

**Citywide Affordable Housing Loan Committee**  
San Francisco Mayor's Office of Housing and Community  
Development  
Department of Homelessness and Supportive Housing  
Office of Community Investment and Infrastructure  
Controller's Office of Public Finance

**1939 Market**  
**\$52,360,000 Funding Amount**  
**Preliminary Gap Loan Request**

Evaluation of Request for:	\$52,360,000
Loan Committee Date:	July 7, 2023
Prepared By:	Matthew Graves, Senior Project Manager
MOHCD Construction Representative:	Holly B. Faust, Construction Representative
MOHCD Asset Manager:	Michael McLoone, Asset Manager
Sources and Amounts of New Funds Recommended:	\$6,360,000 Housing Trust \$3,000,000 LMIHAF Funds \$39,000,000 2019 GO Bonds \$
Sources and Amounts of Previous City Funds Committed:	\$2,000,000 - Housing Trust Fund \$2,000,000 - CPMC Total: \$4,000,000
NOFA/PROGRAM/RFP:	Multisite Request for Qualifications issued on November 30, 2020
Applicant/Sponsor(s) Name:	Mercy Housing California and Openhouse

## **EXECUTIVE SUMMARY**

### **Sponsor Information:**

Project Name:	1939 Market	Sponsor(s):	Mercy Housing California and Openhouse
Project Address (w/ cross St):	1939 Market Street @ Duboce Street	Ultimate Borrower Entity:	Mercy Housing California 109, L.P.

### **Project Summary:**

Mercy Housing California (“Mercy”) and Openhouse (together, the “Sponsor”) request preliminary gap financing of \$52,360,000 for a new 187-unit affordable housing development for seniors located at 1939 Market Street (the “Site” or the “Project”), which is a city-owned parcel at the intersection of Market Street and Duboce Avenue. The Project will be LGBTQ+ affirming and is envisioned to expand on an existing LGBTQ+ centered “campus” in San Francisco that includes MOHCD-funded developments at 55 and 95 Laguna, the eastern edge of the Castro LGBTQ Cultural District, the San Francisco LGBT Center, the Bob Ross LGBT Senior Center, and the Openhouse Community Center.

The Sponsor applied as co-developers to MOHCD’s Multi-site Request for Qualifications (RFQ), issued on November 30, 2020, and was selected to develop the Site. The Project responds to the Consolidated Plan by providing housing opportunities for low-income senior San Franciscans, residents experiencing homelessness, residents living with HIV/AIDS, and by supporting the LGBTQ population.

In November of 2021, Loan Committee originally approved the initial base concept for 1939 Market, which included a 9-story, 111-unit, mid-rise building with 1,702 sf of ground floor community-serving commercial space. In response to Mayor Breed’s call to maximize the number of units, the Project has since revised the original proposal and now proposes a 15-story, 187-unit, high-rise building, with ground floor community-serving commercial space.

The Sponsor applied for Planning approval based on this increased density and design, utilizing SB-35. Entitlements were approved in May 2023. Construction is expected to start November 2024 and be completed August 2026.

The proposed Project will provide 185 affordable units and two staff units. The proposed unit mix consists of 106 rent-restricted studios, 80 rent-restricted one-bedrooms, and two manager units (1 one-bedroom and 1 two-bedroom). There will be 40 units set aside for formerly homeless seniors subsidized by the City’s Local Operating Subsidy Program (LOSP) (21% of total units). Another 75 units will serve extremely low-income seniors supported by the City’s Senior Operating Subsidy (SOS) (40% of total units). There will be 9 units set aside for Plus Housing seniors at 50% Area Median Income (MOHCD AMI), with the remaining 70 units serve seniors at 50-60% MOHCD AMI.

Proposed permanent financing includes tax-exempt bonds, 4% Low-Income Housing Tax Credits, Federal Home Loan Bank Affordable Housing Program (AHP) funds, Deferred Developer Fee, General Partner Equity, a MOHCD gap loan, a State of California Multifamily Housing Program (MHP) loan, and a State of California Infill Infrastructure Grant Program (IIG) grant.

The Sponsor will submit an application to HCD in July 2023 for MHP and IIG funding through the 2023 Second Round SuperNOFA application. MOHCD staff are presenting this Loan Evaluation to the Loan Committee now in order to include the proposed preliminary gap financing in the Sponsor’s application, evidenced by a commitment letter.

**Project Description:**

Construction Type:	Type I, Highrise	Project Type:	New Construction
Number of Stories:	15	Lot Size (acres and sf):	0.27 acres / 11,761 sq ft
Number of Units:	187 (including 2 staff units)	Architect:	Paulette Taggart Architects and YA Studios
Total Residential Area:	135,643 sf	General Contractor:	Swinerton
Total Commercial Area:	1,640 sf	Property Manager:	Mercy Housing Management Group
Total Building Area:	137,283 sf	Supervisor and District:	Rafael Mandelman, District 8
Land Owner:	City & County of San Francisco		
Total Development Cost (TDC):	\$159,669,745	Total Acquisition Cost:	\$0
TDC/unit:	\$853,848	TDC less land cost/unit:	\$853,848
Loan Amount Requested:	\$52,360,000	Request Amount / unit:	\$280,000
HOME Funds?	N	Parking?	N

## **PRINCIPAL DEVELOPMENT ISSUES**

- **Difficult Site Conditions** – The site’s location and shape both present challenges to the development budget and schedule.
  - Unit Efficiency - Typically unit layout efficiency is achieved when floor plates are rectangular or consist of only right angles. 1939 Market’s parcel is a mid-sized triangle lot formed by the acute intersection of Market Street and Duboce Avenue. Because the proposed structure maximizes lot coverage by building to the lot line on all sides, the layout for each floor is unable to make use of efficient right angles.
  - Environmental - The parcel is impacted by environmental issues such as Serpentine rock, Perchloroethylene (PCE), and benzene exceeding residential Environmental Screening Levels (ESLs) underlying the subject property. The Sponsor won’t have a cost estimate for remediation/mitigation scope until after testing is complete. The current budget includes an Owner Contingency of \$6,216,445, or 5.3% of \$115,588,958, sufficient to cover the potential cost of the to-be-determined scope. See Section 2.4 for additional commentary on the site assessment and status.
  - Crane - The Project will eventually need street space to dismantle its tower crane which can only occur on Market Street or Duboce Ave. In partnership with MOHCD, the Sponsors have determined that Market Street is the preferable location to dismantle due to cost, schedule, traffic, and high-voltage power line complications on Duboce. Nonetheless, dismantling on Market Street will require temporary shut-down of the MUNI and removal of the overhead lines. The Project needs SFMTA approval to move this plan forward, and while progress has been made, SFMTA MUNI has not yet approved the plan. Please see Section 4.3.

The Sponsor has initiated cost estimation for both scenarios but has only obtained a \$1.4 million rough estimate for the Duboce Ave option. .
  - MHP Competitiveness - The project is not located in a Difficult to Develop Area (DDA) or a Qualified Census Tract (QCT). By not qualifying for either designation, the project is ineligible for a high-cost adjustment and will struggle to score competitively against other applicant projects. The Sponsor has mitigated this impact by reducing the requested MHP amount.
- **Permanent Power** – The Sponsor has not yet completed the permanent power plan. PG&E has approved the Project application for power design on the assumption that two underground transformer vaults at the Duboce sidewalk will be approved by the Department of Public Works (DPW). DPW has not yet issued the vault encroachment permit. In the event DPW does not approve the underground

vaults, and the transformer and switchgear have to be placed inside the building, the Project would lose one affordable unit, and would require redesign and a revised application with PG&E. MOHCD staff and the Sponsors have made a strong case that this project meets all the conditions for waivers provided in the DPW-MOHCD MOU that allows underground vaults. This issue will likely not be resolved until the Street Improvement Permit plan is approved with the Bureau of Streets Management, expected to occur in late 2023.

- **Financing Plan - City Subsidy** - City Subsidy is \$280,000 per unit, as per the initial RFP guidelines. Because of HCD's per-project award caps, the Sponsor is unable to request additional HCD funding, and will need to apply for VASH in order to bring down the City Subsidy to be more in line with other projects in MOHCD pipeline.

The proposed financing plan assumes a \$25MM HCD-MHP loan, an IIG award, and 4% LIHTC and tax-exempt bonds. However, MHP is highly competitive and was oversubscribed by approximately 800% in the last SuperNOFA round. The Sponsor will need to track changes to MHP and CDLAC regulations that could impact the maximum MHP request, the Project's income restrictions and cash flow, and the Project's CDLAC bond competitiveness. While the Project scores well for CDLAC, CDLAC bond allocations are also competitive. Last, construction costs across the industry are increasing rapidly. The Project will need to curb costs to eliminate any need for additional financing and hold a competitive CDLAC tiebreaker score. See Section 6.5.1, Section 7.5, and Section 9.2.

In the event the Project is not awarded MHP and/or IIG, construction will be delayed until new financing is secured.

Commercial Space: Sponsor is not currently considering condo-converting the commercial space. Openhouse has expressed an interest to own the improvements, which would reduce the MOHCD gap by \$1,100,000 if Openhouse were to purchase the cold and warm shell. See Section 4.4.

**SOURCES AND USES SUMMARY**

<b>Predevelopment Sources</b>	<b>Amount</b>	<b>Terms</b>	<b>Status</b>
MOHCD	\$4,000,000	3 yrs @ 3% Def (may be consolidated with perm loan at construction closing)	Committed
<b>Total</b>	<b>\$4,000,000</b>		

<b>Permanent Sources</b>	<b>Amount</b>	<b>Terms</b>	<b>Status</b>
MOHCD	\$52,360,000	55 yrs @ 3% Res Rec	Not Committed
HCD - MHP	\$25,000,000	55 yrs @ .42% & 3% Res Rec	Not Committed
HCD - IIG	\$5,655,945	Grant	Not Committed
Equity	\$57,810,241	\$0.95 per credit	Not Committed
Deferred Developer Fee	\$1,300,000	N/A	Not Committed
GP Equity	\$17,543,559	N/A	Not Committed
<b>Total</b>	<b>\$159,669,745</b>		

<b>Permanent Uses</b>	<b>Amount</b>	<b>Per Unit</b>	<b>Per SF</b>
Acquisition	\$0	\$0	\$0.00
Hard Costs	\$117,673,842	\$629,271	\$857.16
Soft Costs	\$38,575,803	\$206,287	\$280.99
Developer Fee	\$3,420,100	\$18,289	\$24.91
<b>Total</b>	<b>\$159,669,745</b>	<b>\$853,848</b>	<b>\$1,163.07</b>

\* The City acquired the site for \$12 MM in 2020. Those funds are not included in the Project Development budget and the Sponsor will enter into a long-term ground lease at construction close.

## 1. BACKGROUND

### 1.1. Project History Leading to This Request.

1939 Market is a .27-acre (117,612 SF) parcel located in San Francisco's Mid-Market/Castro neighborhood. It is improved with a parking lot and a multi-story office building. The City acquired the Site in 2020, with three tenants. Those tenants recently re-signed leases, agreeing to waive their relocation benefits, and will relocate before construction start.

In early 2021, Mercy and Openhouse applied for the opportunity to develop the site as senior housing under MOHCD's Multisite Request for Qualifications (RFQ). The Sponsor was selected to develop the site in Summer 2021.

Through a competitive RFQ, the Sponsor selected Paulett Taggart Architects and YA Studios in December 2021 and Swinerton-Rubecon JV as General Contractor in March 2022.

The selection of Swinerton-Rubecon as the Joint Venture GC was based on a rigorous process that included the review and rating of proposals by a panel, followed by panel interviews and scoring. The selected JV emerged as the highest scoring firm of the three top contenders across multiple dimensions: experience with high-rise Type I buildings; experience and success with navigating the challenges of tight urban sites bounded by transit and utilities; availability of the most experienced staff within the proposed project timeframe; competitive fees; advanced systems for managing complex projects; innovative, proven suggestions for cost containment; and the demonstrated value-add and collaborative relationship between Swinerton and Rubecon as its small, local business JV partner.

In November 2022, the Sponsor applied to Planning for entitlements, utilizing SB-35. At the same time, the Sponsor submitted an application for permanent power, underground vault encroachment, and a site permit.

Schematic design was completed in March 2023, and the Project procured the mechanical-electrical-plumbing design-build subcontractor which has provided refined costs contributing to this evaluation. The Project team began Design Development in April 2023. This request for preliminary gap financing will allow the Sponsor to apply for MHP and IIG financing through HCD. If awarded these funds and an allocation of tax exempt bonds, construction will begin in November 2024.

### 1.2. Applicable NOFA/RFQ/RFP. (See Attachment E for Threshold Eligibility Requirements and Ranking Criteria)

City of San Francisco Mayor's Office of Housing and Community Development (MOHCD) 2020 Multisite RFQ. The Sponsor met the minimum threshold eligibility requirements and was one of two teams to submit qualifications to develop the Site. Via a competitive scoring

process, the Sponsor was selected as the higher-ranking team, scoring 89 out of 100 points.

1.3. Borrower/Grantee Profile. (See Attachment B for Borrower Org Chart; See Attachment C for Developer Resume and Attachment D for Asset Management Analysis)

1.3.1. Borrower.

The borrowing entity will be Mercy Housing California 109, L.P., with Mercy Housing California 109 LLC as the general partner and Mercy Housing Calwest as the sole member/member thereof, and South of Market Mercy Housing as the initial limited partner. At construction closing, the limited partner will be replaced with the investor limited partner.

1.3.2. Joint Venture Partnership. Mercy and Openhouse have partnered as co-developers for the development of the Project, collaborating on various aspects of the development of the vision and programming. Mercy and Openhouse have entered into a Memorandum of Understanding, which outlines the roles and responsibilities of each partner. Mercy is the lead on real estate development responsibilities including design, entitlements, engagement of community on development issues, permitting, budget, securing financing and operating subsidies, construction administration, lease-up, property management, services planning and implementation, and asset management including regulatory and budget compliance. Openhouse is the lead on the vision concept as an LGBTQ+ affirming senior housing project, providing input on design, community engagement and support for the vision, marketing and outreach to the LGBTQ+ senior community including initial lease-up and re-leasing of vacancies. Mercy will receive 80% of the developer fee and Openhouse will receive 20% with a guaranteed minimum fee of \$220,000 and a maximum fee of \$500,000. Mercy will be the Project's sole ownership entity.



1.3.3. Demographics of Board of Directors, Staff and People Served.

Mercy board and staff:

	Gender Identity	Race
<b>Mercy Housing California Board</b>	M: 35% F: 55% Undisclosed: 10%	Asian: 11% African American: 22% Caucasian: 50% Latinx: 11% Biracial: 6%
<b>Mercy Housing, Inc. Board</b>	M: 50% F: 50%	Asian: 5% African American: 15% Caucasian: 75% Latinx: 5%
<b>Mercy Housing, Inc. - All Staff</b>	Female – 58% Male – 42%	2 or More Races – 3% American Indian/Alaska Native – 1% Asian – 11% Black or African American – 24% Hispanic or Latino – 22% Native Hawaiian/Other Pacific Islander – 1% Not specified – 1% White – 37%
<b>Mercy Housing California - All Staff</b>	Female – 57% Male – 43%	2 or More Races – 5% American Indian/Alaska Native – 1% Asian – 21% Black or African American – 17% Hispanic or Latino – 31% Native Hawaiian/Other Pacific Islander – 2% Not specified – 1% White – 22%
<b>Mercy Housing California - Development Staff</b>	Female – 50% Male – 50%	Asian – 20% Not specified – 20% White – 60%

For a breakdown of who Mercy serves by race/ethnicity, see Section 1.3.7.2.

Openhouse board and staff:

	<b>SO</b>	<b>GI</b>	<b>Race</b>
<b>BOD</b>	Gay: 6	F: 4	Asian: 3
	Het: 1	Gq: 1	Hisp: 2
	Les: 3	M: 6	Wht: 6
	Queer: 1		
<b>Staff</b>	Bi: 2	F: 15	Af-Am: 3
	DTS: 1	Gq: 1	Asian: 4
	Gay: 12	M: 14	Hisp: 6
	Les: 10	NB: 1	Multi: 2
	Pan: 2	Tg: 4	Wht: 20
	Queer: 8		

Who Openhouse serves:

<b>Age</b>	<b># of CMS</b>	
Under 50	173	2.9%
50-65	780	12.9%
66-85	1960	32.5%
86-96	175	2.9%
96+	29	0.5%
Unknown	2923	48.4%
<b>Total</b>	<b>6040</b>	

<b>Gender ID</b>	<b># of CM</b>	
Female	978	16.2%
Male	1843	30.5%
Trans Female	43	0.7%
Trans Male	5	0.1%
Genderqueer	21	0.3%
Unkown	3150	52.2%
<b>Total</b>	<b>6040</b>	

<b>Sexual Orientation</b>	<b># of CM</b>	
Gay: Male/Male	1486	24.6%
Lesbian: Female/Female	383	6.3%
Bisexual	301	5.0%
Heterosexual: Opposite Sex	539	8.9%
Asexual	8	0.1%
Other	118	2.0%
Decline to State	63	1.0%
Pansexual	6	0.1%
Queer	6	0.1%
Unkown	3130	51.8%
<b>Total</b>	<b>6040</b>	

<b>Racial Background</b>	<b># of CM</b>	
Black or African American	295	4.9%
Asian/Asian American/Pacific Islander	209	3.5%
White	1748	28.9%
Hispanic/Latino	350	5.8%
Middle Eastern	3	0.0%
Multiracial	124	2.1%
Native American/Indigenous	58	1.0%
Other	82	1.4%
Unknwn	3171	52.5%
<b>Total</b>	<b>6040</b>	

1.3.4. Racial Equity Vision.

Both Mercy Housing and Openhouse are dedicated to moving forward Racial Equity work. Mercy Housing was founded on the belief that housing justice is social justice. Mercy’s organizational values of Respect, Justice, and Mercy are integral to its racial equity work. To continue Mercy’s commitment to advancing this work, the national office launched Racial Equity, Diversity, and Inclusion (REDI). In January 2021, Mercy Housing Inc. hired Web Brown as Sr. Vice President for Racial Equity, Diversity, and Inclusion. Mr. Brown has created a coordinated approach to REDI that includes creating an organizational framework that consists of focus areas to produce action plans throughout the organization in areas of internal culture, resident empowerment, education, and training, hiring and recruitment, communication, and advocacy.

Mercy has also made REDI goals for each department. The California real estate development team generated five goals in 2020 and created workplans around achieving each of the goals. Goals include: expanding the pipeline of diverse real estate staff, creating a national contracting and procurement policy, developing REDI evaluation standards for each stage in the development process, incorporating equitable digital access in our developments, and creating a legislative advocacy strategy. San Francisco real estate staff have been central in elevating these conversations and moving the goals forward. In 2023, Mercy Housing Inc. will publish its organization-wide racial equity mission and goals.

Mercy owns and operates 4,217 units of affordable housing in San Francisco. The chart below represents the total number of people n= 7,176 currently living in Mercy owned properties, disaggregated by race and ethnicity. From January 2022 through November 2022 MHC had 17 resident evictions.

Currently, Mercy does not track move-out reasons, including evictions by race.

	Race	Ethnicity
<b>Mercy Housing</b> Resident responses to US Census definitions	Asian: 42%	Not-Hispanic or Latino: 77%
	White: 19%	Hispanic or Latino: 19%
	Black or African American: 16%	Member Did not specify: 3%
	Other: 15%	Blank: 1%
	Member Did not specify: 3%	
	Native Hawaiian or Other Pacific Islander: 2%	
	American India or Alaska Native: 2%	
	Blank: 1%	
	Total = 7176 (100%)	Total = 7171 (100%)

\*Responses are from US Census definitions which cause overlap between race and ethnicity categories

Since 1998, Openhouse has worked with LGBTQ+ seniors and adults with disabilities to provide LGBTQ+-welcoming services that build stronger community connections in San Francisco. Since 2006, Openhouse has developed, organized and delivered LGBTQ+ aging-specific, structured activities including: individual case management, friendly visitor connections, lifelong learning opportunities, resource and housing navigation, mental and physical health education, emotional support groups, and social and community engagement events. Openhouse now serves over 3,000 LGBTQ+ older adults, adults with disabilities, and caregivers each year.

1.3.5. Relevant Experience.

Mercy has deep experience in developing affordable and supportive housing for seniors in San Francisco, having developed 22 senior-serving properties to date (1,800 units). Of those 22 properties, six serve seniors who have experienced homelessness and eleven additional properties are considered supportive housing communities (892 units total). Throughout California, Mercy owns and/or manages 157 properties, accounting for 11,082 homes with 20,953 residents. In San Francisco, the company owns and/or manages 56 properties with 4,551 homes and 7,620 residents.

Since 1998, Openhouse has worked with LGBTQ+ seniors and adults with disabilities to provide LGBTQ+-welcoming services that build stronger community connections in San Francisco. Since 2006, Openhouse has developed, organized and delivered LGBTQ+ aging-specific, structured activities including: individual case management, friendly visitor connections, lifelong learning opportunities, resource

and housing navigation, mental and physical health education, emotional support groups, and social and community engagement events. Openhouse now serves over 3,000 LGBTQ+ older adults, adults with disabilities, and caregivers each year.

Mercy and Openhouse have partnered on two previous LGBTQ+ affirming affordable housing developments – 55 Laguna, which completed construction in 2017, and the Marcy Adelman and Jeanette Gurevitch Openhouse Community (at 95 Laguna), which completed construction in 2020. Together these developments attracted a resident pool of 50% LGBTQ+ identifying residents and approximately 10% COP holders, with 11% of the units set aside for seniors living with HIV/AIDS.

- 1.3.6. Project Management Capacity. 1939 Market is staffed by Mercy's Sean Wils (50% FTE) as Senior Project Developer, Riley Jones (33% FTE) as Associate Project Manager, with supervision by Michael Kaplan, Associate Director of Development, and Ramie Dare, Regional Director of Development.

Openhouse Executive Director, Dr. Kathleen Sullivan (10% FTE), staffs weekly project check-ins with MOHCD and coordinates on facility needs as related to the programming through construction of the Project. Adrienne Pankonin-Dahl (5% FTE), Executive Assistant, collaborates with Mercy Housing on community and neighborhood engagement.

- 1.3.7. Past Performance.

- 1.3.7.1. City audits/performance plans. Mercy and Openhouse have no known and outstanding performance issues with respect to current grants administered by MOHCD's Community Development program staff.
- 1.3.7.2. Marketing/lease-up/operations. Mercy has performed relatively well in recent marketing efforts, but they tend to be understaffed or staffed by out-of-state marketing employees, which results in challenges at lease up. At their RFQ presentation for 1939 Market in 2021, they committed to hiring a local marketing staff person. That has not happened yet. Furthermore, while a successful marketing strategy was ultimately developed by Mercy and Openhouse at 95 Laguna, working with MOHCD, Openhouse was resistant to operating within MOHCD's marketing requirements, including the use of DAHLIA and providing a 21-day marketing period for senior projects.

See Section 4.11 for MOHCD’s marketing requirements for 1939 Market.

2. SITE (See Attachment F for Site map with Amenities)

<b>Site Description</b>	
Zoning:	NCT-3 (Moderate Scale Neighborhood Commercial Transit District) in the 85-X height and bulk district.
Maximum units allowed by current zoning (N/A if rehab):	There is no residential density limit in the NCT-3 Zoning District. Density is regulated by the permitted height and bulk, required setbacks, exposure and open space of each development lot.
Number of units added or removed (rehab only, if applicable):	N/A
Seismic (if applicable):	Seismic Zone 4. PML/SUL are N/A because there are no existing structures on site that will be retained.
Soil type:	The soil surface texture hydrologic group is Class D – very slow infiltration rate. Soils are clayey, have a high-water table, or are shallow to an impervious layer. The site soil encountered above the bedrock consists of gravel with varying amounts of sand and clay that is relatively dense and is not susceptible to cyclic densification. The proposed building may be supported on a mat foundation bearing on undisturbed bedrock, undisturbed native (residual) soil, or engineered fill.
Environmental Review:	The Project will be exempt from CEQA under SB 35. If the Project receives federal funding (i.e. HOME funds or Continuum of Care operating subsidy), NEPA review will be required.  A Phase I was prepared for the City on 1/10/20 by Rincon. A Limited Phase II was completed prior to the City’s acquisition on 12/18/19 by SCS Engineers.  A geotechnical report was prepared for the Sponsor on August 24, 2022. Another Phase II will be completed in June 2023. See detailed results from completed studies below.
Adjacent uses (North):	Condominium building, restaurants, and professional services.
Adjacent uses (South):	Single family homes, apartment buildings, parking lot, Fed Ex, and pet supply store.
Adjacent uses (East):	Single family homes, apartment buildings, and retail shops.
Adjacent uses (West):	Federal government office, Safeway, Whole Foods, pharmacy, bank, and apartment buildings.

Neighborhood Amenities within 0.5 miles:	Safeway, Walgreens, Duboce Park, Open house Senior Services, Sutter Hospital, Wells Fargo.
Public Transportation within 0.5 miles:	Buses (K, L, N, T, 7, 22); Light Rail (F, J, M, KT).
Article 34:	Due to the changes in Project size, this will need to be updated prior to Gap financing.
Article 38:	Not exempt.
Accessibility:	Per updated TCAC minimum building standards, 15% will be mobility units; 10% will be accessible for households with hearing and/or visual impairments. All units will be adaptable. Sponsor is working to meet a high-level of universal design standards intended to include additional mobility features within the residential units to ease modification to meet residents' specific needs.
Green Building:	Targeting Greenpoint Gold Rating
Recycled Water:	Exempt.
Storm Water Management:	Not Exempt. Our preliminary storm water control plan will be submitted at 50% design development, which is estimated for end of June 2023. Our final storm water control plan will be submitted at 75% construction documents, which is estimated for January 2024.

2.1. Description.

Located at the corner of Market Street and Duboce Avenue, the Site is 0.27 acres (117,612 SF) and irregularly shaped. The Site is improved with a parking lot and a two-story office building, which currently has three tenants.

Demolition of the building is expected to occur after construction close. The Site is currently comprised of two separate parcels (006 and 007), which will need to be merged before construction close through a lot line adjustment.

2.2. Zoning. Mercy submitted an SB-35 application in November 2022 and received approval in May 2023.

2.3. Local/Federal Environmental Review. The predevelopment budget includes funds for Mercy to conduct a NEPA study in anticipation of potential Continuum of Care and PRAC subsidies. The Sponsor will start this work within 30 days after the HCD application deadline.

2.4. Environmental Issues

Phase I/II Site Assessment Status and Results.

The Phase I found recognized environmental issues, which are excerpted from the report below:

- Serpentine rock containing Naturally Occurring Asbestos (NOA) underlying the subject property.
- Former use of the subject property as a gasoline station, motorcycle repair, used automobile sales, and postage meter manufacturing.
- Location of the subject property within a Maher Ordinance Area.
- Presence of Perchloroethylene (PCE) and benzene exceeding residential Environmental Screening Levels (ESLs) underlying the subject property.

The Phase I found that there is one potential environmental concern:

- Long term use of hydraulic elevator onsite.

The limited Phase II focused on evaluating the potential for migration of gasoline-related constituents to the Site from releases that may have originated from former fueling operations (i.e. a neighboring gas station). The report found benzene to be present above commercial and residential ESLs and PCEs to be present above residential ESLs. The report found other Volatile Organic Compounds (VOCs) to be present, but not above commercial or residential ESLs. SCS Engineers also conducted a vapor intrusion analysis to evaluate the risk of these VOCs to occupants of the current office building. The report found that indoor air concentrations of benzene and PCE in the existing building would be at least two orders of magnitude below current ESLs designated for indoor air in commercial buildings and therefore likely does not pose a health and safety risk to building occupants.

The report goes on to indicate that the impact on residential occupants of the above concentrations of benzene and PCE will need to be evaluated at the time of redevelopment. Mercy has reached out to an environmental consultant to investigate any needed mitigations given the above findings.

The predevelopment budget is adequately sized to absorb environmental consultant costs associated with further investigating these conditions. The hard cost estimate in the development budget can also absorb the cost of a passive vapor barrier system, if necessary to mitigate. If an active system is required, it would be more logistically challenging and could add to budgeted costs.

2.4.1. Potential/Known Hazards. NOA, benzene, and PCE.

2.4.2. Geotechnical Report.

The geotechnical report concluded the Site can be developed as planned. The primary geotechnical concerns for the proposed development are designing foundations to comply with MUNI's guidelines for construction in the Zone of Influence (ZOI) for the MUNI subway running beneath Market Street northwest of the Site. The site is underlain by a thin layer of medium dense clayey sand overlying bedrock which are capable of supporting moderate to high foundation loads, respectively. Therefore, the Sponsor believes the



proposed building may be supported on a mat foundation bearing on undisturbed bedrock, undisturbed native (residual) soil, or engineered fill. Underpinning of foundations for the adjacent building along the eastern property line may be needed if unshored excavations will be adjacent to and extend below the elevation of the bottom of the foundations. This will be further investigated during design development.

## 2.5. Green Building.

Per the City's Green Building Code, the Sponsor is required to design and construct the building to be all-electric. The Project will meet the minimum TCAC Green Building Requirements in addition to City code. The Sponsor aims to achieve Greenpoint Rated Gold.

## 3. COMMUNITY SUPPORT

### 3.1. Prior Outreach.

Mercy and Openhouse have years of experience working on the UC Laguna Campus redevelopment. Additionally, Mercy worked on 455 Fell and Richardson Apartments in Hayes Valley. Openhouse has deep roots working with community groups in the Castro, bringing considerable knowledge of community interests and relationships to the 1939 Market Street development. In order to obtain comprehensive and varied perspectives on neighborhood and LGBTQ+ needs, Mercy and Openhouse have created a diverse stakeholder advisory committee. This committee is comprised of government officials, local individuals and neighborhood groups and LGBTQ+ and BIPOC-lead organizations. The advisory committee meets every quarter to discuss community engagement, design, and general project updates.

3.2. Future Outreach. Openhouse has taken the lead on community outreach. Mercy and Openhouse also created a 1939 Market Street communications and outreach plan to ensure a high level of transparency with key stakeholders as well as a time- and cost-effective development process, address community concerns and frequently asked questions as clearly and concisely as possible, and build strong, resilient relationships between all stakeholders centered around the common goal of creating critical affordable housing.

3.3. Proposition I. Chapter 79 of the City's Administrative Code requires public noticing (Prop I) for initial City-funding made to any new construction project. A Notice of Intent to Approve Funding for an Affordable Housing Development was posted on-site on April 4, 2022.

## 4. DEVELOPMENT PLAN

4.1. Site Control. The City and County of San Francisco bought the Site from the Sheet Metal Workers' Internal Association, Local Union No. 104 on

May 27, 2020 for \$12 MM or \$89,552 per unit. The City will enter into an Option to Ground Lease with the LP to establish LP site control for financing applications.

4.1.1. Proposed Property Ownership Structure

The City will own the land and enter into a long-term ground lease with the LP. The LP will own the improvements.

4.2. Proposed Design. Through several conceptual design and pricing exercises comparing mid-rise and high-rise options, the Project Team and MOHCD worked to maximize the site with a 15-story Type I high-rise flat-iron shape building with no basement. As per NCT-3 zoning requirements, the most active ground floor uses will be along Market Street and will include a 1,640 square foot commercial space and a two-story residential lobby (see Section 4.5). Openhouse is considering building out the commercial space as offices for therapy and social services, or as a community-serving café space. Until details on how the space will be used are made available, the commercial space will be designed to accommodate the potential café. The café is envisioned to be at Market and Duboce, occupying the most prominent ground floor portion of the flatiron-shaped Project. Sidewalk seating would be located on Market Street. Along Duboce Street, the ground floor frontage may include utility rooms and the building's bike room, to be accessed from the building interior. The spacious community room and adjacent outdoor space (1,592 sq ft) at the southeast corner are on the second level, providing a level of security from the street. The Sponsor proposes no car parking and will have a reduction in the required bike parking ratio (19 bike spaces) due to the building's excellent access to transit and the senior population being served.

Residential SF:	135,643
Commercial SF:	1,640
<b>Building Total SF:</b>	<b>137,283</b>

Despite the tight flat iron shape, the design is quite efficient. Six unit types are stacked and organized along a single corridor with two doglegs to navigate the elevator core.

The exterior skin is articulated with horizontal and vertical fins that create elegant fields of shadows to break up the façade and promote a woven quality and a soaring presence at this highly prominent corner. The Market Street façade features a full height vertical band of multi-colored horizontal stripes that play off the multi-colored vertical bands at the ground floor. The Duboce façade features recessed balconies which

provide additional outdoor space while creating more texture to this façade.

#### 4.3. Construction Supervisor/Construction Representative's Evaluation.

The architect and general contractor, Paulett Taggart Architects/YA Studios and Swinerton-Rubecon Joint Venture, have been selected and the design-build (DB) mechanical, electrical, plumbing, and fire protection (MEPF) subcontractors have been selected and their letters of intent are in process to secure their participation on the Project. The design is complete through 100% SDs overall and roughly 50% Design Development (DD) with the completed DB engineering and pricing.

Mercy previously developed 290 Malosi Street, a 167-unit affordable housing site, using Design Build for MEP/F. 1633 Valencia, a 146-unit affordable housing project in the Mission District is in predevelopment and is entirely Design-Build, as well as Transbay Block 2 East.

Current construction costs are based on this level of design, and the MEPF subcontractor cost estimates, plus 6% annual escalation through the proposed November 2024 start of construction.

The total current construction cost of \$117,673,842 includes hard costs (for building, site, offsite, and demo) and contractor's fees/contingency with escalation based on a November 2024 construction start date, and 13% owner/plan check/bid/design contingencies. At \$867/sq ft and \$629,271/unit, 1939 Market is one of the highest square foot cost in the MOHCD portfolio (772 Pacific, Senior Type I building in predevelopment, is priced at \$1,073sq ft, but is not used as a comp because of its scale at only 86 unites). However, 1939 Market is on par with the average unit cost of comparable projects.

As illustrated in the Construction Comps Chart attached, the pool of comparable projects is limited, with only two high-rise developments and few buildings of similar scale. No senior buildings of similar scale or type are available to compare against 1939 Market. The nine comps chosen are all Type I concrete and a range of 127-221 units. They are all family buildings, with the exception of the Transbay Senior mid-rise building. The portfolio's senior buildings (studios and one-BR) are not comparable to 1939 Market because they are typically smaller, Type III over a podium with few site constraints and much less stringent life-safety requirements. 1939 Market is MOHCD's first 100% Senior high-rise development.

The nine comps are: 1950 Mission, 2060 Folsom, and 681 Florida, completed within the last two years; 921 Howard, Balboa Park Upper Yard, 600 7<sup>th</sup>, and 730 Stanyan, under construction; and Transbay BI 2 Family and Senior, both in pre-development with concept pricing.

- o 1939 Market is the first 100% Senior development in MOHCD's pipeline. According to these comparable buildings, 1939 Market is

\$24K/unit less than the comp projects' average (3%), \$244K/unit less than the Transbay Family high-rise, and \$147K/unit less than 730 Stanyan mid-rise, which just started construction. 1939 Market is slightly below the per unit cost of Balboa Upper Yard which will be complete this summer.

When considering the cost differences of the comparable buildings, it should be noted that the comparisons do not account for the dramatic cost escalation over the last four years. While the 1939 Market construction costs are escalated to November 2024 dollars, the selected comparable project construction costs are not (completed projects are escalated to June 2023 costs; our comps analysis tool does not apply escalation to projects under construction).

1939 Market costs are compounded by the tight, triangular site, the high-voltage power lines along Duboce, shoring at and navigation around the BART tunnel and Muni infrastructure, and surface level streetcar and overhead lines along Market. In addition to these power and transit system complexities, the construction budget anticipates modifications of streets and sidewalks at both sides of Duboce, as are likely to be required by the Bureau of Streets Management (BSM)/DPW. Dismantling the tower crane from Market Street will be a uniquely costly logistical challenge. These off-site/site costs contribute to the high square-foot costs.

#### 4.4. Commercial Space.

- Space Description. The Project proposes one ground floor commercial space consisting of approximately 1,640 sf. Openhouse is considering one of two options for this space – a community-serving café as a drop-in space for older adults in the community who suffer with isolation and disconnection from the community or office space for mental health support services for LGBTQ elders. However, at this time, a final path forward is not developed. Openhouse will return to MOHCD with Mercy at least 6 months before gap approval with a viable commercial space plan and budget. a Commercial Budget and Leasing Plan. As noted above, Openhouse has not fully programmed the commercial space. In the event that Openhouse would prefer to own and operate the commercial space, then Openhouse will purchase the cold and warm shell improvements from MOHCD and enter into a long-term commercial ground lease for \$1. In the event that programming doesn't warrant selling the cold and warm shell, then as noted above, the Project Sponsor will include a plan at least 6 months prior to gap. Tenant Improvement Build Out. Mercy will work closely with the commercial tenant in designing and fundraising for the tenant-paid tenant improvements.

- 4.5. Services Space. The Project will include three resident supportive service spaces on the ground floor, including two case manager offices. In addition, the ground floor will have two property management offices and a meeting space.
- 4.6. Interim Use. Currently, two tenants rent month to month. Key PR rents two spaces and renewed their lease on April 1, 2022. District Council 16 rents one space and renewed their lease in March 2022. Both tenants are interested in staying in the building for an extended period of time. MOHCD and the Real Estate Department are working on potential rent relief for one of the tenants. MOHCD's goal is to keep this building activated and occupied until the start of demolition.
- 4.7. Infrastructure. N/A.
- 4.8. Communications Wiring and Internet Access. The Sponsor is working with the City Department of Technology to bring free high-speed Wi-Fi to residents. Residents will also be able to have additional paid Wi-Fi access through Comcast.
- 4.9. Public Art Component. Per the Planning code, this Project's public art budget is \$585,000, inclusive of consultant fees. The Sponsor has contracted with a public art consultant, Lynne Baer + Art Projects, to manage an RFQ process, select an artist, and manage the design, fabrication, and installation of artwork. The Sponsor and consultant have released the RFQ and are reviewing the qualifications packages with a public art panel to select an artist. The Sponsor anticipates selecting an artist in July 2023.

When the project was presented to the Loan Committee for predevelopment funding, the project was proposed as a 9-story building. As per MOHCD policy, public art budgets are based on predevelopment estimates, as illustrated in the chart below.

However, after the size of the building was increased to 15 stories, Mercy requested an increase to the Public Art budget given its increased size and its prominent location. In their request, they cited other comparably sized developments and their associated art budgets: 1064 Mission's budget of \$550k, and 600 7<sup>th</sup> St's budget of \$400k.

MOHCD staff finds that Mercy's requested budget of \$585k is appropriate for a project of 1939 Market's revised size, especially when the current 15-story TDC, Hard Costs, and MOHCD commitment are used to recalculate the public art budget.

4.10. Marketing, Occupancy, and Lease-Up

Mercy will act as leasing agent and Openhouse will lead marketing and outreach efforts, targeting the senior LGBTQ+ population. The development will be marketed as Lesbian, Gay, Bisexual, and Transgender Welcoming Senior Housing on MOHCD's DAHLIA portal.

Seniors experiencing homelessness will be referred to the Sponsor by HSH through the Coordinated Entry System, and seniors who are a part of the PLUS Housing Program will be referred to the Sponsor by MOHCD. Seniors eligible for the SOS operating subsidy will apply through the DAHLIA portal.

MOHCD's marketing policies and procedures will be applied to all units. Marketing and occupancy outreach for the Project will be conducted in accordance with all applicable fair housing laws. Units that are not Plus Housing or subsidized by LOSP will be entered in a lottery and subject to San Francisco preferences. The marketing period for the lottery units will be 21 days. Among all eligible applicants, preferences will be observed in the following order:

MOHCD Order of Preference	Applicant Category
1	San Francisco Redevelopment Agency Certificate of Preference (COP) Holders
2	Displaced Tenant Housing Preference (Ellis Act/OMI) Certificate Holders
3	Neighborhood Resident Preference (25% of lottery units given the expected HCD-MHP funding to the Project)
4	Live or Work in San Francisco

As a condition of this loan, the Sponsor will provide a clear marketing strategy for COP holders, in addition to addressing how their marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for Black/African American San Franciscans.

Historically, lease up of units at higher AMIs for seniors has been difficult. The Sponsor will need to find subsidies to support lower income seniors, or risk delay to lease up.

4.11. Relocation. At the City's acquisition of the site, the existing tenants signed lease amendments, which extended their lease terms and waived their rights to relocation benefits.

5. DEVELOPMENT TEAM

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	Paulette Taggart Architects and YA Studios	SBE/LBE	
Landscape Architect	TS Studios	SBE/LBE	
General Contractor	Swinerton	LBE	
Owner's Rep/Construction Manager	Regent Construction	SBE	
Financial Consultant	California Housing Partnership Corporation		
Public Art Consultant	Lynne Baer + Art Projects		
Legal	Gubb & Barshay		

5.1. Procurement Plan. Contract Management Division (CMD) has approved Sponsor's procurement plan for Professional/Architecture & Engineering Services, and Sponsor's goal for procuring Local Business Entity (LBE) contractors is 25% of total contract value.

5.2. Opportunities for BIPOC-Led Organizations. To increase contracting with BIPOC-led firms, the Sponsor is doing the following:

- Partnering with the San Francisco National Organization of Minority Architects to identify opportunities for participation in projects
- Creating a BIPOC-led or -owned professional firms list for distributing contracting opportunities (this is building on efforts from The Kelsey Civic Center project)
- Including meaningful scoring in RFQ and RFP procurements for professional services (i.e. Owner's Rep, Architect and Engineers, and General Contractor) for firms with racial and gender equity-centered initiatives in regards to advancement within the organization, hiring and subcontracting.

6. FINANCING PLAN (See Attachment H for Cost Comparison of City Investment in Other Housing Developments; See Attachment I for Sources and Uses)

6.1. Prior MOHCD/OCII Funding: \$4,000,000 in predevelopment financing.

6.2. Disbursement Status. In November 2021, Loan Committee approved payment of costs no earlier than July 1, 2021, so long as these costs are deemed acceptable and correspond to the predevelopment budget attached herein. To date, the Sponsor has expended \$2,754,672.79 of their approved pre-development funding.

### 6.3. Fulfillment of Loan Conditions.

#### 6.3.1. During Predevelopment:

- Sponsor must provide MOHCD with detailed monthly updates on Community Outreach completed, outcomes achieved related to racial equity goals, and commercial-use programming (this may be included in the standard MOHCD monthly report form).
  - This condition is in progress.
- Sponsor to work with MOHCD and HSH to establish the number of LOSP units at the Project, the LOSP budget, LOSP unit income restrictions, building staffing model, and services plan and budget.
  - This condition is completed.
- Sponsor to work with MOHCD to maximize competitiveness for HCD programs and CDLAC/CTCAC while meeting the goals of the Project.
  - This condition is in progress.

#### 6.3.2. By December 31, 2021:

- Sponsor must provide a community outreach plan that meets all of the requirements outlined in Section 3.2 of the Pre-development Loan Evaluation.
  - This condition is completed.

#### 6.3.3. Prior to Site Permit Submittal:

- Sponsor must submit application to the Planning Department for SB35 and Site Permit review.
  - This condition is completed
- Sponsor must submit a preliminary commercial space plan, commercial financial assumptions, and commercial development timeline for MOHCD review and approval.
  - This condition is in progress.

#### 6.3.4. Prior to Preliminary Gap Request for the Project's MHP and CDLAC-TCAC Application:

- Sponsor must receive approval from MOHCD and HSH on the number of LOSP units at the Project, the income restrictions for MHP, the building staffing model, and the service plan for the LOSP units.
  - This condition is completed.



#### 6.4. Proposed Predevelopment Financing

Predevelopment Financing was approved by Loan Committee on Nov 5, 2021.

#### 6.5. Potential Permanent Financing

The Sponsor is requesting a preliminary gap commitment of \$52M, which is being shown in the proforma as solely funded by MOHCD, which is at the higher end of subsidy per unit for projects in MOHCD pipeline. The Sponsor was able to decrease the MOHCD ask by incorporating higher equity and deferred fee. .

In order to mitigate this and future cost increases. MOHCD believes there are more opportunities for the Sponsor to offset the gap by applying for VASH subsidy support. This would allow the Sponsor to take on permanent debt and reduce MOHCD's loan.

6.5.1. Permanent Sources Evaluation Narrative: The Borrower proposes to use the following sources to permanently finance the project:

- 4% Tax Credit Equity (\$57,810,241): The Sponsor is assuming \$0.98 per federal credit pricing. Upon a successful HCD application, the Sponsor will apply to TCAC. In the event that the Sponsor secures better pricing, this resulting increase in equity would reduce the MOHCD loan.
- HCD MHP Loan (\$25,000,000): The Sponsor is requesting less than the maximum award amount under MHP in order to remain competitive for an award. Per the SuperNOFA guidelines under Section I.(2)(e), "if the next-ranked application requests more Program funds than remain in the requested programs [and if] the augmentation required to fully fund the request would be more than \$5 million, the application may be skipped, or the remaining funds will be made available in a future NOFA which includes such Program funding." As MHP is likely to be oversubscribed again (available MHP fund is smaller than last year's) and with this skipping rule, the Sponsor believes it is best to minimize the MHP request in order to improve the likelihood for an award. The higher the MHP ask (especially when not scoring full points) the higher the likelihood of getting skipped.

Furthermore, the only lever available in the tiebreaker is the leveraging of other funds. The other two components of the tiebreaker are capped—the project is already maximizing cost containment and will maximize affordability.

If the MHP ask increases from \$25M to \$30M, the tiebreaker goes down from 122.8042% to 119.5775%. At \$35M, it decreases to 116.3510%. CHP estimates that for every \$5 million in additional funds request, the tiebreaker is reduced by approximately 3 points. MOHCD supports this application.

MHP is expected to be extremely competitive and will award the highest scoring projects with the lowest tiebreakers based on a project's average AMI of MHP Assisted units.

- HCD IIG Grant (\$5,655,945): The Sponsor is assuming an IIG grant in the amount of the infrastructure improvement costs associated with the Project.
- MOHCD Loan (\$52,360,000): The estimated MOHCD gap loan amount is \$366,116/unit. As noted above, the Sponsor needs to find additional sources of funds to bring these costs down. As a recommended condition of this Loan Evaluation, the Sponsor will be required to continuously seek additional funding sources to mitigate MOHCD's final gap financing. See Section 9.2.
- Deferred Developer Fee (\$1,300,000): The Sponsor will take deferred fee in an amount based on 50% of surplus cash through Year 8, which is consistent with MOHCD residual receipts policy.
- General Partner Equity (\$17,543,559): Per MOHCD underwriting guidelines, Sponsor is meeting the minimum equity contribution.
- Construction Loan (\$80,711,159): While not a permanent source, the construction loan terms are a 33-month term, with an 8.10% interest rate.

6.5.2 CDLAC Tax-Exempt Bond Application: The Sponsor intends to submit the Project under the ELI/VLI set-aside within the New Construction pool, and the Bay Area's geographic set-aside.

<b>CDLAC Self-Score</b>	
Opportunity Map Resource Level	Moderate Resource
TCAC Housing Type (new construction only)	Senior
Bond Allocation Request Amount	\$80,711,159
Total Self-Score (out of 120 points)	119
Tiebreaker Score	148.65%

If the Project wins an MHP and IIG award, the Sponsor will apply to CDLAC-TCAC in Round 1 2024 for a May 2024 allocation with an approximate \$81MM tax-exempt bond request, scoring 119 out of 120 total points, with a tiebreaker of 148.65% (based off the 2020 tiebreaker calculation). With two opportunities to compete in the New Construction set-asides – ELI/VLI and Bay Area regional pool -- the Project's tiebreaker score may not be competitive for an allocation in either pool because Bay Area projects are disadvantaged by higher development costs.

6.5.3 HOME Funds Narrative. HOME funds are not contemplated at this time.

6.5.4 Commercial Space Sources and Uses Narrative: The Sponsor is proposing the commercial space to be leased by a Community Serving Commercial Use. As commercial space planning evolves, MOHCD will evaluate whether the proposed tenant meets this definition. Assuming it does, MOHCD will invest in the warm shell build out of the commercial space per MOHCD's Commercial Underwriting Guidelines. The Sponsor anticipates a very small percentage of the hard costs not being included in eligible basis as a result of being for commercial use.

6.5.2. Permanent Uses Evaluation:

Development Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Hard Cost per unit is within standards	Y	\$629,271/unit and \$857.16/sf
Construction Hard Cost Contingency is at least 5% (new construction) or 15% (rehab)	Y	Hard Cost Contingency is 5%
Architecture and Engineering Fees are within standards	Y	Architecture fees during predevelopment total \$1,384,159, and additional third-party design consultants total \$1,223,195.
Construction Management Fees are within standards	Y	Assumes one year of preconstruction Owner's Rep services at \$50,400 and 21 months of construction services at \$126,000.
Developer Fee is within standards, see also disbursement chart below	Y	Project management fee: \$1,100,000 At risk fee: \$1,100,000 Deferred fee: \$1,300,000 GP equity: \$17,543,559 Commercial Dev Fee: \$350,000 Total fee: \$3,420,100
Total soft costs fees are reasonable	Y	\$206,287/unit and \$280.99/sf, which is around the average for comparable projects.
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 10%
Capitalized Operating Reserves are a minimum of 3 months	Y	Capitalized Operating Reserve is equal to 6 months. To be re-visiting based on funding requirements.

6.5.4 Developer Fee Evaluation: The proposed developer os \$22,263,559 and includes \$17,543,559 in GP equity, which helps generate more tax credit equity, The total cash fee stays the same from predevelopment of \$1.1M. This structure is within the requirements of MOHCD's Developer Fee Policy and also meets HCD's developer fee maximums, which are more restrictive than MOHCD's. The milestones for the payment of the developer fee to the Sponsor are specified below:

Total Developer Fee:	\$22,263,559	
Cash Project Management Fee Paid to Date:	\$275,000	
Cash Fee left for payment:	\$1,970,000	
Amount of Fee at Risk (the "At Risk Fee"):	\$1,100,000	
Amount of Commercial Space Developer Fee (the "Commercial Fee"):	\$350,000	
Amount of Fee Deferred (the "Deferred Fee"):	\$1,300,000	
Amount of General Partner Equity Contribution (the "GP Equity"):	\$17,543,559	
Milestones for Disbursement of that portion of Developer Fee remaining and payable for Project Management	Amount Paid at Milestone	Percentage Project Management Fee
At closing of initial predevelopment loan	\$165,000	15%
At submittal of MOHCD-approved Community Outreach Plan	\$110,000	10%
Submission of HCD funding application and SB-35 Approval	\$110,000	10%
Submission of joint CDLAC and TCAC application	\$110,000	10%
Construction close	\$220,000	20%
50% Construction completion	\$220,000	
At Temporary Certificate of Occupancy	\$2200,000	20%
Project close-out	\$110,000	10%
Milestones for Disbursement of that portion of Developer Fee defined as At-Risk Fee		Percentage At Risk Fee
100% lease up and draft cost certification	\$394,000	20%
Permanent conversion	\$985,000	50%
Project close-out	\$591,000	30%

7. PROJECT OPERATIONS (See Attachment I and J for Operating Budget and Proforma)

7.1. Annual Operating Budget. Please note that the annual operating budget presented is to demonstrate the project's overall feasibility.

On the revenue side, the proposed Project will receive a 15-year LOSP contract for 40 LOSP units (\$13,277/unit in Year 1) and a 15-year SOS contract for 75 SOS units (a \$77,580 building subsidy in Year 1; reflected in the proforma as a Tenant Rent, but will be funded via a Capitalized Operating Subsidy Reserve (COSR)). Otherwise, tenant rents at a range of AMIs will support building operations, in addition to small amounts of revenue from building laundry and 40% of commercial surplus cash (about \$12,144 in Year 1, assuming full occupancy).

Operating expenses are almost entirely divided between non-LOSP and LOSP units proportionate to percentage of total units. There are small deviations to this within Legal Expenses and Electricity expenses. The

most significant operating cost driver is the proposal to provide 24/7 front desk coverage. These numbers are not fully vetted by HSH. The Project Sponsor will work to finalize these by Gap.

