BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

BUDGET AND FINANCE SUB-COMMITTEE SAN FRANCISCO BOARD OF SUPERVISORS

TO:

Supervisor Malia Cohen, Chair

Budget and Finance Sub-Committee

FROM:

Linda Wong, Assistant Clerk

DATE:

July 27, 2018

SUBJECT:

COMMITTEE REPORT. BOARD MEETING

Tuesday, July 31, 2018

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, July 31, 2018, at 2:00 p.m. This item was acted upon at the Sub-Committee Meeting on Thursday, July 26, 2018, at 10:00 a.m., by the votes indicated.

Item No. 62 File No. 180738

Resolution declaring the intent of the City and County of San Francisco ("City") to reimburse certain expenditures from proceeds of future bonded indebtedness; authorizing the Director of the Mayor's Office of Housing and Community Development ("Director") to submit an application and related documents to the California Debt Limit Allocation Committee ("CDLAC") to permit the issuance of residential mortgage revenue bonds in an aggregate principal amount not to exceed \$80,000,000 for 691 China Basin Street; authorizing and directing the Director to direct the Controller's Office to hold in trust an amount not to exceed \$100,000 in accordance with CDLAC procedures; authorizing the Director to certify to CDLAC that the City has on deposit the required amount; authorizing the Director to pay an amount equal to such deposit to the State of California if the City fails to issue the residential mortgage revenue bonds; approving, for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of residential mortgage revenue bonds by the City in an aggregate principal amount not to exceed \$80,000,000; authorizing and directing the execution of any documents necessary to implement this Resolution; and ratifying and approving any action heretofore taken in connection with the Project, as defined herein, and the Application, as defined herein.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye Supervisor Sandra Lee Fewer - Aye Supervisor Catherine Stefani - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. <u>180738</u>	Committee Item No						
COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST							
Committee: Budget & Finance Sub-C	Date July 24, 2018 Date July 31, 2019						
Board of Supervisors Meeting	Date July 31, 2019						
Cmte Board Motion Resolution Ordinance Legislative Digest Budget and Legislative Youth Commission Rep Introduction Form Department/Agency Commodule Grant Information Form Grant Budget Subcontract Budget Contract/Agreement Form 126 – Ethics Commodule Award Letter Application Public Correspondence	oort ver Letter and/or Report n						
OTHER (Use back side if addition	onal space is needed)						
Proof of Rublication							
Completed by: Linda Wong Completed by: Linda Wong	Date July 20, 2018 Date July 27, 2018						

6

7

8 9

10

11

12

14

13

15 16

17 18

19

20

212223

24

25

[Multifamily Housing Revenue Bonds - 691 China Basin Street (Mission Bay South Block 6 West) - Not to Exceed \$80,000,000]

Resolution declaring the intent of the City and County of San Francisco ("City") to reimburse certain expenditures from proceeds of future bonded indebtedness; authorizing the Director of the Mayor's Office of Housing and Community Development ("Director") to submit an application and related documents to the California Debt Limit Allocation Committee ("CDLAC") to permit the issuance of residential mortgage revenue bonds in an aggregate principal amount not to exceed \$80,000,000 for 691 China Basin Street; authorizing and directing the Director to direct the Controller's Office to hold in trust an amount not to exceed \$100,000 in accordance with CDLAC procedures; authorizing the Director to certify to CDLAC that the City has on deposit the required amount; authorizing the Director to pay an amount equal to such deposit to the State of California if the City fails to issue the residential mortgage revenue bonds; approving, for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of residential mortgage revenue bonds by the City in an aggregate principal amount not to exceed \$80,000,000; authorizing and directing the execution of any documents necessary to implement this Resolution; and ratifying and approving any action heretofore taken in connection with the Project, as defined herein, and the Application, as defined herein.

WHEREAS, The Board of Supervisors of the City and County of San Francisco ("Board of Supervisors"), after careful study and consideration, has determined that there is a shortage of safe and sanitary housing within the City and County of San Francisco ("City"), particularly for low and moderate income persons, and that it is in the best interest of the residents of the City and in furtherance of the health, safety, and welfare of the public for the

City to assist in the financing of multi-family rental housing units; and

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

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

WHEREAS, Mercy Housing California 78, L.P., a California limited partnership (or any successor thereto including any successor owner of the Project, the "Developer"), desires to construct a 152-unit affordable residential rental housing development located at 691 China Basin Street, San Francisco, California 94158 ("Project"); and

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

 $/\!/\!/$

WHEREAS, The City expects that proceeds of the Bonds will be used to pay certain

costs incurred in connection with the Project prior to the date of issuance of the Bonds; and

