

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
Housing Authority of the City and County of San Francisco

Sunnydale HOPE SF Block 3B
Up to \$31,506,016 Total Gap Funding Amount

Evaluation of Request for:	Gap Loan
Loan Committee Date:	January 6, 2022
Prepared By:	Ryan VanZuylen, Project Manager
MOHCD Asset Manager:	Omar Cortez
MOHCD Construction Representative:	Sarah Tenpas
Sources and Amounts of New Funds Recommended:	\$2,238,763 – LMIHAF \$3,650,000 – HOME \$2,833,942 – HOPE SF General Funds \$20,933,311 – 2019 GO Bonds
Sources and Amounts of Previous City Funds Committed:	\$1,800,000 – 2015 GO Bonds \$50,000 - 75 Howard Gift Funds
NOFA/PROGRAM/RFP:	HOPE SF
Applicant/Sponsor(s) Name:	The Related Companies of California and Mercy Housing California

EXECUTIVE SUMMARY

Sponsor Information:

Project Name:	Sunnydale HOPE SF Block 3B	Sponsor(s):	The Related Companies of California (“ Related ”) & Mercy Housing California (“ Mercy ”)
Project Address (w/ cross St):	1555 Sunnydale Ave (proposed permanent address), San Francisco, CA 94134 - Sunnydale Avenue between Santos and Hahn Street	Ultimate Borrower Entity:	Sunnydale Block 3B Housing Partners, L.P., a California limited partnership

Project Summary:

Sunnydale Block 3B Housing Partners, L.P. (“Sponsor”), comprised of The Related Companies of California (“Related”) and Mercy Housing California (“Mercy”), requests final gap financing approval in the amount of up to \$31,506,016 for the third Sunnydale HOPE SF affordable housing development known as Sunnydale HOPE SF Block 3B (“Project”), a proposed 90-unit affordable housing development within the Sunnydale Phase 1A3 Infrastructure footprint.

The Project is located on the southwest corner of Sunnydale Avenue and Hahn Street in San Francisco’s Visitacion Valley neighborhood. It will include 90 units, 75% (67 units) of which will be set aside for current Sunnydale public housing residents through Project Based Vouchers (“PBVs”) from the San Francisco Housing Authority (“SFHA”). The total unit mix will be 4 studios, 24 one-bedrooms, 36 two-bedrooms, and 26 three-bedrooms. The public housing replacement units will be restricted to 40% and 50% MOHCD AMI and the remaining 22 lottery units will be restricted to 75-80% MOHCD AMI (60% TCAC AMI). There will be 1 three-bedroom manager’s unit.

There will be roughly 4,155 square feet of community serving retail space along Sunnydale Avenue. This will provide local business opportunities through seven micro-retail spaces (approximately 400 sf each) and medium-sized enterprises (approximately 1,000 sf). MOHCD is providing cold and warm shell costs for commercial construction and is working with OEWD to provide tenant improvements and identify local tenant entrepreneurs to occupy the spaces. There will also be a 26,500 sf underground parking garage shared with Sunnydale Block 3A that will accommodate a .75 parking ratio by utilizing mechanical stackers.

On January 6, 2020, Loan Committee approved a predevelopment loan request for \$1,850,000. On April 16, 2021, Loan Committee approved its first preliminary gap request for \$8,467,000 to apply for AHSC program funds which the Project was not awarded. On March 4, 2022, Loan Committee approved the second preliminary gap request for \$22,522,464 to submit a joint CDLAC/TCAC application and Tier 2 California Housing Accelerator (“CHA”) application to the California Department of Housing and Community Development (“HCD”) and was successful in receiving a CHA award for \$47,814,455. The Project also secured Infill Infrastructure Grant (“IIG”) funds from HCD for \$6.5 million which will be used to repay part of MOHCD’s Sunnydale Phase 1A3 infrastructure loan. Construction is scheduled to start in March 2023 and be completed in January 2025.

Project Description:

Construction Type:	Type V / Type I	Project Type:	New Construction
Number of Stories:	5 (and basement)	Lot Size (acres and sf):	0.86 acres / 36,182 sf
Number of Units:	90	Architect:	David Baker Architects
Total Residential Area:	119,195 sf	General Contractor:	Nibbi/Baines JV
Total Commercial Area:	3,709 sf	Property Manager:	Mercy Housing Management Group
Total Parking Area:	28,576 sf		
Total Building Area:	151,926 sf	Supervisor and District:	Shamann Walton (D10)
Land Owner:	SFHA		
Total Development Cost (TDC):	\$99,548,636	Total Acquisition Cost:	\$10,001 (holding costs)
TDC/unit:	\$1,106,096	TDC less land cost/unit:	\$1,105,985
Loan Amount Requested:	\$31,506,016	Request Amount / unit:	\$350,067
HOME Funds?	Y	Parking?	Y (.75 parking ratio)

PRINCIPAL DEVELOPMENT ISSUES

- **Increased MOHCD gap loan.** This \$31,506,016 gap request represents an increase from previous loan request of \$22,522,464. The Sponsor notes that since March 2022, when this Project last went before Loan Committee, hard costs due to inflation have risen by nearly \$5 million. Additionally, higher operating expenses and loan interest rates have reduced the amount of debt the Project can take on. The construction loan interest rate in March was 4.10% and is now 7.80%. This has led to an increased MOHCD gap loan request. See 6.4.1.
- **Commercial Space.** The Sponsor is requesting cold and warm shell construction costs as well as additional amounts for tenant improvement (TI), commercial replacement reserves, and commercial operating reserves. The Sponsor is requesting a waiver from the MOHCD commercial underwriting guidelines to best allow the project to fill the retail spaces with local, small business owners who would likely not have funds to cover TI costs. Although no tenants are secured yet, the Sponsor and MOHCD are working with OEWD and a dedicated staff person at Mercy to solicit and train local entrepreneurs to start their own businesses in these retail spaces. The Sponsor and MOHCD are working with OEWD to identify other City programs to help fund start up costs and possibly tenant improvements. Any funds secured through these other programs for TI would be used to reduce MOHCD's gap loan. See Sections 4.4 and 6.5.4
- **Temporary Power.** The Sponsor and MOHCD note that there are significant risks in not acquiring temporary power for construction due to issues relating to SFPUC and PGE. Many other MOHCD projects have experienced delays and difficulties acquiring temporary power and have resorted to using diesel generators which adds substantial costs and impacts local air quality. Included in the budget is the cost of generators for 70 weeks which increased hard costs by \$1,239,583. See Section 4.3.
- **Recycled Bonds for Permanent Loan.** The Sponsor is currently underwriting the project with a permanent loan without recycled bonds. However, the Sponsor, MOHCD and the lender have agreed to use recycled bonds and the Sponsor will be applying for them from CalHFA in early January. Once CalHFA provides a bond commitment letter, expected early February 2023, the Sponsor will provide a new proforma with a higher permanent loan reflecting the recycled bonds. It is expected that the permanent loan will be increased by up to \$2.4 million and all savings will come back to MOHCD (once additional construction interest costs are offset). See Section 6.4.1 and Loan Conditions.

- Property Management and Services Staffing.** As part of the Sponsor’s preliminary gap loan conditions, a Sunnydale campus-wide services and staffing plan was submitted for MOHCD and HOPE SF’s approval in November 2022. The plan includes staff that go beyond MOHCD’s underwriting guidelines but may be warranted considering the need for holistic and coordinated services across the Sunnydale site. Discussions about staffing levels will continue after this Loan Committee date as MOHCD, HOPE SF and the Sponsor work to refine staff levels while ensuring adequate services and property management. The Sponsor must submit an updated plan that MOHCD and HOPE SF approves within six months after this Project closes construction. See Section 7.3 and Loan Conditions.
- Parking Garage.** There will be an underground parking garage constructed in this Project, Sunnydale Block 3B, that will be shared with Block 3A. The costs for the parking garage will be split equally between Blocks 3A and 3B and are roughly \$4.5 million each for a total of roughly \$9 million. The 3B garage cost portion is included in the construction hard costs in the 3B proforma. Since 3B will close construction (March 2023) before 3A (April 2023), and all of the garage funds are needed to start construction when 3B closes, the Sponsor and MOHCD intend to increase the 3A predevelopment loan by the 3A portion of the parking garage. This will allow those funds to be used when 3B closes so construction on the garage can begin. The Sponsor and MOHCD are submitting the additional 3A predevelopment loan request at this Loan Committee in a separate loan memo. See Sections 4.2 and 4.3.

SOURCES AND USES SUMMARY

Predevelopment Sources	Amount	Terms	Status
MOHCD	\$1,850,000	57 yrs @ 3%, Residual Receipts	Open
Total	\$1,850,000		

Permanent Sources	Amount	Terms	Status
MOHCD Loan	\$31,506,016	57 yrs @ 3% / Res Rec	This Request
Permanent Loan	\$18,673,294	35 yrs @ 7.25%	Committed
HCD Accelerator	\$47,814,455	20 yrs @ 0%	Committed
Deferred Costs	\$1,554,871		Committed
Total	\$99,548,636		
IIG (not included in TDC)	\$6,500,000	Grant	Committed

Permanent Uses	Amount	Per Unit	Per SF
Acquisition	\$10,001	\$111	\$.07
Hard Costs	\$76,768,097	\$852,979	\$505
Soft Costs	\$18,990,285	\$211,003	\$125
Reserves	\$1,580,253	\$17,558	\$10
Developer Fee	\$2,200,000	\$24,444	\$14
Total	\$99,548,636	\$1,106,096	\$655

1. BACKGROUND

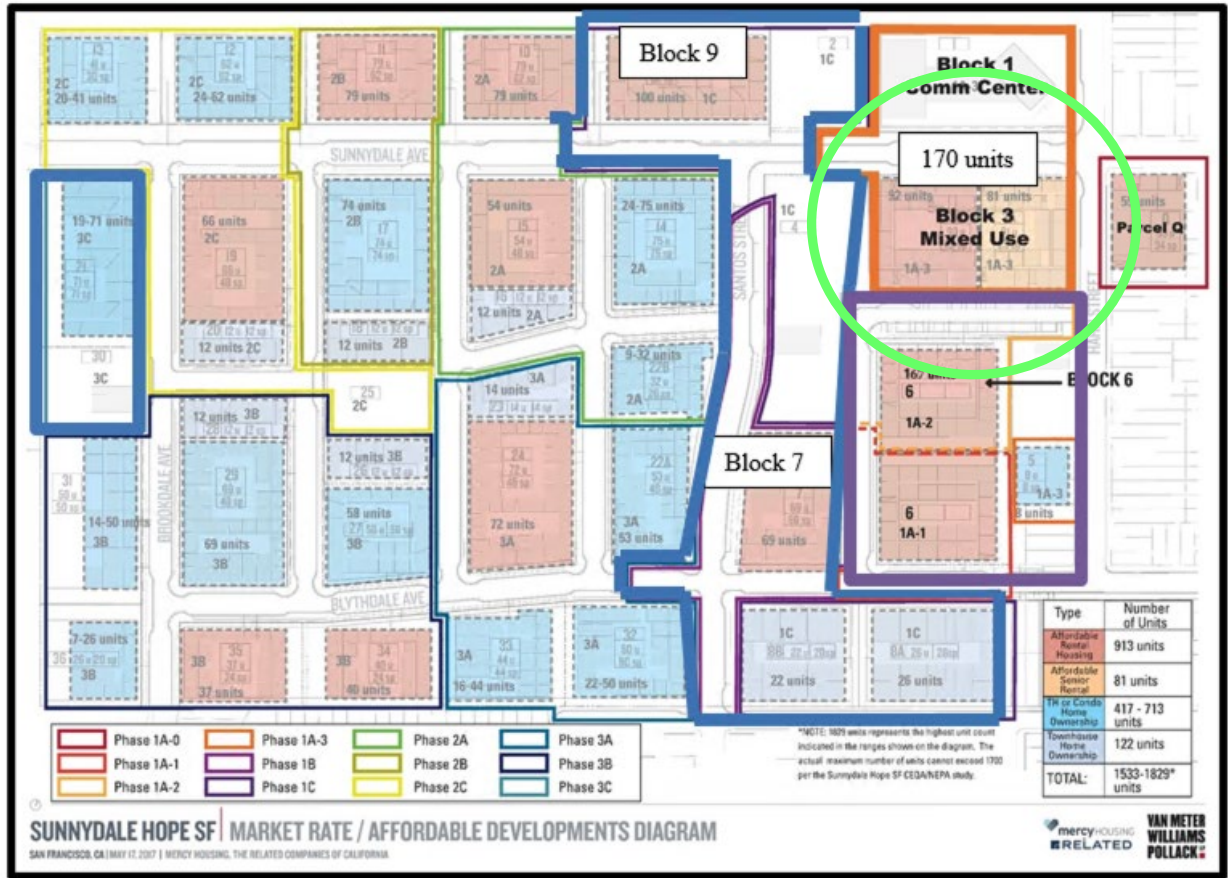


Figure 2: Project Site Plan



1.1. Project History Leading to This Request.

For a Project History of Sunnydale HOPE SF, with Applicable NOFA/RFQ/RFP, please see Attachment M.

In 2011, the San Francisco Housing Authority issued a Request for Qualifications to redevelop SFHA property with the SFHA and HOPE SF Task Force goals of rebuilding the most distressed public housing sites in San Francisco. A panel of staff from SFHA, the Mayor's Office of Housing, and the San Francisco Redevelopment Agency, along with residents and community representatives from the target sites evaluated and ranked the submissions. Mercy and Related jointly responded to the RFQ and were selected to be the developer for Sunnydale. By Ordinance No. 18-17, the Board of Supervisors approved a Development Agreement with Mercy and Related relating to the Sunnydale site.

Parcel Q, also known as Casala, was the first Sunnydale HOPE SF development with 55 units, and Block 6, also known as 290 Malosi, was the second development with 167 units. Both are fully leased with 75% of the tenants being former Sunnydale public housing households. Block 3B will become the third 100% affordable housing development at Sunnydale HOPE SF.

The Block 3B design was guided by input from the community, in addition to the Sunnydale HOPE SF Design Standards and Guidelines (“DSG”). The project community engagement process kicked off in August 2019 and continued through multiple rounds of public meetings, focus groups, and other gatherings for design input through 2020.

Blocks 3A and 3B were originally contemplated as two projects: one multifamily project and one senior project. The Sponsor and MOHCD decided not to develop a senior building because the existing Sunnydale households consisted of many families and not enough seniors to support a standalone senior project. Both buildings were envisioned briefly as a single Block 3 development but by the time the predevelopment loans were executed for 3A and 3B, the Sponsor and MOHCD agreed to develop two separate multifamily projects in order to submit two applications each for IIG and AHSC to potentially double the awards.

In June 2020, the project Sunnydale 3B was awarded an Infill Infrastructure Grant (IIG) Program 2019 Large Jurisdiction award in the amount of \$6,500,000. Following two unsuccessful applications for TCAC/CDLAC tax credits, the project was awarded a California Housing Accelerator (“CHA”) Tier 2 award on September 6, 2022, for \$47,814,455.

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

N/A

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 Borrower is Sunnydale Block 3B Housing Partners, L.P., a California limited partnership whose sole members are affiliates of Related and Mercy. An affiliate of Mercy, Mercy Transformation LLC, will act as the Managing General Partner and an affiliate of Related, Related/Sunnydale Block 3B Development Co., LLC, will act as the Administrative General Partner.

Related will be responsible for coordinating the planning, financing and construction of the Project. Mercy will be responsible for the ongoing asset management of the Project, applying for annual property tax exemptions,

proving on-site services, and overseeing community relationships.

1.3.2. Joint Venture Partnership.

Related and Mercy are co-developing the Sunnydale Master Plan project as a joint venture partnership with a 50-50 split of responsibilities. Related and Mercy alternate the responsibility of serving as lead developer for each Sunnydale project. Related will be the lead developer for Block 3B with Mercy input and support.

1.3.3. Demographics of Board of Directors, Staff and People Served. See below for a breakdown of the gender identity and race demographics for Related California’s Northern California/Northwest affordable housing division. Related does not collect sexual orientation data from staff. The division is led by Ann Silverberg, a woman leader as CEO, and women currently serve all positions at the senior vice president level. Related is a for-profit entity and does not have a Board of Directors.

	Gender Identity	Race
Related Northern California/Northwest	M: 40% F: 60%	Asian: 10% Black/African American: 10% White/Caucasian: 65% Hispanic/Latino: 15% American Indian/Alaska Native: 0% Native Hawaiian/Other Pacific Islander: 0%

See below for gender identity and race demographics for the applicable Mercy entities. Mercy does not collect sexual orientation data from board members and staff.

	Gender Identity	Race
Mercy Housing California Board	M: 40% F: 60%	Asian: 13% Black/African American: 7% White/Caucasian: 53% Hispanic/Latino: 20% American Indian/Alaska Native: 0% Native Hawaiian/Other Pacific Islander: 0% Biracial: 7% Not Specified: 0%
Mercy Housing California – All Staff	M: 43% F: 57%	Asian: 21% Black/African American: 18% White/Caucasian: 22% Hispanic/Latino: 30% American Indian/Alaska Native: 0% Native Hawaiian/Other Pacific Islander: 2% 2 or more races: 5% Not Specified: 2%

1.3.4. Racial Equity Vision.

Related and Mercy commit to ensuring that Block 3B will benefit from and generate economic opportunities for smaller and BIPOC-led firms, SBE/LBE organizations, and low-income local residents, in addition to creating a positive outcome for future residents. At the project level, the Sponsor continues to work with MOHCD on established community and economic development goals and has competitively procured consultants and contractors who have a track record of meeting or supporting those represented with proper data collection. The Related team has completed a prior MOHCD loan condition on another project that requires them to complete trauma informed systems training. Managerial, supervisorial and on-site staff have completed the trainings.

The principles of diversity, equity, inclusion, and belonging (DEIB) are core to Related. Related was founded on affordable housing and community development principles over 30 years ago, with origins in revitalizing San Francisco's most segregated and underinvested communities and serving low-income families, seniors, and formerly homeless people. Related has a track record of hiring those with a strong commitment towards social impact and hiring from within the communities they serve.

Mercy Housing was founded on the belief that housing justice is social justice. Mercy's core values are respect, justice, and mercy and commits to using these values to advance racial equity, diversity, and inclusion (REDI). Mercy's commitment to these core values is unwavering and they are central to Mercy Housing's mission and impact. Mercy knows that having varied perspectives helps generate better ideas to solve the complex housing challenges of a changing and increasingly diverse country.

Mercy continually takes action to infuse racial equity throughout their internal culture, systems, and practices. Deliberate steps strengthen their ability to recruit and retain exemplary diverse staff and leadership. Mercy Housing regularly reviews policies, practices, and procedures to support their values and enable employees to do their best work so that residents feel a sense of belonging in the communities where they live.

Mercy completed a REDI organizational framework on November 10, 2021. The REDI organizational framework consists of 5 focus areas:

1. Resident Empowerment
2. Policy, Planning, and Practice
3. Communication and Advocacy
4. Education and Training
5. People and Culture, Hiring, Recruitment and Promotion

According to Mercy, REDI progress changes conversations and paves the way for deeper, more lasting, and inclusive change. Moving forward, Mercy continues to view their progress through a racial equity lens that drives efforts to ensure that Mercy Housing's culture reflects the racially just communities they want to see.

1.3.5. Relevant Experience.

Related has developed 122 LIHTC-financed projects. In San Francisco, the majority of their developments are primarily Type V/I and Type III/I urban infill projects, including Sunnydale's Casala project, Balboa Park Upper Yard, Crescent Cove, Fillmore Marketplace, Hayes Valley Apartments, and Five 88. Related has collaborated with almost all of the most qualified architects and general contractors specializing in this product type in the region. Related owns close to 13,500 affordable units in operations plus 5,200 affordable units under construction or in predevelopment. Related serves extremely low- and low-income households in family properties, senior properties, and properties with permanent supportive housing.

As the largest non-profit owner of affordable housing in the United States, Mercy Housing brings together real estate development, resident services, and property management under a single, mission-aligned organization. Mercy Housing, Inc. (MHI) owns and provides property management (through Mercy Housing Management Group-MHMG) to more than 23,000 units of affordable housing and currently serves more than 50,000 people on any given day. Mercy Housing California (MHC) is the California affiliate of MHI. Throughout the state, MHC has completed development of 10,389 affordable rental units. Of the rental housing developed, approximately 52% has been for families, 32% for seniors, and 16% supportive housing for formerly unhoused households. In addition, MHC has nearly 6,000 units in the development pipeline from feasibility through construction with a team of 38 development staff members to support the process. MHC has a strong presence in San Francisco reflected in its 33 housing developments, including four family and senior properties in the Visitacion Valley neighborhood and two completed properties in Sunnydale thus far.

1.3.6. Project Management Capacity.

Related California:

- Ann Silverberg, CEO, has 30+ years of San Francisco Bay Area affordable housing development and finance experience. She is responsible for the strategic direction, management, and project execution of the firm's Northern California and Oregon affordable

pipeline and portfolio; 10% of full time.

- Thu Nguyen, Assistant Vice President, has 10+ years of affordable housing and community development experience. She will manage the development process from inception through construction closeout. Thu has extensive experience in collaborating with stakeholders and overseeing complicated affordable housing projects, including three neighborhood-scale transformation projects. Thu is dedicated to the Sunnydale HOPE SF infrastructure and vertical developments and other MOHCD projects; 30% of full time.
- Paige Peltzer, Senior Development Associate, has 3+ years of experience working in public-private housing development in San Francisco. She will heavily support the planning, entitlements, and community engagement process for this project. Paige is fully dedicated to the Sunnydale HOPE SF infrastructure and vertical developments; 30% of full time.
- Jo'Leysha Cotton, Related's newest Project Coordinator, has 3 years of experience working in community development and residential property management. She will support the entitlement and closing process for this Project; 15% of full time.

Mercy Housing:

- Ramie Dare, Director of Real Estate Development, has 30+ years of San Francisco Bay Area affordable housing development and finance experience. She is responsible for the strategic direction, management, and project execution of Sunnydale Master Plan. Ramie is primarily dedicated to the Sunnydale HOPE SF infrastructure and vertical developments; 10% of full time.
- Elizabeth Kuwada, Associate Director of Real Estate Development, has 9+ years of affordable housing development and finance experience. She supports the strategic direction, management, and project execution of Sunnydale Master Plan. Elizabeth is primarily dedicated to the Sunnydale HOPE SF infrastructure and vertical developments; 10% of full time.

1.3.7. Past Performance.

1.3.7.1. City audits/performance plans.

Mercy will be the lead service provider for Sunnydale Block 3B. According to MOHCD's Community Development team, Mercy has no

outstanding performance issues and has made significant progress overcoming staffing challenges within the last three years.

1.3.7.2. Marketing/lease-up/operations.

The most recent marketing effort on site was completed in April with 290 Malosi, a 167-unit affordable development. As with all projects to date in Sunnydale, the project included 75% public housing replacement units. The remaining 41 units were marketed through DAHLIA with the same marketing preferences as shown in Section 4.10. MOHCD marketing and lease up staff provided 290 Malosi with a scorecard on the lease up of the 41 units marketed through DAHLIA. The project was awarded a 52, which is an A grading, based on the marketing plan, assessment of the lottery, and lease up process. MOHCD’s leasing team notes that requests have been made to Mercy to have a local marketing staff member to work on marketing plan documents since the main staff person is in Colorado.

The following tables summarizes the resident data for head of households at Casala and 290 Malosi, the first and second fully leased projects at Sunnydale. Note Casala did not have a Right To Return (RTR) Preference for the non-PBV tax credit units at time of lease up. The Right To Return Ordinance was passed on January 19, 2020 after the Casala marketing plan was approved and posted on DAHLIA.

Casala – Initial Lease-up Demographics

Race	TCAC (13 units)	PBV (41 units)
Black	23%	59%
Hispanic	38.5%	12%
Asian	38.5%	15%
Pacific Islander	0%	10%
White	0%	2%
Mixed-Race	0%	2%

290 Malosi – Initial Lease-up Demographics

Race	TCAC (32 units)	TCAC - Right to Return (9 units)	PBV (125 units)
Black	13%	78%	44%
Hispanic	31%	11%	18%
Asian	50%	0%	15%

Pacific Islander	3%	11%	21%
Indian	3%	0%	0%
White	0%	0%	2%

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

Site Description	
Zoning:	Sunnydale HOPE SF Special Use District (Approved Jan. 31, 2017)
Maximum units allowed by current zoning (N/A if rehab):	No restriction on Block 3B. There is a maximum unit count and density limitation for the entire Sunnydale HOPE SF site.
Number of units added or removed (rehab only, if applicable):	N/A
Seismic (if applicable):	Seismic Zone 4
Soil type:	The Block 3B geotechnical report finds that the site's top one to five feet of soil is medium-dense material that left unmitigated, may settle under the weight of the proposed building. ENGEO, the geotechnical engineer, recommends removing near-surface loose soil and/or artificial fill to a minimum depth of 4 feet below existing grade and replacing as engineered fill. Prior to fill placement, at least 8 inches below the bottom of the over-excavation should be scarified, moisture conditioned, and compacted before placing fill. Engineered fill should be placed, moisture conditioned, and compacted. During construction, the bottom of the over-excavation should be inspected and backfill operations observed to confirm foundation subgrade consists of competent soil.
Environmental Review:	The Planning Commission approved a joint Sunnydale HOPE SF EIR/EIS on July 9, 2015. HUD issued Authorization to Use Grant Funds (AUGF) on September 1, 2015.
Adjacent uses (North):	Sunnydale Community Center owned by a Related and Mercy entity.
Adjacent uses (South):	290 Malosi, owned by a Related and Mercy entity.
Adjacent uses (East):	Site for future Sunnydale Block 3A affordable housing development.
Adjacent uses (West):	Site for future Block 4 open space parcel.
Neighborhood Amenities within 0.5 miles:	Community and social services: The ground floor of Block 3A will include a Health and Wellness Center operated by the San Francisco Department of Public Health, Felton Early Childhood Education Center and Mercy Housing's customer service center. The ground floor will also include neighborhood retail and the Sponsor is planning a grocery store and resident owned businesses.

	<p>The Block 1 Community Center will house a new and expanded Wu Yee Early Childhood Education Center (which includes Head Start) and a new and expanded Boys & Girls Clubhouse. The Center will also include indoor multi-purpose spaces and outdoor space for community events and activities.</p> <p>Mercy, Related, and their partners are working with the San Francisco Recreation and Parks Department to construct the Herz Recreation Center at Herz Park to provide the community with a new neighborhood gym and multi-purpose room. RPD is also renovating the Herz playground with new equipment.</p> <p>Grocery Outlet and the Leland Avenue small business retail corridor is approximately three-fourths of a mile away. The Schlage Lock development, about one mile away, will include a major grocery store.</p> <p>Small churches and places of worship are located throughout the neighborhood.</p> <p>McLaren School, Visitacion Valley Elementary School, Visitacion Valley Middle School, June Jordan Equity School, and Our Lady – The Visitacion School are in the area.</p>
Public Transportation within 0.5 miles:	MUNI Bus Lines 8, 8BX, 9, 9R, 56, 91
Article 34:	Article 34 Authority has been provided for 3B.
Article 38:	Exempt. The Sunnydale site is not located in an Article 38 Air Pollutant Exposure Zone.
Accessibility:	15% of units are accessible (Mobility featured, Hearing and Visual Aid featured).
Green Building:	Block 3B will meet GreenPoint Rated Requirements in the San Francisco Green Building Ordinance.
Recycled Water:	Exempt. Per the Development Agreement, all Sunnydale HOPE SF developments are exempt
Storm Water Management:	A preliminary stormwater control plan was completed for 3B by KPFF Consulting Engineers on September 20, 2021

2.1. Description.

The Project (Block 3B), approximately 0.86 acres, is located on Sunnydale Avenue between Santos Street and Hahn Street. The site was previously occupied by families living in public housing apartments, but SFHA, with support from the Project Sponsors, worked to relocate the families prior to their units being demolished. Demolition of the site was completed in April 2022. Horizontal construction began in May 2022. The Site is vacant.

2.2. Zoning. See chart above

2.3. Probable Maximum Loss. N/A

2.4. Local/Federal Environmental Review. See chart above

2.5. Environmental Issues.

- Phase I/II Site Assessment Status and Results.

A Block 3B Phase II Environmental Site Assessment was completed in February 2021 by AEW Engineering, Inc. In March 2021, AEW Site Mitigation Plan was completed. The Phase II ESA concluded that:

- Traces of arsenic and vanadium were found on site, but subsurface soil is not expected to pose significant adverse impacts to human health and the environment.
- No serpentine soil was recorded on the boring logs, nor were there results of asbestos above the detection limit; however, trace fibers were observed in each sample. Asbestos is likely to be subject to California Air Resources Board and NOA regulations during construction. The Master Asbestos Dust Mitigation Plan (“ADMP”) for Sunnydale HOPE SF Phase 1A3 Project Area (in which this Project is located) was completed on January 19, 2022. The Sponsor will hire a consultant to provide ADMP monitoring services during project construction.
- The subsurface soil at the site may be considered as non-hazardous waste for offsite disposal if excavated.

2.6. Potential/Known Hazards.

The Phase II ESA for Block 3B evaluated the potential waste classification of the to-be-excavated subsurface materials and found that the soils can be considered non-hazardous. The subsurface soil is not expected to pose significant adverse impacts to human health. Air monitoring will be required during construction per BAAQMD due to minimal traces of naturally-occurring asbestos in the soil.

2.7. Adjacent uses and neighborhood amenities. See chart above

2.8. Green Building. See chart above

3. COMMUNITY SUPPORT

3.1. Prior Outreach.

Since early 2009, Mercy Housing’s community building staff have been working on site to outreach to Sunnydale residents. The goals of the community building scope of work are to support an operating culture in which residents and staff create a community network that embodies a culture of empowerment, aspiration, and shared accountability. This includes building and maintaining trust and relationships, mutual support, creative problem solving amongst residents and staff, as well as resident-led initiatives. Part of this work includes social activities that encourage relationship building in addition to sharing about pertinent services and development-related work. Mercy Housing has worked with community development and organizing consultants to help guide this work.

During the pandemic, the team adapted to the virtual world and continued the community engagement process via monthly website posts and Zoom Neighbor Up meetings. The Block 3B project team engaged CoUrbanize, leveraging the project website, www.GoSunnydale.org, to share information about the project prior to the submittal of the Vertical Design Review package. A list of key project community engagement events for Block 3B is summarized below:

- August 2019: Kick Off Meetings
- December 2019: Conceptual Design Input Meetings
- February 2020: Conceptual Design Presentations for Comments

The shift back to in-person community meetings started in Q3 2021. Mercy's community building staff continue to organize regular in-person community events, such as pop-up social and services events and monthly Neighbor Up meetings, with a growing number of residents and neighbors in attendance. Meetings have had interpreters providing live translation into Cantonese, Mandarin, Samoan, and Spanish.

3.2. Future Outreach.

Mercy Housing will continue to hold monthly in-person Neighbor Up meetings and Pop-Up events as long as COVID-19 protocols permit. The Project Sponsors will also continue to share information with regular website posts, email blasts, and flyers. In addition to these regular outreach efforts, upcoming events include the annual Family Day, where the Project Sponsors will share information and progress about development work, and community meetings for Sunnydale and Visitacion Valley residents.

3.3. 1998 Proposition I Citizens' Right-To-Know.

Proposition I noticing was completed for Block 3B in February 2020.

4. DEVELOPMENT PLAN

4.1. Site Control.

The Site is currently owned by SFHA. The Sponsor has entered into an infrastructure ground lease with SFHA during the 1A3 infrastructure improvement period. The 84 public housing units initially on site have been demolished and abated.

4.1.1. Proposed Property Ownership Structure

SFHA will retain long-term ownership of the land and ground lease it to the Project Sponsor, who will develop and own the affordable housing improvements. A long-term vertical ground lease between SFHA and the Sponsor will take effect at construction loan closing with a term of 75 years with an option to extend for an additional 24 years with a \$15,000 annual base rent and annual residual receipts based on the restricted appraised value.

4.2. Proposed Design.

Figure 1: Project Site Plan

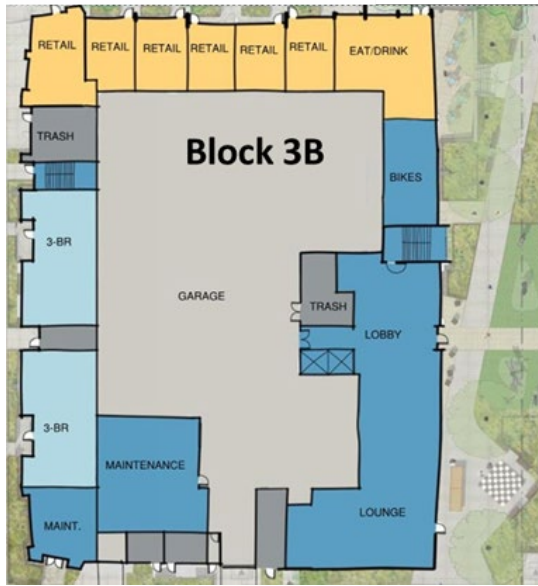


Figure 2: Project Level 2 Plan



Block 3B is one H-shaped building with four stories of Type VA wood-framed construction over one story and basement of Type IA concrete podium. The building has a foundation and an exterior that combines aluminum metal, corten metal, fiber cement random batten siding, thin brick veneer, thin glazed tile veneer, cast-in-place concrete, and glazing.

Block 3B will have a welcoming lobby off the pedestrian mews separating the building from Block 3A. The lobby offers space for mailboxes, a parcel room, and property management and resident service offices. The second story features a residential courtyard. Block 3B includes a community room, vehicular parking garage, and bike storage to be shared with residents from Block 3A through a joint use agreement. The community room has a kitchenette and a flexible/lounge space. The parking garage contains 134 spaces: 96 mechanized parking spaces, more commonly known as “car stackers,” 13 mechanized sliding platform spaces, 4 standard stalls, 4 standard stalls for ADA, 2 standard stalls for ADA vans, and 15 stalls for future electric vehicle charging stations. The overall parking configuration provides an approximately 0.75 parking ratio for both Block 3A and Block 3B. The Design Standard Guidelines (DSG) for Sunnydale HOPE SF do not have project-specific parking requirements but instead provide a maximum on-site parking count which reflects a 0.5 parking ratio in all affordable developments. In 2019, HOPE SF, MOHCD and the Sponsor increased the parking ratio in 3A and 3B from 0.5 to 0.75 based on community input. Two bike rooms support a 1:1 bike storage ratio.

Above the basement and ground floor are five stories of residential apartments accessible by stairs and two elevators. Each floor includes a laundry room. Three-bedroom units will have in-unit washers/dryers.

The building features large apartments to accommodate a diverse range of families with a significant number of two-bedrooms, three-bedrooms and four-bedrooms. All units will be ADA adaptable with 15% of units including mobility features and 10% of units including communications features meeting TCAC requirements.

	SFHA Avg. SF	Casala Avg. SF	290 Malosi Avg. SF	Block 3B Avg. SF	Block 3B Unit Count
Studio	--	469		420	4
1 – BR	575	571	607	630	24
2 – BR	811	854	886	925	36
3 – BR	992	1,241	1,198	1,170	25
4 – BR	1,042	--	1,438	1,390	0
3 – BR (MGR)				1,170	1
Total					90

Residential SF:	119,195
Parking SF (included in residential):	28,576
Commercial SF:	4,155
Building Total SF:	151,926

4.3. Construction Supervisor/Construction Representative's Evaluation

HOPE SF Sunnydale Building 3B is a unique housing project for MOHCD. The price per unit and bedroom sizes are significantly higher than the average MOHCD project by 27%. However, the cost per square foot (\$536/sqft) is equal to comparable projects (\$531/sqft.)

Building 3B is larger than typical 90-unit projects, partly because it houses the parking for both Sunnydale Buildings 3A and 3B. Furthermore, the parking ratio for these buildings is 50% higher than the average affordable housing project – approximately 0.75 parking stalls per unit instead of 0.50. Increased garage space also required additional excavation for the added stalls in the basement. Building 3A will be paying for approximately \$4.5 million of the parking construction.

Another cost unique to HOPE-SF projects is the requirement of in-unit laundry hookups for 3- and 4- bedroom units. Most MOHCD affordable housing project do not have in-unit laundry.

The current estimate came in higher than expected, but in a comparable way to other projects in this highly volatile market (inflation, commodities increase, high

fuel costs, etc.) The project is carrying 0.9% escalation and bid contingency until the GMP is finalized.

An issue the Block 3 team is still resolving that could pose schedule delays and added costs is the relocation of power poles along Block 3A on Hahn Street servicing active residences. Although this directly impacts the construction of 3A, the delay in resolving this issue could impact 3B's schedule as well. The team has been coordinating with PUC, PG&E and HUD to reach an acceptable solution.

Another challenge which could impact Building 3B is 3A's construction schedule. In the unlikely event that 3A does not close its construction loan approximately two months after Building 3B, the general conditions and overhead between the two buildings could be impacted causing an increase in 3B's GCs.

An unusual construction cost included are temporary generators running for the duration of the project. This is budgeted in the GMP because the project is forecasting temporary power will not be acquired from local utilities in time for construction activities. Other MOHCD projects have experienced these types of delays and have resorted to using diesel generators which add substantial costs and impacts local air quality. This is approximately \$1.2 million in added cost.

Through value engineering, the project team has saved \$1.5 million during the Construction Documents phase and will be reviewing the qualifications and assumptions to finalize a reliable budget.

4.4. Commercial Space.

- Space Description.

Block 3B's ground floor features approximately 4,155 square feet of commercial space, which will be master leased by Mercy. This retail frontage along Sunnydale Avenue will include seven shops. The sizes of each retail space are as follows:

- Café space 1: 955 SF
- Retail space 2: 440 SF
- Retail space 3: 418 SF
- Retail space 4: 414 SF
- Retail space 5: 442 SF
- Retail space 6: 412 SF
- Retail space 7: 694 SF

The Sponsor plans to secure a combination of experienced commercial tenants and new entrepreneurs from the community. The Sponsor intends to market the micro-units to new businesses at a lower rent, which is possible given the smaller square footage.

The spaces will be Master leased by Mercy and Mercy will sublease to individual tenants. The Assessor's Office can calculate commercial real estate tax as a percentage of construction costs or a percentage of income. The Sponsor has asked the Assessor's Office to assess property taxes using an income-based approach. If the request is approved then the tenants will pay gross rents and will not be responsible for additional NNN or CAM costs. If taxes are calculated using construction costs then it may be unsupportable for smaller commercial operators. Tenants would be responsible for covering the added costs which would likely preclude small businesses from occupying the spaces.

Below is the cash flow comparison between the two methods of assessing the property taxes:

Block 3B (West) Annual Cash Flow

Year	0	1	2	3	4	5	6	7	8	9	10
Date	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Income Approach RE Taxes	(\$20,475)	\$13,714	\$2,245	\$2,386	\$2,518	\$2,638	\$2,747	\$2,841	\$2,922	\$2,986	\$3,033
Construction Cost Approach	(\$67,626)	(\$34,380)	(\$46,811)	(\$47,651)	(\$48,520)	(\$49,420)	(\$50,353)	(\$51,320)	(\$52,323)	(\$53,364)	(\$54,444)
	11	12	13	14	15	16	17	18	19	20	
	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	
	\$3,061	\$3,068	\$3,052	\$3,012	\$2,946	\$2,852	\$2,726	\$2,568	\$2,374	\$3,759	
	(\$55,566)	(\$56,731)	(\$57,943)	(\$59,202)	(\$60,513)	(\$61,876)	(\$63,296)	(\$64,775)	(\$66,316)	(\$66,305)	

- Commercial Leasing Plan.

The seven shops will likely be occupied by small and micro retailers. Likely sub-tenants include neighborhood-serving retailers and community-based organizations. It is the Sponsor's intent to provide retail spaces for small, local tenants to spur economic development opportunities for the largely BIPOC community.

MOHCD and the Sponsor are working directly with Larry McClendon at the Office of Economic and Workforce Development (OEWD) on strategies and programs to lease up these commercial spaces. Mercy also has a dedicated staff member for soliciting commercial tenants. Existing OEWD programs can help local entrepreneurs gain the expertise and provide some upfront costs to start their own businesses. Similar programs have been successful elsewhere in California and would help Visitacion Valley spur local entrepreneurship. Conversations are expected to continue with an RFP submitted for potential tenants in fall or winter 2023. Applicants would potentially start a training

course funded by OEWD to prepare for lease up once the building completes construction.

- Operating Pro Forma.

The commercial operating Pro Forma assumes gross rents of \$1.80/sf per month for the five smaller spaces and \$2.00/sf per month for the larger spaces. The Sponsor worked with a broker and consultants to estimate this rent and believes it provides competitive pricing of comparable-sized retail spaces. This comes out to roughly \$700/month for the smaller spaces and \$1,283 and \$1,844 for the larger spaces. The commercial cashflow is effectively breaking even.

- Tenant Improvement Build Out.

The commercial development budget assumes a tenant improvements allowance of \$175 per gross square foot for the single larger retail space (895 sq ft total) and \$50 per gross square foot for the 6 smaller spaces (2,493 sq ft total) for a total allowance of \$281,275. The Sponsor is requesting that MOHCD make this allowance to best position the Project to fill the retail spaces with local, small business owners who would likely not have funds to cover TI costs. See Section 6.5.4 for more detail.

As mentioned above, Mercy and Related are exploring a potential partnership with OEWD to provide support and resources to tenants for TI buildout. Any funds from OEWD or other sources toward commercial space TI buildout would be used to reduce MOHCD's gap loan.

4.5. Service Space.

The ground floor will have a resident services office facing Harmonia Street, directly across the hallway from the resident lounge. The office will be approximately 160 square feet.

4.6. Interim Use. N/A

4.7. Infrastructure.

Phase 1A3 infrastructure, which comprises Block 3B, Block 3A, and Community Building Block 1, commenced construction in May 2022. Phase 1A3 consists of infrastructure improvements along Sunnydale Avenue, including streets, sidewalks, street trees and furniture, utility infrastructure, bicycle lanes, off-site intersection improvements, and SFMTA infrastructure, as well as grading of the three development blocks. The Sponsor and MOHCD are involved in infrastructure task force meetings for this infrastructure phase that include DPW, OEWD, and SFPUC. The infrastructure construction is on course to reach substantial completion in summer 2023. The pad for Block 3B will be ready by construction start in February 2023.

4.8. Communications Wiring and Internet Access.

The Sponsors have worked with the MOHCD Construction Representative to determine the appropriate communications wiring scope to meet MOHCD’s current standards. All Sunnydale projects, including Block 3B, have access to the City fiber high-speed network and are served by MonkeyBrains internet service, a San Francisco-based internet service provider.

4.9. Public Art Component.

While the Charter provision that requires public art in new construction projects funded by MOHCD does not apply to Plan Areas such as HOPE SF, the Sponsor anticipates incorporating a public art component with Sunnydale resident involvement. The Sponsor is working with the architect to find opportunities to incorporate public art within the existing hard cost budget.

4.10. Marketing, Occupancy, and Lease-Up

The 67 public housing replacement units under a PBV contract will be filled by current Sunnydale public housing residents who are in good standing and eligible for new housing under the SFHA Right to Return policy and City Ordinance through a random drawing, a process determined and agreed upon by MOHCD, HOPE SF, SFHA, and the Sponsor. SFHA will refer future residents from its waitlist for these 67 units after all of the existing residents have exercised their HOPE SF right of return.

The preferences for the 25% of units subject to the standard initial marketing and occupancy preferences are as follows:

MOHCD Preference	Applicant Category
1	HOPE SF Right to Return (Sunnydale Residents)
2	Certificate of Preference (COP) Holders
3	Displaced Tenants Housing Preference (DTHP) Certificate Holders (20%)
4	Neighborhood Preference (25%)*
5	Live or Work in San Francisco
6	All Other Applicants

*Due to this Project receiving state funding for IIG, the Neighborhood Preference set aside is reduced to 25% of available units, instead of 40%.

4.11. Relocation.

The relocation of public housing residents residing within Block 3B footprint to rehabbed public housing units in later phases was completed in April 2022. The Sunnydale HOPE SF Final Master Relocation Plan, approved by SFHA on August 25, 2016, outlines the applicable relocation requirements, including the Uniform Relocation Act (URA) and State of California Relocation Assistance Law

(CRAL), and details a phased relocation plan consistent with those requirements. SFHA executed the relocation activities for Block 3B, with support from the Sponsor and MOHCD. On December 17, 2020, the SFHA Commission approved the Phase 1A3 Relocation Plan which includes Blocks 3A and 3B.

Relocation of the existing households was performed by SFHA with financial support by MOHCD. The Infrastructure Phase 1A3 budget includes approximately \$500,000 for tenant relocation expenses inclusive of moving and utility transfer, SFHA expenses, and Mercy resident service staff assistance, and therefore the Block 3B budget does not include these costs.

5. DEVELOPMENT TEAM

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	David Baker Architects	N	N
Landscape Architect	Interstice	Y	N
General Contractor	Nibbi/Baines JV	Y (40%)	N
Owner's Rep/CM	Waypoint Consulting	N	N
Financial Consultant	CHPC	N	N
Legal	Gubb & Barshay LLP	N	N
Property Manager	Mercy Housing Management Group	N	N
Services Provider	Mercy Housing CA	N	N
Structural	Mar	Y	N
Mechanical, Plumbing, Fire	Tommy Siu	Y	N
Electrical	BWF	Y	N
Acoustical	Wilson Ihrig	Y	N
Utility Joint Trench	Giacalone	N	N
Market Studies	Raney	N	N

5.1. Procurement Plan.

Project Sponsor has coordinated with Contract Management Division (CMD) to establish a professional services goal of 25% SBE and a construction goal of 20% SBE. The Project is achieving professional services SBE participation of 25% as of June 2021. To date, the Project is achieving approximately 30% SBE participation.

For Block 3B, Project Sponsor has established a First Source Hiring Program Goal of hiring 50% of new construction hires through the CityBuild workforce system.

5.2. Opportunities for BIPOC-Led Organizations.

The Sponsor is fully committed to ensuring that Block 3B will generate economic opportunities for smaller and BIPOC-led firms, SBE/LBE organizations, and low-income local residents, in addition to creating a positive outcome for future residents. At the project level, Sponsor will work with MOHCD to establish explicit community and economic development goals, competitively procure consultants and contractors who have a track record of meeting or supporting those goals,

and track progress through proper data collection. Strategies include:

- Outreach, advertising and marketing, including timely use of the Bid and Contract Opportunities newsletter published by the City and County of San Francisco Purchasing Department and media focused specifically on SBE businesses such as the Small Business Exchange, of the opportunity to submit bids or proposals and to attend a pre-bid meeting to learn about contracting opportunities.
- Collaborate with other local, community-based employment and training agencies to enroll very low- and low-income area residents in training programs, such as CityBuild, so they are prepared for construction workforce opportunities when they become available.
- Utilize the Construction Industry Workforce Initiative for outreach to employ neighborhood college students as interns.
- Perform direct outreach to SBE firms to ascertain their interest in performing certain contract scopes.
- Consider splitting professional contracting into smaller scopes of work or dollar amount contracts to allow smaller firms to participate more easily.
- Assist and provide possible solutions to potential contractors and subcontractors who have questions around bonding and lines of credit.
- Hold hiring fairs to attract neighborhood residents into trade training programs that will prepare them for pending construction work.
- General Contractor and subcontractors provide First Source Hiring Plans to outline the specific steps the contractors will take to implement hiring goals by gap request.

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

6.1. Prior MOHCD Funding:

Loan Type/ Program	Loan Date	Loan Amount	Interest Rate	Maturity Date	Repayment Terms	Outstanding Principal Balance
Predevelopment	January 6, 2020	\$1,850,000	3%	57 years from recorded DOT	Residual Receipts	\$1,584,330.33

6.2. Disbursement Status. The last draw was September 8, 2022, and there are \$265,669.67 remaining funds for disbursement.

6.3. Fulfillment of Loan Conditions. Below is the status of Loan Conditions since this project was last at Loan Committee for Preliminary Gap on March 4, 2022:

- Sponsor will provide a detailed commercial plan analysis 6 months before Gap request, including researching financing options for the commercial space in order to minimize the need for MOHCD funding for the space. In addition, the

analysis will include a schedule and plan on the commercial space's lease-up, including identifying potential commercial tenants. LOIs will be required for all community serving spaces by gap loan approval. **Status: Complete.** Sponsor and MOHCD will be identifying potential tenants with support from OEWD.

- Sponsor must provide marketing plan for child-care units by gap financing request. **Status: Complete.** Sponsor provided plan and lessons learned for childcare in Sunnydale 3A. This work is being done for Block 3A.
- Sponsor will work with MOHCD staff to reduce Operating Expenses to be further in line with underwriting guidelines. **Status: Complete.** Sponsor and MOHCD are discussing campus wide services across Sunnydale. Sponsor has lowered staffing to conform more closely to underwriting guidelines.
- Sponsor will work with SFHA to provide funding commitments for the PBVs for the development. **Status: Complete.** The Sponsor is working with SFHA to approve PBV contract, ground lease and associated documents for a January 2023 SFHA Commission date.
- Sponsor will work with MOHCD to bring marketing costs in line with other projects in MOHCD pipeline prior to Gap. **Status: Complete.**
- Sponsor must provide services plan and budget prior to Gap. **Status: Complete.**
- Sponsor must provide Request for Proposals for the equity investor before the RFP is issued to investors. **Status: Complete.**
- Sponsor must provide all responses to lender and investor RFP prior to selections. **Status: Complete.**

6.4. Proposed Permanent Financing

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

- Private mortgage \$18,673,294: The Sponsor is currently underwriting a 7.25% interest rate with a 40-year term based on a supportable annual debt payment of \$1,433,374.

Interest rates have risen since this Project last came before Loan Committee in March 2022. In March the project assumed a \$24.34 million permanent loan with a 5.86% interest rate. The assumed interest rate is now 7.25% based on a 3.30% required spread (assuming no recycled bonds), plus 3.7% 10-year Treasury, and 0.25% cushion. Additionally, the Sponsor is using current operating expenses from the first two completed Sunnydale affordable projects

to estimate costs for this Project. Higher utility costs and salaries have increased overall operating expenses which have lowered the amount of debt the Project can leverage.

Recycled bonds. The Sponsor, permanent loan lender Citibank and MOHCD agreed to use recycled bonds for a portion of the permanent loan. The Sponsor will apply for recycled bonds from the California Housing Finance Agency (CalHFA) in early January 2023 and expects a commitment letter from CalHFA by early February 2023 to provide the bonds at permanent conversion. This current proforma does not include recycled bonds as part of the permanent loan as the commitment letter has not been received yet. However, MOHCD and the Sponsor believe it is very likely CalHFA will commit to the bonds. Once recycled bonds are incorporated into the permanent loan it can potentially be resized upward by up to \$2.4 million. Any savings created by using recycled bonds will come back to MOHCD. See Loan Conditions.

- MOHCD Loan (\$31,506,016): 57-year term, 3% interest, residual receipts. This amount represents an increase from previous loan request. The Sponsor notes that since March 2022, when this Project last went before Loan Committee, hard costs due to inflation have risen by nearly \$5 million. Additionally, the higher operating expenses and loan interest rates have reduced the amount of debt the Project can take on. The construction interest rate is now at 7.80% and the permanent interest rate is 7.25%.
- HCD Accelerator (\$47,814,455): The Project was awarded approximately \$47.8 million from the HCD Tier 2 California Housing Accelerator Program, replacing the need for tax credit equity and tax-exempt bonds. This will be a 0.00% loan that will be forgiven after 20 years with no residual receipts nor periodic payment required during the life of the loan.

The Sponsor and MOHCD explored the idea of applying for 9% tax credits due to the relatively lower unit count of the Project. However, there is a \$2.5 million annual allocation limit per project in San Francisco which limits the amount of equity generated. Often projects with higher TDC above roughly \$55 million, depending on Qualified Census Tract or Difficult to Develop Area status, will generate more equity with 4% credits. In any case, the Project was awarded Tier 2 Accelerator funds.

- Infill Infrastructure Grant (IIG) (\$6,500,000): Grant. These funds will be used to repay the MOHCD infrastructure loan for Sunnydale Phase 1A3. In order to leverage more tax credit equity in earlier

TCAC applications, part of the Sunnydale Phase 1A3 Infrastructure Loan was assigned to Sunnydale Block 3B. MOHCD provided up to \$25,072,111 in gap funding for the Phase 1A3 infrastructure loan with the expectation that these IIG funds would be used to repay part of the loan. This portion, \$6.5 million, will be assigned from the Sunnydale Master Developer to the Block 3B LP through a Note and secured by Block 3B's Deed of Trust. MOHCD will be reimbursed with IIG funds shortly after construction closing.

- Construction Loan (\$64,138,771): While not a permanent source, the construction loan terms from Wells Fargo Bank are 7.80% interest with a term of 35 months. The interest rate, as required by Wells Fargo, is calculated as 3.9% 30-day SOFR average + 0.50% anticipated rate in February 2023 + 1.90% required spread + 1.50% required cushion at closing = 7.80%.

6.5.2 CDLAC Tax-Exempt Bond Application:

Sunnydale Block 3B does not include tax-exempt bonds from CDLAC.

6.5.3 HOME Funds Narrative:

Based on eligible unit types, the Project is eligible to receive HOME funds in the amount of \$3,652,430.

HUD HOME limits - High-Cost Multiplier: 240%

Bedroom size	2022 limit	2022 w/ multiplier
0 BR	\$66,564	\$159,754
1 BR	\$76,305	\$183,132
2 BR	\$92,789	\$222,694
3 BR	\$120,039	\$288,094
4+ BR	\$131,765	\$316,236

Sunnydale Block 3B non-rental subsidy/non-replacement units:

Bedroom size	# units	HOME funds limit
0 BR	4	\$639,014
1 BR	9	\$1,648,188
2 BR	9	\$2,004,242
3 BR	0	\$0
4+ BR	0	\$0

Total	22	\$3,652,430
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Total HOME funds: \$3,650,000

6.5.4 Commercial Space Sources and Uses Narrative:

Warm Shell	\$760,436
Cold Shell	\$1,052,747
GC Bond Premium, Overhead, General Conditions	\$296,369
Contractor's Contingency	\$39,560
Bid Escalation	\$148,351
Hard Cost/Owner's Contingency	\$114,873
Total Construction Costs	\$2,412,337
Tenant Improvement Allowance	\$281,275 (\$175 sf for larger space, \$50 sf for smaller spaces)
Replacement Reserves	\$150,000
Operating Reserves	\$141,633
Total	\$2,985,245

It is the Sponsor's intent to spur economic development in the community with local business opportunities provided through these retail spaces. Cold and warm shell construction costs are requested for potential community-based organizations and neighborhood-serving retailers. The cold and warm shell costs are in line with MOHCD underwriting guidelines. The Sponsor/potential tenants will be seeking funding from OEWD for future tenant improvements which if granted will be used to reduce MOHCD gap.

The tenant improvement allowance, beyond warm shell costs shown above, assumes \$175/sf for food spaces and \$50/sf for nonfood spaces for a total allowance of \$281,275. Operating reserve assumes first 3 years without tenants. MOHCD Underwriting Guidelines state that the operating and replacement reserve amounts are subject to MOHCD approval. Based on market conditions surrounding commercial development and operations, Staff recommends these reserves.

The Project retail spaces are intended to be leased to small business enterprises with priority to Sunnydale residents and the surrounding community. The Sponsor is requesting that the retail spaces be built out

using this additional TI allowance to lower barriers of entry to local entrepreneurs, support small businesses who may not otherwise have the means to obtain a commercial loan for extensive buildout or TI, and achieve the collective goal of the Sponsor, HOPE SF and MOHCD to create a retail market area where none currently exist. The MOHCD commercial underwriting guidelines do not usually allow for additional TI above cold and warm shell costs for community serving spaces. The Sponsor is requesting a waiver from these guidelines for these costs. MOHCD staff recommend this waiver for the reasons listed above.

6.5.5 Permanent Uses Evaluation:

Development Budget		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Hard Cost per unit is within standards	N	\$905,508/unit
Construction Hard Cost Contingency is at least 5% (new construction) or 15% (rehab)	Y	Hard Cost Contingency is 5.0%
Architecture and Engineering Fees are within standards	Y	Architecture and design fees are \$2,732,500 and Engineering and Environmental Studies are \$349,700.
Construction Management Fees are within standards	Y	Construction management fees are \$195,000.
Developer Fee is within standards, see also disbursement chart below	Y	Project management fee: \$1.1M At risk fee: \$1.1M Deferred fee: \$0 Commercial fee: \$0 Total fee: \$2,200,000 Per HCD rules, commercial fee is not allowed on the project.
Consultant and legal fees are reasonable	Y	Financial consultant fees are \$110,000 and Legal costs are \$445,240.
Entitlement fees are accurately estimated	Y	Entitlement and permit fees are \$1,503,456. The Sponsor is working with MOHCD and SFUSD to decrease the Project's school fees based on added housing versus all units.
Construction Loan interest is appropriately sized	Y	The construction loan is \$64,138,771 with 7.80% interest. MOHCD is working with the Sponsor to finalize construction interest sizing.
Soft Cost Contingency is 10% per standards	N	Soft Cost Contingency is 5.3%.

Capitalized Operating Reserves are a minimum of 3 months	Y	Capitalized Operating Reserve is equal to 4 months. The Sponsor request 4 months due to increased time for marketing and lease up for HOPE SF units. The Sponsor notes relocation readiness, tour requirements, competing choices, and services as reasons why four months is warranted.
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6.5.6 **Developer Fee Evaluation:** The milestones for the payment of the developer fee to the sponsor are specified:

Total Developer Fee:	\$2,200,000	
Project Management Fee Paid to Date:	\$150,000	
Amount of Remaining Project Management Fee:	\$950,000	
Amount of Fee at Risk (the "At Risk Fee"):	\$1,100,000	
Amount of Commercial Space Developer Fee (the "Commercial Fee"):	\$0	
Amount of Fee Deferred (the "Deferred Fee"):	\$0	
Amount of General Partner Equity Contribution (the "GP Equity"):	\$0	
Milestones for Disbursement of that portion of Developer Fee remaining and payable for Project Management	Amount Paid at Milestone	Percentage Project Management Fee
Closing of initial predev financing	\$150,000	14%
Construction close	\$440,000	40%
Construction completion	\$400,000	36%
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	\$220,000	20%
Permanent conversion	\$550,000	50%
Project close-out	\$330,000	30%

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

7.1. Annual Operating Budget.

Project Based Section 8 (PBV) Units: The Project has been awarded 67 PBVs from SFHA to support the public housing replacement units, as allowed under HUD's Section 18 "Demo Dispo" program. Per SFHA's updated Administrative Plan, all future Housing Assistance Payment (HAP) contracts will be 20 years in duration, with an automatic 20-year renewal. Income from the PBV units reflected in the loan underwriting for this evaluation is based on current 2022 Payment Standards, less utility allowances. Actual subsidy levels will be determined when construction is complete and will be equal to the lesser of the

payment standard or reasonable rents as determined by SFHA. The Sponsor provided a market study from July 2022 to SFHA and SFHA provided a PBV award letter in December 2022 with the following proposed contract rents:

Unit Size	# Units	Proposed Contract Rent	Utility Allowance	Gross Rent
1-BR	15	\$2,693	\$109	\$2,802
2-BR	27	\$3,285	\$154	\$3,439
3-BR	25	\$4,296	\$199	\$4,495
Total	67			

Total annual tenant assistance payments are projected to be \$1,758,696 for the PBV units.

For reference, below is a comparison with the most recently completely Sunnydale project, 290 Malosi:

Unit Size	3B Contract Gross Rent	290 M Current Gross Rent	290 M Contract Gross Rent
1-BR	\$2,802	\$1,332	\$1,273 (RAD)
2-BR	\$3,439	\$3,390	\$3,752
3-BR	\$4,495	\$3,905	\$4,084

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	DSCR is 1.15 at Year 1 and 1.51 at Year 17
Vacancy rate meets TCAC Standards	Y	Vacancy rate is 5.0%
Annual Income Growth is increased at 2.5% per year or 1% for LOSP tenant rents	Y	Income escalation factor is 2.5%
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 \$15,985 per unit, inclusive of ground lease rents and reserves. The costs are lower than similar completed HOPE SF projects but

		higher than other projects in predevelopment or under construction due mainly to higher utility and staffing costs. See below.
Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is \$82,080 or \$76 PUPM
Property Management staffing level is reasonable per comparables	Y	Proposed staffing: 0.50 FTE Community Manager of Operations 1.00 FTE Assistant PM \$25 PUPA Regional Management Specialist 0.50 FTE Maintenance Manager 0.50 FTE Maintenance Technician 1.00 FTE Janitor
Asset Management and Partnership Management Fees meet standards	Y	Annual AM fee is \$24,280/year per MOHCD guidelines. There is no PM fee since this is not a tax credit deal.
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$500 PUPY per HCD
Limited Partnership Asset Management Fee meets standards	N/A	There is no Limited Partner.

Based on operating costs from other HOPE SF projects, this Project's costs are comparatively lower when escalated to 2023.

However, compared to Potrero Block B, a 157-unit HOPE SF project that recently closed construction financing in August 2022, this project has higher operating expenses. This is most likely due to Potrero Block B achieving economies of scale from a larger unit count.

<u>Project(s)</u>	<u>Total OpEx PUPA</u>	<u>Total w/o Reserves PUPA</u>
Sunnydale 3B	\$15,985	\$14,793
Potrero Block B	\$13,455	\$12,859
Sunnydale Parcel Q Casala	\$18,985	\$18,682
Potrero Block X 1101 Connecticut	\$16,671	\$15,625
Hunter's View Phase 11B Block 10	\$16,577	\$15,912

290 Malosi/Sunnydale Block 6 was considered when finding similar projects to compare but the actual operating expenses differ from what was underwritten at construction close and final numbers are still being evaluated. See notes on Utilities and Admin below.

Utilities: The Sponsor notes that utilities are particularly high and have used other current Sunnydale buildings, Casala and 290 Malosi, as comparables. There tends to be more garbage expenses when residents move but the Sponsor notes a higher volume of trash than expected even 9 months to a year into service. This has led to more scheduled pick-ups and higher expenses. They have also seen electrical costs higher than expected and as this project is all electric the Sponsor does not have many other comparables from which to derive estimates.

Admin/Staffing levels: The Sponsor notes that their team has experienced challenges staffing Sunnydale properties due to difficult working environments and violence in the neighborhood. Mercy has developed new staffing standards and pay scales to attract mid-level staff in an industry they consider to be high turnover.

7.3. Staffing Summary.

The Sponsor proposes the following staffing levels:

- .5 FTE Community Manager of Operations: \$42,000

Community Manager of Operations (CMO) will support the APM and will be shared between Block 3A and Block 3B. Formerly called property managers, the Sunnydale CMOs will lead the property management staff and ensure that the operations of the Sunnydale properties are in compliance with the standards and expectations of Operational Excellence. The Sunnydale HOPE SF site will be served by 3 FTE CMOs overall, each with an area of specialization. The CMOs are responsible for monitoring and directing all management-related activities with site-level personnel and ensuring that physical guidelines are achieved at each property; that positive, collaborative internal and external relationships are fostered and maintained; requests and resident concerns are responded to in a timely manner.

- 1 FTE Assistant Property Manager: \$31.38/hour or \$65,260/year

Assistant Property Manager (APM) is responsible for the day-to-day property management and specializes in leasing, certifications, and accounts

payable. The APM collaborates with the site team and residents to create and strengthen a healthy community, facilitate on-site communication, and monitor property goals.

- 1 FTE Community Coordinator: \$23.17/hour or \$48,193. This has been removed from this Project's Operating Expenses after discussions with the Sponsor but the description is included below for reference for future Sunnydale campus wide services planning.

The Community Coordinator is responsible for interacting with residents, communicating community policies, and maintaining the wellbeing of the community. The Community Coordinator has various responsibilities that include identifying housing stability and community service needs of the residents, monitoring visitors in and out of the building, and be able to respond to resident problems and emergencies as appropriate.

- Regional Management Specialist: \$25/PUPA or \$2,250

The Regional Management Specialist is experienced in lease ups and certifications and will provide senior level technical support to properties with operational, lease-up, and compliance issues. A small amount of the specialist's time will be allocated to each Sunnydale property. MOHCD approved a Regional Management Specialist at 290 Malosi.

- .5 FTE Maintenance Manager: \$30,000

The Maintenance Manager will be located on-site split between Block 3A and Block 3B. This position is responsible for ensuring the completion of all property maintenance site-level activities with site-level staff and other Mercy Housing-related departments. The Senior Maintenance Manager will supervise all maintenance and janitorial staff.

- .5 FTE Maintenance Technician: \$23,920

The Maintenance Tech will be located on-site split between Block 3A and Block 3B. The Maintenance Tech completes janitorial tasks, preventative maintenance, minor repairs, and apartment turnovers and is responsible to ensure a high standard of cleanliness, customer service, and a hazard-free environment.

- 1 FTE Janitor: \$37,960

The Janitor will work full time on-site in conjunction with maintenance staff to meet the regular operational maintenance/cleanliness requirements of the property. Responsible for cleaning of grounds and all common areas within the buildings and surrounding grounds.

- Regional Maintenance Specialist: \$36/PUPA or \$3,240

The Regional Maintenance Specialist collaborates with the Area Director of Operations and Regional Facilities Manager to complete special assignments and projects, provide training, mentoring and education to site-level staff. A small amount of the Specialist's time is allocated to each of the properties.

This staffing plan has not been finalized and is still under consideration with discussions ongoing between the Sponsor and MOHCD. The Sponsor has provided an updated Sunnydale campus-wide staffing and services plan that demonstrates how the need will impact staffing levels of individual buildings. As there are multiple stakeholders from MOHCD, HOPE SF and the Sponsor involved in these discussions, the campus-wide plan will not be finalized before this Loan Committee so this staffing proposal is subject to change based on the final plan. The Sponsor notes that the first two Sunnydale projects, Casala and 290 Malosi, were front loaded with staff to support the need to stabilize those properties with the intention of shifting staff to newer buildings as older ones stabilize. Below are the staffing levels for Sunnydale properties:

Staffing	Casala (55 units)	290 Malosi (167)	3B (90)	3A (80)
Community Manager of Operations	1 FTE	1 FTE	.5 FTE	.5 FTE
Assistant Manager	1 FTE	2 FTE	1 FTE	1 FTE
Community Coordinator <i>(not included for 3B)</i>	1 FTE	2 FTE		1 FTE
Regional Management Specialist	\$25 PUPA	\$25 PUPA	\$25 PUPA	\$25 PUPA
Maintenance Manager	1 FTE	1 FTE	.5 FTE	.5 FTE
Maintenance Technician	0 FTE	1 FTE	.5 FTE	.5 FTE
Janitor	1 FTE	2 FTE	1 FTE	1 FTE
Regional Maintenance Specialist	\$36 PUPA	\$36 PUPA	\$36 PUPA	\$36 PUPA
Resident Service Coordinator <i>(see Services below)</i>	1 FTE	2 FTE	1 FTE	1 FTE

The finalized plan, with MOHCD and HOPE SF input, will need to be approved by MOHCD six months after this Project closes construction. See Loan Conditions.

7.4. Income Restrictions for All Sources.

UNIT SIZE		MAXIMUM INCOME LEVEL	
NON-LOTTERY	No. of Units	MOHCD	HCD IIG
1 BR – PBV	5	50% MOHCD AMI	30% TCAC AMI
2 BR – PBV	8	50% MOHCD AMI	30% TCAC AMI
3 BR – PBV	5	50% MOHCD AMI	30% TCAC AMI
1 BR – PBV	10	50% MOHCD AMI	40% TCAC AMI
2 BR – PBV	19	50% MOHCD AMI	40% TCAC AMI
3 BR – PBV	20	50% MOHCD AMI	40% TCAC AMI
Sub-Total	67		
LOTTERY			
0 BR	4	80% MOHCD AMI	60% TCAC AMI
1 BR	9	80% MOHCD AMI	60% TCAC AMI
2 BR	9	80% MOHCD AMI	60% TCAC AMI
Total	22		
STAFF UNITS			
3 BR	1		
TOTAL	90		
PROJECT AVERAGE		55%	43%
AVERAGE FOR LOTTERY UNITS ONLY		80%	60%

7.5. MOHCD Restrictions.

Unit Size	No. of Units	Maximum Income Level
1 BR	5	50% of Median Income
2 BR	8	50% of Median Income
3 BR	5	50% of Median Income
1 BR	10	50% of Median Income
2 BR	19	50% of Median Income
3 BR	20	50% of Median Income
1 BR	9	80% of Median Income
Studio	4	80% of Median Income
2 BR	9	80% of Median Income
3 BR	1	Manager's Unit
	90	Total

8. SUPPORT SERVICES

8.1. Services Plan.

Mercy Housing Management Group, Inc. will provide one FTE Resident Services Coordinator (“RSC”) for the 89 family units. Responsibilities include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or other enrichment activities for tenants (such as holiday events, tenant council, etc.).

In particular, it is anticipated that the RSC will provide linkage to food security benefits, food banks, and health and wellness providers; support for new parents and families with young children; monthly resident-led community building activities and events; and ongoing social activities. Events and opportunities will be culturally appropriate with translation services as needed for this multilingual population. The population served will largely be made up of persons of color who will benefit from support and resources made available through the coordination of the RSC.

8.2. Services Budget.

The total Block 3B services budget is \$113,920, which will be funded by the project operating budget. This budget covers 1 FTE Resident Services Coordinator (RSC) staff by Mercy Housing Management Group, Inc., and associated supplies, benefits and overhead. The staff ratio of 1 FTE RSC for 89 units meets the MOHCD underwriting guidelines for resident services which is currently set at 1 FTE RSC for 100 residents. HOPE SF has indicated that 1 FTE RSC is appropriate for 75-100 residents.

9. STAFF RECOMMENDATIONS

9.1. Proposed Loan/Grant Terms

Financial Description of Proposed Loan	
Loan Amount:	\$31,506,016
Loan Term:	57 years
Loan Maturity Date:	2080
Loan Repayment Type:	Residual Receipts
Loan Interest Rate:	3%
Date Loan Committee approves prior expenses can be paid:	June 7, 2019

9.2. Recommended Closing Conditions

1. The Sponsor will apply to CalHFA for recycled bonds in early January 2023 and secure a commitment in February 2023. Once recycled bonds are committed, Sponsor will update proforma with increased permanent loan and instantly reduce the MOHCD gap loan amount.
2. The Sponsor agrees to maximize the permanent loan at a 1.15 debt service coverage ratio at the time of rate lock rate with the permanent lender. All additional interest rate cushion will be taken out of the permanent loan calculation outside of the perm lenders requirements. The permanent loan will be amortized for 40 years. Any additional loan proceeds will instantly reduce the MOHCD gap loan amount.
3. MOHCD will review and approve final residential and commercial GMP pricing & closing proforma. All construction and design related contingencies outside of the approved owners hard cost contingency will be taken out of the proforma. All budget line-item reductions in the residential and commercial proformas will instantly reduce the MOHCD gap loan amount.
4. MOHCD will review and approve the construction cash flow and interest reserve calculation. All additional interest rate cushion outside of the terms of the construction loan will be taken out of the final construction interest reserve calculation. Any reduction in the construction interest reserve will instantly reduce the MOHCD gap loan amount.
5. Sponsor will seek other funding sources for commercial space reserves and buildout, including but not limited to OEWD programs. Any additional funds secured for commercial space improvements will be used to reduce MOHCD's gap loan.

6. Sponsor must provide initial draft marketing plan within 12 months of anticipated TCO, 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.
7. Sponsor must provide quarterly updated response to any letters requesting corrective action.
8. Sponsor must provide an update on the Sunnydale campus-wide staffing and services plan. \$220,000 of the Sponsor's At-Risk developer fee will be dependent on conforming this Project's staffing plan with what is agreed upon by MOHCD and HOPE SF for the campus-wide plan.

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

Date: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

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

Date: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

Thor Kaslosky, 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: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

Tonia Lediju, Director
Housing Authority of the City and County of San Francisco

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. 1st Year Operating Budget
 - L. 20-year Operating Pro Forma
 - M. HOPE SF Project Summary
 - N. Schedule for Soliciting Potential Commercial Tenants

Sunnydale HOPESF Block 3B Gap Funding

Ely, Lydia (MYR) <lydia.ely@sfgov.org>

Fri 1/13/2023 11:17 AM

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

Cc: Vanzuynen, Ryan (MYR) <ryan.vanzuynen@sfgov.org>

Hi Vanessa, I approve the subject request on behalf of MOHCD, with the inclusion of the discussed loan condition that the team evaluate the possibility of including higher AMI units within the PBV replacement housing units, in order to ensure availability of replacement units at a diverse range of income levels.

Thank you,
Lydia

Lydia Ely
Deputy Director for Housing
SF Mayor's Office of Housing and Community Development
Office phone: (628) 652-5821
Cell phone: (415) 225-2936

MERCY HOUSING REQUEST FOR FINAL GAP APPROVAL FOR SUNNYDALE BLOCK 3B

Menjivar, Salvador (HOM) <salvador.menjivar1@sfgov.org>

Fri 1/13/2023 1:49 PM

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

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

I approve Mercy Housing California request for final gap financing in the amount of up to \$31,506,016 for the third Sunnydale HOPE SF affordable housing development known as Sunnydale HOPE SF Block 3B.

Best,

salvador



Salvador Menjivar

Director of Housing

Pronouns: He/Him

San Francisco Department of Homelessness and Supportive Housing

salvador.menjivar1@sfgov.org | 415-308-2843

Learn: [\[dhsh.sfgov.org\]](https://dhsh.sfgov.org)hsh.sfgov.org | Follow: [@SF_HSH](https://twitter.com/SF_HSH) | Like: [@SanFranciscoHSH](https://twitter.com/SanFranciscoHSH)

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Sunnydale HOPESF Block 3B Gap Funding

Colomello, Elizabeth (CII) <elizabeth.colomello@sfgov.org>

Fri 1/6/2023 11:31 AM

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

Cc: Ely, Lydia (MYR) <lydia.ely@sfgov.org>; Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>

Hi Vanessa-

I approve the subject request on behalf of OCII, with the inclusion of the discussed loan condition that the team evaluate the possibility of including higher AMI units within the PBV units.

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

REQUEST FOR FINAL GAP APPROVAL FOR SUNNYDALE BLOCK 3B

Katz, Bridget (CON) <bridget.katz@sfgov.org>

Fri 1/6/2023 11:31 AM

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

Cc: Ely, Lydia (MYR) <lydia.ely@sfgov.org>

Approved with condition related to the vouchers.

Bridget Katz

Development Finance Specialist, Office of Public Finance

Controller's Office | City & County of San Francisco

Office Phone: (415) 554-6240

Cell Phone: (858) 442-7059

E-mail: bridget.katz@sfgov.org

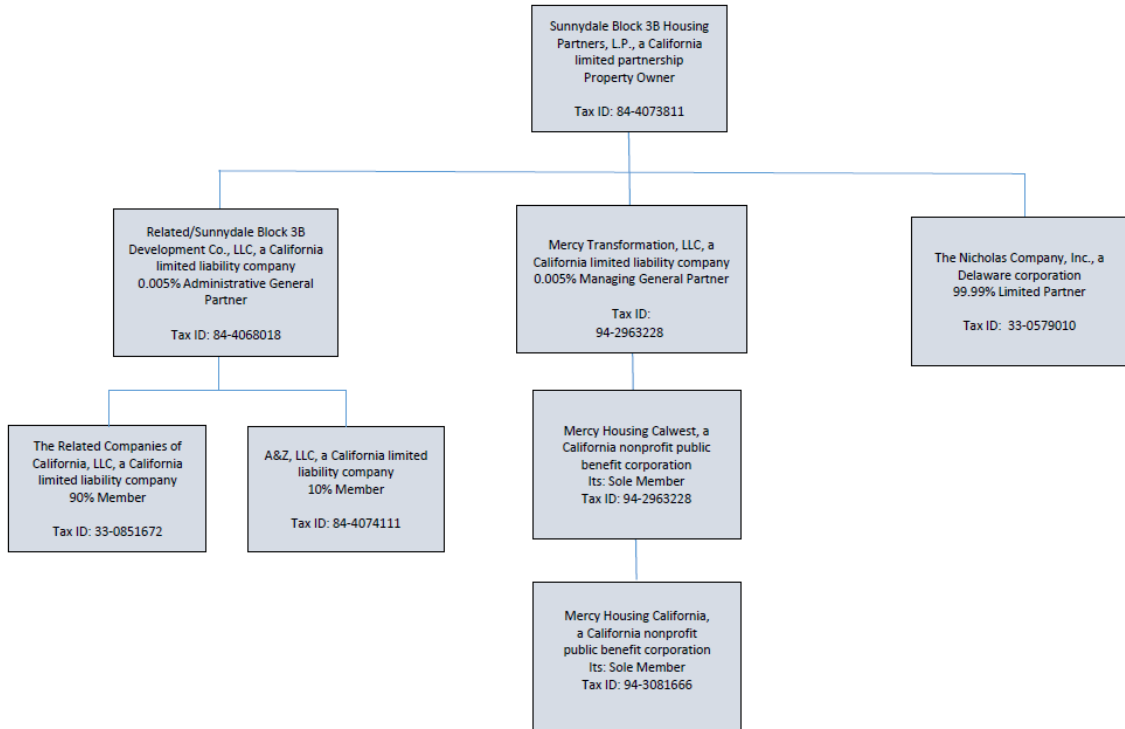
Attachment A: Project Milestones and Schedule

No.	Performance Milestone	Estimated or Actual Date	Notes
A.	Prop I Noticing (if applicable)	02/2020	
1	Acquisition/Predev Financing Commitment	01/2020	
2.	Site Acquisition	N/A	
3.	Development Team Selection		
a.	Architect	01/2021	
b.	General Contractor	5/2021	
c.	Owner's Representative	10/2020	
d.	Property Manager	N/A	
e.	Service Provider	N/A	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	11/2020	
b.	Submittal of Design Development & Cost Estimate	02/2021	
c.	Submittal of 50% CD Set & Cost Estimate	10/2021	
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	4/2022	
5.	Commercial Space		
a.	Commercial Space Plan Submission	10/2021	
b.	LOI/s Executed	<u>N/A</u>	
6.	Environ Review/Land-Use Entitlements		
a.	SB 35 Application Submission	N/A	
b.	CEQA Environ Review Submission	N/A	
c.	NEPA Environ Review Submission	N/A	
d.	CUP/PUD/Variances Submission	N/A	
7.	PUC/PG&E		
a.	Temp Power Application Submission	12/2021	
b.	Perm Power Application Submission	10/2018	
8.	Permits		
a.	Building / Site Permit Application Submitted	05/2021	

b.	Addendum #1 Submitted	5/2022	
c.	Addendum #2 Submitted	5/2022	
9.	Request for Bids Issued	10/2022	
10.	Service Plan Submission		
a.	Preliminary	11/2022	
b.	Final	9/2023	
11.	Additional City Financing		
a.	Preliminary Gap Financing Application	<u>2/2022</u>	
b.	Gap Financing Application	<u>11/2022</u>	
12.	Other Financing		
a.	HCD Application	<u>4/2021</u>	
b.	Construction Financing RFP	10/2022	
c.	AHP Application	<u>N/A</u>	
d.	CDLAC Application	<u>3/2022</u>	
e.	TCAC Application	<u>3/2022</u>	
f.	Other Financing Application	<u>4/2022</u>	<u>Tier 2 Accelerator</u>
g.	LOSP Funding Request	<u>N/A</u>	
13.	Closing		
a.	Construction Loan Closing	<u>2/2023</u>	
b.	Conversion of Construction Loan to Permanent Financing	<u>11/2025</u>	
14.	Construction		
a.	Notice to Proceed	<u>2/2023</u>	
b.	Temporary Certificate of Occupancy/Cert of Substantial Completion	<u>10/2024</u>	
15.	Marketing/Rent-up		
a.	Marketing Plan Submission	<u>4/2024</u>	
b.	Commence Marketing	<u>10/2024</u>	
c.	95% Occupancy	<u>3/2025</u>	
16.	Cost Certification/8609	<u>1/2026</u>	
17.	Close Out MOH/OCII Loan(s)	<u>1/2026</u>	

Attachment B: Borrower Org Chart

ORGANIZATIONAL CHART FOR SUNNYDALE BLOCK 3B HOUSING PARTNERS, L.P.



Attachment C: Development Staff Resumes

Ann Silverberg

Chief Executive Officer
Related California Nor Cal
Affordable and Northwest
Divisions

As Chief Executive Officer for
Related California's Northern
California Affordable and
Northwest Divisions, Ms.

Silverberg is responsible for the
strategic direction, overall



management and daily operation of the company's over \$3 billion affordable portfolio in Northern California and Oregon. She has been directly responsible for the growth of the affordable pipeline in Northern California and Oregon to over 5,000 units under construction and in predevelopment.

Prior to joining Related California, Ms. Silverberg was Executive Vice President and Chief Investment Officer at BRIDGE Housing Corporation where she was responsible for directing and overseeing their Northern California Division. She led the development and redevelopment of more than 8,000 affordable, mixed-income, mixed-use and transit-oriented housing units, including the acquisition and redevelopment of nearly 1,000 public housing units in San Francisco and Sacramento, the joint venture development of mixed-income residential units with Essex in the Transbay area of San Francisco, and 306, mixed-income residential units in Milpitas. She was also responsible for the capital aggregation and equity and debt for their Low Income

Housing Tax Credit (LIHTC) and non-LIHTC developments and has overseen the negotiation and placement of over \$2 billion in project level debt and equity.

She is a two-time recipient of the Northern California Real Estate Women of Influence Award by the San Francisco Business Times, and in 2020 was recognized as one of the most dynamic women in commercial real estate by BISNOW. Ms. Silverberg is Chair of the Board of Directors of the California Housing Consortium and Co-Chair of California State Treasurer Ma's California Debt Limit Allocation Committee/Tax Credit Allocation Committee Working Group. She currently serves on the Housing Policy Committee of the San Francisco Bay Area Planning and Urban Research Association (SPUR). She is a board member of the San Francisco Housing Action Coalition (SFHAC), a member of the ULI San Francisco Local Product Council, and past president of the Board of Directors of the Non-Profit Housing Association of Northern California. Ms. Silverberg is a faculty lecturer in the College of Environmental Design at the University of California, Berkeley where she teaches a graduate level methods class in project analysis. She holds a Master of City and Regional Planning from the University of California, Berkeley and a Bachelor of Arts from the University of California, Los Angeles.

Thu Nguyen

Assistant Vice President, Development
Related California Affordable

As Assistant Vice President of Development for Related California, Ms. Nguyen is responsible for managing all aspects of the design, financing and construction for many of Related's Northern California affordable



developments, including the redevelopment of San Francisco's largest public housing site, Sunnydale-Velasco, a 50-acre site currently home to more than 1,700 people.

Before joining Related, Ms. Nguyen worked for The Community Builders, Inc. in Washington, D.C. where she directed the application submission for the Choice Neighborhoods Initiative Implementation Grant with the City of Baltimore, secured over \$200 million in funds for affordable housing, and won the company's 2015 Top Contributor Award for initiating impactful urban neighborhood projects. Prior to The Community Builders, Ms. Nguyen was a research associate at The Urban Institute in Washington, D.C., specializing in housing discrimination.

Ms. Nguyen graduated from The Wharton School at the University of Pennsylvania with a Master in Business Administration, and from Cornell University with a Bachelor of Science in Urban and Regional Studies and a Bachelor of Arts in Africana Studies.

Paige Peltzer

Senior Development Associate
Related California Affordable



As Senior Development Associate for Related California, Ms. Peltzer is responsible for supporting and assisting in all aspects of project management, including the design, financing, preconstruction and construction of more than 300 affordable housing units in the Sunnydale Hope SF Master Plan in Northern California.

Ms. Peltzer brings more than 5 years of public and private sector experience to Related. Prior to joining Related, she was a Senior Associate for Economic & Planning Systems, Inc. where she conducted feasibility and market assessment studies for future development, and managed the project budgets for more than 18 projects and over 30,000 proposed units. As Development Specialist for the Office of Community Investment and Infrastructure, she facilitated three redevelopment areas planned for 21,846 housing units in San Francisco with an annual budget of \$565.8 million, and collaborated with private and public entities to enforce agency land use and policy regulations.

Ms. Peltzer holds a Master in Urban Planning from Harvard University and a Bachelor of Arts in Political Science from the University of Chicago. She is the Northern California Young and Emerging Planners Coordinator for the American Planning Association California Board of Directors.

Attachment D: Asset Management Evaluation of Project Sponsor

Related owns close to 13,500 affordable units in operations plus 5,200 affordable units under construction or in predevelopment. Related serves extremely low- and low-income households in family properties, senior properties, and properties with permanent supportive housing. There are 70 plus projects in the portfolio.

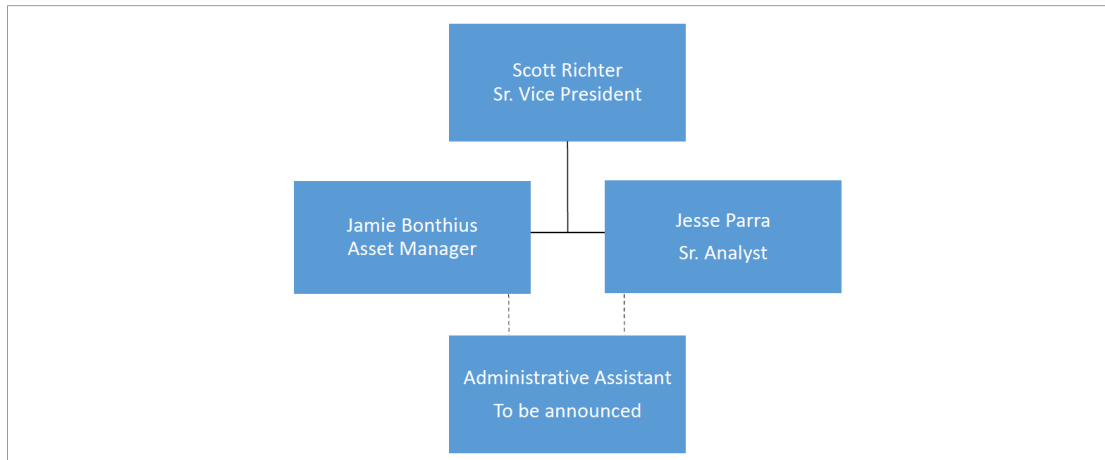
Related has a dedicated asset management team to oversee owned assets in the Related California affordable portfolio. There are three full time positions that are currently filled at varying degrees of seniority. Please see the attached org chart.

The asset management team is structured such that each staff has distinct functional responsibilities for the entire of portfolio, including affordable, mixed-use, and multifamily developments. Scott Richter, the senior member and department head, is responsible for overseeing all aspects of the department but functionally takes the lead on operational and financial performance, legal matters, budgeting, capital spending and major projects. Jamie Bonthius oversees all aspects of property and regulatory compliance, property & other taxes and investor relations. Jesse Parra is responsible for financial reporting and analysis of all aspects of property performance.

Related's Asset Management team relies on close coordination with all aspects of Property Management in order to meet its regulatory and financial obligations. We take a proactive approach to property oversight, establishing access to management company systems to pull operational and financial reporting in real time rather as part of an after-the-fact reporting framework and maintain close contact with property management functions in the field, including property & regional managers, property accountants & controllers, compliance and regional facilities personnel. Interaction with regional managers covers a wide range of responsibilities but importantly is focused on property turnover & vacancy, compliance, maintenance and capital spending, monthly budget variance reporting and legal issues. Compliance monitoring is done in conjunction with site staff, regional managers and the respective regional compliance departments. Asset Management requires all compliance requests run through the department so that they can be tracked and monitored to meet all requirements. Integration with accounting systems and with property accountants such that we set policy for how transactions are recorded and preempt any mistakes before accounting books are closed and reports distributed to stakeholders. On facilities management, we require all management companies to seek prior approval on all large projects prior to signing any contract for work. Management is required to present three bids for each job with a description of the work that is being requested and why it is important to the property. Asset Management then reviews these bid summaries with facilities management to determine the appropriate path forward.

Related expects the number of projects in our portfolio to exceed 100 within the next 5 years, totaling 11,000-12,000 units under the asset management portfolio. Plans to add staff in order to accommodate portfolio growth included adding a 1 FTE compliance and reporting assistant in 2022 and an asset manager in mid-to-late 2023.

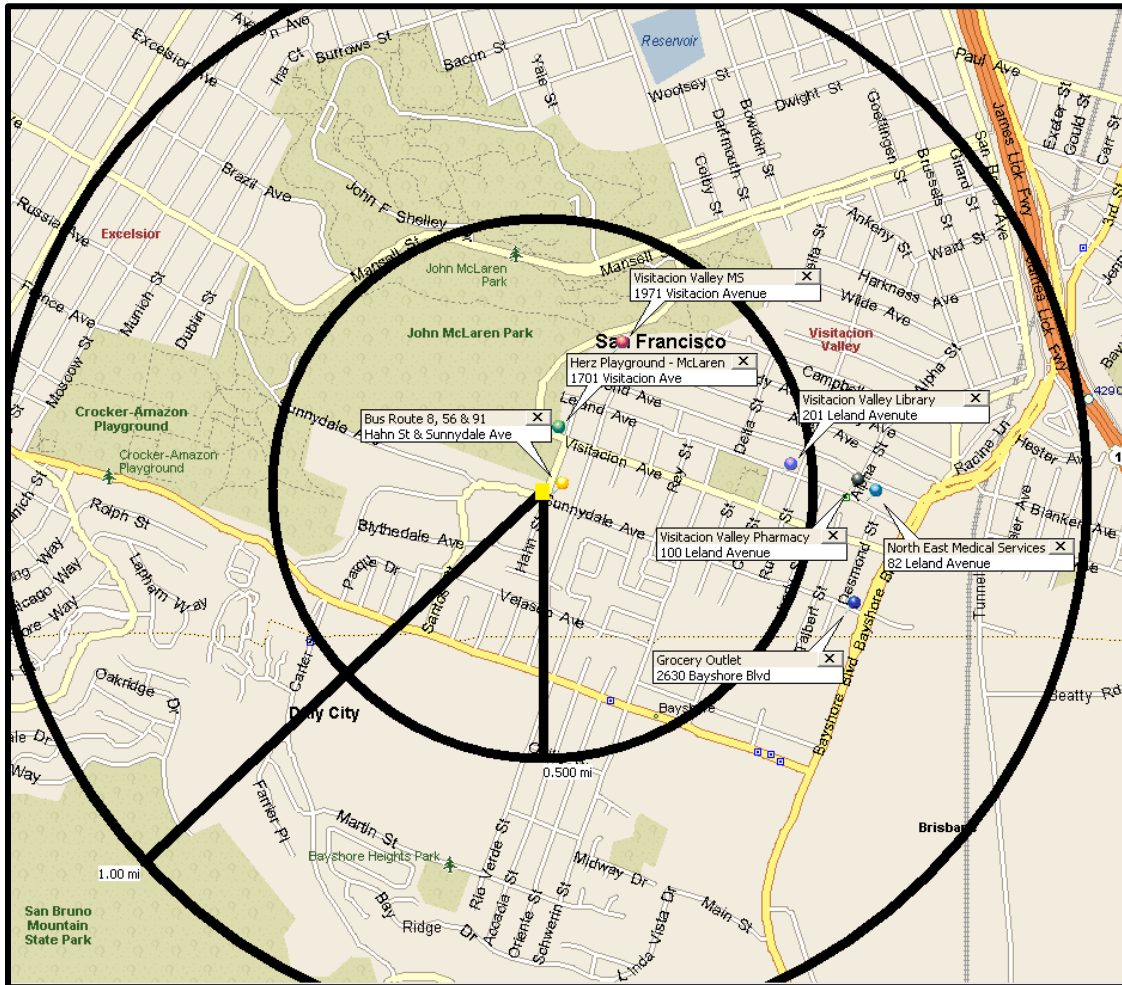
The Related Companies of CA – Asset Management



Attachment E: Threshold Eligibility Requirements and Ranking Criteria

N/A

Attachment F: Site Map with amenities



Attachment G: Elevations and Floor Plans

See attached.

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

See attached.

Affordable Multifamily Housing New Construction Cost Comparison

Updated	12/28/2022	Acquisition by Unit/Bed/SF											Construction by Unit/Bed/SF			Soft Costs by Unit/Bed/SF			Total Development Cost (Incl. Land)			Subsidy	
		Acq/unit	Acq/BR	Acq/lot sq.ft	Const/unit	Const/BR	Const/ sq.ft*	Soft/unit	Soft/BR	Soft/ sq.ft*	Gross TDC/unit	Gross TDC/BR	Gross TDC/ sq.ft*	Subsidy / unit	Leveraging ⁷								
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)								
Delta of Subject and Comparable Projects		\$ (14,453)	\$ (7,474)	\$ (33)	\$ 192,656	\$ 89,257	\$ 6	\$ 67,277	\$ 27,202	\$ 11	\$ 235,480	\$ 108,985	\$ 5	\$ (264,053)	212.1%								
Delta Percentage		-99%	-99%	-99%	27%	24%	1%	37%	34%	9%	27%	24%	1%	-100%	303%								
Sunnydale HOPE SF Block 3B		\$ 111	\$ 56	\$ 0	\$ 905,508	\$ 457,841	\$ 536	\$ 211,003	\$ 106,687	\$ 125	\$ 1,116,623	\$ 564,585	\$ 661	\$ -	100.0%								
Comparable Projects		Average:	\$ 14,564	\$ 7,530	\$ 32.84	\$ 712,853	\$ 368,584	\$ 531	\$ 153,726	\$ 79,485	\$ 114	\$ 881,143	\$ 455,599	\$ 656	\$ 264,053	70.0%							

Costs lower than comparable average (within 10%) Costs higher than comparable average (within 10%)

ALL PROJECTS	Average:	Building Square Footage						Total Project Costs			Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
		Lot sq.ft	Completion/ start date	# of Units	# of BR ¹	Res. ²	Non-Res. Sq. ft.	Total sq. ft.	Acq. Cost ³	Constr. Cost ⁴								Soft Cost
ALL PROJECTS	Average:	32,848		119	189	118,537	13,720	130,247	\$ 2,180,551	\$ 74,476,108	\$ 18,595,304	\$ 95,239,107	\$ 27,516,986	\$ 93,071,412				
Comparable Projects Completed (filtered)	Average:	56,073		113	219	126,698	25,464	152,162	\$1,404,680	\$74,883,855	\$14,818,744	\$91,107,279	\$24,956,460	\$89,702,599				
Comparable Projects Under Construction (filtered)	Average:	47,630		129	226	147,593	21,384	150,168	\$3,581,201	\$1,407,041	\$19,362,191	\$104,350,433	\$38,997,941	\$100,769,232				
Comparable Projects In Predevelopment (filtered)	Average:	48,379		101	218	134,469	23,845	158,314	\$8,907	\$88,187,832	\$18,540,806	\$106,737,544	\$26,604,668	\$106,728,638				
Total Comparable Projects	Average:	50,694		114	221	136,253	23,564	153,548	\$1,664,929	\$81,492,909	\$17,573,914	\$100,731,752	\$30,186,356	\$99,066,823				
Sunnydale HOPE SF Block 3B		39,160	Feb-23	90	178	119,195	32,731	151,926	\$ 10,001	\$ 81,495,757	\$ 18,990,285	\$ 100,496,043	\$ -	\$ 100,486,042		Type V over Type I	5	6 stories and basement. Parking and childcare included in non-res cost. Includes \$4.8 M 3A is paying to 3B for construction of parking garage in 3B
Delta of Subject and Comp Project Averages		-11,534		-24	-43	-17,058	9,167	-1,622	(\$1,654,928)	\$2,848	\$1,416,371	(\$235,709)	(\$30,186,356)	\$1,419,219				
Delta Percentage		-23%		-21%	-19%	-13%	39%	-1%	-99%	0%	8%	0%	-100%	1%				

PROJECTS COMPLETED		Building Square Footage						Total Project Costs			Total Dev. Cost w/land	Local Subsidy ⁵	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
Project Name	Address	Lot sq.ft	Compl. Date	# of Units	# of BR ¹	Res. ²	Non-Res.	Total	Acq. Cost ³	Constr. Cost ⁴								Soft Cost
Hunters View Phase II - B1 7 & 11	227-229 West Point Rd	82,703	May-17	107	239	117,023	23,857	140,880	\$ -	\$ 69,296,578	\$ 9,272,003	\$ 78,558,681	\$ 19,737,243	\$ 78,558,681	2 HCD Loans (MHP)	Type III-V over Type I fails	2 +	Mixed Townhome stepping down slope
Hunters View Phase II - Block 10	146 West Point Road	52,333	Jun-18	72	144	90,274	13,328	103,602	\$ -	\$ 39,639,577	\$ 8,732,464	\$ 48,372,041	\$ 17,393,406	\$ 48,372,041	9% LHTC	Type IIA over Type I	5	Incl Parking, Community Hub and Childcare
Mission Bay S. Block 3E	1150 Third Street	47,140	Jan-20	119	192	83,138	41,002	124,200	\$ -	\$ 75,178,904	\$ 3,628,267	\$ 78,805,171	\$ 20,993,600	\$ 78,805,171	HCD VHPHP Loan	Type V over Type I		strong articulation / ext. skin due to DAD reentry.
Potero Block X (Vertical)	25th and Connecticut	30,000	Sep-19	72	139	96,989	28,952	115,521	\$ 20,700	\$ 70,869,360	\$ 12,766,230	\$ 83,675,290	\$ 17,693,093	\$ 83,655,596		Type IIA & V over Type I Podu	4-6	4-6 stories stepped w/ topography. No infrast. Cost
1990 Folsom Street	1990 Folsom Street	29,047	Sep-21	143	226	138,824	15,063	153,887	\$ 8,407,390	\$ 92,061,712	\$ 25,618,512	\$ 128,085,614	\$ 46,711,498	\$ 117,678,224		Type Land Type IA	2 & B	Mixed type - Townhomes + 8 story Type I
Sunnydale Block 6	242 Hahn Street	95,213	Feb-22	167	375	244,359	30,524	274,883	\$ -	\$ 102,447,000	\$ 28,898,989	\$ 131,345,989	\$ 28,109,924	\$ 131,345,989		Type V over Type I		await final close out costs
Completed Projects:	Average:	36,157		108	181	108,261	16,653	124,851	\$3,506,450	\$7,572,476	\$13,446,822	\$84,525,748	\$23,882,523	\$104,019,298				

PROJECTS UNDER CONSTRUCTION		Building Square Footage						Total Project Costs			Total Dev. Cost w/land	Local Subsidy ⁵	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
Project Name	Address	Lot sq.ft	Compl. Date	# of Units	# of BR ¹	Res. ²	Non-Res.	Total	Acq. Cost ³	Constr. Cost ⁴								Soft Cost
Maceo May	Treasure Island C3.2 B1 C3.A	32,203	Jan-23	105	138	68,488	35,472	103,960	\$ 15,000	\$ 57,115,248	\$ 17,045,748	\$ 74,175,996	\$ 24,225,000	\$ 74,160,996	2 HCD Loans (VHPHP)	Type IIA FBH Type I	3-6	Factory built; 20 Pkg - T1 devel. weather resistant
Treasure Island C3.1	8th St. Avenue C	49,841	May-24	138	321	198,821	11,765	210,586	\$ 25,000	\$ 98,295,567	\$ 18,953,264	\$ 117,273,831	\$ 28,952,317	\$ 117,248,831		Type IIA over Type IA	7	4-7 Stories Type V & IIA over 2 Stories Type IA
4840 Mission	4840 Mission	64,033	Jun-23	137	232	181,711	14,384	120,861	\$ 14,189,802	\$ 83,789,393	\$ 23,931,086	\$ 121,890,281	\$ 51,614,447	\$ 107,720,479	HCD MHP Loan	Type V over Type I		Incl retail + 39 spaces pkg + Health Clinic + POPO
Shirley Chisholm Village Ed Hsg.	1351 42nd/1360 43rd	44,444	Aug-22	158	212	141,351	23,915	165,266	\$ 115,002	\$ 86,427,957	\$ 17,518,666	\$ 104,051,625	\$ 51,200,000	\$ 103,946,623	9% LHTC	Type VA over IA	4	9% TCAC (85% CD est 12/20 esc. to 7/22)

PROJECTS IN PREDEVELOPMENT		Building Square Footage						Total Project Costs			Total Dev. Cost w/land	Local Subsidy	Total Dev. Cost w/o land	Notes on Financing	Building Type	Stories	Comments	
Project Name	Address	Lot sq.ft	Start Date (anticipated)	# of Units	# of BR ¹	Res. ²	Non-Res.	Total	Acq. Cost ³	Constr. Cost ⁴								Soft Cost
Sunnydale Block 3B	1501 Sunnydale Avenue	39,160	Nov-22	90	178	113,438	38,468	151,926	\$ 20,001	\$ 71,571,738	\$ 19,352,088	\$ 90,943,827	\$ 8,466,742	\$ 90,929,826	4% Credits; HCD IG	Type VA over IA	6	check coning to 11/2023 + parking
Sunnydale Block 3A	1501 Sunnydale Avenue	34,400	Jan-23	80	164	94,595	19,013	113,608	\$ 20,001	\$ 72,470,936	\$ 22,824,983	\$ 95,315,920	\$ 26,044,938	\$ 95,295,919	4% Credits; HCD IG	Type VA over IA	5	escal to 1/2023)
Potero Block B	29th and Connecticut	74,311	Aug-22	167	348	219,291	42,257	261,548	\$ 11,251	\$ 147,636,082	\$ 37,617,867	\$ 185,265,200	\$ 15,688,292	\$ 185,253,949	4% Credits; HCD IG	Type IIA over IA	5-6	no pkg + cc + park; excr; nira; inc's nra; escalator (gap; esp; ratio 6/1)
HPSY Block 52-54	151 and 351 Friedell St	45,580	May-22	112	217	147,190	21,541	168,731	\$ -	\$ 91,878,228	\$ 16,839,389	\$ 108,717,617	\$ 59,200,732	\$ 108,717,617	4% credits, bonds	Type II over Type I		
HPSY Block 56	11 Innes Court	26,792	Jul-22	73	147	76,614	15,939	92,553	\$ -	\$ 50,051,162	\$ 13,596,970	\$ 63,648,132	\$ 34,396,619	\$ 63,648,132	4% LHTC; HCD IG	Type I over Type I	5	
Hunters View Ph 3 Block 14 & 17	855 & 853 Hunters View Dr	39,355	Oct-22	118	286	172,645	3,881	176,526	\$ -	\$ 99,328,925	\$ 23,897,671	\$ 123,226,602	\$ 37,735,027	\$ 123,226,602	4% Credits; HCD MHP	Type IIA over Type I	5-6	Incl Comm spaces & 56 Pkg (35% CD 8/20)
Sunnydale Block 7	Santitas Wy and Santos St	73,161	Oct-24	81	184	114,374	22,815	137,189	\$ 10,000	\$ 76,088,122	\$ 8,000,000	\$ 86,088,122	\$ 12,743,082	\$ 86,688,122	4% Credits; HCD IG	Type VA over IA	5	Parking at 74 ratio; 100% SD 5.5.2022 est with 18% esc for new work.
Sunnydale Block 9	TBD	52,272	Oct-24	96	223	137,602	26,826	164,428	\$ 10,000	\$ 94,477,462	\$ 6,197,471	\$ 100,684,933	\$ 18,660,015	\$ 100,674,933	4% Credits; HCD IG	Type VA over IA	5	

Attachment I: Predevelopment Budget

N/A

Attachment J: Development Budget

See attached.

Application Date: 12/21/22 # Units: 90
 Project Name: Sunnydale HOPE SF Block 3B # Bedrooms: 174
 Project Address: 1555 Sunnydale Avenue # Beds:
 Project Sponsor: Related & Mercy

SOURCES	31,506,016	18,673,294	47,814,455	6,500,000	-	1,554,871	-	Total Sources	106,048,636	Comments
Name of Sources:	MOHCD/OCII	Perm Loan	HCD Acc.	HCD IIG	3A Parking	Deferred Costs				

USES

ACQUISITION

Acquisition cost or value	1								1	
Legal / Closing costs / Broker's Fee	10,000								10,000	
Holding Costs									0	
Transfer Tax									0	
TOTAL ACQUISITION	10,001	0	0	0	0	0	0	0	10,001	

CONSTRUCTION (HARD COSTS)

* Unit Construction/Rehab		9,107,882	47,814,455						56,922,337	Include FF&E
* Commercial Shell Construction	1,662,054								1,662,054	
* Demolition	0								0	
* Environmental Remediation	0								0	
* Onsite Improvements/Landscaping	0								0	
* Offsite Improvements									0	
* Infrastructure Improvements				6,500,000					6,500,000	Phase 1A3 IIG Assignment
Parking	3,784,545								3,784,545	
GC Bond Premium/GC Insurance/GC Taxes	1,604,521								1,604,521	2.1%
GC Overhead & Profit	1,907,132								1,907,132	2.5%
CG General Conditions	5,109,447								5,109,447	6.6%
Sub-total Construction Costs	14,067,699	9,107,882	47,814,455	6,500,000	0	0	0	0	77,490,036	
Design Contingency (remove at DD)	1,353,973								1,353,973	Contractor's Contingency 1.7%
Bid Contingency (remove at bid)		768,465							768,465	Contingency for Draft Quals 1.0%
Plan Check Contingency (remove/reduce during Plan Revie	0								0	0.0%
Hard Cost Construction Contingency	3,655,623								3,655,623	Owner's Contingency 4.7%
Sub-total Construction Contingencies	5,009,596	768,465	0	0	0	0	0	0	5,778,061	
TOTAL CONSTRUCTION COSTS	19,077,295	9,876,347	47,814,455	6,500,000	0	0	0	0	83,268,097	

Construction line item costs as a % of hard costs

SOFT COSTS

Architecture & Design

Architect design fees		1,558,460							1,558,460	See MOHCD A&E Fee Guidelines: http://sfmohcd.org/documents-reports-and-forms
Design Subconsultants to the Architect (incl. Fees)		629,290							629,290	Interstice
Architect Construction Admin									0	
Reimbursables									0	
Additional Services									0	
Sub-total Architect Contract	0	2,187,750	0	0	0	0	0	0	2,187,750	
Other Third Party design consultants (not included under Architect contract)		544,750							544,750	Consultants not covered under architect contract; name consultant type and contract amount
Total Architecture & Design	0	2,732,500	0	0	0	0	0	0	2,732,500	

Engineering & Environmental Studies

Survey		40,000							40,000	Martin Ron
Geotechnical studies		132,700							132,700	Engeo
Phase I & II Reports									0	
CEQA / Environmental Review consultants									0	
NEPA / 106 Review									0	
CNA/PNA (rehab only)									0	
Other environmental consultants		177,000							177,000	ADMP Monitoring
Total Engineering & Environmental Studies	0	349,700	0	0	0	0	0	0	349,700	

Financing Costs

Construction Financing Costs										
Construction Loan Origination Fee	572,791								572,791	
Construction Loan Interest	2,416,306	5,714,747							8,131,053	
Title & Recording	100								100	
CDLAC & CDIAC fees									0	
Bond Issuer Fees									0	
Other Bond Cost of Issuance									0	
MOHCD Incurred/Deferred Interest						1,554,871			1,554,871	Gap loan interest
Sub-total Const. Financing Costs	2,989,197	5,714,747	0	0	0	1,554,871	0	0	10,258,815	
Permanent Financing Costs										
Permanent Loan Origination Fee	35,000								35,000	
Credit Enhance. & Appl. Fee	209,386								209,386	
Title & Recording	87,500								87,500	
Sub-total Perm. Financing Costs	331,886	0	0	0	0	0	0	0	331,886	
Total Financing Costs	3,321,083	5,714,747	0	0	0	1,554,871	0	0	10,590,701	

Legal Costs

Borrower Legal fees	203,240								203,240	
Land Use / CEQA Attorney fees									0	
Tax Credit Counsel									0	
Bond Counsel									0	
Construction Lender Counsel	65,000								65,000	
Permanent Lender Counsel	65,000								65,000	
MOHCD Counsel	112,000								112,000	MOHCD and CalHFA
Total Legal Costs	445,240	0	0	0	0	0	0	0	445,240	

Other Development Costs

Appraisal	15,000								15,000	
Market Study	20,000								20,000	
Insurance	1,166,585								1,166,585	
Property Taxes									0	
Accounting / Audit	36,800								36,800	
Organizational Costs	43,200								43,200	
Entitlement / Permit Fees	1,503,456								1,503,456	
Marketing / Rent-up	438,350								438,350	
Furnishings	180,000								180,000	\$2,000/unit; See MOHCD U/W Guidelines on: http://sfmohcd.org/documents-reports-and-forms
PGE / Utility Fees									0	
TCAC App / Alloc / Monitor Fees	10,900								10,900	
Financial Consultant fees	110,000								110,000	CHPC
Construction Management fees / Owner's Rep	195,000								195,000	
Security during Construction	240,000								240,000	
Relocation									0	
Community Relations	8,850								8,850	
Total Other Development Costs	3,968,141	0	0	0	0	0	0	0	3,968,141	

Total Soft Cost Contingency as % of Total Soft Costs

Soft Cost Contingency

Contingency (Arch, Eng, Fin, Legal & Other Dev)	904,003								904,003	Should be either 10% or 5% of total soft costs.
TOTAL SOFT COSTS	8,638,467	8,796,947	0	0	0	1,554,871	0	0	18,990,285	5.0%

RESERVES

* Operating Reserves	957,345								957,345	
* Replacement Reserves									0	
* Tenant Improvements Reserves									0	
* Commercial TI, RR, legal	481,275								481,275	
* Commercial Operating Reserve	141,633								141,633	
TOTAL RESERVES	1,580,253	0	0	0	0	0	0	0	1,580,253	

DEVELOPER COSTS

Developer Fee - Cash-out Paid at Milestones	1,100,000								1,100,000	
Developer Fee - Cash-out At Risk	1,100,000								1,100,000	
Commercial Developer Fee									0	
Developer Fee - GP Equity (also show as source)									0	
Developer Fee - Deferred (also show as source)									0	
Development Consultant Fees									0	
Other (specify)									0	
TOTAL DEVELOPER COSTS	2,200,000	0	0	0	0	0	0	0	2,200,000	

TOTAL DEVELOPMENT COST

Development Cost/Unit by Source	31,506,016	18,673,294	47,814,455	6,500,000	0	1,554,871	0	106,048,636
Development Cost/Unit as % of TDC by Source	29.7%	17.6%	45.1%	6.1%	0.0%	1.5%	0.0%	100.0%

Acquisition Cost/Unit by Source

	0	0	0	0	0	0	0	0
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Construction Cost (inc Const Contingency)/Unit By Source

	211,970	109,737	531,272	72,222	0	0	0	925,201
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Construction Cost (inc Const Contingency)/SF

	125.57	65.01	314.72	42.78	0.00	0.00	0.00	548.08
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*Possible non-eligible GO Bond/COP Amount:

City Subsidy/Unit	5,292,442
	350,067

Tax Credit Equity Pricing:

Construction Bond Amount:	N/A
Construction Loan Term (in months):	34 months
Construction Loan Interest Rate (as %):	7.80%

Attachment K: 1st Year Operating Budget

See attached.

Application Date: 12/21/2022 Project Name: Sunnydale HOPE SF Block 3B
 Total # Units: 90 Project Address: 1555 Sunnydale Avenue
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2025 Project Sponsor: Related & Mercy
TCAC Income Limits In Use!

INCOME	Total	Comments
Residential - Tenant Rents	1,539,960	Links from 'New Proj - Rent & Unit Mix' Worksheet
Residential - Tenant Assistance Payments (Non-LOSP)	1,758,696	Links from 'New Proj - Rent & Unit Mix' Worksheet
Commercial Space	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 0%
Residential Parking	0	Links from 'Utilities & Other Income' Worksheet
Miscellaneous Rent Income	0	Links from 'Utilities & Other Income' Worksheet
Supportive Services Income		
Interest Income - Project Operations	0	Links from 'Utilities & Other Income' Worksheet
Laundry and Vending	0	Links from 'Utilities & Other Income' Worksheet
Tenant Charges	0	Links from 'Utilities & Other Income' Worksheet
Miscellaneous Residential Income	0	Links from 'Utilities & Other Income' Worksheet
Other Commercial Income	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 0%
Withdrawal from Capitalized Reserve (deposit to operating account)		
Gross Potential Income	3,298,656	
Vacancy Loss - Residential - Tenant Rents	(76,998)	Vacancy loss is 5% of Tenant Rents.
Vacancy Loss - Residential - Tenant Assistance Payments	(87,935)	Vacancy loss is 5% of Tenant Assistance Payments.
Vacancy Loss - Commercial	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 0%
EFFECTIVE GROSS INCOME	3,133,723	PUPA: 34,819

OPERATING EXPENSES		
Management		
Management Fee	82,080	\$76 PUPM
Asset Management Fee	24,280	
Sub-total Management Expenses	106,360	PUPA: 1,182

Salaries/Benefits		
Office Salaries	54,080	1 FTE APM @ \$26/hour
Manager's Salary	46,770	.5 FTE PM to be split with 3A pro rata- Block 3A47%/Block 3B 53%= \$84K; plus Reg.
Health Insurance and Other Benefits		
Other Salaries/Benefits		1 FTE community coordinators @ \$23.17/h removed from 3B budget
Administrative Rent-Free Unit		
Sub-total Salaries/Benefits	100,850	PUPA: 1,121

Administration		
Advertising and Marketing	2,700	\$20 PUPA for resident engagement; \$10 PUPA for MHMG collateral
Office Expenses	33,617	Office eqmt and supplies, incl. postage, telephone, computer, and support
Office Rent		
Legal Expense - Property	5,000	Cost for anticipated legal issues due to behavior and rent collection
Audit Expense	20,070	\$223 PUPA
Bookkeeping/Accounting Services	13,500	12.50 PUPM
Bad Debts		
Miscellaneous	1,688	Other personnell expenses - trainings, conventions, etc.
Sub-total Administration Expenses	76,575	PUPA: 851

Utilities		
Electricity	130,410	\$939 PUPA, based on 290 comp
Water	63,000	\$700 PUPA Based on similar sized comps
Gas		All electric building
Sewer	108,000	\$1,200 PUPA based on Casala and 290, due to an increase in water/sewer charges
Sub-total Utilities	301,410	PUPA: 3,349

Taxes and Licenses		
Real Estate Taxes	3,000	
Payroll Taxes		
Miscellaneous Taxes, Licenses and Permits	85,608	payroll taxes, retirement, benefits, workers comp - Mercy mgmt and maintenance staff
Sub-total Taxes and Licenses	88,608	PUPA: 985

Insurance		
Property and Liability Insurance	137,160	
Fidelity Bond Insurance		
Worker's Compensation		
Director's & Officers' Liability Insurance		
Sub-total Insurance	137,160	PUPA: 1,524

Maintenance & Repair		
Payroll	65,326	.5 FTE SMM- \$33,490 annually, .5 FTE MT- \$28,596 annually; to be split with pro rata
Supplies	12,952	Tools, grounds, trash removal, exterminating, fire protection, paint, maintenance equip.
Contracts	149,179	Elevators, extermination, fire protection, window cleaning, dryer duct cleaning.
Garbage and Trash Removal	98,160	Based on Casala service contract, to include 3rd party trash sorter
Security Payroll/Contract	54,064	Cost for 2 armed guards, allocated between 290 Malosi, Casala, Block 3A and 3B, B1.
HVAC Repairs and Maintenance	3,328	HVAC contract- \$6280; To be shared with Block 3A
Vehicle and Maintenance Equipment Operation and Repairs	22,018	Mechanized parking maintenance costs
Miscellaneous Operating and Maintenance Expenses	1,500	Sidewalk encroachment fee
Sub-total Maintenance & Repair Expenses	406,527	PUPA: 4,517

Supportive Services	113,920	
Commercial Expenses	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 0%

TOTAL OPERATING EXPENSES 1,331,410 **PUPA: 14,793**

Reserves/Ground Lease Base Rent/Bond Fees			
Ground Lease Base Rent	15,000	Ground lease with SFHA	Provide additional comments here, if needed.
Bond Monitoring Fee			
Replacement Reserve Deposit	45,000	Per HCD, \$500 PUPA	
Operating Reserve Deposit			
Other Required Reserve 1 Deposit	45,000	Community Association Fee (HOA), \$500 PUPA	
Other Required Reserve 2 Deposit	2,250	Tenant Association fee per SFHA Ground Lease	
Required Reserve Deposits, Commercial	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 0%	
Sub-total Reserves/Ground Lease Base Rent/Bond Fees	107,250	PUPA: 1,192	Min DSCR: 1.15 Mortgage Rate: 7.25%

TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees) 1,438,660 **PUPA: 15,985**

NET OPERATING INCOME (INCOME minus OP EXPENSES) 1,695,063 **PUPA: 18,834**

DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)			
Hard Debt - First Lender	1,433,374	Permanent Loan	Provide additional comments here, if needed.
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Lender)	46,683	Recycled Bonds	Provide additional comments here, if needed.
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	0		Provide additional comments here, if needed.
Hard Debt - Fourth Lender	0		Provide additional comments here, if needed.
Commercial Hard Debt Service	0	from 'Commercial Op. Budget' Worksheet; Commercial to Residential allocation: 0%	
TOTAL HARD DEBT SERVICE	1,480,057	PUPA: 16,445	

CASH FLOW (NOI minus DEBT SERVICE) 215,006

USES OF CASH FLOW BELOW (This row also shows DSCR.) 1.15

USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL			
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)			
Partnership Management Fee (see policy for limits)		23460	
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)			
Other Payments			
Non-amortizing Loan Pmnt - Lender 1 (select lender in comments field)			Provide additional comments here, if needed.
Non-amortizing Loan Pmnt - Lender 2 (select lender in comments field)			Provide additional comments here, if needed.
Deferred Developer Fee (Enter amt <= Max Fee from cell I130)		Def. Develop. Fee split: 0%	Provide additional comments here, if needed.

TOTAL PAYMENTS PRECEDING MOHCD 0 **PUPA: 0**

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD) 215,006

Residual Receipts Calculation
 Does Project have a MOHCD Residual Receipt Obligation? **Yes** Project has MOHCD ground lease? **No**
 Will Project Defer Developer Fee? **No**
 Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1 **33%**
 % of Residual Receipts available for distribution to soft debt lenders in **67%**

Soft Debt Lenders with Residual Receipts Obligations	(Select lender name/program from drop down)	Total Principal Amt	Distrib. of Soft Debt Loans
MOHCD/OCII - Soft Debt Loans	All MOHCD/OCII Loans payable from res. rects	\$0	0.00%
MOHCD/OCII - Ground Lease Value or Land Acq Cost	Acquisition Cost	\$1	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		
MOHCD Residual Receipts Amount Due	143,337	67% of residual receipts, multiplied by 100% - MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Loan Repayment	143,337	Enter/override amount of residual receipts proposed for loan repayment.
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	0	If applicable, MOHCD residual receipts amt due LESS amt proposed for loan repymt.

REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE 71,669

NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
HCD Residual Receipts Amount Due	0	
Lender 4 Residual Receipts Due	0	
Lender 5 Residual Receipts Due	0	
Total Non-MOHCD Residual Receipts Debt Service	0	

REMAINDER (Should be zero unless there are distributions below) 71,669
 Owner Distributions/Incentive Management Fee 71,669 100% of Borrower share of 33% of residual receipts
 Other Distributions/Uses 0
Final Balance (should be zero) 0

Attachment L: 20-year Operating Proforma

See attached.

Sunnydale HOPE SF Block 3B

Total # Units: 90

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
	% annual increase	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
INCOME																				
Residential - Tenant Rents	2.5%	1,539,960	1,578,459	1,617,920	1,658,368	1,699,828	1,742,323	1,785,881	1,830,529	1,876,292	1,923,199	1,971,279	2,020,561	2,071,075	2,122,852	2,175,923	2,230,321	2,286,079	2,343,231	2,401,812
Residential - Tenant Assistance Payments (Non-LOSP)	2.5%	1,758,696	1,802,663	1,847,730	1,893,923	1,941,271	1,989,803	2,039,548	2,090,537	2,142,800	2,196,370	2,251,280	2,307,562	2,365,251	2,424,382	2,484,991	2,547,116	2,610,794	2,676,064	2,742,966
Commercial Space	3.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Potential Income		3,298,656	3,381,122	3,465,650	3,552,292	3,641,099	3,732,126	3,825,430	3,921,065	4,019,092	4,119,569	4,222,559	4,328,123	4,436,326	4,547,234	4,660,915	4,777,437	4,896,873	5,019,295	5,144,778
Vacancy Loss - Residential - Tenant Rents	n/a	(76,998)	(78,923)	(80,896)	(82,918)	(84,991)	(87,116)	(89,294)	(91,526)	(93,815)	(96,160)	(98,564)	(101,028)	(103,554)	(106,143)	(108,796)	(111,516)	(114,304)	(117,162)	(120,091)
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	(87,935)	(90,133)	(92,386)	(94,696)	(97,064)	(99,490)	(101,977)	(104,527)	(107,140)	(109,819)	(112,564)	(115,378)	(118,263)	(121,219)	(124,250)	(127,356)	(130,540)	(133,803)	(137,148)
Vacancy Loss - Commercial	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EFFECTIVE GROSS INCOME		3,133,723	3,212,066	3,292,368	3,374,677	3,459,044	3,545,520	3,634,158	3,725,012	3,818,137	3,913,591	4,011,431	4,111,716	4,214,509	4,319,872	4,427,869	4,538,566	4,652,030	4,768,330	4,887,539
OPERATING EXPENSES																				
Management	3.5%	106,360	110,083	113,935	117,923	122,051	126,322	130,744	135,320	140,056	144,958	150,031	155,282	160,717	166,342	172,164	178,190	184,427	190,882	197,563
Salaries/Benefits	3.5%	100,850	104,380	108,033	111,814	115,728	119,778	123,970	128,309	132,800	137,448	142,259	147,238	152,391	157,725	163,245	168,959	174,872	180,993	187,328
Administration	3.5%	76,575	79,255	82,029	84,900	87,872	90,947	94,130	97,425	100,835	104,364	108,017	111,797	115,710	119,760	123,952	128,290	132,780	137,427	142,237
Utilities	3.5%	301,410	311,959	322,878	334,179	345,875	357,981	370,510	383,478	396,899	410,791	425,169	440,049	455,451	471,392	487,891	504,967	522,641	540,933	559,866
Taxes and Licenses	3.5%	88,608	91,709	94,919	98,241	101,680	105,239	108,922	112,734	116,680	120,764	124,990	129,365	133,893	138,579	143,429	148,449	153,645	159,023	164,588
Insurance	3.5%	137,160	141,961	146,929	152,072	157,394	162,903	168,605	174,506	180,614	186,935	193,478	200,249	207,258	214,512	222,020	229,791	237,834	246,158	254,773
Maintenance & Repair	3.5%	406,527	420,755	435,482	450,724	466,499	482,827	499,725	517,216	535,318	554,055	573,446	593,517	614,290	635,790	658,043	681,075	704,912	729,584	755,120
Supportive Services	3.5%	113,920	117,907	122,034	126,305	130,726	135,301	140,037	144,938	150,011	155,261	160,695	166,320	172,141	178,166	184,402	190,856	197,536	204,449	211,605
Commercial Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		1,331,410	1,378,009	1,426,240	1,476,158	1,527,824	1,581,297	1,636,643	1,693,925	1,753,213	1,814,575	1,878,085	1,943,818	2,011,852	2,082,267	2,155,146	2,230,576	2,308,646	2,389,449	2,473,080
PUPA (w/o Reserves/GL Base Rent/Bond Fees)		14,793																		
Reserves/Ground Lease Base Rent/Bond Fees																				
Ground Lease Base Rent		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Bond Monitoring Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Deposit		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Operating Reserve Deposit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Required Reserve 1 Deposit		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Other Required Reserve 2 Deposit		2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Required Reserve Deposits, Commercial		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total Reserves/Ground Lease Base Rent/Bond Fees		107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250	107,250
TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)		1,438,660	1,485,259	1,533,490	1,583,408	1,635,074	1,688,547	1,743,893	1,801,175	1,860,463	1,921,825	1,985,335	2,051,068	2,119,102	2,189,517	2,262,396	2,337,826	2,415,896	2,496,699	2,580,330
PUPA (w/ Reserves/GL Base Rent/Bond Fees)		15,985																		
NET OPERATING INCOME (INCOME minus OP EXPENSES)		1,695,063	1,726,807	1,758,878	1,791,269	1,823,970	1,856,973	1,890,265	1,923,837	1,957,675	1,991,766	2,026,095	2,060,648	2,095,407	2,130,355	2,165,473	2,200,739	2,236,133	2,271,631	2,307,209
DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)																				
Hard Debt - First Lender		1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374	1,433,374
Hard Debt - Second Lender (HCD Program 0.42% pymt. or other 2nd Lender)		46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683	46,683
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hard Debt - Fourth Lender		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Hard Debt Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL HARD DEBT SERVICE		1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057	1,480,057
CASH FLOW (NOI minus DEBT SERVICE)		215,006	246,750	278,821	311,212	343,913	376,916	410,208	443,780	477,618	511,709	546,038	580,591	615,350	650,298	685,416	720,682	756,076	791,574	827,152
USES OF CASH FLOW BELOW (This row also shows DSCR.)	DSCR:	1.145	1.167	1.188	1.21	1.232	1.255	1.277	1.3	1.323	1.346	1.369	1.392	1.416	1.439	1.463	1.487	1.511	1.535	1.559
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL																				
Deferred Developer Fee (Enter amt <= Max Fee from row 131)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	3.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership Management Fee (see policy for limits)	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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PAYMENTS PRECEDING MOHCD		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)		215,006	246,750	278,821	311,212	343,913	376,916	410,208	443,780	477,618	511,709	546,038	580,591	615,350	650,298</					

