

File No. 160850

Committee Item No. 8

Board Item No. 22

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date September 14, 2016

Board of Supervisors Meeting

Date September 27, 2016

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" 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 |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date September 9, 2016
 Completed by: Linda Wong Date September 15, 2016

[Appropriation - Mayor's Office of Housing and Community Development - Proceeds from General Obligation Housing Bond - FY2016-2017 - \$77,000,000]

Ordinance appropriating \$77,000,000 of proceeds from the General Obligation Housing Bond, Series 2016F to the Mayor's Office of Housing and Community Development for Public Housing, Low-Income Housing, Investment in Mission Neighborhood, and Middle Income Housing-DALP and TND in FY2016-2017, and placing these funds on Controller's Reserve pending sale of the bonds.

Note: Additions are *single-underline italics Times New Roman*; deletions are ~~*strikethrough-italics Times New Roman*~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough-normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the projected funding available in FY2016-2017.

SOURCES Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
2S NDF 16A	MYR172SNDF16A	80111	Proceeds from	\$40,600,000
General Obligation Housing Bond, Series 2016F	AABPHF ZZZZZ		Sale of Bonds	

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	2S NDF 16A	MYR172SNDF16A	80111	Proceeds from	\$24,000,000
4	General Obligation	AABLIH ZZZZZZ		Sale of Bonds	
5	Housing Bond,				
6	Series 2016F				
7					
8	2S NDF 16A	MYR172SNDF16A	80111	Proceeds from	\$6,000,000
9	General Obligation	AABMNH ZZZZZZ		Sale of Bonds	
10	Housing Bond,				
11	Series 2016F				
12					
13	2S NDF 16A	MYR172SNDF16A	80111	Proceeds from	\$3,900,000
14	General Obligation	AABMIH ZZZZZZ		Sale of Bonds	
15	Housing Bond,				
16	Series 2016F				
17					
18	2S NDF 16A	MYR172SNDF16A	80111	Proceeds from	\$2,500,000
19	General Obligation	AABAAA ZZZZZZ		Sale of Bonds	
20	Housing Bond,				
21	Series 2016F				
22					
23	Total SOURCES Appropriation				\$77,000,000
24					
25					

1 Section 2. The uses of funding outlined below are herein appropriated in Subobject
 2 03920 (Loans Issued by City), Subobject 07311 (Cost of Bond Issuance, Underwriter's
 3 Discount, and Reserve Pending Bond Sale), Subobject 081C4 (Internal Audits), Subobject
 4 081GO (General Obligation Bond Oversight Committee Audits,) and reflect the projected uses
 5 of funding.

6
7
8 **USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
2S NDF 16A	MYR172SNDF16A	03920	Public Housing	\$40,600,000
General Obligation Housing Bond, Series 2016F	AABPHF ZZZZZZ	Loans Issued by City		
2S NDF 16A	MYR172SNDF16A	03920	Low Income	\$24,000,000
General Obligation Housing Bond, Series 2016F	AABLIH ZZZZZZ	Loans Issued by City	Housing	
2S NDF 16A	MYR172SNDF16A	03920	Mission	\$6,000,000
General Obligation Housing Bond, Series 2016F	AABMNH ZZZZZZ	Loans Issued by City	Neighborhood	

	Fund	Index Code / Project Code	Subobject	Description	Amount
1					
2					
3	2S NDF 16A	MYR172SNDF16A	03920	Middle Income	\$3,900,000
4	General Obligation	AABMIH ZZZZZZ	Loans Issued by	Housing -	
5	Housing Bond,		City	DALP and TND	
6	Series 2016F				
7					
8	2S NDF 16A	MYR172SNDF16A	081C4	CSA 0.2%	\$149,000
9	General Obligation	AABAAA ZZZZZZ	Controller Internal	Controller's Audit	
10	Housing Bond,		Audits	Fund	
11	Series 2016F				
12					
13	2S NDF 16A	MYR172SNDF16A	081GO	0.1% GO Bond	\$76,025
14	General Obligation	AABAAA ZZZZZZ	GOBOC 0.1%	Oversight	
15	Housing Bond,		Recovery	Committee Audits	
16	Series 2016F				
17					
18	2S NDF 16A	MYR172SNDF16A	07311	Cost of Issuance	\$539,725
19	General Obligation	AABAAA ZZZZZZ	Bond Issuance		
20	Housing Bond,		Cost		
21	Series 2016F				
22					
23					
24					
25					

	Fund	Index Code / Project Code	Subobject	Description	Amount
1					
2					
3	2S NDF 16A	MYR172SNDF16A	07311	Underwriter's	\$760,250
4	General Obligation	AABAAA ZZZZZZ	Bond Issuance	Discount	
5	Housing Bond,		Cost		
6	Series 2016F				
7					
8	2S NDF 16A	MYR172SNDF16A	07311	Reserve for	\$975,000
9	General Obligation	AABAAA ZZZZZZ	Bond Issuance	Market	
10	Housing Bond,		Cost	Uncertainty	
11	Series 2016F				
12					
13	Total USES Appropriation				\$77,000,000

16 Section 3. The uses of funding outlines above for \$77,000,000 are herein placed on
17 Controller's Reserve pending sale of the General Obligation Bonds.

19 Section 4. The Controller is authorized to record transfers between funds and adjust the
20 accounting treatment of sources and uses appropriated in this ordinance as necessary to
21 conform with Generally Accepted Accounting Principles.

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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: Burk E. Owen
~~THOMAS OWEN~~
Deputy City Attorney
BURK E. DeLoonThal

By: [Signature]
BEN ROSENFELD
Controller

<p>Items 6, 7 and 8 Files 16-0867, 16-0868 and 16-0850</p>	<p>Departments: Office of Public Finance (OPF) Mayor’s Office of Housing & Community Development (MOHCD)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- File 16-0867: Resolution providing for the (a) issuance of the total not to exceed \$310,000,000 aggregate principal Affordable Housing, 2015 General Obligation Bonds; (b) levy of a tax to pay the principal and interest; (c) appointment of depositories and other agents for said bonds; (d) establishment of accounts; (e) adopting findings under the California Environmental Quality Act, City Administrative Code and Planning Code; (f) ratifying previous actions taken; and (g) granting general authority to City officials.
- File 16-0868: Resolution authorizing the first issuance and sale of not-to exceed \$77,000,000 aggregate principal Affordable Housing, 2015 Taxable General Obligation Bonds, Series 2016F, including all related documents and requirements, as approved by San Francisco voters on November 3, 2015.
- File 16-0850: Ordinance appropriating \$77,000,000 of General Obligation Housing Bond Series 2016F proceeds to the Mayor’s Office of Housing and Community Development for specified affordable housing projects, with a Controller’s Reserve pending the bond sale.

Key Points

- On November 3, 2015, San Francisco voters authorized \$310,000,000 of general obligation bonds for affordable housing projects. To date, no bonds have been sold.
- This legislation will (1) authorize the issuance of the entire \$310,000,000 general obligation bonds recently approved by San Francisco voters; (2) specifically authorize the first issuance and sale of up to \$77,000,000 for affordable housing purposes; and (3) appropriate \$77,000,000 of bond proceeds from this first sale for specified affordable housing programs, including the related issuance costs.

Fiscal Impact

- The not-to-exceed \$77,000,000 affordable housing bonds would be sold for \$76,025,000, which reflects a \$975,000 reserve to allow for market fluctuations. The projected \$76,025,000 would result in \$74,500,000 of project funds and \$1,525,000 of Controller’s audit and issuance costs. All \$77,000,000 will be on Controller’s Reserve pending the sale.
- The \$77,000,000 bonds are estimated to be sold in October 2016 and have an interest rate of 4.03 percent, such that average debt service on the 20-year bonds would be approximately \$5,500,000 annually. Total interest payments over the 20-year term would be \$34,325,000. Total principal and interest payments are estimated at \$110,350,000.
- Repayment of the annual debt service is covered through increases in the annual Property Tax rate, such that homeowners with an assessed value of \$600,000 will pay average annual additional \$15.76 in Property Taxes.

Recommendation

- Approve the proposed resolutions and ordinance.

MANDATE STATEMENT

Charter Section 9.105 provides that the issuance and sale of general obligation bonds are subject to approval by the Board of Supervisors.

Charter Section 9.105 also provides that amendments to the appropriation ordinance, subject to the Controller certifying the availability of funds, are subject to Board of Supervisors approval.

BACKGROUND

On November 3, 2015, San Francisco voters approved Proposition A, by more than the required two-thirds vote, to authorize the issuance of not-to-exceed \$310,000,000 in taxable and tax-exempt general obligation bonds for affordable housing to

- Construct, develop, acquire and preserve housing affordable to low and middle-income households through programs that prioritize vulnerable populations;
- Assist in the acquisition, rehabilitation and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents;
- Target affordable housing investments in the Mission neighborhood;
- Repair and reconstruct dilapidated public housing;
- Fund a middle-income rental program;
- Provide for homeownership down payment assistance for educators and middle-income households;
- Provide independent citizen oversight and regular audits of the above-noted housing programs; and
- Authorize landlords to pass-through to residential tenants in rent controlled units 50% of the increase in property taxes attributable to the cost to repay these bonds.

