

File No. 160369

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date May 11, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Public Hearing Notice</u> |
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Completed by: Linda Wong Date May 6, 2016
 Completed by: Linda Wong Date _____

1 [Multifamily Housing Revenue Bonds - 1101 Connecticut Street (also known as Potrero
2 Block X) - Not to Exceed \$56,000,000]

3 **Resolution declaring the intent of the City and County of San Francisco (the "City") to**
4 **reimburse certain expenditures from proceeds of future bonded indebtedness;**
5 **authorizing the Director of the Mayor's Office of Housing and Community Development**
6 **(the "Director") to submit an application and related documents to the California Debt**
7 **Limit Allocation Committee ("CDLAC") to permit the issuance of residential mortgage**
8 **revenue bonds in an aggregate principal amount not to exceed \$56,000,000 for 1101**
9 **Connecticut Street (also known as Potrero Block X); authorizing and directing the**
10 **Director to direct the Controller's Office to hold in trust an amount not to exceed**
11 **\$100,000 in accordance with CDLAC procedures; authorizing the Director to certify to**
12 **CDLAC that the City has on deposit the required amount; authorizing the Director to**
13 **pay an amount equal to such deposit to the State of California if the City fails to issue**
14 **the residential mortgage revenue bonds; approving, for purposes of the Internal**
15 **Revenue Code of 1986, as amended, the issuance and sale of residential mortgage**
16 **revenue bonds by the City in an aggregate principal amount not to exceed \$56,000,000;**
17 **authorizing and directing the execution of any documents necessary to implement this**
18 **Resolution; and ratifying and approving any action heretofore taken in connection with**
19 **the Project, as defined herein, and the Application, as defined herein.**

20
21 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
22 "Board of Supervisors"), after careful study and consideration, has determined that there is a
23 shortage of safe and sanitary housing within the City and County of San Francisco (the "City"),
24 particularly for low and moderate income persons, and that it is in the best interest of the
25

1 residents of the City and in furtherance of the health, safety, and welfare of the public for the
2 City to assist in the financing of multi-family rental housing units; and

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

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

18 WHEREAS, Potrero Housing Associates I, L.P., a California limited partnership (or any
19 successor thereto including any successor owner of the Project, the "Developer"), desires to
20 construct a 72-unit affordable residential rental housing development located at 1101
21 Connecticut Street (Parcel Block No. 4287, Lot Nos. 001A and 007 in the records of the City's
22 Assessor-Recorder), San Francisco, California 94107 (the "Project"); and

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

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

3 WHEREAS, The City intends to issue the Bonds in an amount not to exceed
4 \$56,000,000 and to loan the proceeds of the Bonds to the Developer (the "Loan") to finance
5 the costs of the Project; and

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

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

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

15 WHEREAS, The interest on the Bonds may qualify for tax exemption under Section
16 103 of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bonds are
17 approved in accordance with Section 147(f) of the Code; and

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

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

21 WHEREAS, On March 31, 2016, the City caused a notice stating that a public hearing
22 with respect to the issuance of the Bonds would be held by the Mayor's Office of Housing and
23 Community Development and Community Development on April 15, 2016, to appear in The
24 San Francisco Chronicle, which is a newspaper of general circulation in the City; and
25

1 WHEREAS, The Mayor's Office of Housing and Community Development held the
2 public hearing described above on April 15, 2016, and an opportunity was provided for
3 persons to comment on the issuance of the Bonds and the Project; and the minutes of such
4 hearing were provided to this Board of Supervisors prior to this meeting; and

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

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

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

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

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

23 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
24 follows:

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

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

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

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

16 Section 5. The maximum principal amount of debt expected to be issued for the Project
17 is \$56,000,000.

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

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

24 Section 8. The Board of Supervisors hereby authorizes the Director of the Mayor's
25 Office of Housing and Community Development, or his designee (the "Director"), on behalf of

1 the City, to submit an application (the "Application"), and such other documents as may be
2 required, to CDLAC pursuant to Government Code Section 8869.85 for an allocation for the
3 Project of a portion of the state ceiling for private activity bonds in a principal amount not to
4 exceed \$56,000,000.

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

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

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

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

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

7 By: 
8 HEIDI J. GEWERTZ
9 Deputy City Attorney

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4/11/16

**BRIDGE Housing Corporation
Potrero Block X
Project Overview**

Project Summary

Potrero Phase I consists of a single block within the master-planned HOPE SF Redevelopment of Potrero Terrace and Annex ("Block X" or the "Project"). As the first development of the Potrero Masterplan, the site requires no relocation and as such will serve to alleviate relocation needs in Phase II. Block X will include up to 71 affordable housing units, plus one manager's unit, with a mix of 2 studios, 10 one-bedroom, 51 two-bedroom, and 9 three-bedroom units. All of the units in Phase I will be restricted to households with incomes at or below 60% San Francisco area median income ("AMI"). Seventy-five percent, or 53 units, are currently expected to be set aside for public housing replacement units, with the balance of the units (18) to be tax-credit units. Block X also includes property management offices, service spaces, a community room and a shared community courtyard.

