INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Proposed Request for Proposals for a 135-unit affordable housing project on Block 6 East in the Mission Bay South Redevelopment Project Area

EXECUTIVE SUMMARY

The Mission Bay South Owner Participation Agreement ("OPA") provides for the development of up to 3,440 housing units, of which approximately 1,150 will be affordable units. All of these affordable units in Mission Bay South will be developed on Agency Affordable Housing Parcels contributed according to the OPA. To date, 350 of those affordable units are either in construction or slated to begin construction in 2014, leaving approximately 750 affordable units remaining.

The Office of Community Investment and Infrastructure ("OCII") is proposing to offer its next Affordable Housing Parcel at 1300 4th Street, (Block 6 East) (the "Site"), located at the eastern portion of the block and bounded by Mission Bay Boulevard to the south, China Basin Street to the north, and Fourth Street to the east, (Attachment A) which is in compliance with the Mission Bay Affordable Housing Policy (the "Policy"). Consistent with the Mayor's 10-year San Francisco Plan to Abolish Chronic Homelessness ("Plan"), twenty percent of the housing would be set aside for formerly homeless households referred by the City and County of San Francisco's Human Services Agency ("HSA"). Onsite supportive services and associated services space are required to be incorporated into the development. In addition, the development will be required to comply with all applicable green building standards.

Staff has prepared a draft Request for Proposals ("RFP") for the development and operation of up to 135 units of affordable rental housing of 1-, 2- and 3-bedroom units, without age restrictions, and with related support services on the currently vacant Site. Responses are limited to Qualified Housing Developers per the Mission Bay South Owner Participation Agreement ("OPA") which includes nonprofit housing developers and their teams, however does not include joint ventures between nonprofit and for-profit housing developers. If the Commission has no objections or concerns, staff will release the RFP to the development community on May 21, 2014, with a proposal due date of July 16, 2014. Staff anticipates returning to the Commission in late summer with a recommended developer and authorization to negotiate an Exclusive Negotiations Agreement. In early fall staff will return to the Commission to request a predevelopment loan agreement consistent with the funding estimates included in ROPS 14-15A.
DISCUSSION

Mission Bay South includes the development of 3,440 housing units, of which at least 1,108 units (32%) will be affordable. All of the 1,108 affordable units will be developed on OCII Affordable Housing Parcels contributed by the Master Developer to OCII pursuant to the Mission Bay South Owner Participation Agreement (“OPA”). The Site is part of this land contribution. The development of the OCII-sponsored units will be subsidized through a minimum of 20% tax increment affordable housing set-aside generated by Mission Bay North and South, along with excess tax increment not needed for public infrastructure development. There is no excess tax increment at this time.

Block 6 East is part of a 303-acre redevelopment district that was administered by the former SFRA. Pursuant to State Assembly Bill 26 (“AB 26”) and Assembly Bill 1484 (“AB 1484”) (together, “Dissolution Law”), redevelopment agencies throughout the State of California were eliminated on February 1, 2012. OCII is the Successor Agency to SFRA and is responsible for implementing SFRA’s enforceable obligations. On January 24, 2014, the California Department of Finance (“DOF”) determined “finally and conclusively” that the Mission Bay OPAs and tax allocation pledge agreements are enforceable obligations under AB 26 and AB 1484.

OCII staff prepared a draft RFP for the development of the third Agency Affordable Housing Parcel in the Mission Bay South Redevelopment Project Area (included here as Attachment B, and includes RFP Attachments 1-10, i.e. those required for submittal by applicant teams). This will be the seventh affordable housing development in the overall Mission Bay Project Area. The first development was Rich Sorro Commons in Mission Bay North and has 100-unit family rental housing units. The second development was Mission Creek Senior Community, a 140-unit senior development for independent and frail seniors. The third project was Crescent Cove which consists of 236 family rental units. The fourth was Mission Walk which consists of 131 homeownership units. The fifth is 1180 4th Street which is nearing construction completion and consists of 150 affordable family units. The sixth affordable housing development will be located at 1301 4th Street (also known as, Block 7 West) and will consist of 200 affordable one- and two-bedroom units. Extensive notification of the RFP will be 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, MOHCD’s RFP/RFQ interest email list, newspaper advertising, and the RFP will be available on OCII’s website.

In order to ensure expedited development, OCII is seeking submittals from qualified teams comprised of a non-profit housing development corporation, a design architect, a property manager, and a supportive services provider (together, the “Applicant”) to develop, manage and provide resident supportive services for up to 135 units of affordable, family rental housing. The Mission Bay Affordable Housing Policy requires that OCII use non-profit housing organizations to develop the OCII sponsored affordable housing in Mission Bay. Since HSA will be providing the funding for supportive services, the RFP was drafted in collaboration with HSA staff.

