordable-housing-dashboard>



# Project Background

## Proposal to create new affordable senior housing at Laguna Honda campus



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**2019** - over 71% of San Francisco voters approved **Proposition A**, a \$600 million General Obligation Bond to finance the construction of affordable housing

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The GO Bond included a **set-aside for senior housing of \$150M**

**\$50M** was targeted to the construction of 100% affordable senior housing and assisted living at the Laguna Honda Hospital campus

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As envisioned by former Supervisor Norman Yee, the housing would include **Assisted Living**, 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

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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

# Project Background

## November 2019

MOHCD issued an RFQ for the development of new affordable housing at LHH

## Spring 2020

Mercy Housing California selected as the developer

## December 2020

Citywide Affordable Housing Loan Committee approved \$3M predevelopment loan in to conduct due diligence and create a master plan

## 2021- 2022

Mercy met with neighborhood stakeholders and presented to Health Commission JCC on 3/8/22 and to senior staff at Laguna Honda

## April 2022

Development activities for the housing were paused when CMS terminated Laguna Honda Hospital's participation in Medicare and Medicaid Programs

## Fall 2024

DPH and MOHCD restarted the project planning following Medicare recertification of Hospital

# Mercy Housing California



## 37 Year History in California

- 100% Affordable Housing
- 160 properties with 21,000 residents including seniors, families & veterans

## Senior Housing Development

- 50 senior residential communities in CA provide homes for 3,600 seniors
- 30 senior residential communities in the Bay Area
- 4 developments for seniors & frail elderly feature Adult Day Health Centers



Biweekly coordination meetings with DPH / LHH staff, MOHCD, Mercy Housing, and HCLA architects



Meetings with the Planning Department to guide design and entitlements



Community outreach to start after review and approval by Health Commission



MOHCD to oversee predevelopment, construction and compliance during operations

## Project Restart Status and Collaboration

## Phase 1

**Independent senior housing** for low-income seniors

**Early Childhood Education Center** for the community

Housing financed by tax credit equity, bond issuance, state funding programs, federal funding programs, and MOHCD gap loan (2019 Bond)

## Phase 2

**Assisted Living *or* affordable senior housing with enhanced supportive services** for older adults with chronic health and long-term care needs

**Adult Day Health Center**

Financed by HUD / FHA loan, HUD Section 202, tax credits, local or state subsidies, health plans, local SOS operating subsidy

## Resident lease up preferences

Applicants can use the Neighborhood Resident Housing Preference and other City preferences

Phased  
development

Potential  
financing

Resident  
Preferences

# Preliminary Site Conceptual Plan

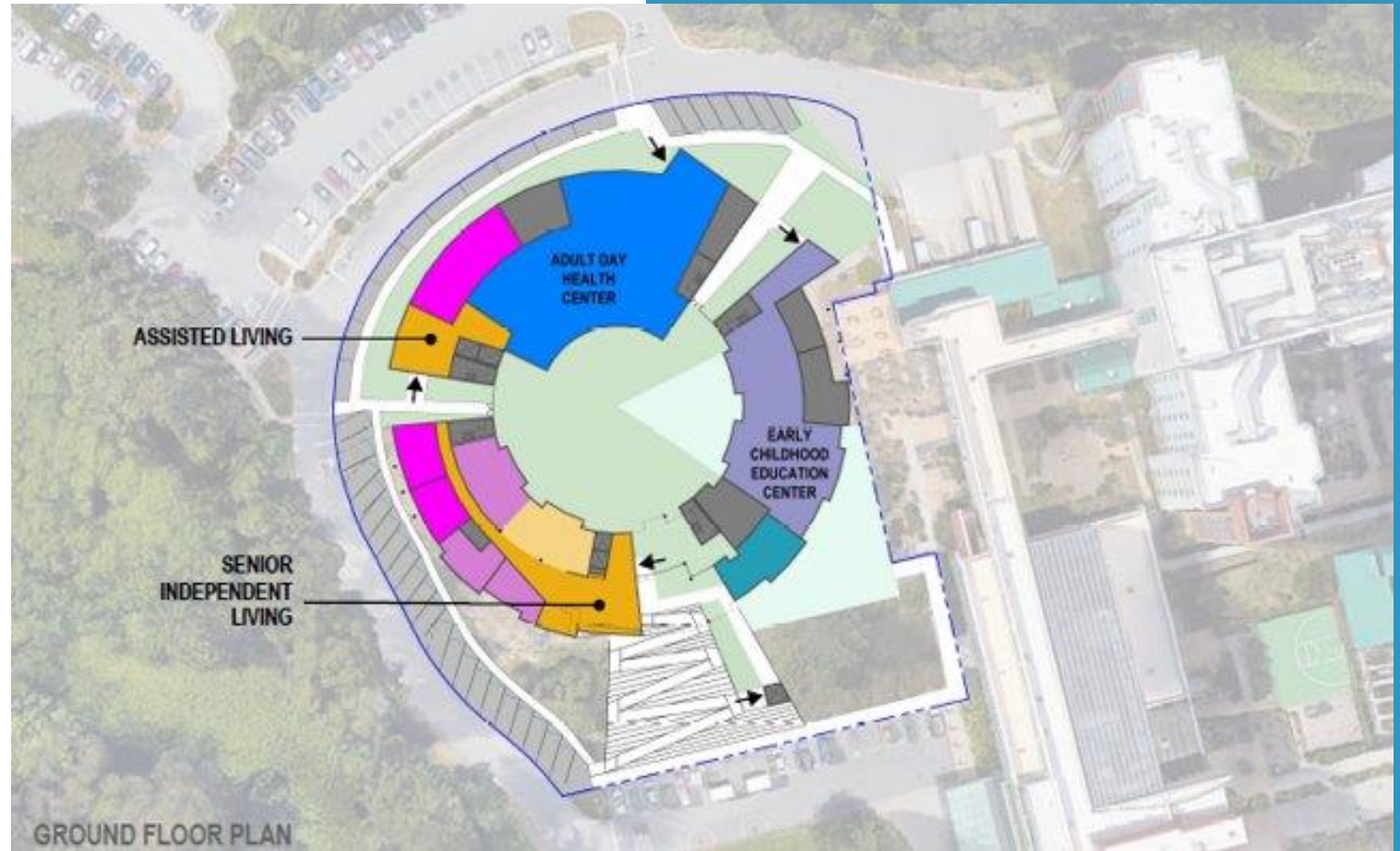
The proposed site was intended for a third tower that was never built (former Clarendon Hall)

## Phase 1:

- Senior Independent Living
- Early Childhood Education Center

## Phase 2:

- Assisted Living or affordable senior housing with enhanced supportive services
- Adult Day Health Center



