

Citywide Affordable Housing Loan Committee
San Francisco Mayor's Office of Housing and Community Development
Office of Community Investment and Infrastructure
Department of Human Services
Department of Public Health

Evaluation of Request for Funding – **Local Operating Subsidy Program (LOSP)**

Prepared By: Pam Sims

Date prepared: 3-13-14

Loan Committee Date: 3-21-14

Sponsor Name: Mercy Housing California XLIV
Project Name: 1180 4th Street
Project Address (w. cross street): 1180 4th Street
Number of Units/Beds (specify): 50 units of 150 family units total (149 plus one manager's unit)

Local Operating Subsidy Funds Requested: \$222,352 (1st partial year request = 5 months)
\$550,441 (1st full year request)
\$10,254,142 (15 years)

Amount of Funds Recommended: \$222,352 (1st partial year request = 5 months)
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\$10,254,142 (15 years)

1. SUMMARY

Mercy Housing California XLIV, LP is requesting Local Operating Subsidy in the amount of \$550,441 for the first full year of operations to subsidize the operations of 50 units of the larger 150 unit family development of affordable, family-rental housing (the "Project") at 1180 4th Street (Block 13 East) in Mission Bay South. Occupancy is expected to begin on August 1, 2014. Households for 50 units to be covered under this LOSP agreement and will be referred by San Francisco's Human Services Agency (HSA). The entire 15-year contract will run from August 1, 2014 to December 31, 2028, totaling \$10,254,142.

The five and six story development includes 42 one-bedroom (28%), 55 two-bedroom (36%), 53 three-bedroom (36%) apartments, with a maximum affordability of 60% of City area median income (“AMI”). Fifty units are set aside for formerly homeless families. The varied income mix was established to include the LOSP assisted units while improving the Project financial feasibility by using the 50% TCAC AMI levels on 99 units. Two of the three bedroom units will be family child-care units.

Eleven townhouses wrap around the base of the building along Channel Street and the mid-block walkway to create a pedestrian-oriented character along the street while camouflaging the on-grade garage. There are 49 parking spaces, including a car share pod. The Project includes 70 bicycle parking spaces, which well exceeds the minimum required. The Project includes approximately 8,000 square feet of retail space along Fourth Street, including a proposed restaurant at the corner of Fourth and Channel. A community garden for residents will be located at the upper podium level.

Along Channel, a major public courtyard opens the Project to Channel Street and Mission Creek Park, and will be activated by a variety of program elements. A 3,480 square foot community room faces the park across Channel Street and opens onto the courtyard and will be available to the greater Mission Bay community. The courtyard is further activated by a teen gathering space to be programmed based on resident needs. A sunny podium courtyard one level up, provides play area for two family childcare units. The Project’s two large laundry facilities are located on the podium level. The primary exterior material will be minimally textured stucco, Kynar coated pre-formed metal panels, aluminum window mullions, sealed concrete, and perforated aluminum “fins” serving as sunshades. Fences will be painted metal. The development is the first Agency Affordable Housing Parcel to be developed in compliance with the Mission Bay South Owner Participation Agreement (“OPA”).

Staff recommends approval of this LOSP request.

2. PROJECT OPERATIONS

2.1. Unit Mix

Unit Type	#	Unit HH Composition	Homeless Units
1-BR	42	Families	11
2-BR	55	Families and 1 manager unit	30
3-BR	53	Families	9
Total:	150		50

2.2. Annual Operating Budget

Please see the attached annualized budget for this initial year.

Tenant Rents – LOSP Units: The standard for HSA’s – Housing and Homeless Programs units is for tenants to pay 30% of income for rent. At 1180 4th Street a range of incomes from General Assistance to child support, therefore all 50 of the HSA referred households are assumed to be paying \$150/month. The rent levels are extremely unpredictable until all households realize its full benefits.

Local Operating Subsidy Assistance Payment: LOSP covers 50 homeless units, and is calculated on a pro-rata share of operating expenses. Please note that the attached operating budget shows the LOSP for the first full year of operations.

Operating Expenses - LOSP Units: 5 recent family LOSP projects similar in population and unit count were selected to compare operating expenses against that of 1180 4th Street. These properties are 1075 Le Conte, 10th and Mission, Mosaica Family, Arnett Watson at 650 Eddy, and 1100 Ocean Avenue. The comparative analysis chart can be found attached to this evaluation.

The total first year tenant rent portion of the income stream for the homeless units at 1180 4th Street is \$90,000 (\$1,800/PUPA) is much lower than the average of the 4 comparable projects, though Mosaica Family and 10th & Mission have higher tenant rent per unit levels. This is primarily due to the mixed population model whereby 66% of the units are targeted to families at 50% AMI while 1075 LeConte and Arnett Watson are 100 % supportive.

The LOSP per unit subsidy for 1180 4th Street (\$11,009/ PUPA) is higher than the average of the 5 comparable projects (\$7,497/PUPA) though lower than the \$11,289/PUPA for Mosaica Family. This is because household rents at 1180 4th Street are based on General Assistance and child support incomes (as recommended by HSA staff) versus the comparative LOSP projects where more tenants came into the building with higher SSI incomes.

The total first full year operating expense budget for 1180 4th Street is projected to be \$1,470,064 (\$9,800/PUPA), excluding reserves and debt service. This amount falls in the middle of the 5 comparable projects, and within the average of the LOSP projects (\$9,995/PUPA). The comparable developments also have intensive staffing requirements, such as 24-hour front desk coverage. Additionally, expenses include one transit pass for each household living at because 1180 4th Street because the development received State Housing and Community Development Transit Oriented Development (HCD -TOD) funding.

The staffing plan for the building includes 9.2 FTE, not including services staff.

Position	FTE on Operations	Time Basis
Desk Clerk	4.2 FTE	Full
Property Manager	1 FTE	Full
Maintenance	2 FTE	Full
Assistant Manager	1 FTE	Full
Janitor	1 FTE	Full
TOTAL	9.2 FTE	

The total operational cost in year one for the project is \$1,834,211 (\$12,228/ PUPA) which is higher to the other family projects receiving LOSP assistance, however is comparable to the total operational costs at 10th and Mission. The higher than average operational cost is most attributable to several items: a higher than usual staffing pattern; debt service loan repayments to HCD-TOD and California Community Reinvestment

Corp (CCRC); and, lower incomes on the 50 supportive housing units at 1180 4th Street compared to the five projects analyzed.

At 1180 4th Street, 50 of the units (33%) will be supported by the LOSP. This percentage of units that are supported with LOSP are similar to 10th and Mission and 1100 Ocean, however the total operational costs associated with 1180 4th Street are higher than these two developments again for the reasons stated above.

Replacement Reserve Deposits: Replacement reserve deposits of \$600 unit / year is higher than MOHCD's underwriting guidelines, but required by HCD-TOD Program.

Partnership Management Fees: The partnership management fee consistent with MOHCD Underwriting Guidelines is included in the budget and represents the prorated share attributed to the LOSP units.

2.3. 20-Year Cash Flow. The attached 20-year cash flow projection includes the 15-year period for this contract request.

- Tenant rent income trends at 1.0%, which is meant to mirror increases in the assumed GA income for the LOSP subsidized households. The 50% AMI family units trend at 2.5% which is in accordance with MOHCD Underwriting Guidelines for Tax Credit projects.
- First year vacancy rates are compliant with standard MOHCD underwriting guidelines at 5%.
- Operating expenses trend at 3.5% per year, per MOHCD Underwriting Guidelines.
- Projected LOSP subsidy will trend at a rate of 3% year to year.

3. TARGET POPULATION AND SERVICES

Narrative

The building consists of 150 family units; with 50 units being subsidized under the LOSP. Initially the development was set to serve 25 families who would be LOSP eligible then in 2013 the City asked if 1180 4th Street could support an additional 25 family households, which was in response to a budget request to the Board of Supervisors by housing advocates and the Mayor's approval of the additional units. The Sponsor responded affirmatively, and now 50 formerly homeless families will be residing at 1180 4th Street. The 50 LOSP family units are targeted to incomes at or less than 20% of the San Francisco median income, and in the majority of cases are earning/receiving little or no income. HSA will identify housing applicants through referrals from homeless service providers (Access Point Agencies (APAs) on a rotating basis. It is anticipated that each APA will provide applicant names until the building is fully leased up. Upon vacancy, each referral source will provide one applicant on a rotating basis from the population currently receiving services. The Human Services Agency partners with nineteen community-based organizations located throughout the City that outreach to and serve homeless families with children to be the primary referral sources for LOSP housing. These Access Point organizations include family emergency shelters, domestic violence shelters, transitional

housing facilities, and other stand-alone agencies. APAs will provide referrals that fit the eligibility requirements for the Project from their respective (current) caseloads. Eligible clients of the APAs who have a Certificate of Preference from the former Redevelopment Agency will be prioritized for housing at 1180 4th Street.

It is anticipated that the needs for the 50 formerly homeless families will be more tangible and immediate and they may be living with physical and/or mental disabilities, or a special needs child is reuniting with their family. Most family referrals (who will fill the 50 LOSP units) have been traumatized by homelessness and are generally not able to process this trauma until they are living in stabilized housing. The goal is to provide services that will help to: ensure housing retention; address physical and mental health needs by connecting the tenants to the appropriate programs; provide substance use services and referrals (utilizing a harm reduction approach); work on goals to increase self-sufficiency; provide referrals and resources for educational and vocational services; provide assessment for counseling/advocacy; and, assist in accessing financial resources.

Supportive Services: The on-site services provider for 1180 4th Street will be a joint effort of Mercy Housing California (MHC) and Episcopal Community Services of San Francisco (ECS), however ECS will hold the HSA services contract, and will interface with the other providers as part of its LOSP services contract. The table below represents the on-site services staff and the resident group who will be served.

ON-SITE STAFF			
Staff Position	Employed by	FTE	Resident Group Served
Case Manager III	ECS	2 FTE	Up to 50 special needs households
Support Services Mgr.	ECS	1 FTE	Up to 50 special needs households
Youth Services Coordinator	MHC	.5 FTE	Households with one minor. Emphasis on youth programming.
Resident Services Coordinator	MHC	1 FTE	All households

The Case Manager III positions will be responsible for providing ongoing psychosocial assessments and support, wrap-around case management, referrals to community resources, and advocacy services for the 50 formerly homeless families. The Support Services Manager will provide supervision and oversee the services provided by the case managers, and will coordinate with the Mercy Resident Services Coordinator and property management staff weekly.

OFF-SITE STAFF			
Staff Position	Employed by	FTE	Resident Group Served
Director of Family Services	Mercy Housing	.1 FTE	Ensures high quality resident programs and services. Supervises Resident Services staff in the region.
Housing Director	ECS	.1 FTE	Provides overall leadership, administration and supervision to ECS staff at all housing sites.
Clinical Services Manager	ECS	.1 FTE	Provides case consultation and clinical direction to on-site staff; assists with

			resolution of difficult client issues; and leads staff clinical education and training programs.
Admin Asst/web asst	ECS	.1 FTE	Evaluates HSA contract compliance.
Compliance Specialist	ECS	.1 FTE	Tracks outcomes and identifies areas for improvement.

Specifically the supportive services team services model includes:

- **Health and Wellness** – Health service coordination, including an Individual Action Plan (IAP), well-being checks, transition plan to and from hospitals, health and wellness interviews, direct links to preventive and primary health care, behavioral health care, health benefits acquisition, health education and risk reduction, food, physical activity, referral and verification, and technology literacy.
- **Economic Development** – Housing Stability, IAP, including eviction prevention coaching, lease education, housing options, housing inspections, linkages with financial resources, and referral and verification.
- **Education** – Out-of-school time programs, including tutoring, summer programs, educational system advocacy, and parent support. Financial Stability education through, IAP, group seminars on financial stability, individual or household meetings on financial stability, financial benefit acquisition, individual and group employment, and job readiness support, referral and verification, and technology literacy.
- **Community Participation** – community projects and events, volunteer opportunities, voter education and registration, leadership programming, community safety initiatives, family reconciliation, referral and verification, and technology literacy.

Budget

Support services at 1180 4th Street will be funded through a contract between Episcopal Community Services and the Department of Human Services. The start-up costs total \$77,362 and the first full year budget totals \$378,272.

4. RECOMMENDED CONDITIONS

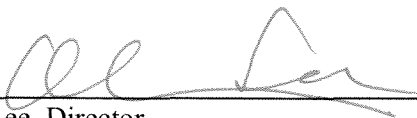
None

5. LOAN COMMITTEE MODIFICATIONS

6. LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Olson Lee, Director
Mayor's Office of Housing and Community Development

Date: 3/21/14


☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Tiffany Bohee, Executive Director
Office of Community Investment and Infrastructure

Date: 3-19-21


☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Joyce Crum, Director of Housing and Homeless Programs
Department of Human Services

Date: 3/21/14

☒ APPROVE. ☐ DISAPPROVE. ☐ TAKE NO ACTION.



Margot Antonetty, Acting Director of Housing and Urban Health
Department of Public Health

Date: 3/21/14

- Attachments:
- A) LOSP Program Description
 - B) Operating Budget – 1st Year
 - C) Twenty-year Total
 - D) Exhibit A1 A2 of LOSP Contract
 - E) Operating Cost Comparison

ATTACHMENT A

LOSP PROGRAM DESCRIPTION

The requested funds would be delivered to the sponsor through a grant agreement with a term of up to 15 years, and, with the exception of the current fiscal year, will be subject to annual appropriations by the Board of Supervisors. Funds for the 2015 Calendar year will be included in San Francisco's Human Services Agency budget in the amount of up to \$222,352 and will be work-ordered to MOHCD for administration. The total amount of funds requested is based on Mercy Housing Management's current operating budget and 15-year cash flow projection using MOHCD's standard underwriting guidelines. The first full year's amount of subsidy (year two of operations) required is \$550,441 and the \$222,352 represents the partial year required to cover 5 months' worth of operations from August 1, 2014 to December 31, 2014 (CY 2014).

Actual subsidy payment for the next fiscal year would be based on the attached annual operating budget and cash flow. Subsidy payments for the remaining years of the contract would be based on subsequent operating budgets to be approved annually by the City. These budgets would be informed by actual financial performance of the project, per annual audits, and would include reasonable costs based on the specific needs of this building and reflect prudent property management practices and supportive housing industry standards. The subsidy payments for a given year will be equal to the projected shortfall (difference between income and expenses/reserve deposits/fees) as shown in the approved operating budget for that year. The City will make one subsidy payment to the sponsor per year at the beginning of each fiscal year.

If the subsidy payments made to a sponsor in any given fiscal year exceed the projected shortfall, then the sponsor must deposit the excess subsidy amount into a Local Operating Subsidy reserve specifically set up to accommodate any over-payments received from the operating subsidy. If the shortfall exceeds the subsidy payments, then the sponsor may withdraw funds from the project's operating reserve to cover project operating expenses not covered by the subsidy payments.

Currently, the LOSP program requires sponsors to submit to the City, within 4 months of the end of each year, or by April of each year, an audited financial statement showing the actual project income, expenses and shortfall for the prior year. If the statement shows that the actual shortfall was lower than the projected shortfall in the approved annual operating budget, then the subsidy payments for the subsequent year will be reduced by the difference between the actual and the projected shortfall. If the statement shows that the actual shortfall was higher than the projected shortfall such that the sponsor had to withdraw funds from the operating reserve, then the subsidy payments for the following year will be increased to allow for the additional costs and also to replenish the reserve if increased expenses are approved by MOHCD.

255 Broadway
2/1/2015

Exhibit A-2: LOSP Funding By Calendar Year

	2/1-6/30	7/1-12/31	TOT	Total Months
2015	\$98,423.38	\$118,108.06	\$216,531.43	11
	1/1-6/30	7/1-12/31	TOT	Total Months
2016	\$122,316.82	\$122,316.82	\$244,633.65	12
2017	\$127,016.50	\$127,016.50	\$254,033.01	12
2018	\$131,887.87	\$131,887.87	\$263,775.74	12
2019	\$137,065.40	\$137,065.40	\$274,130.81	12
2020	\$138,829.25	\$138,829.25	\$277,658.50	12
2021	\$144,253.25	\$144,253.25	\$288,506.50	12
2022	\$150,044.59	\$150,044.59	\$300,089.18	12
2023	\$155,699.28	\$155,699.28	\$311,398.56	12
2024	\$161,735.01	\$161,735.01	\$323,470.03	12
2025	\$167,989.15	\$167,989.15	\$335,978.30	12
2026	\$174,220.04	\$174,220.04	\$348,440.07	12
2027	\$180,458.37	\$180,458.37	\$360,916.73	12
2028	\$180,879.71	\$180,879.71	\$361,759.42	12
2029	\$188,142.23	\$188,142.23	\$376,284.47	12
	1/1-1/31	n/a		
2029	\$32,612.80	n/a	\$32,612.80	1
			\$4,570,219.19	180

Exhibit A-1: LOSP Disbursement Schedule By Fiscal Year

		2/1-6/30	TOT	Total Months
2014-15		\$98,423.38	\$98,423.38	5
sent to sponsor btwn 7/1 & 9/1				
	7/1-12/31	1/1-6/30	TOT	Total Months
2015-16	\$118,108.06	\$122,316.82	\$240,424.88	12
	7/1-12/31	1/1-6/30		
2016-17	\$122,316.82	\$127,016.50	\$249,333.33	12
2017-18	\$127,016.50	\$131,887.87	\$258,904.37	12
2018-19	\$131,887.87	\$137,065.40	\$268,953.27	12
2019-20	\$137,065.40	\$138,829.25	\$275,894.65	12
2020-21	\$138,829.25	\$144,253.25	\$283,082.50	12
2021-22	\$144,253.25	\$150,044.59	\$294,297.84	12
2022-23	\$150,044.59	\$155,699.28	\$305,743.87	12
2023-24	\$155,699.28	\$161,735.01	\$317,434.29	12
2024-25	\$161,735.01	\$167,989.15	\$329,724.16	12
2025-26	\$167,989.15	\$174,220.04	\$342,209.19	12
2026-27	\$174,220.04	\$180,458.37	\$354,678.40	12
2027-28	\$180,458.37	\$180,879.71	\$361,338.08	12
2028-29	\$180,879.71	\$188,142.23	\$369,021.94	12
	7/1-12/31	1/1-1/31		
2029-30	\$188,142.23	\$32,612.80	\$220,755.04	7
	n/a			
n/a	n/a		n/a	0
			\$4,570,219.19	180

LOSP Family Projects

	Arnett Watson		Mosaica Family		10th & Mission		Bayview Hill Gardens		1100 Ocean		Average	1180 4th Street	
	83 units, 79 LOSP, 4 S+C		93 units, 20 LOSP		136 units, 44 LOSP		73 units: 17 S+C, 1 Manager 73		71 units (1 mgr) 19 LOSP, 6 MHSA			150 units: 50 LOSP and 1 mgrs unit	
	LOSP Units 79		LOSP Units 20		LOSP Units 44		LOSP Units: 55		LOSP Units 19			LOSP Units 50	
	HSA Funded		HSA Funded		HSA Funded		HSA Funded		HSA Funded			150	
	Annual Total	Per Unit	Annual Total	Per Unit	Annual Total	Per Unit					Per Unit		
INCOME													
Tenant Rent	\$288,401	\$3,475	\$887,523	\$9,543	\$1,265,108	\$9,302	\$244,404	\$3,348	\$617,388	\$8,696	\$6,873	\$ 1,523,028	\$ 10,154
Non-LOSP Subsidy per Non-LOSP Subsidy Unit	\$140,856	\$35,214	\$0	\$0	\$0	\$0	\$249,048	\$14,650	\$54,312	\$765	\$10,126	\$ -	\$ -
Commercial Income	\$12,300	\$148	\$0	\$0	\$60,638	\$446	\$0	\$0	\$37,352	\$526	\$224	\$ -	\$ -
Other Income	\$6,075	\$73	\$32,694	\$352	\$73,870	\$543	\$6,000	\$82	\$5,240	\$74	\$225	\$ 13,200	\$ 88
Vacancy	-\$11,757	-\$142	-\$28,083	-\$302	-\$19,394	-\$143	-\$12,220	-\$167	-\$30,869	-\$435	-\$238	\$ (76,151)	\$ (508)
LOSP Subsidy per LOSP Unit	\$553,421	\$7,005	\$225,779	\$11,289	\$372,569	\$8,467	\$437,827	\$7,960	\$196,132	\$2,762	\$7,497	\$ 550,441	\$ 11,009
Total Income	\$989,296	\$11,919	\$1,117,913	\$12,021	\$1,752,791	\$12,888	\$925,059	\$12,672	\$879,555	\$12,388	\$12,378	\$ 2,010,518	\$ 20,743
EXPENSES													
Property Management Fee	\$66,814	\$805	\$76,074	\$818	\$104,928	\$772	\$56,940	\$780	\$57,936	\$816	\$798	\$ 97,200	\$ 648
Asset Management Fee	\$16,068	\$194	\$22,200	\$239	\$2,000	\$15	\$17,200	\$236	\$18,420	\$259	\$188	\$ 17,200	\$ 115
Salaries/Benefits	\$254,585	\$3,067	\$121,175	\$1,303	\$301,327	\$2,216	\$270,107	\$3,700	\$101,010	\$1,423	\$2,342	\$ 280,515	\$ 1,870
Administration	\$69,572	\$838	\$90,490	\$973	\$93,238	\$686	\$67,802	\$929	\$55,870	\$787	\$842	\$ 138,881	\$ 926
Utilities	\$81,211	\$978	\$187,446	\$2,016	\$271,974	\$2,000	\$150,800	\$2,066	\$34,689	\$489	\$1,510	\$ 304,450	\$ 2,030
Taxes & Licenses	\$35,191	\$424	\$16,797	\$181	\$68,498	\$504	\$8,945	\$123	\$10,950	\$154	\$277	\$ 48,563	\$ 324
Insurance	\$61,279	\$738	\$77,295	\$831	\$125,462	\$923	\$67,000	\$918	\$95,000	\$1,338	\$950	\$ 126,260	\$ 842
Maintenance & Repair	\$280,724	\$3,382	\$227,741	\$2,449	\$409,055	\$3,008	\$184,245	\$2,524	\$177,018	\$2,493	\$2,771	\$ 380,339	\$ 2,536
Supportive Services	\$0	\$0	\$9,549	\$103	\$79,474	\$584	\$0	\$0	\$63,600	\$896	\$317	\$ 76,656	\$ 511
Total Operating Expenses before Debt & Reserves	\$865,444	\$10,427	\$828,767	\$8,911	\$1,455,956	\$10,706	\$823,039	\$11,275	\$614,493	\$8,655	\$9,995	\$ 1,470,064	\$ 9,800
Replacement Reserve Deposits	\$49,800	\$600	\$176,000	\$1,892	\$168,428	\$1,238	\$43,800	\$600	\$42,000	\$592	\$984	\$ 90,000	\$ 600
Operating Reserve Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ -	\$ -
Debt Service	\$28,084	\$338	\$23,053	\$248	\$109,994	\$809	\$42,000	\$575	\$51,619	\$727	\$539	\$ 198,678	\$ 1,325
Partnership & Investor Svc. Fee	\$16,068	\$194	\$15,000	\$161	\$0	\$0	\$16,220	\$222	\$11,580	\$163	\$148	\$ 18,055	\$ 120
LP Asset Management Fee							\$0	\$0	\$0	\$0	\$0	\$ 5,066	\$ 34
HCD Loan Repayment												\$ 34,848	\$ 232
Deferred Developer Fee	\$29,900	\$360	\$28,468	\$306	\$0	\$0	\$0	\$0	\$0	\$0	\$133	\$ -	\$ -
Ground Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$211	\$42	\$ 17,500	\$ 117
Total Operating incl. Debt and Reserves	\$989,296	\$11,919	\$1,071,288	\$11,519	\$1,734,378	\$12,753	\$925,059	\$12,672	\$734,692	\$10,348	\$11,842	\$ 1,834,211	\$ 12,228
Surplus Cash					\$ 18,413		\$0						
<i>Data source</i>	<i>2011 AMR</i>		<i>2011 AMR</i>		<i>2012 AMR</i>		LOSP Contract		<i>2014 Budget Projections and LOSP C</i>				