



118-0042017-002

Agenda Item **No. 5(d)**
Meeting of February 21, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, OCII Interim Executive Director

SUBJECT: Selecting Mercy Housing California for the development of 140 affordable rental housing units (including one manager's unit) for low income families and a childcare facility at Mission Bay South Block 6W; Mission Bay South Redevelopment Project Area

EXECUTIVE SUMMARY

On August 20, 2016, OCII staff released a Request for Proposals ("RFP") to develop and operate affordable rental housing units for low income families as well as a childcare facility space on Mission Bay South Block 6 West in the Mission Bay South Redevelopment Project Area. On November 11, 2016, five proposals were received in response to the RFP. All five submittals met the minimum threshold requirements for consideration and thus all five teams were invited to interview. Interviews were held on January 11th and 12th 2017 and were conducted by a seven-person Evaluation Panel. The Evaluation Panel completed all five interviews, discussed each team and scored each team using predetermined scoring criteria as listed in the RFP. Given the outcome of the Evaluation Panel's scoring, OCII staff is recommending nonprofit affordable housing developer Mercy Housing California with Paulett Taggart Architects for selection.

DISCUSSION

On September 17, 1998, the SFRA Commission approved the Mission Bay North and South Redevelopment Plans and Owner Participation Agreements ("OPAs") with the Mission Bay master developer, FOCIL-MB, LLC, the successor in interest to Catellus Development Corporation. Since the initial approval of the South OPA, the document has been amended four times to modify the development plan on several parcels.

The enforcement of the North and South OPA's as amended will result in 6,514 residential units, with 29% or approximately 1,916 units set aside as affordable*. The affordable units are comprised

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of inclusionary affordable units and units developed by nonprofit housing developers on OCII Affordable Housing parcels. OCII Affordable Housing parcels comprise 15 acres of land that the Master Developer in Mission Bay North and South is required to contribute to OCII.

In Mission Bay North, with the recent completion of 360 Berry Street (N4P3 or Eviva), 698 inclusionary and OCII-sponsored units have been completed.

In Mission Bay South, 150 affordable units have been completed at 1180 4th Street project which houses 100 low income households and 50 formerly homeless families; 1,068 affordable units remain to be completed, including OCII-sponsored developments Block 7 West (588 Mission Bay Boulevard North) and Block 6 East (626 Mission Bay Boulevard North), which is the neighboring block to 6W.

Mission Bay Affordable Housing Development			
# of Affordable Units	Mission Bay North	Mission Bay South	Mission Bay North and South
BUILT	698	150	848
PLANNED	-	725	725
UNDER CONSTRUCTION OR PLANNED	<u>0</u>	<u>343*</u>	<u>343*</u>
TOTAL	698	1,218	1,916

*The MBS OPA requires OCII to construct a base number of 1,108 affordable housing units. In addition, Section 3.6 of the MBS Housing Program (Attachment 3 to the MBS OPA) allows for OCII to construct an additional 110 affordable housing units, pending assessment of the development impacts and any necessary approvals, for a maximum total of 1,218 affordable housing units.

In total and as shown in the table above, 848 affordable units have been completed and 1,068 units (including the additional 110 allowable affordable units) remain to be completed in the Mission Bay Project Area.

The Mission Bay Affordable Housing Policy ("Housing Policy"), Resolution 194-98 (September 17, 1998), establishes that OCII rental projects are affordable on average to households earning up to 60% of Area Median Income ("AMI"). As an example and based on 2016 figures, income for a family of four at 60% of AMI as published by the Mayor's Office of Housing and Community Development would be \$64,600 per year with a monthly rent restricted to no more than \$1,615 for a three-bedroom unit.

RFP

On August 20, 2016 OCII staff released an RFP offering an Affordable Housing Parcel (OCII's stand-alone 100% affordable developments) for development: Mission Bay South Block 6 West ("MBS 6W" or "6W") is an approximately a 49,436 square foot rectangular site bounded by China Basin Street to the north, Merrimac Street to the west, Mission Bay Boulevard North to the south and Block 6E, a 143-unit affordable housing project designed by Mithun Solomon and being constructed by Tenderloin Neighborhood Development Corporation, to the east.

Extensive notification of the RFP was provided to community groups, developers, contractors (including Small Business Enterprises and minority- and woman-owned contractors), other community stakeholders through OCII's Citizens Advisory Committees email lists, Mayor's Office of Housing and Community Development's ("MOHCD") RFP/RFQ interest email list and newspaper advertising. The RFP was available on OCII's website.

In order to ensure expedited development, OCII sought submittals from qualified teams comprised of: a Qualified Housing Developer, a design architect and a property manager (together, the "Applicant") to develop, manage and operate a maximum number of units of affordable family rental housing on Block 6W. The Mission Bay South Owners Participation Agreement defines Qualified Housing Developer as a non-profit organization, governmental or quasi-governmental agency or a limited partnership in which one of the general partners is a non-profit organization. Under the Housing Policy, preference will be given to nonprofit housing development corporations headquartered in San Francisco. The selected Applicant will be required to select its other consultants and contractors in accordance with the OCII's Small Business Enterprise Program.

Furthermore, upon completion of these projects, OCII's assets related to the sites will be transferred to MOHCD, which is the designated Housing Successor Agency under Dissolution Law. MOHCD reviewed the RFP and was represented on the Evaluation Panel, and will also review and comment on the project's financial underwriting and funding and disposition documents in order to ensure a smooth transition to MOHCD at project completion.

