



BUDGET AND FINANCE COMMITTEE

Item #15 & #16 – Request for Additional Funds

April 19, 2022

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BACKGROUND

- **SF Commitment to Public Power:** Per Ordinance 247-14 amending Section 99.1 of the City Administrative Code, effective as of January 16, 2015, projects built on City land are required to study the feasibility of using SFPUC as the permanent power source.
- PG&E imposes **unnecessary requirements and delays** on projects that utilize public power. MOHCD and the SFPUC are working together to try to minimize the negative impacts on affordable housing projects.
- **PG&E issued and retracted a moratorium on work** for both Retail and WDT projects. Field work requests continue to exceed PG&E staffing capacity, leading to cancelations and additional delays to scheduled work.

BACKGROUND

100% Affordable Housing Agreement between SFPUC and PG&E

- File 21-1053 (fall 2021)
- The City and PG&E entered into a limited agreement to provide more certainty and allow certain Affordable Housing projects to move forward in a timely manner.
- The agreement generally provides that 100% affordable housing projects can connect at secondary (lower voltage) service.
- These two projects were underway before the agreement was in place.



4840 MISSION

File # 230318: Loan Amendment

- 137-unit affordable housing development that started construction in June 2021.
- Min. 6-month delay to completion and lease-up. Completion estimated December 2023.
- Seeking \$8,977,307 additional financing to offset costs associated with additional PG&E infrastructure and delays of completion.
- The Project will also request Board approval for two utility easements that are now required on the property.

PROJECT HISTORY – 4840 MISSION STREET

- 2016 – BRIDGE Housing selected after applying to MOHCD Notice of Funding Availability
- 2017 – Site acquired with loans from MOHCD and San Francisco Housing Accelerator Fund
- 2019 – SB35 approval
- 2020 – Financing commitments obtained for Tax Credits, Bonds, Bank of America, Permanent Lender, & operating subsidies from SFHA
- 2021 – MOHCD Loan approved by Board of Supervisors, including bridge loan for Affordable Housing Program (AHP) award from the Federal Home Loan Bank of San Francisco
- 2023 – BRIDGE applied for AHP
 - Award announcements expected Summer 2023.
 - If awarded, MOHCD loan will be reduced by award amount.
 - If not awarded, BRIDGE will reapply for AHP awards in subsequent funding cycles



PROJECT DETAILS



- 137 affordable units
 - >50% of units are 2- and 3-bedroom apartments
- Set Asides
 - 25% (35 units) supported by vouchers from SFHA, including priority for households voluntarily relocating from Potrero Terrace and Potrero Annex
 - 2 resident manager units
- 30% to 108% SF AMI
- Commercial Space
 - 9,977 sf community clinic for Mission Neighborhood Health Center (MNHC)
 - 4,407 sf of ground-floor retail space
- Amenities
 - Pedestrian plaza and walkways
 - Landscaped central courtyard
 - 39 parking spaces
 - 136 bike stalls

PERMANENT FINANCING

Total Development Costs: \$114,814,625

- MOHCD \$34,728,757
- MNHC Purchase \$3,000,000
- Tax Credit Equity \$50,417,089
- Permanent Loan \$24,550,000
- Deferred Developer Fee \$2,118,779

City Per Unit Investment: \$253,495

Per Unit Cost: \$838,063

TIMELINE

- **Construction Start:** June 2021
- **Marketing:** August 2023
- **Unit Lottery:** September 2023
- **Project completion:** June 2023 with interim power; December 2023 with permanent power.
- **Leasing:** December 2023





500 TURK (aka 555 LARKIN)

File # 230319: Loan Amendment

- 108-unit affordable development that started construction in February of 2020 completion was delayed 10 months
- Seeking \$4,226,311 in additional financing to offset costs associated with PG&E infrastructure that was required after construction start, as well as costs related to the approximately 10 month delay in obtaining permanent power for the Project.
- Due to delays, Project's 3.67% permanent loan rate lock expired. The Project has since renegotiated a permanent loan at a 6% interest rate, reducing supportable debt.
- Delays to lease up led to reductions in tax credit equity.

PROJECT HISTORY – 500 TURK STREET (AKA 555 LARKIN)

- 2016 – TNDC acquired 500 Turk using funds from Enterprise Community Loan Fund.
- 2018 – Planning Department approved demolition and project design plans.
- 2019 – Financing commitments obtained for Tax Credits, Bonds, State of California's Affordable Housing and Sustainable Communities Program, Wells Fargo, and operating subsidies from SFHA.
- 2019 – Board of Supervisors approved MOHCD Loan financing , including bridge loan for the Affordable Housing Program (AHP) award from the Federal Home Loan Bank of San Francisco
- 2020 – TNDC applied for AHP but the project did not meet the revised award threshold and was not awarded funds. Repayment terms in the MOHCD loan were adjusted to 55 years for this amount, instead of during construction.



PROJECT DETAILS



- 108 affordable units including:
 - >50% of units are 2- and 3-bedroom apartments
- Set Asides
 - 27 units supported by vouchers from SFHA, including priority for households voluntarily relocating from HOPE SF sites
 - 1 resident manager unit
- 30% to 80% MOHCD AMI
- Commercial Space
 - 2,380 sf senior wellness center (nonprofit lease-up anticipated in Sept. 2023)
- Amenities
 - Rooftop urban farm
 - Central courtyard
 - Indoor bicycle parking

PERMANENT FINANCING

Total Development Costs:	\$83,323,715
▪ MOHCD	\$23,805,311
▪ LP Equity	\$329,787,566
▪ CA AHSC	\$13,700,000
▪ Deferred Developer Fee	\$6,548,937
▪ General Partner Equity	\$500,000
▪ Pre-Dev Income	\$329,901
▪ Permanent Loan	\$8,652,000

City Per Unit Investment: \$220,420
Per Unit Cost: \$771,516

TIMELINE

- **Construction Start:** February 2020
- **Marketing:** August 2021
- **Unit Lottery:** October 2021
- **Project completion:** October 2022
- **Leasing:** October 2022 – Present (63% occupancy)



Mitigation Strategies

Implementation of the Affordable Housing Agreement between SFPUC and PG&E.

Per Mayor Breed's Housing for All Executive Directive 23-01, SFPUC will outline strategies to reduce delays in "providing critical infrastructure to housing development projects" including new ways to reduce PG&E-caused delays (plan due May 1).

Senator Wiener's proposed SB 83 could provide State enforcement mechanisms.