OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

118-0202018-002

Agenda Item **No. 8(b)**
Meeting of September 18, 2018

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Executive Director

SUBJECT: 1450 Franklin Street Marketing Outcomes Report; nine for-sale inclusionary below market rate units affordable at 100% Area Median Income; Western Addition A-2

EXECUTIVE SUMMARY

The OCII Commission considered and approved a Memorandum of Understanding ("MOU") between OCII and the Mayor's Office of Housing and Community Development ("MOHCD") on May 6, 2014. The MOU provided a framework for MOHCD to provide implementation of the funding, approvals, and management of the Retained Housing Obligations, as well as the terms for transferring completed housing assets to MOHCD as the Housing Successor. Pursuant to the MOU, MOHCD will provide a Marketing Outcomes Project Report ("Project Report") after the full lease-up of each affordable project.

Attached is the Marketing Outcomes Report for the sale of nine inclusionary units at 1450 Franklin which are located in the Western Addition neighborhood, and is subject to the Owner Participation Agreement ("OPA") dated December 2, 2008, between the Former Redevelopment Agency of the City and County of San Francisco and Pacific Heights Franklin Partners II, LLC a California limited liability company. In September 2016, the Developer agreed to work with MOHCD and OCII staff to prepare and mail out a postcard for COP holders informing them that a new homeownership opportunity was "coming soon." Recipients were encouraged to enroll in a homebuyer workshop through HomeownershipSF (a "citywide collaboration of experienced, nonprofit homeownership service providers," who serves as a centralized resource for affordable San Francisco homeownership opportunities and provides education and counseling services).

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In September 2017, once the Developer started accepting applications an Information Session was held for interested COP holders. This project was approved before the Early Outreach marketing component was implemented, therefore the Developer was under no obligation to perform this piece however, we are pleased they did because it achieved great outcomes. The units became available for sale in August 2017, when the application process was launched. 1450 Franklin is comprised of 67 units of which nine are inclusionary units targeted to households earning 100% Area Median Income ("AMI"), which in 2017 equated to $115,300 for a family of four.

A total of 225 households applied, and two of the applicants were Certificate of Preference ("COP") Holders who previously resided in Daly City. Both of the COP holders were successful in purchasing units at 1450 Franklin, which is a new milestone in the COP Program. The remaining seven households qualified under the Live in San Francisco preference.

(Originated by Pamela Sims, Senior Development Specialist – COP and Marketing Liaison)

Nadia Sesay
Executive Director

Attachment A: Marketing Outcomes Report

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

London N. Breed
Mayor

Kate Hartley
Director

On May 6, 2014, the OCII Commission considered and approved the Memorandum of Understanding (MOU) between OCII and the Mayor's Office of Housing and Community Development (MOHCD). The MOU requires a Marketing Outcomes Project Report subsequent to the initial sale of each OCII affordable housing development. The report for 1450 Franklin BMR Project follows.

