

Mission Bay South Block 6 West

691 China Basin Street



Commission on Community Investment and Infrastructure

February 19, 2019

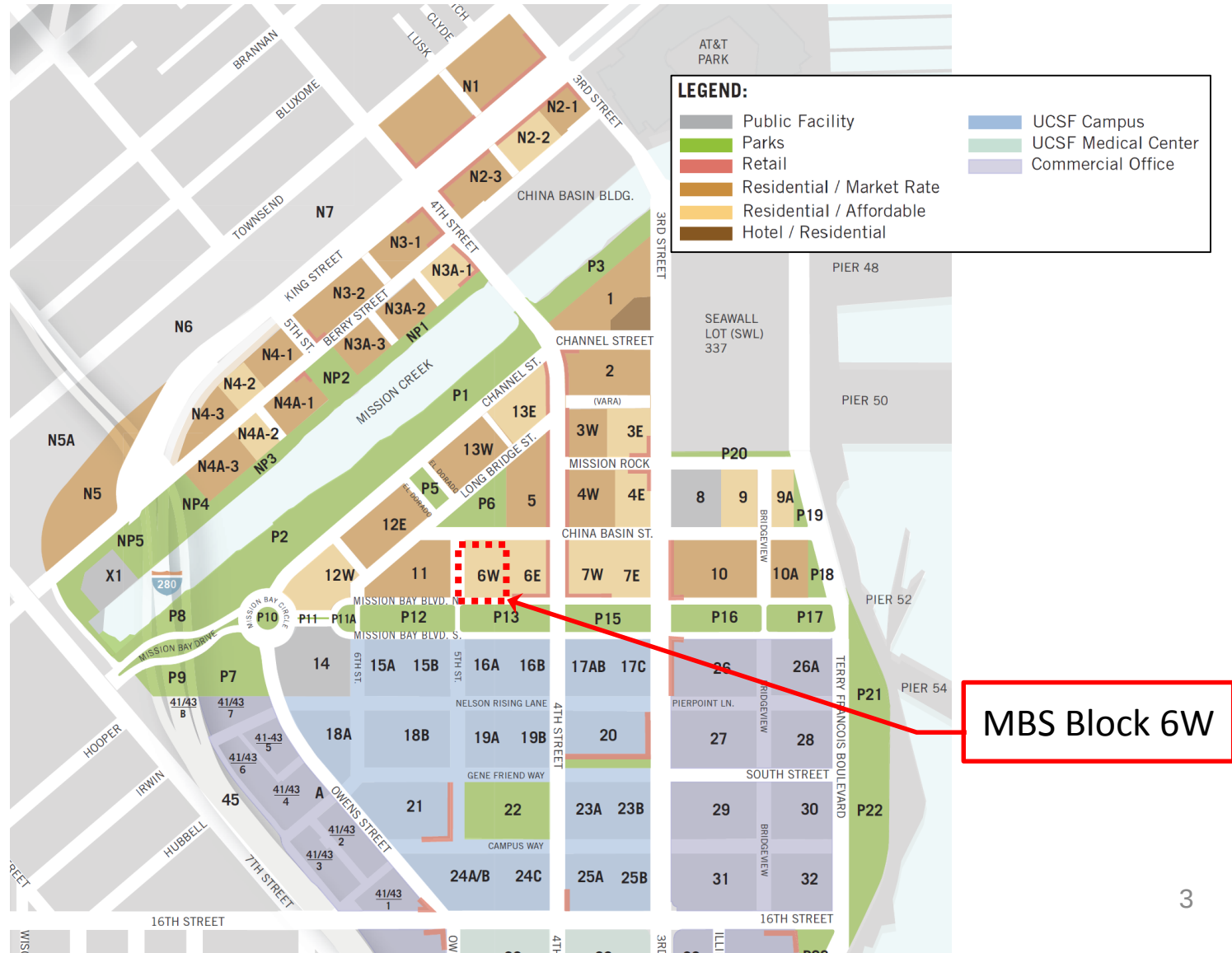


Current Request

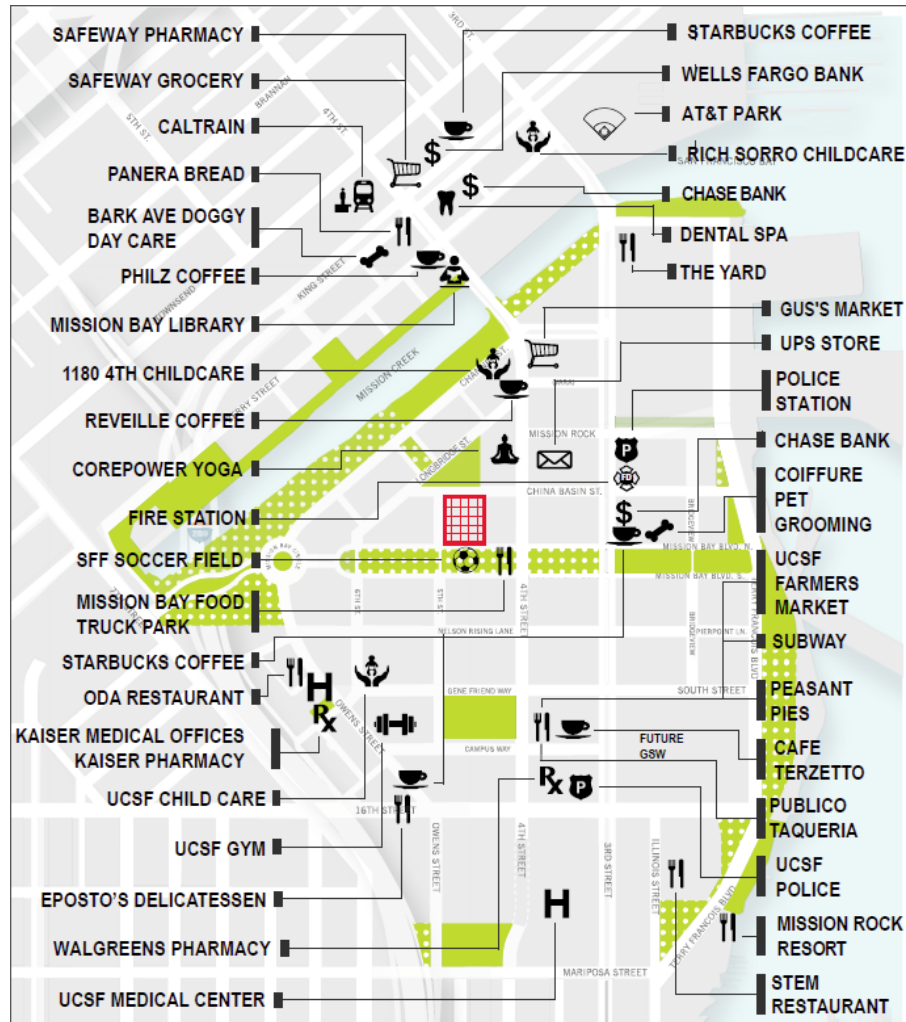
Approval of Mission Bay South Block 6 West (691 China Basin Street):

- Loan Agreement: \$47,361,690
- Ground Lease: 75 yrs + Option to Extend through 99 yrs

Mission Bay Context Map



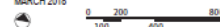
Site Amenities



Completed Open Space
 Future Open Space
 Site location

MISSION BAY
BLOCK 6W AMENITIES

MARCH 2018



Background

- 1998: Mission Bay North and South Redevelopment Plans and Owner Participation Agreements (“OPAs”)
 - 6,514 residential units, 1,918 or approximately 29% affordable
 - Mission Bay North: 700 affordable units are complete
 - Mission Bay South: 493 affordable units complete, 725 planned or under construction
 - Remaining affordable housing units are being/will be developed by nonprofit housing developers

Background (cont'd)

- OPA requires submittal of overall plans in “Major Phases” (required as part of the entitlement process for each development)
- MBS Block 6 West was initially approved as part of the Major Phase application for Blocks 2 - 7 and 13 in 2005
- Major Phase confirms Block 6 West as an affordable housing site

