

Preservation and Seismic Safety (PASS) Program

Update on 1st Issuance (2019A) and
Request for Approval for 2nd Issuance (2020F)

Capital Planning Committee
September 14, 2020



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

Action before Committee

Action item recommending to approve:

- Resolution authorizing the sale of Taxable General Obligation Bonds (Affordable Housing 2016) Series 2020F, not to exceed \$102.58M



1992 Prop A (SSLP)



- Prop A to fund seismic safety loans after Loma Prieta earthquake passed in 1992
- \$350M bond known as the Seismic Safety Loan Program (SSLP)
 - \$60M for Deferred Loans
 - \$90M for Below Market Rate Loans
 - \$200M for Market Rate Loans
- Program was underutilized – only \$90M in loans originated over more than 20 years

2016 Prop C (PASS Program)



- Voters approved Prop C by 76% in 2016
- Repurpose remaining \$260M Prop A funds for the Preservation and Seismic Safety (PASS) Program to fund affordable housing acquisition, rehab, and conversion of at-risk buildings to permanent affordable housing in addition to seismic retrofits
 - \$14M Deferred Loans
 - \$90M for Below Market Rate Loans
 - \$156M for Market Rate Loans
- Cap annual issuance at \$35M with unused bond authority rolling over to future years
- February 2019 – PASS Issuance #1
 - \$72.42M -- Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016) Series 2019A
 - \$188.26M bond capacity remains

Affordability Restrictions



- Permanent affordability restrictions for Deferred Loans and Below Market Rate Loans
- Maximum average rent and household income at 80% AMI, and cap at 120% AMI

AMI	Rent ¹	Income ²
80%	2,306	92,250
120%	3,459	138,350

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

Notes:

1. 2020 MOHCD AMI - maximum 2 bedroom gross rent
2. 2020 MOHCD AMI - maximum 3 person household income

Eligible Uses

- Seismic retrofits to unreinforced masonry buildings, 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



- 1201 Powell St** – 17 units, 1 commercial
- Acquired by CCDC in October 2017 and preserved as permanently affordable housing (<43% AMI)
 - PASS take-out financing closed in June 2019 totaling \$2.1M, saving the City \$764k in SSP subsidy



- 4340 Mission St** – 21 units, 6 commercial
- Acquired by MEDA in July 2018 and preserved as permanently affordable housing (<73% AMI)
 - PASS take-out financing closed in July 2019 totaling \$9.15M saving the City \$3.2M in SSP subsidy

PASS Financing

Models:

- Direct financing for acquisition and rehabilitation
- Permanent take-out financing

Terms:

- Deferred and Below Market Rate interest to yield 1/3 of City's cost of funds
- Market Rate interest to yield City's costs of funds plus 100 basis points
- Loans may be combined to achieve a low-cost blended interest rate
- Up to 40 year loan term

PASS vs Conventional Financing



OPERATING BUDGET

Affordable Rents	247,303	~50% AMI rents
Operating Expenses	139,207	
Net Operating Income	108,096	Amount available for debt service

SOURCES & USES

	<u>Conventional Loan</u>	<u>PASS Loan</u>	<u>Remarks</u>
	4.00%	3.07%	Interest Rate
	30	40	Loan Term (years)
	1.15	1.10	Debt Coverage Ratio
	93,997	98,269	Net Available for Debt Service
SOURCES			
Senior Loan	1,640,000	2,262,000	
Small Sites Program (SSP) Gap	6,431,000	5,809,000	\$622k reduction in City funded gap
Total Sources	8,071,000	8,071,000	
USES			
Acquisition	4,312,000	4,312,000	
Rehabilitation	1,819,000	1,819,000	
Soft Costs	1,940,000	1,940,000	
Total Uses	8,071,000	8,071,000	

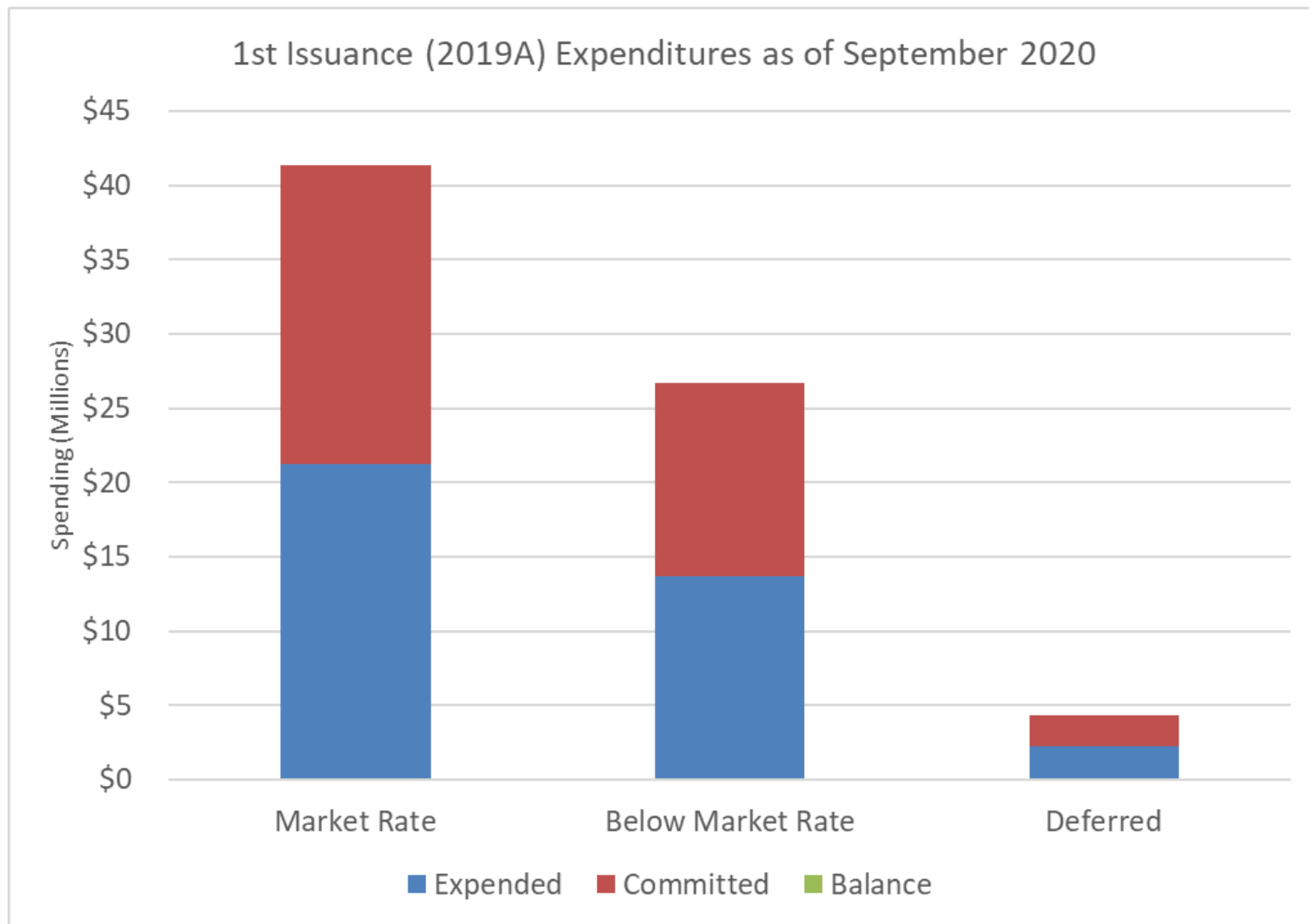
Note: Figures are for illustrative purposes only.

