Office of Community Investment and Infrastructure

Mission Bay South Block 6 East
(626 Mission Bay Boulevard North)

Current Request

- Approving a long-term Ground Lease
- Approving an Amended and Restated Loan Agreement for construction of:
  - 143 affordable housing units (including 1 manager's unit)
  - 20% of the units are for formerly homeless households
  - Ground floor commercial space totals approximately 9,700 sf

Background

- Mission Bay North and South Redevelopment Plans will result in 6,514 new residential units
- A total of 29% (1,916) of the units will be affordable
  - Mission Bay North: 672 units completed (26 inclusionary units in construction)
  - Mission Bay South: 150 units completed; 200 units in construction; 958 units remain to be construction and leased
- MBS 6E (also known as 626 Mission Bay Boulevard North and formerly known as 1300 Fourth Street) will be the third Agency Affordable housing development in Mission Bay South.

Background cont.

- Spring of 2014 issued a Request for Proposals (RFP) for MBS 6E.
- Interdisciplinary panel unanimously recommended the team lead by the Tenderloin Neighborhood Development Corporation.
- December 2014 – Commission approved an Exclusive Negotiations Agreement and a Predevelopment Loan
- August 2015 – Commission approved the schematic design

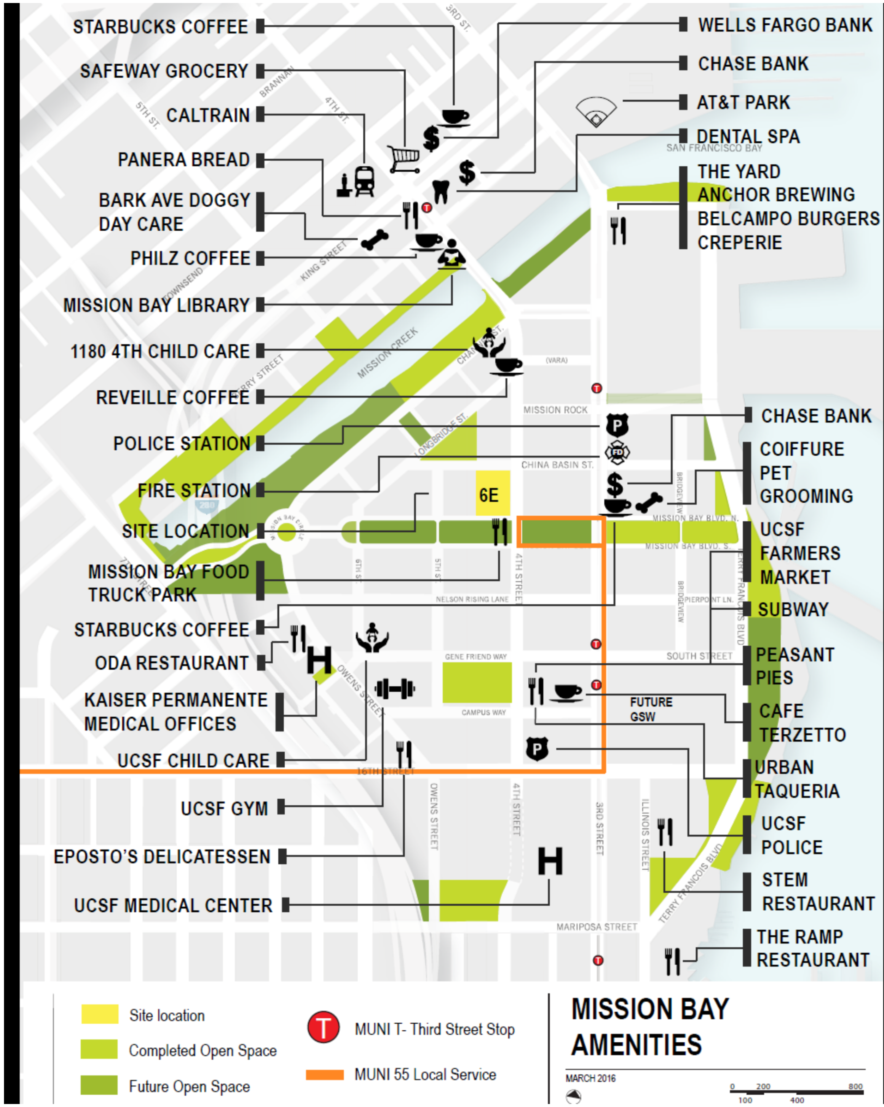
Project Summary

- 80% of the units (or 114) affordable to households at 50% of TCAC AMI (Family of 4 at (2016) 50% AMI = $61,500)
- 20% (or 29) of the units for formerly homeless households
- TNDC will provide core supportive services
- 826 Valencia will provide after school literacy programming to school aged residents and the surrounding community in a ground floor retail space
- The balance of the retail space will be leased to commercial providers benefiting the surrounding neighborhood
- Retail space totaling approximately 9,730 sf
- “Green” and sustainable building strategies.

Project Summary cont.

- A total of 41 on-site parking spaces
  - 34 – for residents
  - 5 – commercial
  - 2 – car share
- Site located one block from the Mission Rock Muni Light Rail station for the T-Third line.
- 136 bicycle storage spaces
- In July 2015, the Project awarded a State of California HCD Affordable Housing and Sustainable Communities Program (“HCD AHSC”) funding of $4,999,989, based on the lower parking ratio, which informs the Project’s greenhouse gas emission reduction benefits.

Site Amenities



Project Financing and Loan Terms

- Permanent loan amount of $37,500,000
- Loan terms: 55 years; 3% -1.5%
- The financing sources include: 4% Low-Income Housing Tax Credits; Affordable Housing Program funds; HCD AHSC funding; and tax-exempt bond financing.
- Local Operating Subsidy Program funds will be available from the City to augment operating costs associated with the formerly homeless units.
- OCII's $35.7M loan will leverage:
  - LP Equity - $42,079,966
  - Permanent Loan - $6,800,000
  - AHSC - $4,999,989
  - AHP - $1,400,000
  - GP Equity - $1,152,453
  - Deferred Fee - $417,547

Ground Lease Requirements

- OCII will retain ownership of the land during construction. Once completed the ground lease and loan will be transferred to MOHCD as the Housing Successor Agency.
- Rent
  - Annual Rent – is 10% of the unrestricted value of the property, or $2,175,000:
    - Base Rent – which comes from the operating budget and totals $15,000
    - Residual Rent – which is only paid if there is surplus cash after the project pays all operating expenses, and could total up to $2,160,000.
- Affordability Restrictions
  - 50% of the Tax Credit Allocation Committee ("TCAC") AMI level (or $61,500 for a 4-person household)
  - 20% and 30% MOHCD AMI levels (or between $21,550 and $32,300 for a 4-person household) for formerly homeless households

Ground Lease Requirements cont.

- Construction of the Improvements
  - The Project will be built per the approved documents and in accordance with the Schedule of Performance.
  - The Project's progress will be monitored by construction management staff.
  - Subsequent to the start of construction, all changes must be approved by OCII.

Supportive Services

- TNDC will be the primary service provider for all residents at MBS 6E; and will partner with 826 Valencia who will provide services for school age children.
- 826 Valencia is a national non-profit organization who works with students ages 6-18 with writing skills and help teachers to get students excited about writing
- MBS 6E: third 826 Valencia services site in San Francisco.
- 826 Valencia will be initiating their fundraising effort for MBS 6E in the next several months.
- Loan Conditions: TNDC to provide a six-month status report on the commitment of funding, the services plan, sources for tenant improvements, and 826 Valencia's organizational capacity.
- In the event 826 Valencia does not achieve its fundraising goals, loan condition requires TNDC to provide an alternative children's services provider.

Marketing - Preferences

- Preferences and Resident Selection:
  - Certificate Holders (Property Owner and Occupant Preference Program)
  - *Neighborhood Resident Housing Preference ("NRHP") was recently adopted by the Board of Supervisors, and if such preference does not conflict with other financing sources. If OCII authorizes the application of the NRHP in OCII affordable housing developments, the Developer will include the NRHP as the second preference.*
  - San Francisco Residents or San Francisco Workers
  - Members of the General Public
- Formerly Homeless Family Referrals:
  - Homeless households with at least one child under the age of 18, and homeless pregnant women.
  - Household income cannot exceed 30% of MOHCD AMI levels
  - Have experienced multiple episodes of homelessness and/or, are in need of comprehensive case management to maintain housing and financial stability.

Marketing - Process

- Starts with an Early Outreach Plan which must be submitted one month after the start of construction, and should include:
  - A mock-up of the COP holder postcard mailer, which is mailed to COP holders to inform households of this housing opportunity.
  - Provides a list of Rental Readiness Counseling Providers from which the Developer will select to provide technical assistance and individualized attention to COP holders interested in MBS 6E.
  - Provides information of the Leasing Agent and all pertinent contact information for interested parties.
  - Provides dates and locations for Application Workshops by Rental Readiness Counseling Providers
  - Provides lists of local and media outlets where this housing opportunity will be marketed

Marketing – Process cont.

- Implement Early Outreach
  - COP holders are notified of this housing opportunity over a period of 4-6 months with 5 postcard mailings
  - Interested applicants attend Application Readiness Workshops which are held by the Counseling Providers
  - Counseling Providers offer one-on-one phone sessions with COP holders, and will assist in overcoming any barriers that may be preventing COP holders from applying for this housing
- Open Application Period
  - The public is notified about this housing opportunity through the San Francisco Housing Email Alert, media outlets provided in the Early Outreach Plan
  - The housing opportunity will be posted on the MOHCD website and front desk staff are notified of the opportunity if people inquire about this opportunity
  - Developer provides a location where hardcopies of the application can be picked-up
  - Developer provides OCII/MOHCD with a weekly report of applicant lists (as applications come in), and a report of outreach efforts to COP holders

Marketing – Process cont.

- Lottery is held
  - Applicants receive numbers and these numbers are selected during a live lottery (separate lottery's are held for each preference).
  - A "final list" of applicants is provided to OCII/MOHCD to verify the list.
- Process Appeals – the Developer with assistance from OCII/MOHCD will hear appeals as necessary.
- Lease-up – the Developer interviews applicants for eligibility. A weekly report is provided to OCII/MOHCD.

Equal Opportunity Program

- Developer has achieved 54.4% SBE participation for professional services to date.
  - 39% SF-SBE
  - 8.4% MBE
  - 11.1% WBE
- In April 2015, the Developer selected Nibbi Brothers as the general contractor for the Project.
- Developer and Nibbi Brothers are committed to encouraging joint ventures and associations, and are committed to achieve 50% SBE participation during the construction phase.

Schedule

- September 2016 – complete the bond issuance process at the Board of Supervisors
- September 2016 – close construction financing and construction begins
- May 2018 – complete construction

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Questions & Answers