In accordance with the voters' authorization, these affordable housing bonds will be sold in one or more series and on the terms and conditions, as the Board of Supervisors will determine by resolution. To date, none of these affordable housing general obligation bonds have been sold.

DETAILS OF PROPOSED LEGISLATION

File 16-0867: Resolution providing for the (a) authorization to issue the total not to exceed \$310,000,000 aggregate principal Affordable Housing, 2015 General Obligation Bonds; (b) levy of future property taxes to pay the principal and interest costs of the bonds; (c) appointment of depositories and other agents for said bonds, including paying, fiscal or escrow agents or registrars; (d) establishment of accounts and subaccounts, including separate bond accounts to pay the principal and interest on each series of bonds and project accounts to pay project expenses administered by the City Treasurer; (e) costs of the Citizens' General Obligation Bond Oversight Committee with 0.1% of gross bond proceeds; (f) adoption of findings under the California Environmental Quality Act (CEQA) that this legislation is a funding mechanism and not a project as defined by CEQA; (g) finding that the proposed project is in conformity with the priority policies of Planning Code Section 101.1, Charter Section 4.105 and Administrative Code Section 2A.53; (h) ratification of previous actions taken; and (i) granting of general authority to City officials to take necessary related actions.

File 16-0868: Resolution authorizing the first issuance and sale of not-to exceed \$77,000,000 aggregate principal Affordable Housing, 2015 Taxable General Obligation Bonds, Series 2016F, including all related documents, terms, appointments, accounts and requirements. This resolution approves the forms of the (a) Official Notice of Sale, (b) Notice of Intention to Sell Bonds, (c) Bond Purchase Contract, (d) Preliminary Official Statement, (e) Official Statement, and (f) Continuing Disclosure Certificate. This authorization includes the sale of the bonds by competitive or negotiated sale, modifications to the documents, ratifying actions previously taken and granting general authority to City officials to take necessary related actions.

File 16-0850: Ordinance appropriating \$77,000,000 of General Obligation Housing Bond Series 2016F proceeds to the Mayor's Office of Housing and Community Development (MOHCD) for specified affordable housing projects, with a Controller's Reserve pending the bond sale.

The first proposed resolution (File 16-0867) will authorize the overall issuance of the entire \$310,000,000 general obligation bonds that were recently approved by San Francisco voters in one or more series, as determined by the Board of Supervisors in separate sale resolutions. The second proposed resolution (File 16-0868) would specifically authorize the first issuance and sale of up to \$77,000,000 of the total \$310,000,000 general obligation bonds for affordable housing purposes. The proposed ordinance (File 16-0850) would appropriate the \$77,000,000 of bond proceeds from this first issuance and sale for specified affordable housing programs, including the related issuance costs.

Table 1 below shows the proposed sources and uses for the initial \$77,000,000 affordable housing bond proceeds.

Table 1: Proposed Sources and Uses of Funds

Sources	
Bond Proceeds	\$76,025,000
Reserve Proceeds	975,000
Total Not-to-Exceed Sources	\$77,000,000
Uses	
Affordable Housing Project Funds	74,500,000
Controller's Audit Fund	149,000
Project Subtotal	74,649,000
Bond Issuance	539,725
Underwriter's Discount	760,250
Citizens' GO Bond Oversight Com	76,025
Issuance and Related Cost Subtotal	1,376,000
Total Uses	\$76,025,000
Reserve Pending Bond Sale ¹	975,000
Total Uses with Reserve	\$77,000,000

Source: Supplemental Appropriation File 16-0850 and letter dated July 22, 2016, from the Director of Public Finance to the Board of Supervisors, re City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing), Series 2016F.

As shown in Table 1 above, proceeds from the first 2016F Affordable Housing 2015 Bonds will fund total affordable housing project costs of \$74,500,000. Table 2 below summarizes the categories of projects to be funded from this \$74,500,000 first bond issuance within the total \$310,000,000 affordable housing bond program. The Attachment provided by the MOHCD provides additional detail on projected expenditures for the entire \$310,000,000 housing bond program from FY 2016-17 through FY 2020-2021, including the total number of 1,256 affordable units to be funded.

Table 2: Affordable Housing Bond Fund Uses

	First Bond Sale	Total Bond Program
Public Housing	\$40,600,000	\$80,000,000
Low-Income Housing	24,000,000	100,000,000
Mission Neighborhood Housing	6,000,000	50,000,000
Middle-Income Housing	3,900,000	80,000,000
Total 2015 Affordable Housing Bond	\$74,500,000	\$310,000,000

Based on the total authorized \$310,000,000 Affordable Housing bonds, after the initial \$77,000,000 issuance, there will be \$233,000,000 of bond authorization remaining. MOHCD

¹ The Reserve Pending Bond Sale accounts for uncertainty due to potential variations in interest rates prior to the sale of the proposed bonds.

currently projects issuing approximately \$103 million in a second issuance of these bonds in the fall of 2017 and \$130 million in a final issuance of these bonds in the fall of 2018. However, Mr. Benjamin McCloskey, Deputy Director for the MOHCD advises that MOHCD will evaluate each of the affordable housing programs, such that additional bond debt would be issued only when needed.

FISCAL IMPACT

\$77,000,000 Initial Bond Sale

As shown in Table 1 above, the requested not-to-exceed \$77,000,000 Series 2016F Affordable Housing General Obligation Bonds are projected to be sold for \$76,025,000, which reflects a \$975,000 reserve to allow for potential variations in the interest rates when the bonds are sold. The projected \$76,025,000 would result in total available project funds of \$74,500,000 and Controller's audit (\$149,000) and issuance-related costs (\$1,376,000) totaling \$1,525,000. If approved by the Board of Supervisors, all of the requested \$77,000,000 supplemental appropriation of funds would be placed on Controller's Reserve pending the actual sale of the bonds.

The issuance and sale of the initial \$77,000,000 affordable housing bonds are anticipated to occur in late October 2016. As provided in the two proposed resolutions, MOHCD can use non-bond available funds prior to the issuance and sale of the bonds to begin work on the specified affordable housing projects, which can then be reimbursed with bond proceeds after the sale. According to Mr. McCloskey, approximately \$5-\$8 million of contracts may be executed prior to the October 2016 bond sale primarily for the public housing predevelopment activities.

Debt Service on Initial Bonds

The Office of Public Finance conservatively estimates annual interest at 4.03 percent over 20 years. The Office of Public Finance advises that although a 20-year term is anticipated, the proposed bonds could be structured up to 30 years, if market conditions warrant a longer period of time. In addition, the Office of Public Finance anticipates a competitive bond sale but reserves the option to conduct a negotiated bond sale, based on market conditions.

The Office of Public Finance estimates average annual debt service on 20-year bonds at the projected \$76,025,000 would be approximately \$5,500,000. Total interest payments over the 20-year bond term would be \$34,325,000. Total principal and interest debt service payments are together estimated at \$110,350,000.

Impact on Property Taxes

Annual debt service will be recovered through increases in City annual property taxes. The Office of Public Finance estimates average property tax increases of \$0.00266 per \$100 or \$2.66 per \$100,000 of assessed valuation to repay the anticipated 20-year term of the initial bonds. Therefore, the owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of \$15.76 per year for the anticipated \$76,025,000 initial affordable housing bonds.

However, in accordance with the City's capital plan and debt policy, the City's property tax rate paid by City property owners cannot exceed the 2006 property tax rate for general obligation bonds of \$0.1201 per \$100 of assessed value. This policy restrains increasing property taxes on City property owners, by only issuing new bond debt as existing bond debt is retired and the overall property tax base grows. Based on the anticipated retirement of bond debt and the need for additional housing bond funds, the remaining \$233,000,000 (\$310,000,000 total authorization less \$77,000,000 initial issuance) 2015 Affordable Housing Bonds are anticipated to be issued in 2017 and 2018.

Debt Limit

Section 9.106 of the City's Charter limits the total amount of outstanding general obligation bonds to 3.0% of the assessed value of property in the City at any given time. Based on the Controller's August 1, 2016 total assessed valuation of property in the City of \$211.5 billion, and current outstanding general obligation bond debt of \$2.01 billion, reflects approximately a 0.95% debt ratio. If the proposed up to \$77,000,000 general obligation bonds are sold, the debt ratio would increase by 0.04% to a total of 0.99%, which is within the 3.0% total debt limit.

POLICY CONSIDERATION

Capital Planning Committee

On August 29, 2016, the Capital Planning Committee considered the proposed affordable housing general obligation bond legislation. According to Mr. Brian Strong, Director of the Capital Planning Program, although affordable housing programs are not technically part of the City's Capital Program, the Capital Planning Committee recommended approval of the proposed two resolutions and ordinance.

Affordable Housing Bonds are Different

This \$310,000,000 affordable housing general obligation bond is somewhat different than typical City general obligation bonds. Under typical City general obligation bonds, the City hires private contractors to undertake improvements on specific City-owned properties, such that the improvements are also owned by the City. However, under these affordable housing general obligation bonds, the City will not directly engage contractors nor generally own the properties or improvements.

Rather, the City will primarily provide the general obligation bond proceeds as loans² to developers who will hire contractors and own the improvements through limited liability corporations, which enables leveraging of additional revenues for the projects through federal tax credits. In addition, the City will provide a portion of the bond proceeds as down payment assistance directly to individuals that meet specified criteria. Mr. McCloskey advises that MOHCD will treat the \$310,000,000 additional affordable housing bond proceeds, including the up to \$77,000,000 to be sold in October 2016, as an additional funding source for the City's overall affordable housing programs, which total over \$300 million in FY 2016-17.

² Each affordable housing program has various loan repayment terms and conditions.

RECOMMENDATION

Approve the proposed resolutions and ordinance.

Specific Housing Bond Uses, By Fiscal Year

	16-17	17-18	18-19	19-20	20-21	Total	Affordable Units
Public Housing: \$80MM							
Potrero Parcel X Predev	2,251,586					2,251,586	
Potrero Parcel X Vertical Gap	14,148,414					14,148,414	70
Potrero Infrastructure Predev	1,200,000					1,200,000	
Potrero Block B Predev	2,300,000					2,300,000	94
Potrero Infrastructure Development		18,800,000				18,800,000	
Potrero Acceleration							
Sunnydale Master Planning	2,800,000					2,800,000	60
Sunnydale 6A & 6B Predev	5,000,000					5,000,000	
Sunnydale Parcel Q Predev	2,000,000					2,000,000	
Sunnydale Parcel Q Vertical	10,900,000					10,900,000	166
Sunnydale 6A & 6B Infrastructure Development		16,000,000				16,000,000	
Sunnydale 3A Predev		2,020,000				2,020,000	
<i>Share of cost of issuance & incidentals</i>						<i>2,580,000</i>	
<i>Subtotal</i>	40,600,000	36,820,000	-	-	-	80,000,000	390
Low-Income Housing: \$100MM							
Project #1 - Predev	3,000,000					3,000,000	
Project #2 - Predev	3,000,000					3,000,000	
Project #3 - Predev	3,000,000					3,000,000	
Small Sites Program	15,000,000	9,235,000				24,235,000	81
Project #1 - Acquisition & Vertical Development			21,180,000			21,180,000	97
Project #2 - Acquisition & Vertical Development			21,180,000			21,180,000	97
Project #3 - Acquisition & Vertical Development			21,180,000			21,180,000	97
<i>Share of cost of issuance & incidentals</i>						<i>3,225,000</i>	
<i>Subtotal</i>	24,000,000	9,235,000	63,540,000	-	-	100,000,000	371
Mission Neighborhood Housing: \$50MM							
Predevelopment Costs	6,000,000					6,000,000	
Acquisition & Vertical Development		20,000,000	22,385,000			42,385,000	110
<i>Share of cost of issuance & incidentals</i>						<i>1,615,000</i>	
<i>Subtotal</i>	6,000,000	20,000,000	22,385,000	-	-	50,000,000	110
Middle-Income Housing: \$80MM							
DALP Loan Expansion	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	14,500,000	49
Teacher Next Door	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000	250
Middle-Income Teacher Housing		2,000,000	5,000,000			7,000,000	30
Middle-Income Buy-in Program		24,000,000				24,000,000	96
Middle-Income MOHCD Production		7,000,000	19,920,000			26,920,000	70
<i>Share of cost of issuance & incidentals</i>						<i>2,580,000</i>	
<i>Subtotal</i>	3,900,000	36,900,000	28,820,000	3,900,000	3,900,000	80,000,000	495
GRAND TOTAL	74,500,000	102,955,000	114,745,000	3,900,000	3,900,000	310,000,000	1,256

9197

Attachment

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *NE*
RE: Appropriation - Proceeds from \$77,000,000 of General Obligation Housing Bond - FY2016-2017
DATE: July 26, 2016

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$77,000,000 of proceeds from the General Obligation Housing Bond, Series 2016F to the Mayor's Office of Housing and Community Development for Public Housing, Low-Income Housing, Investment in Mission Neighborhood, and Middle Income Housing-DALP and TND in FY2016-2017 and place these funds on Controller's Reserve pending sale of the bonds.

I respectfully request that this item be calendared in Budget & Finance Committee on September 7, 2016.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

RECEIVED
BOARD OF SUPERVISORS
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2016 JUL 26 PM 4:51
BY *[Signature]*

File Nos. 160867, 160868 & 160850



**San Francisco 2015 Affordable Housing
General Obligation Bond**

Budget & Finance Committee: First Issuance
September 14, 2016

CITY AND COUNTY OF
SAN FRANCISCO
MAYOR EDWIN M. LEE

AFFORDABLE HOUSING GO BOND: Today's Request

- Authorizing the issuance of 2015 Affordable Housing General Obligation Bonds in an amount not to exceed \$310 million
- Approval of the sale and appropriation of the first series of the bond in an amount not to exceed \$77 million

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AFFORDABLE HOUSING GO BOND: Today's Request

Proposed Sources and Uses of Funds

Sources	
Bond Proceeds	\$76,025,000
Reserve Proceeds	<u>975,000</u>
Total Not-to-Exceed Sources	\$77,000,000
Uses	
Affordable Housing Project Funds	74,500,000
Controller's Audit Fund	149,000
Projects Subtotal	74,649,000
Costs of Issuance	539,725
Underwriter's Discount	760,250
Citizens' GO Bond Oversight Com	76,025
Costs of Issuance Subtotal	1,376,000
Total Uses	\$76,025,000
Reserve Pending Bond Sale	975,000
Total Uses with Reserve	\$77,000,000



AFFORDABLE HOUSING GO BOND: 3 Investment Categories

The voter-approved, \$310 Million Housing Bond proposed 3 categories of investments, each supporting a range of incomes:

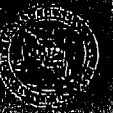
Program Categories	GO Bond
Public Housing	\$80 Million
Low-Income Housing (up to 80% AMI)	\$100 Million
<i>set aside for Mission Area Plan Investments</i>	\$50 Million
Middle-Income Housing (121%-175% AMI)	\$80 Million
TOTAL	\$310 Million



PRIORITY POPULATIONS

Among all housing categories, the stated goal of the Housing Bond is to serve the City's vulnerable residents and households at risk of displacement:

- Low-income working families
- Veterans
- Seniors
- Disabled individuals



LOW-INCOME HOUSING USES

- Accelerate new affordable housing production through quick release of funds.
- Provide acquisition and rehabilitation funding for existing rent-controlled buildings.
- Purchase properties in highly-impacted neighborhoods, e.g., the Mission, for affordable housing development.
- Stabilize buildings at risk of losing affordable units.



PUBLIC HOUSING USES

- Accelerate the reconstruction and rehabilitation of distressed public housing, including infrastructure replacement.
- Prioritize most urgent capital needs and strive for creation of net new units within reconstruction programs.



MIDDLE-INCOME HOUSING USES

- Provide new or preserved middle-income rental opportunities.
- Increase the cap on Down Payment Assistance loans and the range of eligible households.
- Expand the Teacher Next Door program to help keep our teachers in SF neighborhoods.



HOW THIS BOND IS DIFFERENT THAN MOST GO BONDS

- With most General Obligation bonds, the City hires contractors to complete infrastructure improvements.
- For affordable housing, the City does not engage contractors directly or own the improvements directly. Rather, we give loans to developers who then hire contractors and own the improvements through LLCs.
- This approach leverages Federal tax credits.



SPECIFIC HOUSING BOND USES, BY ISSUANCE

	First Issuance	Second Issuance	Third Issuance	Total	Units
Public Housing: \$80MM					
Potrero Acceleration	19,900,000	18,800,000		38,700,000	166
Sunnydale Acceleration	20,700,000	18,020,000		38,720,000	226
<i>Share of cost of issuance & incidentals</i>	<i>1,362,416</i>	<i>1,217,584</i>		<i>2,580,000</i>	
<i>Subtotal</i>	41,962,416	38,037,584	-	80,000,000	392
Low-Income Housing: \$100MM					
	First Issuance	Second Issuance	Third Issuance	Total	
Predev - Three projects	9,000,000			9,000,000	
Small Sites Program	15,000,000	9,235,000		24,235,000	81
Acquisition & Vertical - Three projects			63,540,000	63,540,000	290
<i>Share of cost of issuance & incidentals</i>	<i>805,369</i>	<i>290,356</i>	<i>2,129,275</i>	<i>3,225,000</i>	
<i>Subtotal</i>	24,805,369	9,525,356	65,669,275	100,000,000	371
Mission Neighborhood Housing: \$50MM					
	First Issuance	Second Issuance	Third Issuance		
Predevelopment Costs	6,000,000			6,000,000	
Acquisition & Vertical Development		20,000,000	22,385,000	42,385,000	110
<i>Share of cost of issuance & incidentals</i>	<i>201,342</i>	<i>706,829</i>	<i>706,829</i>	<i>1,615,000</i>	
<i>Subtotal</i>	6,201,342	20,706,829	23,091,829	50,000,000	110
Middle-Income Housing: \$80MM					
	First Issuance	Second Issuance	Third Issuance	Total	
DALP Loan Expansion	2,900,000	2,900,000	8,700,000	14,500,000	49
Teacher Next Door	1,000,000	1,000,000	3,000,000	5,000,000	250
Middle-Income Teacher Housing		2,000,000	5,000,000	7,000,000	30
Middle-Income Buy-in and Production		31,000,000	19,920,000	50,920,000	166
<i>Share of cost of issuance & incidentals</i>	<i>130,872</i>	<i>1,224,564</i>	<i>1,224,564</i>	<i>2,580,000</i>	
<i>Subtotal</i>	4,030,872	38,124,564	37,844,564	80,000,000	495
GRAND TOTAL	77,000,000	106,394,332	126,605,668	310,000,000	1,258

PROGRESS TO DATE: LOW-INCOME HOUSING

- Notice of Funding Availability issued April 2016 for Low-Income Housing Developments
 - Submissions received July 11, 2016. Currently under review.
 - Proposals located in the Mission, Forest Hills, Western¹²⁷ Addition, Marina, Tenderloin, and the Excelsior neighborhoods.
 - Proposals included homeless housing, senior housing, family housing, childcare centers, PDR use, and extensive community-serving spaces.



PROGRESS TO DATE: PUBLIC HOUSING

- The Sunnydale team acquired a vacant parcel for construction of new relocation housing. Bond funds will pay for master planning, predevelopment, acquisition and construction @ approximately \$21 million.
 - Construction to commence in Q4 2017
- The Potrero team acquired a vacant parcel for construction of new relocation housing. Bond funds will pay for predevelopment and construction @ approximately \$20 million.
 - Construction to commence Q4 2016



PROGRESS TO DATE: MIDDLE-INCOME HOUSING

- Downpayment Assistance Loans (DALP) available now. Implementation of the new down payment assistance loan program rules began July 1, 2016. More households are eligible (those earning up to 175% AMI), and loan amounts are larger (up to \$375,000 per household).
- Teacher Next Door forgivable loans available now. These loans may be used in addition to the above DALP loans.
- 15% of Seawall Lot 3221 devoted to middle-income units
 - Developer selection process complete and architectural work underway.
 - Construction loan closing estimated for FY 17-18, including \$7MM for middle-income units.
- MOHCD and SFUSD pursuing Teacher Rental Housing on SFUSD site. Predevelopment funding issuance anticipated 2017.



FIRST BOND ISSUANCE: 2016 SCHEDULE

- May 24: Kick-off
- July 28: General Obligation Bond Oversight Com.
- August 29: Capital Planning Committee Approval
- September 14: Budget & Finance Committee
- September 20: First reading, Board of Supervisors
- October 18: Bond sale
- November 1: Close bonds

MOHCD will use non-bond funds to get programs started and be reimbursed upon bond sale. Schedule is tentative and subject to change.



METRICS & ACCOUNTABILITY

- Extensive neighborhood outreach to community groups for every project.
- City-wide Loan Committee approval of all MOHCD-issued multifamily loans.
- BOS approval of all housing revenue bond issuances for individual projects.
- Regular reporting to Citizens' General Obligation Bond Oversight Committee (GOBOC).

Unlike a traditional GO Bond, the City has minimal control over the timing of construction of units and their occupancy, but that is our primary metric of completion.



Housing GO Bond Spending Proposal - First Issuance

	Amount	Est. First Encumbrance	Est. Last Disbursement	Notes
Public Housing				
Potrero Parcel X Predev	2,251,586	July 2016	Nov 2016	Predevelopment costs associated with architecture and engineering for Block X, 72 units of affordable housing that will serve 53 households from the first demolition phase of Potrero HOPE SF.
Potrero Parcel X Vertical Gap	14,148,414	Nov 2016	July 2017	Construction gap costs including unit construction costs, required infrastructure and offsite work, loan fees and interest, title and recording, legal costs, insurance, permits, furnishings, marketing, reserves, and developer fee.
Potrero Infrastructure Predev	1,200,000	Oct 2016	Oct 2017	Predevelopment costs associated with the first horizontal infrastructure phase, largely engineering, surveying and permitting costs. Infrastructure includes new streets, utilities, and grading of pads for vertical development.
Potrero Block B Predev	2,300,000	Mar 2017	Mar 2018	Predevelopment costs associated with architecture and engineering for Block B, approximately 94 units of affordable housing that will serve 75% households from the Potrero HOPE SF site and 25% new affordable units.
Sunnydale Master Planning	2,800,000	July 2016	Jun 2017	Final planning necessary to complete the entitlement process for Sunnydale, including Develop Agreement, Master Developer Agreement, Special Use District legislation, Relocation Planning, Infrastructure Master Plan.
Sunnydale 6A & 6B Predev	5,000,000	Dec 2016	Jul 2018	Initial legal cost for acquisition, architecture and engineering fees, survey, geotechnical reports, Phase I environmental reports, appraisal, property taxes, application fees for other funding sources, and developer fee.
Sunnydale Parcel Q Predev	2,000,000	Sept 2016	Nov 2017	Initial legal cost for acquisition, architecture and engineering fees, survey, geotechnical reports, Phase I environmental reports, appraisal, property taxes, application fees for other funding sources, and developer fee.
Sunnydale Parcel Q Vertical	10,900,000	Nov 2017	Sep 2019	Construction gap costs including unit construction costs, additional engineering fees, construction loan fees and interest, title and recording, additional legal costs, insurance, permits and entitlements, furnishings, marketing, reserves, and developer fee.
Subtotal	40,600,000			
Low-Income Housing				
Project #1 - Predevelopment	3,000,000	Dec 2016	Dec 2017	In April 2016, MOHCD issued a Notice of Funding Availability (NOFA), with submissions due July 11, 2016. Respondents were required to propose a specific new affordable housing development on a specific parcel. These proposals are currently under review, and included proposals in the Mission, Forest Hills, Western Addition, Tenderloin, and the Excelsior. Proposals for type of housing included homeless, senior, and family housing. Successful respondents will be award predevelopment loans to move the design process forward, with additional gap financing coming from future issuances of the bond.
Project #2 - Predevelopment	3,000,000	Dec 2016	Dec 2017	
Project #3 - Predevelopment	3,000,000	Dec 2016	Dec 2017	
Small Sites Program	15,000,000	Nov 2016	Nov 2017	MOHCD's existing Small Sites Program provides funding for the acquisition and rehabilitation of existing multi-family rental buildings of 5-25 units. This program helps stabilize buildings that are occupied by low to moderate income tenants throughout San Francisco that are particularly susceptible to market pressure resulting in property sales, increased evictions and rising tenant rents. This funding will augment the existing funding sources and our rolling NOFA responses.
Subtotal	24,000,000			
Low-Income Housing: Mission Neighborhood				
Predevelopment Costs	6,000,000	Dec 2016	Dec 2017	See above. Subset of April 2016 NOFA, with funds set aside specifically for projects in the Mission.
Subtotal	6,000,000			
Middle-Income Housing				
DALP Loan Expansion	2,900,000	Oct 2016	Oct 2017	The Downpayment Assistance Loan Program assists income-qualified households in purchasing their first home in San Francisco through the a "silent second" downpayment loan, which is recoverable with a share of appreciation upon sale. These funds will expanded the existing DALP program by allowing loans of up to \$375K per loan and increase the household Area Median Income (AMI) served up to 175%.
Teacher Next Door	1,000,000	Oct 2016	Jun 2019	The Teacher Next Door Program assists educators employed with the San Francisco Unified School District with the purchase of their first home in San Francisco. This program supplements and may be combined with other downpayment assistance programs.
Subtotal	3,900,000			
Total Project Funds	74,500,000			
Controller's Audit Fund	149,000			
Costs of Issuance	539,725			
Underwriter's Discount	760,250			
Citizens' GO Bond Oversight	76,025			
Reserve Pending Bond Sale	975,000			
TOTAL USES	77,000,000			