

File No. 160518

Committee Item No. 5

Board Item No. 23

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 25, 2016

Board of Supervisors Meeting

Date June 7, 2016

#### Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input checked="" type="checkbox"/> | <input checked="" 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                                 |
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| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

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Completed by: Linda Wong Date May 20, 2016  
 Completed by: Linda Wong Date May 31, 2016

1 [Multifamily Housing Revenue Bonds - 2060 and 2070 Folsom Street (also known as "17th  
2 and Folsom") - Not to Exceed \$140,000,000]

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 \$140,000,000 for 2060**  
9 **and 2070 Folsom Street; authorizing and directing the Director to direct the Controller's**  
10 **Office to hold in trust an amount not to exceed \$100,000 in accordance with CDLAC**  
11 **procedures; authorizing the Director to certify to CDLAC that the City has on deposit**  
12 **the required amount; authorizing the Director to pay an amount equal to such deposit**  
13 **to the State of California if the City fails to issue the residential mortgage revenue**  
14 **bonds; authorizing and directing the execution of any documents necessary to**  
15 **implement this Resolution, as defined herein; and ratifying and approving any action**  
16 **heretofore taken in connection with the Project as defined herein, and the Application**  
17 **as defined herein.**

18  
19 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the  
20 "Board of Supervisors"), after careful study and consideration, has determined that there is a  
21 shortage of safe and sanitary housing within the City and County of San Francisco (the "City"),  
22 particularly for low and moderate income persons, and that it is in the best interest of the  
23 residents of the City and in furtherance of the health, safety, and welfare of the public for the  
24 City to assist in the financing of multi-family rental housing units; and  
25

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

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

17           WHEREAS, 2060 Folsom Housing, L.P., a California limited partnership (or any  
18 successor thereto including any successor owner of the Project, the "Developer"), desires to  
19 acquire land and construct a 139-unit affordable residential rental housing development  
20 located at 2060 & 2070 Folsom Street, San Francisco, California 94110 (Block 3571, Lot 031  
21 in the records of the City's Assessor-Recorder) (the "Project"); and

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

25

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 \$140,000,000 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, Section 146 of the Code limits the amount of tax-exempt private activity  
16 bonds, which include qualified mortgage bonds, that may be issued in any calendar year by  
17 entities within a state and authorizes the legislature of each state to provide the method of  
18 allocating authority to issue tax-exempt private activity bonds within the respective state; and

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

23           WHEREAS, Section 8869.85(b) of the Government Code requires that a local agency  
24 file an application for a portion of the state ceiling with or upon the direction of the California  
25

1 Debt Allocation Committee ("CDLAC") prior to the issuance of tax-exempt private activity  
2 bonds, including qualified mortgage bonds; and

3 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to  
4 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent  
5 (1/2%) of the amount of allocation requested not to exceed \$100,000.00; now, therefore, be it

6 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as  
7 follows:

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

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

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

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

23 Section 5. The maximum principal amount of debt expected to be issued for the Project  
24 is \$140,000,000.

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1           Section 6. The Board of Supervisors hereby authorizes the Director of the Mayor's  
2 Office of Housing and Community Development, or his designee (the "Director"), on behalf of  
3 the City, to submit an application (the "Application"), and such other documents as may be  
4 required, to CDLAC pursuant to Government Code Section 8869.85 for an allocation for the  
5 Project of a portion of the state ceiling for private activity bonds in a principal amount not to  
6 exceed \$140,000,000.

7           Section 7. An amount equal to one-half of one percent (0.5%) of the amount of the  
8 CDLAC allocation requested for the Project, not to exceed \$100,000 ("Deposit"), is hereby  
9 authorized to be held on deposit in connection with the Application and the applicable CDLAC  
10 procedures, and the Director is authorized to certify to CDLAC that such funds are available.

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

15           Section 9. The officers and employees of the City and the Director are hereby  
16 authorized and directed, jointly and severally, to do any and all things necessary or advisable  
17 to consummate the receipt of an allocation from CDLAC and otherwise effectuate the  
18 purposes of this Resolution, consistent with the documents cited herein and this Resolution,  
19 and all actions previously taken by such officers and employees with respect to the Project,  
20 consistent with the documents cited herein and this Resolution, including but not limited to the  
21 submission of the application to CDLAC, are hereby ratified and approved.

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Section 10. This Resolution shall take effect from and after its adoption by the Board  
and approval by the Mayor.

