

Project Description
Multifamily Securities Program
City and County of San Francisco

600 7th Street/801 Brannan Street

Overview

The funds described in the “Financing Structure” section below will be used to finance the development of 600 7th Street/801 Brannan Street, a 200-unit affordable multifamily housing project to be located at 600 7th Street, San Francisco, CA 94103 in the City and County of San Francisco (the “Project”).

Upon completion, the Project will include approximately 152,857 square feet of gross floor area, comprised of approximately 147,857 square feet of residential area and approximately 5,000 square feet of non-residential area. Non-residential spaces will include community serving commercial spaces.

Total project costs, including the cost to acquire the land and construct new buildings, will be approximately \$149,056,461, or \$745,282 per dwelling unit.

The residential unit distribution, which will include one two-bedroom superintendent unit, is:

<u>Unit type</u>	<u>Number of units</u>
Studio	100
1-Bedroom	20
2-Bedroom	70
3-Bedroom	10
4-Bedroom	0

All units will be affordable (except the manager’s unit) and will serve households averaging 60% of the San Francisco County Area Median Income (AMI).

Residents

No residents will be displaced as this is new construction.

Site Description and Scope of Work

Address: 600 7th Street/801 Brannan Street, San Francisco, CA 94103
Block/Lot: 3783/010

Property amenities will include:

- On-Site Services Offices
- On-Site Property Management Offices
- Community Room
- Courtyard and play spaces
- Residential Bike parking

Development and Management Team

Project Sponsor: Mercy Housing California 97, L.P.
General Contractor: TBD
Architect of Record: TBD
Property Manager: Mercy Housing Management Group

Project Ownership Structure

Borrower Entity: Mercy Housing California 97, 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);
- Infill Infrastructure Grant (IIG) funds from the State
- Affordable Housing Program (AHP) funds from the Federal Home Loan Bank, forgivable debt
- General Partner Equity
- a conventional first mortgage; 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 March 2022 and June 2022, with construction commencing within 30 days closing. All construction is scheduled to be completed by February 2024.

Narrative Description of Project Sponsor Experience

Mercy Housing California (MHC) will be the sole Developer, acting as Sponsor and Managing General Partner of the eventual ownership partnership. MHC has developed over 50 properties in San Francisco over the past 35 years. Many of these properties were the result of strong affordable housing expertise, commitment and perseverance to combine unique financing sources to create innovative housing models. Additionally, MHC has a long track record in developing, leasing, and managing commercial space, with a current portfolio of approximately 117,000 sq ft of community-serving retail or service spaces in San Francisco. See below for details of our experience that make MHC particularly qualified to develop the 600 7th Street site.

Completing projects on time and on budget: MHC has a well-established track record of moving projects quickly through development within established budget parameters. For example, at 280 Beale, MHC was tasked with delivering 70 units in a standalone Type I building for \$200k per unit in OCII subsidy. This was achieved by creating an efficient, affordable building program and exterior treatment. The project's schedule was tied to the schedule of the neighboring market-rate tower, requiring the affordable project to break ground within 18 months from the start of predevelopment in order to coordinate the concrete pours of both projects to maximize efficiencies. MHC achieved this by working with the same contractor as the tower and working effectively with the architect and OCII to design an efficient, contextual exterior treatment. Another example is 95 Laguna, where MHC delivered 79 units of senior housing on-time and on-budget through an efficient exterior treatment and by increasing the unit count by seven within the existing building envelope by developing a more efficient interior layout. The TDC is \$554k per unit including the 7,600 sq ft commercial shell but excluding land.

Obtaining competitive financing terms: MHC's success at obtaining competitive funding is evidenced by over 50 HCD loans or commitments and its strong track record in obtaining competitive 9% tax credits, AHP, and HUD 202/811. MHC accesses very competitive tax credit pricing terms due to our

extensive experience and relationships with limited partners. The size and success of our portfolio assures investors that MHC has the expertise needed to ensure that their credits will not be jeopardized. MHC has a breadth of experience across California, with multiple tax credit deals a year, and is backed by the national strength of Mercy Housing, Inc. This allows us to negotiate for better terms, and MHC has received better than average pricing in numerous projects, most recently receiving \$1.03 on three active deals in San Francisco.

Developing Type V/I, III/I, I construction: MHC has strong experience developing a wide range of construction types, including the following: *Type V/I:* 1100 Ocean, Columbia Park, 1028 Howard, 1101 Howard, School House Station (Daly City), Vista Grande (Daly City). *Type III/I:* 1180 Fourth, 95 Laguna, 455 Fell (under construction), Mission Bay 6W (under construction). *Type V/I:* Bill Sorro Community, Vera Haile Senior Housing, Edith Witt Senior Community, 280 Beale, 10th and Mission Family, Mission Creek, 111 Jones, Presentation Senior.

Developing for low-income families and formerly homeless households: MHC has decades of experience developing for low-income families and formerly homeless households. In San Francisco, MHC has developed 18 properties (1,493 units) for families and 11 properties (748 units) for formerly homeless households. Total in California, MHC has developed 74 properties (4,857 units) for families and 22 properties (1,414 units) for formerly homeless households. MHC has experience working with LOSP, Shelter + Care, VASH, and Project-Based Section 8 subsidies, among other, and wide range of funding sources including HCD (MHP, NPLH, AHSC, IIG), HUD, AHP, and state and federal low-income housing tax credits.

Working in SoMa neighborhood: MHC has a strong history of providing family and supportive housing in SoMa. MHC has successfully developed 14 properties (1,214 units) in SoMa over the past 20 years. MHC's pipeline includes two large projects in SoMa serving formerly homeless households: 1064 Mission (258 units) and 833 Bryant (146 units). MHC has a special relationship working with ECS in SoMa, collaborating on the development of Canon Kip Senior and Canon Barcus Community House and currently working together on 1064 Mission.

Community outreach: MHC works closely and collaboratively with the community for input and support. For example, MHC led outreach for the Richardson Apartments, Essex Hotel, BayView Hill Gardens, Arlington Hotel, and Rose Hotel, all of which are 100% permanent supportive housing. Of these, only Richardson Apartments experienced opposition and MHC worked closely with partner CHP to convene extensive community meetings to describe the services and property management approach. With this information, neighbors came to accept the proposed program. MHC formed a neighborhood advisory committee to work with those who remained concerned about the site's use and operations. MHC worked with this group to identify a strategy for two retail spaces, resulting in an affordable eatery and a frame shop.

Staffing: MHC maintains development offices in San Francisco (headquarters), Sacramento, and Los Angeles. The San Francisco office presently has over 2,622 units in development, from feasibility to project closeout, with a staff of 14 people solely devoted to new development. This project would be led William Ho, Senior Project Developer, with supervision by Barbara Gualco, Director of Development, and input from Sharon Christen, Associate Director of Supportive Housing Developme

