

# PERMANENT FINANCING AND LOSP CONTRACT

## 1633 VALENCIA 145 UNITS OF PERMANENT SUPPORTIVE HOUSING FOR HOMELESS SENIORS

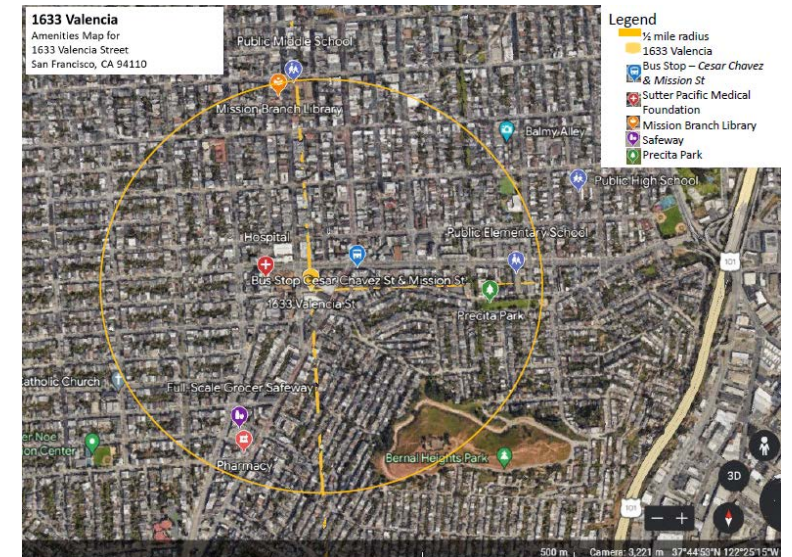
BUDGET AND FINANCE COMMITTEE  
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# PERMANENT FINANCING AND LOSP CONTRACT

- 145 units for homeless seniors plus one staff unit at Valencia and Cesar Chavez at the border of the Mission and Bernal Heights
  - HSH 2020 Health & Recovery GO Bond Loan – up to \$41M
  - LOSP Contract over 19 year term – up to \$80,785,406 for operations and debt service
- San Francisco Housing Accelerator Fund (HAF) and Mercy Housing California proposed this project as a replication of Mercy's Tahanan Project (833 Bryant) which used modular construction and efficient design to build at lower cost and faster than comparable projects, with no City financing until project completion
- HSH selected Mercy to develop the project under Chapter 21B of the Admin Code which allows procurement of homeless services without a competitive solicitation to bring PSH units online quickly
- Project goals:
  - Bring 145 new permanent supportive housing units online quickly
  - Leverage below market philanthropic funds and delay City investment
  - Pilot new financing and construction measures to reduce total development cost of permanent supportive housing



# PROPOSED PROJECT

## Current use:

- Parking lot

## Development Team: (same team as Tahanan)

- Mercy Housing California
- David Baker Architects (DBA)
- Cahill Contractors
- NEF – investor

## Proposed use:

- 145 studios for homeless seniors age 55 and older
- 6 stories
- Ground floor community room, laundry, property management and supportive services offices
- Rear courtyard

## Timeline:

- 2022: Predevelopment and community engagement
- 2023: Entitlement and financing
- May 2024 - December 2025: Construction
- 2026: Fully occupied and operational / perm conversion



## Ownership: borrower entity will own the land and the improvements

- Mercy will provide the City with an Option Agreement to acquire the land and improvements in the event of default after the tax credit compliance period
- The Declaration of Restrictions ensures affordability for the life of the project



# COST AND TIME SAVING MEASURES

- Same development team building on lessons learned
- Replication of Tahanan design – same footprint, similar amenities and outdoor space
- Design Build contract instead of modular construction
- Reduced development cost
  - Construction cost is under \$400K / unit, 30% less than similar supportive housing developments
  - Total development cost is \$580K / unit, 20% less than comparable projects
- Time and cost savings by having HAF early predevelopment loan, construction loan and below market permanent loan making the project competitive for bond financing and tax credits
- No City investment until conversion to permanent financing and LOSP contract



# PROJECT FINANCING

## Permanent Financing

Permanent Sources	Amount	Per Unit
SFHAF Permanent Loan	\$16,000,000	\$109,589
SF Health & Recovery GO Bond Loan	\$39,036,048	\$267,370
Tax Credit Equity	\$27,569,430	\$188,832
Sponsor Contribution	\$100	\$1
AHP Bridge	\$2,000,000	\$13,699
<b>Total</b>	<b>\$84,605,578</b>	<b>\$579,490</b>

Permanent Uses	Amount	Per Unit
Acquisition	\$5,630,433	\$38,565
Hard Costs	\$56,841,842	\$389,328
Soft Costs	\$17,025,471	\$116,613
Reserves	\$2,607,832	\$17,862
Developer Fee	\$2,500,000	\$17,123
<b>Total</b>	<b>\$84,605,578</b>	<b>\$579,490</b>

## Local Operating Subsidy Contract

- Up to \$59,923,964 over 19 years for operations support (\$15,400 per unit per annum in Year 1)
- \$20,861,442 over 18 year term to repay HAF permanent loan in annual installments
- **TOTAL: \$80,785,406**



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**Thank you**