

File No. 140654

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date June 9, 2014

Board of Supervisors Meeting Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input 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 |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <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: Andrea Ausberry Date June 5, 2014

Completed by: _____ Date _____

1 [Multifamily Housing Revenue Bonds - 2600 Arelious Walker Drive - Not to Exceed
2 \$32,500,000]

3 **Resolution declaring the intent of the City and County of San Francisco to reimburse**
4 **certain expenditures from proceeds of future bonded indebtedness; authorizing the**
5 **Director of the Mayor's Office of Housing and Community Development to submit an**
6 **application and related documents to the California Debt Limit Allocation Committee**
7 **(CDLAC) to permit the issuance of residential mortgage revenue bonds in an aggregate**
8 **principal amount not to exceed \$32,500,000 for 2600 Arelious Walker Drive, (San**
9 **Francisco, California 94124); authorizing and directing the Director to direct the**
10 **Controller's Office to hold in trust an amount not to exceed \$100,000 in accordance**
11 **with CDLAC procedures; authorizing the Director to certify to CDLAC that the City has**
12 **on deposit the required amount; authorizing the Director to pay an amount equal to**
13 **such deposit to the State of California if the City fails to issue the residential mortgage**
14 **revenue bonds; approving, for purposes of the Internal Revenue Code of 1986, as**
15 **amended, the issuance and sale of residential mortgage revenue bonds by the City in**
16 **an aggregate principal amount not to exceed \$32,500,000; authorizing and directing the**
17 **execution of any documents necessary to implement this Resolution; and ratifying and**
18 **approving any action heretofore taken in connection with the Project and the**
19 **Application.**

20
21 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
22 "Board of Supervisors"), after careful study and consideration, has determined that there is a
23 shortage of safe and sanitary housing within the City and County of San Francisco (the "City"),
24 particularly for low and moderate income persons, and that it is in the best interest of the
25

1 residents of the City and in furtherance of the health, safety, and welfare of the public for the
2 City to assist in the financing of multi-family rental housing units; and,

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

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

18 WHEREAS, **Double Rock Ventures, LLC**, a limited liability corporation (or any
19 successor thereto including any successor owner of the Project, the "Developer"), desires to
20 construct a 93-unit affordable residential rental housing development located at 2600 Arelious
21 Walker Drive, San Francisco, California 94124 (the "Project"); and,

22 WHEREAS, the Developer has requested that the City assist in the financing of the
23 Project through the issuance of one or more series of tax-exempt mortgage revenue bonds
24 (the "Bonds"); and,
25

1 WHEREAS, The City expects that proceeds of the Bonds will be used to pay certain
2 costs incurred in connection with the Project prior to the date of issuance of the Bonds; and,

3 WHEREAS, The City intends to issue the Bonds in an amount not to exceed
4 \$32,500,000 and to loan the proceeds of the Bonds to the Developer (the "Loan") to finance
5 the costs of the Project; and,

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

10 WHEREAS, Section 1.150-2 of the United States Treasury Regulations requires that
11 the Board of Supervisors declare its reasonable official intent to reimburse prior expenditures
12 for the Project with proceeds of the Bonds; and,

13 WHEREAS, The interest on the Bonds may qualify for tax exemption under Section
14 103 of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bonds are
15 approved in accordance with Section 147(f) of the Code; and,

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

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

19 WHEREAS, On May 11, 2014, the City caused a notice stating that a public hearing
20 with respect to the issuance of the Bonds would be held by the Mayor's Office of Housing and
21 Community Development and Community Development on May 27, 2014, to appear in The
22 San Francisco Chronicle, which is a newspaper of general circulation in the City; and,

23 WHEREAS, The Mayor's Office of Housing and Community Development held the
24 public hearing described above on August 30, 2013 and an opportunity was provided for
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1 persons to comment on the issuance of the Bonds and the Project; and the minutes of such
2 hearing were provided to this Board of Supervisors prior to this meeting; and,

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

6 WHEREAS, Section 146 of the Code limits the amount of tax-exempt private activity
7 bonds, which include qualified mortgage bonds, that may be issued in any calendar year by
8 entities within a state and authorizes the legislature of each state to provide the method of
9 allocating authority to issue tax-exempt private activity bonds within the respective state; and,

10 WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State
11 of California governs the allocation in the State of California of the state ceiling established by
12 Section 146 of the Code among governmental units in the State having the authority to issue
13 tax-exempt private activity bonds; and,

14 WHEREAS, Section 8869.85(b) of the Government Code requires that a local agency
15 file an application for a portion of the state ceiling with or upon the direction of the California
16 Debt Allocation Committee ("CDLAC") prior to the issuance of tax-exempt private activity
17 bonds, including qualified mortgage bonds; and,

18 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to
19 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent
20 (1/2%) of the amount of allocation requested not to exceed \$100,000.00; now, therefore be it

21 RESOLVED, by the Board of Supervisors of the City and County of San Francisco, as
22 follows:

23 Section 1. The Board of Supervisors finds and determines that the foregoing recitals
24 are true and correct.
25

1 Section 2. The Board of Supervisors adopts this Resolution for purposes of
2 establishing compliance with the requirements of Section 1.150-2 of the United States
3 Treasury Regulations. This Resolution does not bind the Board of Supervisors to issue the
4 Bonds, approve the Loan or to make any expenditure, incur any indebtedness or proceed with
5 the Project.

