Citywide Affordable Housing Loan Committee

San Francisco Mayor's Office of Housing and Community Development
Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure
Controller's Office of Public Finance

730 Stanyan Street

$4,500,000 Predevelopment Loan

Evaluation of Request for:	Predevelopment Loan
Loan Committee Date:	October 2, 2020
Prepared By:	Jonathan Gagen
Source of Funds Recommended:	ERAF – $3,500,000
	AHF Inclusionary – $1,000,000
NOFA/PROGRAM/RFP:	730 Stanyan Street Request for Qualifications
Total Previous City Funds Committed:	N/A
Applicant/Sponsor Name:	Chinatown Community Development Center and Tenderloin Neighborhood Development Corporation

EXECUTIVE SUMMARY

Sponsor Information:

Project Name:	730 Stanyan Street	Sponsor(s):	Chinatown Community Development Center (CCDC) and Tenderloin Neighborhood Development Corporation (TNDC)
Project Address (w/ cross St):	730 Stanyan Street, San Francisco, CA 94117 (bet. Haight & Waller Streets)	Ultimate Borrower Entity:	730 Stanyan Associates, L.P.

Project Summary:

730 Stanyan Street (the "Project") will be a new construction mixed-use building located in the Haight-Ashbury neighborhood directly across the street from Golden Gate Park. Located on a parcel directly purchased by the City and subject to a ground lease, the Project will be new affordable housing with 120 residential rental units ranging in income restrictions from 25% to 100% MOHCD AMI for families, Transitional Age Youth (TAY) and formerly homeless families. The project will include one manager's unit and comprise a mix of studios, 1-, 2- and 3-bedroom units. The project will include 40 Local Operating Subsidy Program (LOSP) units (split between TAY and family households) and provide five separate commercial spaces on the ground floor to serve the residents and the neighborhood. These spaces will be operated by various nonprofit partners to provide early childhood education, transitional age youth services/drop-in center, tech training, a senior center, and a potentially a low-cost restaurant or cafe. The project is targeting the maximum funding award from the California Department of Housing and Community Development, as well as a maximum Affordable Housing Program award from the Federal Home Loan Bank of San Francisco, and will apply for 4% tax credits combined with bonds in fall of 2021.

Project Description:

Construction Type:	To be determined	Project Type:	New Construction
Number of Stories:	6	Lot Size (acres and sf):	0.868 acres / 37,813 sf
Number of Units:	120	Architect:	YA Studio + OMA
Total Residential Area:	144,770 sf	General Contractor:	To be selected
Total Commercial Area:	20,000 sf	Property Manager:	TNDC
Total Building Area:	184,770 sf	Supervisor and District:	Dean Preston, D5
Land Owner:	City of San Francisco		
Total Dev. Cost (TDC):	$98,121,310	Total Acquisition Cost:	N/A*
TDC/unit:	$817,677	TDC less land cost/unit:	N/A
Predev Loan Amt. Requested:	$4,500,000	Request Amount/unit:	$37,500
HOME Funds?	N	Parking?	N

*City acquired the site directly for $15.9 million in 2018.

PRINCIPAL DEVELOPMENT ISSUES

1. **Unit count and building height**. The Developer Request for Qualifications (RFQ) issued by MOHCD described a desired project with 120 units in a six-story building in an effort to ensure that the building could be built at a reasonable cost and within MOHCD's funding constraints. In its response, the Sponsor initially proposed construction an eight-story building with 152 units, and some community stakeholders have advocated for a larger building. MOHCD estimates that the 8 story building will cost the City an additional $11 million, which is not in the pipeline budget for this site. Please see Section 1.1 for further explanation and recommended condition of loan approval.

2. **Population Mix.** The RFQ included the City expectation that the selected developer would construct housing for low-income family and TAY households. Some community members have requested that the project include a set aside of senior units. Please see Section 1.1. for further explanation.

3. **Community outreach.** The Haight-Ashbury neighborhood includes a wide array of active community groups with a history of very close involvement with this site. Many of these groups have opposing views about the best development plan for the site. There has been a recent focus on feedback from stakeholders who want to add units with preference for seniors. Please see Section 3.1 for further explanation.

4. **Cost Containment.** Proposed design and site plan elements, including the building shape and the construction type (concrete), make this project more expensive than other projects in MOHCD's pipeline. Please see Section 4.4 for further explanation and recommended condition of loan approval.

5. **Commercial Space.** The proposed commercial space totals 20,000 sf, which occupies a substantial portion of the ground floor area. Four of the five commercial spaces are anticipated to be community serving and not revenue generating/able to pay rent. The cost of tenant improvements will need to be borne by others besides MOHCD. COVID-19 may impact operations should there be long-lasting public health requirements. Please see section 4.5.

6. **Market Conditions for Financing:** The project is anticipated to begin construction within the next two years. Although difficult to anticipate the future, it seems reasonable to assume that the current competitive conditions for tax exempt bonds, HCD soft loans, and philanthropic sources, will continue to be challenging. Please see section 6.5.1.

SOURCES AND USES SUMMARY

PREDEVELOPMENT SOURCES	AMOUNT	TERMS	STATUS
MOHCD	$4,500,000	3 yrs @ 3.00% Res Rec	This Request

PERMANENT SOURCES	AMOUNT	TERMS	STATUS
MOHCD Construction/Perm Loan	$34,325,853	55 yrs @ 3.00% / Res Rec	Not Committed
Accrued Deferred Interest – MOHCD Loan	$425,000	n/a	Not Committed
Permanent Loan	$2,900,530	4.50% interest rate	Not Committed
Limited Partner Equity	$29,623,828	$0.95 per credit pricing	Not Committed
MHP	$20,000,000	55 years @.42% plus 3% Res Rec	Not Committed
AHP	$1,250,000	55 years @0%	Not Committed
GP Equity	$7,096,000	n/a	Not Committed
Deferred Developer Fee	$2,500,000	n/a	Not Committed
GP Contribution	$100	n/a	Not Committed
TOTAL	$98,121,310		

USES	AMOUNT	Per Unit	Per SF
Acquisition*	$0	$0	$0
Hard Costs	$71,256,096	$593,801	$386
Soft Costs	$13,958,549	$116,405	$76
Developer Fee	$12,096,000	$100,800	$65
Reserves	$810,665	$6,755	$4
TOTAL	$98,121,310	$817,678	$531

*City acquired the site in 2018 for a purchase price of $15.9 million. These and holding costs paid by MOHCD are not included in the LP budget above.

1. BACKGROUND

1.1. Project History Leading to This Request.

Located on Stanyan Street between Haight and Waller Street, 730 Stanyan Street is the site of a former McDonald's that occupied the site since the 1960s. During the past decade, the McDonald's developed a reputation as a neighborhood nuisance, leading neighbors to complain to the City about problems with crime and drug sales outside of the restaurant. These issues became severe enough for the City Attorney to threaten the fast-food corporation and franchise operators with legal action. Despite the corporation's additional security measures, the site continued the be the source of neighborhood complaints. In 2018, the City entered into a Purchase and Sale Agreement with McDonald's with the plan of constructing 100% affordable housing. As required by the Purchase and Sale Agreement, the City coordinated building demolition and issued a Request for Proposals (RFP) for interim use in early 2019. At the time of RFP release, MOHCD had not identified a funding source for the project. In order to activate the site until funding became available, the City sought an interim user to activate the site and provide rental income that could be dedicated to the future affordable housing project. Ultimately, as funding conditions improved, the City opted to pause the RFP selection process. In response to the COVID-19 health crisis, the City's Department of Emergency Management opted to use the site as a safe sleeping village, which consists of approximately 35 socially distanced spaces for placement of tents.

In September 2019, MOHCD posted a Request for Qualifications (RFQ) seeking a qualified developer for development of new affordable housing on the site. The RFQ included the expectation that the selected developer would develop housing for low-income families, including homeless families, and transitional age youth ages 18-24 (TAY). In January 2020, MOHCD selected Chinatown Community Development Center (CCDC) and Tenderloin Neighborhood Development Corporation (TNDC) to jointly develop the permanently affordable family rental housing, including units serving formerly homeless households. Since then CCDC & TNDC have hired an architecture team through a public procurement process, and assembled a team of consultants. The project is at its early stages of concept design and needs funding to cover the costs of design, engineering, and other predevelopment tasks.

Building Height

While an eight-story building is allowable on this site with the affordable housing density bonus, the RFQ included the expectation that the selected developer would construct a six-story building as a cost containment strategy. The development team initially presented a budget showing an eight-story building with 152 units which would require a total MOHCD contribution of approximately $45.345 million, versus the $34.325 million MOHCD gap request included in the current budget reflecting a six-story building.

Population Mix

Since the development team began their outreach process, several community stakeholders have advocated for the project to include senior housing. MOHCD has concerns about the feasibility of including a set-aside for senior units, for several reasons. First, the inclusion of senior units will create complexities for the financing structure, as a separate condo will be required for the project to meet fair housing requirements. Second, MOHCD has many senior units already in development. While none of these projects is located in District 5, two will be located nearby. Below is a chart showing senior housing in MOHCD's pipeline:

Project Site	Number Senior Affordable Units	Number Homeless Senior Units	District	Construction Complete
735 Davis	52	15	3	Early 2021
3001 24th	45	45	8	Early 2021
1064 Mission	103	103	6	Fall 2021
LHH Campus	TBD (~100)	TBD (assuming 30)	7	2024/2025
772 Pacific	70	20	3	2024/2025
967 Mission	94	20	6	2024/2025
1939 Market	TBD (~100)	TBD (assuming 30)	9	2024/2025
4200 Geary	99	20	1	2024/2025
Transbay 2E	169	40	6	2024/2025
3333 California	TBD (~180)	n/a	2	TBD
TOTAL	1012	323		

Director Shaw has met with community members and MOHCD has done additional due diligence to assess the feasibility of including senior units. There is no precedent for this intergenerational program mix. Due to fair housing considerations, in order to provide senior housing side by side with family housing, a separate building entrance would be necessary. State legislation that would have facilitated intergenerational housing did not pass in the 2020 legislative session. The cost for two buildings, each with separate entrance, is prohibitive, and would delay the implementation of the family/TAY program.

1.2. Borrower/Grantee Profile. (See Attachment B for Borrower Org Chart; See Attachment C for Developer Resume and Attachment D for Asset Management Analysis)

730 Stanyan Associates, L.P. will be the ultimate borrower. CCDC and TNDC have entered into an MOU and are serving as 50/50 co-developers.

CCDC has developed over 2,730 units of affordable housing over the course of its 40-year history and has another 765 units in the development pipeline (see Attachment C). This year, CCDC's Property Management and Resident Services teams are serving over 2,000 households in over 30 buildings across the city. Both have been key, along with CCDC's Civic Engagement team providing essential support and services to over 400 families. CCDC is in the process of or has completed marketing three new construction projects:

- 1150 3rd Street, a 119-unit new construction project in Mission Bay for families and formerly homeless veterans;
- 1296 Shotwell Street, a 94-unit new construction project for seniors and formerly homeless seniors in the Mission.
- 2060 Folsom Street, a 127-unit new construction project for families and transitional age youth with 5,400 square feet of community supportive services space in the Mission.

TNDC was founded in 1981 with the acquisition of a single property and a commitment to creating permanently affordable homes for low-income San Franciscans. Over its 37-year history, TNDC has developed, owned, and managed 3,674 units, with another 263 under construction and 1,129 in predevelopment, totaling 5,066 units.

TNDC's in-house Property Management, Tenant Services, Asset Management, Accounting, and Community Organizing teams will ensure the Project's transition from development and construction into leasing and stabilized operations.

<u>Division of responsibilities for leading roles:</u>

During predevelopment, the leading roles will be played as follows:

- Schedule - TNDC
- Procurement - TNDC
- Community outreach & interim use - CCDC
- Design & entitlement – CCDC
- Financing – TNDC
- Programmatic determination & services / commercial tenant selection: TNDC and CCDC shared

After construction, TNDC will serve as property manager for the first 10 years. Beginning in year 10 and every 10 years thereafter, the other party will have the right of refusal to manage the property, subject to MOHCD, tax credit investor and project lender approval.

1.3 The City and County of San Francisco (CCSF) Human Services Department audit verifies that TNDC has satisfied fiscal and governance compliance in a letter dated May 23, 2020. Similarly, the Human Services Department audit verifies that same for CCDC in a later dated May 13, 2019.

2. SITE (See Attachment E for Site map with amenities)

Site Description	
Zoning:	NCD – Haight Street Neighborhood Commercial
Maximum units allowed by current zoning (N/A if rehab):	Restriction by Height: 50-X and additional 33' height with AB1763 – unlimited density
Number of units added or removed (rehab only, if applicable):	N/A
Seismic (if applicable):	Seismic Zone 4
Soil type:	Existing fill and native loose to medium dense dune sand.
Environmental Review:	Phase I/II to be conducted
Adjacent uses (North):	Whole Foods Grocery store
Adjacent uses (South):	Hotel
Adjacent uses (East):	Commercial Retail (Stanyan) and Residential (Waller)
Adjacent uses (West):	Public Park (Golden Gate Park)

Neighborhood Amenities within 0.5 miles:	*Grocery Stores-* Whole Foods Market- 690 Stanyan Street Haight Street Market- 1530 Haight Street Parkview Market- 501 Frederick Street Cindy's Market- 2084 Hayes Street Sunny Country- 1101 Stanyan Street Luke's Local- 960 Cole Street *Schools-* San Francisco High School of Arts- 1970 Page Street Grattan Elementary School- 165 Grattan Street USF School of Law- 2130 Fulton St Les Petits Canards French Immersion Preschool- 2521 McAllister St The Urban School's Mark Salkind Academic and Athletics Center- 1639 Oak Street *Health Care-* Kentfield Hospital San Francisco- 450 Stanyan Str Haight Ashbury Free Clinics- 558 Clayton St USF Student Health Clinic Dignity Health Medical Group- 2250 Hayes St Dignity Health- GoHealth Urgent Care- 930 Cole St Cole Street Youth Clinic- 555 Cole St Saint Mary's Medical Center Sister Mary Philippa Health Center- 2235 Hayes St #5 St Mary's Sister Diane Grassilli Center for Women's Health- 1 Shrader St 4th Fl *Places of Worship-* St. Ignatius Church- 650 Parker Ave The San Francisco Spiritual Enrichment Center- 2118 Hayes St David Ehrenburg Church- 25 Woodland Ave Waller Center United Methodist- 1526 Waller St Carmelite Chapel and Monastery of Cristo Rey- 721 Parker Ave *Bank/ATM-* Wells Fargo Bank- 1726 Haight St Chase ATM- 1653 Haight St *Library-* Park Branch Library- 1833 Page St
Public Transportation within 0.5 miles:	The site is located near the following bus lines 33, 43, 21, 5, 5R, and is approximately 0.4 miles from the N-Judah light-rail line
Article 34:	Not exempt
Article 38:	Exempt

Accessibility:	16 units, or 10 % of total units will be, accessible (Mobility featured); # and 4% of units will be Hearing and Visual Aid featured
Green Building:	The project will meet minimum Green Point Rating targets and the Sponsor is exploring feasibility of Passive Housing standards or certification. If the Sponsor pursues Passive Housing certification, MOHCD staff will analyze impacts on overall cost of design and construction.
Recycled Water:	Not required.
Storm Water Management:	Required – the Storm Water Management Plan will be submitted during Schematic Design (estimated date is March 2021).

2.1. Zoning. The project is located in the Haight Street Neighborhood Commercial District zoning district. The 83' height limit and the state density bonus for affordable housing will allow an 8-story building with ground floor commercial use.

2.2. Probable Maximum Loss. Mar Structural Design has been selected as the structural engineer for the project and is preparing the seismic study. This will be available after predevelopment loan closing.

2.3. Local/Federal Environmental Review. An environmental consultant started working on the project in August. Langan Geotech performed a preliminary geotechnical study of the site for the City in 2017 and will perform further Geotech studies and environmental studies for the project. Additional Phase I and II studies will be conducted. There are no existing buildings on site to trigger historic preservation requirements. MOHCD used federal Community Development Block Grant funds as part of the site acquisition, which required National Environmental Policy Act (NEPA) review. An Environmental Assessment (EA) dated January 10, 2018 indicated a finding of no significant impact. Currently there are no federal funds associated with the project and additional NEPA review will not be required.

2.4. Environmental Issues.

Phase I/II Site Assessment Status and Results. Prior to site acquisition, MOHCD hired Langan Engineering and Environmental Services to prepare a Phase I report, which is dated October 9, 2017. The report identified three notable previous uses that indicate the need for a Phase II report. According to the Phase I report, the site was used as a gas station for 24 years and there has been no documentation of underground storage tank (UST) removal. Also, a dry cleaner occupied the site for approximately 10 years. Thirdly, dry cleaning businesses occupied 24 properties within 1/8 of a mile. Langan determined that previous uses of the site will require a Phase II report. Testing for the Phase II should include a subsurface investigation. Sponsor will be responsible for providing an updated Phase I, as is likely necessary, and a Phase II.

2.5. Adjacent uses and neighborhood amenities. The proposed project is located in a high-resource district per TCAC guidelines and offers many nearby amenities. The site's location is especially notable due to its location directly across the street from Golden Gate Park. To the immediate north of the site, across Haight Street, is a Whole Foods. Directly east of the site, fronting Haight Street, is Amoeba Records. Facing Waller Street, directly east and south, are multifamily residential buildings.