Upon completion of the project, OCII’s assets related to the site will be transferred to the Mayor’s Office of Housing and Community Development (“MOHCD”), which is the designated
Housing Successor Agency under Dissolution Law. MOHCD has reviewed the RFP, and will participate in the selection of the development team, 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 development program as described in the RFP for the Site seeks submittals that:

- Provide for the development of rental housing affordable to very low-income households and formerly homeless families while minimizing local financial subsidy;
- 80% of the units will be affordable to households earning up to 50% of area median income ("AMI") which is $48,550 (unadjusted AMI published by HUD in 2014) for a family of four;
- 20% percent of the units will be set aside for formerly homeless households and these households will pay no more than 30% of their income for rent. The City and County of San Francisco’s Human Services Agency’s ("HSA") Local Operating Subsidy Program ("LOSP") will provide necessary operating subsidies to assist in covering the costs in serving these formerly homeless families;
- Provide a supportive services plan to serve the needs of the formerly homeless families as well as support the service needs of the other residents;
- Provide for a mixture of one-, two- and three-bedroom units;
- Provide ground floor retail space of up to 8,800 square feet, along Fourth Street for future retail tenants that are locally-oriented small businesses;
- Provide a program that incorporates excellent, visually interesting design and financial feasibility;
- Incorporate "green" and sustainable building strategies in accordance with the City’s requirements;
- Fully utilize the 63,256 square foot Site and provide for a maximum of 135 units; and
- Are consistent with green building guidelines and recent parking demand at other affordable projects in Mission Bay, provide off-street parking at a ratio of no more than one parking space per unit.

FINANCING

Funding will likely come from a number of sources including but not limited to 4% low income housing tax credits with tax-exempt bonds, Federal Home Loan Bank Affordable Housing Program funds, OCII subsidy, and any other outside funding developers deem applicable. Proposals using 9% low income housing tax credits will not be considered. Rents will be set at 50% of Area Median Income for the non-HSA referred affordable units. Additionally, the City will be contributing an operating subsidy through the Local Operating Subsidy Program ("LOSP") related to the 20% of units set aside for the HSA-referred formerly homeless families. Those HSA referred families will contribute 30% of their income toward rent and the difference between the cost to operate the homeless unit and the tenant contribution will be covered by the LOSP funding. The subsidy provided by LOSP is also meant to cover the cost of providing services to all residents of the buildings.
MARKETING

The Project will require a robust marketing plan that will outreach to low-income households, and facilitate the lease-up of the Project to diverse communities including Certificate of Preference Holders. In addition, the Developer shall make available support service staff to Certificate of Preference holders, as they may require, for the purpose of assisting them throughout the application process and maximizing COP holder participation. Therefore to ensure that the marketing of the Project is successful, the Applicant must include in their proposal a marketing plan for the non-HSA referred affordable units that indicates the overall marketing strategy and how the Applicant intends to resource the marketing phase of the Project, such as either through direct staffing or through the use of a dedicated marketing or outreach consultant. There is no requirement to use an outside consultant, but if the Applicant proposes to use one, then such a consultant will be selected later in accordance with the OCII’s Small Business Enterprise Program.

OCII will work with the selected Developer to ensure adherence to OCII occupancy preferences and marketing requirements. The selected Developer will be expected to broadly advertise availability of new affordable units, as well as provide notice through public meetings and mailings, including outreaching to the Mission Bay Citizens Advisory Committee. OCII and MOHCD staff will assist the Developer in notifying Certificate of Preference holders ("Certificate Holders") and others on OCII’s mailing list of those interested in rental opportunities. The selected Developer will be required to start working with OCII and MOHCD staff on the marketing plan as soon as construction begins to ensure the maximum number of Certificate Holders, historically underserved households, and other potentially qualified applicants can overcome potential barriers to the units.

CONTRACTING AND WORK FORCE HIRES

The selected Developer will be required to perform extensive good faith efforts to include Small Business Enterprises ("SBEs") in the performance of any agreement resulting from this solicitation, and any subsequent agreements between the Developer and its contractors or consultants. Additionally, compliance with OCII’s work force hiring goals is required. SBE participation goals are 50% both contracting and work force hires. If SBE participation goals are not met, compelling good faith efforts must be documented and provided to OCII. Per OCII policy, the selected Developer will give priority in awarding any contracts resulting from the RFP in the following order: (1) Project and Survey Area SBEs, (2) Local SBEs (outside an OCII Project or Survey Area, but within San Francisco), and (3) all other SBEs (outside of San Francisco). Non-local SBEs should be used to satisfy participation goals only if Project and Survey Area SBEs or Local SBEs are not available or qualified, or if their bids or fees are significantly higher than those of non-local SBEs. As part of the RFP response, a development team shall submit a Workforce and Contracting Action Plan that addresses how the team will implement OCII policies and programs.
SCHEDULE

The RFP will be released on May 21, 2014, and will be due on July 16, 2014, which will provide development teams approximately 60 days to submit their qualifications in response to the RFP. Upon receipt of the Applicants submittals, OCII staff will verify the completeness and only complete responses will be evaluated. An Evaluation Panel consisting of OCII staff, representation from MOHCD and HSA, and a representative from the Mission Bay CAC, will then review the complete responses to determine whether they demonstrate the qualifications as specified in the RFP, and may interview qualified Applicant teams as part of the evaluation process. Following a selection by the panel of reviewers, a presentation will be made to the CAC on August 14, 2014, and staff will then recommend an Applicant team to the Commission by late Summer 2014. The recommended team must demonstrate the highest level of readiness and recent successful experience with similar high-density, affordable rental housing. Staff will seek the Commission’s authorization to enter into an exclusive negotiations agreement and predevelopment loan agreement with the recommended team.

(Originated by Pam Sims, Development Specialist, and Ethan Warsh, Assistant Project Manager)

Tiffany Bohee
Executive Director

Attachment A: Mission Bay South Location Map
Attachment B: Draft Request for Proposals, Mission Bay South Block 6 East (1300 Fourth Street)