

Mayor's Office of Housing and Community Development
Office of Community Investment and Infrastructure
Department of Homelessness and Supportive Housing
Controller's Office of Public Finance

MEMORANDUM

DATE: NOVEMBER 15, 2024
TO: CITYWIDE AFFORDABLE HOUSING LOAN COMMITTEE
FROM: ANNE ROMERO, SENIOR PROJECT MANAGER
RE: **2530 18TH STREET HOMELESS PRENATAL PROGRAM**
\$2,000,000 ADDITIONAL ACQUISITION LOAN

NEW SOURCES

ACQUISITION (HPP)	\$2,000,000	OUR CITY OUR HOME (OCOH)
TOTAL NEW SOURCES:	\$2,000,000	

EXISTING SOURCES

PREDEV (MERCY)	\$1,847,900	OUR CITY OUR HOME (OCOH)
	<u>\$3,099,000</u>	HOUSING TRUST FUND
<i>Total existing predev</i>	\$4,946,900	

ACQUISITION LOAN (HPP) \$4,900,000 HOUSING TRUST FUND

TOTAL EXISTING SOURCES \$9,846,900

TOTAL AMENDED MOHCD FUNDING REQUEST

PREDEVELOPMENT (MERCY)	\$1,847,900	OUR CITY OUR HOME (OCOH)
	<u>\$3,099,000</u>	HOUSING TRUST FUND

ACQUISITION LOAN (HPP)	\$4,900,000	HOUSING TRUST FUND
	<u>\$2,000,000</u>	OUR CITY OUR HOME (OCOH)

TOTAL PROJECT AMENDED SOURCES \$11,846,900

EXECUTIVE SUMMARY**Sponsor Information:**

Project Name:	2530 18 th Street	Sponsors:	Homeless Prenatal Program, Inc. (HPP) and Mercy Housing California (MHC)
Project Address:	2530 18 th Street (at Hampshire), 94110	Borrower Entity for Acquisition Take-Out Loan:	2530 18 th , LLC, a California limited liability company (LLC)

1. SUMMARY OF REQUEST

Competitively selected for funding under the 2022 Homeless Families Notice of Funding Availability (NOFA) issued jointly by the Department of Homelessness and Supportive Housing (HSH) and MOHCD, 2530 18th Street (Site) initially was conceived as a new construction 74-unit affordable housing development with 50% of the units set aside for families who have experienced homelessness (Project). The Site is currently owned by LLC, an affiliate of HPP, which has partnered on the development with MHC (and HPP together, Sponsors). The Project received a \$16 million preliminary gap commitment from MOHCD on June 24, 2022, in support of its application for funding to the California Department of Housing and Community Development's (HCD) Multi-family Housing Program (MHP) and Infill Infrastructure Grant (IIG) programs. Sponsors, however, have been unsuccessful in obtaining MHP and IIG awards for the Project.

In order to position the Project to be more competitive for State financing sources, the Sponsors have determined that the building should be redesigned to remove HPP commercial condo on the ground floor. This will allow the Project to increase the unit count to around 96 units. Due to the new MOHCD cost containment measures, the Sponsor will return to MOHCD upon updated concept completion with the updated design, new cost estimate and analysis for competitiveness of State funding. This update is anticipated to be submitted by March 2025. However, since the commercial space is no longer a part of the Project and interest on the acquisition loan is adding to holding costs, the Sponsors have requested for MOHCD / HSH to take out the remaining acquisition loan.

On August 25th, 2023, Loan Committee approved 1) a loan of \$4,946,900 to the LP to repay a predevelopment loan from San Francisco Housing Accelerator Fund (SF HAF) in the original principal amount of up to \$3,000,000 and fund predevelopment expenses through construction close, and 2) a loan in the amount of \$4,900,000 to the LLC to repay an acquisition loan from First Republic Bank (FRB) (\$4,900,000 Existing MOHCD Acquisition Loan). The LLC is the borrower of an acquisition loan from CommonSpirit Health Operating Investment Pool LLC, a Delaware limited liability company (CommonSpirit), in the original principal amount of \$2,000,000, at 2% interest. The LLC is requesting to increase the \$4,900,000 Existing MOHCD Acquisition Loan by the amount of \$2,000,000 to repay the loan from CommonSpirit to save the Project approximately \$3,333 per month in debt service while the Project seeks entitlements and new financing. This would bring the total MOHCD Acquisition loan to \$6,900,000. As is required

in MOHCD underwriting guidelines, upon construction start, the land will transfer to MOHCD, and the \$6,900,000 MOHCD Acquisition Loan will be considered paid in kind, up to the appraised value.

Updated Sources and Uses Summary Sources and Uses Narrative

Predevelopment Sources	Amount	Terms	Status
MOHCD - Take out of SFHAF	\$2,818,003	3% at 55 Years / Res Rec	Approved
MOHCD - Predev.	\$2,128,897	3% at 55 Years / Res Rec	Approved
Acquisition Loan			
MOHCD – Take out of FRB Acq. Loan	\$4,900,000	Earlier of 5 years/parcel transfer @ 0%	Approved
MOHCD – Take out of CommonSpirit Acq. Loan	\$2,000,000	Earlier of 5 years/parcel transfer @ 0%	This Request
Total Predev & Acquisition Loans	\$11,846,900		

Permanent Sources	Amount	Terms	Status
MOHCD/HSH	\$9,100,000	55 years at 3% / Res Rec	Committed
MOHCD/HSH Acquisition	\$6,900,000	5 years, 0%	Committed
HCD-MHP	\$28,320,125	55 years at min int. pymt. / Res Rec	Not Committed
HCD-IIG	\$6,048,992	55 years at 3% deferred	Not Committed
AHP	\$1,000,000	15-year grant 0%	Not Committed
Investor Equity	\$36,114,097	\$0.96 per Fed / \$0.92 per State	Not Committed
Deferred Developer Fee	\$1,000,000	0% deferred	
GP Equity	\$100		
Total	\$88,483,315		

Permanent Uses	Amount	Per Unit	Per SF
Acquisition	\$7,332,250	\$99,084	\$83.16
Hard Costs	\$58,547,274	\$791,179	\$664.06
Soft Costs	\$18,365,277	\$248,179	\$208.30
Reserves	\$1,038,514	\$14,034	\$11.78
Developer Fee	\$3,200,000	\$43,243	\$36.30
Total	\$88,483,315	\$1,195,720	\$1,003.60

* The numbers above are based on the August 18, 2023 Loan Committee approval and not the Project redesign. The sponsor will update numbers at concept design review in March 2025.

2. PRINCIPAL DEVELOPMENT ISSUES

- Project Feasibility:** The Project's original small size of 74 units does not offer economies of scale for construction nor operations, which has also impacted competitiveness for financing applications. Since then, the Sponsors have agreed to remove the HPP community benefit social service space and redesign the project to increase units to approximately 96 units. The Sponsors will return to Planning for approval and rerun numbers to determine a path forward. Please see Section 5.1.

- Competition for State Financing: HCD MHP funding has become increasingly competitive across the State. The Project did not secure an award in 2022 and will face stiff competition in the 2025 round currently as designed. A bond allocation will also be difficult to secure, especially since the Project has high per unit construction costs and is in a moderate resource area. While the Project will qualify for both the Homeless and Extremely Low Income (ELI) set-asides at CDLAC with a more favorable tiebreaker than in previous rounds, the high cost and resource area designation still pose a challenge to competitiveness. The Sponsor will provide an updated scoring analysis in March 2025. Please see Attachment B for more information.
- Property Value: LLC purchased the site on June 29, 2020, for \$7M with 37k in closing costs. As is required by the admin code, the Project will need to complete an appraisal within six months of land transfer to MOHCD to validate these costs. Due to market changes in San Francisco, it is unlikely that the appraised value will have the same value as of the time of purchase. In addition, the Sponsor put down \$100,000 of their own funds that they will seek reimbursement from MOHCD at construction close. HPP would also like to be made whole on the interest paid and holding costs. The Sponsor will provide a detailed outline of all acquisition costs and projected holding costs by March 2025 for MOHCD's approval. See Section 5.1.

3. BACKGROUND

The Site, 2530 18th Street, is a 0.3-acre lot at the corner of 18th and Hampshire Streets in the Mission District. It is adjacent to HPP's main operational building at 2500 18th Street, with which it shares a property line. In June 2020, HPP purchased the Site for \$7 million, financed by a \$4.9 million loan from First Republic Bank, seller carryback financing and HPP funds, and the LLC obtained a subsequent \$2 million loan with Common Spirit Health Operating Investment Pool LLC to take out the seller financing and support their programs and services hub expansion. As MOHCD did not have funding available at the time of acquisition, the San Francisco Housing Accelerator Fund (SF HAF) provided predevelopment financing to the LP to move it forward. The Site underwent a zoning map change through the Board of Supervisors in August 2021 that changed its zoning designation from Production, Distribution and Repair (PDR) to Urban Mixed-Use (UMU). The legislation (co-sponsored by Supervisors Walton, Ronen and Stefani) had over 80 letters of support. The designation allows for residential mixed-use projects and was unanimously approved, which allowed the Site to utilize SB35 for expedited entitlements.

The Sponsor applied for City funding under the joint MOHCD/HSH NOFA in 2022 and was awarded preliminary gap funding in the amount of \$16,000,000. The team had made progress on the design since the original Loan Committee approval on June 17, 2022, with a 60% Construction Drawing set (dated 3/24/23) and cost estimate, and the Site permit is nearly approved. The Sponsors applied for funding in 2022 for MHP and were unsuccessful. At present, in order to increase the feasibility of the Project, the development team has studied increasing the unit count from 74 to 96 units, which would increase the total estimated development cost from about \$88.5M to \$106M. Adding more units will make the Project more competitive for funding, make the building more operationally efficient, and house more families, including those experiencing or at risk of homelessness. This proposed change is significant for HPP, as it means that they will be unable to have new ground-floor social service space in the future building. However, HPP has

supported this new pathway, as the redesign will increase the likelihood that the Project can move forward.

Furthermore, the proforma for 74 units included land cost, but given that the City will purchase the land for the value of the acquisition loans at construction closing, and ground lease the Site back to the LP., the land costs will be removed from the overall Project costs. More financial analysis is needed in order to understand the true Gap above the City's original commitment of \$16M and what the Project will be competitive for in the HCD SuperNOFA round in 2025. The Sponsor will update numbers in March 2025, before resubmission to Planning for re-entitlement of the new units. This request is to reduce the holding costs by taking out the LLC's Common Spirit loan of \$2M, which accounts for about \$3,330 per month in costs.

4. UPDATE ON PROJECT STATUS

1. Procurement

The following team members have been procured.

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	Mithun	N	N
Landscape Architect	Mithun	N	N
General Contractor	Guzman-Suffolk JV LLC	Y	N
Owner's Rep/Construction Manager	Waypoint	Y	N
Financial Consultant	California Housing Partnership Corporation	N	N
Permit Expediter	Dale Durrett	N	N
EBM	Sitco	N	N
Special Inspections	CEL	N	N
PV	Cal Solar	N	N
Public Art	Nine dot Arts	Y	N
IT/Low Voltage	Salter	Y	N
Joint Trench	UDCE	Y	N
Legal	Goldfarb & Lipman LLP	N	N
Property Manager	Mercy Housing Management Group	N	N
Services Provider	Homeless Prenatal Program	N	N

Mercy met with Contracts Monitoring Division (CMD) to establish goals for the Project, which were set at 20% SBE in October 2022. At present, the Project Team is at 27% SBE for design consultants.

2. Proposed Unit Mix and Design

Originally conceived as a 74-unit Project located on an air rights parcel over a two-story commercial space that would be owned by HPP, after unsuccessful financing applications the Sponsors have decided to go through an extensive redesign to maximize units and remove the commercial space. The Sponsor will return to MOHCD with updated concepts due by March 2025 and with updated numbers. The new design will be subject to MOHCD's newly enacted cost containment measures.

5. FINANCING

1. Predevelopment Sources & Uses Evaluation:

Predevelopment costs were funded originally by the SFHAF loan. That loan was taken out with MOHCD funds in December 2023, and another \$2.1M in additional MOHCD predevelopment financing was provided at that time. MHC extended a Line of Credit (LOC) in amount of \$250K during the initial years of the Project and were reimbursed at the SFHAF loan closing.

The Sponsors purchased the site on June 29, 2020 for \$7M with \$37k in closing costs. CommonSpirit Health Operating Investment Pool, LLC provided a second loan to 2530 18th LLC, managed by HPP, in the amount of \$2 million dated January 13, 2022, at 2% interest, to take out the original seller carryback financing. The loan term is five years. This was not originally contemplated to be taken out by MOHCD, as HPP was going to maintain the ground floor commercial space and pay for a portion of the acquisition. In order to move the Project forward, the Sponsors decided to integrate the ground floor into the residential portion and increase the overall unit count. Take out of the CommonSpirit loan will decrease holding costs and overall project costs.

Description	Current Cost Per Month	Future Cost Per Month
Common Spirit Loan Interest (\$2M at 2%)	\$3,333	---
Utilities and Pest Control	\$366	\$366
Building Supplies and Maintenance	\$315	\$315
Insurance (Property and Liability)	\$1,055	\$1,055
Accounting and Other Professional Services	\$573	\$573
Total:	\$5,643	\$2,309

MOHCD will hold two notes, one for \$6.9M with the LLC for the acquisition loan take out cost, and another for \$4.9M with the LP for predevelopment.

As is required by the admin code, the Project will need to complete an appraisal within six months of land transfer to MOHCD to validate these costs. Due to market changes in San Francisco, it is unlikely that the appraised value will have the same value as of the time of purchase. In addition, the Sponsor put down \$100,000 of their own funds that they will seek reimbursement from MOHC at construction close. HPP would also like to be made whole on the interest paid and holding costs. The Sponsor will provide a detailed outline of all costs and what ongoing holding costs would be by March 2025 for MOHCD's approval.

LP has an option agreement to purchase the Site from HPP. However, in the event that the Project team cannot finance the Project within five years, the Sponsor intends to sell the land to pay back the MOHCD acquisition debt.

Original Acquisition Loans	
First Republic Bank	\$4,900,000
Common Spirit Loan	\$2,000,000
Total Acquisition Loans	\$6,900,000

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2530 18th Street HPP

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Predevelopment Loans	
Original SF HAF	\$2,818.003
New MOHCD Predev	\$2,128,897
Total Predevelopment Loans	\$4,946,900
Total Loans	\$11,846,900

To date, Mercy has \$1,890,533 left to spend on the predevelopment loan. The Sponsor will also provide a draw down schedule of these funds as well as an analysis of how additional costs will be covered by March 2025.

2. Permanent Uses Evaluation:

This request is for the takeout of acquisition funding only. The Sponsor does not have fully approved concept drawings yet. The Sponsor will return to MOHCD by March 2025 with updated concept and numbers before applying to Planning, per MOHCDs new Cost Containment Strategy. To see previous costs, please see Attachment B - August 2023 – Approved Acquisition and Predevelopment Loan Evaluation

3. Developer Fee Evaluation: The milestones for the payment of the developer fee to the Sponsor are the same as previously approved by Loan Committee in Attachment B - August 2023 – Approved Acquisition and Predevelopment Loan Evaluation

4. Operating Costs

The Sponsor will return to MOHCD by March 2025 with updated operating costs. To see previous costs, please see Attachment B - August 2023 – Approved Acquisition and Predevelopment Loan Evaluation.

6. STAFF RECOMMENDATIONS

Financial Description of Proposed Loan (Acquisition)	
Amended Loan Amount:	\$6,900,000
Loan Term:	5 years
Loan Maturity Date:	5 years from the date of execution of the agreement.
Loan Repayment Type:	Forgivable upon transfer of the land to MOHCD
Loan Interest Rate:	0%

7. STATUS OF PREDEVELOPMENT LOAN CONDITIONS

1. Sponsor must provide MOHCD with detailed monthly updates via the MOHCD Monthly Project Update, including on: Community outreach completed, Outcomes achieved related to racial equity goals, and Commercial-use programming.

Status: Ongoing

2. Sponsor must provide operating and development budgets that meet MOHCD Underwriting Guidelines and MOHCD Commercial Space Underwriting Guidelines.

Status: Ongoing. Will provide updated operating and development budgets by March 2025. Commercial space is now removed.

3. Sponsor must provide MOHCD with a services plan and proposed staffing levels approved by HSH that meet MOHCD underwriting standards prior to gap loan approval. Any changes to the current proposed staffing will need to be presented to MOHCD at least 90 days prior to gap loan approval.

Status: In progress. Updated draft services plan will be submitted to HSH and MOHCD in March 2025.

4. Sponsor must work with MOHCD staff and project's General Contractor to Value Engineer construction budget.

Status: In progress with MOHCD CR participation.

5. Sponsor must work with MOHCD staff to revise unit mix so that the project will include a higher number of units serving households at 50% MOHCD AMI.

Status: In progress.

6. Sponsor must provide MOHCD with information outlining cost containment, efficiencies and innovation strategies to reduce overall project costs and maximize efficiency of MOHCD gap loans.

Status: In progress.

8. Sponsor must provide the Reciprocal Easement Agreement between the commercial and residential parcels to MOHCD no less than 90 days prior to Loan Committee date for gap loan.

Status: No Longer Needed. Project is going through redesign to remove commercial space.

9. Sponsor to work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry.

Status: In progress.

10. Sponsor must: a) provide for MOHCD review of the Request for Proposals (RFP) for equity investors and lenders before it is finalized and distributed; b) provide for MOHCD review of all raw financial data from developer or financial consultant prior to selection; c) provide for MOHCD review and approval of all selected investors and lenders; and d) provide for MOHCD review and approval of all Letters of Intent from financial partners.

Status: Will be submitted at the appropriate time.

11. Sponsor must provide initial draft marketing plan within 12 months of anticipated TCO, outlining the affirmative steps they will take to market the project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans.

Status: Will be submitted at the appropriate time.

12. Sponsor must provide quarterly updated response to any letters requesting corrective action.

Status: Will be provided if a letter requesting corrective action is received.

13. Sponsor must submit an updated 1st year operating budget and 20-year cash flow – if any changes have occurred – by November 1st before the year the project will achieve TCO so that MOHCD may request the LOSP subsidy.

Status: Will be submitted at the appropriate time.

14. Sponsor must apply for any other higher value rent and operating subsidies available including Continuum of Care contracts or Project Based Vouchers.

Status: Will be submitted at the appropriate time.

15. Sponsor to provide self-scores for all third-party funding requests.

Status: Ongoing.

16. Sponsor to work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry.

Status: In progress.

17. Sponsor must apply for any other higher value rent and operating subsidies available including Continuum of Care contracts or Project Based Vouchers.

Status: Will be submitted at the appropriate time.

18. Increase equity pay in assumptions to \$0.98 for updated financial projections, pending discussions with financial advisor on current tax credit investment climate

Status: Will be submitted at the appropriate time.

New Conditions:

19. Sponsor will submit new competitive analysis for HCD and other alternative funding sources by March 2025.
20. Sponsor will provide an updated drawdown schedule of the predevelopment loan and explain how costs will be covered over the rest of the predevelopment period by March 2025.

HPP Loan Conditions:

21. MOHCD Holding costs are not included in the predevelopment budget and are currently covered by HPP, for reimbursement at construction loan closing for the residential housing portion; MOHCD will review and need to approve them to be included as part of the acquisition cost.

Status: Will be submitted at the appropriate time.

22. HPP to provide quarterly fundraising updates on the HPP Campus Expansion

Status: No longer applicable. HPP will not have commercial space in Project.

23. In the event that the Project does not move forward within five years, HPP will repay MOHCD's acquisition loan within five years of recording the MOHCD Deed of Trust.

Status: Ongoing

8. LOAN COMMITTEE MODIFICATIONS

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9. LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

APPROVE. DISAPPROVE. TAKE NO ACTION.

DocuSigned by:

Daniel Adams
E09C20545F78457...

Date: 11/15/2024 | 11:30 AM PST

Daniel Adams, Director
Mayor's Office of Housing and Community Development

APPROVE. DISAPPROVE. TAKE NO ACTION.

DocuSigned by:

Marc Slutzkin
742ADE1A610E472...

Date: 11/15/2024 | 12:47 PM PST

Marc Slutzkin for Thor Kaslofsky, Deputy Director
Office of Community Investment and Infrastructure

APPROVE. DISAPPROVE. TAKE NO ACTION.

DocuSigned by:

Salvador Menjivar
4471E0DF5946486...

Date: 11/15/2024 | 11:32 AM PST

Salvador Menjivar, Director of Housing
Department of Homelessness and Supportive Housing

APPROVE. DISAPPROVE. TAKE NO ACTION.

DocuSigned by:

Vishal Trivedi
63D9B405CF594FF...

Date: 11/15/2024 | 11:29 AM PST

Vishal Trivedi for Anna Van Degna, Director
Controller's Office of Public Finance

Attachments: Attachment A - Updated Milestones and Project Schedule
Attachment B - August 2023 – Approved Acquisition and Predevelopment
Loan Evaluation

Attachment A – Updated Milestones and Project Schedule

No.	Performance Milestone	Estimated or Actual Date	Notes
A	Prop I Noticing (if applicable)	<u>6/16/2023</u>	
1	Acquisition/Predev Financing Commitment	<u>12/19/2019</u>	First Republic Bank provided initial land commitment to HPP
2.	Site Acquisition	<u>12/19/2019</u>	Acquired by HPP
3.	Development Team Selection		
a.	Architect	<u>10/21/21</u>	
b.	General Contractor	<u>10/21/21</u>	
c.	Owner's Representative	<u>10/21/21</u>	
d.	Property Manager	<u>10/21/21</u>	
e.	Service Provider	<u>10/21/21</u>	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	<u>4/11/22</u>	
b.	Submittal of Design Development & Cost Estimate	<u>8/8/22</u>	
c.	Submittal of 50% CD Set & Cost Estimate	<u>12/16/22</u>	
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>6/2/23</u>	
5.	Commercial Space		
a.	Reciprocal Easement Agreement with commercial parcel Submission	<u>N/A</u>	

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b.	LOI/s Executed	<u>n/a</u>	
6.	Environ Review/Land-Use Entitlements		
a.	SB 35 Application Submission	<u>April 2025</u>	
b.	CEQA Environ Review Submission	<u>n/a</u>	
c.	NEPA Environ Review Submission	<u>n/a</u>	
d.	CUP/PUD/Variances Submission	<u>n/a</u>	
7.	PUC/PG&E		
a.	Temp Power Application Submission	<u>6/1/22</u>	
b.	Perm Power Application Submission	<u>TBD</u>	
8.	Permits		
a.	Building / Site Permit Application Submitted	<u>10/28/21</u>	
b.	Addendum #1 Submitted	<u>4/10/23</u>	
c.	Addendum #2 Submitted	<u>9/25/23</u>	
9.	Request for Bids Issued	<u>6/5/23</u>	
10.	Service Plan Submission		
a.	Preliminary	<u>12/1/22</u>	
b.	Final	<u>11/29/22</u>	
11.	Additional City Financing		
a.	Preliminary Gap Financing Application	<u>12/1/22</u>	
b.	Acquisition Take Out and Predev Financing Application	<u>8/25/23</u>	

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	c. Gap Financing Request	<u>4/1/24</u>	
12.	Other Financing		
a.	HCD Application - MHP	<u>4/1/26</u>	
b.	Construction Financing RFP	<u>12/3/26</u>	
c.	AHP Application	<u>3/1/26</u>	
d.	CDLAC Application	<u>7/2/26</u>	
e.	TCAC Application	<u>7/2/26</u>	
f.	Other Financing Application		
g.	LOSP Funding Request	<u>11/29/26</u>	
13.	Closing		
a.	Construction Loan Closing	<u>6/1/27</u>	
b.	Conversion of Construction Loan to Permanent Financing	<u>9/1/29</u>	
14.	Construction		
a.	Notice to Proceed	<u>6/1/27</u>	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>11/1/28</u>	
15.	Marketing/Rent-up		
a.	Marketing Plan Submission	<u>11/1/27</u>	
b.	Commence Marketing	<u>6/1/28</u>	
c.	95% Occupancy	<u>3/1/29</u>	

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16.	Cost Certification/8609	<u>6/1/30</u>	
17.	Close Out MOH/OCII Loan(s)	<u>9/1/30</u>	

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Attachment B –Approved Acquisition and Predevelopment Loan Evaluation

Citywide Affordable Housing Loan Committee

San Francisco Mayor's Office of Housing and
Community Development

Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure
Controller's Office of Public Finance

2530 18th Street

Total Request: \$9,846,900

Acquisition Take-Out Loan with Homeless Prenatal Program
\$4,900,000

Predevelopment Funding for Mercy Housing California
\$4,946,900

Evaluation of Request for:	Acquisition Take Out and Predevelopment Funding
Loan Committee Date:	August 18, 2023
Prepared By:	Anne Romero, Senior Project Manager
MOHCD Asset Manager:	Carmen Otero
MOHCD Construction Representative:	Sarah Tenpas
Sources and Amounts of New Funds Recommended:	Housing Trust Fund - \$1,846,900 Our City Our Home (OCOH) from HSH: \$8,000,000
Sources and Amounts of Previous City Funds Committed:	\$16,000,000 (preliminary gap commitment June 2022)
NOFA/PROGRAM/RFP:	2022 NOFA for Affordable Rental Housing for Families Including Families Experiencing Homelessness
Applicant/Sponsor(s) Name:	Homeless Prenatal Program (HPP) Mercy Housing California (Mercy)

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EXECUTIVE SUMMARY

Sponsor Information:

Project Name:	2530 18 th Street	Sponsors:	Homeless Prenatal Program Mercy Housing California (MHC)
Project Address (w/ cross St):	2530 18 th Street (at Hampshire), 94110	Borrower Entity for Acquisition Take-Out Loan: Borrower Entity for Predev Take-Out and Additional Predev Loan:	2530 18th, LLC Mercy Housing California 104, L.P.

Project Summary:

Competitively selected for funding under the 2022 Homeless Families Notice of Funding Availability (NOFA) issued jointly by the Department of Homelessness and Supportive Housing (HSH) and MOHCD, 2530 18th Street (Site) will be a new construction 74-unit affordable housing development with 50% (37) of the units set aside for families who have experienced homelessness (Project). The Site is currently owned by 2530 18th, LLC, an affiliate of the Homeless Prenatal Program (HPP), which has partnered on the development with Mercy Housing California (MHC, and together Sponsor). After subdivision of the parcel, HPP will develop expanded office and services space (HPP Campus Expansion) to expand their program on the ground and second floor, which would connect to their existing adjacent programs and services hub at 2500 18th Street at Potrero, funded by New Markets Tax Credits (NMTC) and private fundraising. MHC will develop the residential project in an air rights parcel above and adjacent to HPP's expanded campus space. Half of the units will be built as permanent supportive housing for families who have experienced homelessness, subsidized by the Local Operating Subsidy Program (LOSP) with residents referred through the Coordinated Entry system. The Project received a \$16 million preliminary gap commitment from MOHCD on June 24, 2022 in support of its application for funding to the California Department of Housing and Community Development's (HCD) Multi-family Housing Program (MHP) and Infill Infrastructure Grant (IIG) programs. The Project did not receive a funding award from HCD in 2022 and reapplied for MHP and IIG in July 2023. Award notifications of the latest HCD round will be in Winter 2024.

HPP is requesting that MOHCD take out one of its two acquisition loans for the Site provided by First Republic Bank (FRB), which originally was due for repayment at the end of June 2023 and has been extended to September 25, 2023. The MOHCD loan would be considered repaid in full upon transfer of the new, yet to be created residential air rights parcel to the City at construction loan closing. In the event that the Project does not move forward, HPP would repay the MOHCD acquisition loan within five years from the date of the loan (September 2028). In addition, MHC is requesting \$2,435,211 to take out the existing San Francisco Housing Accelerator Fund (SF HAF) predevelopment loan and \$2,511,689 in additional predevelopment funding to cover the Project through construction close.

The Project will have a mix of one, two- and three-bedroom units with half the units affordable to households at 30% of the San Francisco area median income (AMI), and the remainder of units restricted at 50%, 60% and 70% Area Median Income. HPP will provide case management services for the supportive housing units in the Project, funded under a separate contract with San Francisco Department of Homelessness and Supportive Housing (HSH).

Project Description:

Construction Type:	Type I-B	Project Type:	New Construction
Number of Stories:	8	Lot Size (acres and sf):	0.31 acres/ 13,504 sf
Number of Units:	74	Architect:	Mithun
Total Residential Area:	50,714 sf	General Contractor:	Suffolk Construction Company
Total Commercial Area:	N/A – separate parcel	Property Manager:	Mercy Housing Management Group
Total Building Area:	88,166 sf	Supervisor and District:	Ronen (Dist. 9)
Land Owner:	2530 18 th , LLC		
Total Development Cost (TDC) without acquisition:	\$81,151,064	Total Acquisition Cost:	\$7,332,250
TDC/unit:	\$1,195,720	TDC less land cost/unit:	\$1,096,636
Current Loan Amount Requested:	\$9,846,900	Request Amount / unit:	\$133,066
HOME Funds?	N	Parking?	N

PRINCIPAL DEVELOPMENT ISSUES

- **Project feasibility:** The Project as proposed is infeasible and requires additional operating subsidies. The Project's relatively small size of 74 units does not offer economies of scale for construction nor operations, which also impacts competitiveness for financing applications. The Sponsor is exploring options to increase Project feasibility and obtain additional rental subsidies. See [Section 4.10 Project Feasibility](#).
- **Competition for State Financing:** HCD MHP funding has become increasingly competitive across the State. The Project did not secure an award in 2022, and will face stiff competition in the 2023 round. A bond allocation will also be competitive, especially since the Project has high per unit construction costs and is in a moderate resource area. While the Project will qualify for both the Homeless and Extremely Low Income (ELI) set-asides at CDLAC with a more favorable tiebreaker than in previous rounds, the high cost and resource area designation still pose a challenge to competitiveness. [Please see Section 4.10 Project Feasibility](#) and [Section 6.5.2 Project Financing](#).
- **Ownership Structure and dependency on HPP Campus Expansion readiness:** The Site is currently owned by Homeless Prenatal Program, the services partner organization. The Site will be subdivided with an air rights parcel for the residential development, which will be transferred to the City at construction close and ground leased to the limited partnership. The HPP project will fund all of its development costs for its adjacent new program and services hub, including its shell, without MOHCD funds. The HPP project must be financially feasible with all financing commitments in place and an award of New Market Tax Credits before construction can start. Please see [Section 4.4. HPP Campus Expansion](#).

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- **Construction Costs:** Through intensive value engineering efforts, the project team has brought construction cost down significantly from earlier estimates; however, the current construction costs are approximately 7% more per square foot higher than to similar Type I buildings. Please see Section 4.5 Construction Representative Evaluation.

SOURCES AND USES SUMMARY

Predevelopment Sources	Amount	Per Unit	Terms	Status
MOHCD - Take out of SFHAF Cost	2,435,211	32,908	3% at 55 Years / Res Rec	This Request
MOHCD - Acq. of FRB Loan	4,900,000	66,216	Earlier of 5 years or parcel transfer at 0%	This Request
MOHCD - New Predev. Cost	2,511,689	33,942	3% at 55 Years / Res Rec	This Request
Total	9,846,900	133,066		

Permanent Sources	Amount	Per Unit	Terms	Committed/Not Com
MOHCD/OCII	16,000,000	216,216	55 years at 3% / Res Rec	Committed
HCD-MHP	28,320,125	382,704	55 years at min int. pymt. / Res Rec	Not Committed
HCD-IIG	6,048,992	81,743	55 years at 3% deferred	Not Committed
AHP	1,000,000	13,514	15 year grant 0%	Not Committed
Investor Equity	36,114,097	488,028	\$0.96 per Fed LIHTC / \$0.92 per State LIHTC	Not Committed
Deferred Developer Fee	1,000,000	13,514	0% deferred	
GP Equity	100	1.35		
Total	88,483,315	1,195,720		

Permanent Uses	Amount	Per Unit	Per SF
Acquisition	7,389,712	99,861	84
Hard Costs	58,547,274	791,179	664
Soft Costs	18,365,277	248,179	208
Reserves	1,038,514	14,034	12
Developer Fee	3,500,000	47,297	40
Total	88,840,776	1,200,551	1,008

1. BACKGROUND

1.1. Project History Leading to This Request.

The proposed Site, 2530 18th Street, is a 0.3 acre lot at the corner of 18th and Hampshire Streets in the Mission District. It is adjacent to the Homeless Prenatal Program's (HPP) main operational building at 2500 18th Street, with which it shares a property line. In June 2020, HPP purchased the Site for \$7 million, financed by a \$4.9 million loan from First Republic Bank, seller carryback financing and HPP funds, and HPP obtained a subsequent \$2 million loan with CommonSpirit Health Operating Investment Pool LLC to take out the seller financing and support their programs and services hub expansion. HPP intends to expand their program on the ground and

second level with affordable housing above. As MOHCD did not have funding available at the time of acquisition, the San Francisco Housing Accelerator Fund (SF HAF) provided predevelopment financing to move it forward. The Site underwent a zoning map change through the Board of Supervisors in August 2021 that changed its zoning designation from Production, Distribution and Repair (PDR) to Urban Mixed-Use (UMU). The legislation (co-sponsored by Supervisors Walton, Ronen and Stefani) had over 80 letters of support. The designation allows for residential mixed-use projects and was unanimously approved, which allowed the Site to utilize SB35 for expedited entitlements.

The Sponsor applied for City funding under the joint MOHCD/HSH NOFA in 2022 and was awarded preliminary gap funding in the amount of \$16,000,000. The team has made good progress on the design since the last Loan Committee review, with a 60% Construction Drawing set (dated 3/24/23) and cost estimate, and the Site permit is nearly complete.

1.2. Applicable NOFA/RFQ/RFP. (See Attachment E for Threshold Eligibility Requirements and Ranking Criteria)

NOFA for Affordable Rental Housing for Families Including Families Experiencing Homelessness, issued jointly by MOHCD and HSH on April 25, 2022. The project was the only qualifying application for the NOFA.

1.3. Borrower/Grantee Profile. (See Attachment B for Borrower Org Chart; See Attachment C for Developer Resume and Attachment D for Asset Management Analysis)

1.3.1. Borrower for acquisition takeout loan. HPP serves 3,500 families annually with a staff of 125+ and an annual budget of around \$16 million. HPP has current contracts with MOHCD, HSH and HSA encompassing Housing Services, transitional housing programs, and child welfare. For HPP take out of the \$4.9 million site acquisition loan provided by FRB, 2530 18th, LLC, and affiliate of HPP, will be the borrower, with the MOHCD loan repayment due at the earlier of transfer of residential air rights parcel to the City or September 25, 2028. The proposed interest rate is 0%.

1.3.2. Borrower for predevelopment loan. For SFHAF predevelopment loan takeout and additional predevelopment expenses, the borrower will be Mercy Housing California 104, L.P., with Mercy Housing California 104 LLC as the general partner and Mercy Housing Calwest as the sole member/member thereof, and South of Market Mercy Housing as the initial limited partner. At construction closing, the limited partner will be replaced with the investor limited partner.

1.3.3. Joint Venture Partnership. MHC and HPP have partnered as co-developers for the development of 2530 18th Street, collaborating on various aspects of the development of the vision and programming of the project. MHC is taking the lead role on the real estate development responsibilities including design, entitlements, engagement of community on development issues, permitting, budget, securing financing and operating subsidies, construction administration, lease-up, property management, services planning and implementation, and asset management

including regulatory and budget compliance. HPP is actively shaping the community engagement strategy for the overall development and is informing the service delivery. HPP will lead the development of its adjacent program and services hub, including renovating its existing building at 2500 18th Street. HPP is not a part of the tax credit ownership entity but will be receiving \$200,000 of the developer fee to support its work on the Project.

1.3.4. Demographics of Board of Directors, Staff and People Served – HPP

- Board
 - 100% straight
 - 87.5% female / 12.5% male
 - 62.5% white / 37.5% AAPI
- Staff of SF-based organization – HPP All Staff
 - 40% Latinx / 30% Black/African American / 20% white / 7% API / 2% Multiracial/Other
 - Sexual orientation- we do not currently ask
- HPP Clients
 - 52% Latinx / 28% - Black/African American / 11% Multiracial/other / 5% API / 4% white
 - Female staff - 91% / Male staff - 9%
- Staff of development team
 - Martha Ryan- Founder
 - Shellen Eskridge- Executive Director
 - Kristin Hatch- Development Director
 - Jessica Iniquez- Communications Manager
 - Liz Gerber- Donor engagement & stewardship officer
 - Sharon Bechtol- Volunteer/Donations Manager
 - Mauro Ruiz- Social and Digital Media Support Specialist
 - Jodie Law- Assistant Volunteer/Donations Coordinator
 - [Wendy Trevino](#)- Grant Writer
 - Trace Carter- Development Operations Associate

1.3.5. Demographics of Board of Directors, Staff and People Served - MHC.

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	Sexual Orientation	Gender Identity	Race
Mercy Housing California Board	Question not asked	M: 7 F: 11	Asian: 2 African American: 4 Caucasian: 9 Latinx: 2 Biracial: 1
Mercy Housing, Inc. Board	Question not asked	M: 10 F: 10	Asian: 1 African American: 3 Latinx: 1 Caucasian: 15
Mercy Housing, Inc. - All Staff	Question not asked	Female - 58% Male - 42%	2 or More Races - 3% American Indian/Alaska Native - 1% Asian - 11% Black or African American - 24% Hispanic or Latino - 22% Native Hawaiian/Other Pacific Islander - 1% Not specified - 1% White - 37%
Mercy Housing California - All Staff	Question not asked	Female - 57% Male - 43%	American Indian/Alaska Native - 1% Asian - 21% Black or African American - 17% Hispanic or Latino - 31% Native Hawaiian/Other Pacific Islander - 2% Not specified - 1% White - 22%
Mercy Housing California - Development Staff	Question not asked	Female - 50% Male - 50%	Asian - 20% Not specified - 20% White - 60%

1.3.6. Racial Equity Vision. MHC and HPP are committed to advancing racial equity. Racial equity is central to achieving MHC's mission and founding values of: Respect, Justice, and Mercy. Nationally, Mercy has established a Racial Equity, Diversity, and Inclusion (REDI) team to create Racial Equity Action Plans for all departments and Mercy Senior Vice President of REDI, Web Brown leads this work and coordinates concrete action across the organization. Mercy launched this REDI Initiative in early 2018, and held conversations about the fair and just inclusion of people of color throughout the organization and within Mercy's communities. Mercy has established a REDI Collaborative and REDI Steering Committee that are made up of members from all of their geographic areas and departments to guide their organizational REDI work and provide recommendations to senior leadership on concrete ways to achieve improved REDI within the organization. Mercy created a framework to evaluate their progress and growth that focuses on a variety of areas, including Recruitment and Resident Empowerment.

HPP is dedicated to racial equity both internally and externally. HPP recognizes that systems of white supremacy and privilege have negatively impacted their families, staff, and the community, and they are committed to dismantling those systems. HPP acknowledges institutional racism and oppression as a leading contributor to family poverty and homelessness. Beginning back in 2013, HPP staff members began meeting in the form of community meetings to show solidarity and support for staff members experiencing and being affected by community

violence and injustices in our community. The community meetings then transitioned into an Equity workgroup discussing various topics about police brutality, shootings against African Americans, and the racial hate against the Asian community. The workgroup has done All Staff presentations, All Staff equity surveys and unconscious bias training over the last 8 years

- HPP's Equity Task Force is comprised of staff members from across the agency, and continually works to develop action plans and implement initiatives in three staff-identified priority areas:
 - Promote Racial Healing
 - Share Decision Making
 - Distribute Leadership
- HPP's current task force just completed a 2-year term. HPP will prepare to on-board 9 new staff members on to the current racial equity task force.
- In 2020 HPP hired consultant RELAC to assist HPP in creating *The Equity Task Force*. RELAC led all staff in choosing 3 Equity priority areas. RELAC facilitated all of the Equity Task Force Meetings and helped HPP create policies, procedures, and a structure to ensure equity work would be on-going at HPP.
- In the fall of 2022, HPP's board of directors also hired RELAC, to assist HPP's board of directors by leaning into Racial Equity, Diversity, and Inclusion on the board level.

1.3.7. Relevant Experience. MHC will be the lead developer with the HPP as co-developer advising on specific areas of the development approach and on the supportive services model. Mercy has developed over 50 properties in San Francisco over the past 35 years. The success of these developments is a result of strong affordable housing expertise used to innovate and leverage financial structures, construction delivery methods (to reduce cost and increase quality) and service delivery models to make affordable housing more responsive to diverse, vulnerable residents' needs.

MHC has decades of experience developing for low-income families and formerly homeless households. In San Francisco, MHC has developed 22 properties (1,837 units) for families and 20 properties (1,897 units) for formerly homeless households. In California, MHC has developed 81 properties (5,432 units) for families and 39 properties (1,897 units) that serve formerly homeless households. MHC is strong at partnering with other agencies, as demonstrated through many past projects.

The Homeless Prenatal Program is a nationally recognized family resource center in San Francisco that empowers homeless and low-income families, particularly mothers motivated by pregnancy and parenthood, to find within themselves the strength and confidence they need to transform their lives. The agency serves over 3,000 families in-need annually, providing a variety

of programs and services to help families become healthy, stable and self-sufficient. The first agency in San Francisco to hire former clients as staff, HPP's evolution has been guided by the community it serves. More than half of HPP's staff of 120+ is formerly homeless mothers and graduates of the agency's 16-month, paid Community Health Worker Apprenticeship Program, which trains women for careers in the nonprofit sector.

1.3.8. Project Management Capacity. 2580 18th Street is staffed by Mercy's Kion Sawney (40% FTE) as Project Developer, Lilia Rohmann (25% FTE) as Assistant Project Manager, with supervision by Ramie Dare, Director of Real Estate Development.

HPP's Development Director, Kristin Hatch (35% FTE) and Rachel Stoltzfus, Director of Housing and Partnerships (60% FTE), staffs bi-weekly project check-ins with MOHCD and coordinates on facility's needs as they relate to the programming through construction of the project, with supervision and support by Martha Ryan, Founder. The financing and development of the HPP addition at the Site is being staffed by Equity Community Builders. See individual staff resumes attached.

1.3.9. Past Performance.

1.3.9.1. City audits/performance plans. HPP has contracts with MOHCD, HSH and HSA. There have been no contract issues or performance issues identified by Citywide Monitoring nor by the MOHCD Community Development team for HPP. There are no performance issues for MHC.

1.3.9.2. Marketing/lease-up/operations. Recent marketing at Mercy projects has been overall successful and positive. Some issues have arisen due to reliance for some tasks on national staff for compliance and lease up, as national staff are not very familiar with San Francisco policies. Increased local staff participation in lease-ups will be required.

The below chart represents the number of people currently living in MHC owned properties in San Francisco, disaggregated by race. MHC owns 4,217 units of affordable housing in San Francisco.

Race	Count	Ethnicity	Count
Asian	2995	Not-Hispanic or Latino	5576
White	1385	Hispanic or Latino	1383
Black or African American	1155	Member did not specify	180
Other	1092	Blank	32
Member Did Not Specify	212		
Native Hawaiian or Other Pacific Isl	173		
American Indian or Alaska Native	154		
Blank	10		
	7176		7171

Through end of 2021 there were 5 evictions in Mercy's 4,217-unit portfolio. Mercy does not currently track move out reasons, including evictions, by race.