Development Program

The RFP asked that submittals accomplish the following criteria:

- Provide for the development of rental housing affordable to low-income families while minimizing local financial subsidy according to the below program requirements:

MBS Block 6W Development Program Guidelines	
Number of units	A maximum number of units presented in a high quality, livable design based on Design for Development standards
Area Median Income and General population	Up to 60% unadjusted AMI as defined by MOHCD (tiering below that threshold required to serve Certificate of Preference holders) -Families
Unit mix	25% one-, 50% two- and 25% three- bedroom units
Special needs	The composition of the 25% special needs units should reflect the unit mix of the project overall
Childcare Space	Podium level dedicated indoor and outdoor space for 40 childcare slots
Parking	Maximum 1:1 parking ratio, lower ratio is recommended, plus at least one car sharing spot.

- Meet design standards pursuant to the 1) Mission Bay Design for Development as amended and (2) the Major Phase Application for Blocks 2-7 and 13 as amended.
- Meet additional design standards addressing general building elements such as: base activation, façade articulation, materials and colors, corners, roofs, etc.;

- Provide for private open space on-site; the applicant is encouraged to focus on outdoor courtyard spaces, community gardens, play spaces and other shared outdoor space to encourage a sense of community versus programming private balconies into their design;
- Provide a program that incorporates excellent, visually interesting design and financial feasibility; and,
- Incorporate “green” and sustainable building strategies in accordance with the City’s requirements.

Pre-submittal Meeting and Applicant Teams

On September 21, 2016 and as advertised prominently in the RFP document, a pre-submittal meeting was conducted by OCII housing, project area and design staff to review the requirements of the RFP and answer questions from prospective applicant teams. Thirty representatives of developers, service providers and architectural firms attended the meeting. A list of questions and answers resulting from pre-submittal meeting were distributed to prospective applicant teams who registered with OCII.

On November 10, 2016, the deadline for submitting proposals, the development teams listed below in alphabetical order, submitted proposals for the parcel. All teams’ proposals met the minimum threshold requirements and were interviewed:

- BRIDGE Housing (“BRIDGE”) with David Baker Architects
- Chinatown Community Development Corporation and Related California (“CCDC & Related”) with Fougerson Architects; for this partnership, the developer fee split would be 40% CCDC / 60% Related, with CCDC keeping long-term ownership of the project
- McCormack Baron Salazar & Young Community Developers (“MBS & YCD”) with Mithun | Solomon; for this partnership, the developer fee split would be 90% MBS / 10% YCD, with MBS keeping long-term ownership of the project
- Mercy Housing California (“Mercy”) with Paulett Taggart Architects
- Tenderloin Neighborhood Development Corporation (“TNDC”) with Pyatok Architects

Selection Process and Criteria

Each of the five proposals were reviewed by each member of the Evaluation Panel in advance of the interviews held at OCII’s offices on January 11th and 12th 2017. The Evaluation Panel members consisted of a representative from the Mission Bay Community Advisory Committee, a representative from the Mayor’s Office of Housing and Community Development, three OCII housing staff, one member of the OCII design team and the Project Manager for the Mission Bay Project Area. Two representatives from OCII’s Contract Compliance team were present to monitor the process and participated in scoring the Workforce and Contracting Action Plan sections of each submittal. The format of the interviews was as follows: a 20-minute presentation and 30-minute question and answer period to help the Evaluation Panel complete its evaluation.

Proposals were evaluated using the selection criteria set forth in the RFP: (1) a total of up to 55 points were awarded for the proposed development concept and (2) up to 45 points for developer team experience and capacity, for an overall total of up to 100 points. A detailed breakdown of the RFP proposal criteria is provided below:

POINTS		CRITERIA
55		Proposed Development Concept
	25	Proposed Massing Concept: strength and constructability of proposed massing concept, number of units, conformance with the OPA, Major Phase, and the Design for Development
	20	Financial Feasibility & Level of OCII Subsidy
	10	Proposed Marketing Plan
45		Developer Team Experience and Capacity
	10	Developer experience in developing and marketing affordable housing <i>comparable</i> to the housing proposed in this RFP
	5	Developer experience with government assisted affordable housing programs and financing sources and/or “green” housing; Developer Workload Capacity
	10	Workforce and Contracting Action Plan
	10	Architect experience & capacity, including “green” housing
	10	Property Manager experience & capacity
100	100	Total Points

Results of the Selection Process

The proposals received were extremely strong and the Evaluation Panel scored the first three ranking teams very closely as is shown in the table below. Ultimately, the highest scoring proposal for MBS 6W was Mercy Housing California and Paulett Taggart Architect’s submittal.

MBS 6W Scoring

Applicant Team	Total Score	Average Score
Mercy	678.0	96.9
MBS & YCD	670.0	95.7
TNDC	643.5	91.9
CCDC & Related	573.0	81.9
BRIDGE	536.5	76.6

For MBS 6W the Evaluation Panel scored Mercy Housing California and Paulett Taggart Architects, a woman-owned San Francisco based LBE, as the highest scoring in the Massing category. The Mercy team ultimately ranked higher than MBS & YCD because of its strength in the design category – for most other categories including financial feasibility, proposed marketing plan, developer experience in developing and financing similar buildings, architect experience in designing similar buildings and property management experience. Mercy tied for first with other Applicant teams, all of which are long-standing firms with deep experience in the City of San

Francisco or nationally. There was only one category in which Mercy scored second highest: the Workforce and Contracting Action Plan category, where compliance staff believes the Mercy team could work closer with their general contractor to increase construction subcontracting opportunities for SBEs based in San Francisco.

Below are three highlights of the Mercy proposal that the Evaluation Panel identified as extremely strong and unique amongst the other four proposals:

1. **Design and Massing.** Out of all of the proposals, Paulett Taggart Architects' design best met the requirements of the Design for Development Guidelines. The amount of on-site amenity space for residents such as community rooms, teen rooms, landscaped courtyards and common area decks as well as the inclusion of space for a community anchor such as Blue Bear School of Music was received positively by the Evaluation Panel. Overall the Evaluation Panel felt that there was a balance between providing affordable housing units and creating a beautiful, livable space where families could thrive and was noted that this project would be Paulett Taggart Architects' first prime architect role in the Mission Bay Project Area.
2. **Financial Feasibility.** The Mercy team proposed an alternative financing scenario whereby the project would be split into two different sub-projects, suitable for separate financing, which would increase the probability of the project moving forward if state financing were no longer available. In addition to the merits of this alternative proposal, Mercy provided a very thorough analysis of its financing assumptions and how it would score on state funding applications in an attempt to realistically manage OCII's subsidy per unit.
3. **Affordability / Income Tiering.** Part of the RFP programmatic requirements was to include income tiering at and below 60% AMI. The Mercy team was the only respondent to include non Local Operating Subsidy Payments ("LOSP") units set at below 40% AMI, specifically at 25% AMI, maximizing opportunities for extremely low income COP holders, as well as COP holders at 50 and 60% AMI.

Proposal Details

Mercy Housing California Submittal Details	
Number of units	140 including one manager's unit (104 non LOSP units, 35 LOSP units)
AMI Tiering	104 non LOSP units: 14% (15 units) at 25% TCAC AMI; 42% (44 units) at 50% TCAC AMI; 42% (45 units) at 60% MOHCD AMI
Parking	28 spaces plus 2 car share spaces (0.20 ratio); 1:1 bike storage
Amenities Space	Ground Floor Courtyard Ground Floor Multipurpose Room / Teen Room Ground Floor Community Room and Kitchen Podium Level Courtyard 2 nd and 6 th Floor Outdoor Space
Childcare Space	~5,600 sq ft interior space; ~3,200 sq ft outdoor space
Additional Space	~1,000 sq ft for nonprofit community use (Blue Bear School of Music)

Childcare Space

Childcare is an authorized secondary use in the residential district of the Mission Bay South Redevelopment Plan and OCII's Executive Director may authorize a "local serving childcare facility" upon making certain findings under

the Redevelopment Plan. While specific details on the mix of toddlers and infants still needs to be developed by Mercy, the childcare space provided in the proposal exceeds the square footage necessary for the minimum 40 children that was specified in the RFP and was thoughtfully located with the overall site plan. Paulett Taggart Architects also has significant experience designing childcare centers, specifically within housing.

Detail on Marketing Plan

The Mercy proposal included a thorough marketing plan showing a strong understanding of OCII's marketing processes and a commitment to outreach to COP holders. The marketing plan outlined a partnership with Access to Housing provider San Francisco Housing Development Corporation ("SFHDC") for rental readiness workshops and technical assistance for COP holders and the general public and Bayview Hunters Point Multipurpose Senior Services ("BHPMSS") for COP holder outreach. Staff felt that this marketing proposal took into account the importance of COP outreach, showed in-house expertise in this area and also noted a commitment to partnering to leverage the expertise of other organizations.

Detail on Workforce and Contracting Action Plan

The Mercy proposal included a comprehensive preliminary workforce action plan. The Mercy 6W project manager will act as lead in working with OCII to implement the WCAP and meet OCII's hiring goals during predevelopment and construction. The team also proposed working with Success Center San Francisco to conduct outreach and provide employment readiness workshops. The proposed WCAP also showed an extensive preliminary plan for record keeping and communication with OCII staff from predevelopment to pre-bidding and through construction. In terms of Mercy's past performance in this area, over a seven-year period, Mercy has worked or is working on five OCII stand-alone affordable housing projects with an overall SBE participation rate of 43.8% on professional services and construction contracts.

During the interview, OCII's contract compliance staff asked about potential partnerships with SBE's for both professional services and during construction. Paulett Taggart Architects has agreed to work with an associate architect on the project and Mercy Housing California expressed interest in working with a general contractor who would be willing to joint venture with a local SBE at some level on the construction contract. For preliminary cost estimating purposes, Mercy received an estimate of construction costs from Nibbi Brothers, who has experience in joint ventures based on their work on the Alice Griffith project in Candlestick Point and was able to estimate any potential cost impact of a joint venture. Although Mercy received an estimate from Nibbi Brothers, Mercy will select its eventual general contractor through a competitive proposal process.

