



Affordable Housing GO Bonds Update & Request for Approval:

2016 Affordable Housing Bonds – Preservation & Seismic Safety (PASS) 3rd Issuance

**Budget and Finance Committee
January 22, 2025**



Dan Adams, Mayor's Office of Housing and Community Development (MOHCD)
William Wilcox, Mayor's Office of Housing and Community Development (MOHCD)
Vishal Trivedi, Controller's Office of Public Finance (OPF)

2016 Affordable Housing – Preservation & Seismic Safety Bond

Action Items:

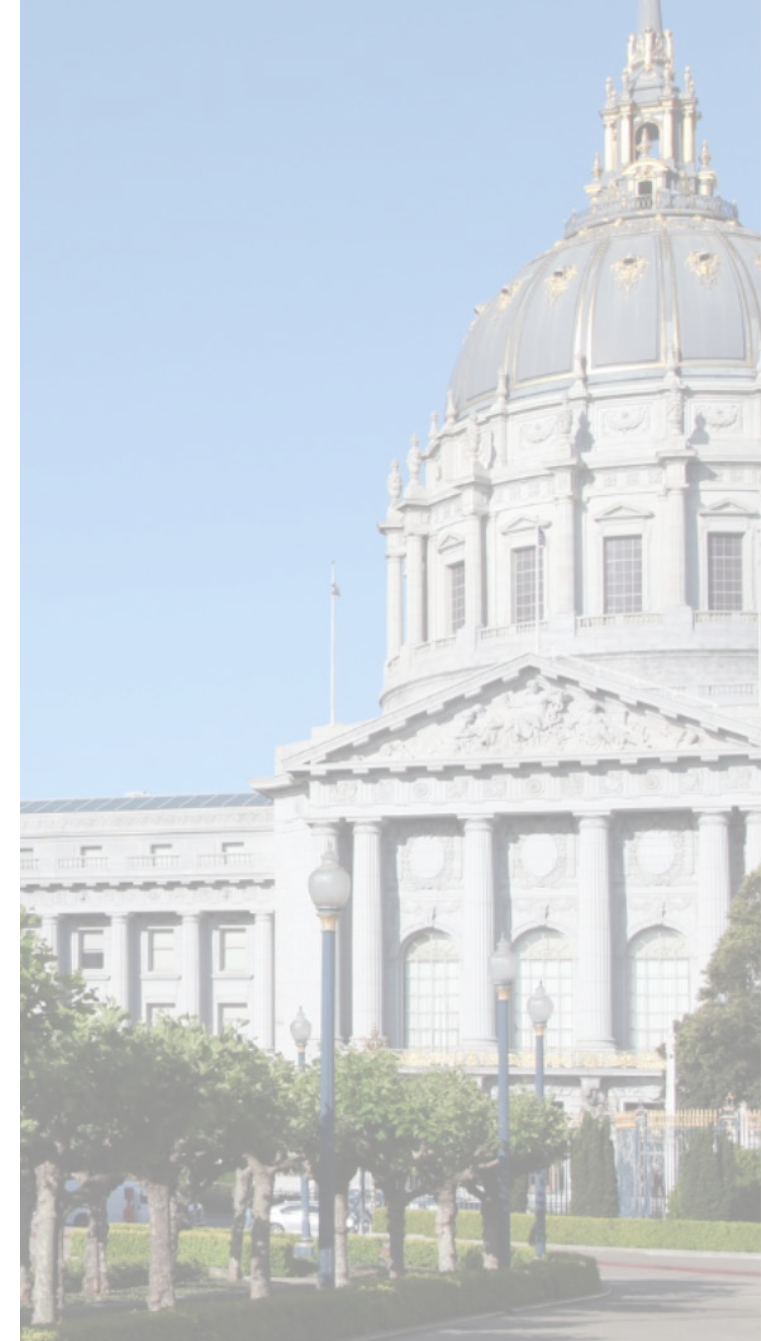
- **File No. 241171:** Resolution authorizing the sale of Taxable General Obligation Bonds (Affordable Housing 2016 – Preservation & Seismic Safety) Series 2025E, not to exceed \$40,000,000
- **File No. 241170:** Ordinance appropriating \$40,000,000 of General Obligation (GO) Bond proceeds from Series 2025E Affordable Housing to the Mayor's Office of Housing and Community Development (MOHCD) to acquire, improve and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing

PASS Program Update

**Dan Adams &
William Wilcox
(MOHCD)**

1992 Prop A (SSLP)

- Prop A to fund seismic safety loans after Loma Prieta earthquake passed in 1992
- \$350M bond known as the Seismic Safety Loan Program (SSLP)
- \$60M for Deferred Loans
- \$90M for Below Market Rate Loans
- \$200M for Market Rate Loans
- Program was underutilized – only \$90M in loans originated over more than 20 years

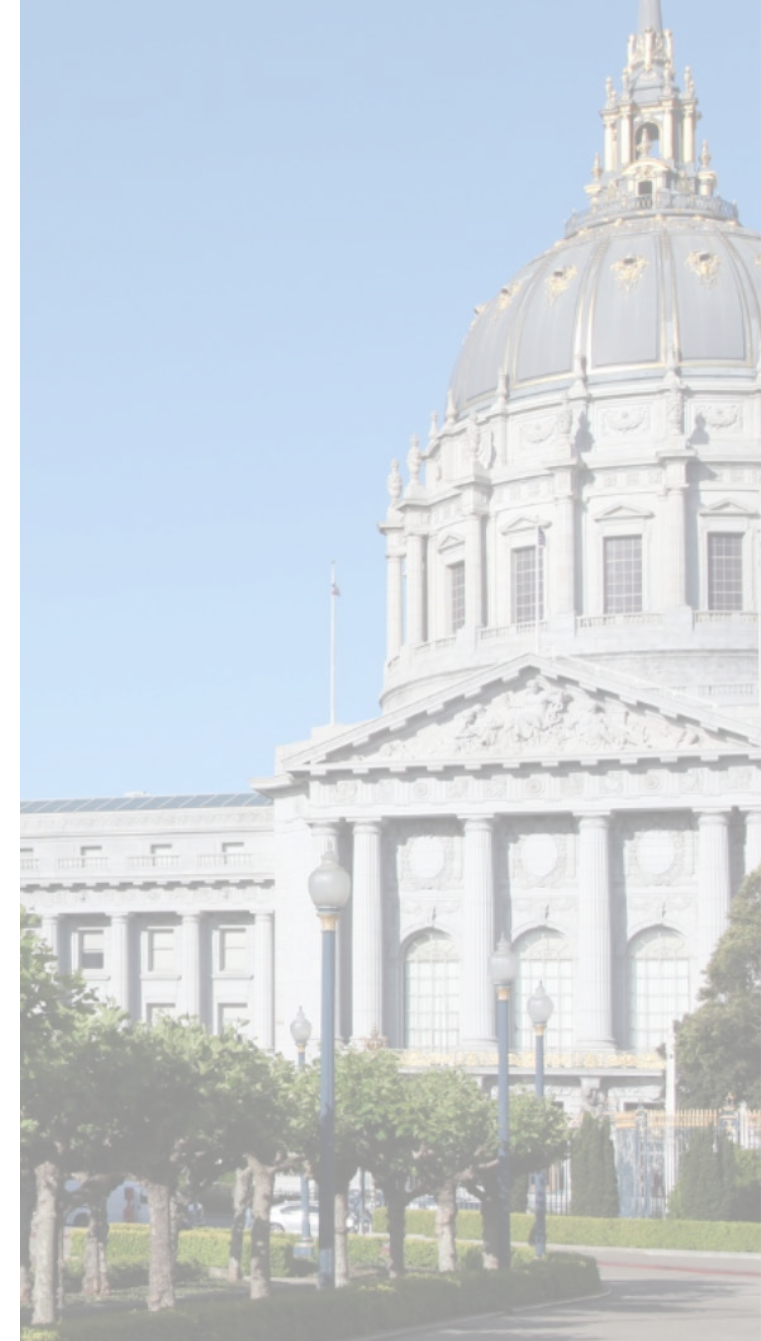


Eligible Uses

- Seismic retrofits to unreinforced masonry buildings;
- Acquisition/rehabilitation and preservation of affordable housing;
- Small Sites (buildings with 5-50 units);
- Larger multi-unit and mixed-use residential buildings;
- Single-room occupancy hotels (SRO)

What's **not** eligible:

- New construction
- Acquisition without rehabilitation



Affordability Restrictions

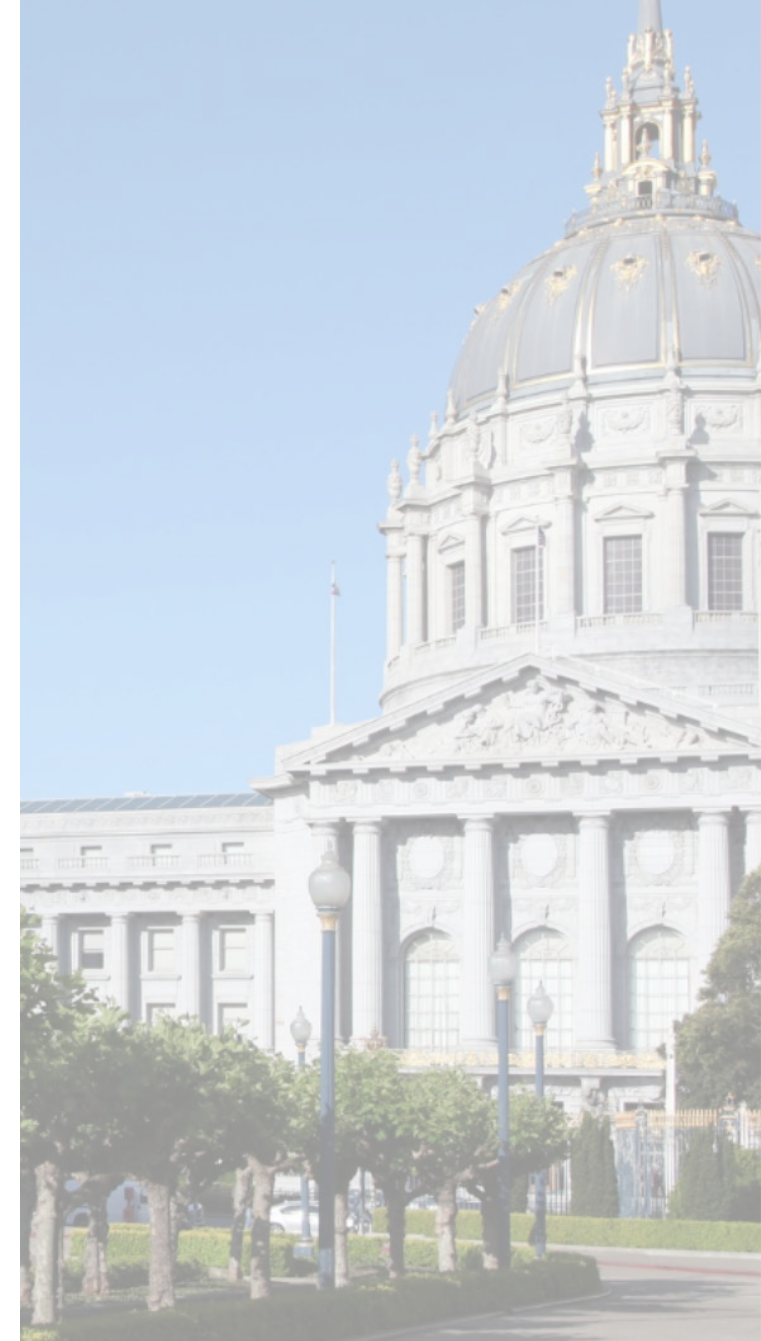
- Permanent affordability restrictions for Deferred Loans and Below Market Rate Loans
- Maximum average rent and household income at 80% AMI, and cap at 120% AMI

AMI	Rent ¹	Income ²
80%	2,594	103,750
120%	3,891	155,650

- Prohibition on capital improvement pass-through for projects with only market-rate loans (no projects of this type have been financed)