Development Process

- August 2016: OCII issued request for proposals seeking qualified development team
- February 2017: developer team selection approved by the OCII Commission
 - Developer: Mercy Housing California
 - Lead Architect: Paulett Taggart Architects (SBE)
- July 2017: Exclusive Negotiations Agreement and Predevelopment Loan Agreement approved by the OCII Commission
- March 2018: Commission approved the schematic design

Development Program

- **152-units of affordable rental units**
 - Mix of studios, 1, 2, 3 and 4 and 5-bedroom units
 - 38 units set aside for households voluntarily relocating from Sunnydale and Potrero HOPESF sites
 - Units will be restricted at between 40% and 80% AMI

AMI	# of Units
40%	35
50%	33
60%	46
65%	22
80%	15
Manager's Unit	1
Total	152

Development Program (cont.)

- Child Care Center – Kai Ming
 - Approx. 40 slots w/subsidized slots and preference for residents
 - Roughly 5,000 sf ground floor space
- Blue Bear School of Music
 - Roughly 1,000 square foot in community-serving commercial space
- Amenities:
 - A large landscaped courtyard
 - A large community room with a kitchen
 - A multipurpose teen room
 - Onsite laundry
- Parking:
 - 26 parking spaces (0.2:1)
 - 2 curbside car share spaces
 - 130 bicycle parking

Project Financing and Loan Terms

- Permanent loan amount of \$47,361,690
- Loan terms: 55 years; 1% interest
- OCII's \$47.4M loan will help leverage:

Financing Sources:	Amount:
LP Equity	\$48,160,372
Private Permanent Loan	\$14,441,000
HCD IIG	\$5,000,000
AHP	\$1,510,000
GP Equity	\$3,400,000
Deferred Fee	\$1,180,000
Total:	\$73,691,372

- Rental Subsidy for HOPESF set-aside units supported by Project-Based Section 8 Vouchers

Ground Lease Requirements

- **Term**

- 75 yrs with option to extend 24 yrs for a total of 99 yrs

- **Rent**

- **Annual Rent: \$2,660,000 = 10% of unrestricted value**

- Base Rent
- Residual Rent

Base Rent:	\$15,000
Residual Rent:	\$2,645,000
Annual Rent:	\$2,660,000

- **Affordability Restrictions**

- **Construction of the Improvements**

Marketing - Preferences

- **Lottery Family Units: 113 (74% of total)**
 - Preferences Order:
 - Certificate of Preference (“COP”) Holders; then,
 - Displaced Tenant Housing Preference; then,
 - San Francisco residents or San Francisco workers.
 - General Population.
- **Project-Based Voucher Family Units 38 (25% of total)**
 - Preference for households voluntarily relocating from the Sunnydale or Potrero Terrace or Potrero Annex HOPE SF communities
 - Leased through the San Francisco Housing Authority, in conjunction with the developer for each site.

Equal Opportunity Program

- Both lead and associate design firms are woman-owned San Francisco LBE
- 92% SBE participation for professional services to date

SBE 92%, SF SBE 85%, MBE 31%, WBE 56%

- Developer is committed to achieve 50% SBE participation during the construction phase
- Developer and general contractor exploring joint venture opportunities with local SBEs

Project Schedule

- **April/May 2019** – close financing/construction begins
- **June 2019** – Early Outreach Plan begins
- **4th Quarter 2020** – Marketing process begins
- **2nd Quarter 2021** – complete construction
- **Early 2022** – Transfer assets to MOHCD

Team Introductions

- **Mercy Housing California**
- **Paulett Taggart Architects**
- **Cahill Contractors**
- **Success Center San Francisco**
- **Kai Ming Head Start**
- **Blue Bear School of Music**

Mission Bay South Block 6 West

Questions & Comments

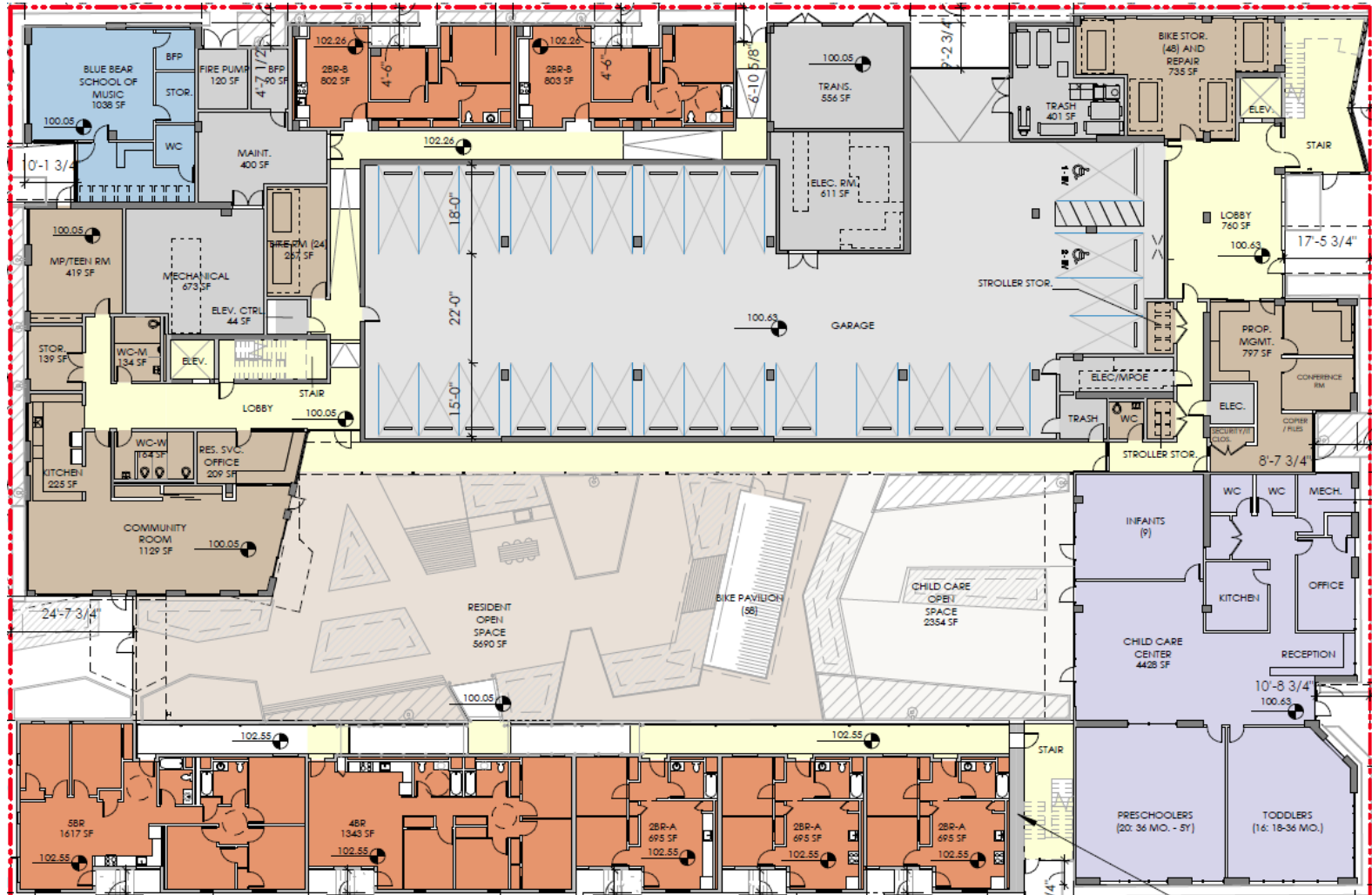


Site Plan

Merrimac Street

Mission Bay Blvd

China Basin Street



Income Averaging

- Project will be one of the first affordable housing projects in the City to implement “income averaging”
- The IRS and the California Tax Credit Allocation Committee (TCAC) approved regulation changes:
 - Income targeting up to 80% of AMI
 - Project’s average AMI must not exceed 59% AMI (as defined by HUD)
- MOHCD and OCII guidelines:
 - Rents based on Unadjusted AMIs as determined by MOHCD;
 - Max AMI allowed: 80% MOHCD AMI
 - Project average must not exceed 60% MOHCD AMI

