



DEPARTMENT OF  
HOMELESSNESS AND  
SUPPORTIVE HOUSING

# 833 Bryant Project

Budget and Finance Committee

June 24<sup>th</sup>, 2020



# 833 Bryant - Legislation

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- Resolution to:
  - Enter into a Lease Agreement for 145 units of permanent supportive housing (PSH), not to exceed \$2,014,800 a year for the term of 30 years;
  - Enter into a Sublease Agreement with Mercy Housing to operate the building with tenant placement through Coordinated Entry;
  - Authorize the Controller's Office, through the Office of Public Finance, to provide information necessary for the Bond sale and to complete relevant documents, such as the Preliminary Official Statement and Official Statement, as well as a Continuing Disclosure Certificate.



# 833 Bryant – Project

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- Unique public-private partnership, leveraging philanthropy, state tax credits, and tax-exempt debt
- 145 units of newly constructed Permanent Supportive Housing (PSH) for formerly homeless individuals, plus one manager unit



# 833 Bryant – Permanent Supportive Housing

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- The City's 2019 PIT Count found 8,035 people experiencing homelessness in San Francisco, 64% of whom are unsheltered.
- The PIT Count documented the aging and increasing infirmity of this population further underscoring the need for targeted supportive housing units in the City.
- District 6, where the Project is located, had the highest concentration of homelessness based on PIT count, and a need for additional permanent affordable housing.
- HSH funds approximately 8,000 units of PSH for adults, families, and transitional aged youth (TAY) for residents exiting chronic homelessness.



# 833 Bryant – Permanent Supportive Housing

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- 833 Bryant's per unit lease costs are comparable to recent privately leased hotels for PSH.
  - Lease costs not to exceed \$1,150 per unit per month throughout lease term
  - Project offers permanent affordability to the City, compared to privately leased hotels that can fluctuate based on market conditions and escalate annually
  - Delivers new construction with in-unit bathrooms and kitchens, rather than older as-is buildings with shared bathrooms.
  - Leverage City's credit backing for better financing



# 833 Bryant – Permanent Supportive Housing

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- 833 Bryant also comparable to MOHCD-funded PSH projects and delivers newly constructed units at a faster pace
  - Total development cost: Approx. \$385,000 per unit
  - Total development timeline: Less than 3 years
- 833 Bryant Project Benefits:
  - 30-year term without escalating lease costs
  - Option to own the land, ensures permanent affordability
  - Delivers new, high-quality housing units



# 833 Bryant – Project Details

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- 145 studio units: approximately 260 square feet each with full bath and basic kitchenette
- Includes on-site manager's unit
- 24/7 clerk space for residential entry
- Other amenities (community room, laundry room, lounge, landscaped courtyard)





# 833 Bryant – Project Details

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**Homes for the Homeless Fund: \$50 million grant from Tipping Point Community** seeded fund managed by the San Francisco Housing Accelerator Fund (HAF)

- 833 Bryant is inaugural project
- HAF providing the land (\$8.2m) and bridge funding to allow the project to begin construction; No City funding is supporting project until construction completed
- Project includes purchase option for the City to buy the land for one dollar (\$1) at the end of lease term.





# 833 Bryant – Project Details

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**Mercy Housing:** Developer, building owner, and future operator the property

- Has ground lease with Homes for the Homeless Fund
- Recipient of tax credits and private activity bond allocation
- Through California Housing Finance Agency (CalHFA), issuing tax-exempt debt to partially fund the construction

**Additional Project Details:**

- City covenants to pay lease, allows for use of City’s credit rating and lower borrowing costs
- Operating and services agreements will be finalized closer to occupancy in FY20-21
- No City funds will be put into this project until after construction is completed
- First lease payment will not due until spring 2023



# 833 Bryant – Real Estate Agreements

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**HOMES FOR THE HOMELESS**  
(Land Owner)

Ground Leases the **LAND** to

**MERCY HOUSING**  
(Developer/Constructs Improvements)

**MERCY HOUSING** will  
(Owner of Improvements)

Lease the future **BUILDING** to

**CITY**  
(145 Units of Permanent Supportive Housing)

**CITY** will concurrently  
(Tenant at the Building)

Sublease **Operations** back to

**MERCY HOUSING**  
(Operator and Service Provider)

<http://hsh.sfgov.org>



# 833 Bryant – Summary of Real Estate Items

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## **PROPOSED LEASE AGREEMENT** (Mercy Housing leases supportive housing building to HSH)

- Building is approximately 61,800 sq. ft., consisting of 145 Permanent Supportive Housing Units
- Initial Term is 30 years (plus options to conditionally extend an additional 10 years)
- Base Rent will not exceed \$2,014,00 per year (fixed throughout the term)
- Base Rent to be finalized upon issuance of bonds and calculation of debt service

## **PROPOSED SUBLEASE AGREEMENT** (City subleases back to Mercy Housing)

- City will sublease the building back to Mercy Housing as PSH operator
- City will retain tenanted placement authority through HSH's Coordinated Entry System

## **FUTURE CONVEYANCE AGREEMENT** (City acquires Land from Homes for the Homeless)

- City has option to later buy the Land (approx. 15,500 sq. ft. parcel) for \$1.00
- Any acquisition by City would be subject to future BOS approval



# 833 Bryant – Anticipated Project Budget

<b>Sources of Funds</b>	<b>Amount*</b>
Bond Financing Proceeds	\$31,537,526
Homes for the Homeless Perm Loan	1,230,313
Tax Credit Equity	22,135,100
<b>Total</b>	<b>\$54,902,939</b>
<b>Uses of Funds</b>	<b>Amount</b>
Acquisition-related Costs	1,257,929
Construction Hard Costs	38,887,217
Financing Costs, Fees, and Capitalized Interest	5,640,273
Developer Fee	1,700,000
Other Soft Costs	7,417,520
<b>Total</b>	<b>\$54,902,939</b>

- City’s lease contribution not to exceed \$2,014,800 a year through the proposed lease (not including services & operations)
- Lease payments will support future debt service on the tax-exempt bonds
- This does not include the cost of land which is being funded philanthropically

\*Estimated, final amounts subject to bond market conditions at the time of the sale



# 833 Bryant – Anticipated Financing Timeline

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- Week of July 6 - Post Preliminary Official Statement and Investor Presentation
- Mid July - Bond Pricing
- Week of July 27- Bond Closing