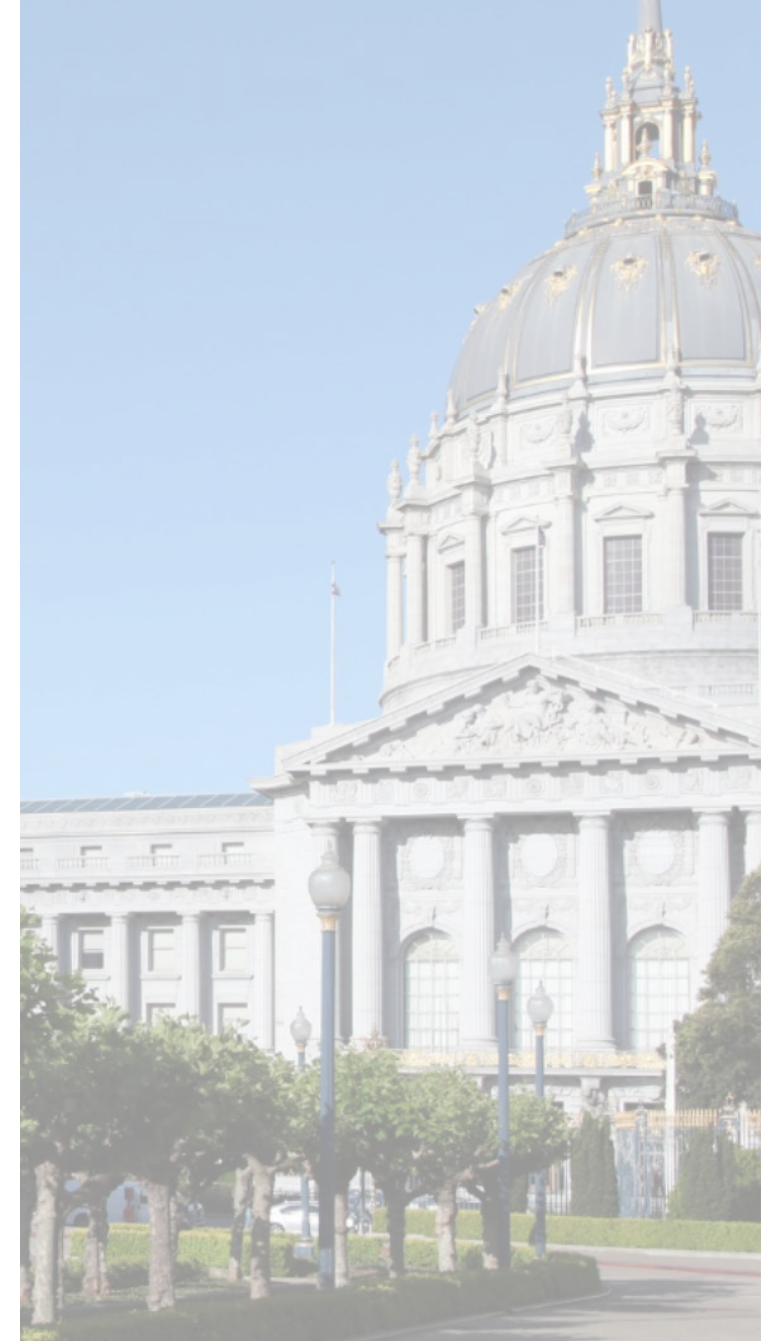
Notes:

1. 2023 MOHCD AMI – 80% Max Average / 120% Maximum 2-bedroom gross rent
2. 2023 MOHCD AMI – 80% Max Average / 120% Maximum 3-person household income



2016 Affordable Housing Bond Update

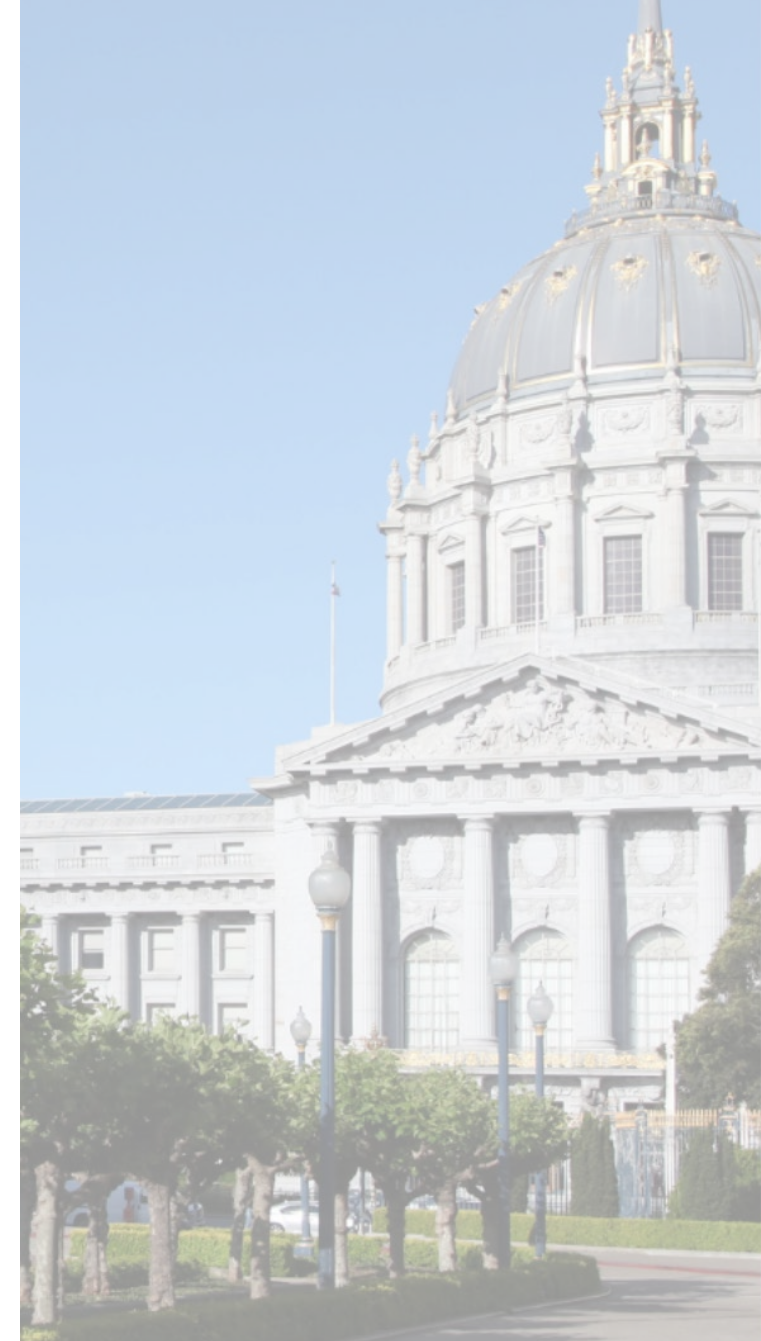
- First Issuance: **\$74.4M**
Issued February 2019
98% spent as of June 2024
- Second issuance: **\$102.6M**
Issued November 2020
64% spent and encumbered as of June 2024



2016 Affordable Housing Bond Update

Total Anticipated Units Preserved