Recommended Team Bio's

- **Developer and Property Manager:** Mercy Housing California will act as developer for Mission Bay 6W. Mercy Housing California is a part of a national organization formed in 1981 that builds affordable housing and provides property management and resident services in cities across the U.S. Mercy Housing California has recently developed or is developing the following OCII projects: Bayview Hill Gardens (72 units in the Bayview); Bill Sorro, formerly known as the Hugo (67 units in the SOMA Project Area); Mission Creek Senior (140 units in the Mission Bay North Project Area); 1180 4th Street (150 units in the Mission Bay South Project Area); and Transbay 6 and 7 (70 and 120 units, respectively, in the Transbay Project Area). Mercy Housing California provides supportive services in-house all of its affordable buildings in San Francisco, while working with external providers to support populations with more extensive needs.
- **Architect:** Paulett Taggart Architects will be the prime architect on the Mercy team. Paulett and her staff have been designing residential buildings, community facilities and private spaces in the Bay Area since 1986 under

"the premise that excellence in design not only enriches the lives of the people who live in, work in, and use our buildings, but also enhances the public realm and surrounding community." The firm is a woman-owned, San Francisco-based LBE. Paulett Taggart Architects has designed the following OCII and MOHCD projects: Hunters View Blocks 5 and 6 as Lead and 11 as Associate Architect (53 and 107 units as part of the HOPESF project); Plaza Apartments as Associate Architect (106 units in the SOMA Project Area); and Rich Sorro Commons as Associate Architect (100 units located in the Mission Bay North Project Area). Paulett Taggart Architects is also the prime architect on MOHCD's Parcel O development (108 units in Hayes Valley).

CAC

Staff presented the recommended team to the Mission Bay Community Advisory Committee on February 9, 2017. At that meeting, the CAC expressed their support of moving the recommended MBS 6W Development Team to the OCII Commission for approval.

NEXT STEPS

In the Spring of 2017, staff will request the Commission's authorization to enter in an ENA and predevelopment loan agreement with the recommended team, and in 2018 for the approval of a permanent gap loan and long-term ground lease.

(Originated by Gretchen Heckman, Development Specialist)



Nadia Sesay
Interim Executive Director

Exhibit A: MBS 6W Parcel Location

Exhibit B: Mercy's / Paulett Taggart Architect's Conceptual Design for MBS 6W

Attachment A: Site Location



LEGEND:

	Public Facility		UCSF Campus
	Parks		UCSF Medical Center
	Retail		Commercial Office
	Residential / Market Rate		
	Residential / Affordable		
	Hotel / Residential		