7.2. Annual Operating Expenses Evaluation.

Operating Proforma		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Debt Service Coverage Ratio is minimum 1.1:1 in Year 1 and stays above 1:1 through Year 17	Y	The proposed Project does not currently leverage debt.
Vacancy rate meets TCAC Standards	Y	Vacancy rate is 5%
Annual Income Growth is increased at 2.5% per year or 1% for LOSP tenant rents	Y	Income escalation factor is 1% for LOSP tenant rents, 4% for SOS building subsidy, and 2.5% for all other revenue sources
Annual Operating Expenses are increased at 3.5% per year	Y	Expenses escalation factor is 3.5%.
Base year operating expenses per unit are reasonable per comparables	Y	Total Operating Expenses are \$16,233 per unit, including ground lease base rent, replacement reserve deposits, and bond monitoring fee
Property Management Fee is at allowable <u>HUD Maximum</u>	Y	Total Property Management Fee is \$161,568 or \$72 PUPM.
Property Management staffing level is reasonable per comparables	Y	Proposed staffing includes: 1 FTE Senior Property Manager (PM) .5 FTE Assistant PM 4.5 FTE Front Desk Coverage 1 FTE Maintenance Manager 1 FTE Maintenance Tech 2 FTE Janitors
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee is \$23,450/yr Annual PM Fee is \$161,568/yr
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$500 per unit per year
Limited Partnership Asset Management Fee meets standards	Y	\$5,000/year with no escalation. Ends at year 15.

7.3. Staffing Summary. Staffing will be further evaluated during the predevelopment stage as the project program is finalized.

**7.4. Income Restrictions for All Sources.**

The below chart reflects the current unit mix and MOHCD AMIs. The Sponsor is currently coordinating MOHCD AMIs with TCAC and HCD, and will provide the corresponding AMIs by Loan Committee.

<b><u>NON-LOTTERY</u></b>	<b>No. of Units</b>	<b>MOHCD AMI</b>	<b>TCAC AMI</b>	<b>HCD AMI</b>
Studio – LOSP	20	30%	30%	25%
1 BR – LOSP	20	30%	30%	20%
Studio – PLUS	5	50%	40%	50%
1 BR – PLUS	4	50%	40%	50%
<b>Sub-Total</b>	<b>49</b>			
<b><u>LOTTERY</u></b>				
Studio – SOS*	20	15%	20%	15%
Studio – SOS*	19	25%	20%	25%
Studio	7	50%	40%	50%
Studio	35	60%	50%	50%
<b>Sub-Total</b>	<b>81</b>			
1 BR - SOS	17	15%	20%	15%
1 BR - SOS	19	25%	20%	25%
1 BR	4	50%	40%	50%
1 BR	15	60%	50%	50%
<b>Sub-Total</b>	<b>55</b>			
<b>PROJECT AVERAGE</b>		<b>36%</b>	<b>40%</b>	<b>35%</b>
<b>AVERAGE FOR LOTTERY UNITS ONLY</b>		<b>37%</b>	<b>39%</b>	<b>34%</b>

\*Unit subsidy for SOS units will be underwritten at 60% AMI. Tenants of SOS units at 1939 Market will qualify for 20 studios AT 15% AMI and 19 studios @25% AMI.

7.5. MOHCD Restrictions.

<b>Unit Size</b>	<b>No. of Units</b>	<b>Maximum Income Level</b>
Studio	20	15% of Median Income
Studio	19	25% of Median Income
Studio	20	30% of Median Income
Studio	12	50% of Median Income
Studio	35	60% of Median Income
1 BR	17	15% of Median Income
1 BR	19	25% of Median Income
1 BR	20	30% of Median Income
1 BR	8	50% of Median Income
1 BR	15	60% of Median Income
1 BR	1	Manager's Unit
2 BR	1	Manager's Unit

If the LOSP or SOS subsidies are reduced or terminated at no fault of the Sponsor, rent levels may rise to cover debt service and operations to breakeven, and up to a maximum of 60% AMI as defined by TCAC to the extent necessary to maintain financial feasibility, except where further limited due to restrictions of other funding agencies.

8. SUPPORT SERVICES

8.1. Services Plan.

Mercy Housing and Openhouse will offer permanent housing, health, economic and social support that aims to allow residents to successfully remain in their homes, and to age in place with dignity and choice. Health service coordination will be provided to all residents, offering the following services: basic health & needs assessments, ADL support & screening, health benefit acquisition, health education & risk reduction, physical activities, access to food, wellbeing checks, transition planning, and linkages to preventative and behavioral health care.

The Sponsor proposes to staff services for the building with 2 FTE Resident Services Coordinators (RSCs) for the 147 general population units and 2 FTE Case Managers for the 40 LOSP units. The latter is a staffing ratio of 1 to 20, per the requirements of the Multisite RFQ.

Openhouse will provide 2 FTE case management staffing and Mercy will provide 2 FTE RSC staffing, replicating the services staffing models at 55 and 95 Laguna. Case management will focus on supporting individual needs, with special attention to the lived experiences of LGBTQ+ seniors, while the RSC will focus on delivering and overseeing building-wide programming, supporting engagement with Openhouse staff, and ensuring services and linkages are offered to residents in a culturally competent manner.



8.2. Services Budget.

The RSCs will be funded from the operating budget, which includes \$226,821 for RSC staffing in Year 1. This conforms to MOHCD’s Underwriting Guidelines. The Case Management will be funded through a separate services contract between the Sponsor and HSH. The Project will receive HSH’s Tier 5 annual services funding level, which is \$5,711/unit or \$228,440 total.

8.3. HSH Assessment of Service Plan and Budget.

The MOHCD Project Manager has begun to discuss the Project with Ali Shlageter, HSH Supportive Housing Team Supervisor, and has confirmed the services funding tier for the project. MOHCD, HSH, and the Sponsor will finalize the HSH staffing and budget by Gap. .

9. STAFF RECOMMENDATIONS

9.1. Proposed Loan/Grant Terms

<b>Financial Description of Proposed Loan</b>	
Loan Amount:	\$52,360,000
Loan Term:	55-year term
Loan Maturity Date:	2081
Loan Repayment Type:	Deferred
Loan Interest Rate:	3%
Date Loan Committee approves prior expenses can be paid:	July 1, 2021

9.2. Recommended Loan Conditions

During Predevelopment:

- Sponsor must provide MOHCD with detailed monthly updates on Community Outreach completed, outcomes achieved related to racial equity goals, and commercial-use programming (this may be included in the standard MOHCD monthly report form).
- Sponsor to work with MOHCD to maximize competitiveness for HCD programs and CDLAC/CTCAC while meeting the goals of the Project.
- Sponsor to minimize City subsidy by identifying all relevant funding and operating sources for which the project should seek.
- Sponsor to provide Commercial Space Plan for MOHCD approval within 6 months of Preliminary Loan Approval.

Prior to Site Permit Submittal:

- Sponsor must submit a preliminary commercial space plan, commercial financial assumptions, and commercial development timeline for MOHCD review and approval. This is now due with 3 months of the submission of the MHP application.

Prior to Gap Loan Request:

- Sponsor will start the NEPA study upon application to MHP, to be completed before any VASH application in Fall 2023. By the end of July 2023, the Sponsor will provide an analysis of the cost benefit of a VASH award and its impact on MOHCD gap financing.
- Sponsor must provide MOHCD a budget cost breakout of the commercial space. This amount will be provided as a separate MOHCD commercial loan and reflected accordingly in the source and uses for the Project.
- Sponsor will apply for vouchers under HCD's Veterans Affairs Supportive Housing (VASH) program. Sponsor will identify the optimal request amount in order to decrease MOHCD subsidy.
- Sponsor must provide operating and development budgets that meet MOHCD underwriting guidelines and commercial space policy requirements.
- Sponsor must: a) provide for MOHCD review of the Request for Proposals (RFP) for equity investors and lenders before it is finalized and distributed; b) provide for MOHCD review of all raw financial data from developer or financial consultant prior to selection; c) provide for MOHCD review and approval of all selected investors and lenders; and, d) provide for MOHCD review and approval of all Letters of Intent from financial partners.
- Sponsor must receive approval from MOHCD and HSH on the number of LOSP units at the Project, the allocation of LOSP operating costs, the income restrictions for MHP, the building staffing model, and the service plan for the LOSP units.
- Sponsor must provide an executed Letter of Intent (LOI) with the neighborhood serving commercial tenant, a commercial development timeline, and a preliminary tenant improvement plan for MOHCD review and approval.

Prior to Marketing & Lease Up:

- Mercy must make good on their commitment to hire a local staff person dedicated to marketing and lease up.
- Sponsor must provide initial draft marketing plan that meets all MOHCD marketing requirements within 12 months of anticipated TCO, including outlining the affirmative steps they will take to market the project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood

Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans.

- Sponsor must submit an updated 1<sup>st</sup> year operating budget and 20-year cash flow – if any changes have occurred – by November 1<sup>st</sup> before the year the project will achieve TCO so that MOHCD may request the LOSP subsidy.
- Sponsor must enter into a services contract with HSH at least 3 months prior to TCO.

#### 10. LOAN COMMITTEE MODIFICATIONS

None.

## 11. LOAN COMMITTEE RECOMMENDATION

*Approval indicates approval with modifications, when so determined by the Committee.*

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

\_\_\_\_\_  
Eric D. Shaw, Director  
Mayor's Office of Housing and Community Development

Date: \_\_\_\_\_

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

\_\_\_\_\_  
Salvador Menjivar, Director of Housing  
Department of Homelessness and Supportive Housing

Date: \_\_\_\_\_

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

\_\_\_\_\_  
Thor Kaslofsky, Executive Director  
Office of Community Investment and Infrastructure

Date: \_\_\_\_\_

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

\_\_\_\_\_  
Anna Van Degna, Director  
Controller's Office of Public Finance

Date: \_\_\_\_\_

- Attachments:
- A. Project Milestones/Schedule
  - B. Borrower Org Chart
  - C. Developer Resumes
  - D. Asset Management Analysis of Sponsor
  - E. Threshold Eligibility Requirements and Ranking Criteria
  - F. Site Map with amenities
  - G. Elevations and Floor Plans, if available
  - H. Comparison of City Investment in Other Housing Developments
  - I. Predevelopment Budget
  - J. Development Budget
  - K. 1<sup>st</sup> Year Operating Budget
  - L. 20-year Operating Pro Forma

## Prelim Gap Loan - 1939 Market

Shaw, Eric (MYR)

Fri 7/7/2023 11:46 AM

To:Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

approve

Eric D. Shaw

Director/ Interim Director HopeSF

Mayor's Office of Housing and Community Development

City and County of San Francisco

1 South Van Ness Avenue, 5th Floor

## Preliminary gap loan for 1939 Market St

Menjivar, Salvador (HOM)

Fri 7/7/2023 5:30 PM

To: Shaw, Eric (MYR) <eric.shaw@sfgov.org>

Cc: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

I approve Mercy Housing California request for a preliminary gap loan in the amount of \$52,360,000 for 1939 Market Street, a proposed new construction development for families featuring 187 units for LGBTQ+ seniors - including 40 units for households experiencing homelessness, and 9 units for HIV positive households-.



Salvador Menjivar

Director of Housing

*Pronouns: He/Him*

San Francisco Department of Homelessness and Supportive Housing

[salvador.menjivar1@sfgov.org](mailto:salvador.menjivar1@sfgov.org) | 415-308-2843

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## 1939 Market St Preliminary Gap Request

Colomello, Elizabeth (CII)

Fri 7/7/2023 11:44 AM

To:Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Cc:Shaw, Eric (MYR) <eric.shaw@sfgov.org>;Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>

Hi Vanessa,

I approve the subject request on behalf of OCII.

Thanks-

Elizabeth



**Elizabeth Colomello**  
**Housing Program Manager**

---

📍 One South Van Ness Avenue, 5th Floor  
San Francisco, CA 94103  
📞 415.749-2488, Cell 415.407-1908  
🏠 [www.sfocii.org](http://www.sfocii.org)

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## Prelim Gap Loan - 1939 Market

Van Degna, Anna (CON)

Fri 7/7/2023 11:45 AM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Cc: Shaw, Eric (MYR) <eric.shaw@sfgov.org>

approved

**Anna Van Degna** (*she/her/hers*)

Director, Controller's Office of Public Finance

City & County of San Francisco

1 Dr. Carlton B. Goodlett Place

City Hall, Room 338\*

San Francisco, CA 94102

Phone: (415) 554-5956

Email: [anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)

*\*Please note our new Office #*

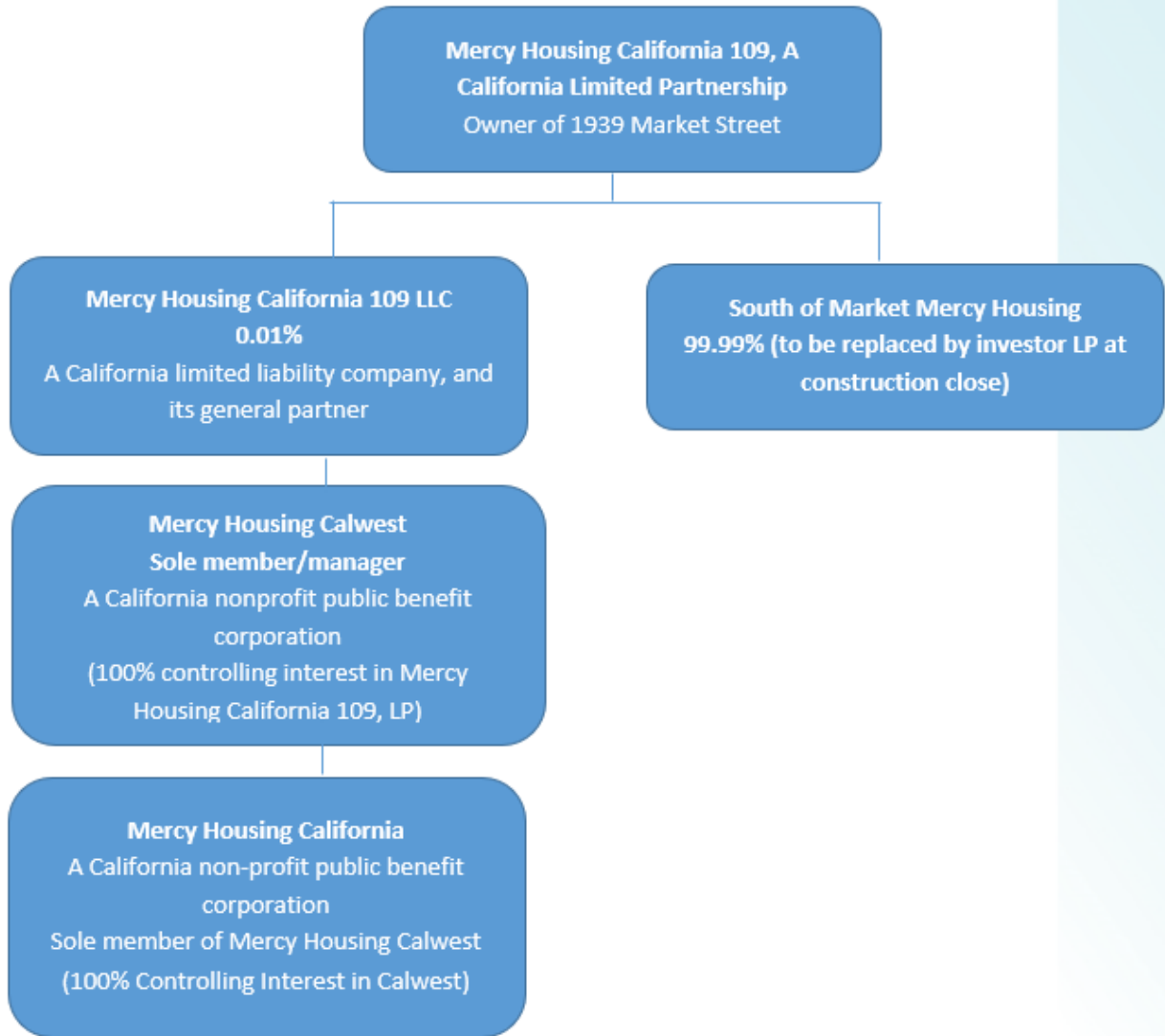


**Attachment A: Project Milestones and Schedule**

No.	Performance Milestone	Estimated or Actual Date	Notes
A.	Prop I Noticing (if applicable)	<u>Before 1/22</u>	
1	Acquisition/Predev Financing Commitment	<u>11/5/21</u>	
2.	Site Acquisition	<u>5/2020</u>	
3.	Development Team Selection		
a.	Architect	<u>12/2021</u>	
b.	General Contractor	<u>3/2022</u>	
c.	Owner's Representative	<u>3/2022</u>	
d.	Property Manager	<u>N/A</u>	
e.	Service Provider	<u>N/A</u>	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	<u>3/2023</u>	
b.	Submittal of Design Development & Cost Estimate	<u>8/2023</u>	
c.	Submittal of 50% CD Set & Cost Estimate	<u>11/2023</u>	
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>1/2024</u>	
5.	Commercial Space		
a.	Commercial Space Plan Submission	<u>7/2023</u>	
b.	LOI/s Executed	<u>1/2024</u>	
6.	Environ Review/Land-Use Entitlements		
a.	SB 35 Application Submission	<u>11/2022</u>	
b.	CEQA Environ Review Submission	<u>N/A</u>	
c.	NEPA Environ Review Submission	<u>TBD</u>	
d.	CUP/PUD/Variances Submission	<u>N/A</u>	
7.	PUC/PG&E		
a.	Temp Power Application Submission	<u>4/2023</u>	
b.	Perm Power Application Submission	<u>11/2022</u>	
8.	Permits		
a.	Building / Site Permit Application Submitted	<u>11/2022</u>	
b.	Addendum #1 Submitted	<u>4/2024</u>	

c.	Addendum #2 Submitted	<u>11/2024</u>	
9.	Request for Bids Issued	<u>11/2023</u>	
10.	Service Plan Submission		
a.	Preliminary	<u>5/2023</u>	
b.	Final	<u>5/2024</u>	
11.	Additional City Financing		
a.	Preliminary Gap Financing Application	<u>5/2023</u>	
b.	Gap Financing Application	<u>7/2024</u>	
12.	Other Financing		
a.	HCD Application	<u>7/2023</u>	
b.	Construction Financing RFP	<u>4/2024</u>	
c.	AHP Application	<u>TBD</u>	
d.	CDLAC Application	<u>2/2024</u>	
e.	TCAC Application	<u>2/2024</u>	
f.	Other Financing Application	<u>TBD</u>	
g.	LOSP Funding Request	<u>10/2025</u>	
13.	Closing		
a.	Construction Loan Closing	<u>10/2024</u>	
b.	Conversion of Construction Loan to Permanent Financing	<u>10/2027</u>	
14.	Construction		
a.	Notice to Proceed	<u>10/2024</u>	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>8/2026</u>	
15.	Marketing/Rent-up		
a.	Marketing Plan Submission	<u>6/2026</u>	
b.	Commence Marketing	<u>8/2026</u>	
c.	95% Occupancy	<u>3/2027</u>	
16.	Cost Certification/8609	<u>12/2027</u>	
17.	Close Out MOH/OCII Loan(s)	<u>1/2028</u>	

**Attachment B: Borrower Org Chart**



### **Attachment C: Development Staff Resumes**

**Sean Wils is a Senior Project Manager** at Mercy Housing California. In addition to 1939 Market, Sean is leading the development of Transbay Block 2 East, a 17-story, 184-unit, 100% affordable housing project. Before joining Mercy, Sean most recently completed two new construction projects in San Francisco totaling 237 permanent supportive housing units, and brought a 58-unit permanent supportive housing historic rehabilitation project from predevelopment to construction closing. Prior to developing San Francisco affordable housing, Sean worked in Brooklyn, New York, managing a 1.8 million square foot mixed-use development with 200 affordable units.