Potrero Block X will include approximately 110,460 square feet of gross floor area, including over 68,000 square feet of residential area as well as 4,650 square feet of common area. Residents will have access to a landscaped podium with a play areas.

Total project costs will be an amount not to exceed \$56 million.

The residential unit distribution, which will include one 2-bedroom superintendent unit is as follows:

<u>Unit type</u>	<u>Number of units</u>
Studio	2
1-BR	10
2-BR	51
3-BR	9

All of the residential units will serve households earning less than 60% percent of San Francisco AMI, though the rents may be increased to 60% of California Tax Credit Allocation Committee AMI in the event of loss of subsidy.

No residents will be displaced. This first phase of the Potrero Terrace & Annex redevelopment will begin on a vacant infill site.

Site Description and Scope of Work

Address: 1101 Connecticut St.
Block/Lot: 4287/001A and 4287/007

Potrero Block X will consist of the construction of 72 new units of affordable housing. The off-site work, including construction of curbs, roads and sidewalks, and planting of street trees, is included in this scope as well.

Development Team

- BRIDGE Housing Corporation is the Project's sponsor
- BRIDGE Housing Corporation will be the non-profit partner in the development and operation of the Project.
- Cahill Contractors, Inc. is the general contractor for the Project.
- BRIDGE Property Management Company will be property manager for the Project.
- Van Meter Williams Pollack, LLP and Y.A. Studio are the Project's architects.

Project Ownership Structure

- The Project will be owned by Potrero Housing Associates I, L.P., of which a BRIDGE Housing Corporation affiliate entity will serve as the managing general partner.
- An investor member will own a 99.99% member interest in the ownership entity.
- Any required guaranties will be provided by the limited partnership.

Financing Structure

The following sources of capital financing will be utilized for the Project: tax-exempt bonds issued by the City and County of San Francisco (the "City"); 4% low income housing tax credits; a conventional mortgage; state funding through the Affordable Housing and Sustainable Communities program; and soft debt from the City.

The amount of private activity tax-exempt bonds used during construction will be sized specifically to meet the 50% of aggregate basis test required for the 4% Low Income Housing Tax Credits (LIHTC). The sale of LIHTC will generate equity financing for the project. The calculation of tax credits utilizes the 30% basis boost as San Francisco County is a "difficult-to-develop" area.

Schedule

Financing is anticipated to close between October 1, 2016 and October 31, 2016, with construction starting within 30 days of the close.

The site construction work will be over a 17-month period. All construction work will be completed by approximately March 2018.

SAN FRANCISCO CHRONICLE

This space for filing stamp only

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

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California)
County of SAN FRANCISCO) ss

Notice Type: GPN - GOVT PUBLIC NOTICE

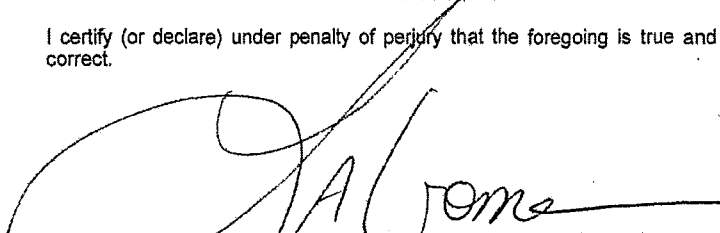
Ad Description:
TEFRA AD; POTRERO X

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

03/31/2016

Executed on: 03/31/2016
At SAN FRANCISCO, CA

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



Signature

CNS#: 2864031

NOTICE OF PUBLIC HEARING
NOTICE IS HEREBY GIVEN that on April 15, 2016, at 11:30 a.m. in the Mayor's Office of Housing and Community Development, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, the City and County of San Francisco (the "City") will conduct a public hearing (the "Public Hearing") at which time the City will hear and consider information concerning the proposed sale and issuance by the City of multifamily affordable housing mortgage revenue bonds (the "Bonds") in an aggregate principal amount not to exceed fifty six million dollars (\$56,000,000). A portion of the proceeds of the Bonds will be loaned to Potrero Housing Associates I, L.P., or any successor thereto (the "Borrower"), pursuant to a loan agreement (the "Loan Agreement"). The proceeds of the Bonds loaned to the Borrower will be used to finance the construction of a 72-unit residential rental housing development located at 1101 Connecticut Street (Block 4287, Lots 001A and 007 in the records of the City's Assessor-Recorder), San Francisco, California 94107 (the "Project"). The Project will be owned and operated by the Borrower.

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

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

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

Date: March 31, 2016
CITY AND COUNTY
OF SAN FRANCISCO
Olson Lee
Director, Mayor's Office of
Housing and Community Development



Email

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED IN
BOARD
JL 4-12
Time stamp
or meeting date

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

- 1. For reference to Committee.
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on []

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

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

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

Sponsor(s):

COHEN

Subject:

Multifamily Housing Revenue Bonds - 1101 Connecticut St. / POTTERD BLOCK X

The text is listed below or attached:

Attached

Signature of Sponsoring Supervisor: Mali [Signature]

For Clerk's Use Only: