

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



Edwin M. Lee
Mayor

Olson Lee
Director

August 14, 2014

Honorable Jane Kim
City and County of San Francisco
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Resolution Authorizing the execution and delivery of a Multifamily Housing Revenue Indebtedness Note for 1009 Howard Street aka Bill Sorro Community, for an amount not to exceed \$25,000,000

Dear Supervisor Kim:

The Mayor's Office of Housing and Community Development (MOHCD) requests your support in introducing and sponsoring a resolution (attached) at the Board of Supervisors on Tuesday, September 2, 2014, which would authorize the City to enter into qualified mortgage revenue indebtedness for 1009 Howard Street aka Bill Sorro Community, (the "Project") the site of the former Hugo Hotel. This is the follow-up legislation to the resolution you sponsored in March 2014 that authorized MOHCD to apply to the California Debt Limit Allocation Committee ("CDLAC") for an allocation of qualified mortgage revenue indebtedness. The City, on behalf of the project sponsor, Mercy Housing California 51, received its \$25 million allocation in July 2014.

The proposed project will involve the new construction of a 9 story, 67-unit, multifamily rental development comprised of studio, 1, 2, and 3-bedroom units with a ground floor courtyard, rooftop terrace, social services space, and ground floor commercial space. The project site is located in San Francisco's Sixth Street corridor at the corner of Howard and Sixth Street. 52 of the units will be affordable to low income households making no more than 50% AMI, while 14 of the units will be for Developmentally Disabled Adults under HUD's section 811 program. The HUD 811 units will be targeted to households making no more than 30% AMI. There will be one unit reserved for on-site property management.

The Mayor's Office of Housing and Community Development has previously issued bonds for rental housing. These financings are conduit financings, which do not require the City to pledge City funds as repayment of the bonds. Rather, the bondholders' only recourse for payment are the project revenues themselves and any credit enhancement provided by lenders. Just as with all

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of the other multifamily housing mortgage revenue bonds MOHCD has issued on behalf of its affordable housing projects and programs, this is a conduit, or pass-through, financing mechanism and it is not an obligation of the City to repay the Note from City funds.

We request that the resolution be introduced at the Board on September 2, 2013 along with the resolution authorizing the Ground Lease and Property Conveyance. Assuming they are both referred to Budget & Finance Committee for September 17, 2014, we request that both resolutions be approved by the Board on September 23, 2014 so that the project can meet its funding deadlines. We anticipate that bond closing will occur in mid-October and demolition and construction will commence shortly thereafter.

The attached resolution has been reviewed by Deputy City Attorney Kenneth Roux and is in final form. If you have any questions about the resolution or the project, please contact my staff, Kevin Kitchingham at 701-5523. Thank you for your assistance.

Sincerely,



Teresa Yanga
Director of Housing Development