APPROVED AS TO FORM:  
DENNIS J. HERRERA  
City Attorney

By: Kenneth David Roux  
Kenneth David Roux  
Deputy City Attorney  
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**City and County of San Francisco  
Multifamily Housing Revenue Bond Program  
Project Description**

*2060 Folsom Housing ("17<sup>th</sup> & Folsom")*

**Overview**

The funds described in the "Financing Structure" section below will be used to finance the development of 2060 Folsom Housing, approximately 139 units of affordable multifamily housing for families and transitional-age-youth located at 2070 Folsom Street (the address will be changed to include 2060 Folsom Street) in the City and County of San Francisco (the "Project").

Following completion, the Project will include approximately 175,000 square feet of gross floor area, comprised of 156,835 square feet of residential area and 18,165 square feet of non-residential area. Non-residential spaces are anticipated to include:

- affordable infant and toddler care for 20 children operated by Mission Neighborhood Centers,
- a preschool for 24 children operated by Good Samaritan Family Resource Center,
- youth after-school services offered by Jamestown Community Center (within a new headquarters space),
- youth and adult leadership and civic engagement programs provided by PODER (within its new office space), and
- a ground-floor commercial space designed for a café.

Ground floor uses will face an adjacent park at the corner of 17<sup>th</sup> and Folsom Streets currently being developed by the Department of Recreation and Parks.

Total project costs to construct the new building will be approximately \$94,611,000, or \$680,655 per dwelling unit.

The residential unit distribution, which will include a single 2-bedroom resident manager unit, is:

| <u>Unit type</u> | <u>Number of units</u> |
|------------------|------------------------|
| Studio           | 21                     |
| 1-Bedroom        | 22                     |
| 2-Bedroom        | 58                     |
| 3-Bedroom        | 38                     |

All of the residential units (with the exception of the resident manager unit) will serve households earning less than 60% percent of the San Francisco County Area Median Income ("AMI"). Approximately 25% of the units are anticipated to be targeted to homeless or at-risk transitional-age youth ("TAY") referred by the Human Services Agency with support from the City's Local Operating Subsidy Program.

**Residents**

No residents will be displaced as the site is currently a parking lot.



**Site Description and Scope of Work**

Address: 2070 Folsom Street, 94110  
(The address will be changed to include 2060 Folsom Street.)  
Block/Lot: 3571/031

Property amenities will include:

- a ground floor with a diverse array of active, community-serving uses that face the park, including infant/toddler care, a preschool, as well as the PODER and Jamestown programs and offices;
- corner retail designed for a café on Folsom near the new park;
- Southern facing building courtyard that draws sunlight and park views deep into the building;
- bike parking with 1.5 bike spaces per unit;
- a community room and kitchen;
- laundry rooms; and
- supportive services meeting spaces.

**Development and Management Team**

Project Sponsors: Chinatown Community Development Center (“CCDC”) and  
Mission Economic Development Agency (“MEDA”)  
 General Contractor: Roberts Obayashi  
 Architect of Record: Mithun Solomon Architecture and Y.A. Studio  
 Property Manager: CCDC

**Project Ownership Structure**

Borrower Entity: 2060 Folsom Housing, L.P.  
 Managing Members: 2060 Folsom LLC, an affiliate of CCDC and  
 MEDA 2060 Folsom LLC, an affiliate of MEDA

An investor limited partner will own a 99.99% interest in the borrower entity.

**Financing Structure**

The following sources of capital financing are expected to be utilized:

- tax-exempt bonds issued by the City and County of San Francisco (the “City”),
- 4% low income housing tax credits (“LIHTC”),
- a conventional first mortgage;
- an Affordable Housing and Sustainable Communities (“AHSC”) program loan from State of California,
- Affordable Housing Program (“AHP”) financing from the Federal Home Loan Bank, and
- soft debt from the City.

The sale of LIHTC will generate equity financing for the Project. The amount of tax-exempt private activity bonds used during construction will be sized specifically to meet the 50% of aggregate basis test required for the LIHTC. The calculation of tax credits utilizes a 30% basis boost as the U.S. Department of Housing and Urban Development has designated San Francisco County a “difficult development area.”

**Schedule**

Financing is anticipated to close between December 2017 and March 2018, with construction commencing within 30 days of closing. All construction is scheduled to be completed by January 2020.

Print Form

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

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. Reactivate File No. [ ]
- 10. 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 Form.**

**Sponsor(s):**

Campos

**Subject:**

Multifamily Housing Revenue Bonds - 2060 & 2070 Folsom Street, San Francisco, CA 94110 (also known as "17th and Folsom") - Not to Exceed \$140,000,000

**The text is listed below or attached:**

[ ]

Signature of Sponsoring Supervisor: *David Campos*

**For Clerk's Use Only:**

