

File No. 160516

Committee Item No. 3

Board Item No. 21

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 25, 2016

Board of Supervisors Meeting

Date June 7, 2016

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
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| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" 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 |
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Completed by: Linda Wong Date May 20, 2016

Completed by: Linda Wong Date May 31, 2016

1 [Multifamily Housing Revenue Bonds - Central Freeway Parcel O - 455 Fell Street - Not to
2 Exceed \$50,000,000]

3 **Resolution declaring the intent of the City and County of San Francisco (the "City") to**
4 **reimburse certain expenditures from proceeds of future bonded indebtedness;**
5 **authorizing the Director of the Mayor's Office of Housing and Community Development**
6 **(the "Director") to submit an application and related documents to the California Debt**
7 **Limit Allocation Committee ("CDLAC") to permit the issuance of residential mortgage**
8 **revenue bonds in an aggregate principal amount not to exceed \$50,000,000 for 455 Fell**
9 **Street; authorizing and directing the Director to direct the Controller's Office to hold in**
10 **trust an amount not to exceed \$100,000 in accordance with CDLAC procedures;**
11 **authorizing the Director to certify to CDLAC that the City has on deposit the required**
12 **amount; authorizing the Director to pay an amount equal to such deposit to the State of**
13 **California if the City fails to issue the residential mortgage revenue bonds; approving,**
14 **for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale**
15 **of residential mortgage revenue bonds by the City in an aggregate principal amount**
16 **not to exceed \$50,000,000; authorizing and directing the execution of any documents**
17 **necessary to implement this Resolution; and ratifying and approving any action**
18 **heretofore taken in connection with the Project as defined herein, and the Application**
19 **as defined herein.**

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

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

19 WHEREAS, 455 Fell, L.P., a California limited partnership (or any successor thereto
20 including any successor owner of the Project, the "Developer"), desires to construct a 108-unit
21 affordable residential rental housing development located at 455 Fell Street, San Francisco,
22 California 94102 (Block 0831, Lot 024 in the records of the City's Assessor-Recorder) (the
23 "Project"); and

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

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

6 WHEREAS, The City intends to issue the Bonds in an amount not to exceed
7 \$50,000,000 and to loan the proceeds of the Bonds to the Developer (the "Loan") to finance
8 the costs of the Project; and

9 WHEREAS, The Bonds will be limited obligations, payable solely from pledged
10 security, including Project revenues, and will not constitute a debt of the City; and

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

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

18 WHEREAS, The interest on the Bonds may qualify for tax exemption under Section
19 103 of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bonds are
20 approved in accordance with Section 147(f) of the Code; and

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

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

24 WHEREAS, On April 14, 2016 the City caused a notice stating that a public hearing
25 with respect to the issuance of the Bonds would be held by the Mayor's Office of Housing and

1 Community Development and Community Development on April 29, 2016, to appear in The
2 San Francisco Chronicle which is a newspaper of general circulation in the City; and

3 WHEREAS, The Mayor's Office of Housing and Community Development held the
4 public hearing described above on April 29, 2016 and an opportunity was provided for
5 persons to comment on the issuance of the Bonds and the Project; and the minutes of such
6 hearing were provided to this Board of Supervisors prior to this meeting; and

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

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

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

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

22 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to
23 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent
24 (1/2%) of the amount of allocation requested not to exceed \$100,000.00; now, therefore, be it
25

1 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
2 follows:

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

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

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

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

18 Section 5. The maximum principal amount of debt expected to be issued for the Project
19 is \$50,000,000.

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

23 Section 7. This approval of the issuance of the Bonds by the City is neither an approval
24 of the underlying credit issues of the proposed Project nor an approval of the financial
25 structure of the Bonds.

1 Section 8. The Board of Supervisors hereby authorizes the Director, or his designee of
2 the Mayor's Office of Housing and Community Development (the "Director"), on behalf of the
3 City, to submit an application (the "Application"), and such other documents as may be
4 required, to CDLAC pursuant to Government Code Section 8869.85 for an allocation for the
5 Project of a portion of the state ceiling for private activity bonds in a principal amount not to
6 exceed \$50,000,000.

7 Section 9. An amount equal to \$100,000 ("Deposit") is hereby authorized to be held on
8 deposit in connection with the Application and the applicable CDLAC procedures, and the
9 Director is authorized to certify to CDLAC that such funds are available.

10 Section 10. If the City receives a CDLAC allocation and the applicable issuance
11 requirements are not met, the Mayor's Office of Housing and Community Development is
12 hereby authorized to cause an amount equal to the Deposit to be paid to the State of
13 California.

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

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

2 APPROVED AS TO FORM:
3 DENNIS J. HERRERA
4 City Attorney

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6 By: Kenneth David Roux

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Kenneth David Roux
Deputy City Attorney

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May 9, 2016

**City and County of San Francisco
Multifamily Housing Revenue Bond Program
Project Description**

Parcel O

Overview

The funds described in the “Financing Structure” section below will be used to finance the development of a new affordable rental housing project located at 455 Fell Street in San Francisco’s Hayes Valley neighborhood (the “Project”). The Project, commonly known as “Parcel O,” will consist of 108 affordable family rental units, ranging in size from one to three bedrooms for families earning maximum incomes between \$21,400 and \$55,000. The Project is located in the largest remaining Central Freeway site and will help achieve the goal of creating a diverse, green, pedestrian-oriented neighborhood.

The Project will include approximately 111,121 square feet of gross floor area, including 1,200 square feet of retail space on the ground floor. Residents will have access to community rooms, as well as landscaped gardens and play areas, from the courtyard.

Total project costs will be nearly \$62 million or \$574,000 per dwelling unit.

The residential unit distribution, which will include a single 2-bedroom manager’s unit, is:

<u>Unit type</u>	<u>Number of units</u>
Studio	1
1-Bedroom	57
2-Bedroom	42
3-Bedroom	8

All of the residential units will serve households earning less than 60 percent of the San Francisco County Area Median Income (“AMI”).

Description of residents

No residents will be displaced as the site is currently a vacant lot.

Site Description and Scope of Work

Address: 455 Fell Street, San Francisco, California 94107
Block/Lot: 0831/024

Proposed amenities include:

- two residential units specifically designed and marketed for family day care providers;
- commercial space designed for a small local grocer;

- a community garden with programs coordinated by Community Grows;
- office space for supportive services provided by Mercy Housing California, San Francisco Housing Development Corporation, and Episcopal Community Services;
- bicycle storage for each household;
- a workshop for tenants; and
- a 3,780 square-foot courtyard with a publicly-accessible mid-block passage.

Development and Management Team

Project Sponsors: Mercy Housing California (“MHC”) and
San Francisco Housing Development Corporation (“SFHDC”)
General Contractor: Cahill Contractors, Inc.
Architect of Record: LMS + PTA, a joint venture
Property Manager: Mercy Housing Management Group, a Mercy Housing affiliate

Project Ownership Structure

Borrower Entity: 455 Fell, L.P.
Managing General Partner: Mercy Housing Calwest, a California nonprofit public benefit corporation controlled by Mercy Housing California
Co-General Partner: SFHDC Hayes Valley LLC

An investor member will own a 99.99% member interest in the ownership entity. Any required guaranties will be provided by Mercy Housing, Inc.

Financing Structure

The following sources of capital financing will be utilized:

- tax-exempt bonds issued by the City and County of San Francisco;
- 4% federal Low Income Housing Tax Credits (“LIHTC”);
- Permanent financing from the Mayor’s Office of Housing and Community Development;
- San Francisco Federal Home Loan Bank Affordable Housing Program funding; and
- Affordable Housing and Sustainable Communities funding from the California Department of Housing and Community Development.

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. The calculation of tax credits utilizes a 30% basis boost as the U.S. Department of Housing and Urban Development has designated San Francisco County a “difficult development area.”

Schedule

Financing is anticipated to close in January 2017, with construction commencing within 90 days of closing. All construction is scheduled to be completed by September 2018.

SAN FRANCISCO CHRONICLE

This space for filing stamp only

925 MISSION ST, SAN FRANCISCO, CA 94103
Telephone (415) 615-3562 / Fax (415) 348-3084

CNS#: 2869411

NOTICE OF PUBLIC HEARING
NOTICE IS HEREBY GIVEN that on - Friday, April 29, 2016 at 10:00 a.m., in the Mayor's Office of Housing and Community Development, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, the City and County of San Francisco (the "City") will conduct a public hearing (the "Public Hearing") at which time the City will hear and consider information concerning the proposed sale and issuance by the City of multifamily affordable housing mortgage revenue bonds (the "Bonds") in an aggregate principal amount not to exceed fifty million dollars (\$50,000,000). A portion of the proceeds of the Bonds will be loaned to 455 Fell, L.P., a California limited partnership (or any successor thereto) (the "Borrower"), pursuant to a loan agreement (the "Loan Agreement"). The proceeds of the Bonds loaned to the Borrower will be used to finance the construction of approximately 108 units of affordable residential rental housing located at 455 Fell Street, San Francisco, California 94102 (Block D831, Lot 024 in the records of the City's Assessor-Recorder) (the "Project"). The Project will be owned and operated by the Borrower (or an affiliate thereof or successor thereto).

The Bonds will be paid entirely by the Borrower from the revenues of the Project, in accordance with the Loan Agreement. Neither the full faith and credit nor the taxing power of the City, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal, premium, if any, or interest on the Bonds, nor shall the City, the State or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal, premium, if any, or interest on the Bonds.

The Public Hearing is intended to comply with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

All those interested in matters related to the issuance of the Bonds and to the financing of the Project are invited to attend and be heard at this hearing. Interested parties may appear in person at the time and place indicated above or submit written comments, which must be received prior to the Public Hearing, to the City, c/o Adam Cray, Mayor's Office of Housing and Community Development, at the address indicated above.

Date: April 14, 2016
CITY AND COUNTY
OF SAN FRANCISCO
Olson Lee, Director
Mayor's Office of Housing
and Community Development

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California)
County of SAN FRANCISCO) ss

Notice Type: GPN - GOVT PUBLIC NOTICE

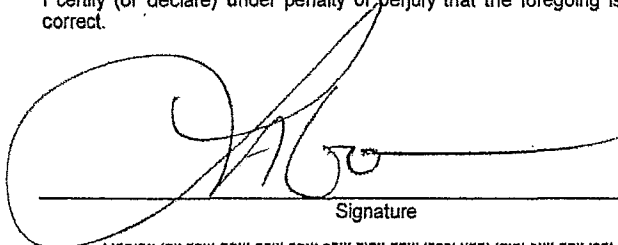
Ad Description:
455 FELL; TEFRA AD

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of the SAN FRANCISCO CHRONICLE, a newspaper published in the English language in the city of SAN FRANCISCO, and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SAN FRANCISCO, State of California, under date of 11/13/1951, Case No.411596. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

04/14/2016

Executed on: 04/14/2016
At SAN FRANCISCO, CA

I certify (or declare) under penalty of perjury that the foregoing is true and correct.



Signature



* A 0 0 0 0 0 4 0 7 1 8 5 0 *

Email

Mayor's Office of Housing and Community Development
City and County of San Francisco



Edwin M. Lee
Mayor

Olson Lee
Director

TEFRA Hearing Minutes

Project Name: 455 Fell Street ("Parcel O")
Project Address: 455 Fell Street, San Francisco, California 94102
Project Block/Lot: 0831/024

Hearing Location: City and County of San Francisco
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Hearing Date/Time: April 29, 2016 from 10:00 a.m. to 11:00 a.m.

The hearing was called to order by Adam Cray of the San Francisco Mayor's Office of Housing and Community Development ("MOHCD") at 10:00 a.m. on the scheduled hearing date. Tim Dunn of Mercy Housing California ("MHC"), one of the project's sponsors, was also present.

1. Explanation of the Purpose for the Hearing

Mr. Cray explained that the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") is a federal law requiring any issuer of tax-exempt bonds to provide a reasonable opportunity for interested individuals to express their views, either orally or in writing, on the issuance of the bonds and the nature of the improvements and projects for which the bond funds will be allocated. Thus, as the issuer of the tax-exempt bonds financing the subject project, the City and County of San Francisco held the TEFRA hearing to provide those interested in discussing the project the opportunity to comment and ask questions.

2. Comments and Questions from Interested Parties

As no parties other than the MOHCD and MHC staff noted above were in attendance, there were no comments or questions.

The hearing was adjourned at 11:00 a.m.



Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date _____

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Breed

Subject:

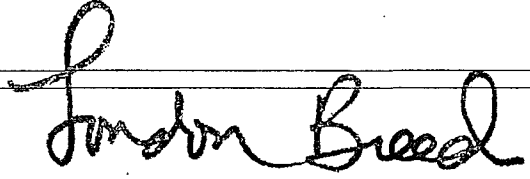
Multifamily Housing Revenue Bonds - 455 Fell Street, San Francisco, California 94107 (also known as "Central Freeway Parcel O") - Not to Exceed \$50,000,000

The text is listed below or attached:

Resolution declaring the intent of the City and County of San Francisco (the "City") to reimburse certain expenditures from proceeds of future bonded indebtedness; authorizing the Director of the Mayor's Office of Housing and Community Development (the "Director") to submit an application and related documents to the California Debt Limit Allocation Committee ("CDLAC") to permit the issuance of residential mortgage revenue bonds in an aggregate principal amount not to exceed \$50,000,000 for 455 Fell Street, (San Francisco, California 94102); authorizing and directing the Director to direct the Controller's Office to hold in trust an amount not to exceed \$100,000 in accordance with CDLAC procedures; authorizing the Director to certify to CDLAC that the City has on deposit the required amount; authorizing the Director to pay an amount equal to such deposit to the State of California if the City fails to issue the residential mortgage revenue bonds; approving, for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of residential mortgage revenue bonds by the City in an aggregate principal amount not to exceed \$50,000,000; authorizing and directing the execution of any documents

necessary to implement this Resolution; and ratifying and approving any actions heretofore taken in connection with the Project, as defined herein, and the Application, as defined herein.

Signature of Sponsoring Supervisor: _____

A handwritten signature in black ink, appearing to read "London Breed", written over a horizontal line.

For Clerk's Use Only: