

Project Description
Multifamily Securities Program
City and County of San Francisco

The Kelsey Civic Center

Overview

The funds described in the “Financing Structure” section below will be used to finance the development of The Kelsey Civic Center, a 112-unit affordable multifamily housing project to be located at 240 Van Ness Ave, 94102 in the City and County of San Francisco (the “Project”).

Upon completion, the Project will include approximately 87,193 square feet of gross floor area, comprised of 85,763 square feet of residential area and 1,349 square feet of non-residential area. Non-residential spaces will include a ground-floor commercial space to be master-leased by The Kelsey and subleased to the Department of Disability and Aging Services for a Disability Community Cultural Center.

Total project costs, including the cost to acquire the land and construct the new building, will be approximately \$82,476,455 or \$736,397 per dwelling unit.

The residential unit distribution, which will include two on-site staff units (one studio and one 2-Bedroom) bedroom superintendent units, is:

<u>Unit type</u>	<u>Number of units</u>
Studio	80
1-Bedroom	0
2-Bedroom	32
3-Bedroom	0
4-Bedroom	0

22 percent of the residential units will serve households earning less than 20 percent of the San Francisco County Area Median Income (AMI), 5 percent of the residential units will serve households earning less than 30 percent of the San Francisco County Area Median Income (AMI), 4 percent of the residential units will serve households earning less than 50 percent of the San Francisco County Area Median Income (AMI), 18 percent of the residential units will serve households earning less than 60 percent of the San Francisco County Area Median Income (AMI), 13 percent of the residential units will serve households earning less than 70 percent of the San Francisco County Area Median Income (AMI), 27 percent of the residential units will serve households earning less than 80 percent of the San Francisco County Area Median Income (AMI), while the balance of units will serve households earning less than 95 percent of AMI. Based on the project’s market study studio units at 80 percent and 95 percent of MOHCD AMI will have actual rent levels at ~73 percent of MOHCD AMI (\$1,675 per month)

The development was awarded Section 811-PRAC operating support for 14 units (12 studios, 2 2br).

Residents

No residents will be displaced as the site is currently does not include and residential dwelling units. Commercial relocation will apply to the parcel located at 234 Van Ness Avenue. There are currently two

small commercial office tenants located at 234 Van Ness, the property that is under a binding exchange agreement between the City and County of San Francisco and 234 Van Ness LLC for the creation of the parcel for the Project. Included in the application materials is a relocation plan that outlines the assistance being offered to the two commercial tenants under State and Federal Relocation Assistance Law. The developer is working with Laurin Associates to serve as relocation consultant.

Site Description and Scope of Work

Address: 240 Van Ness Avenue, 234 Van Ness Avenue, 155 Grove Street, 165 Grove Street, 94012
Block/Lot: 0811/TBD (currently 018, 019, 021, 016)

The scope of work for the new construction and property amenities will include:

- 112 units of housing for San Franciscans of all abilities, 25% of units to be set aside for households with disabilities using home and community based services
- Enhanced design features in common areas and units to promote inclusive and accessible living for people with and without disabilities
- Ground floor management and services spaces
- A 3,390 sq ft interior courtyard sensory garden
- A 1,100 sq ft community commons with a community kitchen
- A 575 sq ft recreation room with warming kitchen
- Two upper floor laundry room lounges
- A 750 sq ft roof deck with a view of the San Francisco City Hall dome
- 56 secure indoor bicycle parking spaces
- A 1349 sq ft commercial space (financed by sponsor loan, not included in tax credit aggregate basis)

Development and Management Team

Project Sponsors: Mercy Housing California and The Kelsey
General Contractor: Cahill Contractors LLC
Architect of Record: Santos Prescott and Associates
Property Manager: Mercy Housing Management Group

Project Ownership Structure

Borrower Entity: The Kelsey Civic Center, L.P.
Managing General Partner: Mercy Kelsey Civic Center LLC
Co-Managing Partner: The Kelsey Civic Center LLC

An investor limited partner will own a 99.99% interest in the borrower entity.

Financing Structure

The following sources of capital financing are expected to be utilized:

- tax-exempt bonds issued by the City;
- taxable bonds;

- 4% low income housing tax credits (LIHTC);
- State of California HCD Affordable Housing and Sustainable Communities Program;
- a deferred developer fee;
- a sponsor loan from The Kelsey;
- a conventional first mortgage; and
- soft debt from the City.

The sale of LIHTC will generate equity financing for the Project. The amount of private activity tax-exempt bonds used during construction will be sized specifically to meet the 50% of aggregate basis test required for the LIHTC.

Schedule

Financing is anticipated to close between August 25, 2022 and September 25, 2022, with construction commencing within 30 days closing. All construction is scheduled to be completed by June 28, 2024.

Narrative Description of Project Sponsor Experience

Mercy Housing California (MHC) is the developer for The Kelsey Civic Center. MHC was incorporated in 1988 as the California affiliate of Mercy Housing, Inc (MHI) and is one of the largest affordable housing developers in California in terms of staff, capacity, annual budget, and units controlled, providing affordable homes and services to people in need, touching more than 19,600 lives every day. The mission of Mercy Housing is to create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities. MHC owns and operates 10,413 affordable homes across 152 properties located throughout California, with 57% of our properties located in the Bay Area. MHC's portfolio consists of 51% family, 33% senior and 16% supportive housing (individuals with special needs, including homeless veterans, former foster children, people living with HIV/AIDS and mental health challenges). The median annual income for a Mercy Housing California family household is \$17,000, compared to a median income of \$82,000 for California households generally. For residents in our senior and special needs housing, the median household income is just \$11,000 annually-- half the median annual income for all seniors in California. The Kelsey is the co-developer for the QIP. Our portfolio spans across the continuum of housing development including rental and for-sale, new construction and rehab, and single-family and multi-family products. We serve families, seniors, the disabled, and individuals with special needs—i.e. formerly homeless, people living with HIV/AIDS, and the developmentally disabled.

The Kelsey is a nonprofit that advances development of affordable, inclusive community housing. The Kelsey centers the perspectives of people with disabilities to inform better housing policies, design standards, and development strategies, and drives public-private partnerships and unlock funding for affordable, inclusive community housing. The Kelsey is currently in predevelopment for two affordable housing developments – The Kelsey Ayer Station (San Jose) and The Kelsey Civic Center (San Francisco).

Completing projects on time and on budget: MHC has a well-established track record of moving projects quickly through development within established budget parameters. For example, at 280 Beale, MHC was tasked with delivering 70 units in a standalone Type I building for \$200k per unit in OCII subsidy. This was achieved by creating an efficient, affordable building program and exterior treatment.

The project's schedule was tied to the schedule of the neighboring market-rate tower, requiring the affordable project to break ground within 18 months from the start of predevelopment in order to coordinate the concrete pours of both projects to maximize efficiencies. MHC achieved this by working with the same contractor as the tower and working effectively with the architect and OCII to design an efficient, contextual exterior treatment. Another example is 95 Laguna, where MHC delivered 79 units of senior housing on-time and on-budget through an efficient exterior treatment and by increasing the unit count by seven within the existing building envelope by developing a more efficient interior layout. The TDC is \$554k per unit including the 7,600 sq ft commercial shell but excluding land.

Obtaining competitive financing terms: MHC's success at obtaining competitive funding is evidenced by over 50 HCD loans or commitments and its strong track record in obtaining competitive 9% tax credits, AHP, and HUD 202/811. MHC accesses very competitive tax credit pricing terms due to our extensive experience and relationships with limited partners. The size and success of our portfolio assures investors that MHC has the expertise needed to ensure that their credits will not be jeopardized. MHC has a breadth of experience across California, with multiple tax credit deals a year, and is backed by the national strength of Mercy Housing, Inc. This allows us to negotiate for better terms, and MHC has received better than average pricing in numerous projects, most recently receiving \$1.03 on three active deals in San Francisco.

Developing for low-income families: MHC has decades of experience developing for low-income families and formerly homeless households. In San Francisco, MHC has developed 18 properties (1,493 units) for families and total in California, MHC has developed 74 properties (4,857 units) for families. MHC has experience with a variety of subsidy types, including Project-Based Section 8 subsidies, among others, and wide range of funding sources including HCD (MHP, NPLH, AHSC, IIG), HUD, AHP, and state and federal low-income housing tax credits.

Staffing: MHC maintains development offices in San Francisco (headquarters), Sacramento, and Los Angeles. The San Francisco office presently has over 2,622 units in development, from feasibility to project closeout, with a staff of 14 people solely devoted to new development. This is led Fiona Ruddy, Project Developer, with supervision by Sharon Christen, Associate Director of Supportive Housing Development, and Barbara Gualco, Director of Development. Staffing from The Kelsey includes Micaela Connery, CEO; Caroline Bas, COO; Capri Roth, Interim Director of Real Estate; and Ariana Cernius, Project Manager. Community outreach is being led by The Kelsey's Manager, Organizing & Advocacy, Allie Cannington.