**Michael Kaplan is an Associate Director of Development** at Mercy Housing California. With over 13 years of community development experience, including eight years in affordable housing, he has been involved in the creation or renovation of over 700 units of affordable housing valued at over \$500M. He has entitled housing across a spectrum of neighborhoods, ranging from disadvantaged communities to upscale suburbs across the Bay Area, and has worked with a diverse group of stakeholders, partners, and public agencies to get housing built.

**Ramie Dare is the Director of Real Estate** at Mercy Housing California. Her nearly 3 decades as a developer of affordable housing and mixed-use buildings represents her dedication to community development and building the social and physical infrastructure of urban neighborhoods. She is skilled in elegantly problem solving and project managing complex financing structures and regulatory overlays, large project teams, politically sensitive processes, and an array of public/private partnerships developments. Throughout her career, Ramie has remained steadfast in her commitment to thoughtfully engaging communities in her work and intelligently identifying community needs and maximizing neighborhood assets to achieve shared goals in planning, design, and operations of the buildings she develops.

**Dr. Kathleen Sullivan, Executive Director**, has been leading Openhouse for just under two years. Kathleen is an accomplished speaker, author, and trainer on issues related to LGBTQ aging, gender equity, affordable housing, and social environments. Dr. Sullivan served as the Director of several organizations including Oregon NARAL, Engage NW and Transportation Choices Coalition. As an appointed Professor at Oregon Health Sciences and Portland State University School of Public Health she lectured in Gerontology and Families and Aging. Dr. Sullivan holds a PhD from the Nohad Toulan School of Urban Studies and Planning at Portland State University where she coauthored Oregon's first study on transportation issues for older adults and the first study of housing for LGBTQ elders.

**Carrie Schell, Director of Community Support Services**, is responsible for all community support services that Openhouse provides for LGBTQ+ seniors, including the mental health program. She has been with the organization for over 3 years and has been integral in the continued partnership between Mercy and Openhouse, and will play a key role in the lease-up and services model for the 1939 Market St project.

**Matthew Cimino, Director of Operations**, is responsible for finance, operations, human resources, information technology and facilities at Openhouse. He has been at Openhouse for almost 12 years and ensures that Openhouse programs have high quality infrastructure and support to ensure they are run efficiently and effectively. He oversaw the construction of the Openhouse service spaces at 65 and 75 Laguna and coordinates all facilities/construction needs with Mercy Housing and our Club 75 partner, On Lok.

**Adrienne Pankonin-Dahl, Executive Assistant**, has been with Openhouse for over 1.5 years and is responsible for administrative support for the Executive Director. She collaborates with Mercy Housing on community outreach, and assists with other administrative tasks related to the 1939 Market St project as needed.

### **Attachment D - Asset Management Staffing**

Mercy Housing California (MHC) provides asset management for all its properties. Asset Management falls under the National Portfolio Management department of Mercy Housing Inc, which is led by Senior Vice President Melissa Clayton based in Denver, CO.

#### **Total Number of Projects and Average Number of Units Per Project Currently in Developer's Asset Management Portfolio**

California represents the largest portion of the portfolio with 155 operating properties across the state; 55 Mercy owned and occupied properties are located in the City of San Francisco.

Yelena Zilberfayn is the Vice President of Asset Management at Mercy Housing where she has worked for the past 23 years, 10 of which in the Asset Management Department, and is responsible for a portfolio of real estate assets serving families, seniors, and special needs individuals. She leads a team of five Asset Managers, three in San Francisco, two in Sacramento. Two Asset Management Analysts and one Commercial Asset Management Analyst based in the National Office in Denver, CO, and one Commercial Asset Manager based in San Francisco are supporting Yelena's team. In addition, there are two Asset Managers overseeing other regions in CA and one Capital Project Investment Manager, reporting directly to Melissa Clayton.

Yelena is located in the San Francisco office and interfaces directly with Doug Shoemaker, President of Mercy Housing California (MHC). Yelena and her team act as Mercy Housing's representatives in relation to the physical and financial status of each asset and protect its financial health and long-term viability.

Mercy's portfolio management also includes Transaction Team comprised of 2 staff devoted to other specialized needs such as the Year 15 buy out and the refinance of properties.

All positions in CA are currently filled and they are all full time. The breakdown of the Bay Area asset management staff positions is as follows:

- (1) Vice President of Asset Management
- (1) Director of Portfolio Analysis
- (4) Asset Managers
- (2) Asset Management Analysts
- (1) Commercial Asset Management Analyst
- (1) Commercial Asset Manager

Each Asset Manager oversees a portfolio of up to 25 assets. The Asset Managers in the San Francisco office currently have 90 assets in their portfolio. Eight of these properties are in predevelopment, under construction or in rehab in the City of San Francisco or Bay Area. In San Francisco, Asset Managers manage fewer than the maximum of 25 assets in order to free up capacity for future developments.

#### **Description of Scope and Range of Duties of Developer's Asset Management Team**

Asset Management staff has oversight over all operations of the properties. The portfolio is analyzed monthly through the Portfolio Scorecard, which looks at physical and economic occupancy, trade and intercompany payables. In addition, the team performs quarterly risk ratings according to Affordable Housing Investment Council (AHIC) standards, of every property to evaluate occupancy, reserves, management, capital needs and available reserves. If a property is placed on the watchlist, there is a quarterly meeting with the Asset Management team, Mercy Housing Management Group and Mercy Housing California President to find a solution to get the property off the watchlist.

Asset Managers are responsible for tracking all capital needs on their portfolio on a quarterly basis as part of Mercy's watchlist process. They are assisted by various staff of Mercy Housing Management Group, including the Regional Facilities Manager and the various Area Directors of Operations assigned to the properties. Using various analysis including our watchlist and budget planning, reviewing CNAs, and Reserve analysis, the Asset Managers determine when the necessary capital needs can be completed in the short and long term.

The analyst team submits reserve replacement requests bi-annually. In addition, the analyst team helps with the compliance with financing requirements and various reporting regulatory requirements by sending quarterly and annual reporting to investors and funders.

Portfolio preservation planning is accomplished through balancing the use of reserves with the payment of scheduled partnership and deferred development fees through cash flow.

The transaction team handles some of the longer term needs of the portfolio such as Year 15 analysis and investor buyout and a property restructuring such as a refinance.

#### Developer's Budget for Asset Management Team Shown as Cost Center (nationwide)

Asset Management staffing budget is \$3,308,737.

#### Number of Projects Expected to be in Developer's Asset Management Portfolio in 5 Years and, If Applicable, Plans to Augment Staffing to Manage Growing Portfolio

Mercy Housing anticipates that the portfolio will grow from 155 buildings to approximately 170 buildings in the next 5 years. Two new Asset Manager positions based in San Francisco were added in 2017 and one in 2019.

#### MOHCD Asset Management staff assessment of Sponsor's asset management capacity:

The Sponsor's description of their asset management functions, duties and coordination with related teams within the organization demonstrates an adequate asset management operation for their existing portfolio. With 7 FTE asset managers statewide and a portfolio of 155 projects in California, the project/asset management staff ratio is 22, which is in line with the industry standard of 20-25 recommended by NeighborWorks America. In addition, the Sponsor's asset management staff also includes Asset Management

Analysts who support the Asset Managers. The full range of asset management responsibilities are covered by the asset managers and the analysts. With an increase of 15 projects in the Sponsor's portfolio anticipated over the next 5 years, the ratio will increase but remain within the industry standard.

## **Attachment E: Threshold Eligibility Requirements and Ranking Criteria**

### *MINIMUM EXPERIENCE AND CAPACITY REQUIREMENTS*

Respondents must meet the following minimum development team characteristics, experience, and capacity requirements in order to qualify to be scored and ranked under this RFQ. For Minimum Qualifications for respondents applying for 100% housing for homeless adults please refer to Sections III.D and IV.C.

**Racial Equity Capacity:** The proposed Development team must document its capacity to successfully plan, design, and develop racial equity strategies that will lower barriers to obtaining quality affordable housing for communities of color through employment of staff with appropriate experience and capacity, contracted services, and/or collaboration with other organizations. Respondents should submit demographic data of the Boards of Directors of member organizations of the Development Team and of the staff of the various organizations that make up the respondent team.

### **Minimum Development Team Characteristics**

The proposed development team must include members able to work with MOHCD to create developments that are responsive to populations disproportionately impacted by systemic racism; implement a culturally competent approach throughout the development process; align the development program with City policies on anti-displacement, racially inclusive communities, and creation of stable housing for vulnerable populations; and create opportunities for Black- and Brown-led developers to be competitive within the RFQ process.

The proposed Development Team must include:

- At least one San Francisco-based non-profit development entity whose mission includes the development of affordable housing in low-income communities with experience developing housing for the identified priority populations (such as Certificate of Preference Holders, displaced tenants, neighborhood residents, San Francisco residents, seniors, families, Plus Housing waitlist households and/or formerly homeless households) 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 experience owning housing for low-income communities, including for priority populations (such as COP Holders, displaced tenants, neighborhood residents, San Francisco residents, seniors, families, Plus Housing waitlist households and/or formerly homeless households);
- A property management entity with experience managing housing for low-income communities, including for priority populations (such as COP Holders, displaced tenants, neighborhood residents, San Francisco residents, seniors, families, Plus Housing waitlist households and/or formerly homeless households);
- At least one services-providing entity with experience providing services appropriate for the intended target population(s) of each site.



*Letters of Intent or Memoranda of Understanding from service providers and property management entities that are not affiliated with the developer must be submitted with the application.*

## **Minimum Development Team Experience**

Minimum experience must be demonstrated by identifying specific **Qualifying Projects** in which team members have participated, as further described below. The proposed Development Team must submit **Attachment 4 - Qualifying Project Form**, to document how the Qualifying Project characteristics meet each of the experience categories below (developer, owner, property manager, service provider.)

To demonstrate the minimum required development team experience, each team should submit one project for each experience category. When appropriate, teams may submit the same project as evidence of experience across multiple experience categories or may use different projects to demonstrate experience across categories. In all cases, no more than four (4) total Qualifying Projects should be submitted. **Qualifying Projects will not be scored but are used to determine if the proposed Development Team meets the minimum development team experience required to develop the Site.**

For Developer and Owner, a **Qualifying Project** must have all of the following characteristics:

- New construction in either a Type V over I or Type III over I construction type (not a requirement for Minimum Property Manager and Service Provision Experience)
- At least 75 units in size
- Majority multiple-bedrooms, *only for family projects*
- Mixed-use including residential (not a requirement for Minimum Service Provision Experience)
- Affordable to low- and very low-income households<sup>1</sup>, formerly homeless residents, families and/or seniors
- Financed with Low-Income Housing Tax Credits.

**a. Minimum Development Experience:**

The proposed Developer must have completed within the past ten years at least **one** Qualifying Project located in San Francisco. “Completed” means the Project must have received its Temporary Certificate of Occupancy by the date of the issuance of the RFQ.

For joint venture Developer teams, the experience of the lead entity may suffice for the joint-venture partnership. A signed Memorandum of Understanding or Term Sheet between joint-venture Development partners that outlines roles and responsibilities, proposed ownership structure, etc. must be submitted with the application. Furthermore, a Respondent can qualify for development experience by contracting with a development consultant for comprehensive project management services. Finally, the requirement to have served formerly homeless residents may be satisfied in a non- Type V over I or Type III over I building. In such a case, the proposed Developer must provide evidence of having completed a partially Type V over I or Type III over I affordable housing building, and separately, an affordable housing building that serves formerly homeless residents.

- b. Minimum Ownership Experience:** The proposed Owner must have owned at least **one** Qualifying Project for at least four years prior to the Submittal Deadline of this RFQ. For purposes of this requirement, the member of the general partner of the tax credit partnership that will own the completed project is the proposed “Owner.”

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<sup>1</sup> “Low Income” is defined as 60% MOHCD AMI and below. “Extremely Low Income” is defined as 30% MOHCD AMI and below.

- c. **Minimum Property Management Experience:** The proposed Property Manager must have managed at least **one** Qualifying Project for at least 24 months.
- d. **Minimum Service Provision Experience:** The proposed service provider(s) must have at least 36 months experience providing services to low-income family residents, communities of color, homeless persons and/or senior citizens within a Qualifying Project.

**Note Regarding Experience:** For any Respondent team member, the experience of key staff members may be substituted for the experience of the organization as a whole as long as the staff members' experience in other firms was substantive and involved responsibilities similar to those that they are anticipated to perform during the proposed development of the site. Any substitution should be clearly identified in Attachment 4, Qualifying Project Form.

## Minimum Developer and Owner Capacity Requirements

The proposed Developer and Owner must demonstrate the financial and staffing capacity to successfully complete the project and manage the asset in the long-term, as further described below.

- a. **Financial Capacity:** The proposed Developer (or Guarantor where another entity is providing required guarantees) must demonstrate its ability to obtain competitive financing, as evidenced by submitting the latest (2) years of either signed federal income tax returns (including schedules or attachments, if any); or audited financial statements (with management letters, if any). The proposed Developer must also submit **Attachment 5 – Financing Terms for Developer's Qualifying Project** documenting the equity pricing and debt terms for the Qualifying Project submitted under Minimum Developer Experience.
- b. **Staffing Capacity:** The proposed Developer must document its capacity to successfully plan, design, and develop the Project, throughout the period of development, either through staff with appropriate experience and capacity, contracted services, or collaboration with other organizations. To document this, the proposed Developer must submit a written narrative **no more than one page** (in Times New Roman font, 12 font size, and 1-inch margins) to document the experience and capacity of key staff, their workloads, and the organizational structure for supporting staff. The proposed Developer must also submit **Attachment 6 – Projected Staffing Workload Form** to document the work assignments (existing or contemplated) associated with each staff person expected to work on the Project for Developer.
- c. **Asset Management Capacity:** The proposed Owner must document its capacity to successfully manage real estate assets in compliance with City regulatory agreements and restrictions. To document this, the proposed Owner must submit a recent Real Estate Owned (REO) schedule, stating the number of projects and average number of units/project currently in Owner's asset management portfolio, proposed Owner's current asset management staffing noting job titles, FTEs, and status of each position (filled/vacant) and proposed Owner's organizational chart.
- d. **Racial Equity Capacity:** The proposed Developer must document its capacity to successfully plan, design, and develop racial equity strategy that will lower barriers to obtaining quality affordable housing for communities of color through staff with appropriate experience and capacity, contracted services, or collaboration with other organizations. Documentation should include information evidencing the Developer's capacity to achieve the goals of this RFQ (see especially pages 4-5).

- Select partners that are able to work with MOHCD to deploy city resources, tools and expertise to create developments that are responsive to populations disproportionately impacted by systemic racism;
- Ensure that development teams are working within a culturally competent approach through the development process;
- Align each Project with the implementation of City policies on anti-displacement, racially inclusive communities, and creating stable housing for vulnerable populations;
- Create opportunities for growth of smaller and Black, Indigenous and people of color, (BIPOC)-led organizations in development role or as member of development team
- Submit demographic data for the Boards of Directors of each Development Team member and for the staff of each organization represented on the Team.

***MINIMUM EXPERIENCE AND CAPACITY REQUIREMENTS FOR RESPONDENTS APPLYING FOR 100% SUPPORTIVE HOUSING FOR HOMELESS ADULTS***

**Team Member Specific Minimum Requirements**

- a. **Minimum Developer Requirements** - Lead Developer itself or in partnership with other co-developers must provide evidence of the following experience:
- New construction of at least two affordable housing developments that are both high-density infill sites, with an aggregate unit count of approximately 75 units or more
  - Development of at least one supportive affordable housing development for formerly homeless adults and/or formerly homeless seniors (may be new construction or substantial rehabilitation of an existing building)
  - Use of Low-Income Housing Tax Credit financing

For joint-venture Development partners, the experience of either entity may suffice for the joint-venture partnership. A Memorandum of Understanding between joint-venture Development partners must be submitted with the application.

Furthermore, a Respondent can qualify for development experience by contracting with a development consultant for comprehensive project management services. Project management services should include financial packaging, selection of other consultants, selection of construction contractor and property management agent, oversight of architectural design, construction management, and consultation on major aspects of the development process. The contract for development services must be submitted with the RFQ response and must be acceptable to MOHCD.

- b. **Minimum Ownership Experience** - The proposed Owner of the Project must have owned at least one supportive formerly homeless project in San Francisco for at least 5 years prior to the Submittal Deadline of this RFQ. In addition, each proposed Owner must provide evidence of experience with owning housing financed with Low Income Housing Tax credits. This experience does not have to be on the same project that satisfies the 5-year ownership requirement. If the Selected Developer entity is not the same entity as the proposed Owner, MOHCD reserves the right to require that certain

members of the Selected Developer remain active in the ownership for whatever length of time MOHCD deems necessary to ensure operating and financial stability.

For purposes of this requirement, the managing general partner of the tax credit partnership intended to take ownership of the completed Project and to provide asset management for the Project is the proposed "Owner".

- c. **Minimum Property Manager Requirements** - The proposed property manager for the Project must have managed at least three supportive formerly homeless or supportive senior rental projects, including at least one in San Francisco, each for at least 36 months. In addition, the Property Manager for the Project must provide evidence of experience with managing housing financed with Low Income Housing Tax credits.
- d. **Minimum Service Provision Requirements** - The proposed service provider(s) must have at least 36 months' experience providing supportive services to formerly homeless adults and/or formerly homeless seniors including case management and comprehensive services for homeless households in a residential setting in San Francisco. The proposed service provider(s) must have the infrastructure to supervise and train the onsite staff and their supervisors. The service provider must also have experience with and capacity to bill Medi-Cal.
- e. **Other Consultants** – For any Respondent team, the experience of key staff members or "other consultants" may be substituted for the experience of the organization as a whole as long as the staff member's or consultant's experience in other firms was substantive and involved responsibilities similar to what they are anticipated to perform as a member of the Respondent's team.

**SELECTION CRITERIA AND SCORING**

All applications that meet the Minimum Experience and Capacity Requirements will be scored and ranked according to the following selection criteria:

	<b>Category</b>	<b>Points</b>
<b>A.</b>	<b>EXPERIENCE:</b>	<b>40</b>
i.	<b>Developer (12 pts)</b> <ul style="list-style-type: none"> <li>➤ Experience with the following:                             <ul style="list-style-type: none"> <li>○ Completing projects on time and on budget</li> <li>○ Obtaining competitive financing terms</li> <li>○ Developing Type V/I or III/I construction</li> <li>○ Developing housing for low-income families, seniors, or the homeless</li> </ul> </li> <li>➤ Building community support through outreach</li> <li>➤ Current staff capacity and experience to take on this project type</li> </ul>	
ii.	<b>Owner (4 pts)</b> <ul style="list-style-type: none"> <li>➤ Track record successfully owning housing financed with Low-Income Housing Tax Credits                             <ul style="list-style-type: none"> <li>○ Experience owning affordable housing for low-income families, seniors and/or the homeless</li> </ul> </li> <li>➤ Current asset management structure, staffing, and portfolio</li> <li>➤ Capacity for assuming asset management of an expanded portfolio once the development is complete</li> </ul>	

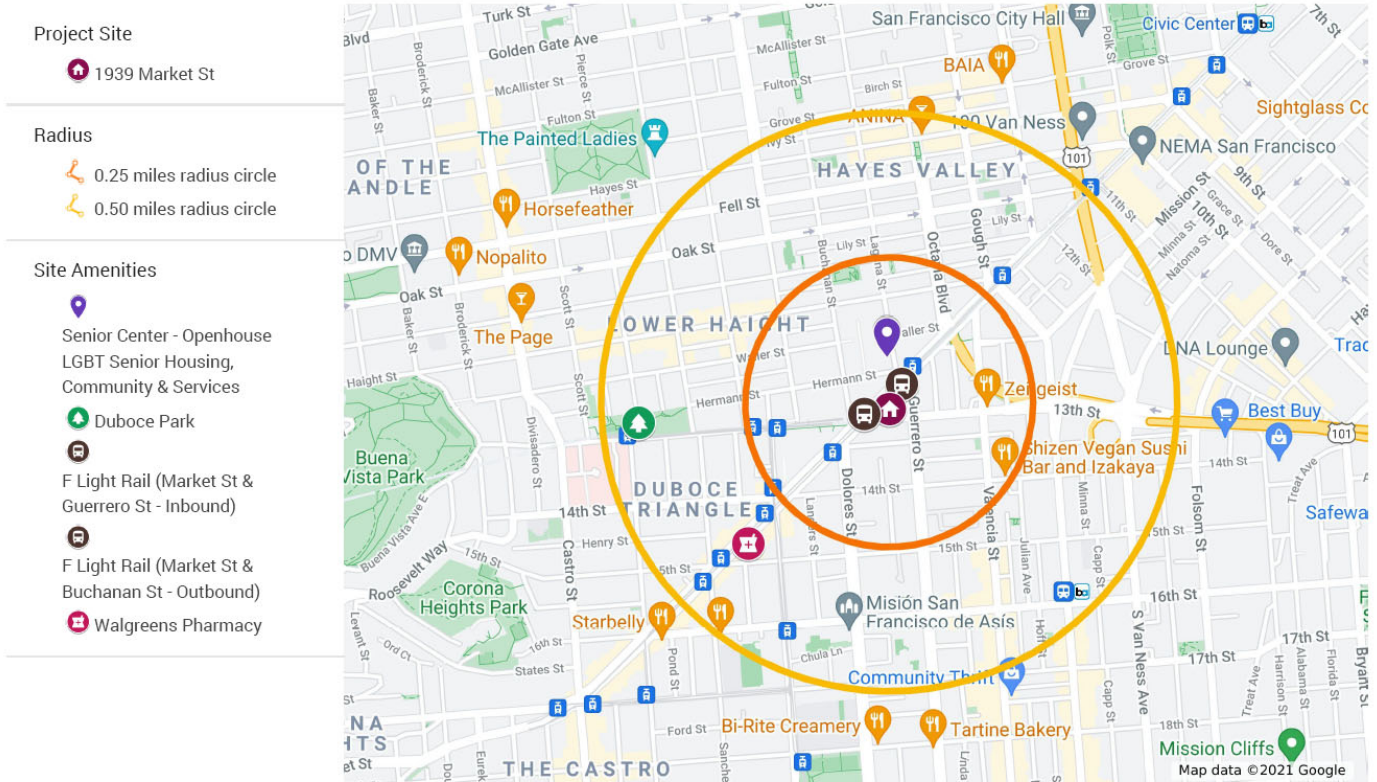
iii.	<p><b>Property Manager (8 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Experience managing property for target populations</li> <li>➤ Experience achieving high rates of housing retention</li> <li>➤ Implements low barrier tenant selection policies</li> <li>➤ Contributes to long-term sustainability of the development</li> <li>➤ Achieves cost efficiencies in operations</li> </ul>	
iv.	<p><b>Service Providers (8 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Experience delivering services to target populations</li> <li>➤ Experience linking residents to the City's safety net of services</li> <li>➤ Works with property management to achieve high rates of housing retention</li> <li>➤ Supports positive outcomes for residents around health and economic mobility</li> <li>➤ If applicable, provides explanation for service contracts terminated prematurely within the last 5 years</li> <li>➤ Discusses barriers to communities of color accessing quality health care services, employment and educational opportunities</li> </ul>	
v.	<p><b>Racial Equity Strategy (8 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Describes level of racial equity awareness</li> <li>➤ Experience providing housing to COP and neighborhood preference holders</li> <li>➤ Uses innovative approaches to engagement with COP and neighborhood preference holders</li> <li>➤ Demonstrates commitment to racially diverse project development teams</li> </ul> <p>Proposes a substantive partnership that increases opportunity/capacity for growth of smaller and Black, Indigenous and people of color, (BIPOC)-led organizations</p> <ul style="list-style-type: none"> <li>➤ Demonstrates experience with serving historically excluded communities of color</li> <li>➤ Describes approaches to overcoming historical obstacles to communities of color obtaining high quality affordable housing</li> <li>➤ Describes experience providing access and implementing service delivery strategies to historically excluded communities of color</li> </ul>	
<b>B. VISION:</b>		<b>60</b>
i.	<p><b>Program Concept (20 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Describes vision for a development program at this site, while best achieving the project goals, and includes: <ul style="list-style-type: none"> <li>○ A residential program and other envisioned uses;</li> <li>○ Indicates how the proposed uses and amenities will enhance the lives of the proposed target population and the surrounding neighborhood.</li> </ul> </li> </ul>	

	<ul style="list-style-type: none"> <li>➤ Indicates particular groups served by the programs and spaces (tots, children, teens, homeless people, young adults, adults, elderly, disabled etc.).</li> <li>➤ Describes how the program will contribute to lowering barriers to persons of color seeking and retaining quality housing.</li> </ul>	
ii.	<p><b>Community Engagement Strategy (10 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Describes community engagement strategy and includes: <ul style="list-style-type: none"> <li>○ The team's philosophy on community engagement;</li> <li>○ Process for establishing and/or building positive relationships with surrounding neighbors and the larger community;</li> <li>○ Efforts designed to engage all interested community members, including monolingual non-English speaking members of the community;</li> <li>○ How the Development Team intends to comply with the City's Language Access Ordinance.</li> </ul> </li> <li>➤ Describes the Team's approach to achieving entitlements for the project expeditiously and the Team's approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations.</li> <li>➤ Indicate how particular community engagement strategy will address the historical exclusion of communities of color from quality housing, including but not limited to marketing to attract target populations.</li> </ul>	
iii.	<p><b>Services Delivery Strategy (10 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Describes the Development Team's services delivery strategy and includes: <ul style="list-style-type: none"> <li>○ The overall service philosophy;</li> <li>○ Model for providing any anticipated services to formerly homeless residents (including case management ratio and provision of amenities such as front desk clerks, if applicable);</li> <li>○ The services goals of the proposed vision.</li> </ul> </li> <li>➤ A brief description of the desired outcome of the services to be provided and innovative approaches to services provision, including the strategy of engaging residents and encouraging access to services.</li> <li>➤ Describes how services for residents will be coordinated with the existing network of services in the neighborhood and community.</li> </ul>	
iv.	<p><b>Finance &amp; Cost Containment Approach (10 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Narration that describes the Development Team's financing approach to the project.</li> </ul>	

	<ul style="list-style-type: none"> <li>➤ Includes the Team’s process for structuring the project and controlling development costs.</li> <li>➤ Includes innovative strategies intended to minimize MOHCD’s projected capital gap financing.</li> <li>➤ Describes any innovative (i.e. non-standard, routine or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses.</li> <li>➤ Do not include proforma financials.</li> </ul>	
v.	<p><b>Racial Equity Strategy (10 pts)</b></p> <ul style="list-style-type: none"> <li>➤ Describes proposed resident services program, including the activities or types of services, how they will be provided, and the approach (such as timeline, hours and days of operation, examples, and best practices).</li> <li>➤ Explain how the Development Team’s model removes barriers to intergenerational wealth, self-sufficiency and resiliency for persons of color, particularly COP holders, African American households and/or households in historically African American neighborhoods.</li> <li>➤ Explain how the strategy aligns with the four primary goals of this RFQ set forth in the Introduction.</li> </ul>	
<b>TOTAL POSSIBLE POINTS</b>		<b>100</b>

### Attachment F: Site Map with amenities

## 1939 Market St Amenities Map





**Attachment G: Elevations and Floor Plans**

N/A

**Attachment H: Comparison of City Investment in Other Housing  
Developments**

See attached.

**Affordable Multifamily Housing New Construction Cost Comparison - San Francisco**

Updated 4/22/2023		Acquisition by Unit/Bldg/SF													Construction by Unit/Bldg/SF			Soft Costs by Unit/Bldg/SF			Total Development Cost (incl. Land)			Subsidy	
Delta of Subject and Comparable Projects		Acq/Unit	Acq/BR	Acq/ft sq ft	Const/Unit	Const/BR	Const/ft sq ft	Soft/Unit	Soft/BR	Soft/ft sq ft	Gross TDC/Unit	Gross TDC/BR	Gross TDC/ft sq ft	Subsidy/Unit	Leveraging <sup>1</sup>										
Delta of Subject and Comparable Projects		\$ (16,403)	\$ (10,814)	\$ (104)	\$ 23,890	\$ 272,687	\$ 238	\$ (26,756)	\$ 27,248	\$ 30	\$ 16,412	\$ 289,914	\$ 333	\$ 168,239	891.7%										
Delta Percentage		-100%	-100%	-100%	8%	83%	54%	-15%	23%	22%	2%	4%	45%	85%	-1311%										
1938 Market		\$ -	\$ -	\$ -	\$ 706,913	\$ 706,913	\$ 643	\$ 121,837	\$ 121,837	\$ 168	\$ 828,149	\$ 828,149	\$ 1,129	\$ 366,117	55.8%										
Comparable Projects		Average	\$ 16,403	\$ 10,814	\$ 103.81	\$ 653,712	\$ 433,445	\$ 264	\$ 142,591	\$ 64,888	\$ 130	\$ 712,727	\$ 639,728	\$ 778	\$ 197,887	78.7%									

ALL PROJECTS	Average	Let sq ft	Completion Rate	Start Date	# of Units	# of BR <sup>2</sup>	Building Square Footage		Total Project Costs		Soft Cost	Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments
							Res.	Non-Res.	Total sq. ft.	Acq. Cost								
Comparable Projects Completed (Retro)	28,222	138	238	131,970	23,087	150,627	33,945,007	\$9,087,815	\$16,005,820	\$112,038,042	\$36,823,149	\$	\$199,692,635					
Comparable Projects Under Construction (Retro)	32,664	185	270	193,595	5,645	199,595	\$4,697,043	\$108,600,217	\$27,142,136	\$141,439,386	\$31,487,281	\$	\$136,742,383					
Comparable Projects In Predevelopment (Retro)	17,202	167	221	146,173	10,282	158,395	\$20,000	\$119,631,347	\$24,121,864	\$143,763,211	\$28,644,324	\$	\$143,743,211					
Total Comparable Projects	25,963	193	246	158,032	12,998	171,009	\$22,687,350	\$106,773,125	\$23,289,940	\$132,747,083	\$32,145,241	\$	\$130,699,733					
1938 Market	11,365	Nov-24	187	187	135,337	1,940	137,177	\$ -	\$12,080,501	\$ 22,783,481	\$ 154,063,932	\$ 68,463,839	\$	\$ 154,063,932	Type 1	15	Completed but not yet started by Market and paid for by...	
Delta of Subject and Comp Project Averages	-14,103		24	-59	-22,495	-11,358	-33,332	(\$2,687,350)	\$25,307,375	(\$106,488)	\$22,116,869	\$36,145,619	\$	\$24,804,219				
Delta Percentage	-54%		14%	-24%	-14%	-87%	-20%	-100%	24%	-2%	17%	112%	19%					

PROJECTS COMPLETED																		
Project Name	Address	Let sq ft	Comp. Date	# of Units	# of BR <sup>2</sup>	Building Square Footage		Total Project Costs		Soft Cost	Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
						Res.	Non-Res.	Total	Acq. Cost									Const. Cost
1600 Mission Street	1600 Mission Street	36,580	Nov-21	107	260	114,420	46,140	160,560	\$ 9,776,500	\$ 107,000,000	\$ 16,175,000	\$	\$ 123,675,000	FCR/ARCC Loan	10	16	16	16
1600 Mission Street	1600 Mission	36,580	Nov-21	107	260	114,420	46,140	160,560	\$ 9,776,500	\$ 107,000,000	\$ 16,175,000	\$	\$ 123,675,000	FCR/ARCC Loan	10	16	16	16
1610 Francis Street	1610 Francis Street	15,000	Oct-22	150	150	150,000	150,000	300,000	\$ 120,000,000	\$ 120,000,000	\$ 120,000,000	\$	\$ 240,000,000	FCR/ARCC Loan	10	10	10	10
1610 Francis Street	1610 Francis Street	15,000	Oct-22	150	150	150,000	150,000	300,000	\$ 120,000,000	\$ 120,000,000	\$ 120,000,000	\$	\$ 240,000,000	FCR/ARCC Loan	10	10	10	10

PROJECTS UNDER CONSTRUCTION																		
Project Name	Address	Let sq ft	Comp. Date	# of Units	# of BR <sup>2</sup>	Building Square Footage		Total Project Costs		Soft Cost	Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
						Res.	Non-Res.	Total	Acq. Cost									Const. Cost
1610 Francis Street	1610 Francis Street	29,800	Aug-23	293	293	293,000	1,000	294,000	\$ 14,801,000	\$ 113,000,000	\$ 26,786,778	\$	\$ 139,786,778	FCR/ARCC Loan	10	10	10	10
1610 Francis Street	1610 Francis Street	29,800	Aug-23	293	293	293,000	1,000	294,000	\$ 14,801,000	\$ 113,000,000	\$ 26,786,778	\$	\$ 139,786,778	FCR/ARCC Loan	10	10	10	10
1610 Francis Street	1610 Francis Street	29,800	Aug-23	293	293	293,000	1,000	294,000	\$ 14,801,000	\$ 113,000,000	\$ 26,786,778	\$	\$ 139,786,778	FCR/ARCC Loan	10	10	10	10
1610 Francis Street	1610 Francis Street	29,800	Aug-23	293	293	293,000	1,000	294,000	\$ 14,801,000	\$ 113,000,000	\$ 26,786,778	\$	\$ 139,786,778	FCR/ARCC Loan	10	10	10	10

PROJECTS IN PREDEVELOPMENT																		
Project Name	Address	Let sq ft	Start Date (anticipated)	# of Units	# of BR <sup>2</sup>	Building Square Footage		Total Project Costs		Soft Cost	Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
						Res.	Non-Res.	Total	Acq. Cost									Const. Cost
1610 Francis Street	1610 Francis Street	29,800	Aug-23	293	293	293,000	1,000	294,000	\$ 14,801,000	\$ 113,000,000	\$ 26,786,778	\$	\$ 139,786,778	FCR/ARCC Loan	10	10	10	10
1610 Francis Street	1610 Francis Street	29,800	Aug-23	293	293	293,000	1,000	294,000	\$ 14,801,000	\$ 113,000,000	\$ 26,786,778	\$	\$ 139,786,778	FCR/ARCC Loan	10	10	10	10

PROJECTS COMPLETED																	
Project Name	Comp. Date	Acquisition by Unit/Bldg/SF			Construction by Unit/Bldg/SF			Soft Costs by Unit/Bldg/SF			Total Development Cost (incl. Land)			Subsidy			
		Acq/Unit	Acq/BR	Acq/ft sq ft	Const/Unit	Const/BR	Const/ft sq ft	Soft/Unit	Soft/BR	Soft/ft sq ft	Gross TDC/Unit	Gross TDC/BR	Gross TDC/ft sq ft	Subsidy/Unit	Leveraging <sup>1</sup>		
1610 Francis Street	Nov-21	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Nov-21	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Nov-21	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Nov-21	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			

PROJECTS UNDER CONSTRUCTION																	
Project Name	Comp. Date	Acquisition by Unit/Bldg/SF			Construction by Unit/Bldg/SF			Soft Costs by Unit/Bldg/SF			Total Development Cost (incl. Land)			Subsidy			
		Acq/Unit	Acq/BR	Acq/ft sq ft	Const/Unit	Const/BR	Const/ft sq ft	Soft/Unit	Soft/BR	Soft/ft sq ft	Gross TDC/Unit	Gross TDC/BR	Gross TDC/ft sq ft	Subsidy/Unit	Leveraging <sup>1</sup>		
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			

PROJECTS IN PREDEVELOPMENT																	
Project Name	Start Date (anticipated)	Acquisition by Unit/Bldg/SF			Construction by Unit/Bldg/SF			Soft Costs by Unit/Bldg/SF			Total Development Cost (incl. Land)			Subsidy			
		Acq/Unit	Acq/BR	Acq/ft sq ft	Const/Unit	Const/BR	Const/ft sq ft	Soft/Unit	Soft/BR	Soft/ft sq ft	Gross TDC/Unit	Gross TDC/BR	Gross TDC/ft sq ft	Subsidy/Unit	Leveraging <sup>1</sup>		
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			
1610 Francis Street	Aug-23	61,103	61,103	61,103	481,200	473,300	1,108	143,952	138,336	165	168,239	3	168,239	891.7%			

ALL PROJECTS																		
Project Name	Address	Let sq ft	Comp. Date	# of Units	# of BR <sup>2</sup>	Res.	Non-Res.	Total	Acq. Cost	Const. Cost	Soft Cost	Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments
Average		23,694	16.3.15	723	874	\$ 446,106	\$ 642	\$ 164,122	\$ 119,933	\$ 975	\$ 885,261	\$ 308,197	\$	\$ 246,486	71.0%			

**Attachment I: Predevelopment Budget**

See attached.

**Attachment J: Development Budget**

See attached.

Application Date: 6/1/23 # Units: 187  
 Project Name: 1939 Market # Bedrooms: 188  
 Project Address: 1939 Market Street # Beds:  
 Project Sponsor: Mercy Housing and Openhouse LOSP Project

SOURCES	52,360,000	25,000,000	5,655,945	17,543,559	1,300,000	57,810,241	Total Sources	Comments
Name of Sources:	MOHCD/OCII	MHP	IIG	GP Equity	Def Fee	Equity	159,669,745	

USES

ACQUISITION

Acquisition cost or value							0	
Legal / Closing costs / Broker's Fee							0	597592
Holding Costs							0	
Transfer Tax							0	
<b>TOTAL ACQUISITION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

CONSTRUCTION (HARD COSTS)

* Unit Construction/Rehab	2,144,877	25,000,000			1,300,000	57,810,241	86,255,118	Includes \$2.5M materials escalation to 11/24
* Commercial Shell Construction	1,084,802						1,084,802	
* Demolition			617,840				617,840	
* Environmental Remediation							0	
* Onsite Improvements/Landscaping							0	
* Offsite Improvements			4,264,796				4,264,796	
* Infrastructure Improvements							0	HOPE SF/OCII costs for streets etc.
* Parking							0	
* GC Bond Premium/GC Insurance/GC Taxes	6,398,039						6,398,039	Bond Premium, Insurance, & GC Contingency
* GC Overhead & Profit	3,472,297						3,472,297	GC Profit + GC Overhead
* CG General Conditions	4,893,328						4,893,328	Gen Con + Gen Req
Sub-total Construction Costs	17,983,343	25,000,000	4,882,636	0	1,300,000	57,810,241	106,976,220	
Design Contingency (remove at DD)							0	5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+
Bid Contingency (remove at bid)	3,209,287						3,209,287	5% up to \$30MM HC, 4% \$30-\$45MM, 3% \$45MM+
Plan Check Contingency (remove/reduce during Plan Rev)	2,139,524						2,139,524	4% up to \$30MM HC, 3% \$30-\$45MM, 2% \$45MM+
Hard Cost Construction Contingency	5,348,811						5,348,811	5% new construction / 15% rehab
Sub-total Construction Contingencies	10,697,622	0	0	0	0	0	10,697,622	
<b>TOTAL CONSTRUCTION COSTS</b>	<b>28,680,965</b>	<b>25,000,000</b>	<b>4,882,636</b>	<b>0</b>	<b>1,300,000</b>	<b>57,810,241</b>	<b>117,673,842</b>	

SOFT COSTS

Architecture & Design

Architect design fees	1,384,159						1,384,159	See MOHCD A&E Fee Guidelines: <a href="http://sfmohcd.org/documents-reports-and-forms">http://sfmohcd.org/documents-reports-and-forms</a>
Design Subconsultants to the Architect (incl. Fees)	1,223,195						1,223,195	
Architect Construction Admin	638,925						638,925	
Reimbursables	50,000						50,000	
Additional Services							0	
Sub-total Architect Contract	3,296,279	0	0	0	0	0	3,296,279	
Other Third Party design consultants (not included under Architect contract)							0	Civil & join Trench (170,950), Trash (11,900), Title 24/UCAC/GPR (31,000), Security (5,000), Permit Expeditor (15,000), Public Art Consult (41,250), Special Inspections (162,227)
Total Architecture & Design	3,851,106	0	0	0	0	0	3,851,106	

Engineering & Environmental Studies

Survey	41,100						41,100	
Geotechnical studies	97,600						97,600	
Phase I & II Reports	142,000						142,000	
CEQA / Environmental Review consultants							0	
NEPA / 106 Review							0	
CNA/PNA (rehab only)							0	
Other environmental consultants							0	Name consultants & contract amounts
Total Engineering & Environmental Studies	280,700	0	0	0	0	0	280,700	

Financing Costs

Construction Financing Costs								
Construction Loan Origination Fee	630,858						630,858	0.0075
Construction Loan Interest	8,550,165						8,550,165	
Title & Recording	130,000						130,000	
CDLAC & CDIAC fees							0	
Bond Issuer Fees	605,015						605,015	Lender Inspections
Other Bond Cost of Issuance							0	
Other Lender Costs (specify)	39,600						39,600	
Sub-total Const. Financing Costs	9,955,638	0	0	0	0	0	9,955,638	
Permanent Financing Costs								
Permanent Loan Origination Fee							0	
Credit Enhance. & Appl. Fee							0	
Title & Recording							0	
Sub-total Perm. Financing Costs	0	0	0	0	0	0	0	
Total Financing Costs	9,955,638	0	0	0	0	0	9,955,638	

Legal Costs

Borrower Legal fees	75,000						75,000	
Land Use / CEQA Attorney fees							0	
Tax Credit Counsel	100,000						100,000	Syndication costs
Bond Counsel							0	
Construction Lender Counsel	50,000						50,000	
Permanent Lender Counsel							0	
HCD Closing Title policy			15,000				15,000	
Total Legal Costs	225,000	0	15,000	0	0	0	240,000	

Other Development Costs

Appraisal	25,000						25,000	
Market Study	7,800						7,800	
Insurance	750,000						750,000	Builders Risk Ins (Res % of 750,000)
Property Taxes							0	
Accounting / Audit	5,000						5,000	
Organizational Costs							0	
Entitlement / Permit Fees	687,428		244,132				931,560	School Impact (80,854) + Other Impact + Building Permit (527,753)
Marketing / Rent-up	545,320						545,320	
Furnishings	622,350						622,350	\$2,000/unit; See MOHCD U/W Guidelines on: <a href="http://sfmohcd.org/documents-reports-and-forms">http://sfmohcd.org/documents-reports-and-forms</a>
PGE / Utility Fees	330,000						330,000	Utility & hook-up charges
TCAC App / Alloc / Monitor Fees	140,000						140,000	
Financial Consultant fees	85,000						85,000	
Construction Management fees / Owner's Rep	176,400						176,400	(6000*21)+(4200*12)
Security during Construction							0	
Relocation							0	
GP Equity				17,543,559			17,543,559	
Public Art	526,500						526,500	
Other (specify)							0	
Total Other Development Costs	3,900,798	0	244,132	17,543,559	0	0	21,688,489	Total Soft Cost Contingency as % of Total Soft Costs 5.1%

Soft Cost Contingency

Contingency (Arch, Eng, Fin, Legal & Other Dev)	1,307,147	0	514,177		0	0	1,821,324	Should be either 10% or 5% of total soft costs.
<b>TOTAL SOFT COSTS</b>	<b>19,520,389</b>	<b>0</b>	<b>773,309</b>	<b>17,543,559</b>	<b>0</b>	<b>0</b>	<b>37,837,257</b>	

RESERVES

* Operating Reserves	738,546						738,546	3 months
* Replacement Reserves							0	
* Tenant Improvements Reserves							0	
* Other (specify)							0	
* Other (specify)							0	
* Other (specify)							0	
<b>TOTAL RESERVES</b>	<b>738,546</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>738,546</b>	

DEVELOPER COSTS

Developer Fee - Cash-out Paid at Milestones	3,070,000						3,070,000	\$2.2M + \$870,000 for 87 units over 100. \$1.3M in deferred fee.
Developer Fee - Cash-out At Risk							0	
Commercial Developer Fee	350,000						350,000	Per new commercial guidelines
Developer Fee - GP Equity (also show as source)	100						100	
Developer Fee - Deferred (also show as source)							0	
Development Consultant Fees							0	Need MOHCD approval for this cost, N/A for most projects
Other (specify)							0	
<b>TOTAL DEVELOPER COSTS</b>	<b>3,420,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,420,100</b>	

TOTAL DEVELOPMENT COST

Development Cost/Unit by Source	280,000	133,690	30,246	93,816	6,952	309,146	853,849	
Development Cost/Unit as % of TDC by Source	32.8%	15.7%	3.5%	11.0%	0.8%	36.2%	100.0%	

Acquisition Cost/Unit by Source

	0	0	0	0	0	0	0	
--	---	---	---	---	---	---	---	--

Construction Cost (inc Const Contingency)/Unit By Source

	153,374	133,690	26,110	0	6,952	309,146	629,272	
--	---------	---------	--------	---	-------	---------	---------	--

Construction Cost (inc Const Contingency)/SF

	208.92	182.11	35.57	0.00	9.47	421.10	857.16	
--	--------	--------	-------	------	------	--------	--------	--

\*Possible non-eligible GO Bond/COP Amount:

City Subsidy/Unit	5,970,895							
-------------------	-----------	--	--	--	--	--	--	--

Tax Credit Equity Pricing:

Construction Bond Amount:	0.950							
---------------------------	-------	--	--	--	--	--	--	--

Construction Loan Term (in months):

	81,688,276							
--	------------	--	--	--	--	--	--	--

Construction Loan Interest Rate (as %):

	30 months							
--	-----------	--	--	--	--	--	--	--

Construction Loan Interest Rate (as %):

	6.38%							
--	-------	--	--	--	--	--	--	--

**Attachment K: 1<sup>st</sup> Year Operating Budget**

See attached.

Application Date: 6/1/2023  
 Total # Units: 187  
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2026

Project Name: 1939 Market  
 Project Address: 1939 Market Street  
 Project Sponsor: Mercy Housing and Openhouse

INCOME	LOSP Units		Total	Comments	Correct errors noted in Col N!
	21%	79%			
Residential - Tenant Rents	144,000	1,652,748	1,796,748	Links from 'New Proj - Rent & Unit Mix' Worksheet	Alternative LOSP Split
Residential - Tenant Assistance Payments (Non-LOSP)	0	930,960	930,960	Links from 'New Proj - Rent & Unit Mix' Worksheet	Residential - Tenant Assistance Payments (N
Residential - LOSP Tenant Assistance Payments	531,087	0	531,087		
Commercial Space	0	0	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 100%	
Residential Parking	0	0	0	Links from 'Utilities & Other Income' Worksheet	
Miscellaneous Rent Income	2,550	9,594	12,144	Links from 'Utilities & Other Income' Worksheet	Alternative LOSP Split
Supportive Services Income	0	0	0		Supportive Services Income
Interest Income - Project Operations	0	0	0	Links from 'Utilities & Other Income' Worksheet	
Laundry and Vending	0	0	0	Links from 'Utilities & Other Income' Worksheet	Projected LOSP Split
Tenant Charges	0	0	0	Links from 'Utilities & Other Income' Worksheet	Tenant Charges
Miscellaneous Residential Income	0	0	0	Links from 'Utilities & Other Income' Worksheet	
Other Commercial Income	0	0	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 100%	Alternative LOSP Split
Withdrawal from Capitalized Reserve (deposit to operating account)	0	0	0		Withdrawal from Capitalized Reserve (deposi
<b>Gross Potential Income</b>	<b>677,637</b>	<b>2,593,302</b>	<b>3,270,939</b>		
Vacancy Loss - Residential - Tenant Rents	(7,200)	(82,637)	(89,837)	Vacancy loss is 5% of Tenant Rents.	
Vacancy Loss - Residential - Tenant Assistance Payments	0	(46,548)	(46,548)	Vacancy loss is 5% of Tenant Assistance Payments.	
Vacancy Loss - Commercial	0	0	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 100%	
<b>EFFECTIVE GROSS INCOME</b>	<b>670,437</b>	<b>2,464,116</b>	<b>3,134,553</b>	<b>PUPA: 16,762</b>	

**OPERATING EXPENSES**

Management	33,929	127,639	161,568	1st Year to be set according to HUD schedule.	Alternative LOSP Split
Management Fee	33,929	127,639	161,568		Management Fee
Asset Management Fee	4,925	18,526	23,450		Asset Management Fee
<b>Sub-total Management Expenses</b>	<b>38,854</b>	<b>146,164</b>	<b>185,018</b>	<b>PUPA: 989</b>	

Salaries/Benefits	88,344	332,340	420,684	Front desk clerk is 4.5FTE at \$22/hour.	Alternative LOSP Split
Office Salaries	88,344	332,340	420,684		Office Salaries
Manager's Salary	0	0	0		Manager's Salary
Health Insurance and Other Benefits	67,204	252,816	320,020		Health Insurance and Other Benefits
Other Salaries/Benefits	5,475	1,825	7,300		Other Salaries/Benefits
Administrative Rent-Free Unit	0	0	0		Administrative Rent-Free Unit
<b>Sub-total Salaries/Benefits</b>	<b>161,023</b>	<b>586,961</b>	<b>748,004</b>	<b>PUPA: 4,000</b>	

Administration	1,178	4,432	5,610		Alternative LOSP Split
Advertising and Marketing	1,178	4,432	5,610		Advertising and Marketing
Office Expenses	16,380	61,619	77,999		Office Expenses
Office Rent	0	0	0		Office Rent
Legal Expense - Property	0	0	0		Legal Expense - Property
Audit Expense	3,675	13,825	17,500		Audit Expense
Bookkeeping/Accounting Services	5,891	22,160	28,050		Bookkeeping/Accounting Services
Bad Debts	0	0	0		Bad Debts
Miscellaneous	0	0	0		Miscellaneous
<b>Sub-total Administration Expenses</b>	<b>27,123</b>	<b>102,036</b>	<b>129,159</b>	<b>PUPA: 691</b>	

Utilities	43,380	163,193	206,573		Alternative LOSP Split
Electricity	43,380	163,193	206,573		Electricity
Water	29,604	111,369	140,973		Water
Gas	0	0	0		Gas
Sewer	46,245	173,970	220,215		Sewer
<b>Sub-total Utilities</b>	<b>119,230</b>	<b>448,531</b>	<b>567,761</b>	<b>PUPA: 3,036</b>	

Taxes and Licenses	3,150	11,850	15,000		Alternative LOSP Split
Real Estate Taxes	3,150	11,850	15,000		Real Estate Taxes
Payroll Taxes	0	0	0		Payroll Taxes
Miscellaneous Taxes, Licenses and Permits	0	0	0		Miscellaneous Taxes, Licenses and Permits
<b>Sub-total Taxes and Licenses</b>	<b>3,150</b>	<b>11,850</b>	<b>15,000</b>	<b>PUPA: 80</b>	

Insurance	126,000	474,000	600,000		Alternative LOSP Split
Property and Liability Insurance	126,000	474,000	600,000		Property and Liability Insurance
Fidelity Bond Insurance	0	0	0		Fidelity Bond Insurance
Worker's Compensation	0	0	0		Worker's Compensation
Director's & Officers' Liability Insurance	0	0	0		Director's & Officers' Liability Insurance
<b>Sub-total Insurance</b>	<b>126,000</b>	<b>474,000</b>	<b>600,000</b>	<b>PUPA: 3,209</b>	

Maintenance & Repair	40,992	154,208	195,200		Alternative LOSP Split
Payroll	40,992	154,208	195,200		Payroll
Supplies	1,394	4,906	6,210		Supplies
Contracts	68,145	138,355	206,500	Operating (191,500) + Maintenance (15,000)	Contracts
Garbage and Trash Removal	16,380	61,620	78,000		Garbage and Trash Removal
Security Payroll/Contract	39,000	13,000	52,000		Security Payroll/Contract
HVAC Repairs and Maintenance	1,470	5,530	7,000		HVAC Repairs and Maintenance
Vehicle and Maintenance Equipment Operation and Repairs	3,954	14,876	18,830	Maintenance Supplies + Equip. tools, & repair (2,000)	Vehicle and Maintenance Equipment Operation and Repairs
Miscellaneous Operating and Maintenance Expenses	0	0	0		Miscellaneous Operating and Maintenance Expenses
<b>Sub-total Maintenance &amp; Repair Expenses</b>	<b>171,245</b>	<b>392,495</b>	<b>563,740</b>	<b>PUPA: 3,015</b>	

Supportive Services	0	226,821	226,821	Resident services	Alternative LOSP Split
Commercial Expenses	0	226,821	226,821	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 100%	Commercial Expenses
<b>TOTAL OPERATING EXPENSES</b>	<b>646,625</b>	<b>2,388,878</b>	<b>3,035,503</b>	<b>PUPA: 16,233</b>	

Reserves/Ground Lease Base Rent/Bond Fees	21	79	100	Ground lease with MOHCD	Alternative LOSP Split
Ground Lease Base Rent	21	79	100	Ground lease with MOHCD	Ground Lease Base Rent
Bond Monitoring Fee	0	1,975	2,900	15,000 in administrative expenses	Bond Monitoring Fee
Replacement Reserve Deposit	19,635	73,865	93,500		Replacement Reserve Deposit
Operating Reserve Deposit	0	0	0		Operating Reserve Deposit
Other Required Reserve 1 Deposit	0	0	0		Other Required Reserve 1 Deposit
Other Required Reserve 2 Deposit	0	0	0		Other Required Reserve 2 Deposit
Required Reserve Deposits, Commercial	0	0	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 100%	Required Reserve Deposits, Commercial
<b>Sub-total Reserves/Ground Lease Base Rent/Bond Fees</b>	<b>20,181</b>	<b>75,919</b>	<b>96,100</b>	<b>PUPA: 514</b>	

TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/Bond Fees)	666,806	2,464,797	3,131,603	PUPA: 16,747	
<b>NET OPERATING INCOME (INCOME minus OP EXPENSES)</b>	<b>3,631</b>	<b>(680)</b>	<b>2,950</b>	<b>PUPA: 16</b>	

DEBT SERVICE/MUST PAY PAYMENTS (hard debt/amortized loans)	0	0	0		Alternative LOSP Split
Hard Debt - First Lender	0	0	0		Hard Debt - First Lender
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Lender)	3,631	13,659	17,290	HCD MHP	Hard Debt - Second Lender (HCD Program 0.
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	0	0	0		Hard Debt - Third Lender (Other HCD Program
Hard Debt - Fourth Lender	0	0	0		Hard Debt - Fourth Lender
Commercial Hard Debt Service	0	0	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 100%	Commercial Hard Debt Service
<b>TOTAL HARD DEBT SERVICE</b>	<b>3,631</b>	<b>13,659</b>	<b>17,290</b>	<b>PUPA: 92</b>	

CASH FLOW (NOI minus DEBT SERVICE)	0	(14,340)	(14,340)		Alternative LOSP Split
Commercial Only Cash Flow	0	0	0		Commercial Only Cash Flow
Allocation of Commercial Surplus to LOSP/non-LOSP (residual income)	0	0	0		Allocation of Commercial Surplus to LOSP/no
<b>AVAILABLE CASH FLOW</b>	<b>0</b>	<b>(14,340)</b>	<b>(14,340)</b>	<b>PUPA: 0.17</b>	

USES OF CASH FLOW BELOW (This row also shows DSCR.)	0	0	0		Alternative LOSP Split
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL	0	0	0		USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	0	0	0		"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)
Partnership Management Fee (see policy for limits)	0	0	0		Partnership Management Fee (see policy for limits)
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	0	0	0		Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)
Other Payments	0	0	0		Other Payments
Non-amortizing Loan Pmt - Lender 1 (select lender in comments field)	0	0	0	Provide additional comments here, if needed.	Non-amortizing Loan Pmt - Lender 1 (select
Non-amortizing Loan Pmt - Lender 2 (select lender in comments field)	0	0	0	Provide additional comments here, if needed.	Non-amortizing Loan Pmt - Lender 2 (select
Deferred Developer Fee (Enter amt <= Max Fee from call 1130)	0	0	0	Def. Develop. Fee split: 0%	Deferred Developer Fee (Enter amt <= Max F
<b>TOTAL PAYMENTS PRECEDING MOHCD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>PUPA: 0</b>	

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	0	(14,340)	(14,340)		Alternative LOSP Split
Does Project have a MOHCD Residual Receipt Obligation?	0	0	0	Project has MOHCD ground lease?	Yes
Will Project Defer Developer Fee?	Yes	0	0		
Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1:	100%	0	0	Max Deferred Developer Fee Amt (Use for data entry above. Do not link.):	Sum of DD F from LOSP and non-LOSP.
% of Residual Receipts available for distribution to soft debt lenders in	0%	0	0		Ratio of Sum of DDF and calculated 50%:

Soft Debt Lenders with Residual Receipts Obligations	(Select lender name/program from drop down)	Total Principal Amt	Distrib. of Soft Debt Loans
MOHCD/DCI - Soft Debt Loans			0.00%
MOHCD/DCI - Ground Lease Value or Land Acq Cost			100.00%
HCD (soft debt loan) - Lender 3			0.00%
Other Soft Debt Lender - Lender 4			0.00%
Other Soft Debt Lender - Lender 5			0.00%

MOHCD RESIDUAL RECEIPTS DEBT SERVICE	0	0	0	
MOHCD Residual Receipts Amount Due	0	0	0	0% of residual receipts, multiplied by 100% - MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Loan Repayment	0	0	0	Enter/override amount of residual receipts proposed for loan repayment.
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	0	0	0	If applicable, MOHCD residual receipts amt due LESS amt proposed for loan repaymt.

REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE	0	0	0	
HCD Residual Receipts Amount Due	0	0	0	
Lender 4 Residual Receipts Due	0	0	0	
Lender 5 Residual Receipts Due	0	0	0	
<b>Total Non-MOHCD Residual Receipts Debt Service</b>	<b>0</b>	<b>0</b>	<b>0</b>	

REMAINDER (Should be zero unless there are distributions below)	0	0	0	
Owner Distributions/Incentive Management Fee	0	0	0	
Other Distributions/Uses	0	0	0	
<b>Final Balance (should be zero)</b>	<b>0</b>	<b>0</b>	<b>0</b>	



**Attachment L: 20-year Operating Proforma**

See attached.







1939 Market

Total # Units:	LOSP Units		Non-LOSP Units		Year 18			Year 19			Year 20		
	187	40	147		2043		2044		2045		2045		
		21.00%	79.00%		LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
<b>INCOME</b>													
Residential - Tenant Rents	1.0%	2.5%		170,540	2,514,852	2,685,391	172,245	2,577,723	2,749,968	173,968	2,642,166	2,816,134	
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a		-	930,960	930,960	-	930,960	930,960	-	930,960	930,960	
Residential - LOSP Tenant Assistance Payment	n/a	n/a		1,018,401	-	1,018,401	1,057,301	-	1,057,301	1,097,603	-	1,097,603	
Commercial Space	n/a	2.5%		-	-	-	-	-	-	-	-	-	
Other Income	n/a	-		-	-	-	-	-	-	-	-	-	
<b>Gross Potential Income</b>				<b>1,192,821</b>	<b>3,460,410</b>	<b>4,653,231</b>	<b>1,233,524</b>	<b>3,523,646</b>	<b>4,757,169</b>	<b>1,275,648</b>	<b>3,588,463</b>	<b>4,864,111</b>	
Vacancy Loss - Residential - Tenant Rents	n/a	n/a		(8,527)	(125,743)	(134,270)	(8,612)	(128,886)	(137,498)	(8,698)	(132,108)	(140,807)	
Vacancy Loss - Residential - Tenant Assistance Payment	n/a	n/a		-	(46,548)	(46,548)	-	(46,548)	(46,548)	-	(46,548)	(46,548)	
Vacancy Loss - Commercial	n/a	n/a		-	-	-	-	-	-	-	-	-	
<b>EFFECTIVE GROSS INCOME</b>				<b>1,184,294</b>	<b>3,288,119</b>	<b>4,472,413</b>	<b>1,224,911</b>	<b>3,348,212</b>	<b>4,573,123</b>	<b>1,266,950</b>	<b>3,409,807</b>	<b>4,676,756</b>	
<b>OPERATING EXPENSES</b>													
Management	3.5%	3.5%		69,730	262,317	332,047	72,170	271,498	343,669	74,696	281,001	355,697	
Salaries/Benefits	3.5%	3.5%		288,984	1,053,441	1,342,424	299,098	1,090,311	1,389,409	309,567	1,128,472	1,438,039	
Administration	3.5%	3.5%		48,678	183,121	231,798	50,381	189,530	239,911	52,145	196,164	248,308	
Utilities	3.5%	3.5%		213,979	804,968	1,018,947	221,468	833,142	1,054,610	229,219	862,302	1,091,521	
Taxes and Licenses	3.5%	3.5%		5,653	21,267	26,920	5,851	22,011	27,862	6,056	22,782	28,838	
Insurance	3.5%	3.5%		226,129	850,676	1,076,805	234,044	880,450	1,114,494	242,235	911,266	1,153,501	
Maintenance & Repair	3.5%	3.5%		307,330	704,400	1,011,730	318,086	729,054	1,047,141	329,220	754,511	1,083,791	
Supportive Services	3.5%	3.5%		-	407,070	407,070	-	421,318	421,318	-	436,064	436,064	
Commercial Expenses	-	-		-	-	-	-	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>				<b>1,160,482</b>	<b>4,287,261</b>	<b>5,447,743</b>	<b>1,201,099</b>	<b>4,437,315</b>	<b>5,638,414</b>	<b>1,243,138</b>	<b>4,592,621</b>	<b>5,835,759</b>	
<b>RESERVES/GROUND LEASE BASE RENT/BOND FEES</b>													
Reserves/Ground Lease Base Rent/Bond Fees													
Ground Lease Base Rent				21	79	100	21	79	100	21	79	100	
Bond Monitoring Fee				525	1975	2,500	525	1975	2,500	525	1975	2,500	
Replacement Reserve Deposit				19635	73865	93,500	19635	73865	93,500	19635	73865	93,500	
Operating Reserve Deposit				0	0	0	0	0	0	0	0	0	
Other Required Reserve 1 Deposit				0	0	0	0	0	0	0	0	0	
Other Required Reserve 2 Deposit				0	0	0	0	0	0	0	0	0	
Required Reserve Deposits, Commercial				0	0	0	0	0	0	0	0	0	
<b>Sub-total Reserves/Ground Lease Base Rent/Bond Fees</b>				<b>20,181</b>	<b>75,919</b>	<b>96,100</b>	<b>20,181</b>	<b>75,919</b>	<b>96,100</b>	<b>20,181</b>	<b>75,919</b>	<b>96,100</b>	
<b>TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)</b>				<b>1,180,663</b>	<b>4,363,180</b>	<b>5,543,843</b>	<b>1,221,280</b>	<b>4,513,234</b>	<b>5,734,514</b>	<b>1,263,319</b>	<b>4,668,540</b>	<b>5,931,859</b>	
<b>NET OPERATING INCOME (INCOME minus OP EXPENSES)</b>				<b>3,631</b>	<b>(1,075,061)</b>	<b>(1,071,430)</b>	<b>3,631</b>	<b>(1,165,022)</b>	<b>(1,161,391)</b>	<b>3,631</b>	<b>(1,258,733)</b>	<b>(1,255,102)</b>	
<b>DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)</b>													
Hard Debt - First Lender				-	-	-	-	-	-	-	-	-	
Hard Debt - Second Lender (HCD Program 0.42% pymt. or other 2nd Lender)				3,631	13,659	17,290	3,631	13,659	17,290	3,631	13,659	17,290	
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)				-	-	-	-	-	-	-	-	-	
Hard Debt - Fourth Lender				-	-	-	-	-	-	-	-	-	
Commercial Hard Debt Service				-	-	-	-	-	-	-	-	-	
<b>TOTAL HARD DEBT SERVICE</b>				<b>3,631</b>	<b>13,659</b>	<b>17,290</b>	<b>3,631</b>	<b>13,659</b>	<b>17,290</b>	<b>3,631</b>	<b>13,659</b>	<b>17,290</b>	
<b>CASH FLOW (NOI minus DEBT SERVICE)</b>				<b>(0)</b>	<b>(1,088,720)</b>	<b>(1,088,720)</b>	<b>(0)</b>	<b>(1,178,681)</b>	<b>(1,178,681)</b>	<b>(0)</b>	<b>(1,272,392)</b>	<b>(1,272,392)</b>	
<b>USES OF CASH FLOW BELOW (This row also shows DSCR.)</b>													
<b>USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL</b>													
Deferred Developer Fee (Enter amt <= Max Fee from row 131)				-	-	-	-	-	-	-	-	-	
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	3.5%	3.5%		-	-	-	-	-	-	-	-	-	
Partnership Management Fee (see policy for limits)	3.5%	3.5%		-	-	-	-	-	-	-	-	-	
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)				-	-	-	-	-	-	-	-	-	
Other Payments				-	-	-	-	-	-	-	-	-	
Non-amortizing Loan Pmnt - Lender 1				-	-	-	-	-	-	-	-	-	
Non-amortizing Loan Pmnt - Lender 2				-	-	-	-	-	-	-	-	-	
<b>TOTAL PAYMENTS PRECEDING MOHCD</b>													
<b>RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)</b>				<b>(0)</b>	<b>(1,088,720)</b>	<b>(1,088,720)</b>	<b>(0)</b>	<b>(1,178,681)</b>	<b>(1,178,681)</b>	<b>(0)</b>	<b>(1,272,392)</b>	<b>(1,272,392)</b>	
Does Project have a MOHCD Residual Receipt Obligation?				0									
Will Project Defer Developer Fee?				Yes									
Residual Receipts split for all years. - Lender/Deferred Developer Fee				0% / 100%									
<b>MOHCD RESIDUAL RECEIPTS DEBT SERVICE</b>													
MOHCD Residual Receipts Amount Due				-	-	-	-	-	-	-	-	-	
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease				-	-	-	-	-	-	-	-	-	
Proposed MOHCD Residual Receipts Amount to Replacement Reserve				-	-	-	-	-	-	-	-	-	
<b>REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE</b>													
<b>NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE</b>													
HCD Residual Receipts Amount Due	0.00%			-	-	-	-	-	-	-	-	-	
Lender 4 Residual Receipts Due	0.00%			-	-	-	-	-	-	-	-	-	
Lender 5 Residual Receipts Due	0.00%			-	-	-	-	-	-	-	-	-	
<b>Total Non-MOHCD Residual Receipts Debt Service</b>													
<b>REMAINDER (Should be zero unless there are distributions below)</b>													
Owner Distributions/Incentive Management Fee				-	-	-	-	-	-	-	-	-	
Other Distributions/Uses				-	-	-	-	-	-	-	-	-	
<b>Final Balance (should be zero)</b>													
<b>RR Running Balance</b>						<b>1,683,000</b>			<b>1,776,500</b>			<b>1,870,000</b>	
<b>OR Running Balance</b>													
<b>Other Required Reserve 1 Running Balance</b>													
<b>Other Required Reserve 2 Running Balance</b>													
<b>DEFERRED DEVELOPER FEE - RUNNING BALANCE</b>													
Developer Fee Starting Balance				-	-	-	-	-	-	-	-	-	
Deferred Developer Fee Earned in Year				-	-	-	-	-	-	-	-	-	
<b>Developer Fee Remaining Balance</b>													