

**111 Jones Street Apartments/Padre Palou Community
Project Overview**

Project Summary

This application will be for the rehabilitation and refinance of a scattered site development consisting of two existing affordable housing communities: 111 Jones Street Apartments and Padre Palou Community.

Total project costs, including the cost to acquire and rehabilitate the existing buildings, will be approximately \$47,450,310 or \$376,590 per dwelling unit.

111 Jones Street Apartments

111 Jones Street Apartments is a nine-story residential building with 108 existing affordable housing units located at 111 Jones Street in the City and County of San Francisco. Built in 1993, the project includes approximately 120,115 square feet of gross floor area made up of 76,900 square feet of residential area as well as nearly 43,200 square feet of parking garage, patio, and common areas. Residents have access to a lobby with a front desk, manager’s office, community room, two multi-use rooms and an outdoor area at the ground floor. The laundry room is located on the second floor.

Since construction, Mercy Housing has completed regular maintenance as necessary. However, largely due to regular wear and tear and the age of the building, the current proposed rehabilitation is substantial.

The residential unit distribution, which includes one 2-bedroom manager’s unit, is:

Studio	8 units
1-BR	64 units
2-BR	16 units
3-BR	<u>20 units</u>
Total	108 units

The City of San Francisco & California Tax Credit Allocation Committee (TCAC) regulatory agreements allow incomes up to 60% of TCAC Area Median Income (AMI) on all 108 units. Pursuant to the existing California Department of Housing and Community Development (HCD) regulatory agreement, 60 of the 108 units must serve households earning 50% of the TCAC AMI or lower. The HCD-assisted units’ rent will be reset through the 1699 Loan Portfolio Restructuring (LPR) Program.

Padre Palou Community

Padre Palou Community consists of 18 existing affordable housing units located at 3400 16th Street in the City and County of San Francisco. It was constructed in 1992 as an affordable housing community. It includes approximately 20,181 square feet of gross floor area, consisting of 17,000 square feet of residential area as well as nearly 4,000 square feet of parking garage, patio, and common areas. Residents have access to a lobby, offices, community room and patio at the ground floor. The laundry room is located on the second floor in addition to a TV room and balcony area.

Since construction, Mercy Housing has completed modest renovations and ongoing maintenance as needed including exterior siding repairs. The current proposed rehabilitation is substantial.

The residential unit distribution, which includes one 2-bedroom manager’s unit, is:

2-BRs	10 units
3-BRs	6 units
4-BRs	<u>2 units</u>
Total	18 units

The City of San Francisco & TCAC regulatory agreements allow households to earn incomes up to 60% of TCAC AMI on all 18 units. Pursuant to the existing HCD regulatory agreement, all 18 units including the 9 HCD-assisted units and 9 unassisted residential units must serve households earning 50% of the TCAC AMI or less. The HCD-assisted units' rent will be reset through the LPR Program.

Description of Residents

No residents will be permanently displaced. All residents have the right to return after any temporary relocation that might be required.

Site Description and Scope of Work

Addresses and Block/Lot:

111 Jones Street, San Francisco, CA 94103
112 Block 0344, Lot 002

3400 16th St, San Francisco, CA 94114,
Block 3558, Lot 113

The rehabilitation will address items that need to be repaired or replaced due to wear and the age of the building. The scope of renovation is anticipated to include:

- roof repairs/replacement,
- window replacement,
- HVAC system upgrades,
- parking area improvements,
- dry rot repairs,
- interior/exterior painting,
- interior finish upgrades,
- exterior skin repairs,
- balcony repairs,
- hardscape upgrades, and
- energy efficiency upgrades.

Twelve to fourteen months are estimated for the rehabilitation of the project. Existing residents will be temporarily relocated both on and off site through a Mercy Housing-led relocation effort.

Development Team

Project Sponsor: Mercy Housing California 70, L.P.
Non-profit Partner: Mercy Housing Calwest (development and operation of the project)
General Contractor: TBD
Property Manager: Mercy Housing Management Group
Architect: TBD

Project Ownership Structure

- This project is being sponsored by Mercy Housing California. The owner will be Mercy Housing California 70, L.P. Mercy Housing Calwest will be the Managing General Partner.
- The existing owners of the project are—
 - 111 Jones Apartments: 111 Jones Associates, a California Limited Partnership
 - Padre Palou Community: 16th & Church Street Associates, a California Limited Partnership
- As part of the acquisition and rehabilitation transaction, both of the existing owners will transfer ownership of the properties to the new limited partnership.
- An investor limited partner will own a 99.99% member interest in the eventual limited partnership owner.
- All required guaranties will be provided by Mercy Housing California.

Financing Structure

The following sources of capital financing will be utilized:

- tax-exempt bonds issued by the City of San Francisco;
- 4% low income housing tax credits (LIHTC);
- seller carryback financing;
- soft debt from the City and County of San Francisco; and
- State of California Housing and Community Development financing.

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 4% tax credits. The sale of 4% LIHTC will generate equity financing for the project. The calculation of tax credits utilizes the 30% basis boost as San Francisco County is a “difficult-to-develop” area.

Schedule

Financing is anticipated to close by May 2017, with construction starting within 30 days of closing. The site rehabilitation work will be over a 12-14 month period, with households temporarily relocated for approximately four weeks during each phase of the work. All construction work will be completed by July 2018.