ATTACHMENT B

MERRIMAC STREET

PARKING ENTRY

BLUE BEAR
SCHOOL OF
MUSIC ENTRY

MISSION BAY BOULEVARD

RESIDENTIAL
AND
COMMUNITY
ROOM ENTRY

PRIMARY
RESIDENTIAL
ENTRY

CHINA BASIN STREET

CHILDCARE ENTRY

MISSION BAY CHILDREN'S PARK

RESIDENTIAL
ENTRY
MEWS

UNIT ENTRY
STOOP

UNIT ENTRY
STOOP

UNIT ENTRY
STOOP

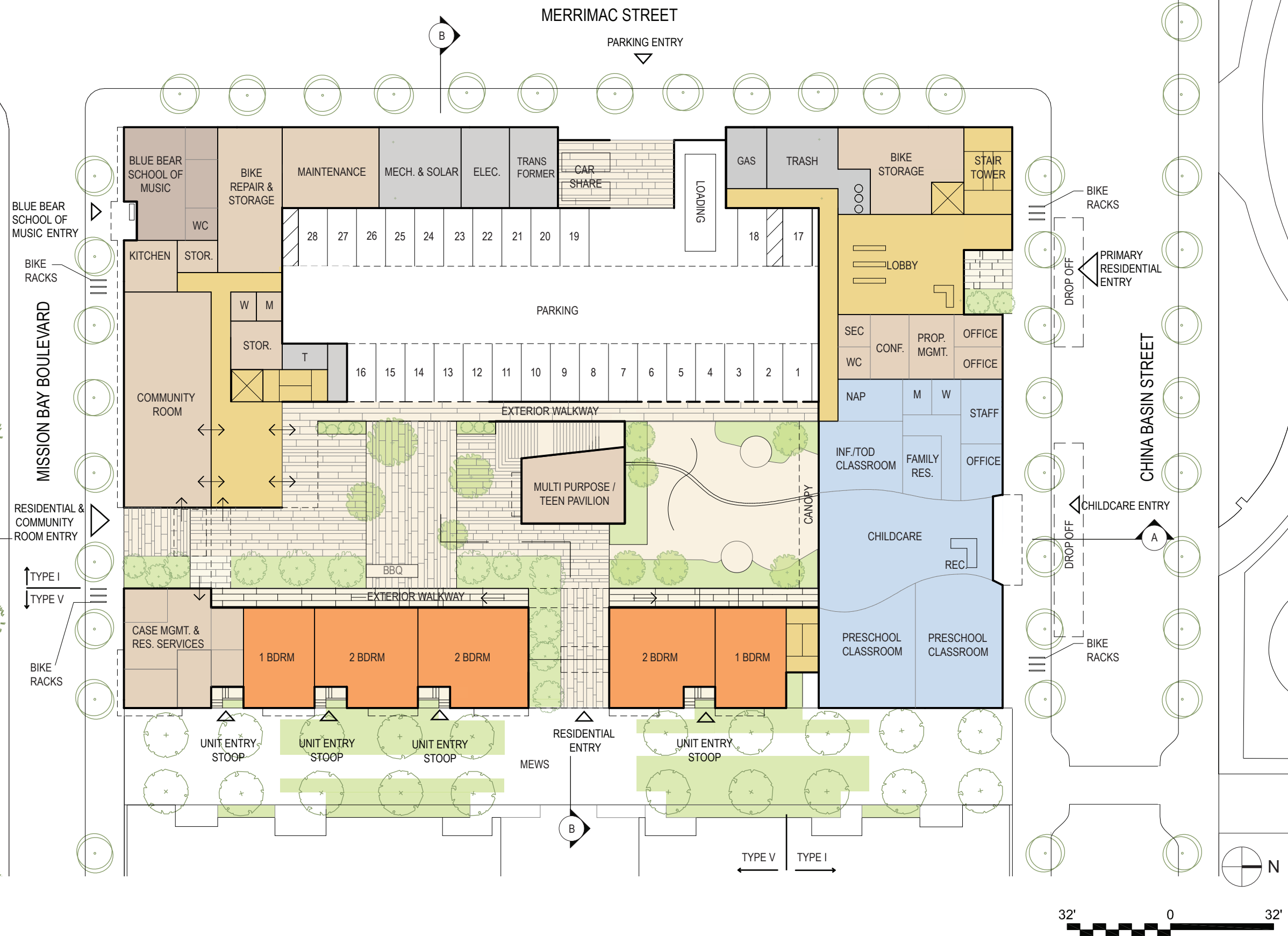
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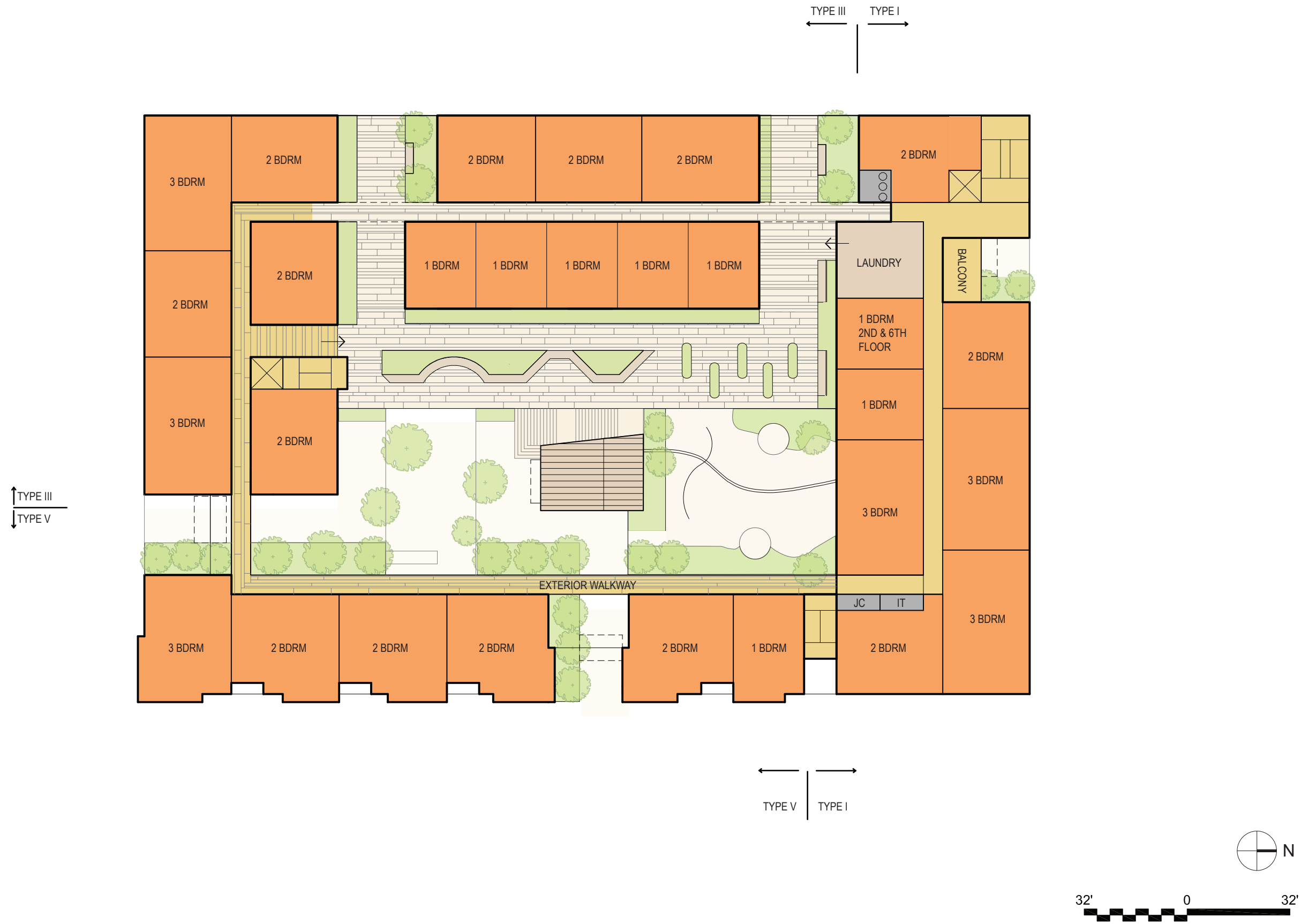
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BLOCK 11



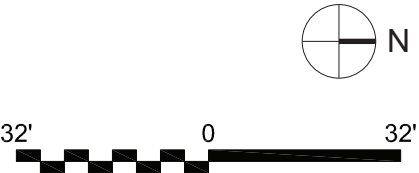
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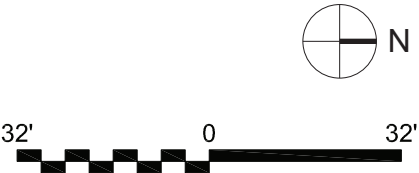
SECOND FLOOR PLAN

