2024 General Obligation Bond for Affordable Housing

Capital Planning Committee
July 24, 2023
Today’s Presentation

- Affordable Housing Bond Program History
- Funding for Affordable Housing
- Current Housing Needs
- 2024 Bond Program
2015 GO Housing Bond

- $310 Million
- 1,568 units funded
- 99% expended
  - Will be fully expended by mid-2024
  - Expenditure schedule driven by $25M allocation to educator housing at 43rd & Irving which began construction in the fall of 2022.

<table>
<thead>
<tr>
<th></th>
<th>Issuance 1</th>
<th>Issuance 2</th>
<th>Issuance 3</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Housing</td>
<td>$41.0</td>
<td>$0.4</td>
<td>$38.6</td>
<td>$80.0</td>
</tr>
<tr>
<td>Low-Income Housing</td>
<td>$24.2</td>
<td>$68.4</td>
<td>$7.4</td>
<td>$100.0</td>
</tr>
<tr>
<td>Low-Income Housing (Mission)</td>
<td>$6.1</td>
<td>$43.1</td>
<td>$0.8</td>
<td>$50.0</td>
</tr>
<tr>
<td>Middle-Income Housing</td>
<td>$3.8</td>
<td>$30.2</td>
<td>$46.0</td>
<td>$80.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$75.1</strong></td>
<td><strong>$142.1</strong></td>
<td><strong>$92.8</strong></td>
<td><strong>$310.0</strong></td>
</tr>
</tbody>
</table>
# Project Spotlight: 2015 Bonds

## 681 Florida: 130 Family Units, 30 for Formerly Homeless Households

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
<th>Restrictions / Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Exempt Bank Loan</td>
<td>$3,050,000</td>
<td>3.45% interest 20 years</td>
</tr>
<tr>
<td>MOHCD Gap Loan (includes Bond funds)</td>
<td>$30,147,923</td>
<td>0% Interest 55-year term</td>
</tr>
<tr>
<td>HCD Multifamily Housing Program (MHP)</td>
<td>$14,706,000</td>
<td>3% interest 55-year term, 0.42% mandatory payment</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$2,537,145</td>
<td>Paid out of cash flow by year 15</td>
</tr>
<tr>
<td>General Partner Equity</td>
<td>$961,849</td>
<td>Developer contribution</td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>$33,912,411</td>
<td>$1.04 price per credit</td>
</tr>
</tbody>
</table>

*Low land cost due to land dedication from market rate development*
2019 GO Housing Bond

- $600 Million
- 2,202 units funded through December 2022
- $426.1M available through two issuances so far; 46% of first issuance expended as of 12/2022
- 100% of bonds to be issued with third issuance (2024)
- 100% of funds expected to be expended 12-18 months after construction closing, or by 2026.

Expenditure schedule driven by Laguna Honda Senior Housing project, which is delayed.

<table>
<thead>
<tr>
<th></th>
<th>Issuance 1</th>
<th>Issuance 2</th>
<th>Other Issuances</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Housing</td>
<td>$50.6</td>
<td>$97.9</td>
<td>$1.5</td>
<td>$150.0</td>
</tr>
<tr>
<td>Low-Income Housing</td>
<td>$143.7</td>
<td>$38.6</td>
<td>$37.7</td>
<td>$220.0</td>
</tr>
<tr>
<td>Preservation and Middle-Income Housing</td>
<td>$37.1</td>
<td>$9.4</td>
<td>$13.5</td>
<td>$60.0</td>
</tr>
<tr>
<td>Senior Housing</td>
<td>$21.2</td>
<td>$20.4</td>
<td>$108.4</td>
<td>$150.0</td>
</tr>
<tr>
<td>Educator Housing</td>
<td>$-</td>
<td>$-</td>
<td>$20.0</td>
<td>$20.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$252.6</strong></td>
<td><strong>$166.3</strong></td>
<td><strong>$181.1</strong></td>
<td><strong>$600.0</strong></td>
</tr>
</tbody>
</table>

* Cost of issuance amounts are included in Other Issuances.
## 2023 Certificates of Participation (COPs)

$112 Million - First issuance in November 2023

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site acquisition</td>
<td>MOHCD selected 5 new sites that will result in over 550 new affordable rental units</td>
<td>$40M</td>
</tr>
<tr>
<td>Acquisition of community facilities</td>
<td>MOHCD has selected 3 projects to date, with the remaining selected in late CY 2023</td>
<td>$30M</td>
</tr>
<tr>
<td>Public housing/ Coop repairs</td>
<td>MOHCD will issue a NOFA in Fall 2023 for urgent repairs</td>
<td>$20M</td>
</tr>
<tr>
<td>Elevator repairs in SROs</td>
<td>HSH will issue a NOFA in late CY 2023</td>
<td>$10M</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$112M</td>
</tr>
</tbody>
</table>
2019 GO Housing Bond Projects

2019 Affordable Housing Bond Projects as of December 31, 2022

Number of Multifamily Units

- 6 - 10
- 11 - 20
- 21 - 150
- 151 - 200
- 201 - 300

- Down Payment Assistance Loans / Teacher Next Door
## Project Spotlight: 2019 Bonds

**2550 Irving Street: 89 Family Units, 22 for Formerly Homeless Households**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
<th>Restrictions / Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Exempt Bank Loan</td>
<td>$1,710,000</td>
<td>7.17% interest 25 years</td>
</tr>
<tr>
<td>MOHCD Gap Loan (includes Bond funds)</td>
<td>$17,700,669</td>
<td>3% Interest 55-year term</td>
</tr>
<tr>
<td>HCD Multifamily Housing Program (MHP)</td>
<td>$29,363,536</td>
<td>3% interest 55-year term, 0.42% mandatory payment</td>
</tr>
<tr>
<td>HCD – Infill Infrastructure Program</td>
<td>$6,999,486</td>
<td>Grant</td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>$44,945,153</td>
<td>$0.96 price per credit</td>
</tr>
<tr>
<td>Federal Home Loan Bank—Affordable Housing Program</td>
<td>$1,000,000</td>
<td>0% deferred</td>
</tr>
<tr>
<td>HCD - Community Development Funding</td>
<td>$500,000</td>
<td>0% deferred</td>
</tr>
<tr>
<td>Deferred Interest</td>
<td>$559,302</td>
<td></td>
</tr>
<tr>
<td>Deferred Dev Fee</td>
<td>$699,000</td>
<td>Paid out of cash flow by year 15</td>
</tr>
</tbody>
</table>

2550 Irving Street view from Irving and 27th Ave. (rendering by PYATOK)
Lessons Learned from 2015/2019 Bonds

- Project schedules are less certain today: bond and tax credit funding from the State is not guaranteed anymore
- Construction and operating costs are increasing
  - Local funds support fewer projects
- Interest rates and cost risk require flexible per project funding
- SB35 has shortened entitlements timelines
- Middle income affordable housing struggles to leverage State funding
Context Affordable Housing Funding
Affordable Housing Funding

- **GO Bonds** are the most reliable funding source for affordable housing in San Francisco.

- Most other local funding sources are generated by private development and therefore fluctuate with the market.

- Federal and state funding is less predictable but still provides bulk of funding, leveraging City funds at a rate of 1:2.

- Funding falls short of what’s needed by billions annually.
  - $19B in local funds needed to achieve Housing Element targets based on current housing delivery models and costs.

- High development costs, particularly hard costs, undermine housing goals.
More Funding = More Production

Annual Affordable Housing Production by Year

Production has doubled since 2016

Traditionally inclusionary has represented ~1/3 of total units

Preservation and acquisitions also increased:
- Small Sites & Affordable Preservation: 1,155 units since 2018
- RAD conversions: 3,443 units since 2016
- PSH acquisitions: 667 units in 2022 with local funds and HomeKey
Local Funding 2018-2022

- Nearly $1 Billion in local funding over last 5 years
- $200 million per year on average ($500 million in 22-23)
- Most funding comes from property taxes (GO Bonds, ERAF, Housing Trust Fund, OCII tax increment) or development fees
- Gross receipts tax for homelessness ~$200 million (not shown here)
The Importance of Leveraging

Every local housing dollar leverages almost two state and/or federal housing dollars.

