



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

**ACQUISITION, PREDEVELOPMENT AND CONSTRUCTION  
FINANCING FOR  
NEW AFFORDABLE EDUCATOR HOUSING**

**NOTICE OF FUNDING AVAILABILITY**

Pre-Submission Conference | MARCH 1, 2023

# INTRODUCTIONS

- **Mayor's Office of Housing and Community Development (MOHCD)**
  - Mara Blitzer, Director of Special Projects
  - [mohcdHFOpps@sfgov.org](mailto:mohcdHFOpps@sfgov.org)

# AGENDA

- **Welcome**
- **Overview – Funds Available**
- **Outcomes**
- **NOFA Timeline/Important Dates**
- **Eligible Uses of Funds and Key Funding Terms**
- **Minimum Requirements & Proposal Requirements**
- **Selection Process**
- **Questions**

\$32 million

2019 General  
Obligation Bonds and  
Certificates of  
Participation (bonds)

# PROJECT OUTCOMES - General

1. The proposed project must maximize density and unit count that may be built “as of right” using all available tools.
  - Use streamlined ministerial approval processes and maximize density per as-of-right zoning. For example, SB35 may be used in conjunction with the Affordable Housing Density Program or the State Density Bonus Program.
  - Adjust unit sizes to serve the proposed target populations.
  - Note: The City may determine, at its sole discretion, whether any projects with an existing entitlement meets this requirement.
  
2. The proposal must implement an interim use plan for the site that outlines contingencies for construction start delays of up to three years that includes:
  - Retention, where possible, of existing active uses.
  - Active site management to prevent unsafe conditions.
  - Any proposed interim uses that will activate the site. Note that costs to sustain any interim uses are not eligible uses for funding from this NOFA.

# PROJECT OUTCOMES - General continued

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3. The proposal must maximize the benefit of the City's subsidy dollars through demonstrated **Cost-Effectiveness**, whether via low-to-no land costs, use of efficient construction techniques and/or materials, or other identified cost-saving measures.

- The site's development plan must accommodate funding constraints, namely, a maximum \$350,000 of City subsidy per unit, including land.
- The proposal must secure construction and permanent financing that minimizes and leverages City resources to the greatest extent possible, e.g. a State of California, Housing & Community Development (HCD) loan and/or philanthropic contribution

4. The proposal must align with the implementation of **City policies** on anti-displacement, racially inclusive communities, and creating stable housing for vulnerable populations, as described below in Section III.

5. The proposal must create opportunities for the growth of **Emerging Developers** in primary development roles, as members of the development team, or as key members of selected development teams.

# PROJECT OUTCOMES - Rental

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- MOHCD will prioritize affordable housing projects best positioned to secure funding from the CA Debt Limit Allocation Committee (see: [CDLAC Procedures and Application Instructions](#)) by falling into one of three (3) priority funding categories.
  - Site development will produce at least 25% 2-bedroom and 25% 3-bedroom units, so that development will qualify as [High/Highest Resource](#) family development.
  - Site development will include at least 45% units set aside for referrals of homeless households from HSH's Coordinated Entry System, so that development will qualify as Homeless.
  - Site will be developed by a team that qualifies for the CDLAC BIPOC funding pool.
  
- Serve households ranging from 30% to 140% AMI.
  
- Maximize the number of target population placements into the Project (Education Employees, COP holders, etc.).

# PROJECT OUTCOMES - Homeownership

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- MOHCD will prioritize applicants that have already received an award from HCD's CalHome program in support of homeownership project development.
- Serve households with an income ranging from 80% to 120% of AMI with an overall average of 100% AMI as determined by MOHCD and that is adjusted for household size.
- Maximize the number of target population placements into the Project (Education Employees, COP holders, etc.).



