

# 2015 Affordable Housing General Obligation Bonds Report (as of 9/30/2017)

Program Categories	GO Bond
Public Housing	\$80 Million
Low-Income Housing (up to 80% AMI)	\$100 Million
<i>set aside for Mission Area Plan Investments</i>	\$50 Million
Middle-Income Housing (121%-175% AMI)	\$80 Million
TOTAL	\$310 Million

The Bond targets several priority populations in order to serve the City's vulnerable residents and households at risk of displacement:

- Low-income working families
- Veterans
- Seniors
- Disabled individuals



# Highlights

- Over 70% of funds encumbered within 9 months of issuance
- Total of \$25MM in Public Housing Loans Agreement encumbered
- Total of \$7MM in Low Income Multifamily Loan Agreements encumbered
- Total of \$6MM in Mission Set Aside Loan Agreements encumbered
- Total of \$13MM in Low Income Small Sites deals closed
- Middle Income Down payment Assistance Loans (DALP) fully subscribed
- Reallocation planned for Second and Third Issuance
- 17 of 1,512 affordable units completed



# Public Housing

## Potrero Acceleration

- Block X construction is over 14% complete. Estimated construction completion is November 2018.
- Block B Vertical loan agreement was executed in June 2017 and design development is underway.

## Sunnydale Acceleration

- Savings of \$3,433,153 was shifted from Parcel Q to Block 6 for infrastructure. The PSA and ground lease will at the Board of Supervisors in November 2017. Construction to start in January 2018.
- Sunnydale blocks 6A and 6B to be combined to expedite construction completion and reduce costs. Savings shifted to Block 6 infrastructure. Predevelopment design work with infrastructure integration ongoing.
- Infrastructure design work is ongoing. Residents within the future A Street, Center Street, mews and Blythdale area will relocate onsite by summer 2018, for construction fall 2018.



# Low Income Housing

- 500 Turk – predevelopment design and environmental due diligence work underway
- 4840 Mission - predevelopment design and environmental due diligence work underway
- 250 Laguna Honda - predevelopment design and environmental due diligence work underway
- Mission set-aside:
  - 1990 Folsom - predevelopment design and environmental due diligence work underway; rezoning approved in October



# Middle-Income Housing

- Small Sites: Loans in high demand. 39 units funded with First Issuance.
- DALP & TND: Programs in high demand. 23 households supported through 9/30/17.
- Production: 2 sites identified
  - 15% of new units at 88 Broadway for middle income renters.
  - Educator Rental Housing on SFUSD owned site.



# Reallocation of Future Issuances

- 4840 Mission and 250 Laguna Honda expected to take longer than anticipated. Funding will come from other sources.
- Funds previously allocated to these will be re-allocated to 1296 Shotwell and 88 Broadway, as each will begin construction in 2018.
- Under consideration: transfer remaining Middle Income rental production funding to DALP, where demand exceeds funding significantly.



# 2016 Housing Bonds

## ➤ Issuance Authority and Funding Terms

### ■ **Proposition A (1992)**

Created the Seismic Safety Loan Programs (SSLP)

- \$150M set aside for an Affordable Housing Loan Program (AHLP)
  - Funds loaned at 1/3 of the City's true interest cost
- \$200M set aside for a Market-Rate Loan Program (MRLP)
  - Funds loaned at 1% above the City's true interest cost

### ■ **S.F. Admin. Code Chapters 66 and 66A**

Describe conditions of SSLP participation (e.g., lending criteria, application and approval process, closing and servicing procedures, and contracting requirements)

### ■ **Proposition C (2016)**

- Allows SSLP funds to be used to “finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing”
- Approximately \$105M of AHLP funds and \$150M of MRLP funds available



# Potential Uses of Proposition C Funding

## ➤ **Direct Financing Model**

Underwrite long-term acquisition/rehabilitation financing for projects and then disburse bond proceeds directly to Buyers

## ➤ **Take-Out Financing Model**

Work with a bridge lender to provide short-term financing that MOHCD would later take out with bond proceeds

## ➤ **Pooling and Securitization Model**

Following an initial execution using either the Direct Financing Model or the Take-Out Financing Model, pool outstanding loans, issue securities the proceeds of which would be used to pay off the underlying loans, and use payoff proceeds to fund new loans

## ➤ **Whole-Loan Purchase Model**

Following an initial execution using either the Direct Financing Model or the Take-Out Financing Model, sell individual Loans on the secondary market and use sale proceeds to fund new loans





# Progress Toward Bond Issuance and Lending

## ➤ **Assembled Transaction Team and Began Meetings**

- Completed an RFP process for bond counsel and selected Jones Hall
- Conducted meetings including MOHCD, bond counsel, the Controller's Office of Public Finance, and the City Attorney's Office

## ➤ **Resolved Outstanding Issues and Structured Program**

- Resolved outstanding legal and administrative issues, including:
  - Permitted uses of Prop. C funds and general-obligation bond proceeds,
  - Timing of bond issuances and permissible issuance amounts by funding pool, and
  - City contracting requirements applicable to various types of loans
- Developed a general program structure that would meet affordable housing financing needs while complying with legal and administrative requirements

## ➤ **Drafted Revisions to Chapters 66 and 66A**

Worked with City Attorney's Office to draft proposed revisions to Chapters 66 and 66A that will allow MOHCD to implement Prop. C given market conditions and project finances



# Next Steps and Proposed Timeline

## ➤ **Next Steps**

- Finalize and secure approval of Chapter 66/66A legislation
- Create a pipeline of MOHCD projects to be financed with the first bond issuance
- Draft general lending guidelines and/or template loan documents for program-financed loans to be submitted with the bond issuance legislation
- Finalize and secure approval of bond issuance legislation
- Fund loans with bond proceeds

## ➤ **Proposed Timeline**

- February 2018: Adoption of Chapter 66/66A legislation
- May 2018: First general-obligation bond issuance
- July 2018: First loans funded