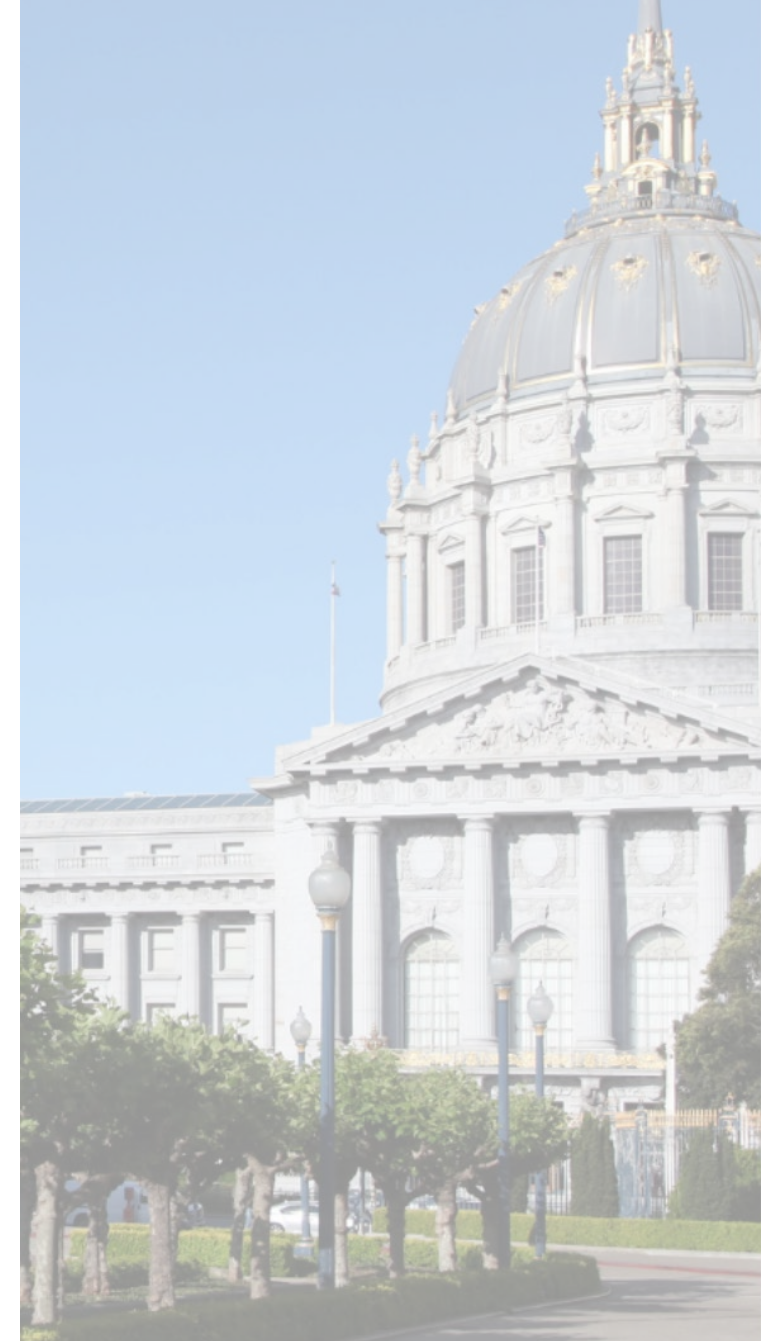
	Total	1 st Issuance 2019A	2 nd Issuance 2020C	3 rd Issuance 2025E	4 th Issuance TBD
Par Amount	260,684,550	72,420,000	102,580,000	37,398,360	48,286,190
Projects	75	23	37	4	11
Residential Units	1,965	435	834	271	425
Commercial Units	78	28	28	7	15



