

**MAYOR'S OFFICE OF HOUSING
AND COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO**



EDWIN M. LEE
MAYOR

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September 23, 2016

Honorable Jane Kim
City and County of San Francisco
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Resolution Authorizing Issuance of Multifamily Housing Revenue Notes and Bonds for
Transbay Block 8: 450 Folsom Street and 250 Fremont Street

With this memo, I am submitting to you for introduction at the Board of Supervisors meeting on Tuesday, September 29, 2016, a resolution regarding qualified mortgage revenue notes and bonds for 450 Folsom Street and 250 Fremont Street, collectively known as Transbay Block 8 (the "Project"). Related California, through its affiliate T8 Urban Housing Associates, LLC, and Tenderloin Neighborhood Development Corporation (or "TNDC") through its affiliate, T8 Housing Partners, L.P., are jointly sponsoring this Project. The resolution would authorize the City to enter into qualified mortgage revenue indebtedness to fund the construction of 430 units of rental housing at Transbay Block 8. T8 Urban Housing Associates, LLC will develop and construct 350 rental units at 450 Folsom Street, including 279 units of market-rate apartments and 71 affordable rental units including one manager's unit. T8 Housing Partners, L.P., will develop and construct 80 affordable rental units at 250 Fremont Street. Funds generated from the issuance and sale of the notes and bonds will be used to finance construction of the Project. This is the follow-up legislation to the resolutions you sponsored in July 2015 that authorized MOHCD to apply to the California Debt Limit Allocation Committee ("CDLAC") for allocations of \$263,068,394 in qualified mortgage revenue indebtedness for the portion of the Project located at 450 Folsom Street and \$19,290,833 for the portion of the Project located at 250 Fremont Street. On September 16, 2015, the City, on behalf of the project sponsors, received an allocation of the State ceiling on private activity bond volume cap in the amount of \$282,359,227 for the Project, and the amount of tax-exempt multifamily housing revenue notes and bonds may not exceed this amount. While the majority of the proposed notes and bonds will be tax-exempt, due to certain limitations imposed by federal tax law, the City will also issue approximately \$75,000,000 in taxable multifamily housing revenue bonds to finance a portion of

the 279 market rate rental units.

The proposed Project comprises a 55-story tower, a 65-foot podium building, an 85-foot podium building, and townhouses totaling 548 units: 118 market rate condominiums, 279 market rate rentals, 71 developer-subsidized below market rate rentals, including one manager's unit (the "developer-subsidized Affordable Project"), an 80-unit OCII-subsidized affordable project (the "OCII-subsidized Affordable Project") and approximately 17,000 square feet of neighborhood retail. The 80 units in the OCII-subsidized Affordable Project are located in the two podium buildings and 5 townhouses that are attached to the 85-foot podium building. The OCII-subsidized Affordable Project includes (40) one-bedroom units, (16) two-bedroom units, and (24) three-bedroom units, and all those units are designated for families earning up to 50% of area median income. The developer-subsidized Affordable Project includes (20) studios, (32) one-bedroom units, and (18) two-bedroom units plus an additional one-bedroom manager's unit serving families earning between 40% and 50% of Area Median Income. Related California and TNDC were selected pursuant to a Request for Proposals for the development of Transbay Block 8 issued by the Office of Community Investment and Infrastructure ("OCII"). The OCII-subsidized Affordable Project is being financed with these tax exempt notes and bonds, low income housing tax credits, and a gap loan from OCII.

MOHCD has previously issued bonds for both rental housing and for first time homeownership. These financings are conduit financings, which do not require the City to pledge repayment of the bonds. Rather, the bondholders' only recourse for payment is the project revenues and other project collateral, and the credit enhancement provided by lenders.

Introduction on September 27, 2016 ensures that we have enough time to close the Project's financing and begin construction before the end of this year, at which point the CDLAC allocation will expire.

The attached resolution and documents have been approved as-to-form by Deputy City Attorney Heidi Gewertz.

If you have any questions about the resolution or the project, please contact Benjamin Brandin at the Office of Community Investment and Infrastructure at 749-2533.

Thank you,



Kate Hartley
Deputy Director