2. SITE (See Attachment E for Site map with amenities)

Site Description	
Zoning:	<p>The Site is located in the Urban Mixed Use (UMU) zoning district and the 58-X Height and Bulk District. The UMU district is intended to promote a vibrant mix of uses while maintaining the characteristics of this formerly industrially zoned area. Within the UMU, permitted uses include, but are not limited to retail, educational facilities, and housing, with family-sized dwelling units encouraged. Under UMU, at least 40% of all dwelling units must contain two or more bedrooms or 30% of all dwelling units must contain three or more bedrooms. However, this does not apply to the Project, as it is 100% affordable.</p> <p>The site underwent a zoning change in August 2021 from Production, Distribution, and Repair (PDR) to Urban Mixed Use (UMU). It received a Notice of Final Approval of an SB 35 Project on June 29, 2022.</p>
Maximum units allowed by current zoning (N/A if rehab):	Maximum housing units is not controlled by the size of the lot, but form-based density—the controls for height, bulk, massing, and unit mix set the “density” of the Site.
Seismic (if applicable):	Seismic Zone 4; Probable Maximum Loss (PML) calculations are not applicable because there are no existing structures that will be retained, and the project will be new construction conforming to seismic building codes.
Soil type:	<p>Geotechnical Engineering firm Rockridge Geotechnical undertook borings and cone penetration tests (CPTs) at the site and compiled a report in November 2021. Rockridge reported that the fill consists of loose to medium dense clayey sand and clayey gravel and stiff sandy clay. The fill extends to depths of about 10 feet bgs near the eastern property line and 13 to 15 feet bgs near the western property line. Harris and Lee Environmental Sciences, LLC has performed a Phase I Environmental Site Assessment which revealed no evidence of Recognized Environmental Conditions in connection with the property.</p> <p>The fill is underlain by native alluvium consisting of very stiff to hard clay with variable sand content and dense to very dense clayey sand. The alluvium extends to top of claystone. Along the eastern property line, borings encountered top of claystone at depths of 35 and 39 feet bgs. The claystone encountered is soft, friable, and deeply weathered. The western portion of the site, has likely bedrock, at depths of 32 to 35 feet. Groundwater was encountered in the borings at depths of 18.7 and 19.8 feet bgs at the end of drilling.</p>

	The primary geotechnical concerns are: 1) the presence of undocumented fill that is susceptible to erratic static settlement, and 2) providing adequate vertical and lateral support for the proposed building.
Environmental Review:	Harris and Lee Environmental Sciences, LLC completed a Phase I report on December 15, 2021. The report found no evidence of recognized environmental conditions on the property.
Adjacent uses (North):	2445 Mariposa Street is a 69-unit affordable housing building managed by Mission Housing Development Corporation
Adjacent uses (South):	626 Potrero is a parking lot
Adjacent uses (East):	593 Potrero is a three story mixed use building with ground floor commercial
Adjacent uses (West):	2600 18 th Street is a 24-unit live/work condo building
Neighborhood Amenities within 0.5 miles:	John O'Connell Technical High School is 0.4 miles away, Safeway is 0.3 miles away, Franklin Square Park is .17 miles away, Downtown High School is 0.2 miles away, Zuckerberg SF General Hospital is 0.5 miles away
Public Transportation within 0.5 miles:	Bus lines 9, 22, 27, 55, 90, 292, 397 are within 0.5 miles
Article 34:	Article 34 Authority was obtained on July 8, 2022.
Article 38:	Not Exempt. Compliance with Article 38 is provided by all fresh air being provided via mechanical ventilation with MERV-13 filtration at the point of air intakes.
Accessibility:	Per updated TCAC minimum building standards, 15% will be mobility units, 10% will be accessible for households with hearing and/or visual impairments. All units will be adaptable. Sponsor is working to meet a high-level of universal design standards intended to include additional mobility features within the residential units to ease modification to meet residents' specific needs.
Green Building:	Will target GreenPoint Gold rating
Recycled Water:	Exempt
Storm Water Management:	The stormwater management plan is under development and has not yet been submitted to the PUC.

2.1 Description. The Site is a rectangular shaped parcel slightly sloped in an uphill eastern direction starting at Hampshire Street and along 18th Street. The Site is situated at the northeast corner of 18th Street and Hampshire Street in the Mission neighborhood and is currently a vacant warehouse.

The Sponsor is in the process of merging 2 lots and subdividing the vertical lot into 3 air rights parcels. The subdivision will ultimately create a separate commercial parcel for HPPs programs and service space, and residential air rights parcel. The existing warehouse will need to be demolished during the predevelopment phase before the air rights subdivision, and demolition costs are included in the predevelopment budget.

2.2 Zoning. The Project received its Notice of Final Approval of an SB 35 Project on June 29, 2022 from the Planning Department.

2.3 Local/Federal Environmental Review. A NEPA consultant has been engaged for this project and that cost is reflected in the predevelopment budget. There is no current requirement for NEPA review, but the project is structured to easily pivot towards a federal funding source, such as Continuum of Care operating subsidies, if they become available.

2.4 Environmental Issues.

- **Phase I/II Site Assessment Status and Results.** Phase I found no recognized environmental issues.
- **Potential/Known Hazards.** N/A

2.5 Green Building. Environmentally preferable products are prioritized for incorporation throughout the building including: materials which are sourced locally and/or high in recycled content; non-toxic paints, as well as coating and materials that are free of VOCS and phthalates. Prioritization of healthy, non-toxic materials will begin within the residential unit, where people spend the most time and have the highest levels of exposure.

Another area of emphasis is energy performance. In order to reduce energy & fossil fuel usage, the Sponsor is proposing an all-electric building, with photovoltaic arrays on the roofs. Together with an upgraded envelope design, energy recovery ventilation units (ERVs) for fresh air within the residential units & the use of electric heat-pump systems for hot water heating, this strategy is a cost effective way to meet the energy goals and low-maintenance needs of affordable housing projects. The project will target, at a minimum, GreenPoint Gold rating.

3 COMMUNITY SUPPORT

3.1 Prior Outreach. MHC and HPP began community outreach ahead of the zoning change on the Site. Two community meetings in 2021 and 2022 were hosted as well as a meeting with Supervisor Walton and numerous conversations with stakeholders. The zoning change ultimately had 80 letters of support at the public hearing.

3.2 Future Outreach. The 2530 18th Street development team has endeavored to communicate with the Project's neighbors through a combination of community mailing efforts and community meetings. The team has held four community meetings, occurring in August 2021, December 2021, July 2022, and February 2023. Additionally, the team has communicated the zoning change undergone for the project area to neighbors, as well as HPP building tour opportunities, by mailing letters to households. Mail communications on both community meeting dates and project updates have been made available in several languages so that the information is accessible and understandable to more of the neighbors. Future meetings will be held prior to start of construction. The development team

posts all community meeting materials and mailing/updates to the project's website <https://www.2530-18th.org/>

3.3 1998 Proposition I Citizens' Right-To-Know. Chapter 79 of the City's Administrative Code requires public noticing (Prop I) for initial City funding made to any new construction project. The Sponsor posted the Prop I sign on June 16, 2023.

4. DEVELOPMENT PLAN

4.1. Acquisition and Site Control. HPP acquired the parcel on June 29, 2020, for \$7 million plus \$37,000 in closing costs. The acquisition was financed by First Republic Bank, Seller Takeback Financing and HPP funds. HPP took out the seller takeback financing with a low interest loan from CommonSpirit when SF HAF provided the predevelopment financing.

Original Acquisition Sources	Total
First Republic Bank	\$ 4,900,000
Seller Take Back Financing	\$ 1,250,000
HPP	\$ 887,000
Total Sources for acquisition and closing	\$ 7,037,000

Mercy Housing California 104, L.P. entered into an option agreement to purchase the Site from 2530 18th, LLC, on December 1, 2021. The initial term of the option expires January 1, 2024, with an option to extend for 12-month period. The purchase price is sized at the residential project's allocation of a \$7 million purchase price (\$6,020,000) based on square footage plus the residential project's allocation of the Seller's reasonable holding costs, currently estimated at \$7.3 million. This amount will cover 100% of entitlement costs, as they were required for the residential use only. The chart below represents currently estimated residential acquisition costs.

Cost	Total	Allocation		Notes
		Residential	Commercial	
Sale of Land	\$ 7,000,000	\$ 6,020,000	\$ 980,000	Value of the land is based on the appraised value at the time of purchase, split per the pro-rata square footage split
Holding Cost	\$ 1,180,938	\$ 1,015,607	\$ 165,331	Holding cost is split per the pro-rata square footage split, and includes acquisition loan interest, legal, taxes and utilities from 2020 - 2024

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Entitlement	\$ 252,165	\$ 252,165	\$0	Entitlement cost will be fully covered by the residential project. At the time of the August 2023 Loan Evaluation submission, how these cost should be represented and reimbursed wasn't resolved by HPP and Mercy and therefore weren't included in the predevelopment budget submission.
TOTAL	\$ 8,433,103	\$ 7,287,772	\$ 1,145,331	

4.1.1.1. Proposed Property Ownership Structure. Prior to closing, HPP and MHC will conduct an air rights subdivision of the building, to separate the HPP Campus Expansion and limited partner's residential portions. The residential air rights parcel will be acquired by MOHCD and ground leased to Mercy Housing California 104, L.P. in exchange for loan forgiveness for the acquisition takeout loan plus residual amount needed to meet the final purchase price. The commercial parcel will be sold to the New Markets Tax Credit special purpose entity.

4.2. Proposed Design. The Project, located at the border of the Mission and Potrero Hill neighborhoods, will provide 74 affordable homes, 50% of which will be targeted for formerly homeless families. The approximately 88,000 sq. ft. 8-story building includes a mix of 1, 2 and 3 bedroom apartment homes, residential support and amenity spaces, and community serving social services parcel on the lower two floors owned by HPP, to enable expansion of the critical services and programs they provide to the community. Sited on a sloping urban infill site at the NE corner of Hampshire and 18th streets, the project provides accessible entries for both the residential and social service programs that are accessed via the relatively flat frontage along Hampshire Street. The building will have two elevators dedicated to the residential portion of the building, serving units and residential amenity spaces. No off-street parking is proposed but the project includes the requisite 73 fully compliant class 1 bicycle parking spaces.

Residential SF:	75,398
Commercial SF:	12,768
Building Total SF:	88,166

UNIT TYPES	Avg Unit SF - This Project	CTCAC-Required Minimum SF
1BR:	538	450
2BR:	759	700
3BR:	1086	900
Do all units meet CTCAC minimum SF?		Y

4.3 Construction Supervisor/Construction Representative's Evaluation. The project comprises 74 units in a mix of 36 One-BR, 31 Two-BR and 6 Three-BR units, plus one, 2-BR manager unit, dedicated residential services, property management, developed above the HPP Campus Expansion that is financed separately. There are three landscaped courtyards and terraces. The HPP space is significant at 12,800 s.f. on levels 1 & 2, and there is a connecting HPP serving elevator with a bridged walkway from the new HPP Community Service space to their main building. The courtyard on floor 2 and terrace located over the existing utility shed will support HPP users and act as a natural connector for the HPP campus.

On level 1 is the entrance to the HPP Campus Expansion Space, the residential first floor lobby, mail, management, resident services, and utility spaces. The 2nd floor consists of 5 residential units, HPP office space and an HPP courtyard which also provides access to the existing HPP campus through a secondary outdoor terrace. The Project has a unique vertical means of access necessary to connect HPP to its existing campus. Because of this, HPP will pay for the dedicated 3-stop elevator servicing their community service spaces, walkway connector to the existing HPP campus, and the connector staircase between levels 1 & 2. Mercy is financially responsible for the two stairwells and elevators supporting resident access.

Floors 3 through 8 are stacked units in 1, 2 and 3 bedroom configurations, and each floor also features a "study" overlooking the courtyard. The interior space accessing the resident-only courtyard on floor 3 offers community space along with laundry and small porch overlooking 18th Street.

The building façade up to the 6th floor presents a "crinkled" design with a mixture of thin brick tile, metal panel cladding and glazing areas of varied sizes, while the 7th and 8th floors receive a cement plaster finish. The courtyard facades will also have an economical cement plaster finish and will have a storefront exterior at the study overhang.

The 60% Construction Drawing set (dated 3/24/23) incorporates an HPP Expanded Campus space consisting of approximately 12,200 sf interior, 420 sf exterior covered space and 670 sqft of HPP garden space. The residential courtyard is 1,900 sf and one of the two proposed family childcare units includes a dedicated 170 sf patio.

Project team has navigated most issues through City review agencies and the Site Permit is nearing completion. The last design hurdle the team is navigating is the permitting of the connector walkway between the new building and HPP's existing building. This walkway will have to be under a separate building permit and will be submitted in parallel with the new building's Addenda 1, structural scope

A recent challenge the design team addressed was the enlargement of the north lightwell which will address the last major site permit concern from DBI. The team had initially planned on an easement with the neighboring affordable housing property to allow a reduced lightwell and have a larger three-bedroom unit. Unfortunately, DBI did not agree this was a correct interpretation of the code, so the team had to increase the lightwell size, reduce the unit size, and use shared light for one of the bedrooms. The design team did a good job maintaining the unit and bedroom counts and navigating the coordination efforts with city agencies.

Another change since schematic design was the addition of another unit to the 2nd floor, enabled through HPP & Mercy's development of shared spaces for their staff. Overall unit layouts are efficiently designed. The exterior design has been detailed significantly since 100% Design Drawings, and the significant review of the finishes' costs will be needed as the project transitions to construction. The team is actively evaluating two million dollars in value engineering opportunities identified by Suffolk, with the objective of reducing overall cost of the building before the next milestone, 95% Construction Drawings.

The Project faces challenges in cost containment in an environment of a highly volatile construction market combined with a unique set of program challenges. However, through VE over the past three months, the project team has removed approximately \$900k from construction costs. The current construction budget is approximately 19% more per unit, and 17% more per bedroom than similar Type I buildings. This has significantly improved since the last loan evaluation but does not diminish the need for the project to incorporate savings wherever possible. Construction cost per square foot is 7% higher than projects of similar building type, Type 1, which is tolerable. The overall total development cost is similarly above average at approximately 36% per unit and 23% per square foot. This is primarily driven by acquisition and soft costs. An area for cost improvement is with soft costs, which are approximately 66% more per unit than similar projects. Soft costs have increased by over one million dollars to support the additional permit packages, additional value engineering work, and the potential of additional units to make the project financially viable for funding.

4.4 HPP Community Campus Expansion.

4.4.1. Space Description. The HPP Campus Expansion will be built in a separate commercial parcel on the lower two levels and will be financed entirely by HPP through New Markets Tax Credits (NMTC) and other sources. The approximately 12,800 sf space will include flexible, multi-use office, program and training spaces along with other supportive spaces. This space will have own dedicated elevator. The commercial space will be an air rights parcel.

- 4.4.2. HPP Parcel Development Plan. Homeless Prenatal Program will be the tenant and equity partner of the NMTC partnership for the commercial air rights parcel.
- 4.4.3. Operating Pro Forma. The HPP Campus Expansion will be separately financed using New Markets Tax Credits and thus commercial income will not be included in the residential project financing.
- 4.4.4. Tenant Improvement Build Out. All tenant improvements will be separately funded by HPP, which will also cover a pro rata share of building envelope costs.
- 4.4.5. Capital Campaign to fund buildout. HPP began the Pre-Planning Phase of its capital campaign in 2021, with pro-bono support from the nationally recognized firm, CCS Fundraising. The agency then hired Theresa Nelson & Associates to help the team design and execute the campaign's Planning Phase, which involved considerable policy planning, project development and leadership engagement.

HPP is currently conducting the campaign's Quiet Phase and is actively soliciting Board support and leadership gifts. The Quiet Phase is slated to be the longest and most involved phase, as HPP seeks to secure ~75% of the goal before launching the Public Phase of the campaign, which promotes the project externally.

The Sponsor partners have agreed that HPP should have at least \$16M secured at groundbreaking, including secured pledges and bank financing. HPP currently has \$5.5M in cash/pledges toward this total. While the agency is ramping up its capital campaign major donor strategy as part of the Quiet Phase, HPP does not anticipate having secured all funding by the anticipated start of construction if the Project receives State funding in the 2023 round. HPP is in conversation with its Board and financial institutions to be able to secure a capital campaign bridge loan if needed.

- 4.4.6. New Market's Tax Credits. HPP is working with Equity Community Builders (ECB) on securing New Markets Tax Credits (NMTC) for the project. ECB/HPP are in conversation with various CDEs (Community Development Entities) that are interested in funding this project. The total anticipated NMTC equity of likely-awarded NMTCs would be ~\$4.6M.

The CY2022 New Markets Tax Credit (NMTC) Award is expected to be announced in Fall 2023. Several CDE's have included HPP in their applications and are very interested in funding the HPP commercial project should they receive allocation. Prospective CDE lenders include San Francisco Community Investment Fund (SFCIF), TELACU, Corporation for Supportive Housing (CSH), Local Initiative Support Corporation (LISC), Nonprofit Finance Fund (NFF), and Axion Opportunity Fund

(AOF). Prospective NMTC Investors include Capital One, JP Morgan Chase, PNC Bank, Wells Fargo and US Bank. We expect the project to require 2 CDE's for a total NMTC allocation of \$20-25M. The transaction will be ready to close Spring 2024, or the following year, depending on the overall Project schedule.

In the event that the Project does not move forward due to feasibility, HPP would repay MOHCD's acquisition loan within 5 years, and the loan will be secured by a deed of trust in first position.

4.4.7. Funding Overview

FUNDING SOURCES	AMOUNT
Cash Received to Date	\$ 5,183,500
Pledges Received	\$407,000
Fundraising Remaining	\$6,109,500
NMTC Equity	\$4,600,000
TOTAL	\$16,300,000*

*\$16.3 needed for groundbreaking; HPP will continue to fundraise toward the \$20M total goal (which includes tenant improvements at the existing HPP hub on Potrero)

- 4.5. Service Space. Amenity and support spaces include a community room, kitchen, outdoor common space, common laundry, small on-floor lounges or studies, management offices, lobby, circulation, and supportive service spaces designed to serve the intended population. The ground-floor residential amenity space is intended for resident gathering, mail, stroller/bike storage, resident services, maintenance, and residential management.
- 4.6. Communications Wiring and Internet Access. The Project will comply with the MOHCD Communication Systems Design Standards, in conformance with the Fiber to Housing (FTH) program implemented by MOHCD and DTIS. Service to the building from Public Right of Way to a MPOE and to IDF is designed to adequately accommodate City fiber and cabling for City DTIS and multiple service providers. Owner, Property Manager and Services Provider(s) shall coordinate adoption of FTH services by residents to the greatest extent feasible to ensure residents receive high quality free internet service.

Temporary power service will be provided by PG&E with permanent power service provided by SF PUC. A waiver has already been approved for the temporary power service.

- 4.7. **Public Art Component.** Public Art is required fand the development team is interested in introducing innovative and impactful artwork into the Project that will have a positive impact to the building's inhabitants, the Mission community and greater San Francisco. An important aspect of this process is the creation of a curatorial statement that will guide public art selection and potentially art within the property. The team is interested in exploring how art can advance the HPP Theory of Change and the project goal of ending the cycle of poverty for homeless families. The project team selected Denver based *Nine Dot Arts* as its consultant. The total public art budget is currently \$117,263.
- 4.8. **Marketing, Occupancy, and Lease-Up.** The 50% of the units funded with LOSP will be leased up through HSH's Coordinated Entry system. The remaining lottery units will be leased through the City's DALHLIA process with anticipated additional limitations on preferences due to HCD funds in the transaction. Mercy's final marketing plan should address specifically any challenges that may arise from the 70% AMI units and large number of 1-bedroom units. Per Section 4.9 below, the Sponsor proposes that two of the 70% AMI units be Family Childcare Units operated as a pilot, benefiting from the higher income restriction.

Anticipated preferences in the DAHLIA units include

- 1) Certificate of Preference
- 2) Displaced Tenant Housing Preference Program for up to 20% of lottery units
- 3) Neighborhood Resident Housing Preference assumed at 25% given assumed HCD funding
- 4) Live or Work in San Francisco

- 4.9. **Proposed Family Childcare (FCC) Units.** The Sponsor proposes two family childcare units at the Project in the 70% AMI units through a new partnership with Faces SF (Family and Childhood Empowerment Services), as a pilot initiative. For over 10 years, Faces SF has provided childcare, family, and workforce services, primarily in the Bayview/Hunter's Point, Excelsior, Portola, and Visitacion Valley communities. It operates four centers, but its network of 37 FCC units is spread across the City. The organization provides training and technical assistance to providers, and ensures high quality FCC environments that are compliant with health and safety codes by conducting team visits to FCCs. The organization invests in its providers' success and encourages the adoption of FCC best practices by providing one-on-one coaching services and free training. Faces SF was created through the merging of two

organizations with a long history of providing child and family services: Florence Crittenton Services (est. 1882) and the Whitney Young Child Development Center (est. 1953).

Recognizing the challenges of leasing FCC units to qualified, licensed and income eligible households in affordable housing, the Sponsor proposal for the pilot is that Faces SF would select providers and refer them to a separate FCC lottery. Faces would provide technical assistance to the operators and ensure high quality services, as well as subsidies for the childcare slots. Families living at the Project would be prioritized, with a focus on 0 – 2 years olds, where demand far exceeds the supply of licensed childcare providers. The goal of the pilot is to provide access to affordable, high quality childcare for families, increasing female labor force participation and driving economic growth and financial stability for families. MOHCD staff are reviewing the proposal with the MOHCD Marketing & Lottery Manager on the merits and feasibility of this proposal.

- 4.10. Project Feasibility. The Sponsor is exploring multiple options to increase feasibility of the Project given the challenges of lack of economies of scale at 74 units, state financing competitiveness and operating cashflow. In the event that the Project is not selected for funding under the current HCD SuperNOFA application or continues to have a gap above and beyond the MOHCD preliminary gap commitment, the strategies include the following:
- The project submitted a 2023 SuperNOFA application for \$34,369,117. To fill any remaining financing gaps, the Sponsor is contemplating an application to the National Housing Trust Fund (NHTF) upon NOFA release assumed for this summer. The Sponsor has another application pending with the Community Care Expansion program through the California Department of Social Services (CDSS) for \$13M and has not received a response.
 - If the project is unable to secure funding through the 2023 SuperNOFA, the Sponsor is evaluating how to designate the residential parcel as HCD recognized surplus land, increase the unit count through varied methods and improve access to set aside categories within the NOFA.
 - Alternatively, the Sponsor proposes that AHSC could provide an alternative path to feasibility due to the project's proximity to transit and high density of family units, and will provide the analysis to MOHCD.

5. DEVELOPMENT TEAM

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	Mithun	N	N
Landscape Architect	Mithun	N	N
General Contractor	Guzman-Suffolk JV LLC	Y	N
Owner's Rep/Construction Manager	Waypoint	Y	N
Financial Consultant	California Housing Partnership Corporation	N	N
Permit Expediter	Dale Durrett	N	N
EBM	Sitco	N	N
Special Inspections	CEL	N	N
PV	Cal Solar	N	N
Public Art	Nine dot Arts	Y	N
IT/Low Voltage	Salter	Y	N
Joint Trench	UDCE	Y	N
Legal	Gubb & Barshay LLP	N	N
Property Manager	Mercy Housing Management Group	N	N
Services Provider	Homeless Prenatal Program	N	N

- 5.1. Procurement Plan. Mercy met with Contracts Monitoring Division (CMD) to establish goals for the project, which were set at 20%.
- 5.2. Opportunities for BIPOC-Led Organizations. HPP's vision for the project and key role in the development reflects Project impact and leadership by a BIPOC majority Board. HPP has a strong tradition of hiring and promoting from their clients whom are majority BIPOC resulting in the majority of their staff being BIPOC and clients.

To increase contracting with BIPOC-led firms, the Sponsor is doing the following:

- Partnering with the San Francisco National Organization of Minority Architects to identify opportunities for participation in projects, in this case for architect subcontracts.
- Creating a BIPOC-led or -owned professional firms list for distributing contracting opportunities (building on efforts from The Kelsey Civic Center project)
- Including meaningful scoring in RFQ and RFP procurements for professional services (i.e. Owner's Rep, Architect and Engineers, and General Contractor) for firms with racial and gender equity-centered initiatives in regards to advancement within the organization, hiring and

subcontracting.

