

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



Edwin M. Lee
Mayor

Olson Lee
Director

February 26, 2016

Doug Shoemaker
Executive Director
Mercy Housing California
1360 Mission Street
San Francisco, CA 94103

Dear Mr. Shoemaker:

The San Francisco Mayor's Office of Housing and Community Development (MOHCD) has committed funding to and fully supports the development of Mercy Housing California's ("Developer") affordable housing project located at 455 Fell Street in San Francisco ("455 Fell"). 455 Fell will be a five-story, mixed-use residential with ground floor retail development in the heart of San Francisco's Hayes Valley neighborhood. The project will contain 108 units of affordable family housing, 20% of which will be set-aside for formerly homeless families. The project will provide a large on-grade courtyard for the residential tenants, including a play area for children, in addition to a landscaped roof garden and open space. In addition to the shared open space, the project will provide an array of service space onsite including a 1,400 SF community room, offices for service providers, as well as space for after school programs and a teen center. Finally, 455 Fell will improve surrounding public infrastructure and link families to jobs and amenities around the region via nearby pedestrian improvements, bike, bus, subway, and regional rail transit options.

In February 2015, MOHCD approved \$2,000,000 in below-market predevelopment funding for the project. These funds enabled the Developer's affiliate, 455 Fell, L.P., to begin site testing, architectural and engineering work.

Once the Developer has successfully secured AHSC funds, MOHCD is prepared to approve an additional \$13,359,000 in below-market, residual receipts City loan funds (a total of \$15,359,000 in City financing) to 455 Fell, L.P. for the 455 Fell Street project.

Sources for construction and permanent funding are projected as follows:

Construction Financing:

Loan Type	Loan Amount	Term	Rate
Construction Loan	\$36,081,000	24 mos	4%
AHSC	\$ 405,000	55 years	3%
City of San Francisco	\$14,289,000	55 years	3%
Bridge (AHP)	\$ 1,070,000	24 mos	3%
Tax Credit Equity	<u>\$ 2,754,000</u>	n/a	n/a
Total	\$54,599,000		

Permanent Financing:

Loan Type	Loan Amount	Term	Rate
Permanent Mortgage	\$ 2,800,000	30 years	6%
AHSC	\$14,289,000	55 years	3%
City of San Francisco	\$14,289,000	55 years	3%
Bridge (converts to perm)	\$ 1,070,000	15 years	0%
Tax Credit Equity	\$27,535,000	n/a	n/a
Sponsor Equity	\$ 149,000	n/a	n/a
Deferred Dev Fee	<u>\$ 351,000</u>	n/a	n/a
Total	\$60,483,000		

Construction of 108 high-quality, affordable housing units at 455 Fell, including housing for 22 homeless families, represents a significant response to San Francisco's affordable housing crisis. Again, MOHCD fully supports this project and looks forward to collaborative work with HCD in bringing this project to completion.

Sincerely,



Olson Lee
Director