6 Section 3. The Board of Supervisors hereby declares its official intent under United
7 States Treasury Regulations Section 1.150-2 to use proceeds of the Bonds to reimburse
8 expenditures incurred in connection with the Project. The Board of Supervisors hereby further
9 declares its intent to use such proceeds to reimburse the Developer for actual expenditures
10 made by the Developer on the Project.

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

14 Section 5. The maximum principal amount of debt expected to be issued for the Project
15 is \$32,500,000.

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

19 Section 7. This approval of the issuance of the Bonds by the City is neither an approval
20 of the underlying credit issues of the proposed Project nor an approval of the financial
21 structure of the Bonds.

22 Section 8. The Board of Supervisors hereby authorizes the Director, or his designee of
23 the Mayor's Office of Housing and Community Development (the "Director"), on behalf of the
24 City, to submit an application (the "Application"), and such other documents as may be
25 required, to CDLAC pursuant to Government Code Section 8869.85 for an allocation for the

1 Project of a portion of the state ceiling for private activity bonds in a principal amount not to
2 exceed \$32,500,000.

3 Section 9. An amount equal to \$100,000 ("Deposit") is hereby authorized to be held on
4 deposit in connection with the Application and the applicable CDLAC procedures, and the
5 Director is authorized to certify to CDLAC that such funds are available; which Deposit shall
6 consist of a restriction on cash in the Hotel Tax Fund established pursuant to Section 515.01
7 of Article 7 of the San Francisco Business and Tax Regulations Code (the "Hotel Tax 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 and Community Development is
10 hereby authorized to cause an amount equal to the Deposit to be paid to the State of
11 California from the Hotel Tax Fund, if required by CDLAC.

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.

FILE NO.

RESOLUTION NO.

1 APPROVED AS TO FORM:

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3 DENNIS J. HERRERA

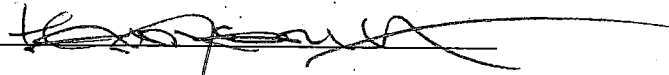
4 City Attorney

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By: 

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HEIDI GEWERTZ

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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

May 30, 2014

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

RE: Resolution Authorizing Application to California Debt Limit Allocation Committee for Multifamily Housing Revenue Bonds for Alice Griffith Phases 1 and 2: 2600 and 2700 Arelious Walker Drive.

With this memo, I am submitting to you for introduction at the Board of Supervisors meeting on Tuesday, June 3, 2014, two resolutions regarding qualified mortgage revenue bonds for 2600 and 2700 Arelious Walker Drive or Phases 1 and 2 of the revitalization of the Alice Griffith Public Housing Development (the "Projects"). McCormack Baron Salazar ("MBS") through their affiliate Double Rock ventures LLC is sponsoring these Projects. Phase 1 is a 93 unit affordable housing development and Phase 2 is a 91 unit affordable housing development. The resolution would authorize Olson Lee, as Director of this office to submit two applications to the California Debt Limit Allocation Committee for permission to issue such bonds in an amount not to exceed \$32,500,000 per phase. These resolutions would only authorize the Mayor's Office of Housing and Community Development ("MOHCD") to apply for the allocations of bond issuing authority. Should we receive authority, we will 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 construction of the Projects.

The proposed Projects are part of a larger affordable housing development, the revitalization of the Alice Griffith public housing development, which is an enforceable obligation of the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency ("OCII"). Alice Griffith Phases 1 and 2 are the first two phases of this redevelopment. When the redevelopment is complete all 256 public housing units will be replaced and the following new units will be added to the development: 248 new affordable units (serving households at or below 50% AMI), 382 market rate units, 43 inclusionary units and 281 workforce units (serving

households between 120% and 160% AMI). As mentioned above, Phase 1 will be a 93 unit affordable family project and Phase 2 will be a 91 unit affordable family project each including 65% public housing replacement units and 35% affordable housing units (serving households at and below 50% Area Median Income). OCII will also be providing loans to all affordable phases of the project.

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 themselves and the credit enhancement provided by lenders.

Introduction on June 3, 2014 ensures that we have enough time to continue gathering the application which is due on July 18, 2014.

The attached resolutions have been approved as-to-form by Deputy City Attorney Heidi Gewertz. I am enclosing a brief description of the Projects for your review.

If you have any questions about the resolution or the project, please contact Elizabeth Colomello at the Office of Community Investment and Infrastructure at 701-5518.

Thank you,



Lisa Motoyama
Director of Real Estate –Special Initiatives

Alice Griffith Phases 1 and 2 Affordable Projects Description

May 2014

Alice Griffith Phases 1 and 2 (the “Projects”) are the first two phases of the redevelopment of the 256 units Alice Griffith Public Housing site as a mixed-income, service-enriched community, developed according to the principles of HOPE SF. When the redevelopment is complete all 256 public housing units will be replaced along with 248 new affordable units, 382 market rate units, 43 inclusionary units and 281 workforce units (serving households between 120% and 160% AMI). Phase 1 will be a 93 unit family project and Phase 2 will be a 91 unit family project each including 65% public housing replacement units and 35% affordable housing units (serving households at and below 50% Area Median Income).

Double Rock Ventures LLC, (“DRV”) the development entity for the redevelopment of Alice Griffith Public Housing is an affiliate of McCormack Baron Salazar (“MBS”). CP Development Co, LP is a partnership including the Lennar Corporation (“CP DEV CO” or “Lennar”) created for the purpose of redeveloping Hunters Point Shipyard Phase 2 and Candlestick Point. On June 3, 2010, the former San Francisco Redevelopment Agency (the “Former Agency” now the Office of Community Investment and Infrastructure or “OCII”) executed a Development and Disposition Agreement (“DDA”) with CP DEV CO that includes a Below Market-Rate Housing Plan (“Housing Plan”). The Housing Plan defines the roles and responsibilities of the Former Agency and CP DEV CO regarding the development of up to 10,500 housing units, an important part of which is the revitalization of the Alice Griffith public housing development as a mixed-income, service-enriched community, developed according to the principles of HOPE SF (“AG”). Based on the requirements of the DDA, MBS was selected by CP DEV CO to be the Alice Griffith Developer based upon their extensive experience revitalizing public housing across the country. Additional development team members include the San Francisco Housing Authority “SFHA” or “Housing Authority” and Urban Strategies, Inc., which will be implementing the social services program at AG.

CP DEV CO concluded a years-long public planning process on August 3, 2010; when the Board of Supervisors approved tax, land exchange, entitlement, and redevelopment plan amendment documents that together enable the implementation of the Candlestick Point-Hunters Point Shipyard Phase 2 mixed-use project (“CP-HPS2”). These approvals were in addition to the Former Agency’s approval of the DDA and Housing Plan described above. CP DEV CO is required per the terms of the DDA to provide a minimum of \$90,000 per Public Housing Replacement unit and \$70,000 per LIHTC unit.

In August 2011, the development team was awarded a U.S. Department of Housing and Urban Development (“HUD”) Choice Neighborhoods Initiative Implementation (“CNI”) Grant in the amount of \$30,500,000, of which \$21,500,000 is to be used for housing development at AG. The CNI program is designed to catalyze critical improvements in neighborhood assets, including vacant property, housing, services and schools. The CNI funding comes with a variety of deadlines and deliverables, the most important of which is a statutory obligation that grant funds be expended and units delivered by September 2016 for the portion of the funds associated with Phases 1 and 2 and September 2017 for the portion of the funds to be used for Phase 3. Therefore, CNI funds and associated funding deadlines will apply to the first 3 phases of AG.

Several predevelopment loans for AG have been approved by the Former Agency Commission and the OCII Commission and the OCII Commission is scheduled to consider the permanent gap loans for Phases 1 and 2 on June 17, 2014. The Mayor’s Office of Housing and Community Development (“MOHCD”) will issue the tax exempt bonds for the Project. OCII and CPDEV CO will provide gap financing for each phase of the development.

Scope of Work:

Each Project will be a five-story podium building one with 93 units and one with 91 units.

Ownership:

MBS will form separate limited partnerships to own the improvements of each phase (“the Partnerships”). SFHA” will own the land that the improvements will be built on. SFHA will enter into long term Ground Leases with each Partnership.

Financing:

The Partnerships will apply for a tax-exempt bond allocation currently estimated to be approximately \$32.5 million per phase and 4% low-income housing tax credits for 100% of the units:

- o Total Development Cost per phase \$54 mil
- o Total Hard Cost per phase \$45 mil
- o Acquisition Cost per phase \$0
- o Soft Costs per phase \$9 mil

Funding sources include an OCII Loan, the CNI grant, Tax Exempt Bonds, and 4% Low Income Housing Tax Credits.

Schedule:

Alice Griffith Phases 1 and 2 Schedule	
Task	Date
TEFRA Ad Phase 1 Published	5/12/2014
TEFRA Ad Phase 2 Published	5/13/2014
TEFRA Hearing Phase 1	5/27/2014
TEFRA Hearing Phase 2	5/29/2014
Inducement Resolutions Lodged with Board	6/3/2014
Inducement Resolutions Lodged with Board	6/9/2014
Inducement Resolutions Approved by Board	6/17/2014
Submit CDLAC applications	7/18/2014