

File No. 201393

Committee Item No. 2

Board Item No. 17

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date January 27, 2021

Board of Supervisors Meeting

Date February 2, 2021

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- Project Description
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Completed by: Linda Wong Date January 15, 2021

Completed by: Linda Wong Date January 29, 2021

AMENDED IN COMMITTEE
01/13/2021

FILE NO. 201393

RESOLUTION NO.

1 [Multifamily Housing Revenue Bonds - 1801-25th Street (Potrero Block B HOPE SF) - Not to
2 Exceed \$150,000,000]

3 **Resolution declaring the intent of the City and County of San Francisco (“City”) to**
4 **reimburse certain expenditures from proceeds of future bonded indebtedness in an**
5 **aggregate principal amount not to exceed \$150,000,000; authorizing the Director of the**
6 **Mayor’s Office of Housing and Community Development (“Director”) to submit an**
7 **application and related documents to the California Debt Limit Allocation Committee**
8 **(“CDLAC”) to permit the issuance of residential mortgage revenue bonds in an**
9 **aggregate principal amount not to exceed \$150,000,000 for 1801-25th Street (San**
10 **Francisco, California 94107); authorizing and directing the Director to direct the**
11 **Controller’s Office to hold in trust an amount not to exceed \$100,000 in accordance**
12 **with CDLAC procedures; authorizing the Director to certify to CDLAC that the City has**
13 **on deposit the required amount; authorizing the Director to pay an amount equal to**
14 **such deposit to the State of California if the City fails to issue the residential mortgage**
15 **revenue bonds; authorizing and directing the execution of any documents necessary to**
16 **implement this Resolution, as defined herein; and ratifying and approving any action**
17 **heretofore taken in connection with the Project, as defined herein, and the Application,**
18 **as defined herein.**

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

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

2 WHEREAS, Acting under and pursuant to the powers reserved to the City under
3 Sections 3, 5, and 7 of Article XI of the Constitution of the State of California and Sections
4 1.101 and 9.107 of the Charter of the City and County of San Francisco, the City has enacted
5 the City and County of San Francisco Residential Mortgage Revenue Bond Law (“City Law”),
6 constituting Article I of Chapter 43 of the San Francisco Administrative Code, in order to
7 establish a procedure for the authorization, issuance and sale of residential mortgage revenue
8 bonds by the City for the purpose of providing funds to encourage the availability of adequate
9 housing and home finance for persons and families of low or moderate income, and to
10 develop viable communities by providing decent housing, enhanced living environments, and
11 increased economic opportunities for persons and families of low or moderate income; and

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

17 WHEREAS, Potrero Housing Associates II LP, a California limited partnership (or an
18 affiliate thereof or successor thereto) (the “Borrower”) desires to construct or rehabilitate an
19 157-unit affordable residential rental housing development located at 1801 25th Street, San
20 Francisco, CA 94107 (“Project”); and

21 WHEREAS, The Borrower has requested that the City assist in the financing of the
22 Project through the issuance of one or more series of tax-exempt mortgage revenue bonds
23 (“Bonds”); and

24 WHEREAS, The City expects that proceeds of the Bonds will be used to pay certain
25 costs incurred in connection with the Project prior to the date of issuance of the Bonds; and

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2 WHEREAS, The City intends to issue the Bonds in an amount not to exceed
3 \$150,000,000 and to loan the proceeds of the Bonds to the Borrower (“Loan”) to finance the
4 costs of the Project; and

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

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

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

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

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

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

23 WHEREAS, Section 8869.85(b) of the Government Code requires that a local agency
24 file an application for a portion of the state ceiling with or upon the direction of the California
25

1 Debt Limit Allocation Committee (“CDLAC”) prior to the issuance of tax-exempt private activity
2 bonds, including qualified mortgage bonds; and

3 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to
4 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent
5 (0.5%) of the amount of allocation requested not to exceed \$100,000; now, therefore, be it

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

8 Section 1. The Board of Supervisors finds and determines that the foregoing recitals
9 are true and correct.

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

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

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

23 Section 5. The maximum principal amount of debt expected to be issued for the Project
24 is \$150,000,000.

25 Section 6. This resolution is neither an approval of the underlying credit issues of the

1 proposed Project nor an approval of the financial structure of the Bonds.

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3 Section 7. The Board of Supervisors hereby authorizes the Director of the Mayor's
4 Office of Housing and Community Development, including any acting or interim director, or
5 such person's designee ("Director"), on behalf of the City, to submit an application
6 ("Application"), and such other documents as may be required, to CDLAC pursuant to
7 Government Code Section 8869.85 for an allocation for the Project of a portion of the state
8 ceiling for private activity bonds in a principal amount not to exceed \$150,000,000.

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

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

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

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3 Section 12. This Resolution shall take effect from and after its adoption by the Board and
4 approval by the Mayor.

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6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA
8 City Attorney

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9 By: /s/ HEIDI J. GEWERTZ
10 HEIDI J. GEWERTZ
11 Deputy City Attorney

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Project Description
Multifamily Securities Program
City and County of San Francisco

Potrero Block B – HOPE SF

Overview

The funds described in the “Financing Structure” section below will be used to finance the development of Potrero Block B, a 157-unit affordable multifamily housing project to be located at 1801 25th in the City and County of San Francisco (the “Project”). Potrero Block B is a part of Phase II of the HOPE SF revitalization of Potrero Terrace & Annex.

Upon completion, the Project will include approximately 260,720 square feet of gross floor area, comprised of 185,337 square feet of residential area and 75,383 square feet of non-residential area. Non-residential spaces will include a large community room, teen room, fitness room, public mini park and resident courtyard.

Total project costs, including the cost to acquire the land and construct new buildings, will be approximately \$178,104,338, or \$1,134,423 per dwelling unit.

The residential unit distribution, which will include one 2-bedroom superintendent unit, is:

<u>Unit type</u>	<u>Number of units</u>
Studio	0
1-Bedroom	40
2-Bedroom	54
3-Bedroom	52
4-Bedroom	11

There will be 117 units set aside as replacement units for Potrero Terrace and Annex residents with a right to return. Of those 117 units, 9 will be financed with RAD subsidy and the other 108 will be subsidized by a 20 years HAP contract. The remaining 41 units will be subject to the City of San Francisco’s lottery process on DAHLIA. Overall, 78 percent of the residential units will serve households earning less than 50 percent of the San Francisco County Area Median Income (AMI), while the balance of units will serve households earning less than 60 percent of AMI.

Residents

Previously, 74 residents were relocated in order for housing construction to start. Residents were moved onsite, either to 1101 Connecticut Street or into rehabbed housing on site. As mentioned above, 116 units within Potrero Block B will be set aside for public housing residents once construction is complete.

Site Description and Scope of Work

Address: 1801 25th Street
Block/Lot: 4285B/001

Property amenities will include:

- 157 new units

- Public Mini Park
- Resident Courtyard
- 6,203SF Childcare Center open to residents and public
- Community Room
- Teen Room
- Fitness Room

Development and Management Team

Project Sponsor: BRIDGE Housing Corporation
 General Contractor: Cahill Contractors
 Architect of Record: HKIT & Y.A. Studio
 Property Manager: BRIDGE Property Management Company

Project Ownership Structure

Borrower Entity: Potrero Housing Associates II, L.P.
 Managing General Partner/
 Managing Member: Potrero Housing II, LLC

An investor (TBD) 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);
- Affordable Housing and Sustainable Communities;
- Infill Infrastructure Grant Program
- Deferred developer fee
- 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 August 2, 2021 and October 21, 2021, with construction commencing within 7 days closing. All construction is scheduled to be completed by August 16, 2023.

Narrative Description of Project Sponsor Experience

BRIDGE Housing Corporation, founded and headquartered in San Francisco, is the largest developer of affordable and workforce housing in California. Our mission is to produce high-quality homes for families and seniors at a variety of income levels, with a focus on those who are not served by the housing market. BRIDGE is organized as a non-profit. Since beginning active operations in 1983, BRIDGE has participated in the development of over 13,000 housing units and over 350,000 square feet of

retail/commercial space in close to 100 properties valued at more than \$3 billion. BRIDGE has a particular expertise in complex mixed-use projects, and take great pride in finishing projects. BRIDGE is also an expert at blending a variety of private and public funding sources and have the internal financial resources to carry projects through the ups and downs of lengthy entitlement efforts. BRIDGE pursues an ambitious goal of “quality, quantity and affordability” while meeting the growing demand for affordable housing in high-cost California.

Throughout California, BRIDGE is known for developing projects that fit well within their neighborhood, incorporate green building technologies, and expand opportunities for economic integration. BRIDGE’s commitment to enhancing the communities in which it builds is evidenced by the numerous design awards it has won including 51 Gold Nugget Awards for “Best in the West” from the Pacific Coast Builders Conference, and is a three-time winner of the Urban Land Institute Award of Excellence. These awards represent BRIDGE’s ongoing commitment to developing high-quality housing for people regardless of their income.

Since its inception, BRIDGE has successfully and strategically partnered with nonprofit groups, community institutions, local governments and private developers to provide a full spectrum of development services ranging from master planning, entitlements, project financing, construction, and property management. BRIDGE is particularly adept at collaborating with partners in a way that draws on the strengths of each partner to create a whole greater than the parts. Partnering in order to accomplish work and serve the Mission is part of BRIDGE’s culture, and as such we bring a sensitivity and understanding to our collaborations.

BRIDGE has extensive experience with mixed use transformational developments statewide. This experience includes projects whose scale and complexity are similar to the vision for the Potrero Block B site. BRIDGE Housing has had a significant presence at Potrero Hill Terrace and Annex for almost a decade, and has familiarity with the needs, strengths, and dynamics of the current Potrero Hill Terrace and Annex residents. BRIDGE is knowledgeable of the income, racial, and educational disparities that exist between PTA residents and the surrounding neighborhoods.

BRIDGE takes great pride in the types of developments it takes on and strives to improve the neighborhoods it enters. In some cases that means fitting in, in others it means generating foot traffic to enliven a streetscape and support retail uses. In nearly every project, BRIDGE has enlisted the public sector as a partner, often taking on and accomplishing their community benefits in addition to BRIDGE’s core housing business. This collaborative approach is baked into the culture at BRIDGE.