# NOFA Timeline

NOFA Issued	<b>February 27, 2023</b>
Pre-submission conference at MOHCD	<b>MARCH 1, 2023</b>
Deadline for questions and requests for additional information	<b>APRIL 7, 2023</b>
DEADLINE FOR SUBMITTING APPLICATIONS	<b>APRIL 21, 2023 BY 4:00 P.M.</b>
Notification to development teams who met submission requirements	<b>APRIL 28, 2023</b>
Development team interviews, if necessary	<b>MAY 2023</b>
Announcement of selection of development team	<b>JUNE 2023</b>

# ELIGIBLE USES OF FUNDS

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- Property acquisition and holding costs (NIC interim uses)
- Architectural and engineering expenses
- Environmental assessments
- Appraisals
- Legal costs
- Project management
- Construction costs
- Financing costs

# FUNDING TERMS - Rental

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- Maximum City Subsidy: \$350,000 per unit for buildings, to include land
- 3% annual simple interest
- 55-year term
- Repayment due to the extent that residual cash flow is available and at expiration of the loan term
- Rents restricted between range of 30% to 140% AMI for the life of the project
- Restrictions must be recorded in first position on title
- To the extent possible, eventual opportunity for City to own the land as ground lessor under some other land dedication/ subdivision mechanism that will insure long-term affordable housing on land

# FUNDING TERMS - Homeownership

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- Sales prices set to be affordable to households with an income ranging from 80% to 120% of AMI with an overall average of 100% AMI for the life of the project.
- Restrictions on ownership units:
  - Project Restrictions: Developer must execute a Declaration of Restrictions and Affordability Housing Covenants or a similar restrictive covenant agreement (“Project Restriction”), in form and substance approved by MOHCD and in favor of the City. Developer must cause the Project Restriction to be recorded on title of the Project in the first position unless MOHCD and Developer otherwise agree in writing.
  - Unit Restriction: Each qualified Education Employee household will execute a Declaration of Restrictions for For-Sale Affordable Housing Units and Option to Purchase Agreement (“Unit Restriction”), in form and substance approved by MOHCD and in favor of the City. Each qualified Education Employee household must cause the Unit Restriction to be recorded on title of an ownership unit upon transfer of the unit before any other junior loans but after the first mortgage deed of trust.
- Developer must comply with the Inclusionary Affordable Housing Program Monitoring and Procedures Manual for the applicable marketing, conducting the lottery, applying lottery preferences, and identifying qualified Education Employee households, and initial sale and any resale of the ownership units. The applicable Procedures Manual is the manual in effect at the time an ownership unit is made available for initial sale by Developer and resale by an owner.

# FUNDING TERMS – Homeownership continued

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- Provided that the Educator Housing Project complies with the terms and conditions of the loan agreement and any other documents executed between Developer and the City, upon each completed transfer of an ownership unit from Developer to a qualified household in accordance with the Project Restriction and the Procedures Manual, the City will forgive the applicable funding amount for each ownership unit transferred to a qualified household and partially reconvey the acquisition and predevelopment loan deed of trust applicable to the unit, which shall, on a per-unit basis, satisfy the acquisition and development loan repayment obligations to MOHCD.
- Developer must own fee simple interest in the site and will be responsible for completing a subdivision and common interest development in compliance with state and local laws. Developer will then transfer a condominium interest in the site to each qualified household at the time of sale of each ownership unit.

# MINIMUM PROPOSAL REQUIREMENTS - Rental

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- A nonprofit developer (or developers) with experience developing permanent affordable housing for low-income households or a for-profit developer working in partnership with a nonprofit developer, of which one of the joint venture partners must have experience developing affordable housing (the “Developer”); the development team must have demonstrated experience conducting effective community outreach and engagement.
- A property owner entity with experience owning housing for low-income communities.
- A property management entity with experience managing housing for low-income families with Housing First principles.
- A community-based, service-providing entity with experience providing culturally competent, and trauma-informed, services appropriate for Educators and their families.

# MINIMUM PROPOSAL REQUIREMENTS - Homeownership

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- A San Francisco-based non-profit development entity whose mission includes the development of affordable homeownership housing in low- to moderate-income communities, acting either as sole developer or as a partner in a joint venture, or joint-venture partner, defined as a nonprofit organization;
- A property owner entity with capacity and experience in residential condominium construction, subdivisions, and sales, and the HOA formation and operation according to federal, state, and local regulations.
- A community-based, service-providing entity with experience providing culturally competent and trauma-informed services appropriate for Education Employees and their families. This includes experience delivering the early homeownership readiness services through outreach, homeownership education and counseling, financial coaching to prepare the target population for homeownership.

# PROPOSAL REQUIREMENTS

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- Must demonstrate site control by applicant as evidenced by appropriate documentation (Deed of Trust, Purchase Agreement, Option to Purchase Agreement.) The proposed purchase price must be reasonable in comparison to other sites in the neighborhood, and in comparison to other affordable housing sites in the City, and must be supported by an appraisal as part of the application package.
- Must include a description of proposed interim uses for the Site during the extended predevelopment period through 2026. This should include a description of current structures and uses; what if any structures or amenities will be preserved; and the timeline, budget, and scope of planned interim uses. The budget should include a description of how security and other holding costs have been calculated.
- Must include a description of site context: parcel history; current zoning; parcel configuration, including the need for potential parcel mergers; potential historic resources on the site or adjacent to it; and prior uses at the site that may have left environmental impacts. Applicant must include a map of neighboring amenities.
- Must demonstrate ability for the project to make use of streamlined entitlements through SB 35 or another streamlining initiative.



# PROPOSAL REQUIREMENTS continued

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- Must demonstrate – through provision of specific examples of inputs used for estimating – that the project’s total development budget, as well as its specific line items, are comparable to recent and similar projects, to industry standards and are compliant with funding source regulations, MOHCD policy and, in the case of rental projects, MOHCD’s most recent underwriting guidelines. Cost per unit, per square foot (land area and building space), per bed or bedroom will be examined relative to total development cost, City subsidy, and construction cost.
- Must propose the maximum use of available, non-local funds to achieve the highest reasonable financial leveraging of capital resources for the predevelopment, construction and permanent phase. The amount of City funds requested per unit and the actual or proposed level of funds to be leveraged from other sources will be examined.
- Must include a community engagement plan that demonstrates the capacity to generate necessary neighborhood support for the proposed development. Include any evidence of support expressed to date for the project, as well as plans for community engagement going forward. This also needs to cover the entire development period, including interim use and construction work.

# PROPOSAL REQUIREMENTS continued

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- Proposals that include any displacement/relocation of residential and/or commercial tenants must include a full relocation plan and budget. Displacement or relocation that is required as a condition of site control is highly discouraged, though in some cases may be justified.
- Must provide a construction cost estimate that reflects current construction costs and show escalation assumptions as a separate line item.
- Must include a Services Plan and Budget that complies with MOHCD underwriting requirements.
- Must provide concept-level drawings and/or diagrams that indicate the Project approximate height, bulk, site layout, unit count, and commercial/common space use, which can be printed on 8.5" x 11" paper, no more than two (2) pages. The purpose of these diagrams will be to confirm the anticipated unit yield at the site, and its conformance to existing zoning restrictions including any available density bonuses. Note: This information does not constitute a formal design submission. There is no reimbursement for costs related to this requirement.

# PROPOSAL REQUIREMENTS - Rentals

- The project must demonstrate overall financial feasibility through inclusion of a Financing Plan. The financing plan must include a detailed Sources and Uses Budget that includes the following and uses the most current version of the MOHCD Underwriting Guidelines, available on the MOHCD website (<https://sfmohcd.org/housing-development-forms-documents>.) The project must be financially feasible, including realistic development and operating budget projections that conform to industry standards, including TCAC minimum standards. Each proposed financing source must be realistic, compatible with MOHCD and all other committed or proposed funding sources, and appropriate for the proposed housing. Applicant must demonstrate that there is a reasonable likelihood that all identified development sources will be secured in a timely manner.

Primary capital funding sources can include 4% low income housing tax credit equity with tax exempt bonds, City subsidy, and Federal Home Loan Bank Affordable Housing Program funds, and that may include any other funding sources developers deem applicable, such as State of California Department of Housing and Community Development (HCD) (for example, MHP and IIG) or CalHFA funds. Do not assume use of No Place Like Home funds. Do not assume access to Section 8 (Housing Choice Vouchers, Project Based Section 8, or Continuum of Care, for example.)

Rents set at affordability levels appropriate for the target population.

# PROPOSAL REQUIREMENTS – Rentals continued

- Where possible must include the opportunity for the City to eventually own the land as ground lessor under a long-term ground lease structure or some other land dedication/ subdivision mechanism that will insure long-term affordable housing as the primary use of the land.
- Must budget for a supportive services and housing stabilization component that is appropriate for the needs of the anticipated tenant population, and within MOHCD's funding guidelines for the services contract.
- Must demonstrate competitiveness for State bond and tax credit funds administered by the California Debt Limit Allocation Committee.
- Must include an operating budget that includes all expenses necessary to properly operate and maintain the building. This budget should include a service coordinator/connector staff position(s), at 1:100, to assist the Educator households.

# PROPOSAL REQUIREMENTS - Homeownership

- The project must be financially feasible, including realistic development budget projections that conform to industry standards. Each proposed financing source must be realistic, compatible with MOHCD and all other committed or proposed funding sources, and appropriate for the proposed housing. Applicant must demonstrate that there is a reasonable likelihood that all identified development sources will be secured in a timely manner. Must demonstrate through provision of specific examples of inputs used for estimating - that the project's total development budget, as well as its specific line items, are comparable to recent and similar projects, to industry standards and are compliant with funding source regulations, MOHCD policy and most recent underwriting guidelines. Cost per unit, per square foot (land area and building space), per bed or bedroom may be examined relative to total development cost, City subsidy and construction cost.
- The project must propose the maximum use of available, non-local funds (such as State of California Department of Housing and Community Development (HCD) (for example, CalHome) or FHLB funds) to achieve the highest reasonable financial leveraging of capital resources for the predevelopment, construction, and permanent phase. The amount of City funds requested per unit and the actual or proposed level of funds to be leveraged from other sources will be examined.
- Must include opportunity for MOHCD to maintain the affordability of each unit into perpetuity through the CC&Rs that will ensure owner occupied affordable housing as the primary use of the land, as well as a unit restriction to be recorded on title of an ownership unit upon transfer of the unit.

# APPLICATION CHECKLIST - Rental

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- **See Form B**
- Key elements:
  - Experience Narrative max 5 pages
  - Vision Narrative max 7 pages
  - After Vision Narrative, include the following:
    - Evidence of Site Control
    - Appraisal
    - Map of Neighborhood Amenities
    - MOHCD Application Proforma
    - Attachment I - CDLAC Self Score Worksheet

# APPLICATION CHECKLIST - Homeownership

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  - Vision Narrative max 7 pages
  - After Vision Narrative, include the following:
    - Evidence of Site Control
    - Appraisal
    - Map of Neighborhood Amenities
    - MOHCD Application Proforma
    - HOA experience narrative
    - Condo project experience narrative
    - Homebuyer process staffing narrative

# SCORING OVERVIEW- Rental

	<u>Category</u>	<u>Points</u>
<u>Experience:</u>		<b>40</b>
	Developer (12 pts)	
	Owner (4 pts)	
	Property Manager (8 pts)	
	Services Provider/s (8 pts)	
	Racial Equity (8 pts)	
<u>Vision:</u>		<b>60</b>
	Site and Program Concept (15 pts)	
	Community Engagement Strategy (10 pts)	
	Services Delivery Strategy (10 pts)	
	Finance and Cost Containment Approach (15 pts)	
	Racial Equity Strategy (10 pts)	
	<b>TOTAL POSSIBLE POINTS</b>	<b>100</b>



# SCORING OVERVIEW- Homeownership

	<u>Category</u>	<u>Points</u>
<u>Experience:</u>		<b>40</b>
	Developer (28 pts)	
	Owner (4 pts)	
	Racial Equity (8 pts)	
<u>Vision:</u>		<b>60</b>
	Site and Program Concept (25 pts)	
	Community Engagement Strategy (10 pts)	
	Finance and Cost Containment Approach (15 pts)	
	Racial Equity Strategy (10 pts)	
	<b>TOTAL POSSIBLE POINTS</b>	<b>100</b>

# Questions?

Reminder: submit any questions to MOHCD at [mohcdHFOpps@sfgov.org](mailto:mohcdHFOpps@sfgov.org) and reference “2023 Educator Housing NOFA” in the subject line.

MOHCD will respond in writing to questions from this meeting as well as questions received before April 7<sup>th</sup>. Anyone who has registered for the NOFA (submitted Attachment C) will receive notification when responses are published.

**THANK YOU**