2016 - PASS 3rd Issuance Request

Series 2025E

- Issue up to **\$40M** in **PASS** bonds with assumed total project fund of **\$37,398,360**:
 - \$22,759,857 in Market Rate PASS loans
 - \$14,638,503 Affordable Housing PASS loans
 - \$12,592,020 Below Market Rate loans
 - \$2,0246,483 Deferred loans
- Planned to fund 4 projects with 169 residential and 7 commercial units
- Expenditures planned to occur by 6/30/2025
- Will support projects with a maximum average AMI of 80% with max tenant AMI of 120%
- Planned projects include 2 portfolio rehabilitations and 2 new acquisitions



Larkin Pine Senior Housing

- 63 units of senior housing owned by Chinatown Community Development Center
- Adding 5 units and converting units from SRO to Studios
- Comprehensive rehabilitation of existing affordable housing to improve quality of life and maintain building systems



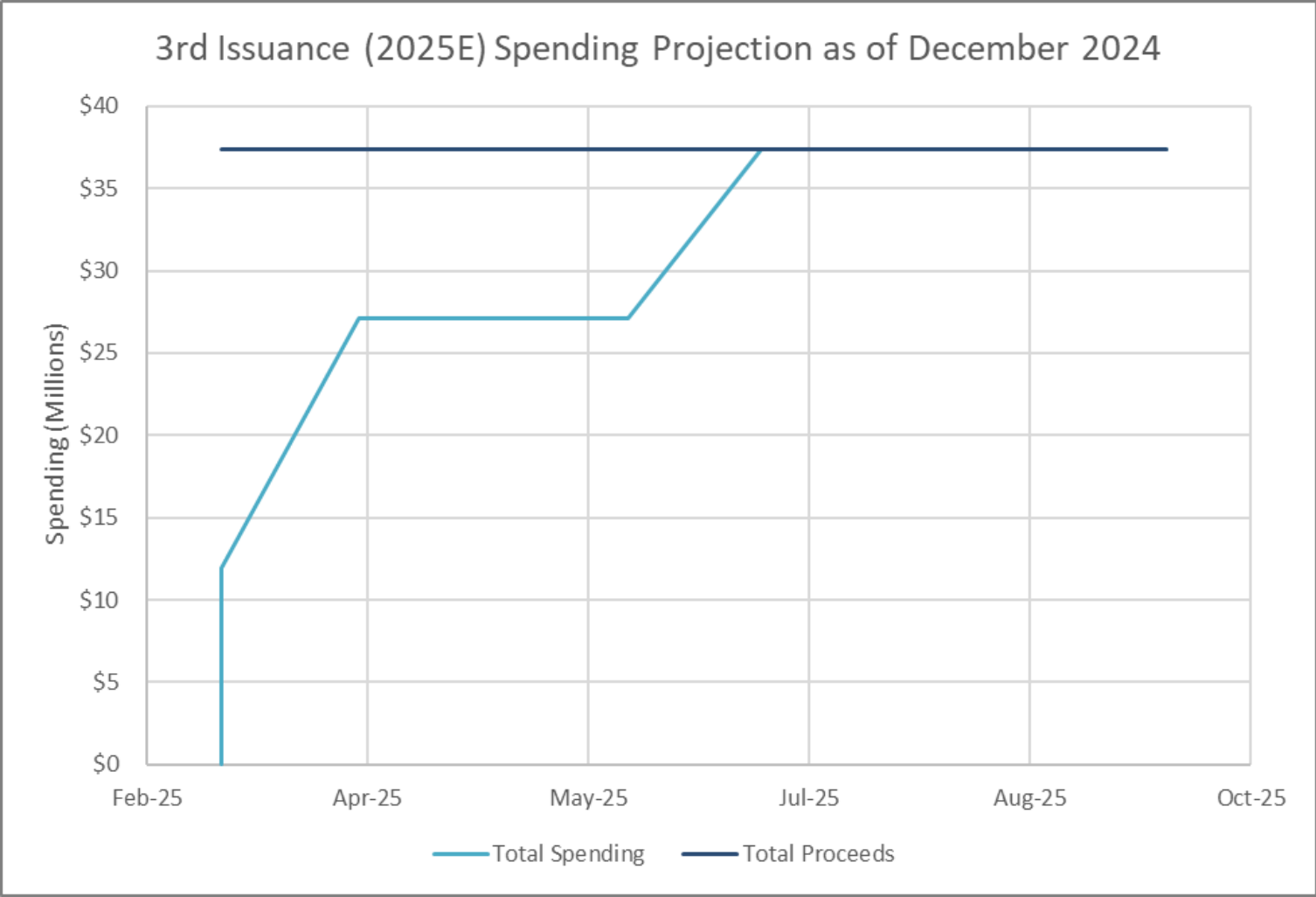
2901 16th Street

- 55 studios, 2 SROs, and 8 commercial units
- Acquisition by Mission Economic Development Agency of market rate property converting to affordable housing