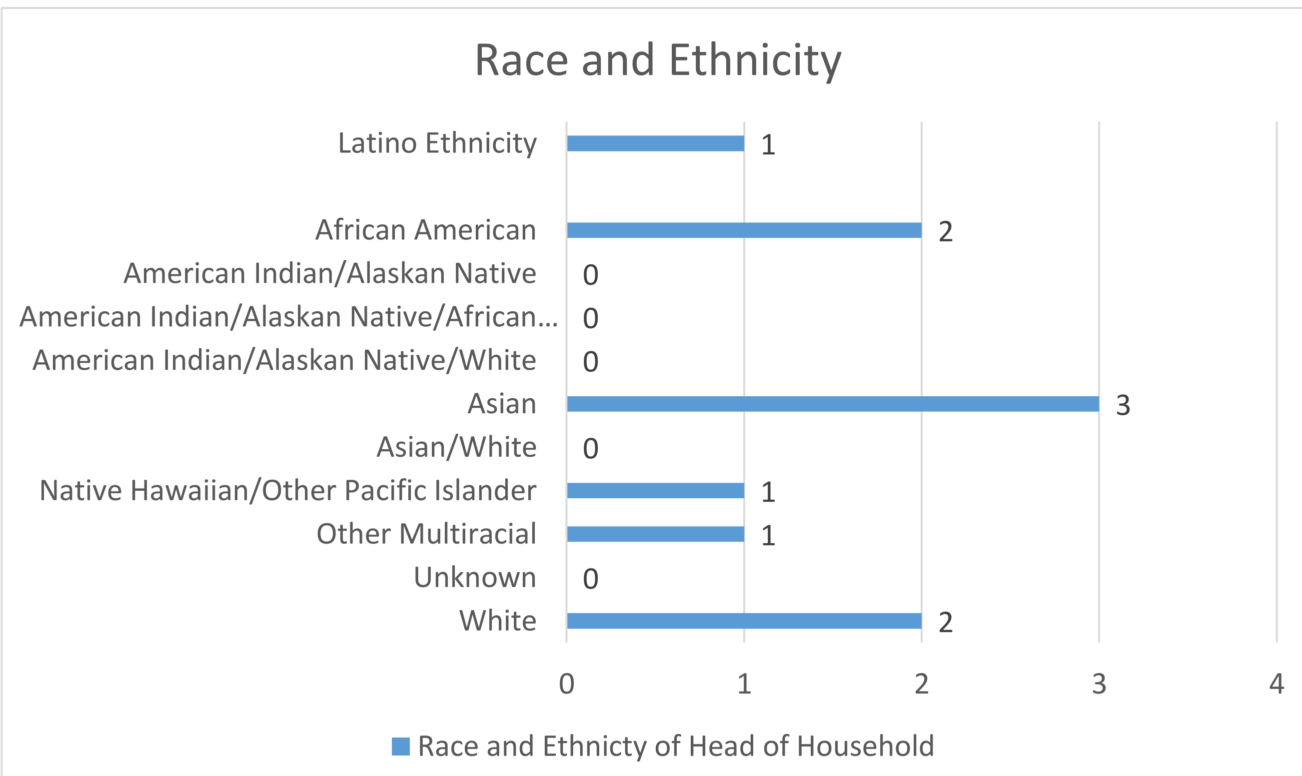
Marketing Outcomes Project Report – August 8, 2018

Project name	1450 Franklin
Project location	1450 Franklin Street
Project sponsor	Pacific Heights Franklin Partners II, LLC
Project tenure	Ownership
Population type	First Time Homebuyers
Total number of units	67 (58 Market Rate Units and 9 Affordable Units)
Total number of affordable units	9 1 – studio 4 – 1 bedroom 4 – 2 bedroom
Total number of applicants	225
Affordability level(s)	95% of Area Median Income (AMI) – 100% AMI Qualifying Income
Sales Price Range:	$245,450 - $308,553 (Market Rate $845,000 - $4.245M)
Marketing start date	August 21, 2017
Construction completion date	March 31, 2017
Final Sale Date	April 30, 2018

Occupancy preferences	1. Certificate of Preference Holders 2. Displaced Tenant Housing Preference Holders 3. San Francisco Residents or San Francisco Workers 4. Member of the General Public
How many COP holders applied	2
Total Number of People Housed in 9 affordable units	14

