

File No. 210306

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date April 21, 2021

Board of Supervisors Meeting

Date _____

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- Project Description _____
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Completed by: Linda Wong

Date April 13, 2021

Completed by: Linda Wong

Date _____

1 [Multifamily Housing Revenue Bonds - 6th Street at Avenue C (Treasure Island Parcel C3.1) -
2 Not to Exceed \$100,000,000]

3 **Resolution declaring the intent of the City and County of San Francisco (“City”) to**
4 **reimburse certain expenditures from proceeds of future bonded indebtedness in an**
5 **aggregate principal amount not to exceed \$100,000,000; authorizing the Director of the**
6 **Mayor’s Office of Housing and Community Development (“Director”) to submit an**
7 **application and related documents to the California Debt Limit Allocation Committee**
8 **(“CDLAC”) to permit the issuance of residential mortgage revenue bonds in an**
9 **aggregate principal amount not to exceed \$100,000,000 for Treasure Island Parcel C3.1,**
10 **6th Street at Avenue C, (San Francisco, California 94112); authorizing and directing the**
11 **Director to direct the Controller’s Office to hold in trust an amount not to exceed**
12 **\$100,000 in accordance with CDLAC procedures; authorizing the Director to certify to**
13 **CDLAC that the City has on deposit the required amount; authorizing the Director to**
14 **pay an amount equal to such deposit to the State of California if the City fails to issue**
15 **the residential mortgage revenue bonds; authorizing and directing the execution of any**
16 **documents necessary to implement this Resolution, as defined herein; and ratifying**
17 **and approving any action heretofore taken in connection with the Project, as defined**
18 **herein, and the Application, as defined herein.**

19
20 WHEREAS, The Board of Supervisors of the City and County of San Francisco (“Board
21 of Supervisors”), after careful study and consideration, has determined that there is a
22 shortage of safe and sanitary housing within the City and County of San Francisco (“City”),
23 particularly for low- and moderate- income persons, and that it is in the best interest of the
24 residents of the City and in furtherance of the health, safety, and welfare of the public for the
25 City to assist in the financing of multi-family rental housing units; and

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

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

16 WHEREAS, Mercy Housing California 82, L.P., a California limited partnership (or an
17 affiliate thereof or successor thereto) (the “Borrower”) desires to construct or rehabilitate an
18 138-unit affordable residential rental housing development located at Treasure Island Parcel
19 C3.1, 6th Street at Avenue C (“Project”); and

20 WHEREAS, The Borrower has requested that the City assist in the financing of the
21 Project through the issuance of one or more series of tax-exempt mortgage revenue bonds
22 (“Bonds”); and

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

25 WHEREAS, The City intends to issue the Bonds in an amount not to exceed

1 \$100,000,000 and to loan the proceeds of the Bonds to the Borrower (“Loan”) to finance the
2 costs of the Project; and

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

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

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

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

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

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

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

25 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to

1 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent
2 (0.5%) of the amount of allocation requested not to exceed \$100,000; now, therefore, be it

3 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
4 follows:

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

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

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

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

20 Section 5. The maximum principal amount of debt expected to be issued for the Project
21 is \$100,000,000.

22 Section 6. This resolution is neither an approval of the underlying credit issues of the
23 proposed Project nor an approval of the financial structure of the Bonds.

24 Section 7. The Board of Supervisors hereby authorizes the Director of the Mayor's
25 Office of Housing and Community Development, including any acting or interim director, or

1 such person’s designee (“Director”), on behalf of the City, to submit an application
2 (“Application”), and such other documents as may be required, to CDLAC pursuant to
3 Government Code, Section 8869.85 for an allocation for the Project of a portion of the state
4 ceiling for private activity bonds in a principal amount not to exceed \$100,000,000.

5 Section 8. An amount equal to one-half of one percent (0.5%) of the amount of the
6 CDLAC allocation requested for the Project, not to exceed \$100,000 (“Deposit”), is hereby
7 authorized to be held on deposit in connection with the Application and the applicable CDLAC
8 procedures, and the Director is authorized to certify to CDLAC that such funds are available.

9 Section 9. If the City receives a CDLAC allocation for the Project and the Bonds are not
10 issued, the Mayor’s Office of Housing and Community Development is hereby authorized to
11 cause an amount equal to the Deposit to be paid to the State of California, if and to the extent
12 required by CDLAC.

13 Section 10. The officers and employees of the City, including the Director, are hereby
14 authorized and directed, jointly and severally, to do any and all things necessary or advisable
15 to consummate the receipt of an allocation from CDLAC and otherwise effectuate the
16 purposes of this Resolution, consistent with the documents cited herein and this Resolution,
17 and all actions previously taken by such officers and employees with respect to the Project,
18 consistent with the documents cited herein and this Resolution, including but not limited to the
19 submission of the application to CDLAC, are hereby ratified and approved.

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1 Section 11. This Resolution shall take effect from and after its adoption by the Board
2 and approval by the Mayor.

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

7 By: /s/ HEIDI J. GEWERTZ
8 HEIDI J. GEWERTZ
9 Deputy City Attorney
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Project Description
Multifamily Securities Program
City and County of San Francisco

[Treasure Island Parcel C3.1]

Overview

The funds described in the “Financing Structure” section below will be used to finance the development of Treasure Island Parcel C3.1, a 138-unit affordable multifamily housing project to be located at Treasure Island Parcel C3.1 (6th Street at Avenue C), San Francisco, CA 94130 in the City and County of San Francisco (the “Project”). Upon completion, the Project will include approximately 199,000 square feet of gross floor area, comprised of 113,076 square feet of residential area and 20,654 square feet of non-residential area.

Total project costs, including the cost to acquire the land and construct new buildings, will be approximately 123,182,776, or 892,628/unit per dwelling unit.

The residential unit distribution, which will include one (1) 2-bedroom superintendent unit, is:

| <u>Unit type</u> | <u>Number of units</u> |
|------------------|------------------------|
| Studio | 0 |
| 1-Bedroom | 23 |
| 2-Bedroom | 60 |
| 3-Bedroom | 40 |
| 4-Bedroom | 14 |

51.4% percent (71 units) of the residential units will serve existing Catholic Charities households earning less than 41% percent of the San Francisco County Area Median Income (AMI) or its equivalent to 30% of the Tax Credit Allocation Committee Area Median Income (TCAC AMI). 43 of the residential units (31%) will serve households earning 68% and 108% percent of AMI or the equivalent TCAC AMI. The remaining 23 residential units (17%) will serve over-income existing households up to 136% percent AMI or the equivalent TCAC AMI and these 23 units will not be tax credit eligible. Currently, the building has income averages at 73.96% percent AMI and 54.28% TCAC AMI.

Residents

No residents will be displaced with this new construction development.

Site Description and Scope of Work

Address: Treasure Island Parcel C3.1 (6th Street at Avenue C), San Francisco, CA 94130
Block/Lot: 8905/001

Property amenities will include:

- Community room
- Teen room
- Services room and office

- Property management suite, and;
- Open space.

Development and Management Team

Project Sponsor: Mercy Housing California
General Contractor: Nibbi Brothers
Architect of Record: Paulett Taggart Architects
Property Manager: Mercy Housing Management

Project Ownership Structure

Borrower Entity: Mercy Housing California 82, L.P.
Managing General Partner: Mercy Housing Calwest, a California nonprofit public benefit corporation

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;
- 4% low income housing tax credits (LIHTC);
- a conventional first mortgage;
- soft debt from California Housing and Community Development's Affordable Housing Sustainable Communities (AHSC);
- soft debt from the City;
- Federal Home Loan Bank Affordable Housing Program loan, and;
- Deferred developer fee.

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 12/15/2021 and 1/15/2022, with construction commencing within 30 days closing. All construction is scheduled to be completed by 11/15/2023.

Narrative Description of Project Sponsor Experience

Mercy Housing is a national non-profit affordable housing developer based in Denver, Colorado. With a presence in 41 states, Mercy Housing serves more than 177,000 people and has participated in the development, financing or operation of more than 35,700 homes. 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.