MISSION BAY SOUTH BLOCK 6WEST



THIRD AND FOURTH FLOOR PLAN

MISSION BAY SOUTH BLOCK 6WEST



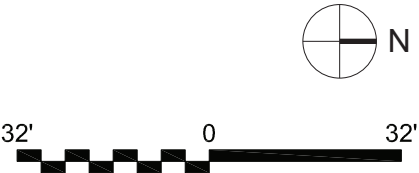
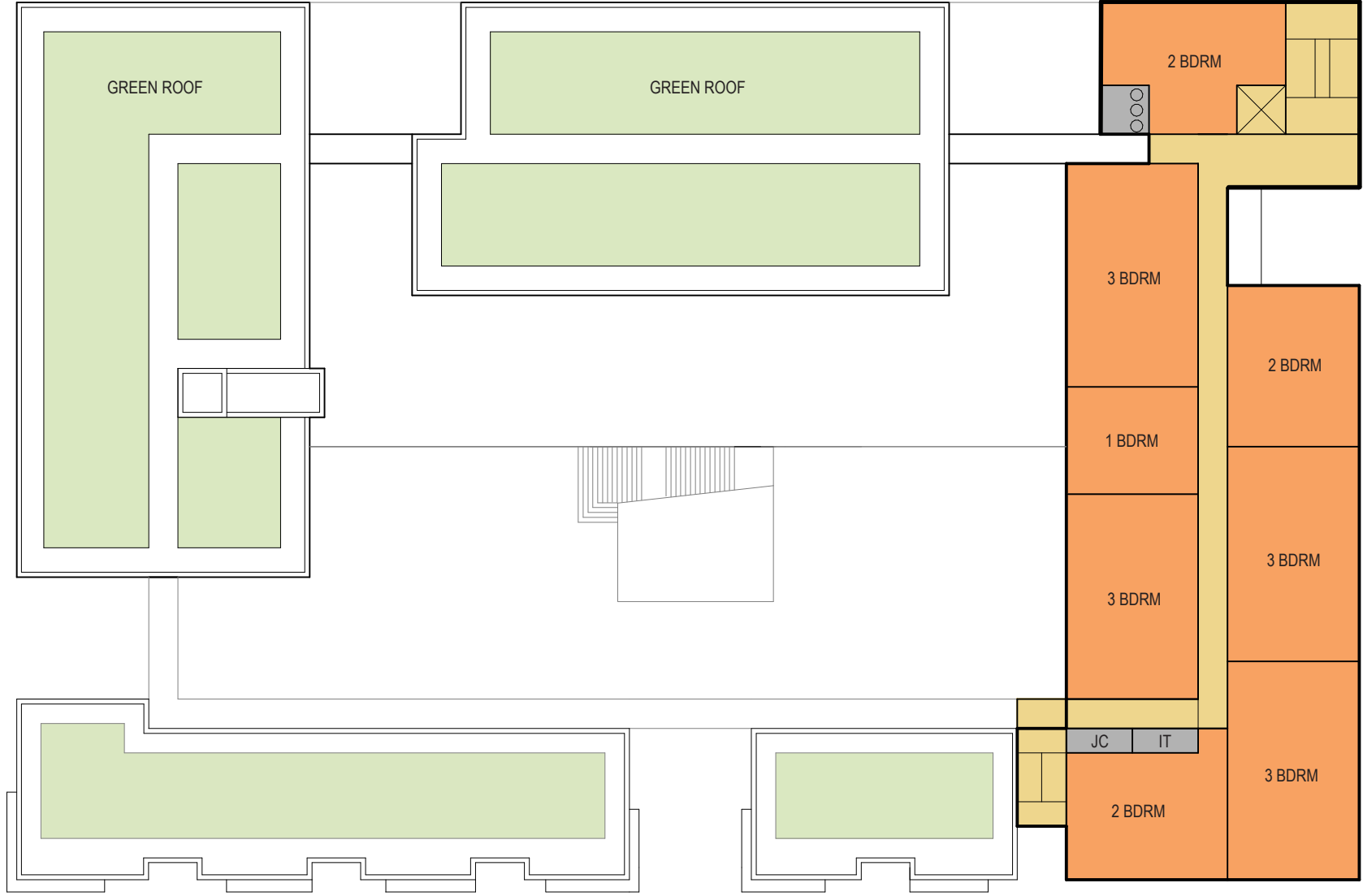
FIFTH FLOOR PLAN