# Potential Unit Count and Program

**Senior Independent Living:**  
estimated at 130 - 170 Units

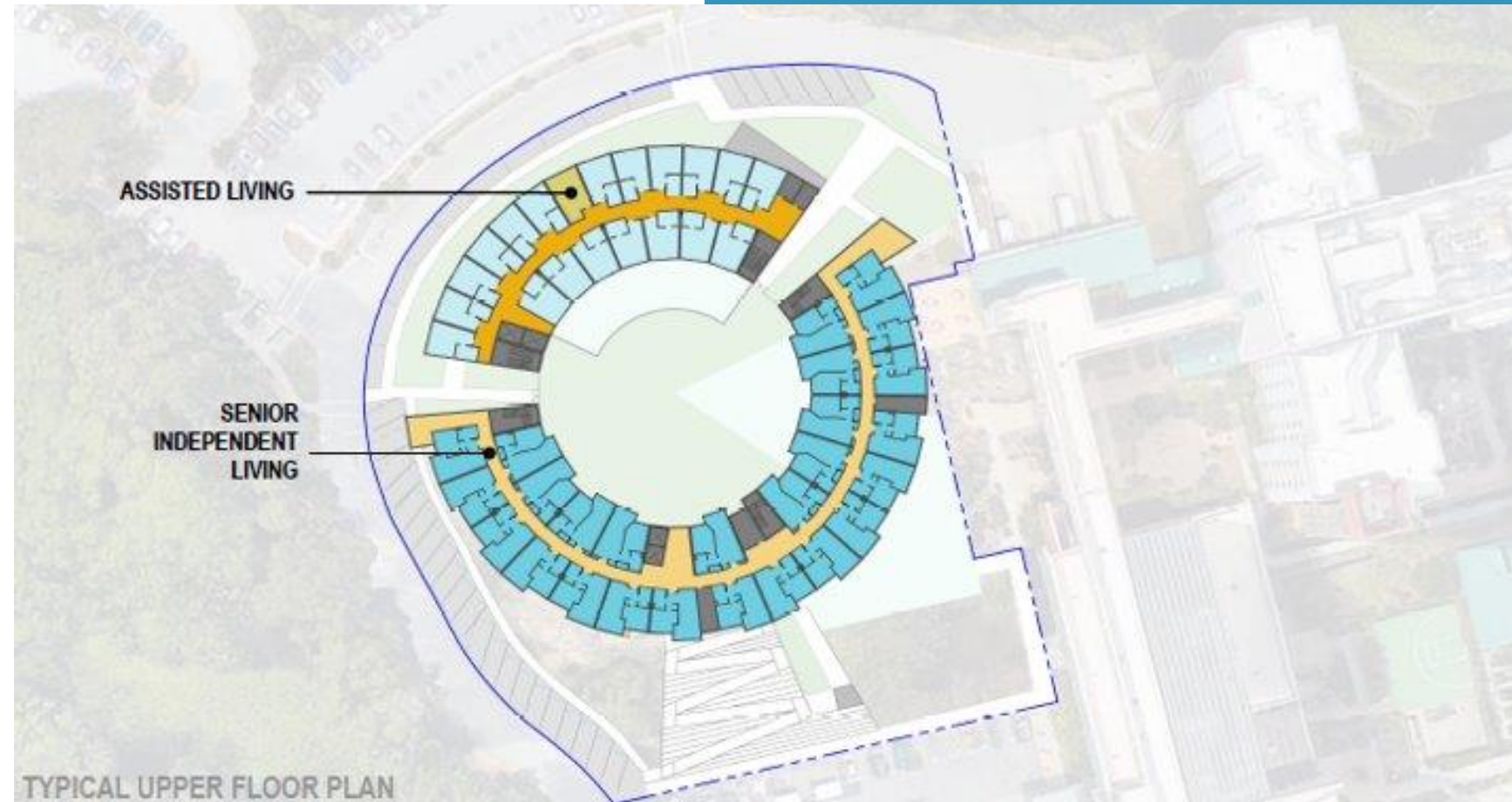
**Assisted Living (licensed RCFE) or highly supportive senior housing:**  
estimated at 90 Units

**Early Childhood Education Center**  
approximately 5,000 SF – 40 slots

**Adult Day Health Center**  
Approximately 8,000 SF

38 parking spaces along Ring Road  
for staff and visitors

6 stories





## Community Outreach 2020 - 2022

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Mercy conducted preliminary community outreach to neighbors and community organizations in collaboration with Supervisor Melgar's office

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Mercy will restart community outreach to inform neighborhood groups about the Project restart and gather feedback

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Planning Advisory Committee will be formed and staffed by Mercy

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Project website will be updated - [Lagunahondsenior.org](http://Lagunahondsenior.org)

# Preliminary Project Schedule

Quarter 1 2025	<ul style="list-style-type: none"><li>- Presentation to San Francisco Health Commission</li><li>- Outreach to LHH staff and residents</li><li>- First meeting of Planning Advisory Committee</li><li>- Community outreach</li><li>- Preliminary application to Planning</li></ul>
Quarter 2 2025	<ul style="list-style-type: none"><li>- Ongoing community outreach</li><li>- Submit Planning Entitlements Application</li><li>- Begin Parcel Mapping</li></ul>
Quarter 3 2025	<ul style="list-style-type: none"><li>- Determine Option to Lease and long-term Ground Lease path</li><li>- Determine easements needed</li></ul>
Quarter 4 2025	<ul style="list-style-type: none"><li>- Planning entitlements approved through SB 423 for Phase 1</li><li>- Determine affordable housing type for Phase 2</li></ul>
2026	<ul style="list-style-type: none"><li>- Option to Ground Lease for Phase 1</li><li>- Financing Applications</li></ul>
2027	<ul style="list-style-type: none"><li>- Earliest start of construction pending successful state, tax credit and bond financing applications</li></ul>
2029	
2030	
	<ul style="list-style-type: none"><li>- Earliest completion of Phase 1</li><li>- Earliest start of Phase 2</li></ul>

# 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

# Questions?

## Appendices

A - Draft Term Sheet

B - List of past community outreach



# MOHCD Contacts

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## Senior Affordable Housing at Laguna Honda Hospital