Update on 1st Issuance: Pipeline

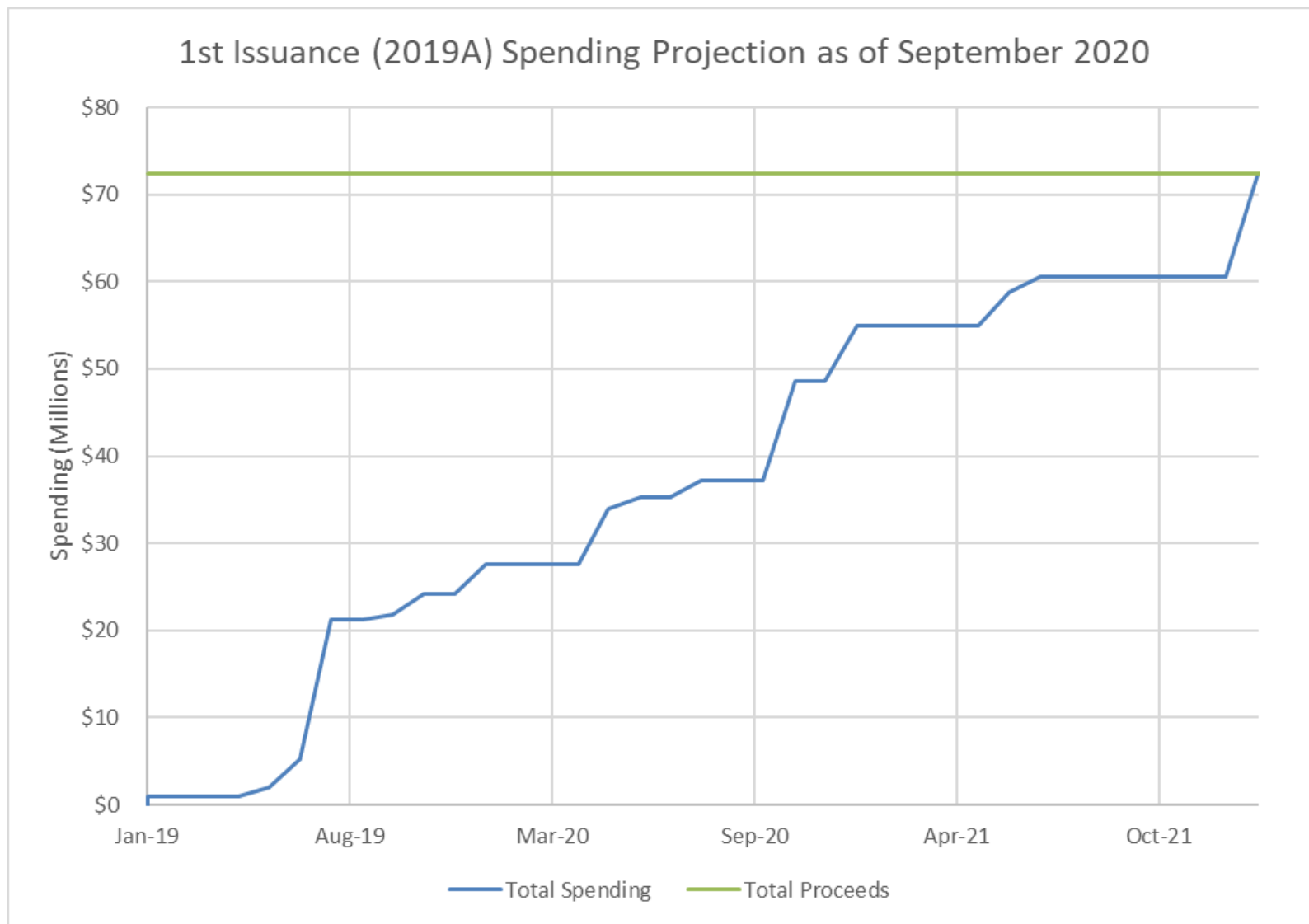


Project Name	Sponsor	Res. Units	Com. Units	Loan	Total	Status
				Disbursement Date	PASS Loans	
60 28th Street	MEDA	6		5/8/2019	1,022,000	Closed
Purple House	SFCLT	10		6/14/2019	1,069,000	Closed
1201 Powell Street	CCDC	17	1	6/28/2019	2,143,000	Closed
1411 Florida Street	MEDA	7		7/30/2019	1,439,000	Closed
3280 17th Street	MEDA	11	5	7/30/2019	5,392,000	Closed
4830 Mission Street	MEDA	21	6	7/30/2019	9,151,000	Closed
462 Green Street	CCDC	7		9/26/2019	645,000	Closed
305 San Carlos Street	MEDA	12	2	10/31/2019	2,406,000	Closed
65-69 Woodward Street	MEDA	6		12/12/2019	1,287,000	Closed
654 Capp Street	MEDA	7		12/19/2019	2,087,000	Closed
937 Clay Street	CCDC	68	3	4/15/2020	4,405,000	Closed
520 Shrader Street	SFHDC	7		4/29/2020	1,997,000	Closed
70 Belcher Street	SFCLT	5		5/21/2020	1,201,000	Closed
1353 Stevenson Street	MEDA	3		7/30/2020	1,954,000	Closed
270 Turk Street	TNDC	86		10/30/2020	11,381,000	Committed
3158 Mission Street (El Rio)	MEDA	8	2	12/31/2020	5,910,000	Committed
3544 Taraval Street	MEDA	6		12/31/2020	512,000	Committed
369 3rd Avenue	MEDA	12	1	5/31/2021	3,850,000	Committed
1535 Jackson Street	CCDC	30		6/30/2021	1,782,000	Committed
South Park Scattered Sites	MHDC	107	2	1/30/2022	11,828,000	Committed
Reserved				1/31/2022	-	
Sub-Total	20 projects	436	22		71,461,000	

Update on 1st Issuance: Expenditures



Update on 1st Issuance: Spending Projection



PASS Loan Performance during COVID-19