6. FINANCING PLAN (See Attachment F for Cost Comparison of City Investment in Other Housing Developments; See Attachment G and H for Sources and Uses)
 - 6.1. Prior MOHCD/OCII Funding. There is no existing MOHCD loan.
 - 6.2. Disbursement Status. The project has incurred costs dating back to December 1, 2019, with predevelopment costs funded by SF HAF. The Sponsor requests Loan Committee approval of payment of costs no earlier than December 1, 2019 so long as these costs are deemed acceptable and correspond to gap budget attached herein.
 - 6.3. Fulfillment of Loan Conditions. Below is the status of Loan Conditions since this project was at Loan Committee for the preliminary gap request on June 24, 2022:
 1. Sponsor must provide MOHCD with detailed monthly updates via the MOHCD Monthly Project Update, including on: Community outreach completed, Outcomes achieved related to racial equity goals, and Commercial-use programming.
Status: Ongoing and MOHCD Monthly Project Update reporting is in need of improvement
 2. Sponsor must provide operating and development budgets that meet MOHCD Underwriting Guidelines and MOHCD Commercial Space Underwriting Guidelines.
Status: Completed for this request; the operating budget does no cashflow for 15 years without more rental subsidy, and is a work in progress; the Commercial Space Policy does not apply as the HPP Campus Expansion is not being financed with residential sources including the MOHCD loan.
 3. Sponsor must provide MOHCD with a services plan and proposed staffing levels approved by HSH that meet MOHCD underwriting standards prior to gap loan approval. Any changes to the current proposed staffing will need to be presented to MOHCD at least 90 days prior to gap loan approval.
Status: Completed. Updated draft services plan was submitted to HSH and MOHCD in April 2023 and has incorporated HSH and MOHCD comments.
 4. Sponsor must work with MOHCD staff and project's General Contractor to Value Engineer construction budget.
Status: In progress with MOHCD CR participation.
 5. Sponsor must work with MOHCD staff to revise unit mix so that the project will include a higher number of units serving households at 50% MOHCD AMI.
Status: In progress.
 6. Sponsor must provide signed LOI from commercial tenant prior to MOHCD's gap loan closing. Status:
Status: Not applicable, as the HPP Campus Expansion is no longer contemplated to be structured as a commercial tenant of the residential; however, the development agreement between Mercy and the Homeless

Prenatal Program is being developed and will be shared, as well as a Reciprocal Easement Agreement.

7. Sponsor must provide MOHCD with information outlining cost containment, efficiencies and innovation strategies to reduce overall project costs and maximize efficiency of MOHCD gap loans.

Status: In progress.

8. Sponsor must provide the Reciprocal Easement Agreement between the commercial and residential parcels to MOHCD no less than 90 days prior to Loan Committee date for gap loan.

Status: In progress.

9. Sponsor to work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry.

Status: In progress.

10. Sponsor must: a) provide for MOHCD review of the Request for Proposals (RFP) for equity investors and lenders before it is finalized and distributed; b) provide for MOHCD review of all raw financial data from developer or financial consultant prior to selection; c) provide for MOHCD review and approval of all selected investors and lenders; and, d) provide for MOHCD review and approval of all Letters of Intent from financial partners.

Status: Will be submitted at the appropriate time.

11. Sponsor must provide initial draft marketing plan within 12 months of anticipated TCO, outlining the affirmative steps they will take to market the project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans.

Status: Will be submitted at the appropriate time.

12. Sponsor must provide quarterly updated response to any letters requesting corrective action.

Status: Will be provided if letter requesting corrective action is received.

13. Sponsor must submit an updated 1st year operating budget and 20-year cash flow – if any changes have occurred – by November 1st before the year the project will achieve TCO so that MOHCD may request the LOSP subsidy.

Status: Will be submitted at the appropriate time.

14. Sponsor must apply for any other higher value rent and operating subsidies available including Continuum of Care contracts or Project Based Vouchers.

Status: Will be submitted at the appropriate time.

15. Sponsor to provide self-scores for all third party funding requests.

Status: Ongoing.

16. Sponsor to work with MOHCD to find a land ownership and ground lease structure that complies with MOHCD policies. Land purchase will be contingent on MOHCD reviewing the appraisal and Purchase and Sale Agreement (PSA).

Status: Complete.**6.4. Proposed Predevelopment Financing**

6.4.1. Predevelopment Sources Evaluation Narrative. Predevelopment costs have been funded to date by the SFHAF loan that is being requested to be taken out, as well as \$2.5M in additional MOHCD predevelopment financing that make up this request. MHC extended a Line of Credit (LOC) in amount of \$250K during the initial years of the Project, and were reimbursed at the SFHAF loan closing.

Predevelopment Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Acquisition Cost is based on appraisal	Y	The entire site was acquired by HPP for \$7M supported by an appraisal. This request includes takeout of the FRB acquisition loan in the amount of \$4.9 million excluding interest; the loan terms are 3.25% fixed rate with loan term ending June 2023 with an extension until end of September 2023; interest paid on the loan will be included in project costs at construction loan closing.
Holding costs are reasonable	N/A	Holding costs are not included in the predevelopment budget and are currently covered by HPP, for reimbursement at construction loan closing for the residential housing portion; MOHCD will review and need to approve holding costs to be included as part of the acquisition cost, which is a proposed loan condition
Architecture and Engineering Fees are within standards	Y	Architect design fees are budgeted at \$2.3 million in predev which includes third party design consultants and \$34K for potential redesign to look at the option of increasing unit density.
Consultant and legal fees are reasonable	Y	Consultant and legal fees are reasonable
Entitlement fees are accurately estimated	Y	Entitlement fees reflect actual costs to get through zoning change and SB35 approval
Construction Management Fees are within standards	Y	Construction management fees are reasonable at \$160K, reflecting 3.5 years of predevelopment work and assisting with the allocation of design and cost between the two projects
Developer Fee is within standards	Y	Requested developer fee is within UG standards at \$550K, one half of Project Management Fee prior to construction loan closing

Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is currently 10%
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6.4.2. Predevelopment Uses Evaluation:

6.4.2.1. Acquisition - First Republic Bank Acquisition Loan Takeout : \$4.9 million is proposed to take out the acquisition provided by First Republic Bank (FRB) to 2530 18th Street, LP, an affiliate of HPP, dated June 25, 2020. The loan term expired on June 25, 2023 and was extended until September 25, 2023. While the loan has a low fixed interest rate of 3.25%, negotiating a new term with the FRB takeover bank would have a far higher interest rate, which would increase the cost of the residential and HPP projects, as well as the future MOHCD gap for the residential project. The MOHCD Deed of Trust will be recorded in first position on the parcel and will be due and payable at the earlier of 5 years, or at transfer of the air rights parcel to the City to ground lease to the residential limited partnership.

CommonSpirit Health Operating Investment Pool, LLC provided a second loan to 2530 18th LLC, managed by HPP, in the amount of \$2 million dated January 13, 2022, at 2% interest, to take out the original seller carryback financing. The loan term is five years, and HPP will keep these low cost funds in their HPP development project and it is not included in the request.

6.4.2.2. SF HAF Predev Loan Takeout: \$2,435,211 of the proposed MOHCD predevelopment loan is proposed for takeout of the SF HAF Predev Loan to the residential limited partnership, which funded architecture and engineering, legal, entitlements and financial consultants. This predevelopment loan has a fixed interest rate of 3.25%; taking it out now with committed MOHCD funds will provide cost savings to the project by reducing interest carry. MHC will provide backup documentation demonstrating the eligibility of predevelopment costs for the MOHCD takeout loan prior to loan closing.

6.4.2.3. Other predevelopment costs to be funded by the MOHCD loan total \$2,511,689, and are lean and reasonable. These funds include standard architecture, engineering and environmental studies, legal and financing application costs.

6.5. Proposed Permanent Financing. The perm budget included is preliminary as the Sponsor is exploring options to increase feasibility given the challenges of economies of scale at 74 units, state financing competitiveness and operating cashflow (see Section 4.10, Project Feasibility).

6.5.1. Permanent Sources Evaluation Narrative: The Borrower proposes to use the following sources to permanently finance the project.

- **4% Tax Credit Equity (\$36,11,097):** Investor TBD, Sponsor assumes \$0.93 per federal LIHTC and \$0.85 per State LIHTC. Considering the market and more recent projects in MOHCD pipeline that have closed, this equity amount appears conservative. Any increases in equity would assist in reducing the overall gap. See Section 9.2, Loan Conditions.
- **MHP Loan (\$28,320,125):** The sponsor applied for HCD MHP and IIG in 2023, and upon receiving an award, would apply for the next round of CDLAC / Tax Credit financing. The MHP loan terms are 55 years, 3% simple interest with a 0.42% mandatory payment, residual receipts, \$500 PUPA replacement reserve requirement, minimum of 6 months of operating reserves.

This Project does not meet the MHP scoring priorities of high resource area or surplus land. The Sponsor's Scoring Analysis for the 2023 application is a score of 105 out of 113 maximum points, and a tie breaker score of 153.72%, which is not highly competitive. As outlined in Section 4.9 Project Feasibility, the Sponsor is exploring options to increase the Project's competitiveness for MHP, including making the air rights parcel surplus land and increasing density.

Scoring Summary - MHP Round 2023	Project Points	Max Points
Affordability 30 points	30	30
State Policy Priorities 18 points	10	18
Sponsor Experience/ Applicant and Property Management experience 20 points	20	20
Project Readiness 20 points; negative 5 points	20	20
Financing Commitments (10 pt max)	10	10
Local & Environmental Approvals (7 pt max)	0	2
Organizational Documents (3 pt max)	3	3
TCAC Hybrid Projects (-5 pts max)	0	0
Adaptive Reuse / Infill / Proximity to Amenities / Sust Bldng Methods 21 points	20	20
Infill Development & Net Density(5 pt max)	5	5
Proximity to Amenities (6 pt max)	5	5
Broadband Access (5 pt max)	5	5
Sustainable Building Methods (5 pt max)	5	5
Cost Containment 5 points	5	5
TOTAL POINTS (85 minimum score required)	105	113
Tiebreaker		153.72%

- IIG Sponsor Loan (\$6,048,992): 55 years, 3% simple interest, deferred payment, \$500 PUPA replacement reserve requirement, minimum of 6 months of operating reserves; IIG will not be funded if MHP is not awarded.
- MOHCD/HSH Loan (\$16,000,000): 55 years, 3% simple interest, residual receipts, and committed under the Preliminary Gap Request in 2022.
- AHP (\$1,000,000): Bank TBD, 15 years, 0% simple interest, disbursement into project in 2024
 - Mercy expects to make a future request for a bridge loan from MOHCD for the AHP at the final gap request since the project will not score maximum points until permanent conversion.
- Deferred Developer Fee (\$1,000,000): deferred developer in the amount of \$1,000,000 to be paid over 15 years if there is cashflow.
- Construction Loan (\$41,991,000): While not a permanent source, the construction loan terms are lender TBD, 33 month term, projected all in rate with cushion 6.91%. It would be funded through proceeds from a bond allocation.
- Other potential funding: As outlined in Section 4.9 Project Feasibility, MHC and HHP are pursuing other financing sources to increase the feasibility of both projects. The Sponsor applied for \$13 million in “Community Care Expansion Program” (CCE), a new state funding grant for construction of facilities / housing to address homelessness, in Spring 2023, and an award would be divided between the two projects.

6.5.2 CDLAC Tax-Exempt Bond Application:

The Project's basis boost from their previous DDA / QCT placeholder application with CMFA is expiring at the end of 2023, and CMFA has indicated that it is not possible to extend it. Nonetheless, if the Sponsor secures an MHP award, they would be somewhat competitive for a CDLAC allocation, although less competitive with the current inclusion of State tax credits. They would not apply until they have received an MHP award.

CDLAC Self-Score	
Opportunity Map Resource Level	TCAC/HCD Opportunity Map: Moderate
TCAC Housing Type (new construction only)	TCAC regs: Large Family

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Bond Allocation Request Amount	\$40,725,663
Total Self-Score (out of 120 points)	119
Tiebreaker Score	10.29

6.5.3 Residential Uses Evaluation:

Development Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Hard Cost per unit is within standards	N	\$791K /unit which is high compared to similar projects; this is due to size and site conditions, and the hard cost is 7% higher per square foot than comparable projects (see
Construction Hard Cost Contingency is at least 5% (new construction) or 15% (rehab)	Y	Hard Cost Contingency is 5%; in addition, Design Contingency is held at 2% due to potential redesign to increase density, bid contingency is held at 2%, plan check contingency is held at 2%
Architecture and Engineering Fees are within standards	Y	Total A&E costs of \$3.2 million include potential redesign analysis to increase project density, and is within standards
Construction Management Fees are within standards	Y	CM Fee of \$260K for the multiyear project with complex division between residential and HPP service projects is warranted and within standards; HPP is paying for its portion of CM fee
Developer Fee is within standards, see also disbursement chart below	N	Project management fee: \$1.1 million At risk fee: \$1.1 million Deferred developer fee \$1 million Total fee: \$3,200,000
Consultant and legal fees are reasonable	Y	Consultant and legal fees appear reasonable
Entitlement fees are accurately estimated	Y	Entitlement fees are based on actual costs and are being fully paid by the residential project as they pertain to residential entitlements
Construction Loan interest is appropriately sized	Y	Construction loan interest is appropriate for conservative assumptions of interest rate environment
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 10%;
Capitalized Operating Reserves are a minimum of 3 months	Y	Capitalized Operating Reserve is equal to 6 months in compliance with MHP requirements

6.5.4 **Developer Fee Evaluation:** The milestones for the payment of the developer fee to the sponsor are specified below:

Total Developer Fee:	\$2,200,000	
Project Management Fee Paid to Date:	\$ 494,000	
Amount of Remaining Project Management Fee:	\$ 606,000	
Amount of Fee at Risk (the "At Risk Fee"):	\$1,100,000	
Milestones for Disbursement of that portion of Developer Fee remaining and payable for Project Management	Amount Paid at Milestone	Percentage Project Management Fee
Acquisition/Predev		-
Predevelopment closing	\$494,000 (paid)	45%
Submission of HCD funding application	-	-
Submission of Joint CDLAC/TCAC app post award of MHP	\$100,000	10%
Construction close	\$225,000	20%
Construction Completion	\$225,000	20%
Project close-out	\$56,000	5%
Milestones for Disbursement of that portion of Developer Fee defined as At Risk Fee		Percentage At Risk Fee
100% lease up and draft cost certification	\$220,000	20%
Permanent conversion	\$550,000	50%
Project close-out	\$330,000	30%

7. PROJECT OPERATIONS (See Attachment I and J for Operating Budget and Proforma)

7.1. **Annual Operating Budget.** The Project is currently estimating operating expenses of \$1.2 million, around \$16.2K PUPA, not including ground lease and minimum HCD debt payments. The Sponsor indicates that more revenue is needed to properly operate the property, and under the current budget, the Project cashflow goes negative in Year 5 and is not currently feasible. The Sponsor would like to discuss cost allocations with MOHCD in Fall 2023 to demonstrate the higher burden that PSH units place on operating budgets based on MHC comparable projects. The relatively small project with half PSH units, and 24 hour desk clerk coverage will result in higher than average operating costs. CoC for a portion or all of the PSH units, or SFHA project-based vouchers on non-PSH units, could help address this gap.

- The Project is requesting 37 LOSP subsidies
 - LOSP subsidy is projected at \$574K, or \$7,800 PUPA

- The preliminary operating budget assumes a per unit pro rata split for all operating costs except for:
 - Security/Front Desk Coverage costs 75% to LOSP. This will need to be reviewed with MOHCD staff prior to approval.
- Staffing is assumed at 1 Senior Property Manager, .5 Assistant Property Manager, .33 Housing Support Specialist, 4.5 FTE Desk Clerk coverage for 24 hour presence, and 2 FTE janitor and maintenance staff.
- Insurance budgeted at \$155,000 and is reasonable
- Supportive services for the non-LOSP units is budgeted at \$33,500 (0.4 FTE) and is well within standards seen at other projects.
- Reserves
- Replacement reserves are set at \$500 per unit in line with HCD's requirement for MHP

7.2. Annual Operating Expenses Evaluation.

Operating Proforma		
Underwriting Guidelines Standard	Meets Standard? (Y/N)	Notes
Debt Service Coverage Ratio is minimum 1.1:1 in Year 1 and stays above 1:1 through Year 17	N/A	No perm debt, but project goes negative in year 5.
Vacancy rate meets TCAC Standards	Y	Vacancy rate is 5% for all units, which is compliant with TCAC.
Annual Income Growth is increased at 2.5% per year or 1% for LOSP tenant rents	Y	Income escalation factor is 2.5% for non LOSP, 1% growth shown for LOSP units
Annual Operating Expenses are increased at 3.5% per year	Y	Expenses escalation factor is 3.5%
Base year operating expenses per unit are reasonable per comparables	Y	<p>Total Operating Expenses are proposed at \$15,500 PUPA before reserves for project operating feasibility; however, the sponsor believes that accurate operating costs would be higher, that more project income is needed, and that LOSP needs to pay for a higher percentage of operating cost. Even this reduced operating budget goes negative in Year 5.</p> <p>MOHCD's family PSH portfolio between 50 – 100 units with 30% – 70% homeless set-aside, new construction projects, built between 2003 – 2023, indicate an average per unit cost of \$17,000, escalated to 2023 (1036 Mission, Broadway Sansome, 1100 Ocean are excellent family project comps). However, the 3.5% cost escalation from 2020 will not capture big</p>

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		jumps in operating cost that affordable projects have encountered over the last several years such as insurance and minimum wage compensation increases. MOHCD and MHC will meet to review MHC's analysis for PSH unit costs, and this is addressed as a proposed loan condition.
Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is \$55,188 or \$63 PUPM
Property Management staffing level is reasonable per comparables	Y	Proposed staffing: 1 FTE Senior Property Manager (PM) .5 FTE Assistant PM 0.33 FTE Housing Support Specialist 4.5 FTE Desk Clerk/ Community Coordinator (24 hour coverage) 1 FTE Maintenance Manager 1 FTE Janitor
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee is \$24,270/yr, and increases annually by 3.5%. Annual PM Fee is \$24,280/yr
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$500 per unit per year as required by State MHP funding
Limited Partnership Asset Management Fee meets standards	Y	\$5,000 and does not escalate over time per Underwriting Guidelines

7.3. Target population and Income Restrictions for All Sources. The Project is proposed at 74 units, with half of the units (37) as permanent supportive housing units for families. The remaining 37 DAHLIA units have income restrictions at 50% - 70% MOHCD AMI. The Sponsor proposes that two of the 70% AMI units serve as family childcare units, utilizing a new partnership with Faces SF.

The table below summarizes the affordability restrictions from all funders, including those proposed to HCD in the recent MHP/IIG applications, and will be used at the time of marketing to determine the most restrictive income and rent levels.

UNIT SIZE <u>NON-LOTTERY</u>	No. of Units	MAXIMUM INCOME LEVEL		
		MOHCD	TCAC	HCD
1 BR – LOSP	18	50% MOHCD AMI	30% TCAC AMI	30% TCAC AMI
2 BR – LOSP	16	50% MOHCD AMI	30% TCAC AMI	30% TCAC AMI

3 BR – LOSP	3	50% MOHCD AMI	30% TCAC AMI	30% TCAC AMI
Sub-Total	37			
<u>LOTTERY</u>				
1 BR	10	50% MOHCD AMI	40% TCAC AMI	40% TCAC AMI
1 BR	8	60% MOHCD AMI	50% TCAC AMI	50% TCAC AMI
Sub-Total	18			
2 BR	6	50% MOHCD AMI	40% TCAC AMI	40% TCAC AMI
2 BR	7	60% MOHCD AMI	50% TCAC AMI	50% TCAC AMI
2 BR	2	70% MOHCD AMI	80% TCAC AMI	80% TCAC AMI
Sub-Total	15			
3 BR	1	50% MOHCD AMI	40% TCAC AMI	40% TCAC AMI
3 BR	2	70% MOHCD AMI	60% TCAC AMI	60% TCAC AMI
Sub-Total	3			
<u>STAFF UNITS</u>				
2 BR	1			
TOTAL	74			

7.4. MOHCD Restrictions.

Unit Size	No. of Units	Maximum Income Level
1BR	28	50% of Median Income
2BR	22	50% of Median Income
3BR	4	50% of Median Income
1BR	8	60% of Median Income
2BR	7	60% of Median Income
2BR	2	70% of Median Income
3BR	2	70% of Median Income
2BR	1	Manager's Unit

8. SUPPORT SERVICES

8.1. Services Plan.

This project seeks to assist families in maintaining independence, stability and functioning within a safe and affordable housing community, resulting in improved health and well-being while establishing and maintaining long-term housing. HPP will provide services for the 37 formerly homeless households

and MHC will provide services to the entire property, or 74 households. Both agencies will work together to provide client-centered services steeped in the Strengthening Factors Framework (parental resilience, social connections, knowledge of parenting and child development, concrete support in times of need, social and emotional competence of children).

HPP's main outcome for the project is that families will stabilize. HPP understands that families face unique challenges, and will join this housing community at different places along the spectrum of healing from the trauma of homelessness and/or any additional underlying stress and need. Using PSH best practices, such as harm reduction, de-escalation, and trauma-informed practices, the team will support residents throughout their tenancy. Larger building programming will be designed with residents and with consideration of the needs of the tenant population as a whole. Additional services will be individualized to meet specific family needs. Stabilization of households in an environment conducive to their success is core to this model.

HPP and MHC are proposing the following on-site support services staff to support the households referred from Coordinated Entry (funded by HSH) and the lottery units referred from the DAHLIA program (funded by building operations):

- Coordination with Property Management
- Housing Retention Services
- Service Coordination
- Social Engagement and Youth Programming

With HPP and MHC support, families will have comprehensive support. HPP will offer a layered program that provides continuity of care including individualized intensive case management; outreach and engagement; intake and assessment; benefits advocacy and assistance; referrals and coordination of services; wellness checks; support groups and social events; housing stability support; clinical services; and exit planning. Holistic services will be conducted collaboratively to integrate services/treatment, including with tenants' off-site case managers/care team. HPP will coordinate closely with MHC to ensure tenant stability. This project offers an innovative approach to family homelessness against HPP's track record for success: 95% of families housed by HPP remain housed a year later.

8.2 Services Budget. The .4 FTE Resident Services Coordinator (RSC) will be available to support the non-PSH households and will be funded from the

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operating budget, which includes \$43,500 for RSC staffing in Year 1. This conforms to MOHCD's Underwriting Guidelines.

For the PSH units, the 2 FTE Case Management will be funded through a separate services contract between the Sponsor and HSH. The Project will receive HSH's Tier 5 annual services funding level, which is \$12,900/unit or \$477K total. The total supportive services budget including PSH and non-PSH units totals \$531K in Year 1.