*Draft Terms as of December 2024*

<b>PROJECT NAME</b>	Senior Affordable Housing at Laguna Honda Hospital
<b>BACKGROUND</b>	<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 &amp; 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"> <li>- Estimated 170 units of independent senior housing affordable to low-income households</li> <li>- Early Childhood Education Center</li> </ul> <p>Phase 2</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- Alternatively, estimated 90 units of independent senior housing with enhanced services affordable to low-income households</li> <li>- Adult Day Health Center</li> </ul> <p>On site parking for staff, visitors and drop-off</p>
<b>TARGET POPULATION</b>	<p>Phase 1 – low income senior households 62 year of age and older</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>
<b>KEY LEGAL DOCUMENTS</b>	<ul style="list-style-type: none"> <li>• Predevelopment Memorandum of Understanding (MOU)</li> <li>• Options to Ground Lease</li> </ul>

	<ul style="list-style-type: none"> <li>• Ground Leases</li> <li>• Reciprocal Easement Agreements</li> <li>• Loan Agreements, Promissory Notes, Deeds of Trust, and Affordability Restrictions</li> <li>• Planning Department Restrictions and Regulatory Agreements</li> </ul>																						
<b>PROJECT TEAM</b>	<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 &amp; 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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<b>ENTITLEMENTS AND ENVIRONMENTAL REVIEW</b>	<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>																						
<b>PROPOSED PROJECT FINANCING</b>	<p><u>Phase 1 (Independent Senior Housing):</u></p> <ul style="list-style-type: none"> <li>- Prop A General Obligation Bond (MOHCD)</li> <li>- State Multifamily Housing Program</li> <li>- Federal Home Loan Bank Affordable Housing Program</li> <li>- Low Income Housing Tax Credit (LIHTC) Equity</li> <li>- HUD Section 202 Supportive Housing for the Elderly General Partner Equity</li> <li>- CDLAC bond allocation</li> <li>- Local SOS operating subsidy</li> </ul>																						

	<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"> <li>- HUD / FHA 232 loan</li> <li>- HUD Section 202 Supportive Housing for the Elderly</li> <li>- Low Income Housing Tax Credits</li> <li>- MOHCD gap funding</li> </ul> <p>Service and operating subsidies to be explored include:</p> <ul style="list-style-type: none"> <li>- State Assisted Living Waiver</li> <li>- DPH “patch”</li> <li>- Project of All Inclusive Care for the Elderly (PACE)</li> <li>- Community Living Fund</li> <li>- Health plans</li> <li>- Local SOS operating subsidy</li> </ul> <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>
<b>PROJECT SCHEDULE Key Milestones through entitlements and project financing Phase I</b>	
January 2025 – April 2025	<ul style="list-style-type: none"> <li>- Presentation to Health Commission JCC - 2/3/25</li> <li>- Presentation to full Health Commission – 3/17/25 (tentative)</li> <li>- Outreach to LHH staff and residents as recommended by LHH</li> <li>- First meeting of Planning Advisory Committee</li> <li>- Coordination with Supervisor Melgar’s Office</li> <li>- Preliminary community outreach – presentations to neighborhood organizations and at least one open community meeting</li> </ul>
Jan 2025 -May 2025	<ul style="list-style-type: none"> <li>- MOHCD Conceptual Design Review process</li> <li>- Review SF Planning Design Standards adopted 11/14/24 by Planning Commission and incorporate</li> <li>- 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</li> </ul>
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
<b>PROJECT SCHEUDLE Key Milestones through entitlements and project financing Phase II</b>	
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
<b>ROLES AND RESPONSIBILITIES</b>	
MOHCD	<ul style="list-style-type: none"> <li>- Predevelopment and Permanent Financing Lender (and provision of certain types of subsidies)</li> <li>- Facilitating bond issuance by City</li> <li>- Monitoring and oversight through development, construction, and operations</li> <li>- Ground Lessor for Phase 1 and potential Ground Lessor for Phase 2</li> <li>- Staff costs</li> </ul>
DPH / Laguna Honda Hospital	<ul style="list-style-type: none"> <li>- Provide site</li> <li>- DPH Commission approval of land use path</li> <li>- Participation and feedback around design</li> <li>- Collaboration and planning around potential program synergies between LHH and the new affordable housing</li> <li>- Coordinate campus infrastructure issues such as utilities, hospital logistics and operations</li> <li>- Coordination around other hospital capital projects</li> <li>- Potential jurisdictional transfer of Phase 1 site to MOHCD or act as direct ground lessor</li> <li>- Potential jurisdictional transfer of Phase 2 site to MOHCD or act as direct ground lessor</li> <li>- Staff costs</li> </ul>

<p>Mercy Housing California</p>	<ul style="list-style-type: none"> <li>- Developer</li> <li>- Coordination around LHH campus infrastructure issues such as utilities, hospital logistics and operations</li> <li>- Coordination around hospital capital projects</li> <li>- Collaboration and planning around potential program synergies between LHH and the new affordable housing</li> <li>- Housing operator</li> <li>- Service provider</li> <li>- Ground lessee</li> <li>- Predevelopment expenses (under the MOHCD loan)</li> <li>- Selection of assisted living provider operator if licensed RCFE is pursued for Phase 2</li> </ul>
<p><b>FUNDING</b></p>	<p>MOHCD will provide loans to Mercy as follows:</p> <ul style="list-style-type: none"> <li>- Up to \$50M for Phase 1 and 2</li> <li>- Possible SOS operating subsidies for either or both phases</li> </ul>
<p><b>KEY LOAN TERMS</b></p>	<p>Phase 1:</p> <ul style="list-style-type: none"> <li>- 55 year loan term</li> <li>- Repayment through Residual Receipts</li> <li>- Interest Rate to be determined</li> <li>- Units will be restricted for life of the project</li> <li>- Comply with City contracting requirements (prevailing wage, LBE goals, local hire, First Source Hiring, etc.)</li> </ul> <p>Phase 2: to be determined based on financing and type of project</p>
<p><b>JURISDICTIONAL TRANSFER</b></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 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>
<p><b>KEY GROUND LEASE TERMS</b></p>	<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: <a href="#">MOHCD CURRENT Ground Lease Policy</a></p> <p>Phase 1 Site:</p> <ul style="list-style-type: none"> <li>- 75 years with a 24-year option to extend for a total 99 year term</li> <li>- Base rent of \$15,000/year</li> </ul>

## Preliminary Discussion Draft

	<ul style="list-style-type: none"><li>- Residual Rent from surplus cash after repayment of all outstanding debt</li><li>- use restricted to affordable housing</li><li>- Mercy to own improvements in fee and fully responsible for ownership, management, and operations of the housing</li></ul> <p>Phase 2 Site: to be determined based on type of project.</p>
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Exhibit A: Site Map

## List of Past Community Outreach 2020 - 2022

Type	Date	Location	Attendance	Notes
Community	9/20/2020	Online	four constituents	invitation-only -- initial meeting with constituents suggested by Supervisor Yee
Individual	10/13/2020	Online		recommended potential contacts in seven neighborhoods
Individual	11/9/2020	Online		discussed outreach strategy, sensitivity to highly-impacted residents, and lessons from prior development proposal
Small Group	11/10/2020	Online	3 members	introduction to the Woods condo association
Individual	11/17/2020	Online	1 member	discussed need for community and senior services
Individual	12/8/2020	Phone		phone call to learn about CCH Project
Individual	1/14/2021	Online		brief call to answer basic questions; scheduled follow-up meeting with W. Portal Neighbor Assn.
Neighborhood Assn.	4/7/2021	Online	Greater West Portal Neighborhood Association	introductory meeting -- attended regular monthly GWPNA meeting to introduce team
Neighborhood Assn.	4/14/2021	Online	Midtown Terrace Neighbors	introductory meeting
stakeholder advisory group	3/7/2022	Online	Norman Yee Jen Low 5 members	stakeholder check-in
MOHCD presentation	3/8/2022	Online	Edward Chow, Tessie Guillermo, Laurie Green, presentation by Anne Romero	JCC (Health Commission Committee)
LHH staff	3/16/2022	Online	presentation by Anne Romero	LHH "leadership forum," supervisor staff mtg (roughly 36 people attended)
Neighborhood Assn.	3/29/2022	Online		Woods condo association
Neighborhood Assn.	4/11/2022	Online		Forest Hill Association mtg
Neighborhood Assn.	4/13/2022	Online	Midtown Terrace Neighbors	Midtown Terrace mtg