- 100% loan performance through March 2020 leading up to the COVID-19 pandemic with no defaults, delinquencies, or workouts
- COVID-19 forbearance program created to stabilize affordable housing operations.
- Minimal financial impact to the City



PASS Loan Performance during COVID-19



Project Name	Sponsor	Res. Units	Com. Units	Loan	Total	Status
				Disbursement Date	PASS Loans	
Purple House	SFCLT	10		6/14/2019	1,069,000	Current, no delinquencies
1201 Powell Street	CCDC	17	1	6/28/2019	2,143,000	Current, no delinquencies
462 Green Street	CCDC	7		9/26/2019	645,000	Current, no delinquencies
937 Clay Street	CCDC	73	3	4/15/2020	4,405,000	Current, no delinquencies
520 Shrader Street	SFHDC	7		4/29/2020	1,997,000	Current, no delinquencies
70 Belcher Street	SFCLT	5		5/21/2020	1,201,000	Current, no delinquencies
1353 Stevenson Street	MEDA	3		7/30/2020	1,954,000	Current, no delinquencies
Sub-Total	7 projects	122	4		13,414,000	37.06%

COVID-19 Forbearance Program

60 28th Street	MEDA	6		5/8/2019	1,022,000	Forbearance: Apr-Sep 2020
1411 Florida Street	MEDA	7		7/30/2019	1,439,000	Forbearance: Apr-Sep 2020
3280 17th Street	MEDA	11	5	7/30/2019	5,392,000	Forbearance: Apr-Sep 2020
4830 Mission Street	MEDA	21	6	7/30/2019	9,151,000	Forbearance: Apr-Sep 2020
305 San Carlos Street	MEDA	12	2	10/31/2019	2,406,000	Forbearance: Apr-Sep 2020
65-69 Woodward Street	MEDA	6		12/12/2019	1,287,000	Forbearance: Apr-Sep 2020
654 Capp Street	MEDA	7		12/19/2019	2,087,000	Forbearance: Apr-Sep 2020
Sub-Total	7 projects	70	13		22,784,000	62.94%