2.6. Green Building. There are applicable local building code requirements associated with the site, and the project is targeting exceeding the minimum Green Point Rating (GPR) or LEED certifications.

3. OTHER ENTITLEMENTS ISSUES

3.1. Community Support.

The surrounding community hosts several community-based organizations. These organizations have historically had significant involvement in 730 Stanyan Street and have a wide range of opinions on the site's future. There is not unanimous support for 100% affordable housing and the services associated with serving the population being housed.

- The following groups have historically advocated for 100% affordable housing inclusive of supportive housing and associated services:
  - Haight Ashbury Neighborhood Council, which includes the following subgroups – Coalition for a Complete Community (CCC), Haight Ashbury Merchant's Association (HAMA), HANC's Senior Working Group, Cole Valley Haight Allies (CVHA), among other community groups
- The following groups have expressed concerns regarding low-income population mix and housing for TAY residents:
  - Buena Vista Neighborhood Association (BVNA), Cole Valley Improvement Association (CVIA), Haight Ashbury Improvement Association (HAIA), Safe Healthy Haight, Concerned Citizens of Haight
- Other groups have come out in support of a set-aside for seniors.

The Sponsor has engaged all of the above neighborhood stakeholders through community listening sessions held on June 23 and June 24, 2020 to introduce the project, developer team, and design team. Prior to the June meetings, the Sponsor participated in scheduled neighborhood groups meetings with HAMA, CCC and HANC's Senior Working Group, and CVNA/BVIA. In addition, the development team has reached out to Supervisor Dean Preston's office and the UCSF Parnassus Heights Planning team for further insights.

The Sponsor and architect have developed a project website, along with Facebook and Instagram pages for the community to communicate with the development team. In addition, the Sponsor and architect hosted a 100-person virtual community meeting on August 20, 2020 to share a very preliminary concept design. The Sponsor will be required to provide MOHCD with regular updates on progress in meeting outreach milestones under the Sponsor's outreach plan during predevelopment and construction.

Prop I notification is required and the Sponsor will ensure that the Prop I sign is posted 30-days before predevelopment loan closing.

4. DEVELOPMENT PLAN

4.1. Site Control.

The site is currently owned by the City and the Sponsor will enter into a ground lease at construction loan closing. It is anticipated that the ground lease will have a 75-year term, with the option to extend to a total of 99 years.

4.1.1. Proposed Property Ownership Structure 730 Stanyan Associates, L.P. will establish a ground lease with the City in order to construct and own the improvements.

4.2. Proposed Design.

Avg Unit SF by type:	0-brdm avg sf: 350 sf 1-brdm avg sf: 500 sf 2-brdm avg sf: 750 sf 3-brdm avg sf: 1,000 sf
Residential SF:	118,000
Circulation SF:	30,770
Parking Garage SF:	N/A
Common Area SF:	16,000
Building Total SF:	184,770
Ground Floor Commercial SF	12,500
Other SF: – Back Of House	7,500

4.3. Proposed Rehab Scope

N/A

4.4. Construction Supervisor/Construction Specialist's evaluation

The design architect for 730 Stanyan is OMA/AMO, a New York City-based architect and is working with the local LBE/SBE firm, Y.A. Studio, which will be the Architect of Record. The architectural team initially developed an 8-story conceptual design that may exceed the available MOHCD funds for the building's construction costs. Subsequently, a 6-story conceptual design based on the original 8-story design with 120 units has been presented.

The most striking element of the initial 8-story and subsequent 6-story conceptual designs are the floor plans' proposed "curved" walls and as a result, the floor plan's configuration is similar to a puzzle piece. To reduce construction costs, the architects have revised the "curved" walls to be composed by 5 feet "straight" walls with extended ends such that the curved radius is composed of segments. Though the revised "curved" walls will have lower construction costs than actual curved walls, the curved segmental walls are expected to be more expensive than standard straight walls.

The floor plans have three primary light courts: residential entry court, childcare play area and residential courtyard. At the 4th floor, a "curved" wall at the northwest corner (corner of Stanyan and Haight Streets) opens to a "park view terrace".

The conceptual floor plans include housing for Transition Aged Youth (TAY) and Families for a total of 120 residential units. The 31 TAY housing units are comprised of 15 studios and 16 one-bedroom units. The 89 family units have 12 one-bedrooms, 47 two-bedrooms and 30 three-bedroom units.

The ground floor's proposed initial uses are a residential entry along Stanyan Street, a café (northwest corner), TAY Center (northeast corner), childcare (southeast corner), tech training Center, senior services, residential offices/services and community space. The square feet of the ground floor's uses needs provider input to ensure that the proposed sizes will be adequate.

The conceptual design is contextual with a setback height of 4 stories along Waller Street to respect Waller Street's Victorian residences; a setback at the northeast corner to provide a transition to the Haight Street commercial storefronts and a curved setback at the northwest corner with a park view terrace to connect to the adjacent Golden Gate Park.

The conceptual design shows the building's massing without elevation details for exterior finishes, size and location of windows, etc.

The conceptual designs' floor plans show two-bedroom units with a 30 feet exterior frontage, which would mean less than 10 feet widths for a living space and two bedrooms unless a "borrowed light" layout is approved by SFDBI and SFFD. If these unit sizes need to increase, then a lower unit count might result. While the residential units stack from the 2nd Floor to the 4th Floor, portions of the upper floors do not stack where setbacks occur and construction efficiency is reduced with corresponding higher construction costs. Where residential units occur adjacent to the "curved" walls, placement of furniture is a concern and the designers will need to demonstrate that furnishings will work in these units.

The conceptual plan indicates 144,116 SF, which is comparable in area to another 6-story building of 148,874 SF with the same lot dimensions but has 125 family units instead of the proposed 120 residential units. If the schematic design floor plan area increases with a reduction in light court area or reduced setbacks, then the construction costs would increase correspondingly. Should the conceptual design's area increase by an overall 4,000 square feet, the construction cost increase could be over $2MM.

The initial cost estimate of $71,256,096 (which includes $2,850,000 for hard cost contingency) does not include an escalation factor, which may only be appropriate now since General Contractors have recently indicated that subcontractors have a reduced work backlog and are providing more competitive bids. However, construction is anticipated to commence in the second quarter of 2022 and construction cost estimates may need to include an escalation factor.

Given the other 100% affordable family housing project with the same lot area and 125 family units, referenced above, is currently completing construction and construction costs with hard cost contingency are totaling $69.4MM, the following will be needed:

- Value engineering for the conceptual design's "curved" walls and an efficient construction system or simplify further.
- Implement construction efficiencies like back-to-back plumbing walls, stacked residential units, aligned structural walls/systems, etc.
- Closely monitor the residential units for significant increase in area that results in reduction in the number of units.
- Simplify exterior design with standard windows and finishes.
- Investigate if new construction technology/systems like cross-laminated timber and mass timber framing with its lighter weight have savings realized in lower foundation costs.
- Investigate alternate MEP systems and/or design-build/design-assist can result in cost savings.

MOHCD will continue to monitor the refinement of the conceptual design and recommend modifications to the subsequent schematic design and subsequent phases for cost containment.

As a comparison, 600 7th Street, a 142,857 square foot 200-unit project in predevelopment, will is project total construction costs of $90,567,791 ($593 per SF and $452,839 per unit). While 730 Stanyan Street's projected construction costs are slightly lower, MOHCD will continue to work with the Sponsor to ensure they continue to contain costs.

4.5. Commercial Space. The Sponsor plans to include 5 commercial spaces at 730 Stanyan Street. While the Sponsor plans to release a request for proposals from prospective tenants in October 2020, the team anticipates that the ground floor will consist of the following commercial uses:

1. Early childhood education center (ECE), which will be operated by a nonprofit service provider
2. Senior center operated by a nonprofit service provider
3. Tech-related job? training center operated by a nonprofit service provider
4. Drop-in center for TAY operated by third party service provider charged with service provision for the building's TAY residents
5. A restaurant or low-cost food business potentially operated by a nonprofit service provider.

As most of the commercial spaces will be run by nonprofits and will provide the services for the future residents as well as the neighborhood, the current proforma does not reflect any commercial income. As partners are selected over the next several months, the Sponsor will provide MOHCD with updated commercial income and expense projections. All five spaces are anticipated to be built to MOHCD's warm shell standard as described in the Commercial Space Policy. While the commercial landscape will continue to be impacted by the COVID-19 pandemic, the Sponsor is exploring ways to ensure the success of the commercial spaces in light of the ongoing Shelter-in-Place order.

4.6. Service Space. The five commercial spaces listed above are currently being located on the ground floor with the ECE facing the quieter Waller Street, TAY services facing more vibrant Haight Street, the affordable food option facing the corner of Haight and Stanyan (toward Golden Gate Park), and the Senior Center and Tech Training facing Stanyan. These are all preliminary approaches to be anchored after input from the community and the to-be-selected service providers.

4.7. Target Population. The project's proposed population mix includes a range from extremely low- to moderate-income households and includes a set-aside for formerly homeless residents. The project will include a total of 40 units serving formerly homeless residents funded through LOSP. Of these, 20 units will be TAY units, and 20 will be family units. Another 9 units not subsidized by LOSP will be TAY units. HSH has expressed interest in having some TAY units where the income limits are up to 50% AMI, to accommodate higher earning TAY. There is a standing similar request from HSH for referrals of families with dependent children for units that are restricted up to 50% AMI.

While the Sponsor's proposed population mix meets the RFQ's goal for providing TAY housing, community stakeholders have requested the addition of senior units. MOHCD does not recommend the addition of a set aside for seniors at this location. Please see the chart in Section 8.2 for further explanation.

4.8. Marketing & Occupancy Preferences. MOHCD's marketing policies and procedures will be applied to all units except the on-site manager's unit. The following preferences will apply:

1. Certificate of Preference Program
2. Displaced Tenants Housing Preference
3. Neighborhood Residential Housing Preference
4. Live/Work in San Francisco

Units set aside for TAY and homeless family households will not be included in the lottery. Referrals will be made by HSH through Coordinated Entry.

Please see condition related to preparation of a marketing plan as early as 18 months in advance of start of operations that meets the City's racial equity goals.

4.9. Relocation. No relocation will be required. The site is currently being used as a Safe Sleeping Village operated by the Homeless Youth Alliance (HYA) under contract with the City's Emergency Operations Center (EOC). As is memorialized in a Memorandum of Understanding between HSH and MOHCD, the safe sleeping site will end its operation before construction of affordable housing begins. Should an additional interim use be identified, any rights to relocation benefits must be waived to the extent allowable by law.

5. DEVELOPMENT TEAM

Development Team			
Consultant Type	**Name**	**SBE/LBE**	**Outstanding Procurement Issues**
Architect	YA Studio is the prime architect to OMA	Y	N
Landscape Architect	GLS	Y	N
JV/other Architect	OMA	N	N
General Contractor	Cahill and Hercules	50%	N/A
Owner's Rep/Construction Manager	Kango Development	N	N
Financial Consultant	California Housing Partnership Corporation	N	N
Civil Engineer	UDCE	Y	N
Dry Utilities	UDCE	Y	N
Geotechnical Engineer	Langan + Divis	Y	N
Environmental Consulting	Langan + Acumen	Y	N
Landscape Architect	GLS	Y	N
Structural Engineer	Mar Structural Design	Y	N
MEP	Engineering 350	Y	N
Energy Consulting	Thornton Tomasetti	N	N
Lighting	Dot Dash	N	N

Acoustical Engineer	CSDA	Y	N
Waterproofing Consulting	McGinnis Chen Associates	N	N
Legal	Gubb & Barshay	N	N
Services Provider	TNDC plus partner service providers to be selected	N and TBD	N and TBD

5.1 Outstanding Procurement Issues.

There are no procurement issues at this time. The Sponsor has selected Cahill and Hercules as General Contractor. The Contract Monitoring Division (CMD) has approved this selection and the team's plan to achieve 20% Local or Small Business Entrepreneur (L/SBE) participation.

Workforce goals are established by the San Francisco Office of Economic and Workforce Development (OEWD) based upon the funding sources, and L/SBE goals are set by CMD based upon the type of construction and size of the project. Most of MOHCD's projects range between 20% and 26% L/SBE participation.

6. FINANCING PLAN (See Attachment F for Cost Comparison of City Investment in Other Housing Developments; See Attachment G and H for Sources and Uses)

6.1. Prior MOHCD/OCII Funding (this project and historical for the project):

No prior MOHCD/OCII funding has been awarded to this project.

6.2. Disbursement Status.

The project has incurred costs dating back to March 1, 2020. Staff requests Loan Committee approval of payment of costs no earlier than March 1, 2020, so long as these costs are deemed acceptable and correspond to predevelopment budget attached herein.

6.3. Fulfillment of Loan Conditions. N/A

6.4. Proposed Predevelopment Financing

6.4.1. Predevelopment Sources Evaluation Narrative

The Sponsor requests that MOHCD provide the project with a $4,500,000 predevelopment loan using ERAF funds. The predevelopment budget includes the following uses:

- Construction costs – the Sponsor expects to spend $40,000 on construction costs for site preparation work. This includes removing the fencing, clean-up after interim use and other site preparation work needed for testing and construction. MOHCD has an MOU with the Department of Emergency Management (DEM), which requires DEM to return the site in its original condition after safe sleeping site demobilization, so the budgeted amount may be reduced as predevelopment progresses.

- Architecture and design – the Sponsor has budgeted $2,837,123 in predevelopment funds to architecture and design costs. These costs are high in comparison to other projects. While MOHCD has expressed concerns about scope creep and excessive architecture fees, the Sponsor has justified the high fee as needed due to the additional costs related to the joint venture structure, the project's substantial community outreach needs and the large footprint of the site.

While MOHCD approved the projected predevelopment architecture costs and acknowledges the significant outreach needs tied to the project, MOHCD staff will expect that Sponsor to provide justification for all architecture and design costs throughout predevelopment and construction. MOHCD staff meets weekly with the Sponsor and will expect the Sponsor to provide regular updates on architecture and design consultant fees.

- Other third party architecture consultants – the predevelopment budget includes $424,083 in other third party design consultants as follows:

- Engineering and environmental studies – The Sponsor has included $255,000 for environmental studies as part of the predevelopment budget. As part of the acquisition, the City procured a Phase I environmental report, and has on file a geotechnical and scoping report. The Sponsor is reviewing these reports to see if there are any potential scope reductions for these consultants based on the information contained in these reports.

6.4.2. Predevelopment Uses Evaluation:

Predevelopment Budget		
Underwriting Standard	**Meets Standard? (Y/N)**	**Notes**
Acquisition Cost is based on appraisal	N/A	No acquisition costs included in this request.
Architecture and Engineering Fees are within standards	N	Overall project architect fees are high compared to other MOHCD projects. Please see Section 6.4.1 for further discussion.
Bid Contingency is at least 5% of total hard costs	Y	Bid contingency is at 5%
Escalation amount is commensurate with time period until expected construction start, not to exceed 15%	N/A	Borrower did not include escalation as part of the predevelopment loan request.
Construction Management Fees are within standards	Y	The Construction Management budget is $59,000 and assumes an approximately 1.5 year preconstruction period
Developer Fee is within standards, see also disbursement chart below.	N	Total Dev Fee is $12,096,000 Total Cash Fee is $1,100,000 Total At-Risk Dev Fee is $1,400,000 GP Equity is $7,096,000 Deferred Fee is $2,500,000
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 10%

Financing Costs are reasonable	N/A	The predevelopment budget does not include financing fees.

Staff approves a waiver to MOHCD's developer fee policy in order to facilitate additional tax credit equity proceeds to the project.

6.5. Potential Permanent Financing

The proposed permanent financing is being presented to demonstrate the project's overall feasibility for predevelopment loan approval but is not intended to be presented for Loan Committee approval at this time. It is anticipated that the Sponsor will bring a gap commitment loan request to the Committee in the first quarter of 2022.

6.5.1. Permanent Sources Evaluation Narrative:

While the project is anticipated to close on construction financing in two years, current conditions regarding the competitive climate for tax exempt bonds, HCD funding and philanthropic sources will pose challenges for the project's proposed permanent budget.

As required by the RFQ, the development has presented a potential permanent budget with a mix of sources. This includes approximately $34.325 million in MOHCD gap financing, which equals $286,048 per unit. The development team also seeks to apply for $20 million in MHP financing. The projected tiebreaker for the project is 33%.

Similar to the predevelopment budget, architecture and engineering fees are high. As noted in Section 6.4.1, MOHCD acknowledges the significant outreach needs tied to the project. MOHCD staff will expect that Sponsor to provide justification for all architecture and design costs throughout predevelopment and construction periods.

6.5.2. Permanent Uses Evaluation:

Development Budget		
Underwriting Standard	**Meets Standard? (Y/N)**	**Notes**
Hard Cost per unit are within standards	Y	Hard costs are $593,801/unit. The Sponsor has not selected a General Contractor and pricing is preliminary at this stage.
Construction Hard Cost Contingency is at least 5% (new construction) or 15% (rehab)	Y	Hard Cost Contingency is 5%
Architecture and Engineering Fees are within standards	N	Architect fee are high compared to other MOHCD projects. The high fee is a result of the JV structure between YA Studio and OMA, plus the significant community outreach needs for this particular project. Please see Section 6.5.1 for further discussion.

Construction Management Fees are within standards	Y	The Construction Management Fee during construction amounts to $147,750. Assuming an approximately 2.5 year construction period, this meets MOHCD guidelines.
Developer Fee is within standards, see also disbursement chart below	N	Total Dev Fee is $12,096,000 Total Cash Fee is $1,100,000 Total At-Risk Dev Fee is $1,400,000
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 10%
Capitalized Operating Reserves are a minimum of 3 months	Y	Capitalized Operating Reserve equals approximately 3 months of operating expenses and debt service.

Developer Fee Disbursement Schedule		
Payment Milestone	**% of Project Mgmt Fee**	**Amount**
Close of Predevelopment Financing	30%	**$330,000**
Submission of HCD Funding Application	10%	**$110,000**
Submission of TCAC and CDLAC Application	10%	**$110,000**
At Construction Closing	20%	**$220,000**
At Construction Completion	20%	**$220,000**
Project Close-Out (Placed-in-Service application)	10%	**$110,000**
Total Project Management Fee	*100%*	***$1,100,000***
95% Lease-up and Cost certification	20%	**$280,000**
Conversion	50%	**$700,000**
Project Close-out	30%	**$420,000**
At-Risk	*100%*	***$1,400,000***
Total Cash Developer Fee	100%	**$2,500,000**
Deferred Fee		**$7,096,000**
GP Equity		**$2,500,000**
Total Developer Fee		**$12,096,000**

Staff recommends approval of a developer fee waiver to facilitate the disbursement schedule above.

7. PROJECT OPERATIONS (See Attachment I and J for Operating Budget and Proforma)

7.1. Annual Operating Budget

The attached operating budget is being presented to demonstrate the project's overall feasibility but is not intended to be presented for approval at this time.

7.2. Income

Unit Type	Proposed Number of Units	Max. % MOHCD AMI	Rent or Operating Subsidy	Notes
Studio	10	25%	LOSP	10 units for TAY
1BR	12	25%	LOSP	10 units for TAY; 2 for families with dependent children
2BR	10	25%	LOSP	Families with dependent children
3BR	8	25%	LOSP	Families with dependent children
Studio	2	30%		2 units for TAY
1BR	7	30%		7 units for TAY
2BR	4	30%		
3BR	4	30%		
1BR	3	60%		
2BR	27	60%		
3BR	10	60%		
1BR	2	100%*		
2BR	12	100%*		
3BR	8	100%*		
1BR	1			Manager's Unit
Total Units / Income Average	120	50%		

*With the inclusion of units at 100% MOHCD AMI, the project will meet income averaging requirements for TCAC and holds an average MOHCD AMI of 50% AMI.

7.3. Annual Operating Expenses Evaluation.

Operating Proforma		
Underwriting Standard	**Meets Standard? (Y/N)**	**Notes**
Debt Service Coverage Ratio is between minimum 1.10:1 and maximum 1.15:1 at year 15	N	DSCR remains above 1.15 throughout the 15 year period.
Debt Service Coverage Ratio stays above 1.00:1 for entirety of projected 20-year cash flow	Y	DSCR starts at 1.88 in Year 1 and then goes below 1.00 in Year 20.
Vacancy meets TCAC Standards (5%)	Y	Vacancy is 5%

Annual Income Growth is increased at 2.5% per year	Y	Income escalation factor is 2.5%
Annual Operating Expenses are increased at 3.5% per year	Y	Expenses escalation factor is 3.5%
Base year operating expenses per unit are reasonable per comparables	Y	Total Operating Expenses are $14,983 per unit, higher than comparables.
Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is $97,920 or $68 PUPM
Property Management staffing level is reasonable per comparables	N	Property Management Expenses amount to $3,045 per unit per year and include the following staffing assumptions: • 1 Manager and 1 Assistant Manager • 2 maintenance staff • 2 custodians • .5 FTE services staff serving low-income and non-homeless • 4.2 FTE desk clerks
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee is $21,900/yr Annual PM Fee is $7,526/yr
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are $500 per unit per year
Limited Partnership Asset Management Fee meets standards	Y	Limited Partnership Asset Management Fee is $5,000 per year.
Social Services Paid from Operating meetings standards	Y	At .5 FTE, the proposed staffing plan meets MOHCD's requirement of 1:100 for non-homeless/low income families

8. SUPPORT SERVICES

8.1. Services Plan.

The services plan is still to-be-determined. The Sponsor is currently targeting procuring service partners for Early Childhood Education (ECE), TAY Services & Drop-in Center, Tech Training, Senior Center, and Affordable Food option. TNDC Social Workers will provide support services for the family units at 730 Stanyan, including the units set aside for homeless households, while TNDC will likely partner with a 3rd party service provider for service provision to the TAY units.

8.2. Service Budget.

The proposed services budget is being presented to demonstrate the project's overall feasibility for predevelopment loan approval but is not intended to be presented for Loan Committee approval at this time. MOHCD staff will continue to work with the Sponsor to ensure that the budget meets MOHCD underwriting guidelines and HSH requirements.

<u>Family Units:</u>

The Sponsor has proposed that 1 FTE TNDC staff member provide services to the families experiencing homelessness. This would be funded with a contract with HSH. For the non-homeless families, Sponsor will include .5 FTE to be funded through operations to provide services for these households.

<u>TAY:</u>

The Sponsor has proposed 1 FTE staff to serve the TAY residents, which meets HSH's preferred service provider ratio for TAY of 1:20. There will also be 2 third-party service providers who will provide services for the TAY residents at one of the building's ground floor commercial space. The cost of these third party providers are not reflected in TNDC's operating budget as it will be funded by HSH. While the development team has had preliminary discussions with HSH about the service plan, the service plan will require HSH approval prior to gap loan closing.

8.3. <u>HSH Assessment of Service Plan and Budget.</u> Pending receipt of the final Service Plan and Budget.

9. THRESHOLD ELIGIBILITY REQUIREMENTS

The RFQ for developer selection included the following threshold eligibility requirements for the selected developer:

The proposed Development Team must include:

- At least one San Francisco-based non-profit development entity whose mission includes the development of affordable housing in low-income communities with experience developing housing for low-income families, acting either as sole developer or as a partner in a joint venture, or joint-venture partner, defined as a nonprofit organization;
- A property owner entity with experience owning housing for low-income communities and formerly homeless households;
- A property management entity with experience managing housing for low-income communities and formerly homeless households;
- At least one services-providing entity with experience providing services appropriate for formerly homeless residents.
- An architectural firm that has designed and completed construction administration for at least one Qualifying Project in the last 5 years.

10. RANKING CRITERIA

MOHCD posted the RFQ on September 10, 2019. Three teams responded to the RFQ. CCDC and TNDC responded separately. Mission Housing Development Corporation (MHDC) and McCormack Baron Salazar (MBS) also submitted a proposal. The RFQ responses were scored in two parts. The RFQ posted to the website on September 10, 2019 include the criteria included in the chart below. This included a total of 100 points. After the initial posting, MOHCD posted an addendum requiring the three original respondents to provides responses to questions about their approaches to racial equity. The supplemental questions included in the addendum were with an additional 15 points. Our of the total 115 points, CCDC and TNDC scored a total of 107 points each. MHDC and MBS scored a total of 85 points. With CCDC and TNDC scoring a tie, MOHCD requested that they form a joint venture.

Below are the ranking criteria included in the 730 Stanyan Street RFQ:

	Category	Points
A.	**EXPERIENCE:**	**40**
i.	**Developer (15 pts)** ➢ Experience with the following: o Completing projects on time and on budget o Obtaining competitive financing terms o Developing Type V/I or III/I construction o Developing for low-income families ➢ Building community support through outreach ➢ Current staff capacity and experience to take on this project type	
ii.	**Owner (5 pts)** ➢ Track record successfully owning housing financed with Low-Income Housing Tax Credits o Experience owning affordable housing for low-income ➢ Current asset management structure, staffing and portfolio ➢ Capacity for assuming asset management of an expanded portfolio once the development is complete	
iii.	**Property Manager (10 pts)** ➢ Experience property managing for low-income families ➢ Experience achieving high rates of housing retention ➢ Implementing low barrier tenant selection policies ➢ Contributing to long-term sustainability of the development ➢ Achieving cost efficiencies in operations	
iv.	**Service Providers (10 pts)** ➢ Experience delivering services to low-income families ➢ Experience linking residents to the City's safety net of services ➢ Working with property management to achieve high rates of housing retention ➢ Supporting positive outcomes for residents around health and economic mobility ➢ If applicable, provides explanation for service contracts terminated prematurely within the last 5 years	
B.	**VISION:**	**60**
i.	**Program Concept (25 pts)** ➢ Describes vision for a development program at this site, while best achieving the project goals, and includes: o A residential program and other envisioned uses;	

	o Indicates how the proposed uses and amenities will enhance the lives of the proposed target population and the surrounding Haight-Ashbury neighborhood. ➢ Indicates particular groups served by the programs and spaces (tots, children, teens, young adults, adults, elderly, disabled etc.).	
ii.	**Community Engagement Strategy (15 pts)** ➢ Describes community engagement strategy and includes: o The team's philosophy on community engagement; o Process for establishing and/or building positive relationships with surrounding neighbors and the larger community; o Efforts designed to engage all interested community members, including monolingual non-English speaking members of the community; o How the Development Team intends to comply with the City's Language Access Ordinance. ➢ Describes the Team's approach to achieving entitlements for the project expeditiously and the Team's approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations.	
iii.	**Services Delivery Strategy (10 pts)** ➢ Describes the Development Team's services delivery strategy and includes: o The overall service philosophy; o Model for providing any anticipated services to formerly homeless residents (including case management ratio and provision of amenities such as front desk clerks, if applicable); o The services goals of the proposed vision. ➢ A brief description of the desired outcome of the services to be provided and innovative approaches to services provision, including the strategy of engaging residents and encouraging access to services. ➢ Describes how services for residents will be coordinated with the existing network of services in the neighborhood and community.	
iv.	**Finance and Cost Containment Approach (10 pts)** ➢ Describes the Development Team's financing approach to the project. ➢ Includes the Team's process for structuring the project and controlling development costs. ➢ Includes innovative strategies intended to minimize MOHCD's projected capital gap financing. ➢ Describes any innovative (i.e. non-standard, routine or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses.	
	TOTAL POSSIBLE POINTS	**100**

11. RECOMMENDATIONS

11.1. Proposed Loan/Grant Terms

Financial Description of Proposed Loan	
Loan Amount:	$4,500,000
Loan Term:	55 years
Loan Maturity Date:	2055
Loan Repayment Type:	Residual Receipts
Loan Interest Rate:	3%

11.2. Recommended conditions prior to financing gap

1. Sponsor to provide MOHCD with detailed monthly updates on Community Outreach completed, outcomes achieved related to racial equity goals, and commercial-use programming (this may be included in the standard MOHCD monthly report form).
2. Sponsor will evaluate both a 6-story and an 8-story development plan to determine how to maximize development potential on the site while keeping the cost to the City to the amount budgeted by MOHCD.
3. Sponsor will provide operating and development budgets that meet MOHCD underwriting guidelines and commercial space policy requirements.
4. Sponsor to provide MOHCD with a services plan and proposed staffing levels that meet MOHCD underwriting standards prior to gap loan approval. Any changes to the current proposed staffing will need to be presented to MOHCD at least 90 days prior to gap loan approval.
5. Sponsor will work with the architect to establish an acceptable fee, subject to MOHCD approval, in keeping with the MOHCD Fee Proposal Guidelines for Architect and Engineering Basic Services.
6. Sponsor will provide signed LOIs from commercial tenants prior to MOHCD’s gap loan closing.
7. Sponsor will provide MOHCD with information outlining cost containment, efficiencies and innovation strategies to reduce overall project costs and maximize efficiency of MOHCD gap loans.
8. Sponsor to model leveraging additional debt to bring DSC down to MOHCD standard of 1.10.
9. Sponsor will provide Commercial Space Plan to MOHCD no less than 90 days prior to Loan Committee date for gap loan.
10. Sponsor to work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry, noting HSH’s request to have some units with rent restrictions up to 50% AMI.
11. Sponsor will provide for MOHCD review any Request for Proposals (RFPs) for equity investors before it is finalized and released for investors.
12. Sponsor will provide for MOHCD review all raw financial data from developer or financial consultant prior to selection.
13. Sponsor will provide for MOHCD review and approval all selected investors.
14. Sponsor will provide for MOHCD review and approval all Letters of Intent from financial partners.

Post-closing:

- Sponsor will provide initial draft marketing plan within 18 months of anticipated TCO, outlining the affirmative steps TNDC will take to market the project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans.

12. LOAN COMMITTEE MODIFICATIONS

N/A

730 Stanyan

Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Fri 10/2/2020 11:40 AM

To: Chavez, Rosanna (MYR) <rosanna.chavez@sfgov.org>

I approve

Eric D. Shaw
Director

Mayor's Office of Housing and Community Development
City and County of San Francisco
1 South Van Ness Avenue, 5th Floor

730 Stanyan

Menjivar, Salvador (HOM) <salvador.menjivar1@sfgov.org>

Fri 10/2/2020 11:33 AM

To: Chavez, Rosanna (MYR) <rosanna.chavez@sfgov.org>
Cc: Shaw, Eric (MYR) <eric.shaw@sfgov.org>

I approve the predevelopment loan to 730 Stanyan project.

Best,

Salvador

Salvador Menjivar
Director of Housing
Pronouns: He/Him
San Francisco Department of Homelessness and Supportive Housing
salvador.menjivar1**@sfgov.org** **|** 415-308-2843

Learn: [dhsh.sfgov.org]hsh.sfgov.org | Follow: @SF_HSH | Like: @SanFranciscoHSH

730 Stanyan Predev Loan - 10-2-20 Loan Committee

Oerth, Sally (CII) <sally.oerth@sfgov.org>

Fri 10/2/2020 5:21 PM

To: Chavez, Rosanna (MYR) <rosanna.chavez@sfgov.org>; Shaw, Eric (MYR) <eric.shaw@sfgov.org>

On behalf of Nadia Sesay, I approve the predevelopment loan for the 730 Stanyan project presented at the 10/2/20 Loan Committee.

Sally Oerth
Deputy Director

OCII office of COMMUNITY INVESTMENT and INFRASTRUCTURE

730 stanyon

Van Degna, Anna (CON) <anna.vandegna@sfgov.org>

Fri 10/2/2020 11:29 AM

To: Chavez, Rosanna (MYR) <rosanna.chavez@sfgov.org>
Cc: Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Approved

Anna Van Degna
Director, Controller's Office of Public Finance
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 336
San Francisco, CA 94102
Phone: (415) 554-5956
Email: anna.vandegna@sfgov.org

LOAN COMMITTEE RECOMMENDATION

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

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

_______________________________________ Date: ___________________
Eric D. Shaw, Director
Mayor's Office of Housing

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

_______________________________________ Date: ___________________
Salvador Menjivar, Deputy Director of Programs
Department of Homelessness and Supportive Housing

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

_______________________________________ Date: ___________________
Nadia Sesay, Executive Director
Office of Community Investment and Infrastructure

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

_______________________________________ Date: ___________________
Anna Van Degna, Director
Controller's Office of Public Finance

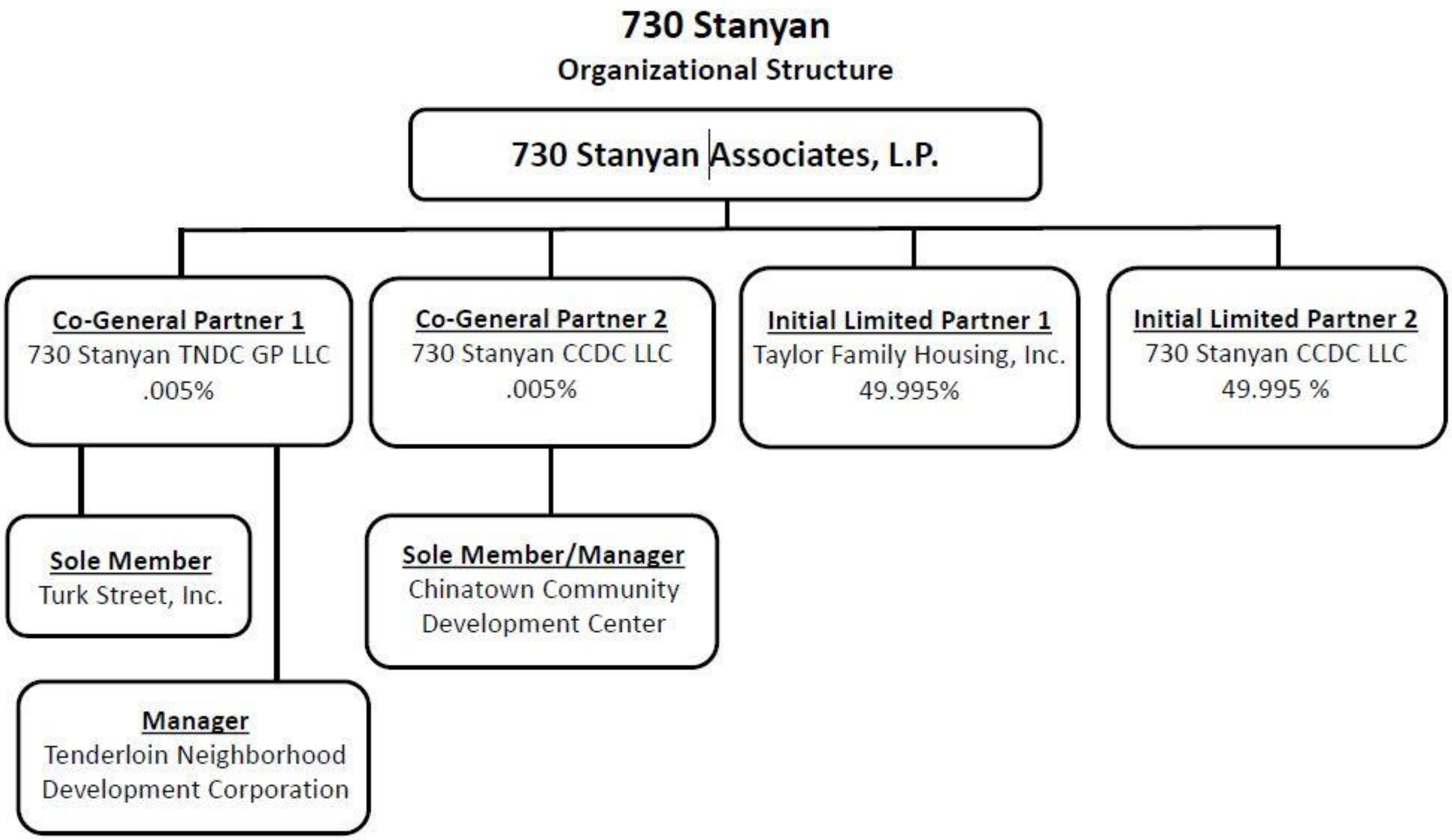
Attachments:
A. Project Milestones/Schedule
B. Borrower Org Chart
C. Developer Resumes
D. Asset Management Analysis of Sponsor
E. Site Map with amenities
F. Elevations and Floor Plans, if available
G. Comparison of City Investment in Other Housing Developments
H. Sources and Uses
I. Development Budget
J. 1st Year Operating Budget
K. 20-year Operating Pro Forma

Attachment A: Project Milestones and Schedule

No.	Performance Milestone	Estimated or Actual Date	Contractual Deadline
A.	Prop I Noticing (if applicable)	Pending	
1	Acquisition/Predev Financing Commitment	8/21/2020	
2.	Site Acquisition	N/A	
3.	Development Team Selection	01/10/2020	
a.	Architect	5/14/2020	
b.	General Contractor	8/14/2020	
c.	Owner's Representative	5/29/2020	
d.	Property Manager	N/A	
e.	Service Provider	N/A	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	11/2/2020	
b.	Submittal of Design Development & Cost Estimate	5/17/2021	
c.	Submittal of 50% CD Set & Cost Estimate		
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	11/29/2021	
5.	Environ Review/Land-Use Entitlements		
a.	SB 35 Approval Application	3/19/2021	
b.	NEPA Environ Review Submission	N/A	
c.	CUP/PUD/Variances Submission	N/A	
6.	Permits		
a.	Building / Site Permit Application Submitted	3/19/2021	
b.	Addendum #1 Submitted	9/1/2021	
c.	Addendum #2 Submitted	11/25/2021	
7.	Request for Bids Issued	1/15/2022	
8.	Service Plan Submission		
a.	Preliminary	11/30/2020	
b.	Interim	6/1/2021	
c.	Update	12/1/2021	

9.	Additional City Financing		
a.	Predevelopment Financing Application #2	N/A	
b.	Gap Financing Application	3/2022	
10.	Other Financing		
a.	MHP Application	3/10/2021	
c.	AHP Application	3/10/2021	
d.	CDLAC Application	9/23/2021	
e.	TCAC Application	9/23/2021	
f.	HUD 202 or 811 Application	N/A	
g.	Other Financing Application	N/A	
11.	Closing		
a.	Construction Closing	6/1/2022	
b.	Permanent Financing Closing	6/1/2024	
12.	Construction		
a.	Notice to Proceed	6/2/2022	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	12/1/2023	
13.	Marketing/Rent-up		
a.	Marketing Plan Submission	1/30/2023	
b.	Commence Marketing	7/30/2023	
c.	95% Occupancy	4/30/2024	
14.	Cost Certification/8609	12/1/2024	
15.	Close Out MOH/OCII Loan(s)	9/30/2024	

Attachment B: Borrower Org Chart



730 Stanyan Associates, L.P., a California limited partnership. EIN: XXX
730 Stanyan TNDC GP LLC, a California limited liability company. EIN: XXX
730 Stanyan CCDC LLC , a California limited liability company. EIN: XXX
Taylor Family Housing, Inc., a California nonprofit public benefit corporation. EIN: 94-3403318
TBD, a California nonprofit public benefit corporation. EIN: 51-0187791
Turk Street, Inc., a California nonprofit public benefit corporation. EIN: 94-3297381
TBD, a California nonprofit public benefit corporation. EIN. XXX
Tenderloin Neighborhood Development Corporation, a California nonprofit public benefit corporation. EIN: 94-2761808

Attachment C: Developer Resume

CCDC Staffing Capacity:

Kim Piechota, Director of Housing Development
Kim Piechota has over 20 years of experience in affordable housing development, of which 10 are with Chinatown CDC. In her role as Associate Director of Housing Development, Kim helps to develop organizational housing policies, supervises Project Management and Senior Project Management staff, represents Chinatown CDC in housing-related meetings, and performs project management work as necessary. Kim will support the Project Manager through weekly coaching meetings, particularly on critical issues related to financing, contract negotiations, community engagement, and schedule. Kim would devote 10% of her time to supporting Bo on 730 Stanyan.

Bo Han, Project Manager
Bo Han joined Chinatown CDC as a Project Manager in 2019. She is on the cusp of completing construction of 1296 Shotwell, a new concrete building with 94 apartments for low-, very-low, and formerly homeless seniors. She is also managing the bundled syndication of three buildings in Chinatown CDC's portfolio, called the "Through-Line" project. Bo brings to the project her 2 decades of experience as an architect at firms including Gensler and Gehry Partners. Her experience includes large-scale mixed-income, mixed-use multifamily projects that balanced market conditions and having the appropriate commercial tenants for the building residents and neighbors. All these efforts required coordination of various stakeholder groups, including direct engagement with the local communities to help address their concerns and perspectives. Bo also holds a Masters in Real Estate form Georgetown University. Bo will manage 1296 Shotwell, Through-Line, and 730 Stanyan until 1296 Shotwell converts at the end of May 2020. Thereafter she will only manage Through-Line and Stanyan, with 50% of her time devoted to each.

TNDC Staffing Capacity:

Under **Senior Director Katie Lamont**'s leadership, the Housing Development pipeline has grown to include over $1 billion of affordable housing activity and will add roughly 1,500 units of affordable housing to TNDC's portfolio over the next five years. Many of these developments will be Type I, or Type V or III over Type I, new construction projects. Prior to joining TNDC in 2012, Katie worked for nearly a decade at Eden Housing, most recently as the Associate Director of Real Estate Development leading business development and entitlements for new construction family, senior, and mixed-use projects.

Associate Director Tom Lauderbach joined TNDC in March 2014. His career in affordable housing spans more than 30 years; he was one of TNDC's founding members, serving as an AmeriCorps Vista volunteer. He worked for several Bay Area nonprofit housing developers prior to joining TNDC, and worked as a real estate development consultant for more than a decade. He contributes particular expertise in construction management, contracting, and risk management. Tom has a Bachelor of Science degree from the University of California Berkeley.

Project Manager Emily Van Loon joined TNDC in 2016, bringing five years of professional experience in affordable housing. Emily has been critical to the successful rehabilitation of both O'Farrell Towers and the Rosa Parks Apartments. She is managing the rehab of the Yosemite

Apartments and Ambassador Hotel, whose financing plan includes a complicated combination of 4% and 9% credits. Prior to TNDC, she worked at Habitat for Humanity Greater San Francisco, developing affordable homeownership and multi-family opportunities in San Francisco, Marin, and San Mateo Counties. Emily has her undergraduate degree in urban studies from Wayne State University and a Master of Urban and Regional Planning from San Jose State University.