						TOTAL HSH	TOTAL Op Budg	TOTAL
Staffing	Manager	Dir of Hsg	Clinical Sup.	CM	CM (MSW)		RSCII	
Funder	HSH	HSH	HSH	HSH	HSH		Op Budget	
FTE	0.90	0.12	0.30	1	1	3.32	0.5	\$ 3.82
								\$ -
Salary	98,846	145,251	130,555	68,000	87,137	529,789	25,000	554,789
Salary (FTE Adjusted)	88,961	17,430	39,167	68,000	87,137	300,695		300,695
								0
Benefits @28%*	24,909	4,880	10,967	19,040	24,398	84,195	5,000	89,195
Subtotal Salary	113,871	22,311	50,133	87,040	111,535	384,890	30,000	414,890
Total Salary	113,871	22,311	50,133	87,040	111,535	384,890	30,000	414,890
Client Supplies & Programming						26,000		26,000
Training						5,000		5,000
Travel						3,677		3,677
Indirect Cost @ 15%	17,081	3,347	7,520	13,056	16,730	57,733	3,516	61,249
TOTAL	130,951	25,657	57,653	100,096	128,266	477,300	33,516	510,816
Cost Per Unit						12,900 per 37 PSH Units	453 per 74 TI Units	6,903 per 74 TI Units

8.3 HSH Assessment of Service Plan and Budget. 2530 18th Street is a new construction affordable housing project with 74 units, expected to break ground in 2024. 37 of the units will be designated as Permanent Supportive Housing (PSH)

units which are set aside for families experiencing homelessness. Referrals into these units will be provided via the City and County of San Francisco's Coordinated Entry system. The project will be subsidized for ongoing operations and supportive services by the Local Operating Subsidy Program (LOSP).

Through the MOHCD procurement process, Homeless Prenatal Program (HPP) was selected to be the Supportive Services provider, and Mercy Housing was selected to be the Property Management provider and to provide Resident Services coordination. HPP's services will be dedicated to serve the 37 households who will reside in the PSH units. The HSH will manage the contract and budget for these services to be provided.

HPP submitted a robust Supportive Services Plan that outlines the plan for coordination with Property Management and the Resident Services teams, to assist families in successfully adjusting to permanent housing, and help them to maintain housing for the long-term. The plan speaks to community building strategies and ongoing planning and coordination at the site level to ensure the needs of individual residents are balanced with the safety and security of the property. The plan also speaks to HPP's partnerships with community agencies to be able to bring services into the building to address food security, educational goals, mental health and financial goals, among other things. HPP also seeks to address the personal challenges and goals of individual families by conducting assessments prior to move-in, and conducting ongoing assessments and creating individualized service plans.

9 STAFF RECOMMENDATIONS

9.1 Proposed Loan/Grant Terms

Financial Description of Proposed Loan	
Loan Amount:	\$4,900,000 acquisition take out loan
Borrower:	2530 18th, LLC
Loan Term:	5 years
Loan Maturity Date:	Earlier of construction loan closing and transfer or residential air rights parcel to City or September 30, 2028
Loan Repayment Type:	Deferred
Loan Interest Rate:	0%
Date Loan Committee approves prior expenses can be paid:	12/1/2019

Financial Description of Proposed Loan	
Loan Amount:	\$4,946,900 Predevelopment Loan
Borrower:	Mercy Housing California 104, L.P.

Loan Term:	5 years (to be wrapped into perm 55 year loan at construction loan closing)
Loan Maturity Date:	2078
Loan Repayment Type:	Residual Receipts
Loan Interest Rate:	3%
Date Loan Committee approves prior expenses can be paid:	12/1/2019

9.2. Recommended Loan Conditions

Continuance of previous loan conditions that are in progress:

1. Sponsor must provide MOHCD with detailed monthly updates via the MOHCD Monthly Project Update, including on: Community outreach completed, Outcomes achieved related to racial equity goals, and Commercial-use programming.
2. Sponsor must provide operating and development budgets that meet MOHCD Underwriting Guidelines and MOHCD Commercial Space Underwriting Guidelines.
3. Sponsor must work with MOHCD staff and project's General Contractor to Value Engineer construction budget.
4. Sponsor must work with MOHCD staff to revise unit mix and affordability restrictions so that the project will include a higher number of units serving households at 50% MOHCD AMI.
5. Sponsor must provide signed LOI from commercial tenant prior to MOHCD's gap loan closing.
6. Sponsor must provide MOHCD with information outlining cost containment, efficiencies and innovation strategies to reduce overall project costs and maximize efficiency of MOHCD gap loans.
7. Sponsor must provide the Reciprocal Easement Agreement between the HPP Campus Expansion and residential parcels to MOHCD no less than 90 days prior to Loan Committee date for gap loan.
8. Sponsor to work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry.
9. Sponsor must: a) provide for MOHCD review of the Request for Proposals (RFP) for equity investors and lenders before it is finalized and distributed; b) provide for MOHCD review of all raw financial data from developer or financial consultant prior to selection; c) provide for MOHCD review and approval of all selected

investors and lenders; and, d) provide for MOHCD review and approval of all Letters of Intent from financial partners.

10. Sponsor must provide initial draft marketing plan within 12 months of anticipated TCO, outlining the affirmative steps they will take to market the project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans. Increased local staff participation in the lease up will be required.
11. Sponsor must provide quarterly updated response to any letters requesting corrective action.
12. Sponsor must submit an updated 1st year operating budget and 20-year cash flow – if any changes have occurred – by November 1st before the year the project will achieve TCO so that MOHCD may request the LOSP subsidy.
13. Sponsor must apply for any other higher value rent and operating subsidies available including Continuum of Care contracts or Project Based Vouchers.
14. Sponsor to provide self-scores for all third party funding requests.

New Conditions:

1. Increase equity pay in assumptions to \$0.98 for updated financial projections, pending discussions with financial advisor on current tax credit investment climate
2. MHC will provide updated operating budget and proposed LOSP Cost Split by November 1, 2023, to review with MOHCD and HSH.

HPP Loan Conditions:

1. MOHCD Holding costs are not included in the predevelopment budget and are currently covered by HPP, for reimbursement at construction loan closing for the residential housing portion; MOHCD will review and need to approve them to be included as part of the acquisition cost
2. HPP to provide quarterly fundraising updates on the HPP Campus Expansion
3. In the event that the Project does not move forward within five years, HPP will repay MOHCD's acquisition loan within five years of recording the MOHCD Deed of Trust

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o LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

[] APPROVE. [] DISAPPROVE. [] TAKE NO ACTION.

Daniel Adams, Director
Mayor's Office of Housing

Date: _____

[] APPROVE. [] DISAPPROVE. [] TAKE NO ACTION.

Salvador Menjivar, Director of Housing
Department of Homelessness and Supportive Housing

Date: _____

[] APPROVE. [] DISAPPROVE. [] TAKE NO ACTION.

Marc Slutkin for Thor Kaslofsky, Executive Director
Office of Community Investment and Infrastructure

Date: _____

[] APPROVE. [] DISAPPROVE. [] TAKE NO ACTION.

Vishal Trivedi for Anna Van Degna, Director
Controller's Office of Public Finance

Date: _____

Attachments: A. Project Milestones/Schedule
B. Borrower Org Chart
C. Developer Resumes
D. Asset Management Analysis of Sponsor
E. Threshold Eligibility Requirements and Ranking Criteria
F. Site Map with amenities
G. Elevations and Floor Plans, if available
H. Comparison of City Investment in Other Housing Developments
I. Predevelopment Budget – N/A
J. Development Budget
K. 1st Year Operating Budget
L. 20-year Operating Pro Forma

RE: 2530 18th St ACQUISITION TAKE OUT AND PREDEVELOPMENT FINANCING

Shaw, Eric (MYR)

Fri 8/25/2023 1:00 PM

To:Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

I approve

From: Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Sent: Friday, August 25, 2023 11:47 AM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Subject: ACQUISITION TAKE OUT AND PREDEVELOPMENT FINANCING

approve

Eric D. Shaw
Director/ Interim Director HopeSF

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

2530 18th Street**Menjivar, Salvador (HOM)**

Fri 9/1/2023 3:18 PM

To:Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Cc:Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

I conditionally approve Mercy Housing California (MHC) and Homeless Prenatal Program (HPP) request for acquisition and predevelopment take-out financing in support of 2530 18th Street, a new construction of 74-unit of affordable housing development with 50% (37) of the units set aside for families who have experienced homelessness, in the total amount of \$9,846,900. The sponsors of the project have at times expressed that some of the PSH units will not be filled with referrals from the SF Coordinated Entry (CE) System. My approval of this loan is conditioned to the sponsors eventually agreeing that all PSH units will be filled with homeless families referred by CE.

Best,

salvador



Salvador Menjivar

Director of Housing

Pronouns: He/Him

San Francisco Department of Homelessness and Supportive Housing

salvador.menjivar1@sfgov.org | 415-308-2843

Learn: dhsh.sfgov.org | hsh.sfgov.org | Follow: [@SF_HSH](https://twitter.com/SF_HSH) | Like: [@SanFranciscoHSH](https://www.facebook.com/SanFranciscoHSH)

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2530 18th Street Acquisition Take-Out and Predevelopment Loan Request Loan

Colomello, Elizabeth (CII)

Fri 8/25/2023 11:46 AM

To:Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Cc:Shaw, Eric (MYR) <eric.shaw@sfgov.org>;Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>

Hi Vanessa-

I approve the subject request on behalf of OCII.

Thanks-

Elizabeth



Elizabeth Colomello

Housing Program Manager

-
- 📍 One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
 - 📞 415.749-2488, Cell 415.407-1908
 - 🌐 www.sfocii.org
-

2530 18th Street

Van Degna, Anna (CON)

Fri 8/25/2023 11:46 AM

To:Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Cc:Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Approved

Anna Van Degna (*she/her/hers*)

Director, Controller's Office of Public Finance

City & County of San Francisco

1 Dr. Carlton B. Goodlett Place

City Hall, Room 338

San Francisco, CA 94102

Phone: (415) 554-5956

Email: anna.vandegna@sfgov.org

Evaluation of Request for Financing
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No.	Performance Milestone	Estimated or Actual Date	Notes
A.	Prop I Noticing (if applicable)	<u>6/16/2023</u>	
1	Acquisition/Predev Financing Commitment	<u>12/19/2019</u>	First Republic Bank provided initial land commitment to HPP
2.	Site Acquisition	<u>12/19/2019</u>	Acquired by HPP
3.	Development Team Selection		
a.	Architect	<u>10/21/21</u>	
b.	General Contractor	<u>10/21/21</u>	
c.	Owner's Representative	<u>10/21/21</u>	
d.	Property Manager	<u>10/21/21</u>	
e.	Service Provider	<u>10/21/21</u>	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	<u>4/11/22</u>	
b.	Submittal of Design Development & Cost Estimate	<u>8/8/22</u>	
c.	Submittal of 50% CD Set & Cost Estimate	<u>12/16/22</u>	
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>6/2/23</u>	
5.	Commercial Space		
a.	Reciprocal Easement Agreement with commercial parcel Submission	<u>9/25/23</u>	
b.	LOI/s Executed	<u>n/a</u>	
6.	Environ Review/Land-Use Entitlements		
a.	SB 35 Application Submission	<u>10/28/21</u>	
b.	CEQA Environ Review Submission	<u>n/a</u>	
c.	NEPA Environ Review Submission	<u>n/a</u>	
d.	CUP/PUD/Variances Submission	<u>n/a</u>	
7.	PUC/PG&E		

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a.	Temp Power Application Submission	<u>6/1/22</u>	
b.	Perm Power Application Submission	<u>6/1/22</u>	
8.	Permits		
a.	Building / Site Permit Application Submitted	<u>10/28/21</u>	
b.	Addendum #1 Submitted	<u>4/10/23</u>	
c.	Addendum #2 Submitted	<u>9/25/23</u>	
9.	Request for Bids Issued	<u>6/5/23</u>	
10.	Service Plan Submission		
a.	Preliminary	<u>12/1/22</u>	
b.	Final	<u>11/29/24</u>	
11.	Additional City Financing		
a.	Preliminary Gap Financing Application	<u>12/1/22</u>	
b.	Acquisition Take Out and Predev Financing Application	<u>8/25/23</u>	
	c. Gap Financing Request	<u>2/1/24</u>	
12.	Other Financing		
a.	HCD Application - MHP	<u>6/1/23</u>	
b.	Construction Financing RFP	<u>5/3/24</u>	
c.	AHP Application	<u>3/1/25</u>	
d.	CDLAC Application	<u>5/2/24</u>	
e.	TCAC Application	<u>5/2/24</u>	
f.	Other Financing Application		
g.	LOSP Funding Request	<u>11/29/24</u>	
13.	Closing		
a.	Construction Loan Closing	<u>11/29/24</u>	
b.	Conversion of Construction Loan to Permanent Financing	<u>7/16/27</u>	
14.	Construction		
a.	Notice to Proceed	<u>12/1/24</u>	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>8/7/26</u>	
15.	Marketing/Rent-up		

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a.	Marketing Plan Submission	<u>11/29/25</u>	
b.	Commence Marketing	<u>2/1/26</u>	
c.	95% Occupancy	<u>12/1/26</u>	
16.	Cost Certification/8609	<u>10/30/27</u>	
17.	Close Out MOH/OCII Loan(s)		

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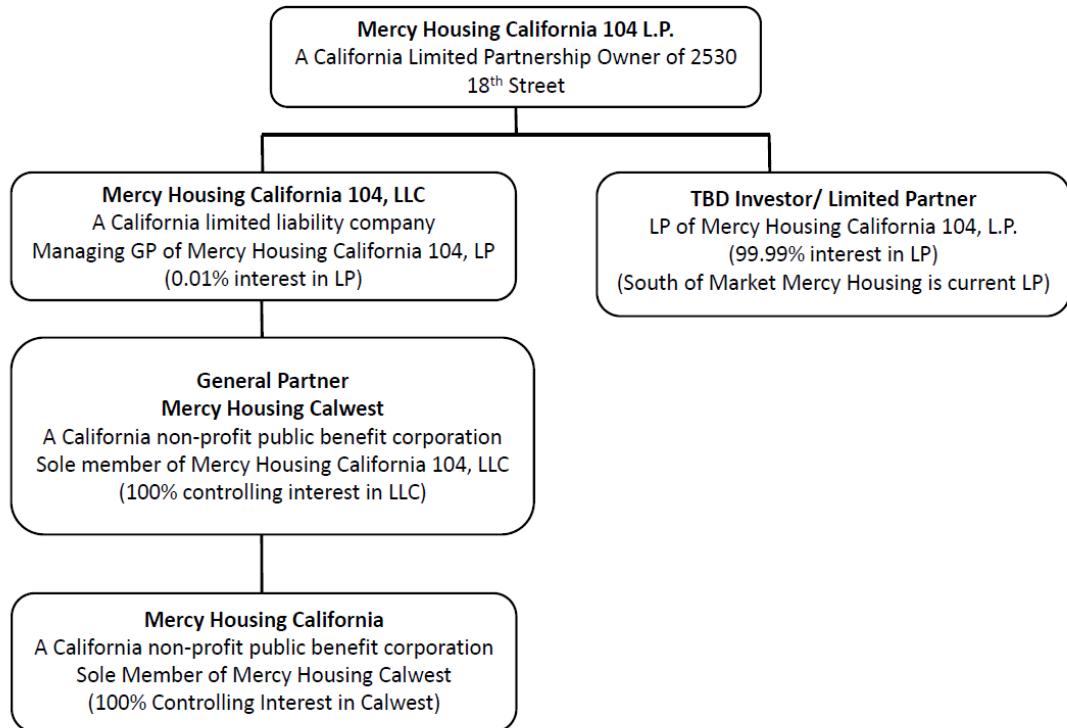
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Attachment B Borrower Org Chart:

Homeless Prenatal Program (HPP) Expansion Program Borrower Entity: 2530 18th, LLC

Residential Borrower Entity: Mercy Housing California 104, L.P.

Borrower Org Chart



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Attachment C: Development Staff Resumes



KION SAWNEY

Project Developer

PROFESSIONAL EXPERIENCE

Mercy Housing California, San Francisco, California

Project Developer I, July 2020 to present

- Manage and perform all tasks related to the development of affordable housing associated with acquisition and new construction.
- Responsible for reviewing sites for potential housing developments, preliminary land use analysis to determine feasibility; secure local approvals and neighborhood acceptance; prepare financial analysis and secure project funding; oversee design and construction process and close out with the investors and lender.
- Projects include: 600 7th Street - 221 units of affordable PSH and family housing; 2530 18th Street with Homeless Prenatal Program - 73 units of affordable family housing.

Beacon Development Group, San Francisco, California

Housing Developer, August 2016 to 2019

- Directly managed an affordable housing development portfolio worth over \$150 million in Northern California and concurrently supporting projects in Southern California and Washington State - the portfolio included urban infill construction, re-syndications, acquisition rehabs, new markets TC and 4% non-competitive.
- Oversaw all aspects of project development, working closely with clients and project teams on site acquisition, predevelopment, entitlements, design, financing, construction, and project close out. Negotiated development, loan, and partnership agreements with public and private equity partners.

Nashville Civic Design Center, Nashville, Tennessee

Research Fellow, May 2014 to 2016

- Authored, "Creating Inclusive Communities," a publication describing 7 topic areas for Nashville to pursue that improve housing accessibility for low to moderate-income individuals. The report assembled statistical demographic changes, engaged with over 50 community stakeholders, and showcased national best practices.
- Advised and consulted with the Mayor's Office, government agencies and officials, community organizations and trade groups on tools to increase the city's affordable housing stock and improve non-profit capacity.
- In partnership with the Chamber of Commerce and the Urban Land Institute, proposing an innovation district in the city's midtown and began preliminary work for its creation.

EDUCATION

BA, Urban Planning, Vanderbilt University, 2014

CURRENT PROFESSIONAL AFFILIATIONS & COMMUNITY INVOLVEMENT

Commissioner, San Francisco Residential Rent Stabilization and Arbitration Board
Board Member, Yimby Action: San Francisco Board
Tree Planting Leader, Friends of the Urban Forest

Attachment D: Asset Management Evaluation of Project Sponsor

Mercy Housing California (MHC) will assume asset management duties for 2530 18th Street. Asset Management falls under the National Portfolio Management department of Mercy Housing Inc, which is led by Senior Vice President Melissa Clayton.

Total Number of Projects and Average Number of Units Per Project Currently in Developer's Asset Management Portfolio

California represents the largest portion of the portfolio with 156 operating properties across the state; 55 Mercy owned and occupied properties are located in the City of San Francisco.

Developer's Current Asset Management Staffing Including Job Titles, Full Time Employees, an Organizational Chart and the Status of Each Position (filled/vacant)

Yelena Zilberfayn is the Vice President of Asset Management at Mercy Housing where she has worked for the past 22 years, 9 of which in the Asset Management Department, and is responsible for a portfolio of real estate assets serving families, seniors, and special needs individuals. She leads a team of five Asset Managers, four in San Francisco, one in Sacramento.

Two Asset Management Analysts and one Commercial Asset Management Analyst based in the National Office in Denver, CO, and one Commercial Asset Manager based in San Francisco are supporting Yelena's team. In addition, there are two Asset Managers overseeing other regions in CA and one Capital Project Investment Manager, reporting directly to Melissa Clayton.

Yelena is located in the San Francisco office and interfaces directly with Doug Shoemaker, President of Mercy Housing California (MHC), and Jennifer Dolin, Vice President of Operations of MHC. Yelena and her team act as Mercy Housing's representatives in relation to the physical and financial status of each asset and protect its financial health and long-term viability.

Mercy's portfolio management also includes Transaction Team comprised of 2 staff devoted to other specialized needs such as the Year 15 buy out and the refinance of properties.

All positions are currently filled and they are all full time.

The breakdown of the Bay Area asset management staff positions is as follows:

- (1) Vice President of Asset Management
- (1) Director of Portfolio Analysis
- (4) Asset Managers
- (2) Asset Management Analysts
- (1) Commercial Asset Management Analyst
- (1) Commercial Asset Manager

Each Asset Manager oversees a portfolio of up to 25 assets. The 4 Asset Managers in the San Francisco office currently have 90 assets in their portfolio. Eight of these properties are in predevelopment, under construction or in rehab in the City of San Francisco or Bay Area. In San Francisco, Asset Managers manage fewer than the maximum of 25 assets in order to free up capacity for future developments. Once development is complete, a San Francisco based Asset Manager will assume asset management duties for 1530 18th Street.

Description of Scope and Range of Duties of Developer's Asset Management Team

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Asset Management staff has oversight over all operations of the properties. The portfolio is analyzed monthly through the Portfolio Scorecard, which looks at physical and economic occupancy, trade and intercompany payables. In addition, the team performs quarterly risk ratings according to Affordable Housing Investment Council (AHIC) standards, of every property to evaluate occupancy, reserves, management, capital needs and available reserves. If a property is placed on the watchlist, there is a quarterly meeting with the Asset Management team, Mercy Housing Management Group and Mercy Housing California President to find a solution to get the property off the watchlist.

Asset Managers are responsible for tracking all capital needs on their portfolio on a quarterly basis as part of Mercy's watchlist process. They are assisted by various staff of Mercy Housing Management Group, including the Regional Facilities Manager and the various Area Directors of Operations assigned to the properties. Using various analysis including our watchlist and budget planning, reviewing CNAs, and Reserve analysis, the Asset Managers determine when the necessary capital needs can be completed in the short and long term.

The analyst team submits reserve replacement requests bi-annually. In addition, the analyst team helps with the compliance with financing requirements and various reporting regulatory requirements by sending quarterly and annual reporting to investors and funders.

Portfolio preservation planning is accomplished through balancing the use of reserves with the payment of scheduled partnership and deferred development fees through cash flow.

The transaction team handles some of the longer term needs of the portfolio such as Year 15 analysis and investor buyout and a property restructuring such as a refinance.

Description of Developer's Coordination Between Asset Management and Other Functional Teams, Including Property Management, Accounting, Compliance, Facilities Management, etc.

There is constant coordination between Property Management, related departments and Asset Management. Asset management oversees all aspects of operations so there is ongoing coordination with property management on a daily basis in regards to those issues. Asset and Property Management work together on the annual audits and budgets. In addition, there is constant coordination around cash management and the financial oversight of the property. There is also contact around preparation of the financials. Asset Management and Compliance primarily coordinate around compliance issues that directly affect ownership and the partnership. Asset management and facilities coordinate around preparation the budget and capital projects. The Asset Management staff also coordinates around emergencies.

Developer's Budget for Asset Management Team Shown as Cost Center (nationwide)
Asset Management staffing budget is \$2,460,839.

Number of Projects Expected to be in Developer's Asset Management Portfolio in 5 Years and, If Applicable, Plans to Augment Staffing to Manage Growing Portfolio

Mercy Housing anticipates that the portfolio will grow from 156 buildings to approximately 170 buildings in the next 5 years. Two new Asset Manager positions based in San Francisco were added in 2017 and one in 2019.

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MOHCD Asset Management staff assessment of Sponsor's asset management capacity: The Sponsor's description of their asset management functions, duties and coordination with related teams within the organization demonstrates an adequate asset management operation for their existing portfolio. With 7 FTE asset managers statewide and a portfolio of 156 projects in California, the project/asset management staff ratio is 22, which is in line with the industry standard of 20-25 recommended by NeighborWorks America. In addition, the Sponsor's asset management staff also includes Asset Management Analysts who support the Asset Managers. The full range of asset management responsibilities are covered by the asset managers and the analysts. With an increase of 15-16 projects in the Sponsor's portfolio anticipated over the next 5 years, the ratio will increase but remain within the industry standard.

Attachment E: Threshold Eligibility Requirements and Ranking Criteria**Minimum Qualifications and Scoring from Homeless Family NOFA 2022**

All applications that meet the Minimum Experience and Capacity Requirements will be scored and ranked according to the following selection criteria:

	Category	Points
A.	EXPERIENCE:	40
i.	Developer (12 pts) <ul style="list-style-type: none"> ➤ Experience with the following: <ul style="list-style-type: none"> ○ Completing projects on time and on budget ○ Obtaining competitive financing terms ○ Developing Type V/I or III/I construction ○ Developing housing for low-income families and those experiencing homelessness ➤ Building community support through outreach ➤ Current staff capacity and experience to take on this project type 	
ii.	Owner (4 pts) <ul style="list-style-type: none"> ➤ Track record successfully owning housing financed with Low-Income Housing Tax Credits <ul style="list-style-type: none"> ○ Experience owning affordable housing for low-income families and those experiencing homelessness ➤ Effectiveness of current asset management structure and staffing, given portfolio size ➤ Capacity for assuming asset management of an expanded portfolio once the development is complete 	
iii.	Property Manager (8 pts) <ul style="list-style-type: none"> ➤ Experience managing property for low-income families and those experiencing homelessness ➤ Experience achieving high rates of housing retention ➤ Implements low barrier tenant selection policies consistent with Housing First principles and the HSH Documentation Policy ➤ Contributes to long-term sustainability of the development ➤ Achieves cost efficiencies in operations 	
iv.	Service Providers (8 pts) <ul style="list-style-type: none"> ➤ Experience delivering services to low-income families and those experiencing homelessness ➤ Experience linking residents to the City's safety net of services ➤ Works with property management to achieve high rates of housing retention ➤ Supports positive outcomes for residents around health and economic mobility ➤ If applicable, provides explanation for service contracts terminated prematurely within the last 5 years 	

	<ul style="list-style-type: none"> ➤ Capacity to attract and retain adequate staffing to take on this project 	
v.	Racial Equity (8 pts) <ul style="list-style-type: none"> ➤ Describes level of racial equity awareness ➤ Experience providing housing to COP and neighborhood preference holders ➤ Uses innovative approaches to engagement with COP and neighborhood preference holders ➤ Demonstrates commitment to racially diverse project development teams ➤ Demonstrates experience with serving historically excluded communities of color, including formerly homeless households ➤ Describes approaches to overcoming historical obstacles to communities of color obtaining high quality affordable housing ➤ Describes experience providing access and implementing effective service delivery strategies to historically excluded communities of color, including formerly homeless households 	
B.	VISION:	60
i.	Program Concept (20 pts) <ul style="list-style-type: none"> ➤ Proposes site whose location, size, configuration, and zoning support the development of affordable and permanent supportive housing, including ability to maximize unit yield in a cost-effective construction type and make use of entitlement expediting such as SB 35. ➤ Describes vision for a development program at this site, while best achieving the project goals, and includes: <ul style="list-style-type: none"> ○ A residential program and other envisioned uses; ○ Indicates how the proposed uses and amenities will enhance the lives of the proposed target population and the surrounding neighborhood. ➤ Indicates particular groups served by the programs and spaces (families, families experiencing homelessness, young adults, children etc.). ➤ Describes how the program will contribute to lowering barriers to persons of color seeking and retaining quality housing. 	
ii.	Community Engagement Strategy (10 pts) <ul style="list-style-type: none"> ➤ Describes community engagement strategy and includes: <ul style="list-style-type: none"> ○ The team's philosophy on community engagement; ○ Process for establishing and/or building positive relationships with surrounding neighbors and the larger community; ○ Efforts designed to engage all interested community members - particularly BIPOC members of the target populations - and including monolingual non-English speaking members of the community; ○ How the Development Team intends to comply with the City's Language Access Ordinance. 	

	<ul style="list-style-type: none"> ➤ Describes the Team's approach to achieving entitlements for the project expeditiously and the approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations. ➤ Indicates how particular community engagement strategy will address the historical exclusion of communities of color from quality housing, including but not limited to marketing to attract target populations. 	
iii.	<p>Services Delivery Strategy (10 pts)</p> <ul style="list-style-type: none"> ➤ Describes the Development Team's services delivery strategy and includes: <ul style="list-style-type: none"> ○ The overall service philosophy; ○ Model for providing services to formerly homeless residents (including case management ratio and provision of amenities such as front desk clerks, if applicable); ○ The services goals of the proposed vision. ➤ A brief description of the desired outcome of the services to be provided and innovative approaches to services provision, including the strategy of engaging residents and encouraging access to services. ➤ Describes how services for residents will be coordinated with the existing network of services in the neighborhood and community. 	
iv.	<p>Finance & Cost Containment Approach (10 pts)</p> <ul style="list-style-type: none"> ➤ Describes the Development Team's financing approach to the project. ➤ Includes the Team's process for structuring the project and controlling development costs. ➤ Includes innovative strategies intended to minimize MOHCD's projected capital gap financing. ➤ Describes any innovative (i.e. non-standard, routine or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses. ➤ Does not include proforma financials. 	
v.	<p>Racial Equity Strategy (10 pts)</p> <ul style="list-style-type: none"> ➤ Explains how vision aligns with the primary goals of this NOFA set forth in the Introduction and Project Expectations. ➤ Proposes a substantive partnership that increases opportunity/capacity for growth of smaller and Black, Indigenous and people of color, (BIPOC)-led organizations ➤ Explains how the Development Team's model removes barriers to intergenerational wealth, self-sufficiency and resiliency for persons of color, particularly COP holders, African American households and/or households in historically African American neighborhoods. 	

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	➤ Describes strategies used to help BIPOC tenants overcome barriers to accessing supportive services and income that mitigate the effects of poverty and lead to improved self-sufficiency.	
	TOTAL POSSIBLE POINTS	100

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Attachment F: Site Map with amenities



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Attachment G: Elevation



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Attachment H: Comparison of City Investment in Other Housing Developments

Affordable Multifamily Housing New Construction Cost Comparison - San Francisco

Updated 8/18/2023		Acquisition by Unit/Bed/SF						Construction by Unit/Bed/SF			Soft Costs By Unit/Bed/SF			Total Development Cost (Incl. Land)			Subsidy															
		Acq/unit	Acq/BR	Acq/lot sq.ft	Const/unit	Const/BR	Const/ sq.ft ⁶	Soft/unit	Soft/BR	Soft/ sq.ft ⁶	Gross TDC/unit	Gross TDC/BR	Gross TDC/ sq.ft ⁶	Subsidy / unit	Leveraging ⁷																	
Delta of Subject and Comparable Projects		\$ 78,299	\$ 48,466	\$ 425	\$ 121,088	\$ 68,082	\$ 38	\$ 121,130	\$ 73,339	\$ 84	\$ 318,957	\$ 188,901	\$ 184	\$ (74,442)	123.3%																	
Delta Percentage		377%	369%	358%	18%	16%	6%	66%	63%	49%	36%	34%	23%	-26%	185%																	
SUBJECT PROJECT		\$ 99,084	\$ 61,616	\$ 543	\$ 791,179	\$ 491,994	\$ 664	\$ 305,457	\$ 189,948	\$ 256	\$ 1,195,720	\$ 743,557	\$ 1,004	\$ 216,216	81.9%																	
Comparable Projects	Average:	\$ 20,786	\$ 13,149	\$ 118.47	\$ 670,092	\$ 423,912	\$ 626	\$ 184,327	\$ 116,608	\$ 172	\$ 876,764	\$ 554,657	\$ 819	\$ 290,658	66.8%																	
Costs lower than comparable average (within 10%)		Costs higher than comparable average (within 10%)																														
		Building Square Footage						Total Project Costs																								
		Lot sq.ft	Completion/ start date	# of Units	# of BR ¹	Res. ²	Non-Res. Sq. ft.	Total sq. ft.	Acq. Cost ³	Constr. Cost ⁴	Soft Cost	Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments														
ALL PROJECTS	Average:	31,513		120	191	120,323	13,545	132,205	\$ 1,671,187	\$ 80,541,800	\$ 18,824,491	\$ 101,144,660	\$ 29,006,149	\$ 99,484,962																		
Comparable Projects Completed (filtered)	Average:	18,635		106	171	100,418	12,246	112,664	\$ 5,185,149	\$ 64,430,523	\$ 15,072,442	\$ 84,688,113	\$ 27,788,500	\$ 79,502,964																		
Comparable Projects Under Construction (filtered)	Average:	21,830		116	189	110,171	21,465	131,637	\$ 3,333	\$ 78,458,038	\$ 23,574,096	\$ 102,035,467	\$ 39,512,240	\$ 102,032,134																		
Comparable Projects In Predevelopment (filtered)	Average:	13,609		86	127	79,792	6,965	85,562	\$ 1,217,458	\$ 63,627,300	\$ 18,161,189	\$ 83,486,658	\$ 22,277,214	\$ 82,472,110																		
Total Comparable Projects	Average:	18,025		103	162	96,794	13,559	109,954	\$ 2,135,313	\$ 68,838,620	\$ 18,935,909	\$ 90,070,080	\$ 29,859,318	\$ 88,002,403																		
Homeless Prenatal Program (HPP) & Family Housing	2530 18th St	13,504	4/12/2024	74	119	79,010	12,768	88,166	\$ 7,332,250	\$ 58,547,274	\$ 22,603,791	\$ 88,483,315	\$ 16,000,000	\$ 81,151,065	4%, MHP, IIG, AHP	Type IB	8	60% CDS Dated 3/24/23 Assuming land cost is \$7M														
Delta of Subject and Comp Project Averages		-4,521		-29	-43	-17,784	-791	-21,788	\$ 5,196,937	(\$10,291,346)	\$ 3,667,882	(\$1,586,765)	(\$13,859,318)	(\$6,851,338)																		
Delta Percentage		-25%		-28%	-27%	-18%	-6%	-20%	243%	-15%	19%	-2%	-46%	-8%																		
PROJECTS COMPLETED																																
Project Name		Address		Lot sq.ft	Compl. Date	# of Units	# of BR ¹	Res. ²	Non-Res.	Total	Acq. Cost ³	Constr. Cost ⁴	Soft Cost	Total Dev. Cost w/land	Local Subsidy ⁵	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments												
Mission Family Housing	1036 Mission	15,200	Oct-18	88	134	92,462	6,955	99,417	\$ 5,551,029	\$ 48,898,433	\$ 6,583,453	\$ 61,032,915	\$ 17,704,400	\$ 55,481,886	2 HCD Loans (MHP & TOD)	Type IB	9															
Eddy and Taylor Family Housing	222 Taylor	22,344	Jun-19	113	211	108,440	21,086	129,526	\$ 9,300,000	\$ 67,488,078	\$ 14,837,459	\$ 91,625,537	\$ 22,187,436	\$ 82,325,537	2 HCD Loans (MHP & TOD)	Type IB	8	Extensive PG&E regional switch required														
1296 Shotwell Senior	1296 Shotwell	11,667	Jan-20	94	94	66,153	-	66,153	\$ 831,098	\$ 53,709,722	\$ 231,384	\$ 54,772,204	\$ 27,812,014	\$ 53,941,106	4% LIHTC HOME AHF	Type IA	9	seismic damper														
490 South Van Ness	490 S. Van Ness Avenue	14,250	Apr-21	81	121	51,639	28,985	80,624	\$ 18,500,000	\$ 55,840,878	\$ 13,393,811	\$ 87,734,689	\$ 28,892,030	\$ 69,234,689	Type IA	7+	Over partial basement															
2060 Folsom Street	2060 Folsom	29,075	May-21	127	252	155,648	11,810	167,458	\$ 134,931	\$ 86,578,395	\$ 20,100,172	\$ 106,813,498	\$ 31,697,110	\$ 106,678,567	HCD AHSC Loan	Type IB	9	\$6MM														
500 Turk Street (555 Larkin)	500 Turk Street	18,906	Dec-22	108	186	101,752	7,639	109,391	\$ 1,853,895	\$ 59,418,267	\$ 29,815,020	\$ 91,087,182	\$ 32,400,000	\$ 89,233,287	HCD AHSC Loan	Type I	8	Type I 8 stories on constrained site														
681 Florida	681 Florida Street	19,000	Oct-22	130	199	126,830	9,250	136,080	\$ 125,091	\$ 79,079,886	\$ 20,457,793	\$ 99,750,770	\$ 33,826,507	\$ 99,625,679	HCD MHP Loan	Type IB	9	8,400+- PDR														
Completed Projects (average):	Average:	33,232		114	180	107,052	13,623	120,706	2,804,446	70,321,397	15,199,643	\$ 88,325,486	\$ 24,478,457	\$ 85,521,040																		
PROJECTS UNDER CONSTRUCTION																																
Project Name		Address		Lot sq.ft	Compl. Date	# of Units	# of BR ¹	Res. ²	Non-Res.	Total	Acq. Cost ³	Constr. Cost ⁴	Soft Cost	Total Dev. Cost w/land	Local Subsidy ⁵	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments												
BPUY - Balboa Park Upper Yard	2430 San Jose Ave	30,699	Jul-23	131	217	164,636	10,741	175,377	\$ -	\$ 91,871,410	\$ 25,523,152	\$ 117,394,562	\$ 30,493,722	\$ 117,394,562	4% Credits; HCD IIG & AHSC	Type IB	8-9	not incl. (GMP Draft Contract 5/21)														
180 Jones Street	180 Jones Street	4,853	Nov-24	70	70	36,166	3,304	39,470	\$ 10,000	\$ 38,293,496	\$ 15,262,708	\$ 53,566,204	\$ 12,858,477	\$ 53,556,204	4% LIHTC + MHP	Type I	9	Small very tight site; studios (95% CD est. updated est at close)														
Mission Bay S. Bl. 9A-HomeOwn	400 China Basin Street	29,939	Jul-24	148	281	129,712	50,351	180,063	\$ -	\$ 105,209,208	\$ 29,936,428	\$ 135,145,636	\$ 75,184,522	\$ 135,145,636	OCL, IIG	Type I	8	Homeownership, (Loan Eval August 2021 data)														
730 Stanyan	730 Stanyan Street	37,813	Aug-25	160	282	173,030	19,728	192,758	\$ -	\$ 125,664,665	\$ 25,943,948	\$ 153,252,004	\$ 68,528,927	\$ 68,528,927	153,252,004	4% Credits; HCD MHP	Type I	8	Svcs spaces, complex dsgn (4/21/2023: Gap, 85% CD)													
Under Construction:	Average:	37,427		126	218	138,118</																										

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Attachment I: Predevelopment Budget

MOHCD Proforma - Predevelopment Financing Sources Uses of Funds

Application Date: 8/2/23
 Project Name: 2530 18th Street
 Project Address: 2530 18th St
 Project Sponsor: Mercy Housing Calwest, Mercy Housing California

LOSP Project

SOURCES	-	2,435,211	4,900,000	2,511,689	-	-	9,846,900	Comments
Name of Sources:	MOHCD/OCII	MOHCD - Take out of SFHAF Cost	MOHCD - Acq. of FRB Loan	MOHCD - New Predev. Cost				

USES

ACQUISITION

Acquisition cost or value		4,900,000			4,900,000	Value of the FRB Loan
Legal / Closing costs / Broker's Fee					0	
Holding Costs					0	
Transfer Tax					0	

TOTAL ACQUISITION 0 0 4,900,000 0 0 0 4,900,000

CONSTRUCTION (HARD COSTS)

Unit Construction/Rehab			357,500			357,500	Cost includes temp + perm switchgear/ perm, taxes, Insurance, SDO, OHP Fee, Contingency
Commercial Shell Construction					0		
Demolition			190,610			190,610	Pre-NTP Demolition and Shoring
Environmental Remediation			100,000			100,000	
Onsite Improvements/Landscaping					0		
Offsite Improvements					0		
Infrastructure Improvements					0		
Parking					0		
GC Bond Premium/GC Insurance/GC Taxes					0		
GC Overhead & Profit					0		0.0%
CG General Conditions					0		0.0%
Sub-total Construction Costs	0	0	648,110	0	0	648,110	0.0%
Design Contingency (remove at DD)					0	0	0.5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+
Bid Contingency (remove at bid)					0	0	0.5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+
Plan Check Contingency (remove/reduce during Plan Review)					0	0	0.4% up to \$30MM HC, 3% \$30-\$45MM, 2% \$45MM+
Hard Cost Construction Contingency					0	0	0.5% new construction / 15% rehab
Sub-total Construction Contingencies	0	0	0	0	0	0	0.0%
TOTAL CONSTRUCTION COSTS	0	0	648,110	0	0	648,110	

SOFT COSTS

Architecture & Design

Architect design fees		1,765,764		400,000			2,165,764	See MOHCD A&E Fee Guidelines: http://sfmohcd.org/documents-reports-and-forms
Design Subconsultants to the Architect (incl. Fees)			127,174				127,174	Early Design Subcontractors to the GC (Shoring, Fire Alarm, Earthwork)
Architect: Construction Admin					0			
Reimbursables			15,163				15,163	
Additional Services			34,242				34,242	Alternative feasibility analysis + design
Sub-total Architect Contract	0	1,765,764	0	576,579	0	0	2,342,343	
Other Third Party design consultants (not included under Architect contract)		146,246		38,000			184,246	Consultants not covered under architect contract; name consultant type and contract amount
Total Architecture & Design	0	1,912,010	0	614,579	0	0	2,526,589	

Engineering & Environmental Studies

Survey		34,500		20,000			54,500	
Geotechnical studies		33,675		50,000			83,675	
Phase I & II Reports		66,812		50,000			116,812	
CEQA / Environmental Review consultants		3,000		30,000			33,000	
NEPA / 106 Review		24,461		50,000			74,461	
CNA/PNA (rehab only)				0			0	
Other environmental consultants								Name consultants & contract amounts
Total Engineering & Environmental Studies	0	162,447	0	200,000	0	0	362,447	

Financing Costs

Construction Financing Costs								
Construction Loan Origination Fee							0	
Construction Loan Interest		88					88	
Title & Recording							0	
CDLAC & CDIAC fees		1,200					1,200	
Bond Issuer Fees		2,500					2,500	
Other Bond Cost of Issuance					0		0	
Other Lender Costs (specify)		2,979					2,979	MHC LOC Fees
Sub-total Const. Financing Costs	0	6,766	0	0	0	0	6,766	

Permanent Financing Costs

Permanent Financing Costs								
Permanent Loan Origination Fee							0	
Credit Enhance. & Appl. Fee							0	
Title & Recording							0	

Sub-total Perm. Financing Costs

Total Financing Costs	0	0	0	0	0	0	0	
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Legal Costs

Borrower Legal fees		30,946					30,946	
Land Use / CEDA Attorney fees							0	
Tax Credit Counsel							0	
Bond Counsel							0	
Construction Lender Counsel							0	
Permanent Lender Counsel							0	
HAF Legal		34,470					34,470	

Total Legal Costs

Total Legal Costs	0	65,416	0	0	0	0	65,416	
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Other Development Costs

Appraisal		8,500		15,000			23,500	
Market Study		12,098		15,000			27,098	
Insurance					0		0	
Property Taxes					0		0	
Accounting / Audit			73				73	
Organizational Costs		66,648					66,648	
Entitlement / Permit Fees		70,175		90,000			160,175	
Marketing / Rent-up		11,758					11,758	
Furnishings							0	\$2,000/unit. See MOHCD UW Guidelines: http://sfmohcd.org/documents-reports-and-forms
PCE / Utility Fees							0	
TCAC App / Alloc / Monitor Fees		25,409		55,000			80,409	
Financial Consultant fees		35,552		40,000			75,552	
Construction Management fees / Owner's Rep								
Security during Construction							0	
Relocation							0	
Pre-Development Loan Interest		2,766					2,766	
Takeout of the SFHAF Loan			0				0	

Total Other Development Costs

Total Other Development Costs	0	232,979	0	215,000	0	0	447,979	
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Soft Cost Contingency

Contingency (Arch, Eng, Fin, Legal & Other Dev)		0	340,000	0	0	0	340,000	Should be either 10% or 5% of total soft costs.
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TOTAL SOFT COSTS

TOTAL SOFT COSTS	0	2,379,619	0	1,369,579	0	0	3,749,198	
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RESERVES

* Operating Reserves							0	
Replacement Reserves							0	
* Tenant Improvements Reserves							0	
Other (specify)							0	
Other (specify)							0	
Other (specify)							0	

TOTAL RESERVES

TOTAL RESERVES	0	0	0	0	0	0	0	
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DEVELOPER COSTS

Developer Fee - Cash-out Paid at Milestones		55,592		494,000			549,592	

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Attachment J: Development Budget

MOHCD Proforma - Permanent Financing Sources Uses of Funds

Application Date: 8/2/23
 Project Name: 2530 18th Street
 Project Address: 2530 18th St
 Project Sponsor: Mercy Housing Calwest, Mercy Housing California

LOSP Project

n/a

SOURCES	16,000,000	28,320,125	6,048,992	1,000,000	36,114,097	1,000,000	100	-	88,483,315	Comments
USES	Name of Sources: MOHCD/OCII HCD-MHP HCD-IIG AHP Investor Equity Deferred Dev. Fee GP Equity									

ACQUISITION

Acquisition cost or value	6,020,000								6,020,000	Purchase price for land: \$6,020,000
Legal / Closing costs / Broker's Fee	21,500								21,500	
Holding Costs	1,180,938								1,180,938	
Transfer Tax	109,612								109,612	
TOTAL ACQUISITION	7,332,250	0	7,332,250							

CONSTRUCTION (HARD COSTS)

* Unit Construction/Rehab	0	6,045,178	6,048,992	1,000,000	32,829,750		100	45,924,020	Include FF&E, Contractor Contingency, Owner 2% Escalation, 60% CD VE	
Commercial Shell Construction								0		
* Demolition								0		
* Environmental Remediation								0		
* Onsight Improvements/Landscaping								0		
* Offsite Improvements								0		
* Infrastructure Improvements								0		
Parking								0		
GC Bond Premium/GC Insurance/GC Taxes		2,393,370						2,393,370	BR/ GL/ Subguard/ P&P/ Taxes	
GC Overhead & Profit	1,564,692							1,564,692	3.0%	
CG General Conditions	876,891	1,928,217			83,575			2,888,683	5.5%	
Sub-total Construction Costs	2,441,563	10,366,765	6,048,992	1,000,000	32,913,325	0	100	0	52,770,765	
Design Contingency (remove at DD)	1,050,274							1,050,274	5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+	
Bid Contingency (remove at bid)	1,050,274							1,050,274	5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+	
Plan Check Contingency (remove/reduce during Plan Revie	1,050,274							1,050,274	2.0%	
Hard Cost Construction Contingency		2,625,687						2,625,687	5% new construction / 15% rehab	
Sub-total Construction Contingencies	3,150,222	2,625,687	0	0	0	0	0	0	5,776,509	
TOTAL CONSTRUCTION COSTS	5,592,405	12,992,452	6,048,992	1,000,000	32,913,325	0	100	0	58,547,274	

SOFT COSTS

Architecture & Design										
Architect design fees		2,348,194						2,348,194	See MOHCD A&E Fee Guidelines: http://sfmohcd.org/documents-reports-and-forms	
Design Subconsultants to the Architect (incl. Fees)								0		
Architect Construction Admin								0		
Reimbursables								0		
Additional Services	300,000	86,000			492,258			878,258		
Sub-total Architect Contract	300,000	2,434,194	0	0	492,258	0	0	0	3,226,452	
Other Third Party design consultants (not included under Architect contract)								0	Consultants not covered under architect contract; name consultant type and contract amount	
Total Architecture & Design	300,000	2,434,194	0	0	492,258	0	0	0	3,226,452	
Engineering & Environmental Studies										
Survey		41,280						41,280		
Geotechnical studies								0		
Phase I & II Reports		45,666						45,666		
CEQA / Environmental Review consultants		315,868						315,868		
NEPA / 106 Review		43,175						43,175		
CNA/PNA (rehab only)								0		
Other environmental consultants								0	Name consultants & contract amounts	
Total Engineering & Environmental Studies	0	445,989	0	0	0	0	0	0	445,989	
Financing Costs										
Construction Financing Costs										
Construction Loan Origination Fee		264,426						264,426		
Construction Loan Interest		6,936,369						6,936,369		
Title & Recording		30,000						30,000		
CODAC & COAAC fees								0		
Bond Interest fees		830,104						830,104		
Other Bond Cost of Issuance	154,488	100,000						254,488		
MOHCD Pre-Development Loan Origination Fee	160,000							160,000		
Sub-total Const. Financing Costs	314,488	8,160,899	0	0	0	0	0	0	8,475,387	
Permanent Financing Costs										
Permanent Loan Origination Fee								0		
Credit Enhanc. & Appl. Fee								0		
Title & Recording		45,000						45,000		
Sub-total Perm. Financing Costs	45,000	0	0	0	0	0	0	0	45,000	
Total Financing Costs	359,488	8,160,899	0	0	0	0	0	0	8,520,387	
Legal Costs										
Borrower Legal fees								0		
Land Use / CEQA Attorney fees								0		
Tax Credit Counsel								0		
Bond Counsel		30,000						30,000		
Construction Lender Counsel		107,500						107,500		
Permanent Lender Counsel		75,000						75,000		
Other Legal (specify)								0		
Total Legal Costs	0	212,500	0	0	0	0	0	0	212,500	
Other Development Costs										
Appraisal		21,500						21,500		
Market Study		36,700						36,700		
Insurance		700,000						700,000		
Property Taxes								0		
Accounting / Audit		40,000						40,000		
Organizational Costs								0		
Entitlement / Permit Fees	2,143,263							2,143,263		
Marketing / Rent-up	421,464							421,464		
Furnishings		250,000						250,000	\$2,000/unit; See MOHCD U/W Guidelines on: http://sfmohcd.org/documents-reports-and-forms	
PGE / Utility Fees		129,930						129,930		
TCAC App / Alloc / Monitor Fees		65,000						65,000		
Financial Consultant fees		264,235						264,235		
Construction Management fees / Owner's Rep								0		
Security during Construction								0		
Relocation								0		
Public Art		117,263						117,263		
Lender Inspectors		15,000						15,000		
Pre-Dev Financing		83,594						83,594		
Total Other Development Costs	215,857	4,074,092	0	0	0	0	0	0	4,289,949	
Soft Cost Contingency										
Contingency (Arch, Eng, Fin, Legal & Other Dev)	0		0	0	1,670,000	0	0	0	1,670,000	Should be either 10% or 5% of total soft costs
TOTAL SOFT COSTS	875,345	15,327,674	0	0	2,162,258	0	0	0	18,365,277	10.0%

RESERVES

* Operating Reserves					1,038,514			1,038,514		
Replacement Reserves								0		
* Tenant Improvements Reserves								0		
* Other (specify)								0		
* Other (specify)								0		
* Other (specify)								0		
TOTAL RESERVES	0	0	0	0	1,038,514	0	0	0	1,038,514	

DEVELOPER COSTS

Developer Fee - Cash-out Paid at Milestones	1,100,000								1,100,000	
Developer Fee - Cash-out At Risk	1,100,000								1,100,000	
Commercial Developer										

Evaluation of Request for Financing
2530 18th Street

August 25, 2023
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Attachment K: 1st Year Operating Budget

MOHCD Proforma - Year 1 Operating Budget

Application Date:	8/2/2023	Non-LOSP Units	Project Name:	2530 18th Street	
Total # Units:	74	37	Project Address:	2530 18th St	
First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations):	2026	LOSP/non-LOSP Allocation	Project Sponsor:	Mercy Housing Calwest, Mercy Housing California	Correct errors noted in Col N!
		50% 50%			
INCOME		LOSP non-LOSP Total	Comments		
Residential - Tenant Rents	133,200	686,620	821,820	Links from 'New Proj - Rent & Unit Mix Worksheet'	Alternative LOSP Split
Residential - Tenant Assistance Payments (Non-LOSP)	0	0	0	Links from 'New Proj - Rent & Unit Mix Worksheet'	Residential - Tenant Assistance Payments (N)
Residential - LOSP Tenant Assistance Payments	574,195		574,195		
Commercial Space				0 from 'Commercial Op. Budget Worksheet; Commercial to Residential allocation: 100%	
Residential Parking	0	0	0	Links from 'Utilities & Other Income Worksheet'	
Miscellaneous Rent Income	0	0	0	Links from 'Utilities & Other Income Worksheet'	Alternative LOSP Split
Supportive Services Income	0	0	0		Supportive Services Income
Interest Income - Project Operations	0	0	0	Links from 'Utilities & Other Income Worksheet'	
Laundry and Vending	2,251	2,251	4,502	Links from 'Utilities & Other Income Worksheet'	Projected LOSP Split
Tenant Charges	0	0	0	Links from 'Utilities & Other Income Worksheet'	Tenant Charges
Miscellaneous Residential Income	0	0	0	Links from 'Utilities & Other Income Worksheet'	
Other Commercial Income			0	0 from 'Commercial Op. Budget Worksheet; Commercial to Residential allocation: 100%	Alternative LOSP Split
Withdrawal from Capitalized Reserve (deposit to operating account)	0	0			Withdrawal from Capitalized Reserve (deposit)
Gross Potential Income	709,646	690,871	1,400,517		
Vacancy Loss - Residential - Tenant Rents	(6,660)	(34,431)	(41,091)	Vacancy loss is 5% of Tenant Rents.	
Vacancy Loss - Residential - Tenant Assistance Payments	0	0	0	#DIV/0!	
Vacancy Loss - Commercial			0	0 from 'Commercial Op. Budget Worksheet; Commercial to Residential allocation: 100%	
EFFECTIVE GROSS INCOME	702,986	656,440	1,359,426	PUPA: 18,371	
OPERATING EXPENSES					
Management					Alternative LOSP Split
Management Fee	27,594	27,594	55,188	1st Year to be set according to HUD schedule.	Management Fee
Asset Management Fee	12,140	12,140	24,280		Asset Management Fee
Sub-total Management Expenses	39,734	39,734	79,468	PUPA: 1,074	
Salaries/Benefits					Alternative LOSP Split
Office Salaries	27,673	27,673	55,346	(0.5 FTE) Assistant Property Manager, (0.33 FTE) Housing Support Specialist	Office Salaries
Manager's Salary	37,595	37,595	75,189	(1.0 FTE) Senior Property Manager	Manager's Salary
Health Insurance and Other Benefits	34,450	34,450	68,900		Health Insurance and Other Benefits
Other Salaries/Benefits	1,720	1,720	3,440		Other Salaries/Benefits
Administrative Rent-Free Unit	0	0	0		Administrative Rent-Free Unit
Sub-total Salaries/Benefits	101,437	101,437	202,874	PUPA: 2,742	
Administration					
Advertising and Marketing	1,095	1,095	2,190		
Office Expenses	9,672	9,672	19,343		
Office Rent	0	0	0		Projected LOSP Split
Legal Expense - Property	2,500	2,500	5,000		Legal Expense - Property
Audit Expense	5,625	5,625	11,250		
Bookkeeping/Accounting Services	5,475	5,475	10,950		Projected LOSP Split
Bad Debts	0	0	0		Bad Debts
Miscellaneous	0	0	0		
Sub-total Administration Expenses	24,367	24,367	48,733	PUPA: 659	Projected LOSP Split
Utilities					Projected LOSP Split
Electricity	53,584	53,584	107,168		Electricity
Water	12,776	12,776	25,551		
Gas	0	0	0		
Sewer	30,600	30,600	61,200		
Sub-total Utilities	96,960	96,960	193,919	PUPA: 2,621	Alternative LOSP Split
Taxes and Licenses					
Real Estate Taxes	1,925	1,925	3,850		Real Estate Taxes
Payroll Taxes	0	0	0		Payroll Taxes
Miscellaneous Taxes, Licenses and Permits	0	0	0		
Sub-total Taxes and Licenses	1,925	1,925	3,850	PUPA: 52	
Insurance					
Property and Liability Insurance	77,500	77,500	155,000		Alternative LOSP Split
Fidelity Bond Insurance	0	0	0		Worker's Compensation
Worker's Compensation	0	0	0		
Director's & Officers' Liability Insurance	0	0	0		
Sub-total Insurance	77,500	77,500	155,000	PUPA: 2,095	
Maintenance & Repair					Alternative LOSP Split
Payroll	57,768	57,768	115,536		Payroll
Supplies	4,878	4,878	9,755		Supplies
Contracts	22,325	22,325	44,649		Contracts
Garbage and Trash Removal	32,266	32,266	64,532		Alternative LOSP Split
Security Payroll/Contract	135,690	45,230	180,920	(4.5 FTE) Desk Clerk/ Community Coordinator Hybrid + Benefits + Contract Security	Security Payroll/Contract
HVAC Repairs and Maintenance	6,030	6,030	12,060		
Vehicle and Maintenance Equipment Operation and Repairs	750	750	1,500		
Miscellaneous Operating and Maintenance Expenses	0	0	0		
Sub-total Maintenance & Repair Expenses	259,706	169,246	428,952	PUPA: 5,797	Alternative LOSP Split
Supportive Services					Supportive Services
Commercial Expenses	0	33,516	33,516	0 from 'Commercial Op. Budget Worksheet; Commercial to Residential allocation: 100%'	
TOTAL OPERATING EXPENSES	601,628	544,684	1,146,312	PUPA: 15,491	
Reserves/Ground Lease Base Rent/Bond Fees					
Ground Lease Base Rent	7,500	7,500	15,000	Ground lease with MOHCD	Provide additional comments here, if needed.
Bond Monitoring Fee	1,250	1,250	2,500		Alternative LOSP Split
Replacement Reserve Deposit	18,500	18,500	37,000	SuperNOFA minimum	Replacement Reserve Deposit
Operating Reserve Deposit	0	0	0		Operating Reserve Deposit
Other Required Reserve 1 Deposit	0	0	0		Other Required Reserve 1 Deposit
Other Required Reserve 2 Deposit	0	0	0		
Required Reserve Deposit/Commercial			0	0 from 'Commercial Op. Budget Worksheet; Commercial to Residential allocation: 100%'	
Sub-total Reserves/Ground Lease Base Rent/Bond Fees	27,250	27,250	54,500	PUPA: 736	Min DSCR: 1.09 Mortgage Rate: 5.00%
TOTAL OPERATING EXPENSES (w/Reserves/GL Base Rent/ Bond Fees)	628,878	571,934	1,200,812	PUPA: 16,227	Term (Years): 30 Supportable 1st Mortgage Pmt: 145,517 Supportable 1st Mortgage Amt: \$2,258,927 Proposed 1st Mortgage Amt: \$28,320,125
NET OPERATING INCOME (INCOME minus OP EXPENSES)	74,108	84,506	158,613	PUPA: 2,143	Alternative LOSP Split
DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)					
Hard Debt - First Lender	0	0	0		Hard Debt - First Lender
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Len)	59,473	59,473	118,945	HCD-MHP	Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Len)
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	0	0	0		Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)
Hard Debt - Fourth Lender	0	0	0		Hard Debt - Fourth Lender
Commercial Hard Debt Service			0	0 from 'Commercial Op. Budget Worksheet; Commercial to Residential allocation: 100%'	
TOTAL HARD DEBT SERVICE	59,473	59,473	118,945	PUPA: 1,607	
CASH FLOW (NOI minus DEBT SERVICE)	14,635	25,033	39,668	0	
Commercial Only Cash Flow			0		
Allocation of Commercial Surplus to LOPS/non-LOSP (residual income)	0	0	0		Allocation of Commercial Surplus to LOPS/non-LOSP
AVAILABLE CASH FLOW	14,635	25,033	39,668	1.33	
USES OF CASH FLOW BELOW (This row also shows DSCR.)					
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL					
"below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	0	0	0		
Partnership Management Fee (see policy for limits)	12,135	12,135	24,270	1st	
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	2,500	2,500	5,000	2nd	Alternative LOSP Split
Other Payments	0	0	0	3rd	Other Payments
Non-amortizing Loan Pmt - Lender 1 (select lender in comments field)	0	0	0		Provide additional comments here, if needed.
Non-amortizing Loan Pmt - Lender 2 (select lender in comments field)	0	0	0		Provide additional comments here, if needed.
Deferred Developer Fee (Enter amt <= Max Fee from cell I130)	0	0	0		Provide additional comments here, if needed.
TOTAL PAYMENTS PRECEDING MOHCD	14,635	14,635	29,270	PUPA: 396	Deferred Developer Fee (Enter amt <= Max Fee from cell I130)
RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)					
Residual Receipts Calculation					
Does Project have a MOHCD Residual Receipt Obligation?			Yes	Project has MOHCD ground lease?	
Will Project Defeat Developer Fee?			No		
Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1:			33%		
% of Residual Receipts available for distribution to soft debt lenders in			67%		Sum of DD from LOPS and non-LOSP: Ratio of Sum of DDF and calculated 50%:
Soft Debt Lenders with Residual Receipts Obligations					
MOHCD/OCII - Soft Debt Loans				All MOHCD/OCII Loans payable from res. recs	Distrib. of Soft Debt Loans
MOHCD/OCII - Ground Lease Value or Land Acq Cost				\$16,000,000	35.98%
HCD (soft debt loan) - Lender 3				\$150,000	0.34%
Other Soft Debt Lender - Lender 4				\$28,320,125	63.68%
Other Soft Debt Lender - Lender 5					0.00%
					0.00%
MOHCD RESIDUAL RECEIPTS DEBT SERVICE					
MOHCD Residual Receipts Amount Due		2,518	2,518	67% of residual receipts, multiplied by 36.32% -- MOHCD's pro rata share of all soft debt	
Proposed MOHCD Residual Receipts Amount to Loan Repayment		0	0	Enter/override amount of residual receipts proposed for loan repayment.	
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease		0	0	If applicable, MOHCD residual receipts amt due LESS amt proposed for loan repayment.	
REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE					
			7,881	Total Resid Receipts due not allocated, please revise F142	
NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE					
HCD Residual Receipts Amount Due		4,415	4,415	67% of residual receipts, multiplied by 63.68% -- HCD-MHP's pro rata share of all soft debt	
Lender 4 Residual Receipts Due		0	0		
Lender 5 Residual Receipts Due		0	0		
Total Non-MOHCD Residual Receipts Debt Service		4,415			
REMAINDER (Should be zero unless there are distributions below)			3,466		
Owner Distributions/Incentive Management Fee		3,466	3,466	100% of Borrower share of 33% of residual receipts	
Other Distributions/Uses		0	0		
Final Balance (should be zero)		0	0		

Application Date: 8/2/2023
 Total # Units: 74
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2026

INCOME

Residential - Tenant Rents	non-LOSP	Approved By (reqd)
Residential - Tenant Assistance Payments (Non-LOSP)	non-LOSP	
Residential - LOSP Tenant Assistance Payments		
Commercial Space		
Residential Parking		
Miscellaneous Rent Income	LOSP	non-LOSP
Supportive Services Income		
Interest Income - Project Operations		
Laundry and Vending	LOSP	non-LOSP
Tenant Charges		(only acceptable if LOSP-specific expenses are being tracked at entry level in the project's accounting system)
Miscellaneous Residential Income		
Other Commercial Income	LOSP	non-LOSP
Withdrawal from Capitalized Reserve (deposit to operating account)	to operating account	Approved By (reqd)

Gross Potential Income

Vacancy Loss - Residential - Tenant Rents		
Vacancy Loss - Residential - Tenant Assistance Payments		
Vacancy Loss - Commercial		

EFFECTIVE GROSS INCOME

OPERATING EXPENSES

Management	LOSP	non-LOSP	Approved By (reqd)
Management Fee			
Asset Management Fee			
Sub-total Management Expenses			
Salaries/Benefits	LOSP	non-LOSP	Approved By (reqd)
Office Salaries			
Manager's Salary			
Health Insurance and Other Benefits			
Other Salaries/Benefits			
Administrative Rent-Free Unit			
Sub-total Salaries/Benefits			
Administration			
Advertising and Marketing			
Office Expenses			
Office Rent	LOSP	non-LOSP	(only acceptable if LOSP-specific expenses are being tracked at entry level in the project's accounting system)
Legal Expense - Property	50.00%	50.00%	
Audit Expense			
Bookkeeping/Accounting Services	LOSP	non-LOSP	(only acceptable if LOSP-specific expenses are being tracked at entry level in the project's accounting system)
Bad Debts			
Miscellaneous			
Sub-total Administration Expenses			
Utilities	LOSP	non-LOSP	(only acceptable if LOSP-specific expenses are being tracked at entry level in the project's accounting system)
Electricity	50.00%	50.00%	
Water			
Gas			
Sewer			
Sub-total Utilities			
Taxes and Licenses	LOSP	non-LOSP	Approved By (reqd)
Real Estate Taxes			
Payroll Taxes			
Miscellaneous Taxes, Licenses and Permits			
Sub-total Taxes and Licenses			
Insurance			
Property and Liability Insurance			
Fidelity Bond Insurance	LOSP	non-LOSP	Approved By (reqd)
Worker's Compensation			
Director's & Officers' Liability Insurance			
Sub-total Insurance			
Maintenance & Repair	LOSP	non-LOSP	Approved By (reqd)
Payroll			
Supplies	50.00%	50.00%	(LOSP-specific expenses must be tracked at entry level in project's)
Contracts			
Garbage and Trash Removal	LOSP	non-LOSP	Approved By (reqd)
Security Payroll/Contract	75.00%	25.00%	
HVAC Repairs and Maintenance			
Vehicle and Maintenance Equipment Operation and Repairs			
Miscellaneous Operating and Maintenance Expenses			
Sub-total Maintenance & Repair Expenses			
Supportive Services	LOSP	non-LOSP	Approved By (reqd)
Commercial Expenses	0.00%	100.00%	

TOTAL OPERATING EXPENSES

Reserves/Ground Lease Base Rent/Bond Fees			
Ground Lease Base Rent			
Bond Monitoring Fee	LOSP	non-LOSP	Approved By (reqd)
Replacement Reserve Deposit			
Operating Reserve Deposit			
Other Required Reserve 1 Deposit			
Other Required Reserve 2 Deposit			
Required Reserve Deposit's, Commercial			
Sub-total Reserves/Ground Lease Base Rent/Bond Fees			

TOTAL OPERATING EXPENSES (w Reserves/GL Base Rent/ Bond Fees)

NET OPERATING INCOME (INCOME minus OP EXPENSES)

DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)	LOSP	non-LOSP	Approved By (reqd)
Hard Debt - First Lender	0.00%	100.00%	
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Lender)	12% pymt, or other 2nd Lender		
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)			
Hard Debt - Fourth Lender			
Commercial Hard Debt Service			

TOTAL HARD DEBT SERVICE

CASH FLOW (NOI minus DEBT SERVICE)

Commercial Only Cash Flow			
Allocation of Commercial Surplus to LOSP/non-LOSP (residual income)	n-LOSP (residual income)		

AVAILABLE CASH FLOW

USES OF CASH FLOW BELOW (This row also shows DSCR.)

USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL

"below-the-line" Asset Mgt Fee (uncommon in new projects; see policy for limits)			
Partnership Management Fee (see policy for limits)			
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	LOSP	non-LOSP	Approved By (reqd)
Other Payments			
Non-amortizing Loan Pmnt - Lender 1 (select lender in comments field)	ender in comments field		
Non-amortizing Loan Pmnt - Lender 2 (select lender in comments field)			
Deferred Developer Fee (Enter amt <= Max Fee from cell I130)	0.00%	100.00%	

TOTAL PAYMENTS PRECEDING MOHCD

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)

Residual Receipts Calculation

Does Project have a MOHCD Residual Receipt Obligation?

Will Project Deliver Developer Fee?

Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1:

0

#VALUE!