From 2018-2022 SF spent $1 billion on affordable housing and leveraged $2 billion in other funding.
Local Funding Trends

- Local funding is volatile, depending on voter approvals, development cycle, and one-time allocations
- Dramatic drop in inclusionary fees
- Available funding sources are being used up: $770M+ anticipated funding gap from FY24-25 to FY26-27
- Substantial local spending in FY22-23 after State bottleneck was cleared
San Francisco's Needs for Affordable Housing

18,146 low-income renter households do not have access to an affordable home

58% of extremely low income (ELI) households are paying more than half of their income on housing costs compared to 1% of moderate-income households

45% of ELI Older Adult Households are paying more than half of their income on housing costs (2021)

83% of ELI Households with young children are paying more than half of their income on housing costs (2021)

Very Low-Income households face the highest rate of overcrowding (2021)

2022 Housing Element

- First San Francisco Housing Element rooted in **racial and social equity** with state mandate to **affirmatively further fair housing**
- Focus on **expanding housing choices** while repairing harm to communities of color and lower income communities
- **Shift in growth patterns** - from large housing projects concentrated on east side to mid-size projects throughout the city
- **New state laws** put greater focus on housing elements and enforcement
- New RHNA methodology led to **steep increase in housing targets**

**Implementation Next Steps**

- **Expanding Housing Choice** zoning changes in western San Francisco
- **Mayor Breed’s “Housing for All” Executive Directive** called on all departments to evaluate and improve how they facilitate housing production
- The Executive Directive calls for the creation of a **Leadership Council** to develop an affordable housing funding strategy.
- Legislation to reduce barriers to entitlements and permits in response to analysis that SF has the longest timeframe for approvals in the state.
SF's Housing Element goals for Affordable Housing

Housing production will need to dramatically increase—especially affordable homes.

VLI target includes ~2/3 ELI
2024 Bond Program Areas

1939 Mission, LGBTQ-friendly Senior Housing
Affordable Housing Pipeline Gaps

<table>
<thead>
<tr>
<th>New Development</th>
<th>Number of units</th>
<th>Public Housing</th>
<th>Low Income</th>
<th>Preservation</th>
<th>Senior</th>
<th>Total Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predevelopment</td>
<td>1,216 (8 sites)</td>
<td>$96M</td>
<td>$88M</td>
<td>$52M</td>
<td>$31M</td>
<td>$268M</td>
</tr>
<tr>
<td>Pre-feasibility</td>
<td>3,570 (12 sites)</td>
<td>$6.8M</td>
<td>$586M</td>
<td>$0</td>
<td>$0</td>
<td>$593M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Number of units</th>
<th>Total Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downpayment Assistance</td>
<td>30</td>
<td>$12M</td>
</tr>
<tr>
<td>Small Sites Preservation</td>
<td>60</td>
<td>$30M</td>
</tr>
</tbody>
</table>

$900M funding need to meet all pipeline and programmatic goals through FY28-29

- Additional MOHCD staffing capacity may be required to deploy these funds
Program Categories for 2024 Bond

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction of Low-Income Housing (up to 80% AMI)</td>
<td>$258 Million</td>
</tr>
<tr>
<td>Affordable Housing Preservation (30% to 120% AMI)</td>
<td>$30 Million</td>
</tr>
<tr>
<td>Home Ownership Opportunities (Up to 200% AMI)</td>
<td>$12 Million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$300 Million</strong></td>
</tr>
</tbody>
</table>
Bond Priority Area #1

New Construction

$258,000,000
MOHCD Affordable Housing Pipeline

April 2023, Source: https://data.sfgov.org/d/7dpd-r63z
### New Construction Projects

**$258 million**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Public Housing</th>
<th>Low Income</th>
<th>Senior</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potrero Yard Family Housing</td>
<td></td>
<td>$25,000,000</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Balboa Reservoir Family Housing</td>
<td></td>
<td>$27,000,000</td>
<td></td>
<td>309</td>
</tr>
<tr>
<td>1939 Market Senior Housing</td>
<td></td>
<td></td>
<td>$25,000,000</td>
<td>287</td>
</tr>
<tr>
<td>967 Mission Senior Housing</td>
<td></td>
<td></td>
<td></td>
<td>96</td>
</tr>
<tr>
<td>Treasure Island Projects 4 (Senior) and 5 (Family)</td>
<td></td>
<td>$27,000,000</td>
<td>$25,000,000</td>
<td>220</td>
</tr>
<tr>
<td>260 Golden Gate Permanent Supportive Housing for Single Adults</td>
<td>$36,000,000</td>
<td></td>
<td></td>
<td>120</td>
</tr>
<tr>
<td>Sunnydale HOPE SF Family Housing Blocks 7 and 9</td>
<td>$53,000,000</td>
<td></td>
<td></td>
<td>184</td>
</tr>
<tr>
<td>Potrero HOPE SF - Phase 3 infrastructure</td>
<td>$43,000,000</td>
<td></td>
<td></td>
<td>213</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$96,000,000</strong></td>
<td><strong>$115,000,000</strong></td>
<td><strong>$57,000,000</strong></td>
<td><strong>1,429</strong></td>
</tr>
</tbody>
</table>

*Project list is subject to change based on feasibility for State and Federal resources*
Bond Priority Area #2
Preservation
$20,000,000
Preservation Programs

Preservation and Seismic Safety (PASS) Program

Small Sites Program
Small Sites Program

Stabilizes at-risk communities by preventing displacement and increasing housing stability

- Protects households across the widest range of incomes
  - (30%-120% AMI, or $35,950-$143,900 for a family of 3)
  - Keep residents in their homes regardless of income.

- 660+ units converted to permanently affordable to date

- Adds permanently affordable housing where it is at the highest risk of conversion to market rates.

- Funds critical repairs

- Improves the safety and quality of San Francisco’s existing housing stock.

- Invests in a sustainable CBO ecosystem.

- Leverages partnerships with specialized CBOs to achieve City’s acquisition and preservation goals.
Bond Priority Area #3
Middle Income Homeownership
$12,000,000
Homeowner Programs

Down Payment Assistance Loan Program (DALP)
• Up to $500,000
• Low- to middle-income first-time homebuyers
• For a primary residence
• A silent second loan that requires no monthly payments
• When the property is sold or transferred, the owner pays MOHCD the principal loan amount + an equitable share of appreciation
2024 Bond: Racial and Equity Goals

- Provide housing opportunities in High Resource Areas
- Stabilize communities in priority geographies
- Provide a range of unit sizes and location to meet diverse housing needs
- Align with Housing Element Goals
100% Affordable projects support climate resiliency:

All electric – Since 2020, MOHCD projects are all electric

Public Power – MOHCD projects built on City land receive renewable electric service from SFPUC (those that aren't on City land have option for CleanPower SF)

Photovoltaic (PV/solar) on most MOHCD projects

High standards of air filtration

Graywater requirements apply to many 100% affordable housing projects

New projects include state-of-the-art recycling and compost facilities

High percentage of voluntary LEED and other Green certifications

Expanded back-up battery options for resiliency during extreme heat / blackouts

Raised ground floors for future sea rise / storm surge

Stormwater management strategies including permeable pavers, bio filtration, mostly notable at large, multiphase sites (HOPE SF)

Grant funding from the Strategic Growth Council for the Affordable Housing and Sustainable Communities (AHSC) program supports affordable housing as well as transportation improvements that reduce greenhouse gases (e.g., grants for BART, MUNI, DPW)
2024 Bond: Spending Timeline

New Construction: $258M
  ~$130 M in loans will close in 24-25
   Funds anticipated to be fully expended by Q3 of 25-26
  ~$130M in loans will close in 25-26
   Funds anticipated to be fully expended by Q3 of 26-27
   **Contingent on successful applications to State for tax credits and bonds**

Preservation: $30M
  Funds anticipated to be fully expended in 25-26

Downpayment Assistance: $12M
  Funds anticipated to be fully expended by end of 25-26
Potential Opportunities & Risks

Opportunity: Affordable Housing is Economic Recovery; Pipeline is rebounding post COVID

Opportunity: Allows the City to meet project commitments it has already made

Opportunity: Sets the stage for other potential large funding streams

Risk: CDLAC is no longer a reliable source of leverage

Risk: Financial markets remain volatile
MOHCD

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