

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

MEMORANDUM

DATE: MAY 21, 2021
TO: CITYWIDE AFFORDABLE HOUSING LOAN COMMITTEE
FROM: CINDY HEAVENS, SENIOR PROJECT MANAGER
RE: **TREASURE ISLAND PARCEL C3.1 – PRELIMINARY GAP REQUEST FOR CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) APPLICATION FINANCING PURPOSES**

PRELIMINARY GAP

AHF - Inclusionary:	\$ 26,846,102 - AHP bridge loan
2019 GO Bonds:	\$ 2,316,708
Subtotal:	\$ 29,162,810

EXISTING PREDEVELOPMENT LOANS

AHF - Inclusionary:	\$ 3,500,000
CPMC Fund:	\$ 1,000,000
Subtotal:	\$ 4,500,000

TOTAL CDLAC COMMITMENT

LETTER REQUEST: \$33,662,810

Summary of Request

Mercy Housing California 82, LP., a partnership formed by Mercy Housing California (“Mercy” or the “Sponsor”), requests a preliminary gap commitment to support Treasure Island Parcel C3.1 (“IT – C3.1” or “Project”) application to the Round 2 of California Debt Limit Allocation Committee (“CDLAC”) for tax-exempt bonds and Tax Credit Allocation Committee (“TCAC”) for tax credits, jointly due May 13, 2021 (with the City as the bond issuer) for an August 11, 2021 Allocation Meeting. Since the CDLAC/TCAC joint application is highly competitive, an enforceable commitment is required from the local jurisdiction to obtain maximum leveraging points. For this reason, the preliminary gap request to MOHCD is for a City contribution up to \$33,662,810, including a bridge loan of \$1,250,000 with anticipated repayment from the Federal Home Loan Bank-Affordable Housing Program (“FHLB AHP”), for the Project located at the working address of 6th Street at Avenue C.

Mercy most recently received Citywide Affordable Housing Loan Committee (“Loan Committee”) approval on January 29, 2021 for an additional predevelopment loan (“Evaluation”, Exhibit A) amount of \$2.5MM. This memo updates Loan Committee on the Project status and the proposed development budget. If awarded bonds in August 2021, an updated proposed final budget will be presented for recommendation to the Board of Supervisors to Loan Committee in early January 2022, prior to start of construction (estimated to occur by March 2022) that will be based on final hard cost bid numbers. This loan evaluation contains the following updated information:

- An update on Project status, including the proposed development budget based on 50% construction drawings (“CD”);
- An update on affordability assumptions based on unit size, and;
- An update on previous conditions required to be satisfied prior to additional funding requests.

Staff recommends providing the Sponsor with a CDLAC Commitment Letter totaling \$33,662,810.

Update on Project Status

1. BACKGROUND

Catholic Charities, a One TI member and housing services provider delivering services on Treasure Island (“TI”), selected Mercy, who is also a One TI member, as its TI development partner. TI C3.1 will be the second affordable project to move forward at TI. The land will be owned by TI Development Authority (“TIDA”) and TIDA will lease the land to Mercy Housing California 82, LP. A Mercy affiliate will be the managing general partner of the limited partnership. Catholic Charities is not a participating agency in the limited partnership. The Project is designed as a 7-story building containing 138 units including the manager’s unit and the units will be a mix of 1-, 2-, 3, and 4- bedrooms. There will be 71 units set aside for homeless households that lived on TI before the Disposition and Development Agreement was executed with the City (“pre-DDA” or “Legacy Households”). There will be 23 units set aside for market-rate Legacy Households. The remaining 43 units will be for households with incomes at or below 82% MOHCD area median income (“MOHCD AMI”)/60% TCAC area median income (“TCAC AMI”) and Legacy Households and vested households currently living on Treasure Island will have the highest preference during the lease up process.

The Sponsor has made the following progress since the Project was last presented to the Committee:

- Applied for Affordable Housing Program (“AHP”) financing from Federal Home Loan Bank of San Francisco in March 2021;
- Completed 50% construction design documents (“CDs”), and;
- Made changes to affordability to have a more competitive CDLAC application.

2. DEVELOPMENT PLAN

The site description and proposed design has not changed from the Evaluation approved on January 29, 2021.

Construction Supervisor/Construction Specialist’s Evaluation

The budget in this request is based on the 50% construction design drawings (“CDs”) and the associated pricing estimate dated April 16, 2021 is a \$1,218,862 increase over the total hard cost in the Evaluation. Design elements driving cost include building massing, onsite parking garage, and more three- and four-bedrooms than in MOHCD’s typical real estate portfolio. The overall building massing and design is largely driven by the very specific design guidelines set by the Planning Department, which leads to a less efficient use of the site (due to the differing maximum building heights on the east and west halves of the site) and a higher overall building cost (ground floor units required to be two feet above grade and have stoops; breaks in the top floor required losing some bedrooms; etc.) The building also has onsite parking in a garage, and a relatively large number of bedrooms, which further drives up cost.

When this Project is compared to similar MOHCD and OCII completed developments and projects with predevelopment loans that have not started construction, this Project is above average on a cost per unit basis (\$735K vs \$653K). This Project is almost exactly average on a cost per square foot basis (\$527 vs \$526), and below average on a cost per bedroom basis (\$318K vs. \$350K). The hard cost estimates include comparatively large amount of design/plan-check/bid/escalations and contingencies for plans at late stage of development (50% CD), and the Project could probably still achieve some savings through further value engineering efforts. There is a decent chance that the construction contract could end up being less than currently projected. However, due to the developer instructing the design team to put their “pencils down” at the end of July 2020 through October 2020 due to a shortage of predevelopment funding, the drawings are not quite as developed as they could be at 50% CD, and the current bidding environment is highly volatile (due to uncertainties around material availability and pricing, COVID-19 protocols, etc.). Staff accepts these robust contingencies for the purpose of submitting the CDLAC application on May 25th. However, if awarded CDLAC financing, the Sponsor must reduce all contingencies, and Sponsor’s and general contractor’s contingencies and/or price escalations must be aligned with the MOHCD policy prior to the permanent gap request. All savings from contingencies and price escalations must be used to reduce the MOHCD loan.

3. FINANCING PLAN

Updated Sources and Uses Summary

Predevelopment Sources	Amount	Terms	Status
MOHCD Original Loan	\$ 2,000,000	5 yrs. @ 3% Res Rec	Awarded 2/1/19
MOHCD 1 st Loan Amendment	\$ 2,500,000	3 yrs. @ 3% Res Rec	Awarded 1/29/21
Total	\$ 4,500,000		
Permanent Sources	Amount	Terms	Status
MOHCD (Predev & Gap including AHP)	\$33,662,810	55 yrs. @ 3% Res Rec	This Request
Permanent Bank Loan	\$29,215,000	35 yr amort., 18-year term. @ 4.66%	Not Committed
HCD’s AHSC	\$13,753,000	55 yrs. @ 3% Res Rec	Awarded
Tax Credit Equity	\$45,076,554	\$0.93 per credit	Not Committed
GP Equity Contribution	\$1,000		Not Committed
Def Dev Fee	\$1,160,000		Not Committed
Total	\$122,868,364		
Uses	Amount	Per Unit	Per GSF

Acquisition Costs, including Holding Costs	\$25,000	\$181	\$1
Hard Costs	\$101,556,448	\$735,916	\$527
Soft Costs	\$17,546,916	\$127,152	\$91
Developer Fee	\$3,740,000	\$27,101	\$19
Total	\$122,868,364	\$890,350	\$637

Per unit total development cost (“TDC”) without acquisition is \$890,169.

Potential/Proposed Permanent Financing.

The Sponsors propose to use the following permanent sources for the Project:

MOHCD Loan (\$33,662,810). The MOHCD amount loan shown in the CDLAC application includes an AHP bridge loan of \$1,250,000. The Sponsors applied for AHP in March 2021 and anticipate an award announcement in June 2021, which is after the submission date of the 2nd Round CDLAC applications. If awarded AHP in June 2021 and assuming the Federal Home Loan Bank (“FHLB”) can meet the construction closing schedule, the MOHCD loan will be immediately reduce to \$32,412,810, and the construction closing will occur with AHP funds. If the Sponsors are not awarded AHP in June 2021, the Sponsors will continue to apply for AHP financing and the MOHCD loan will include the AHP bridge loan at the construction/gap loan closing. When the Sponsors are awarded AHP, the MOHCD loan will be a will be repaid once FHLB disburses the funds.

Permanent Loan (\$29,215,000). The permanent loan is projected to be 35 years amortized with an 18-year term with an interest rate of 4.66%. The loan is anticipated to have two tranches. The first tranche will be sized based on the tenant rents excluding Continuum of Care (“CoC”) units. The second tranche is projected to supported from the CoC subsidy, even though these units cannot support conventional hard debt due to annual renewals. The Sponsor is in discussion with Citibank, who is considering providing a loan with the leveraged CoC subsidy, as long as MOHCD will provide a Local Operating Support Program Memorandum of Understanding (“LOSP MOU”) stating that LOSP will be pursued if CoC is not renewed. This LOSP MOU is similar to one provided on 1296 Shotwell. MOHCD has confirmed with the Department of Homelessness and Supportive Services (“HSH”) that if LOSP is used to replace CoC for this Project only LOSP may service debt. This potential loan repayment without the LOSP MOU was included as a Principal Development Issue in the Loan Evaluation approved on January 29, 2021. However, it should be noted that Catholic Charities, the recipient of the CoC funds, has received CoC since 1999. For the new construction financial transaction, Catholic Charities will assign its grant contract to the Mercy Housing California 82, LP. With this small amount of risk, Citibank is comfortable providing Mercy with a commitment letter for the CDLAC application. However, the language regarding the CoC subsidy has not been finalized in the Citibank commitment letter at the time of this request.

HCD AHSC Loan (\$13,753,000). No change to this source and explanation since the Evaluation. In May 2021, MOHCD will apply for an AHSC extension on this Project and 226th 4th Street since both projects must start construction by June 2021 and due to the pandemic both projects have been delayed.

4% Tax credit equity (\$45,076,554). Tax credit equity pricing is estimated to be \$0.93 per credit. The Project has a few unique circumstances (CoC, pending TI lawsuit, supportive housing, TI location, and

large size investment) that likely will make it less attractive to the direct investors who tend to bid high. The Sponsor assumes that the Project will be more attractive to the National Equity Fund (“NEF”) or Enterprise who don’t price developments as high as a direct investor. However, the Sponsors will market the equity and debt openly.

The tax credit equity estimate assumes a 130% DDA boost. The 4% tax rate is included in the equity pricing and as a result some of the construction cost increases are covered with the increase equity. Due to 23 units being set aside for Legacy Households with incomes above 137% MOHCD AMI/80% TCAC AMI, only 83% of the project is tax credit eligible.

Sponsors will apply for 4% Tax Credits and tax-exempt bonds through a joint CDLAC-TCAC application due on May 13, 2021, under CDLAC’s “Special Needs” category and will receive a credit boost of 20%. The Sponsor currently forecasts the Project earning 119 points of the maximum 140 points and have an estimated tiebreaker score of \$175,648 and at this time is one of the lower tiebreaker scores of the MOHCD and OCII developments applying for bonds in the 2021 2nd Round. Based off recent awards, and due to ongoing revisions to the CDLAC scoring system, the Project’s chances to receive a CDLAC award in August 2021 are uncertain, though highly plausible. The Project Team and MOHCD staff will continue to monitor upcoming CDLAC awards more closely and strategize ways to advocate for the Project.

GP Equity (\$1,000). The general partner equity is reduced to \$1000, which is slightly above the \$100 minimum amount required by an investor. The reduced GP equity allows the Sponsor to request fewer bonds and increases its tiebreaker score by reducing cost per unit.

Deferred Developer Fee (\$1,160,000). The Sponsor will take the maximum MOHCD allowable deferred developer fee.

Construction Loan (\$79,840,174). The Sponsor will apply for an allocation of tax-exempt bonds in the 2021 2nd Round. The Sponsor submitted their CDLAC self-scoring to MOHCD prior to CDLAC-TCAC commitment letter loan request.

The construction loan will be paid off by the permanent loan, AHSC, and tax credit equity. The tax-exempt bond request does not exceed the per-project cap of \$75MM because the Sponsor will request \$64.4MM in tax-exempt bonds; the remaining \$15.5MM of the loan will be a taxable tail underwritten at an interest rate of 3.5%. This structure allows the project to meet the 50% test safely while reducing the bond request for scoring purposes.

Uses Evaluation. Other than the change to the developer fee there has been no change to the uses from the Evaluation dated January 29, 2021.

Developer Fee. The Sponsors are requesting a waiver of the MOHCD Developer Fee Policy in order to reduce per unit costs and make the Project more competitive for tax exempt bonds. The Sponsors are taking less than the maximum developer fee allowed under TCAC, which is 15% of eligible basis. To increase the application competitiveness for CDLAC, the Sponsor is requesting the allowable cash out Project Management fee, At-Risk fee, and Deferred Development fee, but propose to provide \$1,000 in general partner equity, and not the required \$500,000 amount that is required by the MOHCD Developer Fee Policy.

Total Developer Fee:	\$3,740,000	
Project Management Fee Paid to Date:	\$ 350,000	
Amount of Remaining Project Management Fee:	\$ 750,000	
Amount of Fee at Risk (the "At Risk Fee"):	\$1,479,000	

Amount of Fee Deferred (the "Deferred Fee"):	\$1,160,000	
Amount of General Partner Equity Contribution (the "GP Equity"):	\$ 1,000	
Milestones for Disbursement of that portion of Developer Fee <u>remaining</u> and payable for Project Management	Amount Paid at <u>remaining</u> Project Management Fee Milestones	Percentage of Project Management Fee
Project Management Fee Paid to Date	\$ 350,000	
2 nd Round 2021 CDLAC-TCAC Application Submission	\$ 100,000	9%
3 rd Round 2021 CDLAC-TCAC Application Submission, if unsuccessful in Round 2 nd . If successful in 2 nd Round, this disbursement will be paid when permit ready site plans are completed and 100% CD's.	\$ 100,000	9%
Construction close	\$ 220,000	20%
Upon completion of 75% construction completion	\$ 110,000	10%
Upon evidence of FHLB AHP application submission and receipt of TCO.	\$ 110,000	10%
Project close-out	\$ 110,000	10%
Total Cash-Out Project Management Fee	\$1,100,000	100%
Milestones for Disbursement of that portion of Developer Fee defined as At-Risk Fee	Amount Paid at At-Risk Milestones	Percentage of At-Risk Fee
100% lease up and draft cost certification	\$ 295,800	20%
Permanent conversion	\$ 739,500	50%
Project close-out	\$ 443,700	30%
Total At-Risk Fee	\$1,479,000	100%

4. PROJECT OPERATIONS

Units Size and Affordability Restrictions

In the Evaluation dated January 29, 2021 some of the units are to be available through DAHLIA were planned to be affordable to households at or below 137% MOHCD AMI/80% TCAC AMI, to allow income eligible TI Legacy Households to move into tax credit eligible units rather than market rate units. However, these units' affordability restrictions are now reduced to 82% MOHCD/60% TCAC AMI based on Mercy's recent experience closing mixed-income deals and information they have received regarding some investors' concerns related to higher income units in mixed income buildings. The new affordability restrictions based on unit size and target market group is shown in the chart below. Also, in the chart below, "LR" means a Legacy Household replacement unit; "Non-Lottery" means the units will be leased through the Department of Homelessness and Supportive Services ("HSH") Coordinated Entry System ("CES"); "Lottery" means the units will be marketed on MOHCD's DAHLIA.

<u>UNIT SIZE</u>	<u>2021 MAXIMUM INCOME LEVELS</u>		
	No. of Units	MOHCD's TCAC Equivalent AMI	TCAC
<u>NON-LOTTERY</u>			

1 BD – LR CoC	0	41% MOHCD AMI	30% TCAC AMI
2 BD – LR CoC	51	41% MOHCD AMI	30% TCAC AMI
3BD – LR CoC	18	41% MOHCD AMI	30% TCAC AMI
4 BD – LR CoC	2	41% MOHCD AMI	30% TCAC AMI
LR CoC Sub-Total	71		
LOTTERY FOR LEGACY HOUSEHOLDS ONLY			
1 BR -LR	0	136% MOHCD AMI	100% TCAC AMI
2 BR - LR	4	136% MOHCD AMI	100% TCAC AMI
3-BR - LR	14	136% MOHCD AMI	100% TCAC AMI
4-BR - LR	5	136% MOHCD AMI	100% TCAC AMI
136% MOHCD AMI LR Sub-Total	23		
LOTTERY			
1 BR	8	69% MOHCD AMI	50% TCAC AMI
2 BR	2	69% MOHCD AMI	50% TCAC AMI
3-BR	3	69% MOHCD AMI	50% TCAC AMI
4-BR	3	69% MOHCD AMI	50% TCAC AMI
69% MOHCD AMI Sub-Total	16		
1 BR	15	82% MOHCD AMI	60% TCAC AMI
2 BR	3	82% MOHCD AMI	60% TCAC AMI
3-BR	5	82% MOHCD AMI	60% TCAC AMI
4-BR	4	82% MOHCD AMI	60% TCAC AMI
109% MOHCD AMI Sub-Total	27		
STAFF UNITS			
2-BR	1	N/A	N/A
TOTAL	138		
PROJECT AVERAGE ALL UNITS		68.79%	50.36%
PROJECT AVERAGE EXCLUDING 100% TCAC AMI		54.64%	39.91%

It should be noted that the 136% MOHCD AMI/100% TCAC AMI on the market rate LR units is for the re-release of the unit when the initial Legacy Household moves out. As shown below in the income section of this loan memorandum, these rents are set at the following:

- \$1,963 for a two-bedroom unit, which is equivalent to 68% MOHCD AMI rent/48% TCAC AMI rent;
- \$2,196 for a three-bedroom unit, which is equivalent to 73% MOHCD AMI rent/46% TCAC AMI rent; and,
- \$2,416 for a four-bedroom unit, which is equivalent to 73% MOHCD AMI rent/46% TCAC AMI rent.

While the proposed rents are well below 136% MOHCD AMI/100% TCAC AMI, in order to accommodate any market rate Legacy Household, Mercy with TIDA assistance, is not restricting these units in order for TIDA to meet its housing obligations for Legacy Families. Also, note that the affordability average for all units exceeds 60% MOHCD AMI, the MOHCD average affordability requirement. However, the affordability mix is requested by TIDA in order for it to meet its obligations related to the Legacy Households. If the 136% MOHCD AMI/100% TCAC AMI units are excluded from the overall affordability average the affordability of the tax credit eligible units is below 60% MOHCD AMI. Mercy has support on excluding the 136% MOHCD AMI/100% TCAC AMI from overall building affordability from its attorney and financial consultant.

Income. Rents based on the affordability mix are shown below. Units with stars are market rate units. The market rate unit rents are set at the average rent of the Legacy Households' current rents. The market rate rents are subject to City's Rent Board adjustments, which range from 1% up to 3% annually and in the past 7 years averages 1.77% annual escalation. For underwriting and as a condition prior to additional financing placed on the project in February 2019 with the initial predevelopment loan, the 20-year pro forma has an annual escalation of 1%. Upon release of the unit after the market rate Legacy Household moves out, the market rate rent may be adjusted to be comparable rent that is 10% below other market rate units on TI and not to exceed 136% MOHCD AMI/100% TCAC AMI.

Unit Type	Proposed Number of Units	Max. Rent includes utility allowance	Max Tenant Paid Rent excluding utility allowances	Subsidy
1BR	8	\$1,631	\$1564	
1BR	15	\$1,957	\$1,890	
Subtotal 1-BR	23			
2BR	2	\$1,957	\$1,871	
2BR	3	\$2,349	\$2,263	
* 2BR	4	\$3,914	\$1,963	
2BR	51	\$2,681 (contract rents)	\$131 (Tenant Payment excluding Utilities)	CoC - \$2,550
Subtotal 2-BR	60			
3BR	3	\$2,262	\$2,156	
3BR	5	\$2,715	\$2,609	
* 3BR	14	\$4,524	\$2,196	
3BR	18	\$3,600 (contract rents)	\$161 (Tenant Payment excluding Utilities)	CoC - \$3,439

Subtotal 3-BR	40			
4BR	3	\$2,523	\$2,389	
4BR	4	\$3,028	\$2,894	
* 4BR	5	\$5,046	\$2,416	
4BR	2	\$3,834 (contract rents)	\$203 (Tenant Payment excluding Utilities)	CoC - \$3,631
Subtotal 4-BR	14			
MGR – 2BR	1			
TOTAL	138			

Operating Budget Evaluation. At the Evaluation approved on January 29, 2021, MOHCD had several conditions related to the operating budgets that Mercy has addressed. The conditions from the Evaluation are discussed below in Section 5; some of the resulting changes have altered operating assumptions.

Operating Proforma		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Debt Service Coverage Ratio (“DSCR”) is between minimum 1.10:1 in year 1 and maximum 1.00:1 in year 17	N	Year 1 DSCR is 1.22; Year 17 DSCR is 1.04. The higher DSCR in year 1 is required in order to have the DSCR at slightly above breakeven in year 18. The loan has an 18-year term and is amortized over 35 years. In years 19 and 20, as the first mortgage loan is repaid the project has excess cashflow.
Vacancy meets TCAC Standards	Y	Vacancy is 5%.
Annual Income Growth is increased at 2.5% per year	Y	Income escalation factor is 2.5% on rents lower than 80% TCAC AMI. As required by MOHCD, on units over 80% TCAC AMI the rents trend at 1%, which is consistent with rent adjustments allowed by the Rent Board.
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 \$13,133 per unit per annum (“PUPA”), excluding reserves and ground lease payment. This amount is approximately \$400 per unit less than at the Evaluation approved on January 29, 2021, but still higher than similar size buildings. If property taxes related to the over 80% AMI units are excluded from the operating budget, the costs are within the range of other similarly sized units.

Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is \$91,500 (\$55.25 per unit per month (“PUPM”)) and is within the allowable HUD maximum published fee schedule
Property Management staffing level is reasonable per comparables	Y	Staffing includes 10.5 FTE total, including the following: <ul style="list-style-type: none"> • 3.0 FTE Assistant Property Manager • 0.5 FTE Housing Support Specialist • 2.0 FTE Desk Clerk • 1.0 FTE Maintenance Manager • 1.0 FTE Maintenance Technician • 2.0 FTE Janitor • 1.0 FTE Resident Services Coordinator
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee payable to the Developer and taken before required debt is \$21,900/yr. Partnership Management Fee taken after required debt is \$25,000/yr. Full operations assumed to begin in 2023 and together the Asset Management and Partnership Management cannot exceed \$48,550.
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$69,000 per year (\$500 PUPA) which is required by HCD.
Limited Partnership Asset Management (LP AM) Fee meets standards	Y	\$5,000 annually with 0% escalation over 20 yrs.
Operating Subsidy: CoC	Y	This development will have 71 units set-aside for formerly homeless families.
Other Fee: Miscellaneous Admin Fee – One TI Fee	Yes, for TI affordable developments with One TI members.	Sponsor has agreed to pay One TI an annual housing services fee of \$3,000 as described in Attachment A of the January 29, 2021 Evaluation. In the Evaluation the fee was paid as an annual operating expense. The fee is now part of the waterfall and received after LP AM Fee. Staff accepts this change.
Supportive Services	N	See discussion below chart.

Supportive Services. In the Evaluation dated January 29, 2021, staff accepted a supportive services amount of \$98,800 for non-homeless units. In this request, Mercy has requested \$100,000 for services to non-homeless units. MOHCD Senior Project Manager reached out to the MOHCD Director of Residential and Community Services regarding the initial draft and budget for this Project. While only 16 units are at 69% MOHCD AMI/50% TCAC AMI, the MOHCD Director of Residential and Community Services stated that residents that live in this Project cannot be excluded from services due to a standard like income, and real estate development staff should consider 66 households available for services. Also, since TI is an isolated community, the isolation adds to challenges and barriers for meeting needs of all residents regardless of income. In MOHCD RAD buildings, MOHCD approved service coordinator full

time equivalent (“FTE”) salary for 60 units at \$81,000 including fringe. Sponsors have assumed the \$100K annual for services includes the following:

- \$85,900 for FTE to service 66 units
- \$13,900 for supplies
- \$ 300 for travel/mileage and parking tolls

MOHCD Director of Residential and Community Services agrees with Mercy and TIDA’s consultant that as a mixed-income development much of the resident services work will be for community engagement of the all building residents including community engagement with the larger revitalized and mixed-income TI community. Also, it will be critical for MOHCD to look at all services provided at TI and for this Project to ensure no duplication of services. MOHCD Director of Residential and Community Services will review along with HSH must provide written approval of the final and comprehensive services plan.

5. STATUS OF PREVIOUS CONDITIONS OF APPROVAL SATISFIED

Below are conditions prior to disbursement of additional predevelopment loan. *Staff and Sponsor are negotiating the additional predevelopment loan and the conditions below will be addressed prior to additional loan disbursement.*

- Sponsor must provide MOHCD with SBE goals established by CMD.
- Sponsor must obtain the hiring goals set by CMD and provide those to MOHCD.
- Sponsors must provide the type of services space and the square footage of the space.
- Sponsor must provide either a letter showing architect fee and receive approval of the architect fee from MOHCD or an executed AIA contract.
- Sponsor must provide Phase I for Parcel C3.1.
- Sponsor must provide updated schedule showing percentage of design drawing completed and when pricing will be provided to MOHCD. Schedule should also include estimated construction bid dates and estimates dates for permits Addendum #1 and #2.
- Sponsor must provide a breakdown of time allocated by Mercy Project Manager, Assistant Project Manager, and Supervisor of Project Manager on this and must submit brief resumes for each of the person on the Sponsor’s development team.

Below are conditions prior to CDLAC-TCAC Commitment Letter Requests and MOHCD will withhold disbursement of the additional predevelopment loan until all conditions are completed.

- Sponsor must provide analysis of tiebreaker score and competitiveness of 2nd Round CDLAC Application.
 - **Status: Completed.** Sponsor provided analysis in the MOHCD Bond Application and updated with this request.
- If Sponsor wants a higher LP Asset Management Fee than what is approved in this loan evaluation, Sponsor must make that request prior to CDLAC commitment letter. Sponsor must provide reason for request with back up evidence.
 - **Status: Completed.** Sponsor’s operating budget and cash flow analysis includes an LP Asset Management Fee consistent with MOHCD’s policy. RFP to investors should continue to show LP Asset Management Fee consistent with MOHCD’s policy. If an investor requests a different LP Asset Management Fee, Sponsor must provide the reason for request with back up evidence and allow MOHCD to evaluate request.
- Sponsor must provide a draft services line item budget for the residential services that may also include supplies. Any reduction in total operating expenses related to services paid for by the property will be used to raise additional permanent debt and reduce MOHCD’s loan.

Status: Completed.

- Sponsor must work with TIDA to determine the rent the first occupants will pay in the Legacy Units. These rents will be the current rent of the Legacy Households escalated by rent increases allowed by the rent board.
Status: Completed. Operating budget current shows the rent average of the existing market rate Legacy Households' rent at the same bedroom size and the rents are approximately equivalent to 73% MOHCD AMI rent/46% TCAC AMI rents. These existing market rate rents have an annual rent increase of 1% in the MOHCD 20-year operating budget. Rent increased on these market rate units are set by the San Francisco Rent Board's allowable annual increase and prior to March 2019 the San Francisco Rent Board rent increase had not exceeded a 2.5% annual increase in 15 years.
- Sponsor must include in its market rate study an analysis of the marketability of the rents set at 136% MOHCD AMI and/or at minimum provide comparison rental charts for market rate units on the island and surrounding neighborhoods to confirm the market rents assumed in the proforma.
Status: Completed. Market rate Legacy Households' rent is the average of the current rents of market rate Legacy Households. Upon re-lease of the unit, after all Legacy Households have received their housing benefits, Sponsor and TIDA agree the units will need to be set 10% below market to remain leasable.
- Sponsors must provide a draft service plan and services plan line item budget. In submission, Sponsor must explain rationale for providing resident services to market rate households. If Sponsors assume providing services to market rate households, Sponsor must explain in detail the type of services it anticipates providing to market rate households.
Status: In progress. Sponsor is drafting and will submit this to MOHCD when it submits a copy of its CDLAC-TCAC application to MOHCD.

Below are conditions prior to final Gap Loan Request. ***Sponsor is in progress on all of the conditions below and these are not due at this time.***

- If awarded CDLAC financing, the Sponsor must reduce all hard cost contingencies and pricing escalations. Sponsor's and general contractor's contingencies and/or price escalations must be aligned with the MOHCD policy. All savings from contingencies and price escalations must be used to reduce the MOHCD loan
- Sponsor must provide evidence of AHSC extension in process or has been granted.
- Sponsor must provide evidence that a lender has accepted underwriting the CoC with a LOSP MOU.
- Sponsor must provide an updated draft and near final services plan and budget. Services Plan must be reviewed and approved by the Department of Homelessness and Supportive Housing ("HSH").
- Sponsor must submit Request for Proposals for equity investors to MOHCD for review/approval before it is finalized and released to investors.
- Sponsor must submit recommended investors to MOHCD for review/approval prior to signing letter of intent.
- Sponsor must submit raw financial data from developer or financial consultant, as well as any letters of intent, for MOHCD review/approval prior to selection of permanent mortgage lender.

Below are conditions prior to disbursement of second payment of Developer Fee during construction.

- Sponsor must apply to FHLB for AHP loan in maximum amount for which competitiveness can be achieved (estimated to be \$1,500,000 at this time.)
Status: In progress. Sponsor applied for AHP financing in March 2021. If not awarded, Sponsor will apply again.

Below are the remaining disbursement conditions from the 2/1/2019-Loan Evaluation.

- Developer must submit to MOHCD updated financial projections after AHSC award determination and updated pre-DDA survey analysis for review and approval. These projections must include 1% rental income trending (or other Rent Board related trending) on 23 pre-DDA households, projected interest level of pre-DDA households in C3.1, updated construction budget with adequate contingencies and escalation, and resulting updated TIDA gap commitment.
Status: Complete. MOHCD has updated its budget to show 1% annual rent increase on the over 80% TCAC AMI units. The proforma with this request has the 1% income trending. Sponsor's financial consultant's budget also shows these market rate unit trending 1% annually.
- Developer must submit a Services Plan and Budget for MOHCD and HSH review and approval prior to construction loan closing.
Status: In progress. A new and revised condition linked to a milestone has been created and is provided above under conditions prior to CDLAC Commitment Letter and gap loan request.
- MOHCD must review and approve Operating Budget and include analysis of potential for leveraging of CoC rental income prior to construction loan closing.
Status: Completed. A new and revised condition linked to a milestone has been created and is provided above under conditions prior to gap loan request.
- Developer must report on TIDA/TICD progress in MOHCD monthly reports. If at any time the projections show a reduction in funding to support TIDA's commitment, TIDA must present alternative financing to MOHCD or MOHCD will hold future disbursements of the predevelopment loan until such time as alternative financing commitments can be shown.
Status: Not Applicable for this project.

6. STAFF RECOMMENDATION

A new loan condition related to hard cost pricing has been added above to the "Conditions prior to final Gap Loan Request." Mercy needs to complete all in progress conditions prior to its next financing request.

LOAN COMMITTEE MODIFICATIONS

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, Director of Housing
Department of Homelessness and Supportive Housing

APPROVE. DISAPPROVE. TAKE NO ACTION.

Date: _____

Sally Oerth, Interim 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: Attachment A – Updated Sources and Uses
 Attachment B – Updated 1st Year Operating Budget and 20-Year Cashflow
 Attachment C – Comparison of City Investment in Other Housing Developments
 Attachment D – January 29, 2021 Predevelopment Loan Evaluation

Chavez, Rosanna (MYR)

From: Shaw, Eric (MYR)
Sent: Friday, May 28, 2021 10:08 AM
To: Chavez, Rosanna (MYR)
Subject: Loan Committee - Treasure Island C3.1 Gap

I approve

Eric D. Shaw
Director/ Interim Director HopeSF

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

Chavez, Rosanna (MYR)

From: Menjivar, Salvador (HOM)
Sent: Friday, May 21, 2021 3:33 PM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR)
Subject: REQUEST FOR PRELIMINARY GAP LOAN FINANCING FOR TREASURE ISLAND PARCEL C3.1

I approve Mercy Housing requests for \$33.6 million in preliminary permanent financing for Treasure Island Parcel C3.1.

Salvador



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

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Chavez, Rosanna (MYR)

From: Oerth, Sally (CII)
Sent: Friday, May 21, 2021 11:39 AM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR); Heavens, Cindy (MYR)
Subject: Gap Loan Financing for Treasure Island Parcel C3.1, 5.21.21 Loan Committee

I approve the gap loan financing request for Treasure Island Parcel C3.1, as presented at the 5.21.21 Loan Committee (with corrections as noted in the presentation)



Sally Oerth
Interim Executive Director

📍 One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
☎ 415.749.2588
🏠 www.sfocii.org

Chavez, Rosanna (MYR)

From: Pereira Tully, Marisa (CON)
Sent: Friday, May 21, 2021 11:39 AM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR)
Subject: Gap Loan Financing for TI C3.1

Approve with staff named corrections to memo. Recommend MOH and HSH work with Mayor's Budget Office on solidifying any LOSP obligations as these costs are centrally tracked.

Marisa Pereira Tully (she/her)
Controller's Office of Public Finance
City and County of San Francisco

Attachment A: Updated Sources and Uses

See attached.

Attachment B: Updated 1st Year Operating Budget and 20-Year Cashflow

See attached.

Application Date: 1/5/2021 Project Name: Treasure Island Parcel C3.1
 Total # Units: 138 Project Address:
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2023 Project Sponsor: Mercy Housing Calwest
TCAC Income Limits In Use!

INCOME	Total	Comments
Residential - Tenant Rents - 80% AMI or Less	1,149,360	Links from New Proj - Rent & Unit Mix Worksheet
Residential - Tenant Rents - >80 AMI	608,112	Links from New Proj - Rent & Unit Mix Worksheet
Residential - Tenant Assistance Payments (Non-LOSP)	2,390,568	Links from New Proj - Rent & Unit Mix Worksheet
Commercial Space	0	Links from Utilities & Other Income Worksheet
Residential Parking	0	Links from Utilities & Other Income Worksheet
Miscellaneous Rent Income	0	Links from Utilities & Other Income Worksheet
Supportive Services Income	0	
Interest Income - Project Operations	0	Links from Utilities & Other Income Worksheet
Laundry and Vending	7,176	Links from Utilities & Other Income Worksheet
Miscellaneous Residential Income	0	Links from Utilities & Other Income Worksheet
Other Commercial Income	0	Links from Utilities & Other Income Worksheet
Withdrawal from Capitalized Reserve (deposit to operating account)	0	Links from Commercial Op. Budget Worksheet
Gross Potential Income	4,155,216	
Vacancy Loss - Residential - Tenant Rents - 80% AMI or Less	(57,468)	Vacancy loss is 5% of <=80% AMI Tenant Rents.
Vacancy Loss - Residential - Tenant Rents - >80% AMI or Less	(30,406)	Vacancy loss is 5% of >80% AMI Tenant Rents.
Vacancy Loss - Residential - Tenant Assistance Payments	0	Vacancy loss is 0% of Tenant Assistance Payments.
Vacancy Loss - Commercial	0	Links from Commercial Op. Budget Worksheet
EFFECTIVE GROSS INCOME	4,097,748	PUPA: 29,694

OPERATING EXPENSES		
Management		
Management Fee	91,500	1st Year to be set according to HUD schedule.
Asset Management Fee	21,900	
Sub-total Management Expenses	113,400	PUPA: 822

Salaries/Benefits		
Office Salaries	340,060	3.0 Asst PM FTE, 0.5 FTE Housing Support Specialist, and 2.0 FTE Desk Clerk
Manager's Salary	0	
Health Insurance and Other Benefits	221,590	
Other Salaries/Benefits	0	
Administrative Rent-Free Unit	0	
Sub-total Salaries/Benefits	561,650	PUPA: 4,070

Administration		
Advertising and Marketing	0	
Office Expenses	55,648	
Office Rent	0	
Legal Expense - Property	10,500	
Audit Expense	12,000	
Bookkeeping/Accounting Services	20,250	
Bad Debts	0	
Miscellaneous	0	
Sub-total Administration Expenses	98,398	PUPA: 713

Utilities		
Electricity	59,478	
Water	81,000	based on Mission creek comps
Gas	0	
Sewer	116,640	based on Mission creek comps
Sub-total Utilities	257,118	PUPA: 1,863

Taxes and Licenses		
Real Estate Taxes	101,148	Over-income RE tax
Payroll Taxes	0	
Miscellaneous Taxes, Licenses and Permits	0	
Sub-total Taxes and Licenses	101,148	PUPA: 733

Insurance		
Property and Liability Insurance	210,002	
Fidelity Bond Insurance	0	
Worker's Compensation	0	
Director's & Officers' Liability Insurance	0	
Sub-total Insurance	210,002	PUPA: 1,522

Maintenance & Repair		
Payroll	183,688	1 FTE MM, 1 FTE MT, 2 FTE Janitor
Supplies	28,150	
Contracts	70,650	
Garbage and Trash Removal	91,000	
Security Payroll/Contract	24,000	
HVAC Repairs and Maintenance	8,000	
Vehicle and Maintenance Equipment Operation and Repairs	0	
Miscellaneous Operating and Maintenance Expenses	15,200	
Sub-total Maintenance & Repair Expenses	420,688	PUPA: 3,048

Supportive Services	100,000	
Commercial Expenses	0	Links from Commercial Op. Budget Worksheet
TOTAL OPERATING EXPENSES	1,862,404	PUPA: 13,496

Reserves/Ground Lease Base Rent/Bond Fees		
Ground Lease Base Rent	15,000	Island Development Agency Provide additional comments here, if needed.
Bond Monitoring Fee	16,642	
Replacement Reserve Deposit	69,000	
Operating Reserve Deposit	0	
Other Required Reserve 1 Deposit	0	
Other Required Reserve 2 Deposit	0	
Required Reserve Deposits, Commercial	0	Links from Commercial Op. Budget Worksheet
Sub-total Reserves/Ground Lease Base Rent/Bond Fees	100,642	PUPA: 729

TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)	1,963,046	PUPA: 14,225	Min DSCR: 1.09
NET OPERATING INCOME (INCOME minus OP EXPENSES)	2,134,702	PUPA: 15,469	Mortgage Rate: 5.00%
			Term (Years): 30
			Supportable 1st Mortgage Pmt: 1,958,442
			Supportable 1st Mortgage Amt: \$30,401,815
			Proposed 1st Mortgage Amt: \$29,215,000

DEBT SERVICE/MUST PAY PAYMENTS (hard debt/amortized loans)			
Hard Debt - First Lender	1,694,051	First Mortgage	Provide additional comments here, if needed.
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Len)	0		Provide additional comments here, if needed.
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	57,763	AHSC/IG	Provide additional comments here, if needed.
Hard Debt - Fourth Lender	0		Provide additional comments here, if needed.
Commercial Hard Debt Service	0	Links from Commercial Op. Budget Worksheet	
TOTAL HARD DEBT SERVICE	1,751,814	PUPA: 12,694	

CASH FLOW (NOI minus DEBT SERVICE)	382,888
USES OF CASH FLOW BELOW (This row also shows DSCR.)	1.22

USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL			
"Below-the-line" Asset Mgt Fee (uncommon in new projects, see policy)	18,790	3	
Partnership Management Fee (see policy for limits)	25,000	2	
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	5,000	1	
Other Payments	3,000	4	TIDA IIG Services Fee
Non-amortizing Loan Pmt - Lender 1 (select lender in comments field)	0		Provide additional comments here, if needed.
Non-amortizing Loan Pmt - Lender 2 (select lender in comments field)	0		Provide additional comments here, if needed.
Deferred Developer Fee (Enter amt = Max Fee from cell I130)	15,184	Def. Develop. Fee split: 5%	Provide additional comments here, if needed.
TOTAL PAYMENTS PRECEDING MOHCD	66,974	PUPA: 485	

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	315,914
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Residual Receipts Calculation			
Does Project have a MOHCD Residual Receipt Obligation?	Yes	Project has MOHCD ground lease?	No
Will Project Defor Developer Fee?	Yes		
Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1:	50%	Max Deferred Developer Fee Amt (Use for data entry above. Do not link.):	165,549
% of Residual Receipts available for distribution to soft debt lenders in	50%		

Soft Debt Lenders with Residual Receipts Obligations	(Select lender name/program from drop down)	Total Principal Amt	Distrib. of Soft Debt Loans
MOHCD/OCII - Soft Debt Loans	All MOHCD/OCII Loans payable from res. recs.	\$47,151,279	77.40%
MOHCD/OCII - Ground Lease Value or Land Acq Cost	Acquisition Cost	\$15,000	0.02%
HCD (soft debt loan) - Lender 3	AHSC/IG	\$13,753,000	22.58%
Other Soft Debt Lender - Lender 4			0.00%
Other Soft Debt Lender - Lender 5			0.00%

MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
MOHCD Residual Receipts Amount Due	244,594	50% of residual receipts, multiplied by 77.42% - MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Loan Repayment	244,594	Enter/override amount of residual receipts proposed for loan repayment.
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	0	If applicable, MOHCD residual receipts amt due LESS amt proposed for loan repymt.

REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE	71,320
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NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
HCD Residual Receipts Amount Due	71,320	50% of residual receipts, multiplied by 22.58% - AHSC/IG's pro rata share of all soft debt
Lender 4 Residual Receipts Due	0	
Lender 5 Residual Receipts Due	0	
Total Non-MOHCD Residual Receipts Debt Service	71,320	

REMAINDER (Should be zero unless there are distributions below)	0
Owner Distributions/Incentive Management Fee	0
Other Distributions/Uses	0
Final Balance (should be zero)	0

Attachment C: Comparison of City Investment in Other Housing Developments

See attached.

Attachment D: January 29, 2021 Predevelopment Loan Evaluation

See attached.

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

Treasure Island Parcel C3.1
\$4,500,000 Predevelopment Loan
(\$2,500,000 Additional Funds)

Evaluation of Request for:	Additional Predevelopment Loan
Loan Committee Date:	January 29, 2021
Prepared By:	Cindy Heavens
Source of Funds Recommended:	AHF Inclusionary - \$2,500,000
NOFA/PROGRAM/RFP:	Treasure Island
Total Previous City Funds Committed:	\$2,000,000 AHF Inclusionary - \$1,000,000 CPMC Fund - \$1,000,000
Applicant/Sponsor Name:	Mercy Housing California 82, LP

EXECUTIVE SUMMARY

Sponsor Information:

Project Name:	Treasure Island Parcel C3.1	Sponsor(s):	Mercy Housing California
Project Address (w/ cross St):	Treasure Island Parcel C3.1 (6 th Street at Avenue C)	Ultimate Borrower Entity:	Mercy Housing California 82, LP

Project Summary:

This loan evaluation is a request for additional predevelopment funds in the amount of \$2,500,000 for Treasure Island Parcel C3.1. The additional predevelopment funds will repay a One Treasure Island bridge loan and complete architecture and engineering work and additional predevelopment work. Treasure Island Parcel C3.1 is a partnership between Mercy Housing California (“MHC”) and Catholic Charities (“CC”). MHC will be the developer, property manager and owner of the building. CC will provide services to the residents in partnership with MHC resident services. Treasure Island Parcel C3.1 will be part of Major Phase 1 of the Treasure Island/Yerba Buena Island Redevelopment Plan. CC is currently operating 71 interim supportive housing units on Treasure Island. These units currently receive operating subsidies from the Continuum of Care (“CoC,” formerly Shelter + Care). CC’s interim supportive housing is scheduled to be demolished as part of the Treasure Island Redevelopment Plan which will occur after Treasure Island Parcel C3.1 is complete, with the units offered to those residents as replacement units.

The proposed project includes 138 units consisting of 23 one-bedrooms, 60 two-bedrooms, 40 three-bedrooms, and 14 four-bedrooms. These will include 71 units for CC’s CoC supported households, and 23 units for existing Treasure Island residents (known as “Pre-DDA” or “Legacy Households”). The remaining 43 units will serve as affordable units for income qualifying Legacy and Vested households currently living on Treasure Island will have the highest preference during the lease up process. The project AMIs range from 30% TCAC AMI to 100% TCAC AMI and will utilize TCAC’s income averaging provision to include lower income CoC units as well as higher income Legacy Households (up to 100% TCAC AMI). Building amenities are anticipated to include a community room with kitchen, and offices for staff providing property management and resident services.

7

Project Description:

Construction Type:	Type 1/Type 3/Type 5	Project Type:	New Construction
Number of Stories:	7	Lot Size (acres and sf):	1.14 acres / 49,497 sf
Number of Units:	138	Architect:	Paulett Taggart Architects (PTA)
Total Residential Area:	140,803 SF	General Contractor:	Nibbi Brothers
Total Commercial Area:	0 sf	Property Manager:	Mercy Housing Management Group
Total Building Area:	192,803 SF	Supervisor and District:	Matt Haney, D6
Land Owner:	Treasure Island Development Authority		
Total Development Cost (TDC):	\$122,203,865	Total Acquisition Cost:	\$25,000
TDC/unit:	\$885,535	TDC less land cost / unit:	\$122,178,865
Loan Amount Requested:	\$2,500,000	Request Amount / unit:	\$18,116
HOME Funds?	No	Parking:	28 spaces or 0.20 parking ratio

PRINCIPAL DEVELOPMENT ISSUES

- **Bonds:** The State previously had excess bond volume cap and the 4% bond program was non-competitive. Now bonds are competitive, awarded under a new scoring system, and oversubscribed by approximately 2-to-1. If this project is not awarded an allocation in 2nd Round, the developer will reapply in 3rd Round or until it secures an award. See Section 6.4.
- **Subsidy and Permanent Financing:** Of the 138 units proposed for the development, 71 must be replacement units for households currently served by Catholic Charities on the Island. These units have a Continuum of Care (“CoC”) contract, which is subject to annual appropriations and thus is not typically underwritten by conventional mortgage lenders. Since nearly 50% of the building is supported by this CoC contract that does not service debt, there is significant cash flow projected and the DSCR is well above MOHCD underwriting guidelines. The Sponsor has been investigating and will continue to investigate opportunities such as mezzanine debt with a LOSP Memorandum of Understanding or transition reserve in order to leverage additional permanent sources, if possible. If Sponsor is unable to secure a second permanent loan with the excess cash from the CoC, the MOHCD loan will increase by \$10.9MM, the amount of the second mortgage loan. See Section 6.4 Proposed Permanent Financing, First Mortgage.
- **Replacement Housing Obligation:** The project includes 23 units for non-tax credit eligible households that have replacement units benefits under the Treasure Island DDA, known as “Pre-DDA” or “Legacy Households.” Legacy Households are guaranteed to pay their current rent subject only to rental increases approved by the Rent Board in a replacement unit, should they choose that option for their transition benefits. Further due diligence will be done by TIDA during predevelopment to survey the pre-DDA households to understand household size, level of interest in the C3.1 project, current rents and other considerations that will affect underwriting, since the permanent debt will be dependent upon the operating income generated by the first Legacy Household occupants. See Section 4.7 Target Population and Affordability and 4.8 Marketing and Occupancy Preferences.

SOURCES AND USES SUMMARY

Predevelopment Sources	Amount	Terms	Status
MOHCD Original Loan	\$2,000,000	5 yrs – 3% / Res Rec	Committed
MOHCD Amended Loan	\$2,500,000	3 yrs – 3% /Res Rec	This request
Total	\$4,500,000		
Permanent Sources	Amount	Terms	Status
MOHCD	\$33,014,900	57 yrs - 3% /Res Rec	Not Committed
First Mortgage	\$13,313,800	18 yrs @ 3.90%	Not Committed
Second Mortgage	\$10,904,788	15 years @ 6%	Not Committed
HCD – AHSC Housing	\$13,753,000	55 yrs @ .42% / 3%/Res Rec	Committed
AHP	\$1,250,000	0% /Res Rec	Not Committed
Tax Credit Equity	\$45,547,378	\$0.93/per credit	Not Committed
GP Equity	\$3,260,000		Not Committed
Deferred Developer Fee	\$1,160,000		Not Committed
Total	\$122,203,866		
Uses	Amount	Per Unit	Per SF
Acquisition Costs in Budget	\$25,000	\$181	\$0.13
Hard Costs (includes Contingency)	\$100,337,586	\$727,084	\$520.42
Soft Costs (includes Reserves)	\$15,081,280	\$109,285	\$78.22
Developer Costs	\$6,760,000	48,986	\$35.06
Total	\$122,203,866	\$885,535	\$633.83

1. BACKGROUND

1.1. Project History Leading to This Request.

For a summary of Treasure Island (“TI”), TIDA, Treasure Island Development Corporation LLC (“TICD”), One Treasure Island (“One TI”) and Development Agreement history, see Attachment A.

Catholic Charities, a One TI member and housing services provider delivering services on TI, selected MHC as its TI development partner. Approximately 18 years ago MHC worked with Catholic Charities to complete the rehabilitation of existing One TI units. Treasure Island Parcel C3.1 project will be the second affordable project to move forward at Treasure Island.

This project first came before the Loan Committee in February 2019. At that time the Sponsor requested a \$2MM predevelopment loan and a preliminary gap loan commitment for an AHSC loan application. Since February 2019 the Sponsor has completed two major milestones, having received an AHSC award on June 21, 2019 and completed 100% design development (“DD”) on the construction plans.

The Sponsors request an additional \$2,500,000 in order to achieve 90% construction drawings (CD’s) and complete all predevelopment activities related to a construction closing, including applying for tax-exempt bonds, securing a lender and investor for the project that includes securing a lender on the Continuum of Care grant funds, and requesting an extension of the AHSC award.

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)

Borrower Entity: Mercy Housing California 82, L.P., a limited partnership formed by parent entity Mercy Housing California to manage, own and operate the Project.

MHC has been part of the TI development as a founding member of One TI (formerly known as the Treasure Island Homeless Development Initiative) and the developer to rehab 140 existing units on behalf of One TI service providers. In 2011 TICD approved approvals for the master development of the base, with approximately 8,000 new residential units including a minimum of 435 new units for homeless households to be developed by One TI member organizations, including MHC and CC. At the same time, the Board of Supervisors approved a new agreement with One TI outlining its participation in the development project via housing, economic development and support components and, among other things, reflects the updated land use plan,

development program, housing plan and financing plan described in the TICD Disposition and Development Agreement. The 2011 One TI Agreement explicitly states that TIDA will ground lease each One TI Lot to a selected One TI member organization approved by TIDA for the construction of One TI housing units. One TI has proposed and TIDA approves MHC and CC as the One TI organizations that will lease and develop Parcel C3.1.

Borrower Team: Nabihah Azim is the lead MHC Project Manager for Parcel C3.1. Azim is supervised by Eileen Kuwada. Nyla Hill is the Assistant Project Manager. Time allocation for this project and resumes for the Borrower Team will be provided after loan recommendation and prior to any disbursement of additional predevelopment loan funds are disbursed to MHC.

Past Performance: On December 22, 2020, Mike King, Community Development Operations Manager, reported that there were no negative findings at the time of MHC’s last MOHCD review in June 2019.

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

Site Description	
Zoning:	Parcel C3.1 is zoned Treasure Island Residential (TI-R), it has a 125’ and 70’ height limit along the eastern side of the block and a 40’ height limit along the western side of the block, which may be exceeded up to 52 feet in certain circumstances.
Maximum units allowed by current zoning (N/A if rehab):	Max units per height limit is 138
Seismic (if applicable):	Seismic Zone 4
Soil type:	The Geotechnical Conceptual Design Report for Treasure Island was completed on February 2, 2009. It describes soils comprised of 30-50 ft of sand fill and 20-120 ft of young bay mud, underlain by firmer soils. An island-wide geotechnical stabilization process is underway; see Section 2.2 below. Geotech improvements for C3.1 have been completed.
Environmental Review:	The Final EIR for the Treasure Island/Yerba Buena Island Redevelopment Project was certified on April 21, 2011. Finding of Suitability (in lieu of Phase I/II) was approved on February 15, 2006. A number of mitigations were identified and will be addressed outside of this project. MOHCD facilitated an Environmental Assessment on behalf of C3.1 and this was certified in October 2019. Site specific Phase I will be completed by January 30, 2021. NEPA for the CoC operating subsidy is required. The Authority to Grant Funds (“AUGF”) was completed on January 20, 2020.
Adjacent uses (North):	Market rate housing will be located north of the proposed project.

Adjacent uses (South):	The Chinatown Community Housing Corporation and Swords to Plowshare development, Maceo May, is under construction on an affordable project to the South.
Adjacent uses (East):	The existing Job Corps project will remain in its current location east of the proposed project.
Adjacent uses (West):	Market rate housing will be located west of the proposed project, on the other side of the Shared Right of Way. A greenway will separate the southern edge of the residential area from the bay.
Neighborhood Amenities within 0.5 miles:	Life Learning Academy, Treasure Island Child Development Center, chapel, San Francisco Fire Department (SFFD) fire station, San Francisco Department of Public Health Nurse Intervention Clinic (open twice a week).
Public Transportation within 0.5 miles:	SF Muni: 25 bus
Article 34:	Not exempt. MOHCD Article 34 was completed on January 28, 2019. Due to some changes in the number of affordable units and Continuum of Care units, staff must update the Article 34. The update will be completed prior to the final gap loan request.
Article 38:	N/A, not included in Maher Area
Accessibility:	Project will provide at least 15% of tax credit eligible units as described in California Building Code (“CBC”) 11B 809.2 through 11B 809.5 with mobility features and 10% of tax credit eligible units described in CBC 11B 809.5 for hearing and visual aid features. Adaptability requirements will be determined by the San Francisco Mayor’s Office on Disability.
Green Building:	While Treasure Island overall is projected to be the largest LEED Platinum Neighborhood Development in the U.S., each affordable parcel will achieve Green Point Rating of at least 125.
Recycled Water:	Not exempt (dual plumbing is required.)
Storm Water Management:	Storm Water Management improvements are being completed by the master developer. No site-specific Storm Water Management Plan is required and will be developed.

2.1. Zoning. Zoning for Treasure Island is governed by the Treasure Island/Yerba Buena Island Special Use District, incorporated into the SF Planning Code, which established basic land use and development standards and establishes TIDA and the Planning Department as approval entities for any vertical development. This Special Use District (Planning Code 249.52) creates a new city neighborhood within a previous naval base by providing significant amounts of affordable housing, increased public access and open space, transportation improvements, extensive infrastructure improvements, and recreational and entertainment opportunities. A Design for Development (D4D) document approved by TIDA, the Board of Supervisors, and the Planning Department in 2011 offers detailed design standards and guidelines including building heights, massing, and setback benchmarks. Height zones focus the greatest density near transit, and aim to provide a comfortable pedestrian

environment while crafting an attractive skyline that will be viewed from around the Bay Area. A Streetscape Master Plan offers detailed guidance on paving, street trees and planting, lighting, street furnishings, and parking. The site has a 125' height limit along the majority of Avenue C then steps down to 70' as it gets closer to the mid-block easement. The site also steps down to 40' at the pedestrian public way, with stoops and plants allowed to encourage street activity. The D4D also requires green systems such as solar thermal and solar panels, public neighborhood parks, efficient public transit, and a recycle water ("purple pipe) system. The building heights are regulated by the D4D Section 2 T4.2 requiring different building heights and massing fronting streets that are programmed with different modes of transportation.

For multifamily buildings, the D4D requires that at least 50% of the façade area facing onto a public right of way must be transparent for the first 35 feet above grade. However, this requirement is inconsistent with transparency standards in other Development Agreement projects and in the Planning Code, which encourage transparency at the ground floor or at pedestrian eye level. In September 2018, the Planning Department agreed to modify the Transparency Standard T5.4.2 to require that only 50% of the ground floor facing the public right-of-way be transparent, or alternatively, to require an average of 50% transparency between all of the facades facing a public right of way. The modified standard would apply to mixed-use buildings where the primary use of the building is multi-family residential, and non-residential uses are limited to the ground floor. Due to this determination, the project will not have to include additional glazing and can move forward with the current design that meets the common glazing standards of a typical affordable housing project.

2.2. Geotechnical Conditions/Probable Maximum Loss. Geotechnical studies for Parcel C3.1 are part of the TI geotechnical design. The geotechnical improvement program for TI has four primary components to be completed as part of master developer's, TICD's, horizontal improvements, under TIDA's supervision. The for geotechnical components are:

- 1) Reconstruction of the causeway connecting Treasure Island and Yerba Buena Island.
- 2) Improvement of Island Perimeter.
- 3) Vibratory Compaction.
- 4) Surcharging.

For a detail description of the geotechnical design for TI, please see Attachment A.

Surcharging on the TI has begun and is complete for Subphase 1, which include Parcel C3.1. In relation to Subphase 1, reconstruction of the causeway, improvements of the TI perimeter, and vibratory compaction are complete. Utilities for all of Subphase 1 are scheduled for completion by 3rd Quarter 2022.

Infrastructure for all of Subphase 1 is scheduled for completion in 3rd Quarter 2022.

For Parcel C3.1, the development team has consulted with Rockridge Geotechnical regarding the current design. The preliminary study finds that the Parcel C3.1 building can be constructed as planned. Engeo is monitoring work that the infrastructure contractor is doing in order to ensure that it meets Parcel C3.1 specifications and will provide TICD with reports that it has conducted work.

The original predevelopment budget prior to any disbursement revisions included \$25,000 allocated to soil testing, of which \$19,523 was disbursed. In this request, the Sponsor is requesting an additional \$25,000 for additional geotechnical review.

- 2.3. Local/Federal Environmental Review. The Final EIR for the Treasure Island/Yerba Buena Island Redevelopment Project, certified on April 21, 2011, was determined in compliance with local CEQA and State CEQA Guidelines. The EIR describes a number of mitigation measures which will need to be incorporated into the master developer's horizontal improvements. The project was appealed under CEQA in May 2011, but the BOS voted in June 2011 unanimously to deny the appeal and uphold the CEQA determination.

The United States Navy issued an Environmental Impact Statement (EIS) in 2005 that analyzed the transfer of Treasure Island and Yerba Buena Island to TIDA, and analyzed the effects of constructing 2,000 units of housing. In 2008, the Navy issued a reevaluation of the proposed project using 6,000 units of housing. In 2011, the Navy issued a Supplemental Information Report (SIR) on the effects on traffic only, of developing 8,000 units of housing.

Staff at MOHCD, with the assistance of HUD, has concluded an Environmental Impact Statement ("EIS") is not required. An additional Environmental Analysis, triggered by the CoC subsidy contract, has been completed and certified in October 2019.

Sea level rise and flood plain conditions are issues of concern in the NEPA review of Treasure Island. Current mitigations are designed to prepare the island for 36" of sea level rise, the mid-range of projections of sea level rise by 2100. This will involve raising most of the perimeter of the island to a height that will accommodate three feet of sea level rise and the storm surge associated with a 100-year event without overtopping. The Finished Floor Elevation throughout the vertical development area will also be raised to an elevation three feet above the current 100' storm surge elevation.

The new Treasure Island Community Facilities District ("CFD")/Mello-Roos District: Treasure Island has been created to reimburse TICD for public

infrastructure and to fund the maintenance of open space on the Island. A capital account will be created to address sea level rise adaptations required in the next 100 years and other capital needs.

Federal historical review does not apply for Parcel C3.1. There are no historical buildings on or near C3.1.

2.4. Environmental Issues.

2.4.1 Phase I/II Site Assessment Status and Results. The State Department of Toxic Substance and Control (DTSC) oversaw a Finding of Suitability (FOST) process for the Navy's environmental assessment, cleanup, and remediation of land transferred to TIDA. The FOST was approved on February 15, 2006 and confirmed that no additional environmental assessment or remediation was required, except for existing buildings to be demolished, which would need to be evaluated and abated individually per State and City regulations.

According to TIDA, there was no separate Phase I/II report for the TI outside of the FOST process. The project-specific Phase I report has not been completed. However, because Parcel C3.1 is adjacent to Maceo May and that affordable housing development did not require a Phase II, Sponsor's assume a Phase II will not be required for Phase C3.1 and a Phase II has not been budgeted.

Island-wide remediation activities continue where necessary as specified in DTSC documents. Given that Parcel C3.1 is next to Maceo May, it is likely that a Phase II report will not be required but that will be determined once the Phase I is completed in January 2021. The Star Barrack building, built in the 1940's, was previously located on the parcel. The building was abated and demolished in August 2016, so there should be no known environmental issues from that building.

While the information contained in the Phase I is required and will be helpful, the Phase I will be used to discuss the low risk to provide debt and equity to the development while there is a pending lawsuit regarding environmental cleanup. MHC completed a Phase I in January 2021 as part of its due diligence to assure potential debt and equity investors that the lawsuit poses little to no risk. See below for a discussion about the pending lawsuit.

2.4.2.1 Pending TI Lawsuit. In late January 2020, one week prior to the construction closing on the first affordable TI development, Maceo May, a complaint was filed against TIDA, One TI, TICD, the Navy and others. The complaint generally alleged that Treasure Island was contaminated at levels higher than disclosed to the public by the US Navy and that this information was knowingly withheld. In order to

close on the financing and proceed with construction the City provided a guaranty to the outstanding principal balance of the construction loan and the amount of equity that could be in construction if a stop work order is issued by the court. While the City provided a construction and equity loan guaranty for the Maceo May development, City staff explicitly stated to the Sponsor during the closing of Maceo May that the City will not provide a construction guarantee to the remaining affordable developments on TI.

The lawsuit plaintiffs have failed to heed the request of the judge and the project awaits a Motion to Dismiss hearing. *Note* that in October 2020 TIDA released Community Facilities District bonds for sale which included disclosures about the lawsuit. TIDA received seven reputable offers to purchase the bonds, indicating that the lawsuit has not damaged the competitiveness of the bond sale.

- 2.4.2 Potential/Known Hazards. N/A see 2.4.1 Phase I/II Site Assessment Status and Results and 2.4.3 Sampling for more information.
- 2.4.3 Sampling. Remediation at the project site was completed by the Navy and concurred to by the California Department of Toxic Substances Control prior to transfer to the City in May 2015. Earlier in 2018, the Navy, the State and the EPA found fault with sampling and cleanup work performed by the contractor TetraTech at the Hunters Point Naval Shipyard. Questions have been raised by Green Action Network whether these problems might extend to work performed by TetraTech at Treasure Island. Most of the Treasure Island work was performed by contractors other than TetraTech, and the State and the Navy have found no evidence to suggest similar problems exist with work TetraTech performed at Treasure Island, and TetraTech provided no services related to the site of the proposed project.
- 2.5. Adjacent uses and neighborhood amenities. Phase 1 of the Treasure Island Redevelopment Plan includes approximately 207,000 square feet of new commercial and retail space as well as transportation improvements. As the second redevelopment project to take place at Treasure Island, the Project will likely be completed before new amenities are available. However, adequate amenities on the island serve 500 existing TI residents of market-rate and affordable units and include the YMCA, Life Learning Academy (an academic and vocational program for students who have not been successful in traditional school settings), the Treasure Island Child Development Center, an existing chapel, and public service facilities including a San Francisco Fire Department (SFFD) fire station and a fire training academy also operated by SFFD. In addition, the SF Department of Public Health operates a Nurse Intervention Clinic out of a dedicated clinic space at the Treasure Island Gymnasium twice a week. The existing San Francisco Muni 25 bus currently serves the island; per

TIDA, AC transit is expected to begin in 2022 and will provide bus service from Oakland. Ferry service is not yet confirmed but will likely not be offered prior to 2025.

- 2.6. Green Building. All new buildings at Treasure Island are subject to Green Building Specifications, which supplements the Green Building Ordinance and covers guidelines for energy, waste, water, landscaping, building and site design, material and indoor air quality, and the use of regional vegetation, and providing “solar ready” infrastructure. Treasure Island is projected to be the largest LEED Platinum Neighborhood Development in the country; however individual affordable housing projects on TI will achieve Green Point Ratings typical for other affordable projects receiving tax credits or other subsidies of at least 125 points.

3. OTHER ENTITLEMENTS ISSUES

- 3.6. Community Support. TIDA and One TI support the project as the second residential project to move forward within Phase 1 of the Treasure Island Redevelopment Plan.

A Citizens Advisory Board (CAB) has been in existence for Treasure Island since 2002. It was intimately involved in the planning process when the Island program was being developed. It has received regular updates during the development of Major Phase and Subphase Applications since the DDA was approved by the Board of Supervisors in 2012, but is not charged with reviewing each affordable project. The CAB meets about six times per year and receives updates from TIDA.

- 3.2 Proposition I. Proposition I was completed in March 2019, prior to the Mayor’s execution of the loan. Proposition I posting is not required for the additional predevelopment amended loan.

4. DEVELOPMENT PLAN

- 4.1 Site Control. During the predevelopment period, site control is governed by the Option to Lease between TIDA and Mercy Housing California 82, LP (“MHC LP 82”) that was approved November 14, 2018 by the TIDA board. The Option to Lease will terminate when a Ground Lease is executed. The key terms of the ground lease (as stated in the Option to Lease) are 99 years from the date of construction completion of the project, with a base rent of \$15,000. The Ground Lease may include additional rent to the extent feasible, in an amount (when combined with the Base Rent) not to exceed a total of 10% of the land value of the Property (as determined by a MAI appraiser selected by, and at the sole cost of, the tenant, and set forth in the Ground Lease), to be paid solely as residual rent, payable only to the extent proceeds are available from the Project after deductions for Project operating expenses, mandatory debt service payments, property management fees, reserve deposits required by Project lenders,

deferred developer fees, and asset and partnership management fees in amounts permitted in accordance with the then-current MOHCD policy.

- 4.2 Proposed Property Ownership Structure. Treasure Island is subject to the Tidelands Trust doctrine administered by the State of California, which holds that title to tidelands must be held in trust by the State for the benefit for the people of California. The Treasure Island Conversion Act of 1997, enacted by the State legislature, authorizes TIDA to enter into leases of Tidelands Trust property for up to 66 years for uses consistent with the Tidelands Trust. However, the affordable parcels on Treasure Island are located on trust exempt parcels (housing is not a Tidelands Trust compatible use) and the Tidelands Trust restrictions are not applicable to Parcel C3.1. Therefore, the term of the ground lease for the future improvements is proposed to be 99-years. As such, TIDA will enter into a Ground Lease with the partnership entity at the closing of construction financing; there will be an annual ground lease payment. The partnership will own the improvements.

TIDA owns the land where Parcel C3.1 will be located, and the parcel was created with a final map on November 11, 2018.

- 4.3 Proposed Design. The project has completed 100% DD and began construction design in December 2021. The design currently assumes open space, services room, a community room, teen room, and property management suite.

Avg Unit SF by type:	1-brdm sf: 543 sf 2-brdm sf: 825 sf 3-brdm sf: 1,108 sf 4-brdm sf: 1,390 sf
Common Area SF:	25,745 sf
Parking Garage SF:	13,793; 28, parking spaces 0.2:1 ratio
Residential SF:	140,803 sf
Circulation SF:	52,000 sf
Building Total SF:	192,803 sf

- 4.4 Construction Supervisor/Construction. The overall massing and design for Parcel 3.1. is largely driven by the highly prescriptive guidelines set by the Planning Department for Treasure Island, which among other things call for first floor stoops at unit entries, the elevation of the first-floor residential units being two feet above adjacent exterior grade, and a taller mass facing the vehicular street than those facing the shared public way. These designers have managed to get variances from some of the requirements, but not all, and those that remain all tend to drive up construction costs. The inclusion of a parking garage – as is likely to be needed on all Treasure Island buildings – further adds cost compared to most other MOHCD funded projects, as does the relatively high bedroom to unit ratio.

Through previous value engineering rounds, the design has been refined to eliminate some of the more expensive decorative flourishes, but has managed to retain enough variety to still create a richly textured façade that the Planning Department approved. Further savings should be possible with additional VE efforts before bid. As currently priced (including the contingencies being carried described below), the building is right around the average cost per SF compared to similar MOHCD/OCII buildings (\$520 for TI 3.1 vs. \$506 average), while being above average on a per unit basis (\$727K vs. \$654K), and a bit below on a per bedroom one (\$312K vs. \$340K.) Given all the cost escalating factors outside of the design team’s control, these comparisons overall seem favorable, with a fair chance of further improvement with more value engineering work.

The budget estimate includes contingencies held at 2.1% for Plan Review, 3.2% for Bid to be added during design development and a 6.1% owner-held hard cost contingency.

- 4.5 Commercial Space. Not Applicable: There is no commercial space associated with this development.
- 4.6 Service Space. The design assumes approximately 8,020 SF that includes a community room, teen lounge, resident services offices, and property management offices. The large square footage of services space is a result of infeasibility of units on the ground floor at the conceptual design phase. The team will continue to review the services spaces for program function. However, since the 100% DD’s are completed, changes to the services square footage will not decrease costs or add units to the ground floor. Prior to CDLAC-TCAC commitment letter request, Sponsors must provide the type of services space and the square footage of the space.
- 4.7 Target Population and Affordability.
As of the signing of the DDA between TIDA and TICD, there were 250 existing affordable housing units and approximately 350 existing market rate housing units on all of TI. Occupants of the market rate housing that lived on TI before the DDA are known as “pre-DDA” or “Legacy Households”. Occupants that moved to TI after the execution of the DDA through December 2019 are known as “Vested Residents” (and were formerly referred to as “Post DDA Households”). For more information about the Legacy and Vested households please see Exhibit A – Treasure Island Affordable Housing Existing Occupants.

Each new affordable housing development team works directly with TIDA in the early project conception phase to program the site to serve as many Legacy Households as possible regardless of income. During the feasibility stage, the developer evaluated existing unit types of the TI replacement units, construction types, and cost to determine the optimal building and unit mix. To

accommodate the large number of existing TI 3 and 4 bedrooms, 167, that must be replaced per TIDA’s DDA obligations. MHC, with consultation from MOHCD and TIDA, has chosen to incorporate 40 3-bedroom and 14 4-bedroom units in this Project. The chart below shows the target population for Parcel C.1, maximum income levels for the target populations by affordability and unit size and includes the marketing process for each target population. Below “LR” means a Legacy Household replacement unit; “Non-Lottery” means the units will be re-leased through the Department of Homelessness and Supportive Services (“HSH”) Coordinated Entry System (“CES”); “Lottery” means the units will be marketed on MOHCD’s DAHLIA.

UNIT SIZE		MAXIMUM INCOME LEVEL	
NON-LOTTERY	No. of Units	MOHCD’s TCAC Equivalent	TCAC
1 BD – LR CoC	0	41% MOHCD AMI	30% TCAC AMI
2 BD – LR CoC	51	41% MOHCD AMI	30% TCAC AMI
3BD – LR CoC	18	41% MOHCD AMI	30% TCAC AMI
4 BD – LR CoC	2	41% MOHCD AMI	30% TCAC AMI
LR CoC Sub-Total	71		
LOTTERY FOR LEGACY HOUSEHOLDS ONLY			
1 BR -LR	0	136% MOHCD AMI	100% TCAC AMI
2 BR - LR	4	136% MOHCD AMI	100% TCAC AMI
3-BR - LR	14	136% MOHCD AMI	100% TCAC AMI
4-BR - LR	5	136% MOHCD AMI	100% TCAC AMI
136% MOHCD AMI LR Sub-Total	23		
LOTTERY			
1 BR	8	68% MOHCD AMI	50% TCAC AMI
2 BR	2	68% MOHCD AMI	50% TCAC AMI
3-BR	3	68% MOHCD AMI	50% TCAC AMI
4-BR	3	68% MOHCD AMI	50% TCAC AMI
68% MOHCD AMI Sub-Total	16		
1 BR	15	108% MOHCD AMI	80% TCAC AMI
2 BR	3	108% MOHCD AMI	80% TCAC AMI
3-BR	5	108% MOHCD AMI	80% TCAC AMI
4-BR	4	108% MOHCD AMI	80% TCAC AMI
109% MOHCD AMI Sub-Total	27		
STAFF UNITS			
2-BR	1	N/A	N/A
TOTAL	138		
PROJECT AVERAGE		73.96%	54.28%

The proforma submitted for this loan evaluation uses TCAC AMI rents for the non-CoC supported units and MOHCD AMI for the CoC supported units. The Legacy Households rents in the proforma are an average and do not represent the actual rent a Legacy Household will pay at the time of occupancy. Also, please see Section 4.8 below for more information about Legacy Household units.

The developer has balanced the income averaging requirements, the AHP income averaging for maximum points, and AHSC AMI requirements. All of these overlays have resulted in an average affordability of 74% MOHCD AMI and 54% TCAC AMI.

4.7.1 Affordability in the TIDA Ground Lease and MOHCD Declaration.

The affordability restriction in the TIDA Ground Lease for the previously closed project, Maceo May, was 80% TCAC AMI. Because MOHCD will do the asset portfolio management work of this Project and the 23 Legacy Households may have incomes above 80% TCAC AMI and therefore not TCAC eligible, these units have been underwritten as 136% MOHCD AMI/100% TCAC AMI. The Ground Lease will first state all TCAC AMI's in the MOHCD equivalent AMI's shown in the chart above. In addition, the Ground Lease will clarify the initial unit occupant population and that the MOHCD AMI equivalent rent will become the rent after all Legacy Household replacement benefits have been delivered. The Ground Lease will also state the MOHCD AMI equivalent for subsequent tenant occupants.

The affordability restriction in MOHCD Declaration in most cases has the maximum MOHCD AMI as 60%. For this Project and because MOHCD will do the asset portfolio management work of this Project, the MOHCD Declaration will first state all TCAC AMI's in the MOHCD equivalent AMI's shown in the chart above. In addition, and similar to the Ground Lease, the MOHCD Declaration will clarify the initial unit(s) occupant population and state the MOHCD AMI equivalent for subsequent tenant occupants.

4.8 Marketing & Occupancy Preferences

The TI marketing plan to cover TIDA's obligations of marketing affordable housing rental and ownership units has been incorporated into a Memorandum of Understanding ("MOU") between MOHCD and TIDA. This MOHCD-TIDA MOU is anticipated to be executed by March 30, 2021. The MOU outlines the housing preferences to be applied at TI.

71 CoC Replacement Units: First occupants of these units supported by the CoC will be existing CC households. Subsequent occupants in units supported by the CoC will be placed in vacated units through the CES.

23 Legacy Household Replacement Units (also known as Transition Units): First occupants of these units will be Legacy Households until all TI Legacy Household transition unit benefits have been delivered. Subsequent occupants will be placed in vacated units through MOHCD’s DAHLIA for households at or below 100% TCAC AMI. Also, any Legacy Households occupying these new Parcel C3.1-units will pay the same rent the household pays in their current existing unit. Rents in these Legacy Household replacement units can only be raised by the annual amount allowed under the Rent Board. By the permanent gap request, rental income for the first occupants of these Legacy Household units must be determined and shown in the proforma. In order to more accurately determine the amount of the permanent loan, the Sponsor must work with TIDA to determine the rent the first occupants will pay in the Legacy/Transition Units. In addition, the Sponsor must include in its market study an analysis of the marketability of the rents set at 108% and 139% MOHCD AMI. Both the work with TIDA and the market study will be required prior to CDLAC-TCAC gap commitment letter request.

Remaining 43 affordable units: First occupants of these units reserved for TCAC eligible families will be placed in units through MOHCD’s DAHLIA for households whose incomes range between 50% and 80% TCAC AMI or the MOHCD AMI equivalent. The preferences for these 43 units (31% of total units) are shown in the chart below.

MOHCD Preference	Applicant Category
0.A	Legacy Households
0.B	Vested Residents Vested Residents are tenants living at The Villages, a TI property, after the execution of the DDA and up until December 11, 2019. These tenants were formerly known as “Post-DDA Tenants”)
1	Certificate of Preference (COP) Holders
2	Displaced Tenants Housing Preference (DTHP) Certificate Holders (20% of units after previous preferences are applied.)
3	Neighborhood Preference (25% of units after previous preferences are applied.)*
4	Live or Work in San Francisco Preference
5	All Others

*Due to this Project receiving state funding for AHSC, the Neighborhood Preference set aside is reduced to 25% of available units, instead of 40%.

4.9 Relocation

There are no existing residents on Parcel C3.1. MHC will work with CC and TIDA to move all existing families in the CC developments to the new units. CC, a One TI member, is responsible for communicating moving benefits to their residents in conjunction with a coordinated community outreach strategy facilitated in conjunction with One TI. There has not yet been outreach to TI residents regarding the Parcel C3.1 project specifically. Future outreach will be conducted through CC and MHC. MHC will provide moving support to CC. TIDA will pay for moving expenses.

The demolition of the existing units is not connected to the creation of the new project. None of the existing CC units will be demolished until every household is moved.

5 DEVELOPMENT TEAM

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	Paulett Taggart Architects (PTA)	Y	N
Financial Consultant	Community Economics Inc	N	N
General Contractor	Nibbi Brothers	N	N
Owner’s Representative	Gonzalo Castro	Y	N
Legal	Gubb and Barshay	Y	N
Other Consultant	Rockridge Geotechnical	N	N

The Developer does not have established SBE goals yet. Sponsor has met with Contracts Management Division (“CMD”) to establish SBE goals for professional services and will provide goals to MOHCD prior to disbursement of any additional predevelopment funds. Construction hiring goals to be set prior to disbursement of additional predevelopment funds.

5.1 Outstanding Procurement Issues. N/A

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):
 Sponsors and MOHCD executed a predevelopment loan dated June 13, 2019 for \$2,000,000. As of December 16, 2020, all funds have been expended.

6.2 Disbursement Status.

Funds for this loan may be disbursed immediately to pay off the One Treasure Island Loan of \$650,000. No other funds can be disbursed until Sponsor fulfills the condition under **Section 9. Staff Recommendations – Condition prior to Disbursement of Additional Predevelopment Loan.**

6.3 Fulfillment of Loan Disbursement Conditions from 2/1/2019-Loan Evaluation.

- Developer must apply for AHSC funds by February 12, 2019. **Status: Complete.** Sponsor applied for and were awarded AHSC in June 2019.
- Developer must submit to MOHCD updated financial projections after AHSC award determination and updated pre-DDA survey analysis for review and approval. These projections must include 1% rental income trending (or other Rent Board related trending) on 23 pre-DDA households, projected interest level of pre-DDA households in C3.1, updated construction budget with adequate contingencies and escalation, and resulting updated TIDA gap commitment. **Status: In Process.** Sponsor has provided revised budget with updated construction numbers with adequate contingencies and escalation. However, a budget showing the pre-DDA/Legacy Households that are over 80% AMI trending at 1% has not been provided. Also, staff has to make changes to the locked proforma in the MOHCD budget to adequately show this change. Staff and Mercy will have the 1% trend in the MOHCD budget prior to CDLAC Commitment Request. Also, as of this loan evaluation, MOHCD is providing the gap financing, not TIDA.
- Developer must submit Architect Contract for MOHCD review and approval. **Status: Incomplete.** Sponsor states it has provided this information to MOHCD. However, project folder does not have this information or any documents showing it has been submitted. Sponsors to resubmit prior to disbursement of additional predevelopment loan.
- Developer must submit Conceptual Design and Cost Estimate for MOHCD review and approval. **Status: Complete.** Sponsor have completed 100% DD's and provided cost estimate with that stage of drawings.
- Developer must work with MOHCD to evaluate costs and propose cost containment strategies as part of the Conceptual Design submittal and throughout the further design phases of the Project. **Status: Complete.** Sponsor have completed cost containment strategy of the Conceptual Design and continue to work with MOHCD for cost containment strategies as the design progresses.
- Developer must submit a Services Plan and Budget for MOHCD and HSH review and approval prior to construction loan closing. **Status: In process.** A new and revised condition linked to a milestone has been created and is provided above under conditions prior to CDLAC Commitment Letter and gap loan request.
- MOHCD must review and approve Operating Budget and include analysis of potential for leveraging of CoC rental income prior to construction loan closing. **Status: In process.** A new and revised condition linked to a milestone has been created and is provided above under conditions prior to gap loan request.
- Developer must report on TIDA/TICD progress in MOHCD monthly reports. If at any time the projections show a reduction in funding to support TIDA's commitment, TIDA must present alternative financing to MOHCD or MOHCD will hold future disbursements of the predevelopment loan until

such time as alternative financing commitments can be shown. **Status: In process.** MOHCD is the gap lender, not TIDA. This change was made in summer 2019 by email to TIDA. Sponsor provides project updates in its monthly reports to MOHCD.

6.4 Proposed Predevelopment Financing

6.4.1 Predevelopment Sources Evaluation Narrative

Original MOHCD Loan (\$2,000,000): The Sponsor received a predevelopment loan from MOHCD, a portion of which was used to pay off with interest a One TI loan in the amount of \$100,000 with an interest rate of 3%. The remaining balance of the original MOHCD loan was used primarily for architectural services.

Amendment to the MOHCD Loan (\$2,500,000): The requested City loan is intended to pay off with interest a new short-term loan from One TI in the amount of \$650,000. The loan from One TI has a 3% interest rate and 7-month term with an expiration date of June 21, 2021 with option to extend to 1 year at a cost of \$10,000. MOHCD has a verbal agreement with One TI to pay off this loan by March 3, 2021.

In addition to the loan pay off, the additional funds will be used for architectural, engineering, and commercial loan expenses up to the construction closing. The predevelopment loan will convert to permanent financing.

Predevelopment Uses Evaluation:

Predevelopment Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Acquisition Cost is based on appraisal	N/A	There is no land acquisition in the project during predevelopment. At the construction closing and shown in the permanent development budget, there is an allocation of \$25K for legal and title costs associated with the ground lease transaction that will occur prior to and concurrent with the construction gap loan closing.
Architecture and Engineering Fees are within standards	N	MOHCD Construction Representative Manager has not reviewed the architect contract or scope/budget yet, this will be a loan condition prior to disbursement of the additional predevelopment loan.
Bid Contingency is at least 5% of total hard costs	Y	The design contingency has been removed. The additional loan request is based on 100% DD's.

Escalation amount is commensurate with time period until expected construction start, not to exceed 15%	Y	Other than the bid and plan check contingencies there are no other escalations in the budget. The bid and plan check escalation total 5.3%.
Construction Management Fees are within standards	Y	Maximum fee during preconstruction is \$141,000 and covers 6 months in 2018 and full years in 2019, 2020, and 2021 at the maximum \$40K per t.
Developer Fee is within standards	Y	Total Maximum cash out fee is \$1.10MM. The total At-Risk Fee is \$1.24MM. During predevelopment the maximum allowable developer fee is \$550K. With this request the developer has requested an additional \$200,000.
Soft Cost Contingency is 10% per standards	N	Soft Cost Contingency is 3.9% on all soft cost excluding Developer Fee available during predevelopment.
Financing Costs are reasonable	Y	One TI has provided a short-term loan that will be paid with the MOHCD predevelopment loan and the interest is reasonable.

6.5 **Proposed Permanent Financing.** *Permanent financing being presented to demonstrate the project’s overall feasibility and not intended to be presented for Loan Committee approval at this time.*

6.5.1 **Permanent Sources Evaluation Narrative:**

MOHCD Loan (\$33,014,900). The Sponsor currently projects \$2,290,211 more than the amount in the original predevelopment loan request. The approximately \$2.29MM increase over the original TIDA loan is due to cost increases on hard cost construction from original predevelopment loan request to this request.

First Position Permanent Loan (\$13,313,800). The first position permanent loan is projected to have an 18-year term and interest rate of 3.90% and is to be paid for from tenant rents excluding CoC.

Second Position Permanent Loan (\$10,904,788). The second position permanent loan is projected to have a 15-year term and interest rate of 6.00%. Because the 71 units (~51% of the proposed total units) are supported by a CoC subsidy, these units cannot support conventional hard debt due to annual renewals. The Sponsor is exploring ways to leverage the cash flow from the CoC subsidy to be a second mortgage. San Francisco Housing Accelerator Fund has agreed to provide this loan with a MOHCD Local Operating Support Program (“LOSP”) guarantee if CoC is not renewed. Sponsors are still exploring if a LOSP guaranteed loan may still service debt. The structure and

viability of this loan are to be worked out prior to submission of the CDLAC-TCAC application.

HCD AHSC Loan (\$13,753,000). The AHSC funding award amount is \$20,000,000 based on the application submittal on February 11th, 2019. \$13,735,000 of the funds are for affordable housing and the remaining \$6,265,000 grant will be allocated to the Sustainable Transportation, Infrastructure and Active Transportation which will fund the purchase of up to five buses for AC Transit to operate service between Downtown Oakland and Treasure Island. Service would operate via Grand Avenue with stops at Oakland City Center and Uptown Transit Center, and along West Grand Avenue, as needed. Bus service would run from 6am to 10pm every half hour.

AHSC requires that Parcel C3.1 start construction no later than June 2021 and must be complete within 5 years from the start of construction. The project has been delayed due to the pandemic; furthermore, because the Sponsor's predevelopment funds were expended in July, the Sponsor has the designers stop working until it could find a predevelopment source. In May 2021 the Sponsor and MOHCD will request an extension of up to 2 years to start construction.

Federal Home Loan Bank ("FHLB") - Affordable Housing Program ("AHP") Loan (\$1,250,000). MOHCD anticipates bridging the AHP loan through its gap loan commitment. The Sponsor will apply for \$1.25M in AHP funds in spring 2021. The Sponsor has not completed an analysis of competitiveness for the program nor have they selected a member bank for their application. The Sponsor will continue to apply until construction is complete. However, in the event that AHP is awarded, the MOHCD gap loan will be reduced by an equivalent amount.

4% Tax credit equity (\$45,547,378). Tax credit equity pricing is estimated to be \$0.93 per credit. The estimate assumes a 130% DDA boost. The developer projects that the 4% tax rate that was included in the December 2019 stimulus bill and current TCAC provisions for income-averaging will boost the equity available to the Project by approximately \$15MM, reducing the MOHCD loan. Due to 23 units being set aside for Legacy Households with incomes above 80% TCAC AMI, only 83% of the project is tax credit eligible.

GP Equity (\$3,260,000). The general partner will contribute to Parcel C3.1 and the amount is consistent with the MOHCD Developer Fee Policy.

Deferred Developer Fee (\$1,160,000). The Sponsor will take the maximum MOHCD allowable deferred developer fee.

Construction Loan (\$76,725,419). The Sponsor will apply for an allocation of tax-exempt bonds in the 2021 2nd Round. The Sponsor will be required to

submit its CDLAC self-scoring prior to CDLAC-TCAC commitment letter loan request.

The construction loan will be paid off by the permanent loan, AHSC, and tax credit equity. The tax-exempt bond request exceeds the per-project cap (\$75MM). Based on the tax-exempt bond calculation (different than the per project cap and calculated to be approximately \$82MM), the request to CDLAC is currently estimated to be \$65.2MM. This allows the project to meet the 50% test safely while asking for as little bonds as necessary to maximize efficiency for scoring purposes. The remaining portion of the construction loan is assumed to be a taxable tail underwritten at a rate of 3.60%. The project as currently underwritten meets its 50% test for the bonds. However, Sponsors will continue to analyze and prior to the CDLAC-TCAC commitment letter request and final gap request must provide MOHCD with an analysis.

6.5.2 Permanent Uses Evaluation.

Development Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Hard Cost per unit are within standards	Y	\$520 per square foot is consistent with the cost of other projects in predevelopment. \$727,084 per unit is higher by \$73K than other projects in MOHCD pipeline. The cost per bedroom, \$315,578, is lower than other projects in MOHCD pipeline.
Construction Hard Cost Contingency is at least 5% (new construction)	Y	Hard Cost Contingency is 6.1%
Architecture and Engineering Fees are within standards	TBD	Not yet evaluated and a condition prior to additional predevelopment loan disbursement.
Construction Management Fees are within standards	Y	Construction Management Fee of \$251,000 is the combined total for services during predevelopment (\$141K) and 22 months of construction (\$110K).
Developer Fee is within standards, see also disbursement chart below	Y	Total Dev Fee is \$6,760,000.
Soft Cost Contingency is 10% per standards	N	Soft Cost Contingency is 9.9% is shown on MOHCD proforma. Staff will allow for this additional predevelopment loan request.
Capitalized Operating Reserves are a minimum of 3 months	Y	Capitalized Operating Reserve is equal to 6 months

Capitalized Replacement Reserves are a minimum of \$1,000 per unit (Rehab only)	N/A	New construction
Other standard: Transition Reserve for HCD	\$0	Not required for HCD's AHSC.
Other standard: Furnishings	Y	\$3,150/unit homeless studios, \$4,650/unit one-bedrooms, \$6,150/unit two-bedrooms, \$2,000/unit common area

6.5.3 **Developer Fee Evaluation:** The milestones for the payment of the developer fee to the sponsor are specified below. This Developer Fee schedule is based on 138 units and is subject to change based on HCD guidelines related to the AHSC award.

Total Developer Fee:	\$6,760,000	
Project Management Fee Paid to Date:	\$ 350,000	
Amount of Remaining Project Management Fee:	\$ 750,000	
Amount of Fee at Risk (the "At Risk Fee"):	\$1,240,000	
Amount of Fee Deferred (the "Deferred Fee"):	\$1,160,000	
Amount of General Partner Equity Contribution (the "GP Equity"):	\$3,260,000	
Milestones for Disbursement of that portion of Developer Fee <u>remaining</u> and payable for Project Management	Amount Paid at <u>remaining</u> Project Management Fee Milestones	Percentage of Project Management Fee
Project Management Fee Paid to Date	\$ 350,000	
2 nd Round 2021 CDLAC-TCAC Application Submission	\$ 100,000	9%
3 rd Round 2021 CDLAC-TCAC Application Submission, if unsuccessful in Round 2 nd . If successful in 2 nd Round, this disbursement will be paid when permit ready site plans are completed and 100% CD's.	\$ 100,000	9%
Construction close	\$ 220,000	20%
Upon completion of 75% construction completion	\$ 110,000	10%
Upon evidence of FHLB AHP application submission and receipt of TCO.	\$ 110,000	10%
Project close-out	\$ 110,000	10%
Total Cash-Out Project Management Fee	\$1,100,000	100%
Milestones for Disbursement of that portion of Developer Fee defined as At-Risk Fee	Amount Paid at At-Risk Milestones	Percentage of At-Risk Fee

100% lease up and draft cost certification	\$ 248,000	20%
Permanent conversion	\$ 620,000	50%
Project close-out	\$ 372,000	30%
Total At-Risk Fee	\$1,240,000	100%

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

7.1 Annual Operating Budget. *The annual operating budget being presented is to demonstrate the project's overall feasibility and not intended for Loan Committee approval at this time.*

7.2 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	DSC is 1.24:1 and 1.69 at year 15 and this assumes the CoC is underwritten as a \$10MM second mortgage loan. The development team continues to explore different deal structures to leverage this excess cash flow as the second mortgage. Prior gap request development team will have finalized the structure or increased the 1 st or 2 nd mortgage and any mortgage increases will be used to reduce MOHCD's gap financing.
Debt Service Coverage Ratio stays above 1.00:1 for entirety of projected 20-year cash flow	Y	DSCR is 1.69 in Year 20.
Vacancy meets TCAC Standards	Y	5% on non-CoC units. Similar to LOSP, the CoC units do not have a vacancy loss attached to the units.
Annual Income Growth is increased at 2.5% per year	Y	Income escalation factor is 2.5% on the CoC and rents at or below 80% TCAC AMI. Income escalation factor is 1% on the 23 Legacy Housing units above 80% TCAC AMI per TIDA's DDA
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	N	Total Operating Expenses before base rent, replacement reserves, and bond monitoring fees are \$13,509 per unit with property tax

		and at the Supportive Services Fee of \$98,800 requested by Sponsor and \$12,776 without the property tax. Property tax budgeted at \$101,148 for the above 80% AMI units. \$13.5K is higher than similar size buildings and cost escalators are the 24-hour desk coverage and property taxes. MOHCD will approve the final operating budget as a condition of CDLAC commitment letter and gap loan requests. Please see Section 8.2 – Services Budget about staff reducing requested Supportive Services Fee.
Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is \$91,500 (\$55.25 per unit per month (“PUPM”) and is within the allowable HUD maximum published fee schedule
Property Management staffing level is reasonable per comparables	N	Operating Budget includes the following full-time employees (10.6 FTE): 3.0 Assistant Property Manager 0.5 Housing Support Specialist 2.0 Desk Clerk 1.0 Maintenance Supervisor 1.0 Maintenance Technician 2.0 Janitor 1.1 FTE services staff, includes services supervisor position
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee payable to the Developer and taken before required debt is \$21,900/yr. Partnership Management Fee taken after required debt is \$25,000/yr. Full operations assumed to begin in 2023 and together the Asset Management and Partnership Management cannot exceed \$48,550.
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$69,000 per unit per year (\$500 PUPA) which is required by HCD.
Limited Partnership Asset Management Fee meets standards	Y	\$5,000 annual with 0% escalation over 20 yrs. Sponsor requested \$7K with 0% escalation for 20 years. Staff rejected and is approving the underwritten amount as shown. If Sponsor wants a fee higher than what is underwritten for this additional predev request, Sponsor must make that request either prior to CDLAC commitment letter and/or prior to permanent gap loan request. Sponsor must provide reason for request with back up evidence.

Other Fee: Miscellaneous Admin Fee – One TI Fee	Yes, for TI affordable developments with One TI members.	Sponsor has agreed to pay One TI an annual housing services fee of \$3,000. The One TI Fee is described in Attachment A..
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8 SUPPORT SERVICES

8.1 Services Plan.

Services are anticipated to be provided by MHC and CC and will be available to all residents on a voluntary basis. The MHC Resident Services team and CC service team have met regularly to discuss best practices and ways to deliver services to all residents in the building. Catholic Charities will provide case management to the CoC families and MHC will provide a Resident Service Coordinator (RSC) for the building that will collaborate with the case managers.

8.2 Service Budget.

Sponsors request \$98,800 for 1.1 FTE RSC and supervision for 71 non-CoC households. However, MOHCD staff is not approving the requested amount and has lowered the request to \$50,000 annually or approximately \$1,163 per unit per year. The reason staff has lowered the requested amount is that CoC will fund supportive CC and includes 2.89 FTE Case Managers, 0.70 FTE Program Director, 0.40 FTE Employment Coordinator, and 0.75 FTE Program Manager. Similar to LOSP funded developments, while the MHC RSC will assist all families and may be paid from the operations, CC staffing and services costs for those 71 CoC households will not be paid for from operations. Prior to CDLAC Commitment Letter request, Sponsor should provide a draft services budget for the services that may also include supplies. Any reduction in total operating expenses related to services paid for by the property will be used to raise additional permanent debt and reduce MOHCD’s loan. Also, Sponsor should note that MOHCD typically seeks a services ratio for low-income lottery units/non-LOSP at 1:100.

8.3 HSH Assessment of Service Plan and Budget.

HSH must review and approve in writing or by email the final services plan and budget, which is a condition of the loan prior to gap loan request.

9 STAFF RECOMMENDATIONS

9.1 Proposed Loan/Grant Terms.

Financial Description of Proposed Loan	
Amended Loan Amount:	\$4,500,000
Loan Term:	3 years
Loan Maturity Date:	April 1, 2024 to be co-terminus with original predevelopment loan.
Loan Repayment Type:	Residual Receipts

Loan Interest Rate:	3% (maybe reduced if required by true debt test analysis)
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9.2 Conditions Prior to Additional Funding Requests or Disbursement of New Loan.

Prior to disbursement of additional predevelopment loan.

- Sponsor must provide MOHCD with SBE goals for professional services and construction established by CMD.
- Sponsor must obtain the hiring goals set by CMD and provide those to MOHCD.
- Sponsors must provide the type of services space and the square footage of the space.
- Sponsor must provide either a letter showing architect fee and receive approval of the architect fee from MOHCD or an executed AIA contract.
- Sponsor must provide Phase I for Parcel C3.1.
- Sponsor must provide updated schedule showing percentage of design drawings completed and when pricing will be provided to MOHCD. Schedule should also include estimated construction bid dates and estimates dates for permits Addendum #1 and #2.
- Sponsor must provide a breakdown of time allocated for Mercy Project Manager, Assistant Project Manager, and Supervisor of Project Manager and must submit brief resumes for each of the person on the Sponsor's development team.

Prior to CDLAC-TCAC Gap Commitment Letter Request.

- Sponsor must provide analysis of tiebreaker score and competitiveness of 2nd Round CDLAC Application.
- If Sponsor wants a higher LP Asset Management Fee than what is approved in this loan evaluation, Sponsor must make that request prior to CDLAC commitment letter. Sponsor must provide reason for request with back up evidence.
- Sponsor must provide a draft services plan and line item budget for the residential services that may also include supplies. Any reduction in total operating expenses related to services paid for by the property will be used to raise additional permanent debt and reduce MOHCD's loan. If Sponsor assumes providing services to market rate households, Sponsor must provide a rationale for doing so and explain in detail the type of services it anticipates providing to market rate households.
- Sponsor must work with TIDA to determine the rent the first occupants will pay in the Legacy Units.
- Sponsor must include in its market rate study an analysis of the marketability of the rents set at 139% MOHCD AMI and/or at minimum provide comparison rental charts for market rate units on the island and surrounding neighborhoods to confirm the market rents assumed in the proforma.

Prior to Gap Loan Request.

- Sponsor must provide evidence of AHSC extension in process or has been granted.
- Sponsor must provide evidence that a lender has accepted underwriting the CoC with a LOSP guarantee.
- Sponsor must provide an update draft and near final services plan and budget.
- Sponsor must submit Request for Proposals for equity investors to MOHCD for review/approval before it is finalized and released to investors.
- Sponsor must submit recommended investors to MOHCD for review/approval prior to signing letter of intent.
- Sponsor must submit raw financial data from developer or financial consultant, as well as any letters of intent, for MOHCD review/approval prior to selection of permanent mortgage lender.

Prior to disbursement of second payment of Developer Fee during construction.

- Sponsor must apply to FHLB for AHP loan in maximum amount for which competitiveness can be achieved (estimated to be \$1,250,000 at this time.)

Post Gap Loan Closing.

- Sponsor must submit marketing plan 12 month prior to anticipated temporary certificate of occupancy date.

10 LOAN COMMITTEE MODIFICATIONS

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, Director of Housing
Department of Homelessness and Supportive Housing

APPROVE. DISAPPROVE. TAKE NO ACTION.

Date: _____

Sally Oerth, Interim 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. Summary of Treasure Island, TICD, One TI, and Development Agreement
 - B. Project Milestones and Schedule
 - C. Borrower Org Chart
 - D. Developer Resumes
 - E. Asset Management Analysis of Sponsor
 - F. Site Map with amenities
 - G. Elevations and Floor Plans, if available
 - H. Comparison of City Investment in Other Housing Developments
 - I. Predevelopment Sources and Uses and Developer Fee Analysis
 - J. Permanent Sources and Uses Budget
 - K. 1st Year Operating Budget
 - L. 20-year Operating Pro Forma

Chavez, Rosanna (MYR)

From: Shaw, Eric (MYR)
Sent: Friday, January 29, 2021 11:39 AM
To: Chavez, Rosanna (MYR)
Subject: Treasure Island Pre Development

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

Chavez, Rosanna (MYR)

From: Menjivar, Salvador (HOM)
Sent: Monday, February 1, 2021 8:46 PM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR)
Subject: Mercy Housing - predevelopment to develop Treasure Island – C3.1

I approve the request by Mercy Housing California and The Kelsey request \$2.5 million in additional predevelopment funds for architecture, engineering, and other predevelopment expenses including paying off a One Treasure Island predevelopment to develop Treasure Island – C3.1.



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

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Chavez, Rosanna (MYR)

From: Oerth, Sally (CII)
Sent: Friday, January 29, 2021 11:38 AM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR); Heavens, Cindy (MYR)
Subject: Treasure Island predev financing - 1.29.21 Loan Committee

I approve the additional predevelopment funding for the Treasure Island Parcel C3.1 project, as presented at the 1.29.21 Loan Committee.



Sally Oerth
Interim Executive Director

📍 One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
☎ 415.749.2588
🏠 www.sfocii.org

Chavez, Rosanna (MYR)

From: Katz, Bridget (CON)
Sent: Friday, January 29, 2021 11:37 AM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR)
Subject: Treasure Island Predev Financing

Approve

Bridget Katz

Development Finance Specialist, Office of Public Finance
Controller's Office | City & County of San Francisco
Office Phone: (415) 554-6240
Cell Phone: (858) 442-7059
E-mail: bridget.katz@sfgov.org

Attachment A:
Summary of Treasure Island Development Authority,
Treasure Island Development Corporation, LLC, One Treasure Island,
Development Agreement and Existing Treasure Island Households

Treasure Island (“TI”) was constructed as one of the most visible of President Franklin D. Roosevelt’s Works Progress Administration projects and was host to the Golden Gate International Exposition in 1939 and 1940. During World War II, TI was designated a Naval Base and was used as a center for receiving, training and dispatching personnel. After the war, the Island was used as a training and administrative center. In 1993, Congress and the President selected TI for closure and disposition; the City and County of San Francisco (the City) was named the Local Reuse Authority responsible for the conversion of TI to civilian use and elected to set portions of TI aside for homeless assistance programs, including housing. In 1997, the City formed the Treasure Island Development Authority (“TIDA”) as a redevelopment agency under California law, and designated it as the new Local Reuse Authority. In 2003, TIDA selected Treasure Island Development Corporation LLC (“TICD”) for exclusive negotiations for the master redevelopment of TI. TICD is a joint venture between Lennar Urban and KSWM. Members of KSWM include: Stockbridge Capital Group; Wilson Meany Sullivan LLC; and Kenwood Investments, LLC. The Board of Supervisors approved the development plan in 2006 (and amended its approval in 2010), which was conditioned on completion of environmental review under the California Environmental Quality Act (“CEQA”). The Development Agreement (“DA”), dated June 28, 2011, vests the master plan’s entitlements for thirty years (same term as the Disposition and Development Agreement) and any vertical project is then approved by Planning under a process outlined in the DA.

Disposition and Development Agreement (“DDA”)

The development plan approved by the Board of Supervisors forms the basis for the DDA between TIDA and TICD, approved in June 2011, which governs respective rights and obligations for the redevelopment of portions of TI and calls for the development of up to 8,000 residential units in a series of Major Phases and Sub-Phases.

The DDA also establishes that TIDA will sell or ground lease developable lots to vertical developers in accordance with land use documents including a General Plan Amendment, Development Agreement, and Design for Development. The Housing Plan, an attachment to the DDA, provides that not less than 2,176 (27.2%) of the 8,000 units will be below-market-rate units affordable to low and moderate income households; this percentage may increase to 30% if additional public funds for affordable housing becomes available. Of the 2,176 below market rate units, up to 1,869 units will be affordable rental units developed by Qualified Housing Developers, including a minimum of 435 units for homeless households to be developed by One Treasure Island (formerly known as TIHDI) member organizations. Approximately 21.7% of the acreage of the developable residential pads will be available in 20 parcels to be used for the development of these affordable housing units.

After the TIDA formation in 1997, TIDA initiated formal negotiations with the Navy in 1997. The Navy contracted with the City (and subsequently, TIDA) to manage the property pending negotiations for its transfer and redevelopment. As part of managing TI on behalf of the Navy, TIDA began subleasing at market rates a portion of the former military housing now known as The Villages at Treasure Island (“The Villages”) through a master lease with The John Stewart Company, and directly leasing space to a variety of commercial tenants. The master leases, the Residential Leases for Villages units, and commercial leases are interim pending the Navy’s transfer of NSTI to TIDA for redevelopment and reuse. The land was formally transferred from the Navy to TIDA in May 2015.