1450 Franklin Sales Demographics

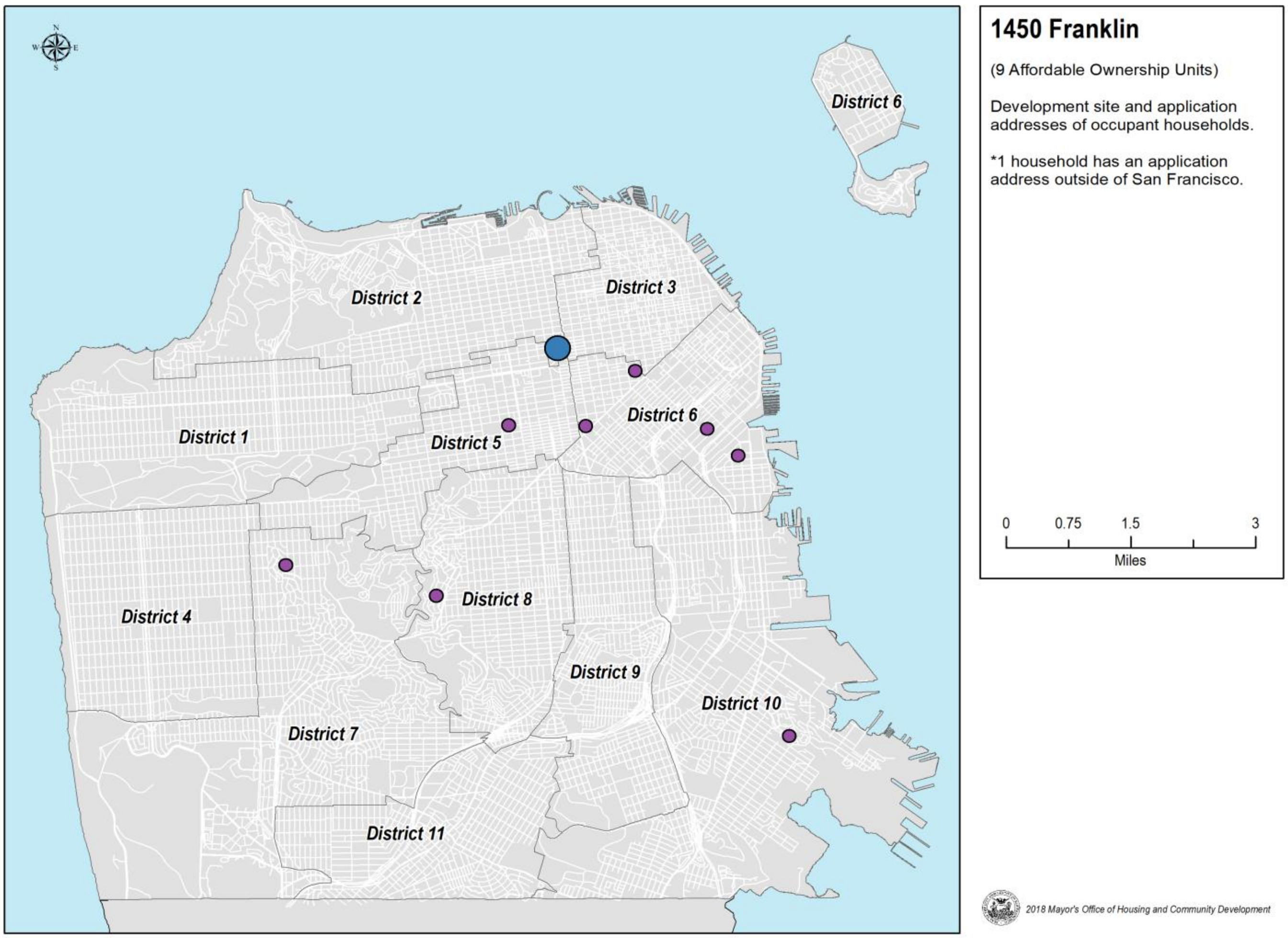
MOHCD uses the same categories as HUD to identify race and ethnicity demographics among 9 head of households. Each applicant is asked to identify a race and they are also asked if they are of Latino ethnicity. Three (33%) of the 9 successful households identified their race as Asian, two (22%) as African American, two (22%) as White, one (11%) as Other Multiracial and one (11%) as Native Hawaiian/Other Pacific Islander. With regard to ethnicity, one (11%) of successful households is identified as having Latino ethnicity.



The average household income of the successful homeowners is 93% AMI or $80,935. The average household size of the 9 households is 1.5%. One of the 9 households has children and two of the 9 households are seniors.

Location of Origin of Successful Applicants

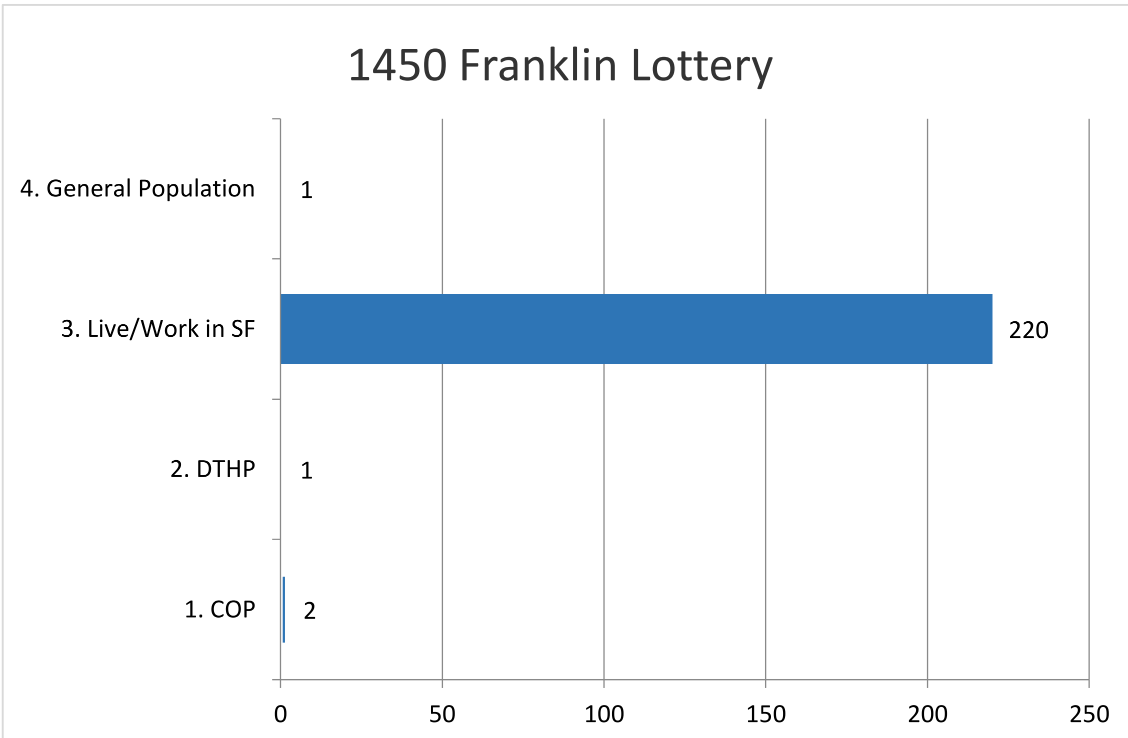
The 9 households who successfully purchased the BMRs came from several locations throughout the City. District 6 has four, and District 5, 7, 8 and 10 has one each. One household lived outside of San Francisco. Two of the 9 successful households are COP holders!



Affordable Housing Lottery Preferences and Sales

225 households applied for 9 BMR units at 1450 Franklin. Of the 225 applicant households, 12 applications were reviewed, 9 applications approved, 1 withdrawn and 2 disqualified. One of the disqualified applicants was a DTHP household, and disqualified for being over income at

101% AMI. The other applicant household that was disqualified for being over income was at 123% AMI. We are so very happy that two Certificate of Preference holders applied and successfully purchased a home at 1450 Franklin! The remaining 7 households were selected from the Live/Work in San Francisco preference.



Success Stories

Ms. Brown purchased a 2 bedroom home. She is of retirement age but still working to make while supporting her 19 year granddaughter. She included her granddaughter in the buying process to offer her stability in case something happened to her, her granddaughter would be able to take over. She had lots of bumps during the buying process but with the help of her lender, housing counseling agency (MEDA) and MOHCD she was able to put her mind at ease and follow through with becoming homeowner!

"I came into my housing search late. I procrastinated. I thought that because of my age, my COP homeownership certificate would go to waste. The price of rent was outrageous! I was paying $2600 so I moved to Oakland put that rent went up to $2100. I was having a hard time trying to figure out where to live. I thought I was too old to do this but decided, why not? So I took the class and MEDA was very helpful. I had a lot of questions and they made the process clear. I was so impressed, I referred a person at my church to them. I am starting to feel very comfortable here. They are so friendly and so helpful."

Mr. Green purchased a 1 bedroom unit. It was his first and only housing opportunity that he applied for. His experience was sometimes invasive at times but he learned that this is what you have to do to get a mortgage. Starting the buying process late, he did not have all his ducks in a row as far as having funds readily available. His lender suggested using several other programs but was unable to get it done in time. Mr. Green has two jobs and buying at 1450 Franklin allows him to be close to both of them.

"My family grew up in Western Addition. This is an excellent program, but we are few and far between. I wish more people could benefit. My advice to other COP holders is to 1) start out by going to the housing counseling agency BALANCE 2) Make sure your ducks are in order by saving money 3) learn about the financial assistance programs early on. It worked out just the way it was supposed to."