WHEREAS, The City intends to issue the Bonds in an amount not to exceed \$80,000,000 and to loan the proceeds of the Bonds to the Developer ("Loan") to finance the costs of the Project; and

WHEREAS, The Bonds will be limited obligations, payable solely from pledged security, including Project revenues, and will not constitute a debt of the City; and

WHEREAS, The Board of Supervisors has determined that the moneys advanced and to be advanced to pay certain expenditures of the Project are or will be available only for a temporary period and it is necessary to reimburse such expenditures with respect to the Project from the proceeds of the Bonds; and

WHEREAS, Section 1.150-2 of the United States Treasury Regulations requires that the Board of Supervisors declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of the Bonds; and

WHEREAS, The interest on the Bonds may qualify for tax exemption under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), only if the Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, The City now wishes to approve the issuance of the Bonds in order to satisfy the public approval requirements of Section 147(f) of the Code; and

WHEREAS, The Project is located wholly within the City; and

WHEREAS, On July 5, 2018, the City caused a notice stating that a public hearing with respect to the issuance of the Bonds would be held by the Mayor's Office of Housing and Community Development on July 16, 2018, to appear in The San Francisco Examiner which is a newspaper of general circulation in the City; and

WHEREAS, The Mayor's Office of Housing and Community Development held the

///

public hearing described above on July 16, 2018, and an opportunity was provided for persons to comment on the issuance of the Bonds and the Project; and

WHEREAS, This Board of Supervisors is the elected legislative body of the City and is the applicable elected representative authorized to approve the issuance of the Bonds within the meaning of Section 147(f) of the Code; and

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

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

WHEREAS, Section 8869.85(b) of the Government Code requires that a local agency file an application for a portion of the state ceiling with or upon the direction of the California Debt Allocation Committee ("CDLAC") prior to the issuance of tax-exempt private activity bonds, including qualified mortgage bonds; and

WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent (0.5%) of the amount of allocation requested not to exceed \$100,000; now, therefore, be it

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

<u>Section 1</u>. The Board of Supervisors finds and determines that the foregoing recitals are true and correct.

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

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

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

<u>Section 5</u>. The maximum principal amount of debt expected to be issued for the Project is \$80,000,000.

<u>Section 6</u>. This Board of Supervisors, as the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, hereby approves the issuance of the Bonds for purposes of Section 147(f) of the Code.

<u>Section 7</u>. This approval of the issuance of the Bonds by the City is neither an approval of the underlying credit issues of the proposed Project nor an approval of the financial structure of the Bonds.

Section 8. The Board of Supervisors hereby authorizes the Director of the Mayor's Office of Housing and Community Development, including any acting or interim director, or such person's designee ("Director"), on behalf of the City, to submit an application ("Application"), and such other documents as may be required, to CDLAC pursuant to

11

15 16

17

18 19

20

21 |

22 || /

23 | ///

24 ||

25 ||

Government Code Section 8869.85 for an allocation for the Project of a portion of the state ceiling for private activity bonds in a principal amount not to exceed \$80,000,000.

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

Section 10. If the City receives a CDLAC allocation for the Project and the Bonds are not issued, the Mayor's Office of Housing and Community Development is hereby authorized to cause an amount equal to the Deposit to be paid to the State of California, if and to the extent required by CDLAC.

Section 11. The officers and employees of the City, including the Director, are hereby authorized and directed, jointly and severally, to do any and all things necessary or advisable to consummate the receipt of an allocation from CDLAC and otherwise effectuate the purposes of this Resolution, consistent with the documents cited herein and this Resolution, and all actions previously taken by such officers and employees with respect to the Project, consistent with the documents cited herein and this Resolution, including but not limited to the submission of the application to CDLAC, are hereby ratified and approved.

///

///

///

///

///

///

///

Section 12. 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

Heidi J. Gewertz Deputy City Attorney
n:\financ\as2018\1900008\01288192.docx

Project Description

Multifamily Securities Program City and County of San Francisco

Mission Bay South Block 6 West (691 China Basin Street)

Overview

The funds described in the "Financing Structure" section below will be used to finance the development of Mission Bay South Block 6 West (also known as 691 China Basin, hereinafter referred to as "MBS 6W" or the "Project"), a 152-unit affordable multifamily housing project to be located at 691 China Basin Street in the City and County of San Francisco (the "Project"). Thirty-eight of the Project's units will be set aside as public housing replacement units for households voluntarily relocating from Sunnydale HOPE SF sites.

Upon completion, the Project will consist of approximately 187,182 square feet of gross floor area, comprised of 125,737 square feet of residential area and 61,445 square feet of non-residential area. Project amenities will include a ground floor childcare center, 27 parking spaces, a large landscaped courtyard, a community serving commercial space, large community room with a kitchen, an outdoor multipurpose space, children's play space, services offices, onsite laundry, and bike parking.

Total project costs, including the cost to acquire the land and construct the new building, will be approximately \$115,000,000, or \$756,579 per dwelling unit.

The residential unit distribution, which will include a single 2-bedroom superintendent unit, is as follows:

Unit type	Number of units
Studio	10
1-Bedroom	34
2-Bedroom	77
3-Bedroom	29
4-Bedroom	1
5-Bedroom	1

All of the Project's residential units will serve households earning less than 60% percent of the San Francisco County Area Median Income ("AMI").

Residents

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

Site Description and Scope of Work

Address:

691 China Basin Street, San Francisco, CA, 94158

Block/Lot:

Block 8711, Lot 020

MBS 6W's building massing includes four distinct wings along each of the blocks' frontages or urban edges. There are two primary "civic" faces that overlook public parks, one with the tallest elements faces

China Basin Street and the Kids' Park (P6) and the second faces Mission Bay Commons. The seven-story China Basin Wing is the tallest portion of the block and features a façade and corner stair tower as a termination to the urban view corridor originating across the channel in Mission Bay North. The China Basin Wing also features a childcare center that will serve approximately 45 children on the ground floor, directly across from the Kids' Park (P6). The Mission Bay Boulevard façade features a large community room as well as the community serving commercial space. The Merrimac Street façade, because of its length, is broken up into three blocks separated by exterior pedestrian bridges. Finally, a four story building with stacked flats and stoops lines the pedestrian mews that separates MBS 6W with neighboring OCII affordable parcel Block 6E. The four different building nodes are intended to represent different neighborhoods with a larger MBS 6W community and are adjoined through the central courtyard space.

The site will be served by a 27-space podium parking garage at grade, inclusive of two offsite car share spaces. The parking garage entrance will be located on Merrimac Street, mirroring the garage entrance to the market-rate residential building across the street.

The units will be built through three different building types (I, III, and V) and exterior materials will be primarily comprised of economical building materials (cement plaster, cementious panels, and lap siding) with a premium material reserved for the northwest corner stair tower, to highlight this important element.

Development and Management Team

Project Sponsor:

Mercy Housing California

General Contractor:

Cahill Contractors, Inc.

Architect of Record:

Paulett Taggart Architects

Property Manager:

Mercy Housing Management Group

Project Ownership Structure

Borrower Entity:

Mercy Housing California 78, L.P.

Managing General Partner:

Mercy Housing Calwest

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;
- 4% low income housing tax credits ("LIHTC");
- a conventional first mortgage;
- grant funding from the State Infill Infrastructure Grant Program; and
- soft debt from the City.

The sale of LIHTC will generate equity financing for the Project. The amount of private activity tax-exempt bonds used during construction will be sized specifically to meet the 50% of aggregate basis test required for the LIHTC.

Schedule
Financing is anticipated to close between December 2018 and February 2019, with construction commencing within 30 days closing. All construction is scheduled to be completed by December 2020.

SAN FRANCISCO EXAMINER

835 MARKET ST, SAN FRANCISCO, CA 94103 Telephone (415) 314-1835 / Fax (510) 743-4178

ADAM CRAY CCSF MAYOR'S OFFICE OF HOUSING ONE SOUTH VAN NESS AVE 5TH FLR SAN FRANCISCO, CA - 94103-5416

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California County of SAN FRANCISCO

Notice Type: GPN - GOVT PUBLIC NOTICE

Ad Description:

MBS6W TEFRA

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of the SAN FRANCISCO EXAMINER, a newspaper published in the English language in the city of SAN FRANCISCO, county of SAN FRANCISCO, and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SAN FRANCISCO, State of California, under date 10/18/1951, Case No. 410667. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

07/05/2018

Executed on: 07/05/2018 At Los Angeles, California

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Signature



EXM#: 3150876

NOTICE OF PUBLIC HEARING
NOTICE IS HEREBY GIVEN that on Monday, July 16, 2018, at 11:00 a.m., in the Mayor's Office of Housing and Community Development, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, the City and County of San Francisco (the "City") will conduct a public hearing (the "Public Hearing") at which time the City will hear and consider information concerning the proposed consider information concerning the proposed sale and issuance by the City of multifamily affordable housing mortgage revenue bonds (the "Bonds") in an aggregate principal amount not to exceed eighty million (\$80,000,000). The proceeds of the Bonds will be loaned to Mercy Housing California 78, L.P. (or an affiliate thereof or successor thereto) (the "Borrower") pursuant to thereof or successor thereto) (the "Borrower", pursuant to a loan agreement (the "Loan Agreement"). The proceeds of the Bonds loaned to the Borrower will be used to finance the development of approximately 152 units or multifamily rental housing, to be occupied by persons and families of low or very low income, located at 691 China Basin Street, San Francisco, California 94158 (the "Project"). The Project will be owned and operated by the Borrower.

owned and operated by the Borrower. The Bonds will be paid entirely by the Borrower from the revenues of the Project, in accordance with the Loan Agreement. Neither the full faith and credit nor the taxing power of the City, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal, premium, if any, or interest on the Bonds, nor shall the City, the State or any other political corporation, subdivision or agency of the State or any other political pontical corporation, subdivision or agency of the State be liable or obligated to pay the principal, premium, if any, or interest on the Bonds.

Bonds.
The Public Hearing is intended to comply with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

1986, as amended.
All those interested in
matters related to the
issuance of the Bonds and to
the financing of the Project
are invited to attend and be
heard at this hearing,
Interested parties may
appear in person at the time
and place indicated above or
submit written comments. submit written comments.

which must be received prior to the Public Hearing, to the City, do Adam Cray, Mayor's Office of Housing and Community Development, at the address indicated above. Date: July 5, 2018
CITY AND COUNTY OF SAN FRANCISCO Kate Hartley, Director Mayor's Office of Housing and Community Development

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

BOARD OF SUPERVISORS

I hereby submit the following item for introduction (select only one): \times 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. inquires" 4. Request for letter beginning "Supervisor 5. City Attorney request. from Committee. 6. Call File No. 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): Supervisor Kim Subject: [Multifamily Housing Revenue Bonds - 691 China Basin Street, San Francisco, California 94158 (Mission Bay South Block 6 West) - Not to Exceed \$80,000,000] The text is listed below or attached: Attached Signature of Sponsoring Supervisor:

For Clerk's Use Only:

File No. 180738

FORM SFEC-126: NOTIFICATION OF CONTRACT APPROVAL

(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information (Please print clearly.)					
Name of City elective officer(s):	City elective office(s) held:				
Members, Board of Supervisors	Members, Board of Supervisors				
Contraction (Dl					
Contractor Information (Please print clearly.) Name of contractor:					
rame of contractor,					
Mercy Housing California 78, L.P.					
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.					
The borrower entity for the Mission Bay South Block 6 West affordable housing project is Mercy Housing California 78, L.P., a California limited partnership. Mercy Housing California 78, L.P. has no employees, and decisions are made by its managing general partner, Mercy Housing Calwest, a California nonprofit public benefit corporation, the relevant officers/agents of which are as follows:					
Doug Shoemaker, President & Board Member	Jane Graf, Vice President				
Valerie Agostino, Vice President & Board Member	Stephan Daues, Vice President				
Joe Rosenblum, Secretary	Jennifer Dolin, Vice President				
Vince Dodds, Treasurer	Barbara Gualco, Vice President & Board Chair				
Amy Bayley, Asst. Secretary	Ed Holder, Vice President				
Steve Spears, Vice President	Chris Burckhardt, Vice Chair				
Chris Burckhardt, Board Vice Chair					
Melissa Clayton, Vice President & Board Member					
Bruce Saab, Vice President					
Items #3-5 do not apply to Mercy Housing California 78, 1	L.P.				
Contractor address:					
Mercy Housing California 78, L.P.					
1360 Mission Street, Suite 300					
San Francisco, California 94103					
Date that contract was approved:	Amount of contracts:				
(By the SF Board of Supervisors)	Not to exceed \$80,000,000				
	1101 to exceed \$60,000,000				
Describe the nature of the contract that was approved:					
Funds are provided in connection with construction work at Mission Bay South Block 6 West, an affordable rental housing complex for which the City is issuing tax-exempt multifamily housing revenue bonds.					
Comments:					

This contract was approved by (check applicable):	
□the City elective officer(s) identified on this form	
a board on which the City elective officer(s) serves: San Francisco Board Print Name of	
□ the board of a state agency (Health Authority, Housing Authority Commiss Board, Parking Authority, Redevelopment Agency Commission, Relocation Development Authority) on which an appointee of the City elective officer(s	Appeals Board, Treasure Island
Print Name of Board	
Filer Information (Please print clearly.)	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org
Signature of City Elective Officer (if submitted by City elective officer)	Date Signed
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)	Date Signed