Assistant Project Manager Hermandeep Kaur joined TNDC in 2018 through the Bay Area Housing Internship Program. She has worked on both new construction and rehab projects during her time with TNDC. She holds a Bachelor of Arts from San Francisco State University. Aditya will provide oversight of financing and entitlements of 730 Stanyan, with Emily taking responsibility for day-to-day project management. Hermandeep will provide assistance with these efforts as “project-manager-in training”. Both Emily and Hermandeep worked on the recently completed Rosa Parks Apartments. They have capacity to give 730 Stanyan the time and attention necessary to bring the project to operations as expeditiously as possible.
TNDC Housing Development is a team of 16 housing professionals, and includes 2 Associate Directors, 2 Senior Project Managers, 4 Project Managers, 5 Assistant Project Managers, 1 Intern, and 1 Project Administrator.

.

Attachment D: Asset Management Evaluation of Project Sponsor

TNDC

TNDC has 42 projects in its portfolio, with an additional 17 projects in the pipeline including recapitalization. The average units per project ranges from 75-120.

There are three full-time employees. The department is headed by the Director of Asset Management, with two Asset Managers reporting to the Senior Asset Manager, who reports to the CFO. Each of the three employees in the Asset Management Department have a set number of projects in the portfolio. Each is responsible for developing asset management plans for each property, as well as managing the needs and requests of the partner and/or lender in each of the properties, examining opportunities related to the rental structure/operating subsidies, and developing, when necessary, partner exit strategies and/or resyndication and refinancing strategies for those projects that are approaching Year 15.

Members of the Asset Management Department work closely with other TNDC departments. Each project in development in the Housing Development Department has a multidisciplinary “interdepartmental team” to help inform rehab or new construction scopes in which one or more members of asset management participates. Additionally, TNDC has a Recapitalizaion Workgroup, in which all members of the Asset Management Department attend in order to update senior staff members and the Housing Development Department about asset management plans, partner exit strategies and other asset management related activities, challenges and opportunities.

CCDC

- **# of projects and avg. # of units/project currently in sponsor’s asset management portfolio**
  33 Projects, 84 average units per project
- **Sponsor’s current asset management staffing – job titles, FTEs, org chart and status of each**
  The Asset Management Department (AM) is comprised of 4.625 FTE:
  - Director of Asset Management
  - Senior Asset Manager
  - Asset Manager
  - Asset Management Coordinator
  - Asset Management Assistant (25 hours per week)

  Their duties are outlined in the job descriptions included at the end of the document. All positions are filled.

- **Description of scope and range of duties of sponsor’s asset management team**
  AM monitors the financial and physical health of the portfolio. They produce financial projections for each building in order to monitor the long-term viability of the property. They commission capital needs analyses for each building every five years and monitor the process of getting all called for repairs and replacements done. They collaborate with the Housing Development Department to develop work-out plans for troubled properties. With the Property Management Department, they set rents at each building according to the various programs and funding sources in place. They are the main point of contact between CCDC and the lenders, partners, and regulators of the portfolio. This includes all periodic reporting.

- **Description of sponsor’s coordination between asset management and other functional teams,**

including property management, accounting, compliance, facilities management, etc.
AM meets twice-monthly with the Housing Development, Property Management, and Fiscal departments to discuss cross-department topics and coordinate the organization's approach to property and portfolio issues. The Director of Property Management, Compliance Managers, and Property Supervisors, and Fiscal Department are located in the same building as AM, which allows for easy communication and an awareness of each other's roles and challenges.

- **Sponsor's budget for asset management team – shown as cost center for projects in SF**
  CCDC does not maintain a separate budget for the Asset Management team since it is part of their Fiscal Department.

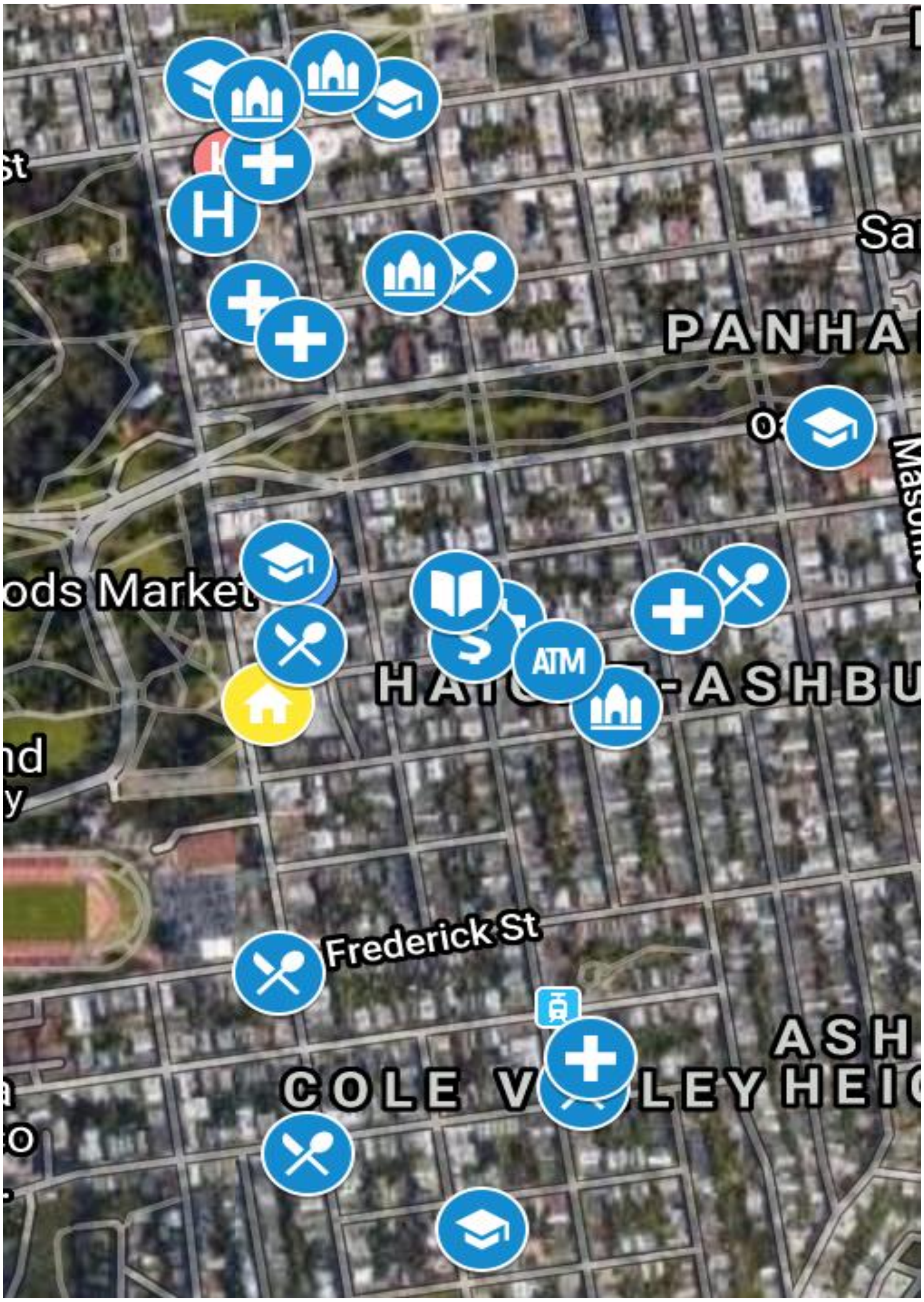
- **# of projects expected to be in sponsor's AM portfolio in 5 years and, if applicable, plans to augment staffing to manage growing portfolio**
  With respect to the number of projects the Sponsor expects to have in its asset management portfolio in the coming five years, CCDC has provided its Real Estate Owned schedule ("REO schedule." In the next five years, CCDC will add the following projects to the portfolio:

  - 2060 Folsom (127 units)
  - 1150 3rd Street a.k.a. Mission Bay Block 3E (119 units)
  - Treasure Island, with Sword to Plowshares (100 units)
  - 730 Stanyan with TNDC (120+units to be determined)

  A number of other projects are under consideration and may be added to the portfolio. In addition, through the Small Sites program we expect to add 15 to 20 new properties totaling between 60 and 400 units.

  AM is a relatively new department and has spent considerable time in the past two years developing and implementing policies and procedures that are improving the quality and efficiency of our work. We expect to be able to add these projects without increasing staffing. The asset management activity that creates spikes in our regular work flow is refinancing. If these should prove too great a strain on staffing, we have relationships with very competent consultants who can perform the work for us and charge their time to the project.

Attachment E: Site Map with amenities



Refer to Table 2 Site Amenities for "Neighborhood Amenities within 0.5 miles"

Attachment F: Elevations and Floor Plans

Attachment G: Comparison of City Investment in Other Housing Developments

Attachment H: Sources and Uses

Attachment I: Development Budget

Attachment J: 1st Year Operating Budget

Attachment K: 20-year Operating Proforma