Land for the first two sub phases (Yerba Buena Island and TI) of the redevelopment plan was transferred to TICD in February 2016. TICD provided Payment and Performance Bonds to TIDA for the infrastructure, utilities, geotechnical improvements and other obligations under the DDA. Further assurances for performance are also provided through the DDA via a Right of Reversionary Quitclaim deed which is recorded on title in the event that TICD were to fail to make the improvements required in each sub phase.

Also as per the DDA, TICD is required to provide a payment of \$17,500 per market-rate unit, at the transfer of a market rate lot to a vertical developer, to subsidize the affordable units; these funds, as well as tax increment financing generated by a new infrastructure financing district, and typical Jobs-Housing Linkage fees related to commercial space development, will help finance the affordable units. TIDA intends to request a forward commitment from TICD if needed in order to accelerate the development of future projects. The ability to request a forward capital commitment from TICD was contemplated in the DDA Section 8.4(e) of the Housing Plan in order to help transition Legacy Households. Legacy Households are market rate households that were living on Treasure Island and Yerba Buena Island at the time the DDA between the City and TICD was executed in June 2011. Legacy Households are entitled to replacement units per the conditions described as described in the Transition Housing Rules and Regulations (THRR) section of the DDA. MOHCD and TIDA will regularly monitor the delivery of development fees for the affordable projects throughout the build-out of Treasure Island.

TICD’s application for Major Phase I development was submitted in 2014 and approved by TIDA in May 2015. This first of four major phases will span 2018-2026 and will create 1,444 market rate units (including 70 inclusionary units) in eight projects on Treasure Island and 262 market rate units (including 13 inclusionary units) in two projects on Yerba Buena Island. Phase I also includes the parcels for well over 700 affordable units in six projects on Treasure Island. With the execution of the Phase I application, TICD has begun some of the work required under the DDA. Infrastructure work for the new water tanks that will serve Treasure Island and Yerba Buena Island started in August, and street infrastructure has commenced. Demolition of the existing buildings on Stage 1 (the area including the affordable parcels) has been completed. Phase I geotechnical mitigation work will be complete by fourth quarter 2019. TIDA is

overseeing the delivery of infrastructure and geotech work, supported by the Public Works Task Force and construction inspections.

Infrastructure and Geotechnical Work

The Geotechnical Conceptual Design Report for Treasure Island, completed February 2, 2009, describes soils comprised of 30-50 ft of sand fill and 20-120 feet of young bay mud, underlain by firmer soils. It also states that the island perimeter could be destabilized by liquefaction. The geotechnical improvement program for Treasure Island has four primary components and each component will be completed within a phase of infrastructure improvements. The work will be completed as part of master developer TICD's horizontal improvements, under TIDA's supervision. The four primary components are:

- Reconstruction of the causeway connecting Treasure Island and Yerba Buena Island. Over the next two years the causeway will be reconstructed in its entirety – excavated to near sea level, cement deep soil mixing (“CDSM”) employed to strengthen soils below sea level and then reconstructed using appropriate engineered fill to the intended finished elevation.
- Improvement of Island Perimeter – the perimeter of the island will be strengthened employing a combination of stone columns and CDSM walls to mitigate lateral spread of the island following the subsidence of off-shore materials in a seismic event.
- Vibratory Compaction – Throughout the area of vertical development, including the street areas, the fill materials and underlying naturally deposited sands on which the island rests will be consolidated through vibratory compaction through their 50’-70’ depth. This is intended to mitigate the potential for liquefaction during future seismic events by pre-consolidating these fill materials.
- Surcharging – following compaction of the materials from which the island was constructed, imported soil will be stockpiled on the development areas to simulate the dead weight of the future buildings and other improvements. This weight will induce the consolidation of the bay mud which underlies the sandy fill materials to mitigate settlement that would otherwise occur after the future buildings are constructed. After surcharging, the imported soil will be removed from the site to achieve the desired finished site elevation.

In June 2020, TIDA was awarded State of California Infill Infrastructure Grant Program (“IIG”) funds to complete infrastructure work. The grant is sitewide for Treasure Island and requires affordable housing to be constructed, but none of the IIG will be applied to the TI affordable housing developments.

While any undertaking of this infrastructure and geotechnical scope, depth and breadth carries risk, it's worth acknowledging the deep investments that have already been made by the City and TICD. The most significant being the City's approval of an equity and construction loan guarantee of Parcel 3.2 - Maceo May, a one-hundred percent affordable

housing development for formerly homeless and homeless veterans. While this loan guarantee will not be available to other commercial lenders of the affordable housing developments, the guarantee demonstrates the City's commitment to TI affordable housing development.

Other deep City and TICD investments are Treasure Island's creation of its own transportation management agency, the Treasure Island Mobility Management Agency (TIMMA), which has successfully achieved State legislation authorizing congestion toll pricing. TIDA has also created its Infrastructure Financing District in order to start accruing tax increment. TICD has invested well over \$100 million into the approval process for the DDA and its Major Phase and Sub-phase plans. Yerba Buena improvements and TI geotechnical work have commenced. There are three phases of geo tech work: vibrocompaction, wicking and surcharging.

On January 11, 2019, TICD submitted its application to complete horizontal work for the second sub-phase and approval is expected first quarter 2021. The Master Developer continues to deliver Payment & Performance bonds totaling hundreds of millions dollars for the various scope of work for which it is responsible. The Master Developer has invested heavily and would lose the right to develop if it does not deliver on the horizontal and then the vertical improvements.

One Treasure Island (One TI) (formerly known as Treasure Island Homeless Development Initiative (TIHDI))

One Treasure Island (One TI), a California nonprofit public benefit corporation, was formed in June 1994 for the purpose of utilizing the structural and economic development resources of the former naval station on Treasure Island to create a vibrant, inclusive community on Treasure Island that provides pathways for economic advancement for lower-income San Franciscans, including those who have experienced homelessness. One TI achieves its mission through the development of affordable housing, jobs, community building, and advocacy.

One TI is comprised of organizations that provide transitional and permanent housing and services to formerly homeless individuals and families living on Treasure Island. The member organizations ("Member Organizations") are Mercy Housing California, Swords to Plowshares, Inc. ("Swords"), Community Housing Partnership, Catholic Charities, and HealthRight360 (formerly Walden House), as well as Toolworks and Rubicon Programs. The One TI Transition Housing Plan establishes the rights and benefits of One TI residents to a new unit and to moving benefits and services.

Per the One TI Transition Housing Plan, the first 5 affordable projects on Treasure Island must assume replacement units for the existing 250 One TI units, including Catholic Charities' 71 units. One TI worked with housing service providers (Swords, Catholic Charities, CHP, Healthright 360) to determine the order of replacement units. Swords was the first project selected to proceed and Swords then selected Chinatown Community Development Corporation as its development partner. Catholic Charities was the second project to proceed and Catholic Charities then selected One TI member MHC to be its

development partner. The third project is expected to be Community Housing Partnership (partner TBD) and the fourth or fifth project will include replacement of HR360 units. TIDA and MOHCD both approved the order and process. Below is a chart showing the One TI housing services providers, the selected housing development partner, estimated number of units and the percent of each existing pre-DDA household by unit type living on Treasure Island in comparison to the first five affordable housing developments on TI.

Unit Type by Bedroom	EXISTING LEGACY UNITS		AFFORDABLE DEVELOPMENTS WITH DEVELOPMENT STATUS & LEGACY UNITS BY UNIT MIX FOR EACH AFFORDABLE DEVELOPMENT				
	All Current Legacy Units by Unit Mix as of 12.29.20	% of Legacy Units to total Legacy Units	In Construction	Proposed	In Planning	In Planning	In Planning
			C3.2 Maceo May	C3.1 Mercy + CC	IC4.3 or E1.2 CHP + TBD Developer (a)	E1.2 or E2.3/.4 HR360 +Mercy (b)	IC4.3 or E6.1 TBD Developer (c)
0	0	0%	24	0	0	TBD	TBD
1	0	0%	47	23	0	TBD	TBD
2	32	17%	33	60	60	TBD	TBD
3	85	45%	0	40	41	TBD	TBD
4	72	38%	0	14	12	TBD	TBD
Mgr's Unit	Unknown	N/A	1	1	1	TBD	TBD
Total	189	100%	105	138	114	0	0

Notes:

(a) No Legacy units assumed for this parcel

(b) 10% of units in MHC portion of parcel will be for Legacy Households and up to 20% will be for homeless households

(c) It is anticipated that any Legacy Household that has not taken an in-lieu payment, or an inclusionary unit, or a Transition unit in an Authority building will be housed in this development

Existing Treasure Island Households and Relocation

As of the signing of the DDA between TIDA and TICD, there were 250 existing affordable housing units and approximately 350 existing market rate housing units on all of TI. Occupants of the market rate housing that lived on TI before the DDA are known as “Pre-DDA or Legacy Households”. Occupants that moved to TI after the execution of the DDA through December 2019 are known as “Vested Residents” (and were formerly referred to as “Post-DDA Households”).

The Legacy Households, regardless of income, will receive transition benefits from TIDA in the form of a lump sum payment or moving services to a new unit onsite. Vested Residents have a preference for affordable housing units if they income qualify. Vested Resident preferences are subordinate to Legacy Households. All households that moved to TI after the DDA was approved in June 2011 were made aware of the temporary nature of their tenancy and that they are ineligible for transition benefits.

One TI Services Fee

Pursuant to the One TI Member Organization Policy dated January 1, 2019, participating Member Organizations must agree to provide any of the following services for activities for persons living or working on Treasure Island: affordable housing development, affordable housing operations, supportive services, community services, job referrals, job placements, or job training in furtherance of One TI’s mission on Treasure Island and in accordance with One TI’s Agreement with TIDA.

For Member Organizations that are housing developers, a One TI services fee of \$3,000 per year in 2019 (“Housing Services Fee”) is expected to be paid annually, presumably from project operations of new affordable housing developments. The Housing Services

Fee will increase 3.5% per year. On January 29, 2021, MOHCD and TIDA agreed that the Housing Services Fee would be shown in the property operating and assumed disbursed prior to reserves, ground lease rent, and bond fees on the MOHCD pro forma. The obligation to pay the Housing Services Fee will commence once a housing developer's affordable housing property obtains its certificate of occupancy and is available for rent. The Housing Services Fee will support One TI's ongoing efforts to foster a thriving, mixed-income community, including, by way of example these types of activities:

- One TI convenes and/or supports meetings by TIDA and other TI stakeholders operating on Treasure Island whose purpose is to troubleshoot practical issues, plan/coordinate joint activities (such as Back to School and Black History Month) and to communicate and implement policies in a consistent and coordinated manner to all Treasure Island tenants, regardless of housing provider;
- One TI facilitates bi-monthly community-wide meetings for tenants, clients and other Treasure Island residents hosted by One TI, TIDA and/or the Property Management Agent (currently, The John Stewart Company);
- Increase Treasure Island residents' opportunities for island-based job placement and participation in financial health programs;
- Plan, coordinate and ensure a range of social, educational and recreational opportunities for children and youth, such as, childcare spaces, after school and summer school programming;
- Coordinate community-wide events; and
- Develop and implement a community building plan

As of January 1, 2019, the Housing Services Fee specifically supports the One TI activities listed below.

- Access to weekly food pantry
- Job training and placement opportunities
- Access to free computer lab
- Access to free financial literacy & education services
- Access to free tax preparation site
- Community building events such a Halloween and Black History Month, community meetings and leadership trainings

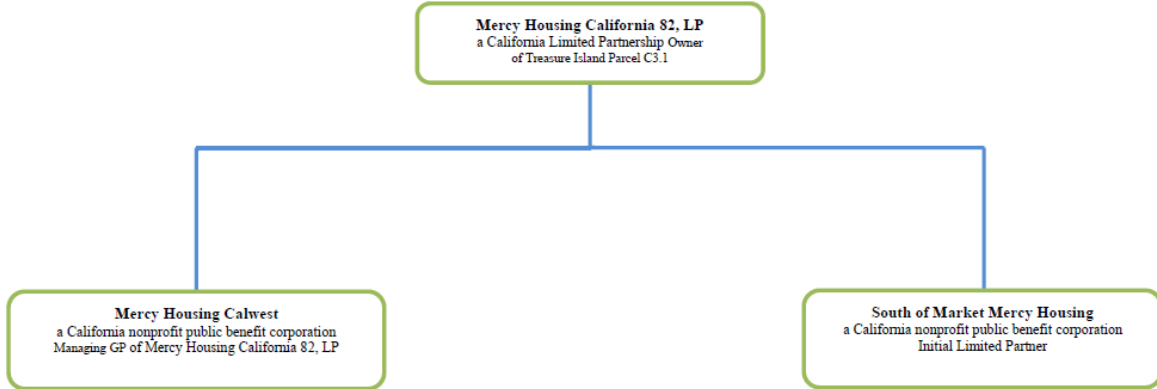
For affordable housing developments not built by Member Organizations, One TI anticipates that those housing developers will join One TI. One TI and TIDA plan and anticipate that affordable housing building after the 5 Member Organization building will include permanently supportive housing units and the housing developer of those building will become One TI members since One TI services are available to all formerly homeless residents living on TI.

Attachment B: Project Milestones and Schedule

No.	Performance Milestone	Estimated or Actual Date	Contractual Deadline
A.	Prop I Noticing (if applicable)		
1.	One Treasure Island First Predevelopment Financing	<u>11/20/2018</u>	
	One Treasure Island Second Predevelopment Financing	<u>11/2020</u>	
2.	Option to Lease	<u>11/14/2018</u>	
2	Acquisition/Predev Financing Commitment	_____	
2.	Site Acquisition/Option to Lease	_____	_____
3.	Development Team Selection		
a.	Architect	<u>Feb 2018</u>	
b.	General Contractor	<u>July 2018</u>	
c.	Owner's Representative	<u>May 2018</u>	
d.	Property Manager	<u>Feb 2018</u>	
e.	Service Provider	<u>Feb 2018</u>	
4.	Design		
a.	Submittal of 100% Concept Design	<u>1/14/2019</u>	
a.	Submittal of 100% Schematic Design & Cost Estimate	<u>5/2019</u>	_____
b.	Submittal of 100% Design Development & Cost Estimate	<u>9/2019</u>	
c.	Submittal of 50% CD Set & Cost Estimate	<u>TBD</u>	
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>TBD</u>	
5.	Environ Review/Land-Use Entitlements		
a.	CEQA Environ Review Submission	<u>N/A</u>	
b.	NEPA Environ Review Submission	<u>N/A</u>	
c.	CUP/PUD/Variances Submission	<u>N/A</u>	
6.	Permits		
a.	Building / Site Permit Application Submitted	<u>12/2019</u>	_____
b.	Addendum #1 Submitted	<u>TBD</u>	
c.	Addendum #2 Submitted	<u>TBD</u>	
7.	Request for Construction Bids Issued	<u>TBD</u>	

8.	Service Plan Submission		
a.	Preliminary	<u>6/2020</u>	
b.	Interim	<u>10/2021</u>	
c.	Update	<u>10/2022</u>	
9.	Additional City Financing		
a.	Predevelopment Financing Application #2	<u>1/2021</u>	
b.	Gap Financing Application	<u>9/2021</u>	
10.	Other Financing		
a.	MHP Application	<u>Not Applying</u>	
b.	Construction Financing RFP	<u>3/2021</u>	
c.	AHP Application	<u>3/2021</u>	
d.	CDLAC Application	<u>5/2021</u>	
e.	TCAC Application	<u>5/2021</u>	
f.	HUD 202 or 811 Application	<u>N/A</u>	
g.	Other Financing Application – ASHC	<u>2/2019</u> <u>Awarded 6/2019</u>	
11.	Closing		
a.	Construction Closing	<u>12/2021</u>	
b.	Permanent Financing Closing	<u>4/2024</u>	
12.	Construction		
a.	Notice to Proceed	<u>12/2021</u>	_____
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>7/2023</u>	_____
13.	Marketing/Rent-up		
a.	Marketing Plan For Project Submission	<u>1/2023</u>	_____
b.	Commence Marketing	<u>1/2023</u>	
c.	95% Occupancy	<u>1/2024</u>	_____
14.	Cost Certification/8609	<u>1/2025</u>	
15.	Close Out MOH/OCII Loan(s)	<u>1/2025</u>	

Attachment C: Borrower Org Chart



Attachment D: Developer Resume

Mercy Housing California (“MHC”) has been developing and owning affordable housing in San Francisco for 30 years. MHC owns and operates 37 buildings that it developed in San Francisco for families, seniors, disabled, and the formerly homeless in San Francisco, including two properties in Mission Bay (1180 Fourth St and Mission Creek Senior Housing) as well as one property in the nearby Transbay District (280 Beale). MHC also has 4 additional properties under construction in San Francisco and 5 in pre-construction.

MHC has a long history of working in successful development and ownership partnerships that include partnerships with childcare providers, medical clinics, and senior centers. MHC has negotiated a variety of ownership and financing structures, including air rights lot splits, master-leases, etc., in order to make these partnerships work.

MHC also has extensive experience with green design and green building criteria that ranges from green roofs, solar hot water and electric, and recycled storm water. This commitment to green building extends into operations with composting and recycling training programs as well as a Healthy Home Guide to educate residents about green building features and green maintenance.