Grand Total	14 projects	192	17		36,198,000	100%
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COVID-19 Forbearance & Workouts

- MOHCD evaluating MEDA request to extend forbearance period for additional 6 month period
- Collections since April support a catch up payment and ongoing payments of approximately 80% debt service overall, 3 of 7 projects already stabilized
- COVID-19 remains an ongoing threat, but the City's proactive approach has been both a necessary and effective strategy to keep San Franciscans stably housed

Risk Mitigation: Existing Loans



Existing Loan Portfolio

- COVID-19 forbearance program ensures continuity of operations, prevents displacement, and secures occupancy restrictions. Projects with conventional bank financing may be at risk.
- \$3.5M investment in sponsor capacity building that funds direct non-profit staffing, program innovations, and geographic equity.
- Asset Management performance monitoring and execution of workouts, on an as needed basis, within 12 months. Potential gap funding identified.
- Collaboration with Federal and State partners to mobilize new resources to support San Francisco's recovery

Risk Mitigation: New Originations

New Loan Originations

- COVID-19 underwriting updates
- Permanent “Take out” financing model requires that projects achieve stabilization prior to PASS loan closing
- \$3.5M investment in sponsor capacity building
- Asset Management performance monitoring
- Collaboration with Federal and State partners to mobilize new resources

Request for Approval for 2nd Issuance (Affordable Housing 2016) Series 2020F



	2020F		Affordable		
			Market Rate	Below Market Rate	Deferred
			60.90%	33.60%	5.50%
Maximum Not to Exceed Amount:	102,580,000				
Sources:					
Par Amount	102,580,000	100.0%	62,471,220	34,466,880	5,641,900
Total Sources:	102,580,000	100.0%	62,471,220	34,466,880	5,641,900
Uses:					
Project Fund Deposits:					
Project Fund	101,228,014	98.7%	61,647,861	34,012,613	5,567,541
CSA Audit Fee	202,456	0.2%	123,296	68,025	11,135
Total Project Fund Deposits:	101,430,470	98.9%	61,771,156	34,080,638	5,578,676
Cost of Issuance	790,500	0.8%	481,415	265,608	43,478
Underwriter's Discount	256,450	0.3%	156,178	86,167	14,105
CGOBOC Fee	102,580	0.1%	62,471	34,467	5,642
Total Delivery Expense:	1,149,530	1.1%	700,064	386,242	63,224
<i>Additional Proceeds</i>	-	0.0%	-	-	-
Total Uses:	102,580,000	100.0%	62,471,220	34,466,880	5,641,900

Notes:

Not to exceed amount based on demand for PASS loans and available bond capacity.

