

# Affordable Housing and Community Facilities COPs

Budget & Finance Committee

May 10, 2023



**Mayor's Office of Housing and Community Development**  
City and County of San Francisco

## Action before Committee

### **Action item recommending to approve:**

- Ordinance authorizing the sale of Tax-Exempt and/or Taxable Certificates of Participation (Multiple Affordable Housing and Community Facilities Projects), not to exceed \$146.8M

# History

## FY22-24 Budget Process

- As part of the FY22-24 Budget Process, on the final page of the Board Addback list, the Board identified a “spending plan” for Housing and Community Development COPs

| Category of Use   | Amount               |
|---|----------------------|
| Acquisition NOFA with priority for development of 100% affordable projects in CDLAC designated high-need/resource areas | \$40,000,000         |
| Public housing or HUD co-op repairs   | \$20,000,000         |
| Affordable housing for educators  | \$12,000,000         |
| Elevators in SRO portfolio  | \$10,000,000         |
| Acquisition for non-profit [community facilities] sites   | \$30,000,000         |
| Financing costs, reserves and capitalized interest  | \$34,800,000         |
| <b>TOTAL</b>  | <b>\$146,800,000</b> |

# History

## FY22-24 Budget Process

- The Board subsequently approved Ordinance 171-22 on July 26, 2022
- Appropriated the \$112M of project proceeds and \$34.8M of financing costs/reserves, and putting the funds on reserve pending the sale of Certificates of Participation or Commercial Paper



# Implementation

MOHCD has created the following implementation plan for the project proceeds

| Category   | Amount               | RFP/NOFA Issued | Date Anticipated List of Projects Available |
|--|----------------------|-----------------|---|
| Acquisition of non-profit sites (community facilities), Part 1 | \$20,000,000         | 1/27/23         | late May 2023                               |
| Acquisition NOFA for Affordable Housing Development            | \$40,000,000         | 1/27/23         | late May 2023                               |
| Affordable Housing for Educators                               | \$12,000,000         | 2/24/23         | late June 2023                              |
| Acquisition of non-profit sites (community facilities), Part 2 | \$10,000,000         | August 2023     | November 2023                               |
| Public Housing/HUD Co-op repairs                               | \$20,000,000         | tbd             | tbd   |
| Elevators in SRO Portfolio (HSH is lead)                       | \$10,000,000         | tbd             | tbd   |
|  |                      |                 |   |
| <b>TOTAL</b>   | <b>\$112,000,000</b> |                 |   |

Category 1:  
Acquisition or rehab  
of non-profit  
community facilities

## RFP Context

- The MOHCD Community Development team has been supporting acquisition & rehabilitation of non-profit community facilities for more than 30 years.
- Most grants are smaller in scale (\$200k) and intended for rehabilitation, but MOHCD has made larger grants in the past (eg Willie Mays Boys & Girls Club).
- This RFP aligns our existing programs with larger amounts available in transparent, competitive procurement process

Acquisition or rehab  
of non-profit  
community facilities



## RFP Criteria

- Applying organizations must:
  - Serve low and moderate-income Asian Pacific Islander residents through meaningful and impactful programming;
  - Show project readiness so that acquisition or capital improvements can be completed in a timely way;
  - Have programs sustained through diverse, dependable funding streams to ensure ongoing programming in the acquired or improved building;
  - Show organizational capacity to maintain the facility in good condition over the tenure period as required below;
  - Show alignment with City priorities and needs.

Acquisition or rehab  
of non-profit  
community facilities

## RFP Criteria

- Maximum per-proposal award is \$5,000,000
- Applicants may apply for EITHER acquisition OR capital improvements for the submitted project, but not both
- Applicants may apply for a maximum of 85% of the acquisition price or 85% of the total cost of the proposed capital improvements
- Responses were due March 3
- 14 responses were received and are currently being evaluated



## Category 2: Acquisition for affordable housing development

### RFP Goals

- Site acquisition and predevelopment for new construction projects serving low-income households, including homeless households
- For sites acquired under this NOFA, MOHCD will make predevelopment loans in 2023, with target construction start dates in 2026 and lease up complete in 2028.
- Additional development funds need to be identified in FY2025 to construct the projects.
- Responses are due April 7, 2023

# Acquisition for affordable housing development



## RFP Criteria

- Will prioritize affordable housing projects best positioned to secure funding from the CA Debt Limit Allocation Committee by falling into one of 3 priority funding categories
  - Site development will produce at least 25% 2-bedroom and 25% 3-bedroom units
  - Site development will include at least 45% units set aside for referrals of homeless households from HSH's Coordinated Entry System, so that development will qualify as Homeless
  - Site will be developed by a team that qualifies for the CDLAC BIPOC funding pool

# Acquisition for affordable housing development



## RFP Criteria – The proposal must:

- Maximize density and unit count that may be built “as of right” using all available tools
- Implement an interim use plan for the site
- Maximize the benefit of the City’s dollars through demonstrated cost-effectiveness
- Designate a minimum of 25% of units for households experiencing homelessness
- Align with the implementation of City policies on anti-displacement, racially inclusive communities, and creating stable housing for vulnerable populations
- Create opportunities for the growth of Emerging Developers
- Serve at least 30% Extremely Low Income (ELI) households

## Category 3: New Affordable Educator Housing

### RFP Goals

- Fund sources
  - These COPs - \$12M
  - 2019 GO Bond Funds - \$20M
- Combine these resources to facilitate the development and construction of at least two Educator Housing projects with units affordable to households earning between 30% and 140% AMI
- The funds may be used for either homeownership (limited to \$12 million) or rental housing projects
- May fund acquisition, predevelopment and construction costs
- Responses due April 21, 2023

# New Affordable Educator Housing



## RFP Goals

- MOHCD seeks to expand geographic diversity and create additional affordable homeownership and rental opportunities available to a broad range of San Francisco's Education Employees, such as teachers, paraeducators, and early childhood education providers that are employees of SFUSD and SFCCD
- Will make predevelopment loans in 2023, with target construction start dates no later than 2025, lease up to be completed no later than 2026, and sales to be completed no later than 2029.
- Anticipate selection of at least two projects under this NOFA

# New Affordable Educator Housing



## RFP Criteria

- Similar criteria as acquisition NOFA, with the following changes and additions:
  - Given the focus on educator housing, no homeless households are required to be served
  - For rental housing, serve households ranging from 30% to 140% AMI
  - For ownership housing, serve households with an income ranging from 80% to 120% of AMI with an overall average of 100% AMI

## Category 4: RFPs to be issued

- Acquisition of non-profit community facilities, part 2
  - Similar to existing RFP
  - RFP issued Fall 2023
- Public Housing/HUD Co-op repairs
  - Criteria and parameters still under consideration
  - RFP date TBD
- Elevators in SRO Portfolio
  - HSH is lead
  - Criteria and parameters still under consideration
  - RFP date TBD

# Estimated Financing Costs

## Current Plan Of Finance

- Not to exceed par amount of \$146.8M
- Final Maturity of April 1, 2043\*
- Estimated True Interest Cost: 6.30%\*
- Estimated Average Annual Debt Service: \$12.4M\*

## Lease-Lease Back Structure

- COPs are structured as a lease-lease back agreement, in which the City leases City-owned property to a Trustee and then pays to lease back the property
- The City maintains a master lease agreement ("Master Lease") to fund existing and planned COPs by utilizing the inherent value of the City's assets to finance debt-supported projects
  - The pool of City assets included in the Master Lease currently includes buildings on the Laguna Honda Hospital Campus and the San Bruno Jail Complex, but these assets may be substituted

*\*Preliminary estimates, subject to change.*



# Sources and Uses

## Estimated Sources & Uses of the Proposed Affordable Housing and Community Facilities COPs

### Sources:

|   |                      |
|---|----------------------|
| <u>Affordable Housing and Community Facilities COP Proceeds</u> |                      |
| Estimated Par Amount*   | \$138,825,000        |
| Plus: Reserve for Market Uncertainty                            | \$7,975,000          |
| <b>Total Sources</b>  | <b>\$146,800,000</b> |

### Uses:

#### Project Funds

|   |              |
|---|--------------|
| Acquisition NOFA for Affordable Housing Development | \$40,000,000 |
| Public Housing/HUD co-op repairs                    | \$20,000,000 |
| Affordable Housing for Educators                    | \$12,000,000 |
| Elevators in the SRO Portfolio                      | \$10,000,000 |
| Acquisition for Non-profit Sites                    | \$30,000,000 |
| CSA Audit Fee (0.2% of project)                     | \$224,000    |
| Capitalized Interest*                               | \$12,676,101 |
| Debt Service Reserve Fund*                          | \$12,376,758 |

#### Delivery Date Expenses\*

|                        |           |
|------------------------|-----------|
| Cost of Issuance       | \$854,016 |
| Underwriter's Discount | \$694,125 |

|                   |                      |
|-------------------|----------------------|
| <b>Total Uses</b> | <b>\$138,825,000</b> |
|-------------------|----------------------|

|                                      |             |
|--------------------------------------|-------------|
| Plus: Reserve for Market Uncertainty | \$7,975,000 |
|--------------------------------------|-------------|

|   |                      |
|---|----------------------|
| <b>Maximum Not-to-Exceed Par Amount</b> | <b>\$146,800,000</b> |
|---|----------------------|

Source: KNN Public Finance

\*Preliminary estimates, subject to change.

# Anticipated Financing Timeline



## Milestones

## Anticipated Dates

- Presentation to Capital Planning Committee March 27, 2023
- Introduction of the Ordinance to the Board of Supervisors April 4, 2023
- Budget and Finance Committee Hearing May 10, 2023
- Board Considers Approval of the Ordinance (1<sup>st</sup> Reading) May 16, 2023
- Final Board Approval of the Ordinance (2<sup>nd</sup> Reading) May 23, 2023
- Pricing and Closing of the first tranche of COPs July-August 2023