MHC’s property management affiliate, Mercy Housing Management Group, will manage the property after construction is complete. MHM currently manages 37 properties in San Francisco with populations that range from formerly homeless, to seniors and frail elders, persons with disabilities and families. MHM manages 500 units serving the formerly homeless populations including 50 at 1180 Fourth Street.

Attachment E: Asset Management Evaluation of Project Sponsor

Mercy Housing California's California Asset Management staff will provide asset management staff for the asset management duties. Mercy's Denver compliance and accounting staff would continue to perform compliance and accounting duties for the TI Parcel C3.1 project during operations.

Total Number of Projects and Average Number of Units Per Project Currently in Developer's Asset Management Portfolio

MHC's Asset management department currently oversees 126 buildings with 8,398 units in the state of California.

Developer's Current Asset Management Staffing Including Job Titles, Full Time Employees, an Organizational Chart and the Status of Each Position (filled/vacant)

MHI's Asset management department currently has a staff of 10 people. Four (4 FTEs) Asset Managers oversee the entire California portfolio. Four (4 FTEs) Asset Management Analysts provide support to the Asset managers. There is a Director of Portfolio Analysis (1 FTE) that oversees all of the analysts. The department head is the Senior Vice President of Portfolio Management (1 FTE) that oversees the entire department. All positions are currently filled and they are all full time. The breakdown of MHI's asset management staff positions is as follows:

- (1) Senior Vice President of Portfolio management
- (1) Director of Portfolio Analysis
- (4) Asset Managers
- (4) Asset management Analysts

Description of Scope and Range of Duties of Developer's Asset Management Team

MHI's Asset Management staff has oversight over all operations of the properties in the portfolio. All of the Asset Management staff mentioned above fall under the umbrella of the property management department. Asset Management reviews financials, approves budgets, approves substantial capital initiatives, is a part of the team that determines long term capital projects. The asset management staff oversee build out for all existing commercial spaces and do all of the reporting and communication to all of financial partners. Asset management approves all annual budgets for the properties and approve all operating reserve draws or internal line of credit requests when a property is short of cash and needs a temporary funding to meet property operations costs. Asset management submits grants and loan applications for the properties to secure or continue operating funding.

Description of Developer's Coordination Between Asset Management and Other Functional Teams, Including Property Management, Accounting, Compliance, Facilities Management, etc.

There is constant coordination between Property Management, related departments and Asset Management. Asset management oversees all aspects of operations so there is constant coordination with property management on a daily basis in regards to those issues. Asset and Property Management work together on the annual audits and budgets. In addition there is constant coordination around cash management and the financial oversight of the property. There is also contact around preparation of the financials. Asset Management and Compliance primarily coordinate around compliance issues that directly affect ownership and the partnership. Asset management and facilities coordinate around preparation the budget and capital projects. The Asset Management staff also coordinates around emergencies.

Developer's Budget for Asset Management Team Shown as Cost Center for SF Projects

Asset Management staffing budget is \$1,585,000

Number of Projects Expected to be in Developer's Asset Management Portfolio in 5 Years and, If Applicable, Plans to Augment Staffing to Manage Growing Portfolio

MHI anticipates that the portfolio will grow from 126 buildings to approximately 136 buildings in the next 5 years.

MOHCD Asset Management Staff's Final Assessment of Developers Asset Management Capacity

The Developer's description of their asset management functions, duties and coordination with related teams within the organization demonstrates an adequate asset management operation for their existing portfolio. With 4 FTE asset managers and a portfolio of 126 projects in California, the projects/AM staff ratio is 32, which is considered high based on the industry standard of 20-25 taught by NeighborWorks America; however, the Developer's asset management staff also includes 4 FTE asset management analysts who support the asset managers. Assuming that the full range of asset management responsibilities are covered by the asset managers and the asset management analysts, a total of 8 FTEs provides asset management services at a ratio of 16 projects per staff person, not including staff supervision and oversight. With an increase of 10 projects in the Developer's portfolio anticipated over the next 5 years, the ratio will increase to 17 and remain within the industry standard.

Attachment F: Site Map with amenities

Treasure Island

Parcel C3.1
New Construction



Attachment G: Elevations and Floor Plans

Attachment H: Comparison of City Investment in Other Housing Developments

Attachment I: Predevelopment Sources and Uses & Developer Fee Analysis

TOTAL DEVELOPER FEE BREAKDOWN			
RESIDENTIAL DEVELOPER FEE	Fee Percentage	Amount	Comments
Project Management Fee available during predevelopment and construction:	16%	\$1,100,000	
Project Management Fee available at risk (the "At Risk Fee"):	13%	\$860,000	
Additional Project Management Fee that is available at risk (the "At Risk Fee") to large projects over 100 units:	6%	\$380,000	\$10K per unit over 100 units allowed. If taking + \$1.1MM at risk fee for large projects, Sponsor to provide analysis that additional fee does not increase MOHCD loan.
General Partner Equity	48%	\$3,260,000	Minimum \$500K. +\$500k encouraged.
Deferred Developer Fee	17%	\$1,160,000	Deferred fee allowed when distribution changed to 50% and taking higher fee doesn't increase MOHCD's loan (see analysis below.)
TOTAL RESIDENTIAL DEVELOPER FEE	100%	\$6,760,000	
TOTAL COMMERCIAL DEVELOPER FEE			
TOTAL DEVELOPER FEE IN DEVELOPMENT BUDGET		\$6,760,000	

DISBURSEMENT MILESTONES FOR CASH-OUT DEVELOPER FEE			
Milestones for Disbursement for Residential Developer Fee payable for Project Management and At-Risk Fee	Fee Percentage	Amount Paid at Milestone	Comments
Project Management Fee: Acquisition/Predev	15%	\$165,000	PAID
Project Management Fee: Predev with no more than 35% of total Project Management Fee to be disbursed prior to construction closing (see breakdown below)	35%		Gray areas show the totals in the MOHCD Developer Fee Policy
Proj Mgt Fee portion 1 of 3: Predevelopment - Close of predevelopment financing	8%	\$85,000	PAID in combination with the allowable Acquisition/Predev fee above.
Proj Mgt Fee portion 2 of 3: Predevelopment - Submission of HCD funding application	9%	\$100,000	PAID
Proj Mgt Fee portion 3 of 3: Predevelopment - Submission of joint CDLAC and TCAC application	18%	\$200,000	\$100,000 for 1st submission in Round 2 of 2021 and if needed \$100,000 for Round 2 of 2021. If Project receives credits in Round 2 of 2021, developer fee will be paid at achieving permit ready site plan and 100% CD's
Project Management Fee: At Construction Closing	20%	\$220,000	These amounts are shown for possible disbursement of the overall project developer fee.
Project Management Fee: During Construction (disbursed upon request depending on % of construction completion) or Completion of Construction	20%	\$220,000	Same as above.
Project Management: Project Close-Out - Placed-In-Service application; 100% lease-up; City approval of sponsor's project completion report and documents; and City acceptance of final cost certification.	10%	\$110,000	Same as above.
TOTAL PROJECT MANAGEMENT FEE	100%	\$1,100,000	
At Risk Fee: 95% Leased Up and Draft Cost Certification	20%	\$248,000	These amounts are shown for possible disbursement of the overall project.
At Risk Fee: Permanent Loan Closing/Conversion (Final Cost Certification)	50%	\$620,000	
At Risk Fee: Project Close Out (See Project Management Project Close-Out milestone activities)	30%	\$372,000	
TOTAL AT-RISK FEE	100%	\$1,240,000	

Milestones for Disbursement Payable for Commercial Developer Fee	Fee Percentage	Amount Paid at Milestone	Comments
At completion of condominium subdivision mapping	25%	\$0	
Executed LOI with commercial tenant	25%	\$0	
Executed lease with commercial tenant	25%	\$0	Conditional and will not be paid no earlier than TCO.
Occupancy by commercial tenant provider	25%	\$0	
TOTAL COMMERCIAL DEVELOPER FEE	100%	\$0	See MOHCD Commercial Underwriting Guidelines for Total Allowed Commercial Developer Fee: http://slmohcd.org/documents-reports-and-forms
TOTAL CASH-OUT DEVELOPER FEE		\$2,340,000	

ADDITIONAL DEVELOPER FEE ANALYSIS ON MOHCD/OCII GAP LOAN			
RESIDENTIAL DEVELOPER FEE		Amount	Comments
Additional Project Management Fee that is available at risk (the "At Risk Fee") to large projects over 100 units:		\$380,000	
General Partner Equity		\$3,260,000	
Deferred Developer Fee		\$1,160,000	
		\$4,800,000	SUBTOTAL OF RESIDENTIAL DEVELOPER FEE
Credit Rate		3.09%	
Pay-In		\$0.930	
QCT/DDA	Yes	130%	
Tax Credit Equity		\$179,319	
Tax Credit Delivery Years		10	
		\$1,793,189	ADDITIONAL EQUITY GENERATED
NET PRESENT VALUE OF CASH FLOW LOSS			
10 Year Surplus Cash (no developer fee)		\$1,820,488	
Developer fee Generated through Year 11		\$1,160,000	
Upon Full Payment of Deferred Developer Fee - Surplus Cash Flow Split	66%	\$1,201,522	
Deferred Developer Fee - Surplus Cash Flow Split	50%	\$910,244	
Loss of Residual Receipts to MOHCD		\$291,278	
		\$291,201	NET PRESENT VALUE OF CASH FLOW LOSS
Additional Equity generated after paying for additional developer fee and loss of cash flow		\$1,121,988	

DOES ADDITIONAL DEVELOPER FEE INCREASE THE MOHCD/OCII GAP LOAN? NO

Attachment J: Permanent Sources & Uses

Attachment K: 1st Year Operating Budget

Application Date: 1/5/2021 Project Name: Treasure Island Parcel C3.1
 Total # Units: 138 Project Address:
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2023 Project Sponsor: Mercy Housing Calwest
TCAC Income Limits In Use!

INCOME	Total	Comments
Residential - Tenant Rents	1,967,976	Links from New Proj - Rent & Unit Mix Worksheet
Residential - Tenant Assistance Payments (Non-LOSP)	2,390,568	Links from New Proj - Rent & Unit Mix Worksheet
Commercial Space	0	Links from Utilities & Other Income Worksheet
Residential Parking	0	Links from Utilities & Other Income Worksheet
Miscellaneous Rent Income	0	Links from Utilities & Other Income Worksheet
Supportive Services Income		
Interest Income - Project Operations	0	Links from Utilities & Other Income Worksheet
Laundry and Vending	7,176	Links from Utilities & Other Income Worksheet
Tenant Charges	0	Links from Utilities & Other Income Worksheet
Miscellaneous Residential Income	0	Links from Utilities & Other Income Worksheet
Other Commercial Income	0	Links from Commercial Op. Budget Worksheet
Withdrawal from Capitalized Reserve (deposit to operating account)		
Gross Potential Income	4,365,720	
Vacancy Loss - Residential - Tenant Rents	(98,399)	Vacancy loss is 5% of Tenant Rents.
Vacancy Loss - Residential - Tenant Assistance Payments	0	Vacancy loss is 0% of Tenant Assistance Payments.
Vacancy Loss - Commercial	0	Links from Commercial Op. Budget Worksheet
EFFECTIVE GROSS INCOME	4,267,321	PUPA: 30,923

OPERATING EXPENSES

Management		
Management Fee	91,500	1st Year to be set according to HUD schedule.
Asset Management Fee	21,900	\$21,900 for Asset Mgmt.
Sub-total Management Expenses	113,400	PUPA: 822
Salaries/Benefits		
Office Salaries	340,060	3.0 Asst PM FTE, 0.5 FTE Housing Support Specialist, and 2.0 FTE Desk Clerk
Manager's Salary	0	
Health Insurance and Other Benefits	221,590	
Other Salaries/Benefits	0	
Administrative Rent-Free Unit		
Sub-total Salaries/Benefits	561,650	PUPA: 4,070
Administration		
Advertising and Marketing	0	
Office Expenses	55,648	
Office Rent		
Legal Expense - Property	10,500	
Audit Expense	12,000	
Bookkeeping/Accounting Services	20,250	
Bad Debts		
Miscellaneous	3,000	One TI Fee
Sub-total Administration Expenses	101,398	PUPA: 735
Utilities		
Electricity	59,478	
Water	81,000	based on Mission creek comps
Gas	0	
Sewer	116,640	based on Mission creek comps
Sub-total Utilities	257,118	PUPA: 1,863
Taxes and Licenses		
Real Estate Taxes	101,148	Over-income RE tax
Payroll Taxes	0	
Miscellaneous Taxes, Licenses and Permits		
Sub-total Taxes and Licenses	101,148	PUPA: 733
Insurance		
Property and Liability Insurance	210,002	
Fidelity Bond Insurance		
Worker's Compensation		
Director's & Officers' Liability Insurance		
Sub-total Insurance	210,002	PUPA: 1,522
Maintenance & Repair		
Payroll	183,688	1 FTE MM, 1 FTE MT, 2 FTE Janitor
Supplies	28,150	
Contracts	70,650	
Garbage and Trash Removal	91,000	
Security Payroll/Contract	24,000	
HVAC Repairs and Maintenance	8,000	
Vehicle and Maintenance Equipment Operation and Repairs		
Miscellaneous Operating and Maintenance Expenses	15,200	
Sub-total Maintenance & Repair Expenses	420,688	PUPA: 3,048
Supportive Services	98,800	
Commercial Expenses	0	Links from Commercial Op. Budget Worksheet
TOTAL OPERATING EXPENSES	1,864,204	PUPA: 13,509

Reserves/Ground Lease Base Rent/Bond Fees		
Ground Lease Base Rent	15,000	Island Development Agency Provide additional comments here, if needed.
Bond Monitoring Fee	16,642	
Replacement Reserve Deposit	69,000	
Operating Reserve Deposit		
Other Required Reserve 1 Deposit		
Other Required Reserve 2 Deposit		
Required Reserve Deposits, Commercial	0	Links from Commercial Op. Budget Worksheet
Sub-total Reserves/Ground Lease Base Rent/Bond Fees	100,642	PUPA: 729

TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)	1,964,846	PUPA: 14,238	Min DSCR: 1.09
NET OPERATING INCOME (INCOME minus OP EXPENSES)	2,302,475	PUPA: 16,685	Mortgage Rate: 5.00%
			Term (Years): 30
			Supportable 1st Mortgage Pmt: 2,112,363
			Supportable 1st Mortgage Amt: \$32,791,193
			Proposed 1st Mortgage Amt: \$13,313,800

DEBT SERVICE/MUST PAY PAYMENTS (hard debt/amortized loans)		
Hard Debt - First Lender	697,851	First Mortgage Provide additional comments here, if needed.
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Len)	1,104,250	Second Mortgage Provide additional comments here, if needed.
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	57,763	AHSC/IIG Provide additional comments here, if needed.
Hard Debt - Fourth Lender	0	Provide additional comments here, if needed.
Commercial Hard Debt Service	0	Links from Commercial Op. Budget Worksheet
TOTAL HARD DEBT SERVICE	1,859,864	PUPA: 13,477

CASH FLOW (NOI minus DEBT SERVICE)	442,611
USES OF CASH FLOW BELOW (This row also shows DSCR.)	1.24

USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL		
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	18,790	3
Partnership Management Fee (see policy for limits)	25,000	2
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	5,000	1
Other Payments		
Non-amortizing Loan Pmt - Lender 1 (select lender in comments field)		Provide additional comments here, if needed.
Non-amortizing Loan Pmt - Lender 2 (select lender in comments field)		Provide additional comments here, if needed.
Deferred Developer Fee (Enter amt => Max Fee from cell I130)	195,661	Def. Develop. Fee split: 50% Provide additional comments here, if needed.
TOTAL PAYMENTS PRECEDING MOHCD	244,451	PUPA: 1,771

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	198,160		
Residual Receipts Calculation			
Does Project have a MOHCD Residual Receipt Obligation?	Yes	Project has MOHCD ground lease?	No
Will Project Defer Developer Fee?	Yes		
Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1:	50%	Max Deferred Developer Fee Amt (Use for data entry above. Do not link.):	196,911
% of Residual Receipts available for distribution to soft debt lenders in	50%		

Soft Debt Lenders with Residual Receipts Obligations	(Select lender name/program from drop down)	Total Principal Amt	Distrib. of Soft Debt Loans
MOHCD/OCII - Soft Debt Loans	All MOHCD/OCII Loans payable from res. recs	\$47,151,279	77.40%
MOHCD/OCII - Ground Lease Value or Land Acq Cost	Acquisition Cost	\$15,000	0.02%
HCD (soft debt loan) - Lender 3	AHSC/IIG	\$13,753,000	22.58%
Other Soft Debt Lender - Lender 4			0.00%
Other Soft Debt Lender - Lender 5			0.00%

MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
MOHCD Residual Receipts Amount Due	153,424	50% of residual receipts, multiplied by 77.42% - MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Loan Repayment	153,424	Enter/override amount of residual receipts proposed for loan repayment.
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	0	If applicable, MOHCD residual receipts amt due LESS amt proposed for loan repmt.

REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE	44,736	
NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
HCD Residual Receipts Amount Due	44,736	50% of residual receipts, multiplied by 22.58% - AHSC/IIG's pro rata share of all soft debt
Lender 4 Residual Receipts Due	0	
Lender 5 Residual Receipts Due	0	
Total Non-MOHCD Residual Receipts Debt Service	44,736	

REMAINDER (Should be zero unless there are distributions below)	0
Owner Distributions/Incentive Management Fee	0
Other Distributions/Uses	0
Final Balance (should be zero)	0

Attachment L: 20-year Operating Proforma