Second Issuance Pipeline



Project Name	Sponsor	Res. Units	Com. Units	Loan	Total	Status
				Disbursement Date	PASS Loans	
344 Precita Avenue	MEDA	3	1	3/31/2021	988,000	Refi
3840 Folsom Street	MEDA	4		3/31/2021	706,000	Refi
Pigeon Palace	SFCLT	6		3/31/2021	1,739,000	Refi
308 Turk Street	SFCLT	20		6/30/2021	3,190,000	Refi
SOMA - TBD	MEDA	4		6/30/2021	621,000	Prospect
239 Clayton Street	MEDA	8		6/30/2021	2,000,000	Committed
151 Duboce Avenue	SFCLT	4		6/30/2021	643,000	Refi
3800 Mission Street	MEDA	5	1	6/30/2021	1,378,000	Refi
Mission - TBD	MEDA	25	1	9/15/2021	2,783,000	Prospect
Merry-Go-Round House	SFCLT	14		9/30/2021	2,154,000	Refi
534 Natoma Street	SFCLT	5		9/30/2021	1,296,000	Refi
1049 Market Street	THC	15		9/30/2021	688,000	Committed
3254-3264 23rd Street	MEDA	6	5	6/30/2021	2,386,000	Committed
Tenderloin1 - TBD	S4	33		12/30/2021	10,106,000	Prospect
1684 Grove Street	SFCLT	3		12/31/2021	892,000	Refi
1353 Folsom Street	SFCLT	3		12/31/2021	918,000	Refi
Bayview - TBD	SHFDC	10		12/31/2021	2,024,000	Prospect
2260 Mission Street	MEDA	6	1	7/31/2021	1,725,000	Committed
1500 Cortland Avenue	MEDA	4		12/31/2021	792,000	Refi
568 Natoma Street	SFCLT	5		12/31/2021	1,049,000	Refi
380 San Jose Avenue	MEDA	4		1/31/2022	850,000	Refi
644 Guerrero Street	MEDA	4		1/31/2022	709,000	Refi
3225 24th Street	MEDA	6		1/31/2022	1,542,000	Committed
Through Line Apartments	CCDC	88	3	2/28/2022	8,508,000	Refi
3198 24th Street	MEDA	8	5	5/31/2022	4,255,000	Refi
Tenderloin2 - TBD	TNDC	62		6/30/2022	3,976,000	Prospect
Bernal - TBD	Oak Impact	26	2	9/30/2022	5,651,000	Prospect
3329 20th Street	MEDA	10		11/30/2022	1,192,000	Refi
269 Richland Avenue	MEDA	6		3/31/2023	913,000	Refi
4042 Fulton Street	SFCLT	5		3/31/2023	1,318,000	Refi
63 Lapidge Street	MEDA	6		4/30/2023	1,615,000	Refi
Scattered - TBD	MHDC	70		4/30/2023	28,028,000	Prospect
1015 Shotwell Street	MEDA	10		9/30/2023	3,395,000	Refi
3353 26th Street	MEDA	10	1	10/30/2023	1,198,000	Refi
Reserved				11/30/2023	-	
Sub-Total	34 projects	498	20		101,228,000	

Typical Project:

- Counter-cyclical acquisition and preservation strategy
- Acquisition of Small Sites and Large Sites, and preservation of at-risk housing
 - 22 refinancing projects (mostly small sites) that fund critical capital needs to extend useful life, improve long-term financial sustainability
 - 7 prospective projects including acquisition/rehab, of at-risk projects
 - 5 committed acquisition/rehab projects with rehab currently underway
- Average project size 15 units
- Average loan size of ~\$3M
- Serves priority and at-risk populations:
 - Seniors
 - Persons with disabilities
 - People of color
 - Low-income households
 - Ellis Act evictions
 - Geographic equity

Financing Schedule



SEPTEMBER 2020						
S	M	T	W	T	F	S
		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			

OCTOBER 2020						
S	M	T	W	T	F	S
				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

NOVEMBER 2020						
S	M	T	W	T	F	S
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					

Date	Activity
Mon 9/14/2020	Capital Planning Committee Meeting
Tue 9/22/2020	Board of Supervisors Meeting (Introduction)
Wed 9/30/2020	Budget and Finance Committee Meeting
Mon 10/05/2020	Rating Call
Tue 10/06/2020	Board of Supervisors Meeting (Approve Sale Resolution and Related Documents, First Reading)
Fri 10/16/2020	Signature of the Resolution by the Mayor
Mon 10/19/2020	- Ratings Released - Due Diligence Call - Print and Post Preliminary Official Statement
Tue 10/20/2020	Board of Supervisors Meeting (Second Reading)
Wed 10/28/2020	Pre-Pricing
Thu 10/29/2020	Pricing
Mon 11/02/2020	- Print and Post Final Official Statement - Documents Finalized and Executed
Wed 11/11/2020	Pre-Closing
Thu 11/12/2020	Closing and Transfer of Funds

Questions & Answers



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