2016 – PASS 3rd Issuance Request

Series 2025E

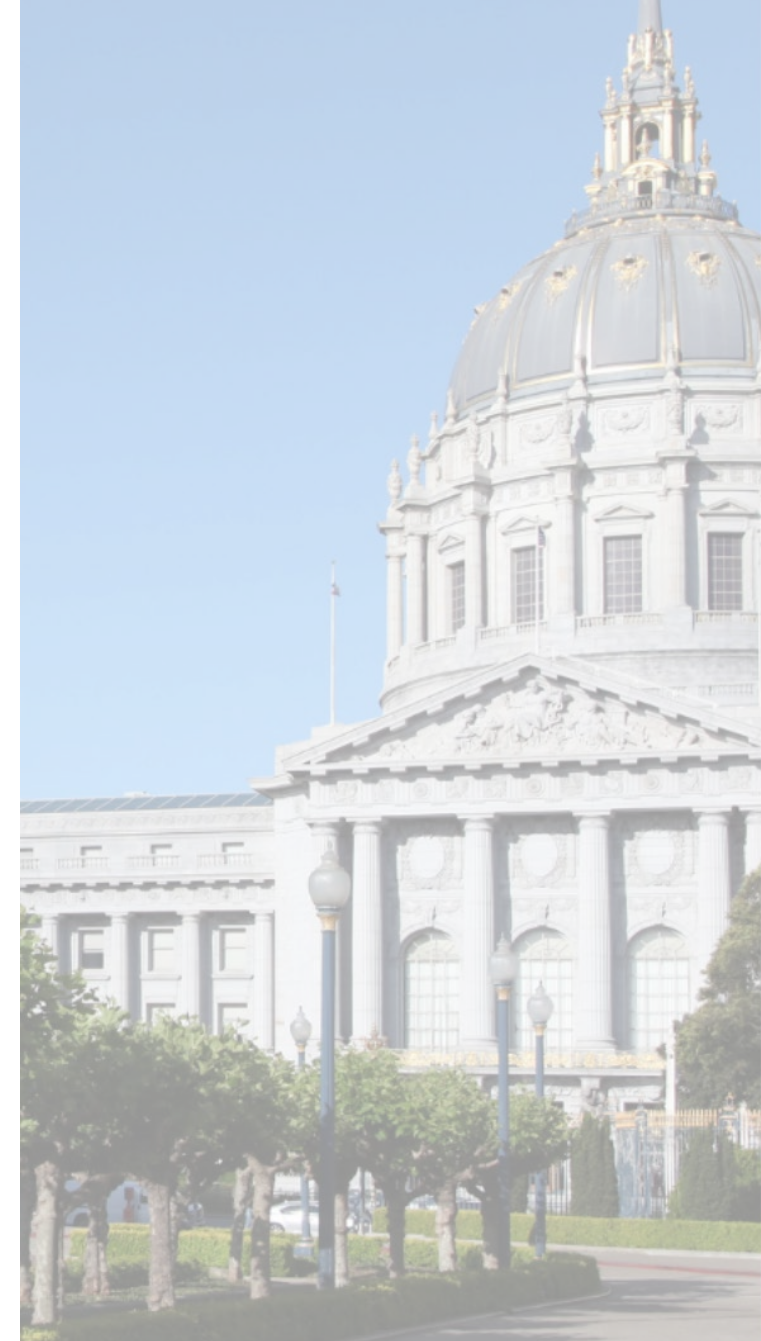


2016 – PASS 3rd Issuance Request

Series 2025E – Known Risks

Known Risks

- Construction cost increases are less severe, but still unpredictable
- If interest rates in private market decrease significantly it could become challenging to place/use debt



Financing Information

**Vishal Trivedi
(OPF)**



2016 – PASS 3rd Issuance Request

Series 2025E – Plan of Finance

Current Plan of Finance

- Not to exceed par amount of \$40M
- Final term of 40 years
- True interest cost (taxable) of 6.88%
- Average annual debt service of \$2.7M
- A portion of the impact on property taxes is expected to be reduced by future PASS loan repayments

Project Fund Breakdown by Loan Types

- Market Rate: 60.86%
- Below Market Rate: 33.67%
- Deferred: 5.47%

Series 2025E
(2016 Preservation
& Seismic Safety)

Estimated Sources

<u>Not-to-Exceed Par Amount</u>	\$40,000,000
Estimated Par	\$38,255,000
Reserve for Market Uncertainty	\$1,745,000
Total Sources	\$40,000,000

Estimated Uses

<u>Project Fund Deposit</u>	
Project Fund	\$37,398,360
Total Project Fund Deposits	\$37,398,360
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$627,110
CGOBOC Fee	\$38,255
Underwriter's Discount	\$191,275
Total Delivery Date Expenses	\$856,640
Reserve for Market Uncertainty	\$1,745,000
Total Uses	\$40,000,000



2016 – PASS 3rd Issuance Request

Series 2025E - Fiscal Impact

Estimated Financing Costs*

- Projected par: **\$38,255,000**
- Estimated interest rate (taxable): 6.88%
 - Estimated total interest cost: \$71.5 million
 - Estimated total debt service: \$109.7 million
 - Estimated Annual Property Tax Impact: \$0.05-\$0.75 per \$100,000 (\$0.31-\$4.52 for a \$600K home)
 - Anticipated final maturity: 6/15/2065

Debt Capacity**

- Certified Net Assessed Valuation for FY24-25 (Net AV): \$351.3 billion
 - 3% GO Debt Capacity: \$10.5 billion
- GO debt outstanding as of 12/31/24: \$2.23 billion (**0.63%** of Net AV)
- GO debt outstanding including proposed 2025E Bonds: \$2.27 billion (**0.65%** of Net AV)

Capital Planning Constraint

Issuance of 2025E bonds is consistent with FY2006 property tax rate cap policy.

** Interest rate and cost estimates provided by Public Resources Advisory Group, an MSRB-registered municipal advisory firm*

*** Debt Capacity calculations do not reflect anticipated issuance of \$552,030,000 Series 2025ABCD bonds.*

2016 – PASS 3rd Issuance Request

Series 2025E – Financing Schedule

Tentative Financing Schedule	
December 2	Capital Planning Committee
January 22	Board of Supervisors Budget & Finance Committee
January 28	Board of Supervisors Adoption of Sale Resolution 1 st Reading of Supplemental Appropriation
February 4	Board of Supervisors 2 nd Reading of Supplemental Appropriation
Week of February 24 th	Tentative Bond Pricing
March 2025	Tentative Sale Closing

Questions?