Sunnydale HOPE SF Block 3B

Total # Units: 90

		Year 20
		2044
INCOME	% annual increase	Total
Residential - Tenant Rents	2.5%	2,461,857
Residential - Tenant Assistance Payments (Non-LOSP)	2.5%	2,811,540
Commercial Space	3.0%	-
Other Income		-
Gross Potential Income		5,273,397
Vacancy Loss - Residential - Tenant Rents	n/a	(123,093)
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	(140,577)
Vacancy Loss - Commercial	n/a	-
EFFECTIVE GROSS INCOME		5,009,727
OPERATING EXPENSES		
Management	3.5%	204,477
Salaries/Benefits	3.5%	193,884
Administration	3.5%	147,216
Utilities	3.5%	579,461
Taxes and Licenses	3.5%	170,349
Insurance	3.5%	263,690
Maintenance & Repair	3.5%	781,549
Supportive Services	3.5%	219,011
Commercial Expenses		-
TOTAL OPERATING EXPENSES		2,559,637
PUPA (w/o Reserves/GL Base Rent/Bond Fees)		
Reserves/Ground Lease Base Rent/Bond Fees		
Ground Lease Base Rent		15,000
Bond Monitoring Fee		0
Replacement Reserve Deposit		45,000
Operating Reserve Deposit		0
Other Required Reserve 1 Deposit		45,000
Other Required Reserve 2 Deposit		2,250
Required Reserve Deposit/s, Commercial		0
Sub-total Reserves/Ground Lease Base Rent/Bond Fees		107,250
TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)		2,666,887
PUPA (w/ Reserves/GL Base Rent/Bond Fees)		
NET OPERATING INCOME (INCOME minus OP EXPENSES)		2,342,840
DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)		
Hard Debt - First Lender		1,433,374
Hard Debt - Second Lender (HCD Program 0.42% pymt. or other 2nd Lender)		46,683
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)		-
Hard Debt - Fourth Lender		-
Commercial Hard Debt Service		-
TOTAL HARD DEBT SERVICE		1,480,057
CASH FLOW (NOI minus DEBT SERVICE)		862,783
USES OF CASH FLOW BELOW (This row also shows DSCR.)	DSCR:	1.583
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL		
Deferred Developer Fee (Enter amt <= Max Fee from row 131)		-
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	3.5%	-
Partnership Management Fee (see policy for limits)	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		-
TOTAL PAYMENTS PRECEDING MOHCD		-
RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)		862,783
Does Project have a MOHCD Residual Receipt Obligation?	Yes	
Will Project Defer Developer Fee?	No	
Residual Receipts split for all years. - Lender/Owner	37% / 33%	
MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
MOHCD Residual Receipts Amount Due	Dist. Soft Debt Loans	575,188
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	100.00%	-
Proposed MOHCD Residual Receipts Amount to Replacement Reserve		-
REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE		287,594
NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE		
HCD Residual Receipts Amount Due	0.00%	-
Lender 4 Residual Receipts Due	0.00%	-
Lender 5 Residual Receipts Due	0.00%	-
Total Non-MOHCD Residual Receipts Debt Service		-
REMAINDER (Should be zero unless there are distributions below)		287,594
Owner Distributions/Incentive Management Fee		287,594
Other Distributions/Uses		-
Final Balance (should be zero)		-
RR Running Balance		900,000
OR Running Balance		-
Other Required Reserve 1 Running Balance		900,000
Other Required Reserve 2 Running Balance		45,000
DEFERRED DEVELOPER FEE - RUNNING BALANCE		
Developer Fee Starting Balance		-
Deferred Developer Fee Earned in Year		-
Developer Fee Remaining Balance		-

Attachment M: HOPE SF Project Summary

HOPE SF Initiative:

HOPE SF, established in 2007, seeks to transform four of San Francisco's most distressed public housing sites into new mixed-income communities. HOPE SF sites share unified principals and goals to eradicate intergenerational poverty by:

- Ensuring No Loss of Public Housing, which includes unit-for-unit replacement, building modern high-quality homes, and minimizing temporary and permanent displacement.
- Creating an Economically Integrated Community.
- Maximizing the Creation of New Affordable Housing.
- Involving Residents in the Highest Levels of Participation in the Entire Project.
- Providing Economic Opportunities through the Rebuilding Process.
- Integrating Process with Neighborhood Improvement Revitalization Plans.
- Creating Economically Sustainable and Accessible Communities.
- Building a Strong Sense of Community.

The four HOPE SF sites are Alice Griffith, Hunters View, Sunnydale/Velasco and Potrero Annex/Terrace.

Project Summary:

The 48.8-acre Sunnydale HOPE SF site is located in the western end of the Visitacion Valley neighborhood in San Francisco. The Sunnydale and Velasco public housing, together referred to as Sunnydale, are currently owned, and operated by the San Francisco Housing Authority (SFHA), with 775 public housing units on site. The team of Mercy Housing California and The Related Companies of California was selected as the master developer by the SFHA and entered into an Exclusive Negotiating Rights Agreement with SFHA dated September 11, 2008. Van Meter Williams Pollack LLP was selected as the master plan architect.

The Sunnydale HOPE SF master planning process included an extensive resident and community engagement that spanned over 18 months. The goals for the revitalization of Sunnydale is to create a vibrant and healthy mixed-income neighborhood in which residents thrive. The development should reconnect Sunnydale residents with the surrounding neighborhood and reconnect the surrounding neighborhood with the Sunnydale residents. It is envisioned that the new community will bring in new residents of different incomes, new quality programs for youth and families, and new open space and green landscaping will provide healthy places to play and to grow local produce.

The master plan as described in the Development and Master Development Agreements includes:

- Up to 1,770 housing units consisting of a mix of one-for-one replacement public housing pending availability of project based rental subsidies, and tax credit affordable units for a total of 994 total affordable units, and approximately 600 market rate units;
- A 30,000 square foot Community Center with recreational facility and family and youth development programs for the entire neighborhood and an early childhood learning center, located at the gateway on Hahn and Sunnydale Avenue;
- 22,000 square feet for a neighborhood health clinic, arts program, early childhood education center, and job training for youth and adults located in the ground floor of the family mixed use buildings across the street from the Community Center.
- 8,000 square feet of neighborhood serving retail including a corner grocery, financial services, and healthy eating establishments also located in the ground floor of the mixed use building;
- 4.6 acres of open spaces in four blocks and a linear open space on the north side of Sunnydale Avenue. The program for these open spaces includes a community garden, orchards, plazas, play areas, and neighborhood green.

The Sunnydale HOPE SF development received CEQA clearance on July 9, 2015 and NEPA clearance with CPD and PIH Authorization to Use Grant Funds on September 1, 2015. An EIR/EIS Addendum for Parcel Q was approved on June 16, 2016. The Board of Supervisors approved the Master Development Agreement with SFHA and City on December 8, 2016 by SFHA Commission and on January 31, 2017. The Development Agreement, which vests entitlements for the project for 25 years, was approved by the Board of Supervisors on January 31, 2017. Both the MDA and DA were recorded on March 3, 2017.

Project Funding Summary – Funded to Date:

Master Planning Funding to Date:

Master Planning activities related to community building, Choice Neighborhoods Planning, EIR/EIS Planning, Entitlements Legislation etc. has been funded since 2008 in the following amounts:

Total Master Planning Sources	Amount	Status
HOPE SF Loan 1	\$1,400,000	Disbursed
HOPE SF Loan 2	\$1,724,593	Disbursed
HOPE SF Loan 3	\$1,000,000	Disbursed
HOPE SF Loan 4	\$1,123,846	Disbursed
HOPE SF Loan 5	\$1,000,000	Disbursed
HOPE SF Loan 6	\$2,475,000	Disbursed
HOPE SF Loan 7	\$1,094,878	\$960,052 left to Disburse
Total	\$9,818,317	

Sunnydale Vertical and Horizontal Funding to Date:	Amount	Status
Parcel Q Vertical Predev	\$2,000,000	Disbursed, closed in Dec 2016
Parcel Q Acquisition	\$3,000,000	Disbursed, closed in Dec 2016
Parcel Q Gap	\$7,466,847	Disbursed, closed in Feb 2018
Block 6 Predev	\$4,000,000	Disbursed, closed in Oct 2017
Phase 1A1/1A2 Predev	\$4,433,153	Disbursed, closed Feb 2018
Phase 1A1/1A2 Gap	\$24,045,828	Closed May 2019
Block 6 Gap	\$8,188,533	Closing Sept 2019
Phase 1A3 Predev & Gap	\$25,072,111	\$20,090,544 left to disburse; closed January 2020
Block 3A Predev	\$1,850,000	\$480,412 left to disburse; closed January 2020
Block 3B Predev	\$1,850,000	\$393,516 left to disburse; closed January 2020
Phase 3 Infrastructure Predev	\$4,000,000	\$3,701,587 left to disburse; closed Sept 2021
Block 7 Predev	\$2,620,000	\$2,266,627 left to disburse; closed Sept 2021
Block 9 Predev	\$3,500,000	\$2,988,067 left to disburse; closed Sept 2021

Total	\$92,026,472
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Vertical and Horizontal Funding to Date:

Overall Funding and Ownership Structure:

The Master Planning loan is made to the Master Developer, which is Sunnydale Development Co., LLC (which consists of Mercy Housing California and The Related Companies of California as sole members). Horizontal (infrastructure) loans will be made to an LLC entity that will consist of affiliates of Mercy and Related as members, and when the City accepts the streets and public infrastructure, the loan will be considered forgiven. Vertical loans are made to single purpose Limited Partnerships that will own and operate the individual affordable housing buildings. The general partners of these limited partnerships will be affiliates of Mercy Housing and Related CA. Vertical loans are payable on residual receipts basis and due in 55 years. The infrastructure LLC may assign any portion of the horizontal loans to a vertical developer LP entity to the extent allowable under the tax credit program in order to maximize leveraging of the tax credits.

All affordable parcels will be ground leased to the vertical LP entity by the SFHA for 99 years. All market rate parcels, once improved by the infrastructure LLC, will be sold fee simple by SFHA to a third party. All infrastructure parcels will be dedicated to the City through their infrastructure acceptance process. All parks and open spaces will be sold fee simple by SFHA to the master plan developer entity or its affiliate, and maintained by the master HOA.

Services Plan and Relocation Summary:

Overall Services approach

Since 2009, Mercy/Related has staffed community liaisons or other community staff at Sunnydale to engage residents, neighbors, Community Based Organizations (CBOs) and other stakeholders in community building and programs and services. Currently located on site at 1711 and 1657 Sunnydale Ave, Mercy's on-site staff includes six staff that collectively represents Sunnydale residents, including the racial diversity of the Sunnydale/Velasco community, language fluency in Samoan, Cantonese, Mandarin, Taiwanese, and Spanish. Managed by a senior Resident Services Manager, two Resident Services Coordinators (RSC) and three Community Liaisons together engage residents and neighbors in community building events such as:

- Weekly game nights and senior teas
- Annual events: Back to school, Thanksgiving, Christmas, Family Day, Game Day
- Support residents in their organizing, such as the women's group
- Special events such Black History Month Talent Show and Literacy Career Day
- Monthly or special community meetings with various topics related to the development or to engage them in neighborhood issues such as parks, transit or safety
- Community gardening with Urban Sprouts and the Greenway

The team, in particular the Resident Services Coordinators, connects residents with services and programs that they desire or need. This includes connecting them to the CBO's that serve Sunnydale and Visitacion Valley, or finding resources in other neighborhoods as needed. This also includes connecting with SFHA staff to assist residents with urgent or long-standing maintenance issues.

Mercy assists in the management of a Collective Impact table and the Vis Valley Collaborative. The latter is a coalition of CBOs and City agencies that serve the Sunnydale and Vis Valley community that serves as a central place for information sharing and coordination of activities. The Collective Impact table is a subset of the CBOs and City agencies that is focused on strategic and collective action for maximum impact on the community, as opposed to each CBO or agency working on their own.

Overall Relocation Approach:

Mercy/Related's approach to supporting Sunnydale/Velasco households in relocating to new on site or off-site permanent housing units and/or temporarily to vacant units and then to new permanent housing units involves pre and post move work by Mercy's Sunnydale Resident Services team and others as follows:

- One on one household engagement to obtain household data, provide information about the new development and relocation process, and to offer Mercy's assistance in connecting residents with services.
- Preparing residents for relocation by identifying and helping them to remove barriers to relocation. This includes collaborating with CBO's for case management services and legal and housing groups on legal support to residents.
- Working closely with SFHA, which will manage the household moves
- Work with Mercy property management, who will manage the new housing units, to develop and execute a plan for a seamless lease up, move in and transition of households into the new units.
- Work with the Mercy resident services coordinator for the new development for a "warm handoff" of households from the Mercy Sunnydale Resident Services team so that residents continue to obtain resident services support from Mercy Housing in the new development.

Attachment N: Schedule for soliciting potential tenants:

	Activity	Deadline
1	Find partner organization(s) to provide business support to specific retail/restaurant orgs. Understand incubation vs. mentorship opportunities	Spring 2023
2	Create list of Professional Consulting Groups to Ask for Pro-Bono (Architects, Marketing, Interior Designers, Project Managers)	Spring 2023
3	Determine and Invite Advisory Group (their role is described below and includes -- review criteria, review applications, etc.)	Spring/Summer 2023
4	Develop Grading Rubric for Applicants	Summer/Fall 2023
5	Create Marketing Plan for Competition (news, local business flyers, Business Incubators, Community Meetings, Organization Meetings, Visit businesses, Instagram/Social Media, Community Groups, Etc.) Can be very time consuming.	Summer/Fall 2023
6	Determine lease structure (what do we want that is special: Years? Simpler terms? Safety measures? Receiving Input from Community? Rent as a base rent + % of revenue?)	Summer/Fall 2023
7	Create flyer/ask for pro-bono consultants and distribute. Pitch as a sponsorship opportunity.	Summer/Fall 2023
8	Create Marketing Material to Announce Rules	Early Fall 2023
9	Create special application and translate	Early Fall 2023
10	Distribute Application/Online/Etc.	October 2023
11	Deadline: Collect Applications	December 2023
12	Review and score applications	January 2023
13	Group applicants into categories based on readiness and good fit for next steps.	January 2023
14	Interview semi-finalists	February 2024
15	Determine finalists	March 2024
16	Sign Leases (No LOI necessary?)	April 2024
17	Begin 9 month incubation program OR Connect finalists with mentor (see below for ideas for mentorship) if they want. Provide support through at least 12-months after opening – get books set up, refine marketing plans, help with supply chain issues, staffing, etc.	May 2024
18	Connect non-finalists with groups with business incubator programs	February 2024
19	Begin 9-10 month Incubation Program	March 2024 – January 2025
20	Next steps dependent on whether spaces are built out by Mercy/Related contractors or by tenants'. Ideal for Mercy/Related to build out spaces with finalists' visions for their store	
21	If Mercy/Related doesn't build-out spaces, hire Construction Manager, to Rep Mercy	February 2025
22	If Mercy/Related doesn't build-out spaces, collect TI Documents	February 2025
23	Start TI or Move-In	March 2025
24	Move in for those with construction/TI needs or Grand Opening	March – August 2025