

Preservation and Seismic Safety (PASS) Program

Capital Planning Committee
December 3, 2018



Mayor's Office of Housing and Community Development
City and County of San Francisco

Action before Committee



Action item recommending to approve:

- Master resolution authorizing the issuance of General Obligation Bonds (Proposition A, 1992/Proposition C, 2016) in an amount not to exceed \$260.7M
- Resolution authorizing the sale of Taxable General Obligation Bonds (Social Bonds – Affordable Housing 2016) Series 2019A, not to exceed \$75M
- Supplemental appropriation of the G.O. Bond Series 2019A proceeds

History



- Prop A to fund seismic safety loans after Loma Prieta earthquake passed in 1992
- \$350M bond known as the Seismic Safety Loan Program (SSLP)
 - \$150M for Below Market Rate Program (BMR)
 - \$200M for Market Rate Program (MR)
- Program was underutilized – only \$90M utilized to fund seismic retrofits of unreinforced masonry buildings

2016 Prop C

- Voters approved Prop C by 76% in 2016
- Repurpose remaining Prop A funds to fund affordable housing acquisition, rehab, and conversion of at-risk buildings to permanent affordable housing
- That affordable housing program now being called Preservation and Seismic Safety (PASS) program
 - \$104M for Below Market Rate Loans
 - \$156M for Market Rate Loans
- Cap at \$35M per year issuance
- First source hiring, contracting Prop A criteria remain

Affordability Restrictions

- Permanent affordability restrictions for below-market loans
- Maximum average rent and household income at 80% AMI, and cap at 120% AMI

AMI	Rent ¹	Income ²
80%	2,131	85,250
120%	3,196	127,850

- Prohibition on capital improvement pass-through for market-rate loans

Notes:

1. 2018 unadjusted maximum 2 bedroom gross rent
2. 2018 unadjusted maximum 3 person household income

Eligible Uses

- Seismic retrofits, acquisition/rehabilitation, and preservation of affordable housing
- Small Sites (buildings with 5-25 apartments)
- Larger multi-unit and mixed-use residential buildings
- Single-Room Occupancy hotels (SRO)
- What's not eligible:
 - New construction
 - Acquisition without rehabilitation



Complements the Small Sites Program



4830 Mission St. (Excelsior)

Sponsor: MEDA

Units: 21 residential, 6 commercial

Affordability: <73% AMI



- Acquired by MEDA in July 2018 to rehabilitate and preserve as permanently affordable housing
- Expected take-out financing in Spring 2019 of \$11M
- Low-cost and long-term funding will protect existing residents and local businesses, and reduce the subsidy needs from the Small Sites Program

Financing



- Models:
 - Direct financing for acquisition and rehabilitation
 - Permanent take-out financing
- Terms:
 - BMR interest rate to yield 1/3 of City's cost of funds
 - MR interest rate to yield City's costs of funds plus 100 basis points
 - BMR and MR loans may be combined to achieve a low-cost blended interest rate
 - Up to 40 year loan term

Taxable General
Obligation Bonds,
(Social Bonds –
Affordable Housing
2016) Series 2019A



Anticipated NTE Sources & Uses	
<u>2019A Bonds¹</u>	<u>75,000,000</u>
Total Sources	75,000,000
Project Fund	71,461,128
CSA Audit Fee	142,922
Costs of Issuance	600,000
Underwriter's Discount	220,950
CGOBOC Fee	75,000
<u>Reserve Proceeds²</u>	<u>2,500,000</u>
Total Uses	75,000,000

Notes:

1. Total issuance not to exceed \$75M.
2. Reserve Proceeds to fund additional COI and issuance expenses, if required.

First Issuance Pipeline



Project Name	Sponsor	Units	Projected Closing Date	Loan Amount
1411 Florida Street	MEDA	7	2/28/2019	1,636,000
60 28th Street	MEDA	6	2/28/2019	1,223,000
3280 17th Street	MEDA	11	2/28/2019	5,690,000
65-69 Woodward	MEDA	6	2/28/2019	1,513,000
Merry-Go-Round House	SFCLT	14	5/31/2019	2,012,000
654 Capp Street	MEDA	6	5/31/2019	2,119,000
305 San Carlos Street	MEDA	10	5/31/2019	2,544,000
534 Natoma Street	SFCLT	5	6/30/2019	1,210,000
1201 Powell Street	CCDC	17	6/30/2019	2,014,000
5024 3rd Street	SFHDC	5	6/30/2019	2,805,000
1500 Cortland Avenue	MEDA	4	7/31/2019	740,000
462 Green Street	CCDC	6	8/31/2019	464,000
3840 Folsom Street	MEDA	4	9/30/2019	660,000
937 Clay Street	CCDC	73	12/31/2019	3,668,000
1049 Market Street	THC	15	12/31/2019	643,000
Purple House	SFCLT	10	12/31/2019	1,109,000
3800 Mission Street	MEDA	5	2/29/2020	1,287,000
568 Natoma Street	SFCLT	5	3/31/2020	980,000
4830 Mission Street	MEDA	21	6/30/2020	11,033,000
1535 Jackson Street	CCDC	19	6/30/2020	1,757,000
Pigeon Palace	SFCLT	6	9/30/2020	1,625,000
151 Duboce Avenue	SFCLT	4	12/31/2020	601,000
344 Precita Avenue	MEDA	3	3/31/2021	923,000
Gran Oriente Filipino	MHDC	24	4/30/2021	3,386,000
308 Turk Street	SFCLT	20	6/30/2021	2,980,000
1684 Grove Street	SFCLT	3	12/31/2021	834,000
1353 Folsom Street	SFCLT	3	12/31/2021	858,000
70 Belcher Street	SFCLT	5	1/31/2022	1,121,000
380 San Jose Avenue	MEDA	4	1/31/2022	794,000
644 Guerrero Street	MEDA	4	1/31/2022	662,000
30 projects		325		58,891,000

Typical Project:

- Small Site Program participants averaging 11 units
- Permanent take-out financing with average loan size of ~\$2M
- Serves priority and at-risk populations:
 - Seniors
 - Persons with disabilities
 - Low-income households
 - Ellis Act evictions

Future Issuances:

- 11 additional sites identified totaling 86 units and approximately \$20M in financing as part of second issuance
- Small Sites and Big Sites
- Utilize all bonding capacity by 2029 to preserve approximately 1,400 units of affordable housing

Critical Path



December '18						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

January '19						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

February '19						
Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

Date	Activity
Dec. 3 (Mon)	Capital Planning Committee
Dec. 11 (Tue)	Introduce legislation and financing documents at BOS
Jan. 10 (Thu)	Budget & Finance Committee consideration
Jan. 15 (Tue)	BOS consideration of financing documents
Jan. 25 (Fri)	<ul style="list-style-type: none"> • Mayor to sign resolution • Finalize Preliminary Official Statement
Jan. 28 (Mon)	Mail/Post Preliminary Official Statement
Feb. 5 (Tue)	<ul style="list-style-type: none"> • Bond Sale • Sign Bond Purchase Agreement
Feb. 11 (Mon)	<ul style="list-style-type: none"> • Mail/Post Final Official Statement • Comments due on closing documents
Feb. 19 (Tue)	Pre-close Bonds
Feb. 20 (Wed)	Close Bonds

Next Steps

PASS Program

- First issuance in February 2019
- Operationalize, market and roll-out loan program
- Process and close applications for financing
- Compliance monitoring, reporting and program evaluation



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