MISSION BAY SOUTH BLOCK 6WEST



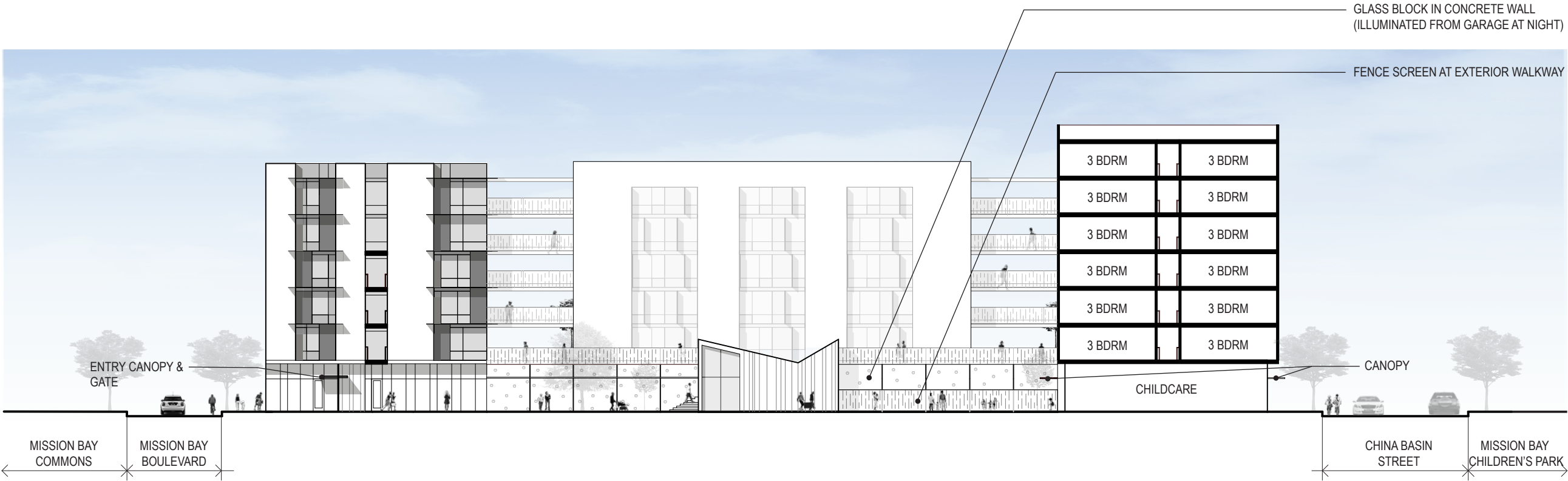
SIXTH FLOOR PLAN

MISSION BAY SOUTH BLOCK 6WEST

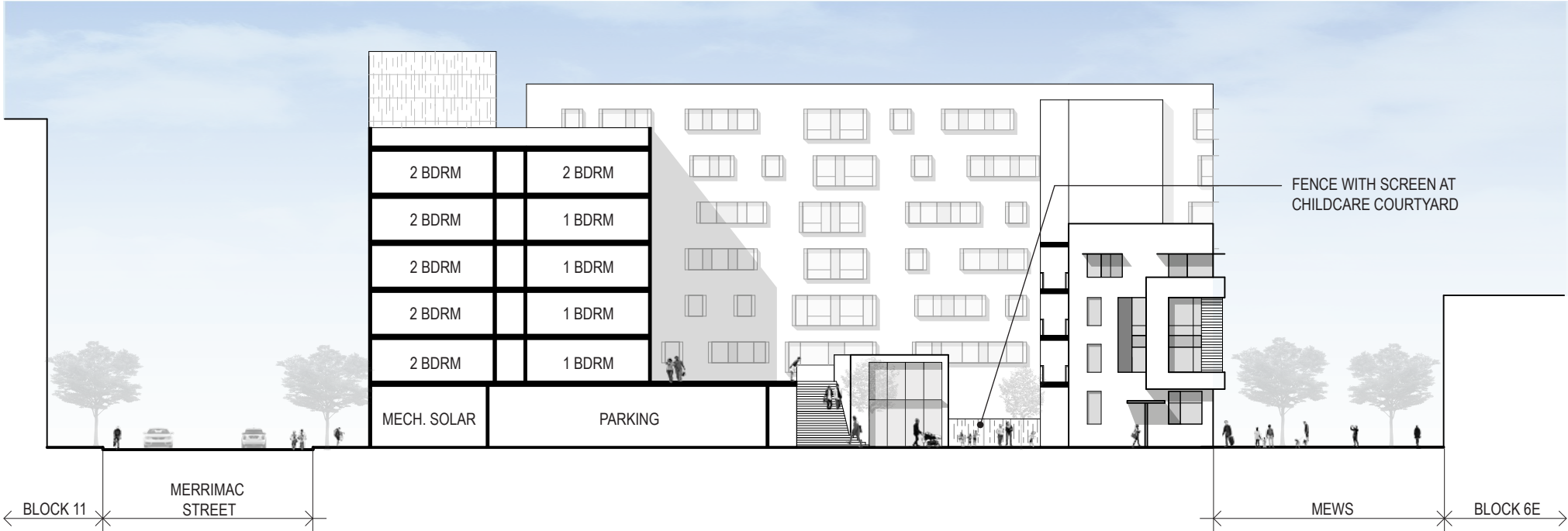


SEVENTH FLOOR PLAN

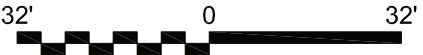
MISSION BAY SOUTH BLOCK 6WEST



LONGITUDINAL SECTION LOOKING WEST (A)



CROSS SECTION LOOKING NORTH (B)





32' 0 32'