Soft Debt Lenders with Residual Receipts Obligations

MOHCD/OC1 - Soft Debt Loans			
MOHCD/OC1 - Ground Lease Value or Land Acq Cost			
HCD (soft debt loan) - Lender 3			
Other Soft Debt Lender - Lender 4			

Other Soft Debt Lender - Lender 5

MOHCD RESIDUAL RECEIPTS DEBT SERVICE

MOHCD Residual Receipts Amount Due			
Proposed MOHCD Residual Receipts Amount to Loan Repayment			
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease			

REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS

DEBT SERVICE

NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE

HCD Residual Receipts Amount Due			
Lender 4 Residual Receipts Due			
Lender 5 Residual Receipts Due			

Total Non-MOHCD Residual Receipts Debt Service

REMAINDER (Should be zero unless there are distributions below)

Owner Distributions/Incentive Management Fee

Other Distributions/Uses

Final Balance (should be zero)

Evaluation of Request for Financing
2530 18th Street

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Attachment L: 20-year Operating Proforma

2530 18th Street

Total # Units:	LOSP Units		Non-LOSP Units		Comments (related to annual inc assumptions)	LOSP	non-LOSP	Total	Year 1 2026			Year 2 2027			Year 3 2028		
	74	37	37	50.00%					LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME																	
Residential - Tenant Rents	1.0%	2.5%				133,200	688,620	821,820	134,532	705,836	840,368	135,877	723,481	859,359			
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a				-	-	-	-	-	-	-	-	-			
Residential - LOSP Tenant Assistance Payments	n/a	n/a				574,195		574,195	593,930		593,930	614,388		614,388			
Commercial Space	n/a	2.5%	2.5%														
Residential Parking	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous Rent Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Supportive Services Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Interest Income - Project Operations	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Laundry and Vending	2.5%	2.5%				2,251	2,251	4,502	2,307	2,307	4,615	2,365	2,365	4,730			
Tenant Charges	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous Residential Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Other Commercial Income	n/a	2.5%															
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a															
Gross Potential Income						709,646	690,871	1,400,517	730,769	708,143	1,438,912	752,630	725,846	1,476,477			
Vacancy Loss - Residential - Tenant Rents	n/a	n/a				(6,660)	(34,431)	(41,091)	(6,727)	(35,292)	(42,018)	(6,794)	(36,174)	(42,958)			
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a				-	-	-	-	-	-	-	-	-			
Vacancy Loss - Commercial	n/a	n/a				-	-	-	-	-	-	-	-	-			
EFFECTIVE GROSS INCOME						702,986	656,440	1,359,426	724,043	672,851	1,396,894	745,637	689,672	1,435,509			
OPERATING EXPENSES																	
Management																	
Management Fee	3.5%	3.5%	1st Year to be set according to HUD schedule.			27,594	27,594	55,188	28,560	28,560	57,120	29,559	29,559	59,119			
Asset Management Fee	3.5%	3.5%	per MOHCD policy			12,140	12,140	24,280	12,565	12,565	25,130	13,005	13,005	26,009			
Sub-total Management Expenses						39,734	39,734	79,468	41,125	41,125	82,249	42,564	42,564	85,128			
Salaries/Benefits																	
Office Salaries	3.5%	3.5%				27,673	27,673	55,346	28,641	28,641	57,283	29,644	29,644	59,288			
Manager's Salary	3.5%	3.5%				37,595	37,595	75,189	38,910	38,910	77,821	40,272	40,272	80,544			
Health Insurance and Other Benefits	3.5%	3.5%				34,450	34,450	68,900	35,656	35,656	71,311	36,904	36,904	73,807			
Other Salaries/Benefits	3.5%	3.5%				1,720	1,720	3,440	1,780	1,780	3,560	1,843	1,843	3,685			
Administrative Rent-Free Unit	3.5%	3.5%															
Sub-total Salaries/Benefits						101,437	101,437	202,874	104,987	104,987	209,975	108,662	108,662	217,324			
Administration																	
Advertising and Marketing	3.5%	3.5%				1,095	1,095	2,190	1,133	1,133	2,267	1,173	1,173	2,346			
Office Expenses	3.5%	3.5%				9,672	9,672	19,343	10,010	10,010	20,020	10,360	10,360	20,721			
Office Rent	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Legal Expense - Property	3.5%	3.5%				2,500	2,500	5,000	2,588	2,588	5,175	2,678	2,678	5,356			
Audit Expense	3.5%	3.5%				5,625	5,625	11,250	5,822	5,822	11,644	6,026	6,026	12,051			
Bookkeeping/Accounting Services	3.5%	3.5%				5,475	5,475	10,950	5,667	5,667	11,333	5,865	5,865	11,730			
Bad Debts	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Administration Expenses						24,367	24,367	48,733	25,219	25,219	50,439	26,102	26,102	52,204			
Utilities																	
Electricity	3.5%	3.5%				53,584	53,584	107,168	55,459	55,459	110,919	57,401	57,401	114,801			
Water	3.5%	3.5%				12,776	12,776	25,551	13,223	13,223	26,445	13,685	13,685	27,371			
Gas	3.5%	3.5%				30,600	30,600	61,200	31,671	31,671	63,342	32,779	32,779	65,559			
Sub-total Utilities						96,960	96,960	193,919	100,353	100,353	200,706	103,865	103,865	207,731			
Taxes and Licenses																	
Real Estate Taxes	3.5%	3.5%				1,925	1,925	3,850	1,992	1,992	3,985	2,062	2,062	4,124			
Payroll Taxes	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Taxes and Licenses						1,925	1,925	3,850	1,992	1,992	3,985	2,062	2,062	4,124			
Insurance																	
Property and Liability Insurance	3.5%	3.5%				77,500	77,500	155,000	80,213	80,213	160,425	83,020	83,020	166,040			
Fidelity Bond Insurance	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Worker's Compensation	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Director's & Officers' Liability Insurance	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Insurance						77,500	77,500	155,000	80,213	80,213	160,425	83,020	83,020	166,040			
Maintenance & Repair																	
Payroll	3.5%	3.5%				57,768	57,768	115,536	59,790	59,790	119,580	61,883	61,883	123,765			
Supplies	3.5%	3.5%				4,678	4,678	9,755	5,048	5,048	10,096	5,225	5,225	10,450			
Contracts	3.5%	3.5%				22,325	22,325	44,649	23,106	23,106	46,212	23,915	23,915	47,829			
Garbage and Trash Removal	3.5%	3.5%				32,266	32,266	64,532	33,395	33,395	66,791	34,564	34,564	69,128			
Security Payroll/Contract	3.5%	3.5%				135,690	135,690	250,920	140,439	140,439	161,813	145,355	145,355	146,452			
HVAC Repairs and Maintenance	3.5%	3.5%				6,030	6,030	12,060	6,241	6,241	12,482	6,459	6,459	12,919			
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	3.5%				750	750	1,500	776	776	1,553	803	803	1,607			
Miscellaneous Operating and Maintenance Expenses	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Maintenance & Repair Expenses						259,706	169,246	428,952	268,796	268,796	435,170	443,965	278,204	181,301	459,504		
Supportive Services						-	-	33,516	33,516	-	34,689	34,689	-	35,903	35,903		
Commercial Expenses																	
TOTAL OPERATING EXPENSES						601,628	544,684	1,146,312	15,491	622,685	563,748	1,186,433	644,479	583,479	1,227,958		
Reserves/Ground Lease Base Rent/Bond Fees																	
Ground Lease Base Rent						7,600	7,600	15,000	7,500	7,500	15,000	7,500	7,500	15,000			
Bond Monitoring Fee						1,250	1,250	2,500	1,250	1,250	2,500	1,250	1,250	2,500			
Replacement Reserve Deposit						18,500	18,500	37,000	18,500	18,500	37,000	18,500	18,500	37,000			
Operating Reserve Deposit						-	-	-	-	-	-	-	-	-			
Other Required Reserve 1 Deposit						-	-	-	-	-	-	-	-	-			
Other Required Reserve 2 Deposit						-	-	-	-								

Total # Units:	LOSP Units		Non-LOSP Units		Year 1 2026			Year 2 2027			Year 3 2028			
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME														
Other Reserve 2 Withdrawals														
Other Reserve 2 Interest														
<i>Other Required Reserve 2 Running Balance</i>														

Total # Units:	LOSP Units		Non-LOSP Units		Year 4 2029			Year 5 2030			Year 6 2031			
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME														
Other Reserve 2 Withdrawals														
Other Reserve 2 Interest														
<i>Other Required Reserve 2 Running Balance</i>														

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Total # Units:	LOSP Units		Non-LOSP Units		Comments (related to annual inc assumptions)	LOSP	non-LOSP	Total	Year 7 2032			Year 8 2033			Year 9 2034		
	74	37	37	50.00%					LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME																	
Residential - Tenant Rents	1.0%	2.5%				141,394	798,588	939,983	142,808	818,553	961,361	144,237	839,017	983,253			
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a				-	-	-	-	-	-	-	-	-			
Residential - LOSP Tenant Assistance Payments	n/a	n/a				703,977		703,977	728,453		728,453	753,819			753,819		
Commercial Space	n/a	2.5%							-								-
Residential Parking	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous Rent Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Supportive Services Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Interest Income - Project Operations	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Laundry and Vending	2.5%	2.5%				2,611	2,611	5,221	2,676	2,676	5,352	2,743	2,743	5,485			
Tenant Charges	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous Residential Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-			
Other Commercial Income	n/a	2.5%							-			-					
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a															
Gross Potential Income						847,982	801,199	1,649,180	873,937	821,229	1,695,166	900,799	841,759	1,742,558			
Vacancy Loss - Residential - Tenant Rents	n/a	n/a							(7,070)	(39,929)	(46,999)	(7,140)	(40,928)	(48,068)	(7,212)	(41,951)	(49,163)
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a				-	-	-	-	-	-	-	-	-	-	-	-
Vacancy Loss - Commercial	n/a	n/a															
EFFECTIVE GROSS INCOME						840,912	761,269	1,602,181	866,797	780,301	1,647,098	893,587	799,808	1,693,395			
OPERATING EXPENSES																	
Management																	
Management Fee	3.5%	3.5%															
Asset Management Fee	3.5%	3.5%															
Sub-total Management Expenses						48,843	48,843	97,686	50,553	50,553	101,105	52,322	52,322	104,644			
Salaries/Benefits																	
Office Salaries	3.5%	3.5%				34,017	34,017	68,034	35,208	35,208	70,415	36,440	36,440	72,880			
Manager's Salary	3.5%	3.5%				46,213	46,213	92,426	47,831	47,831	95,661	49,505	49,505	99,010			
Health Insurance and Other Benefits	3.5%	3.5%				42,346	42,346	84,695	43,830	43,830	87,060	45,364	45,364	90,728			
Other Salaries/Benefits	3.5%	3.5%				2,114	2,114	4,229	2,188	2,188	4,377	2,265	2,265	4,530			
Administrative Rent-Free Unit	3.5%	3.5%															
Sub-total Salaries/Benefits						124,692	124,692	249,384	129,056	129,056	258,113	133,573	133,573	267,147			
Administration																	
Advertising and Marketing	3.5%	3.5%				1,346	1,346	2,692	1,393	1,393	2,786	1,442	1,442	2,884			
Office Expenses	3.5%	3.5%				11,889	11,889	23,777	12,305	12,305	24,610	12,736	12,736	25,471			
Office Rent	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Legal Expense - Property	3.5%	3.5%				3,073	3,073	6,146	3,181	3,181	6,361	3,292	3,292	6,584			
Audit Expense	3.5%	3.5%				6,915	6,915	13,829	7,157	7,157	14,313	7,407	7,407	14,814			
Bookkeeping/Accounting Services	3.5%	3.5%				6,730	6,730	13,460	6,966	6,966	13,931	7,210	7,210	14,419			
Bad Debts	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Administration Expenses						29,953	29,953	59,905	31,001	31,001	62,002	32,086	32,086	64,172			
Utilities																	
Electricity	3.5%	3.5%				65,868	65,868	131,737	68,174	68,174	136,348	70,560	70,560	141,120			
Water	3.5%	3.5%				15,704	15,704	31,409	16,254	16,254	32,508	16,823	16,823	33,646			
Gas	3.5%	3.5%				37,615	37,615	75,230	38,932	38,932	77,863	40,294	40,294	80,589			
Sub-total Utilities						119,188	119,188	238,376	123,360	123,360	246,719	127,677	127,677	255,354			
Taxes and Licenses																	
Real Estate Taxes	3.5%	3.5%				2,366	2,366	4,733	2,449	2,449	4,898	2,535	2,535	5,070			
Payroll Taxes	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Taxes and Licenses						2,366	2,366	4,733	2,449	2,449	4,898	2,535	2,535	5,070			
Insurance																	
Property and Liability Insurance	3.5%	3.5%				95,267	95,267	190,535	98,602	98,602	197,203	102,053	102,053	204,105			
Fidelity Bond Insurance	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Worker's Compensation	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Director's & Officers' Liability Insurance	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Insurance						95,267	95,267	190,535	98,602	98,602	197,203	102,053	102,053	204,105			
Maintenance & Repair																	
Payroll	3.5%	3.5%				71,012	71,012	142,023	73,497	73,497	146,994	76,069	76,069	152,139			
Supplies	3.5%	3.5%				5,996	5,996	11,991	6,206	6,206	12,411	6,423	6,423	12,845			
Contracts	3.5%	3.5%				27,443	27,443	54,885	28,403	28,403	56,806	29,397	29,397	58,794			
Garbage and Trash Removal	3.5%	3.5%				39,663	39,663	79,326	41,051	41,051	82,103	42,488	42,488	84,976			
Security Payroll/Contract	3.5%	3.5%				166,798	166,798	355,599	22,397	22,397	172,636	57,545	57,545	230,181	59,559	59,559	238,237
HVAC Repairs and Maintenance	3.5%	3.5%				7,412	7,412	14,825	7,672	7,672	15,344	7,940	7,940	15,881			
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	3.5%				922	922	1,844	954	954	1,908	988	988	1,975			
Miscellaneous Operating and Maintenance Expenses	3.5%	3.5%				-	-	-	-	-	-	-	-	-			
Sub-total Maintenance & Repair Expenses						319,245	208,047	527,292	330,419	215,328	545,747	341,983	222,865	564,848			
Supportive Services						3.5%	3.5%		-	41,200	41,200	-	42,642	42,642	-	44,13	

Total # Units:	LOSP Units		Non-LOSP Units		Year 7 2032			Year 8 2033			Year 9 2034			
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME														
Other Reserve 2 Withdrawals														
Other Reserve 2 Interest														
<i>Other Required Reserve 2 Running Balance</i>														

Total # Units:	LOSP Units		Non-LOSP Units		Year 10 2035			Year 11 2036			Year 12 2037			
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME														
Other Reserve 2 Withdrawals														
Other Reserve 2 Interest														
<i>Other Required Reserve 2 Running Balance</i>														

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Total # Units:	LOSP Units		Non-LOSP Units		Year 13 2038			Year 14 2039			Year 15 2040				
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	
INCOME															
Residential - Tenant Rents	1.0%	2.5%				150,093	926,117	1,076,210	151,594	949,270	1,100,864	153,110	973,002	1,126,112	
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a				-	-	-	-	-	-	-	-	-	
Residential - LOSP Tenant Assistance Payments	n/a	n/a				864,843	864,843	895,160	-	-	895,160	926,575	926,575	926,575	
Commercial Space	n/a	2.5%				-	-	-	-	-	-	-	-	-	
Residential Parking	2.5%	2.5%				-	-	-	-	-	-	-	-	-	
Miscellaneous Rent Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-	
Supportive Services Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-	
Interest Income - Project Operations	2.5%	2.5%				-	-	-	-	-	-	-	-	-	
Laundry and Vending	2.5%	2.5%				3,027	3,027	6,055	3,103	3,103	6,206	3,181	3,181	6,361	
Tenant Charges	2.5%	2.5%				-	-	-	-	-	-	-	-	-	
Miscellaneous Residential Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-	
Other Commercial Income	n/a	2.5%				-	-	-	-	-	-	-	-	-	
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a				-	-	-	-	-	-	-	-	-	
Gross Potential Income						1,017,964	929,145	1,947,108	1,049,857	952,373	2,002,231	1,082,865	976,183	2,059,048	
Vacancy Loss - Residential - Tenant Rents	n/a	n/a				Enter formulas manually per relevant MOH	(7,505)	(46,306)	(53,811)	(7,590)	(47,464)	(55,043)	(7,655)	(48,650)	(56,306)
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a				-	-	-	-	-	-	-	-	-	
Vacancy Loss - Commercial	n/a	n/a				-	-	-	-	-	-	-	-	-	
EFFECTIVE GROSS INCOME						1,010,459	882,839	1,893,298	1,042,278	904,910	1,947,187	1,075,210	927,533	2,002,742	
OPERATING EXPENSES															
Management															
Management Fee	3.5%	3.5%	1st Year to be set according to HUD schedule.			41,696	41,696	83,393	43,156	43,156	86,312	44,666	44,666	89,333	
Asset Management Fee	3.5%	3.5%	per MOHCD policy			18,344	18,344	36,689	18,996	18,996	37,973	19,651	19,651	39,302	
Sub-total Management Expenses						60,041	60,041	120,082	62,142	62,142	124,284	64,317	64,317	128,634	
Salaries/Benefits															
Office Salaries	3.5%	3.5%				41,815	41,815	83,631	43,279	43,279	86,558	44,794	44,794	89,588	
Manager's Salary	3.5%	3.5%				56,808	56,808	113,616	58,796	58,796	117,592	60,854	60,854	121,708	
Health Insurance and Other Benefits	3.5%	3.5%				52,056	52,056	104,112	53,876	53,876	107,756	55,764	55,764	111,526	
Other Salaries/Benefits	3.5%	3.5%				2,599	2,599	5,196	2,690	2,690	5,380	2,784	2,784	5,566	
Administrative Rent-Free Unit	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Sub-total Salaries/Benefits						153,279	153,279	306,557	158,643	158,643	317,287	164,196	164,196	328,392	
Administration															
Advertising and Marketing	3.5%	3.5%				1,655	1,655	3,309	1,713	1,713	3,425	1,772	1,772	3,545	
Office Expenses	3.5%	3.5%				14,614	14,614	29,229	15,126	15,126	30,252	15,655	15,655	31,310	
Office Rent	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Legal Expense - Property	3.5%	3.5%				3,778	3,778	7,555	3,910	3,910	7,820	4,047	4,047	8,093	
Audit Expense	3.5%	3.5%				8,500	8,500	17,000	8,797	8,797	17,595	9,105	9,105	18,210	
Bookkeeping/Accounting Services	3.5%	3.5%				8,273	8,273	16,546	8,563	8,563	17,125	8,862	8,862	17,725	
Bad Debts	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Miscellaneous	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Sub-total Administration Expenses						36,819	36,819	73,639	38,108	38,108	76,216	39,442	39,442	78,884	
Utilities															
Electricity	3.5%	3.5%				80,969	80,969	161,038	83,803	83,803	167,606	86,736	86,736	173,472	
Water	3.5%	3.5%				19,305	19,305	38,609	19,980	19,980	39,961	20,680	20,680	41,359	
Gas	3.5%	3.5%				46,239	46,239	92,477	47,857	47,857	95,714	49,532	49,532	99,064	
Sewer	3.5%	3.5%				146,512	146,512	293,025	151,640	151,640	303,281	156,948	156,948	313,896	
Sub-total Utilities															
Taxes and Licenses															
Real Estate Taxes	3.5%	3.5%				2,909	2,909	5,818	3,011	3,011	6,021	3,116	3,116	6,232	
Payroll Taxes	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Sub-total Taxes and Licenses						2,909	2,909	5,818	3,011	3,011	6,021	3,116	3,116	6,232	
Insurance															
Property and Liability Insurance	3.5%	3.5%				117,108	117,108	234,216	121,207	121,207	242,413	125,449	125,449	250,898	
Fidelity Bond Insurance	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Worker's Compensation	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Director's & Officers' Liability Insurance	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Sub-total Insurance						117,108	117,108	234,216	121,207	121,207	242,413	125,449	125,449	250,898	
Maintenance & Repair															
Payroll	3.5%	3.5%				87,291	87,291	174,583	90,347	90,347	180,693	93,509	93,509	187,017	
Supplies	3.5%	3.5%				7,370	7,370	14,740	7,628	7,628	15,256	7,895	7,895	15,790	
Contracts	3.5%	3.5%				33,734	33,734	67,468	34,915	34,915	69,829	36,137	36,137	72,273	
Garbage and Trash Removal	3.5%	3.5%				48,756	48,756	97,512	50,463	50,463	100,925	52,229	52,229	104,458	
Security Payroll/Contract	3.5%	3.5%				205,037	68,346	273,385	122,213	70,738	282,951	219,641	219,641	232,854	
HVAC Repairs and Maintenance	3.5%	3.5%				9,112	9,112	18,223	9,431	9,431	18,861	9,761	9,761	19,521	
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	3.5%				1,133	1,133	2,267	1,173	1,173	2,346	1,214	1,214	2,428	
Miscellaneous Operating and Maintenance Expenses	3.5%	3.5%				-	-	-	-	-	-	-	-	-	
Sub-total Maintenance & Repair Expenses						392,434	255,742	648,176	406,169	264,693	670,862	420,385	273,958	694,342	
Supportive Services						-	50,645	50,645	-	52,418	52,418	-	54,252	54,252	
Commercial Expenses						-	-	-	-	-	-	-	-	-	
TOTAL OPERATING EXPENSES						909,101	823,055	1,732,157	940,920	851,862	1,792,782	973,852	881,677	1,855,529	
Reserves/Ground Lease Base Rent/Bond Fees															
Ground Lease Base Rent						7,500	7,500	15,000	7,500	7,500	15,000	7,500	7,500	15,000	
Bond Monitoring Fee						1,250	1,250	2,500	1,250	1,250	2,500	1,250	1,250	2,500	
Replacement Reserve Deposit						18,500	18,500	37,000	18,500	18,500	37,000	18,500	18,500	37,000	
Operating Reserve Deposit						-	-	-	-	-	-	-	-	-	
Other Required Reserve 1 Deposit						-	-	-	-	-	-	-	-	-	
Other Required Reserve 2 Deposit						-	-	-	-	-	-	-	-	-	
Required Reserve Deposits, Commercial						-	-	-	-	-	-	-	-	-	
Sub-total Reserves/Ground Lease Base Rent/Bond Fees						27,250	27,250	54,500	27,250	27,250	54,500	27,250	27,250	54,500	
TOTAL OPERATING EXPENSES (w/Reserves/GL Base Rent/Bond Fees)						936,351	850,305	1,786,657	968,170	879,112	1,847,282	1,001,102	908,927	1,910,029	
PUPA (w/Reserves/GL Base Rent/Bond Fees)						74,108	32,534	106,641	74,107	25,798	99,905	74,108	18,605	92,713	
NET OPERATING INCOME (INCOME minus OP EXPENSES)	</td														

Total # Units:	LOSP Units		Non-LOSP Units		Year 13 2038			Year 14 2039			Year 15 2040			
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME														
Other Reserve 2 Withdrawals														
Other Reserve 2 Interest														
<i>Other Required Reserve 2 Running Balance</i>														

Total # Units:	LOSP Units		Non-LOSP Units		Year 16 2041			Year 17 2042			Year 18 2043			
	74	37	37	50.00%	50.00%	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
INCOME														
Other Reserve 2 Withdrawals														
Other Reserve 2 Interest														
<i>Other Required Reserve 2 Running Balance</i>														

Total # Units:	LOSP Units		Non-LOSP Units		Year 19 2044			Year 20 2045		
	74	37	37	50.00%	50.00%	LOSP	non- LOSP	Total	LOSP	non- LOSP
INCOME										
Other Reserve 2 Withdrawals										
Other Reserve 2 Interest										
<i>Other Required Reserve 2 Running Balance</i>										