Income Averaging (cont'd)

- **The Project includes 15 units (10% of total) at 80% MOHCD AMI**
- **Project averages 56% MOHCD AMI overall**
- **Staff recommends implementing income averaging because, in addition to consistency with TCAC policy, it:**
 1. Allows for a more mixed-income community
 2. Increases project financial feasibility by reducing the gap subsidy required from OCII
 3. Allows OCII, without added cost, to create more Certificate of Preference (COP) opportunities and greater flexibility in housing HOPESF relocatees

Project Unit Mix

	40% MOHCD AMI		50% MOHCD AMI		60% MOHCD AMI	65% MOHCD AMI		80% MOHCD AMI	Manager's Unit	TOTAL
	Non- PBV units	PBV	Non- PBV units	PBV	Non- PBV units	Non- PBV units	PBV	Non- PBV units		
Studio	3		2		3	2				10
1	8	4	6	1	7	3	1	4		34
2	3	12	5	12	25	9	2	8	1	77
3	1	4	4	1	11	4	1	3		29
4			1							1
5			1							1
TOTAL	15	20	19	14	46	18	4	15	1	152
	35		33		46	22		15	1	152

2018 Area Median Income

2018
MAXIMUM INCOME BY HOUSEHOLD SIZE
 derived from the
Unadjusted Area Median Income (AMI)
for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco

Income Definition	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person
20% OF MEDIAN	\$16,600	\$18,950	\$21,300	\$23,700	\$25,550	\$27,450	\$29,350
25% OF MEDIAN	\$20,750	\$23,700	\$26,650	\$29,600	\$31,950	\$34,350	\$36,700
30% OF MEDIAN	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,050
35% OF MEDIAN	\$29,000	\$33,150	\$37,300	\$41,450	\$44,750	\$48,050	\$51,400
40% OF MEDIAN	\$33,150	\$37,900	\$42,600	\$47,350	\$51,150	\$54,950	\$58,700
50% OF MEDIAN	\$41,450	\$47,350	\$53,300	\$59,200	\$63,950	\$68,700	\$73,400
55% OF MEDIAN	\$45,600	\$52,100	\$58,600	\$65,100	\$70,300	\$75,550	\$80,750
60% OF MEDIAN	\$49,750	\$56,800	\$63,950	\$71,050	\$76,700	\$82,400	\$88,100
70% OF MEDIAN	\$58,050	\$66,300	\$74,600	\$82,900	\$89,500	\$96,150	\$102,750
72% OF MEDIAN	\$59,700	\$68,200	\$76,700	\$85,250	\$92,050	\$98,900	\$105,700
75% OF MEDIAN	\$62,200	\$71,050	\$79,900	\$88,800	\$95,900	\$103,000	\$110,100
80% OF MEDIAN	\$66,300	\$75,750	\$85,250	\$94,700	\$102,300	\$109,900	\$117,450

Parking

- Controlled access parking for 26 vehicles, plus two off-site car share spaces
- Consistent with other 100% affordable OCII sites in Mission
- 130 bicycle parking spaces in protected rooms
- Site located within 3 blocks of the Muni T at Mission Rock Street
- Central Subway connection with T line anticipated to be up and running by end of 2019, in time for MBS 6W opening

Marketing - Process

- Early Outreach Plan: submitted one month after the start of construction
- Implement Early Outreach to COP
- Open Application Period
- Lottery is held
- Lease-up – the Developer interviews applicants for eligibility. A weekly report is provided to OCII/MOHCD.

HOPE SF

- Rebuild of public housing into project based section 8, tax credit and market rate mixed income communities
 - Alice Griffith, Hunters View
- Phasing requires vacancies, either on-site or off-site
 - Sunnydale and Potrero communities foresee a need for vacancies off-site
 - MOHCD and OCII are working with the developers of these sites to set aside units in properties coming online in the next few years
 - Residents of Sunnydale and Potrero will be notified of the opportunity to move off site; applications will be sorted through a random draw process