NORTH ELEVATION

MISSION BAY SOUTH BLOCK 6WEST

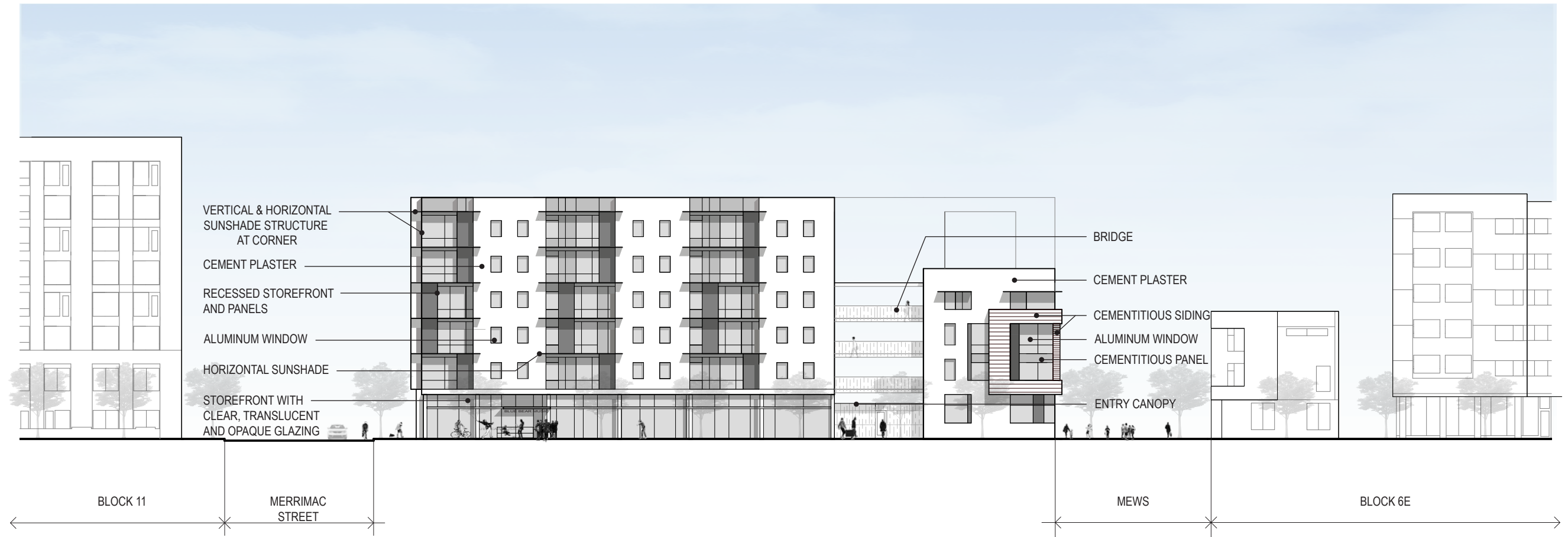
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THE MEWS





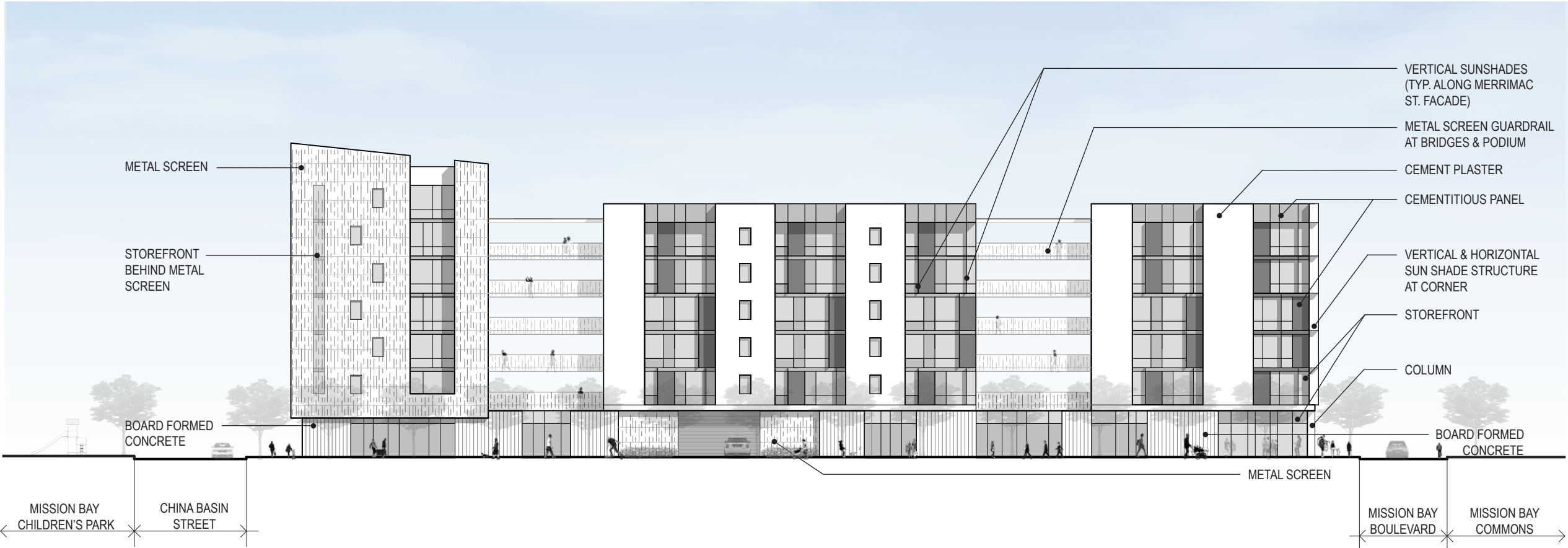
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SOUTH ELEVATION

MISSION BAY SOUTH BLOCK 6WEST

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MERRIMAC STREET

