

File No. 130887

Committee Item No. 4

Board Item No. 22

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 09/25/2013

Board of Supervisors Meeting

Date: October 1, 2013

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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Completed by: Victor Young Date September 20, 2013
 Completed by: Victor Young Date 9/26/13

1 [Multifamily Housing Revenue Bonds - 1825 Mission Street (Vincentian Villa) - Not to Exceed
2 \$15,500,000]

3 **Resolution declaring the intent of the City and County of San Francisco (City) to**
4 **reimburse certain expenditures from proceeds of future bonded indebtedness;**
5 **authorizing the Director of the Mayor's Office of Housing (Director) to submit an**
6 **application and related documents to the California Debt Limit Allocation Committee**
7 **(CDLAC) to permit the issuance of qualified mortgage revenue bonds in an aggregate**
8 **principal amount not to exceed \$15,500,000 for 1825 Mission Street (Vincentian Villa);**
9 **authorizing and directing the Director to direct the Controller's Office to hold in trust an**
10 **amount not to exceed \$77,500 in accordance with CDLAC procedures; authorizing the**
11 **Director to certify to CDLAC that the City has on deposit the required amount;**
12 **authorizing the Director to pay an amount equal to such deposit to the State of**
13 **California if the City fails to issue the qualified mortgage revenue bonds; approving, for**
14 **purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of**
15 **mortgage revenue bonds by the City in an aggregate principal amount not to exceed**
16 **\$15,500,000; authorizing and directing the execution of any documents necessary to**
17 **implement this Resolution; and ratifying and approving any action heretofore taken in**
18 **connection with the Project (as defined herein) and the Application (as defined herein).**

19
20 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
21 "Board of Supervisors"), after careful study and consideration, has determined that there is a
22 shortage of safe and sanitary housing within the City and County of San Francisco (the "City"),
23 particularly for low and moderate income persons, and that it is in the best interest of the
24 residents of the City and in furtherance of the health, safety, and welfare of the public for the
25 City to assist in the financing of multi-family rental housing units; and

1 WHEREAS, Acting under and pursuant to the powers reserved to the City under
2 Sections 3, 5, and 7 of Article XI of the Constitution of the State of California and Sections
3 1.101 and 9.107 of the Charter, the City has enacted the City and County of San Francisco
4 Residential Mortgage Revenue Bond Law (the "City Law"), constituting Article I of Chapter 43
5 of the San Francisco Administrative Code, in order to establish a procedure for the
6 authorization, issuance and sale of residential mortgage revenue bonds by the City for the
7 purpose of providing funds to encourage the availability of adequate housing and home
8 finance for persons and families of low or moderate income, and to develop viable
9 communities by providing decent housing, enhanced living environments, and increased
10 economic opportunities for persons and families of low or moderate income; and

11 WHEREAS, In addition, pursuant to Division 31 of the Health and Safety Code of the
12 State of California, and particularly Chapter 7 of Part 5 thereof (the "State Law"), the City is
13 empowered to issue and sell bonds for the purpose of making mortgage loans or otherwise
14 providing funds to finance the development of multi-family rental housing including units for
15 lower income households and very low income households; and

16 WHEREAS, Vincentian Villa Investors LP, a California limited partnership (the
17 "Developer"), desires to acquire and renovate a 124-unit residential rental housing
18 development for seniors at 1825 Mission Street to be known as Vincentian Villa (the
19 "Project"); and

20 WHEREAS, The Developer has requested that the City assist in the financing of the
21 Project through the issuance of one or more series of tax-exempt mortgage revenue bonds
22 (the "Bonds"); and

23 WHEREAS, The City expects that proceeds of the Bonds will be used to pay certain
24 costs incurred on and after the date hereof in connection with the Project; and
25

1 WHEREAS, The City intends to issue the Bonds in an amount not to exceed
2 \$15,500,000 to finance the costs of the Project and to loan the proceeds thereof to the
3 Developer (the "Loan"); and

4 WHEREAS, The Board of Supervisors has determined that the moneys advanced and
5 to be advanced to pay certain expenditures of the Project are or will be available only for a
6 temporary period and it is necessary to reimburse all such expenditures made on and after
7 the date hereof with respect to the Project from the proceeds of the Bonds; and

8 WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Board of
9 Supervisors to declare its reasonable official intent to reimburse prior expenditures for the
10 Project with proceeds of a borrowing; and

11 WHEREAS, The interest on the Bonds may qualify for tax exemption under Section
12 103 of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bonds are
13 approved in accordance with Section 147(f) of the Code; and

14 WHEREAS, The City now wishes to approve the issuance of the Bonds in order to
15 satisfy the public approval requirements of Section 147(f) of the Code; and

16 WHEREAS, The Project is located wholly within the City; and

17 WHEREAS, On September 5, 2013, the City caused a notice stating that a public
18 hearing with respect to the issuance of the Bonds would be held by the Mayor's Office of
19 Housing on September 20, 2013, to appear in *The San Francisco Examiner*, which is a
20 newspaper of general circulation in the City; and

21 WHEREAS, The Mayor's Office of Housing has held the public hearing described
22 above on September 20, 2013 and an opportunity was provided for persons to comment on
23 the issuance of the Bonds and the Project; and

1 WHEREAS, This Board of Supervisors is the elected legislative body of the City and is
2 the applicable elected representative required to approve the issuance of the Bonds within the
3 meaning of Section 147(f) of the Code; and

4 WHEREAS, Section 146 of the Code limits the amount of qualified mortgage revenue
5 bonds that may be issued in any calendar year by entities within a state and authorizes the
6 legislature of such state to provide the method of allocating authority to issue qualified
7 mortgage revenue bonds within such state; and

8 WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State
9 of California governs the allocation in the State of California of the state ceiling established by
10 Section 146 of the Code among governmental units in the State having the authority to issue
11 qualified mortgage revenue bonds; and

12 WHEREAS, Section 8869.85 of the Government Code requires a local agency to file
13 an application for a portion of the state ceiling with or upon the direction of the California Debt
14 Allocation Committee ("CDLAC") prior to the issuance of qualified mortgage revenue bonds;
15 and

16 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to
17 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent
18 (1/2%) of the amount of allocation requested; now, therefore, be it

19 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
20 follows:

21 Section 1. The Board of Supervisors finds and determines that the foregoing recitals
22 are true and correct.

23 Section 2. The Board of Supervisors adopts this Resolution for purposes of
24 establishing compliance with the requirements of Section 1.150-2 of the Treasury
25

1 Regulations. This Resolution does not bind the Board of Supervisors to approve the Loan or
2 to make any expenditure, incur any indebtedness or proceed with the Project.

3 Section 3. The Board of Supervisors hereby declares its official intent under Treasury
4 Regulations Section 1.150-2 and declares its intent to use proceeds of indebtedness to
5 reimburse all future expenditures incurred in connection with the Project. The Board of
6 Supervisors hereby further declares its intent to use such proceeds to reimburse the
7 Developer for actual expenditures made by the Developer on the Project.

8 Section 4. On the date of the expenditure to be reimbursed, all reimbursable costs of
9 the Project will be of a type properly chargeable to a capital account under general federal
10 income tax principles.

11 Section 5. The maximum principal amount of debt expected to be issued for the
12 Project is \$15,500,000.

13 Section 6. This Board of Supervisors, as the applicable elected representative of the
14 governmental unit having jurisdiction over the area in which the Project is located, hereby
15 approves the issuance of the Bonds for purposes of Section 147(f) of the Code.

16 Section 7. This approval of the issuance of the Bonds by the City is neither an
17 approval of the underlying credit issues of the proposed Project nor an approval of the
18 financial structure of the Bonds.

19 Section 8. The Board of Supervisors hereby authorizes the Director of the Mayor's
20 Office of Housing and Community Development (the "Director"), on behalf of the City, to
21 submit an application (the "Application"), and such other documents as may be required, to
22 CDLAC pursuant to Government Code Section 8869.85 for an allocation of a portion of the
23 state ceiling for private activity bonds in a principal amount not to exceed \$15,500,000 for
24 qualified mortgage revenue bonds.

1 Section 9. An amount equal to \$77,500 ("Deposit") is hereby authorized to be held on
2 deposit in connection with the Application and the applicable CDLAC procedures, and the
3 Director is authorized to certify to CDLAC that such funds are available; which Deposit shall
4 consist of a restriction on cash in the Affordable Housing Fund established pursuant to
5 Sections 315 *et seq.* of the San Francisco Planning Code, whereby the Citywide Affordable
6 Housing Fund receives in-lieu fees paid by housing developers to satisfy requirements of the
7 Inclusionary Affordable Housing Program (the "Affordable Housing Fund").

8 Section 10. If the City receives a CDLAC allocation and the applicable issuance
9 requirements are not met, the Mayor's Office of Housing is hereby authorized to cause an
10 amount equal to the Deposit to be paid to the State of California from the Affordable Housing
11 Fund, if required.

12 Section 11. The officers and employees of the City and the Director are hereby
13 authorized and directed, jointly and severally, to do any and all things necessary or advisable
14 to consummate the receipt of an allocation from CDLAC and otherwise effectuate the
15 purposes of this Resolution, and all actions previously taken by such officers and employees
16 with respect to the Project, including but not limited to the submission of the application to
17 CDLAC, are hereby ratified and approved.

18 Section 12. This Resolution shall take effect from and after its adoption by the Board
19 and approval by the Mayor.

20
21 APPROVED AS TO FORM:
22 DENNIS J. HERRERA, City Attorney

23 By: Kenneth David Roux
24 Kenneth David Roux
25 Deputy City Attorney

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



EDWIN M. LEE
MAYOR

OLSON LEE
DIRECTOR

September 11, 2013

Supervisor Campos
City and County of San Francisco
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

RE: Resolution Authorizing Application to the California Debt Limit Allocation Committee for Multifamily Housing Revenue Bonds for 1825 Mission Street, Vincentian Villa

Dear Supervisor Campos,

The Mayor's Office of Housing wishes to forward the attached resolution for introduction at the Board of Supervisors on **September 17, 2013**, to authorize a bond application for the financing of 1825 Mission Street, Vincentian Villa. The resolution authorizes the Mayor's Office of Housing and Community Development to submit an application and related documents to the California Debt Limit Allocation Committee (CDLAC) to permit the issuance of qualified mortgage revenue bonds in an amount not to exceed \$15.5 million for the affordable senior housing. The resolution also documents the noticing of the public hearing to be held on September 20, 2013. Should we receive authority, we would need to return to the Board for permission to actually issue the bonds. Funds generated from the issuance and sale of the bonds would be used to finance the acquisition and rehabilitation of the project.

Project Summary

As you know, Vincentian Villa is an existing 124 unit senior property developed by the St. Vincent de Paul Society in 1972. The project was developed in response to displacement through redevelopment in the South of Market in the 1960s. Currently, 72 of the units are subsidized by a HUD project based Section 8 contract, 50 units are subsidized by the City Hotel Tax Rent Supplement contract, and 2 units are market rate. Residents are extremely low income.

In August 2013, the HUD 40-year mortgage fully matured, and St. Vincent de Paul entered into a Purchase & Sale Agreement with GHC Housing Partners LLC (GHC), a for-profit organization based in Sherman Oaks, CA that owns over 18,000 units in 24 states. Over the past 10 years, GHC has renovated over 6,000 units using the tax exempt bond and tax credit program, over half

of which were designated for senior or disabled resident populations. All of the renovations have been completed with residents in place. Vincentian Villa would be GHC's first project in San Francisco.

Per the terms of the negotiated agreement with St. Vincent de Paul, they will capitalize a sinking fund to continue the rent subsidies for the existing residents in the City-supported units through the full term of their residency. Thus, the City will not assign the Hotel Tax Rent Supplement contract to the new owner, and the current residents will continue to pay 30% of their income in rent for as long as they chose to live at Vincentian Villa. GHC will renew the Section 8 contract for a new 20 year term on the 72 Section 8 units. Overall project affordability will be enforced through the City's bond regulatory agreement, requiring that affordability be maintained for 55 years. Attached please find a project summary.

Proposed Schedule

The proposed schedule is the following, which would allow the buyer to submit a CDLAC application on October 11 for the December CDLAC Hearing:

- **Introduce TEFRA & Inducement Resolution – September 17, 2013**
- TEFRA Hearing – September 20, 2013
- **Budget & Finance Committee – September 25, 2013**
- **Board of Supervisors legislation Full Board – October 1, 2013**
- Submit CDLAC Application - October 11, 2013
- CDLAC Hearing – December 11, 2013
- Close bonds – March 2014
- Construction – March 2014- December 2014

The Mayor's Office of Housing has previously issued bonds for rental housing. These financings are conduit financings, which do not require the City to pledge repayment of the bonds. Rather, the bondholders' only recourse for payment are the project revenues themselves and the credit enhancement provided by lenders.

In order to meet the October 11 CDLAC application submittal date, the resolution needs to be introduced at the Board on September 17, and be considered by the full Board by October 1, 2013. We would appreciate any assistance you can provide to help meet this schedule.

The attached resolution has been approved as-to-form by Deputy City Attorney Kenneth Roux. I am enclosing a brief description of the project for your review. If you have any questions about the resolution or the project, please contact Anne Romero at 701-5525. Thank you for your assistance.

Sincerely,



Olson Lee
Director

REQUEST FOR BOND ALLOCATION – AFFORDABLE HOUSING
CITY OF SAN FRANCISCO

Property Overview

Vincentian Villa Investors LP (“Sponsor”) is under contract to purchase Vincentian Villa, a 124 unit elderly designated affordable housing property located at 1825 Mission Street in the Mission District of San Francisco, CA. Currently 72 of the units are covered by a HUD project based Section 8 contract, 50 units are covered by a City of San Francisco sponsored subsidy contract, and 2 units are market rate. The property was originally developed in 1972 by the St. Vincent DePaul Society under the HUD Section 236 loan program. The 236 loan fully matured in August of 2013.

Quality Renovation and Preservation

The property has been well maintained, but the interiors are dated and can benefit from a replacement of several components. Sponsor is planning an extensive renovation projected at \$30,000/unit of hard costs, which will bring the property in line with market rate housing standards and preserve the property. The proposed renovation includes new common area finishes and replacement of unit interior components. Proposed exterior work include the installation of new windows throughout the property, balcony railing repairs, stairwell repairs and refinishing, enhanced landscaping and parking lot resurfacing. A physical needs assessment (PNA) has been performed by Partner Engineering to identify necessary system replacements, although the Sponsor plans to undertake additional improvements that are not reflected in the PNA.

Financial Structure

Sponsor plans to finance the project with a tax exempt bond issuance of up to \$15.5MM from the City of San Francisco, with bonds allocated through the California Debt Limit Allocation Committee (CDLAC), and equity generated from the sale of federal tax credits from the California Tax Credit Allocation Committee (CTCAC). Sponsor has obtained a proposal for direct purchase of the tax exempt bonds by Red Stone Tax Exempt Funding LLC.

The Sponsor is targeting submission of the CDLAC application by October 11, 2013 and the TCAC application by October 13, 2013 for the December allocation meetings.

Sponsor Overview

Gregory F. Perlman controls the Co-General Partner/Administrative GP of the Sponsor, Vincentian Villa Investors LLC. Mr. Perlman is the founder and CEO of GHC Housing Partners LLC (“GHC”). Based in Sherman Oaks, CA, GHC is the 4th largest owner of affordable housing in the United States with over 18,000 units in 24 states. Over the past 10 years, GHC has successfully renovated over 6,000 units using the tax exempt bond and tax credit program. Over 4,000 of these units were designated for senior or disabled resident populations, and all of the renovations were completed with residents in place and no relocation was necessary.

Through its property management affiliate, PK Management, GHC implements plans for social services designed to improve residents' lives and living experience. With over 40 full time social service coordinators nationwide, GHC's social service programs are among the best in the multi-family housing industry.