

**Citywide Affordable Housing Loan Committee**

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

**650 Divisadero Street Family**  
**\$12,775,000 for Acquisition and**  
**\$2,225,000 for Predevelopment**  
**Total \$15,000,000 Funding Amount**

Evaluation of Request for:	Acquisition and Predevelopment
Loan Committee Date:	Oct 13, 2023
Prepared By:	Matt Graves, Sr Project Manager
Asset Manager:	Michael McLoone
Construction Representative:	Harry Wong
Sources and Amounts of New Funds Recommended:	\$6,442,911 Van Ness Special Use District \$3,454,619 Market Octavia Fees \$5,102,470 Certificates of Participation
Sources and Amounts of Previous City Funds Committed:	N/A
NOFA/PROGRAM/RFP:	2023 Multisite Site Acquisition and Predevelopment NOFA
Applicant/Sponsor(s) Name:	Jonathan Rose Companies Young Community Developers

## EXECUTIVE SUMMARY

### Sponsor Information:

Project Name:	650 Divisadero St	Sponsor(s):	Jonathan Rose Companies Young Community Developers
Project Address (w/ cross St):	650 Divisadero St, 94117 (Divisadero & Grove)	Ultimate Borrower Entity:	Grove St Development, LP

### Project Summary:

In January of 2023, MOHCD issued a Site Acquisition and Predevelopment Financing Notice of Funding Availability (NOFA) for new, affordable rental housing serving low-income households, including homeless residents. Jonathan Rose Companies (JRCo) and Young Community Developers (YCD) applied to the NOFA for acquisition of 650 Divisadero Street (Project) located in the Alamo Square District of San Francisco, at the southeast corner where Grove Street and Divisadero Street intersect (Site). Currently, the Site is zoned Divisadero Street Neighborhood Commercial Transit District (NCT) and the building includes a commercial tenant, Seismic Retrofitters. As per the terms of the NOFA, Seismic Retrofitters will continue to operate their business during the interim use period, with a commercial lease in place through August 31, 2025.

The Site will be redeveloped into a 9 story, 95-unit residential family building with yet to be determined ground floor commercial space. Of the 95 units, 24 units will be set aside for families experiencing homelessness, supported by the City's Local Operating Subsidy (LOSP). The remaining units will serve low-income households up to 80% MOHCD AMI, with an average affordability for the entire development not to exceed 60% MOHCD AMI. The proposed building will provide 25 studios, 17 one-bedrooms, 25 two-bedrooms, and 28 three-bedrooms.

This request for financing is to purchase the Site from a private owner for \$12,250,000 and an additional \$2,750,000 for predevelopment activities. As per the requirements of the NOFA and the interim use plan, the Project is not scheduled to start construction until 2026. The Sponsor will begin submitting applications for state financing in 2025. The Sponsor will operate the existing commercial space until the land is transferred to MOHCD upon construction start. Lease up is estimated to begin in 2028.

### Project Description:

Construction Type:	Type I	Project Type:	New Construction
Number of Stories:	9	Lot Size (acres and sf):	.28 acres / 12,500 sf
Number of Units:	95	Architect:	To-Be-Determined
Total Residential Area:	Estimated: 90,765 sf	General Contractor:	TBD
Total Commercial Area:	Estimated: 2,800 sf	Property Manager:	TBD
Total Building Area:	Estimated: 96,015 sf	Supervisor and District:	Sup. Preston (5)
Land Owner:	Divco Group LLC	Total Acquisition Loan	\$12,775,000
TDC w/o acquisition:	\$92,995,739	Total Acquisition Cost/unit:	\$134,747
TDC/unit w/o acquisition:	\$978,903	TDC less land cost/unit:	\$978,902
MOHCD Predev Subsidy/Unit:	\$157,894	MOHCD Total Subsidy/Unit w/ land	\$349,846
Predev Loan Requested:	\$2,225,000		
MOHCD Subsidy/Unit w/o land			
HOME Funds?	No	Parking?	No

## **PRINCIPAL DEVELOPMENT ISSUES**

- **MOHCD Underwriting and Subsidy per unit:** The Project underwriting for this request is based solely on the Sponsor's response to the NOFA. Per the terms of the NOFA, the Sponsor needs to limit the MOHCD subsidy to \$350k per unit, including acquisition and gap financing. Based on the NOFA submission, the Sponsor is at approximately \$343k per door, closely abutting the subsidy ceiling. The Sponsor will refine the development budget to bring the numbers in line with MOHCD guidelines by MOHCD Acquisition and Predevelopment closing and will seek additional sources to comply with the MOHCD NOFA requirement. Considering the nascent stage of development, MOHCD gap is likely to change. See Section 6.5.1 for Permanent Sources and Uses analysis for opportunities to reduce the MOHCD subsidy
- **Interim Use:** The property is currently a commercial space, tenanted by Seismic Retrofitters. The tenant pays \$15,000/month and has negotiated their relocation for when construction starts. As per the NOFA, interim costs are not project costs and will not be funded by MOHCD subsidy. Please see Section 4.7 for additional details.
- **Preliminary Cost Estimate** – The Hard Costs in the pro forma represent estimates as of the time of NOFA submission. No escalation is included. If annual escalation is 5% per year, and construction commences in 2026, the total construction costs will be several million dollars more than the current total construction costs of \$70,182,675. Assuming this, construction costs two years from now will be closer to \$750/SF for a total construction cost of approximately \$72MM. The MOHCD subsidy represented in the pro forma is likely inaccurate and exposes MOHCD to escalation risk. Please see Section 4.4.
- **Construction Complications** – The project's location may present an issue due to SFMTA requirements for traffic control during construction. Due to Divisadero Street's function as a main north-south traffic arterial, SFMTA may require specific limited and/or overnight work hours for demolition (which would require a night noise permit) and these items may add costs to the construction. Please See Section 4.4.

### SOURCES AND USES SUMMARY

Predevelopment Sources	Amount	Per Unit	Terms	Status
MOHCD Predev Loan	\$2,225,000	\$23,421	3 yrs @ 3.0% Def	This request
MOHCD Acquisition Loan	\$12,775,000	\$134,473	3yrs 0%	This request
<b>Total</b>	<b>\$15,000,000</b>	<b>\$157,895</b>		

Permanent Sources	Amount	Per Unit	Terms	
MOHCD	\$33,235,439*	\$349,847	55 yrs @ 3% Res Rec	Not Committed
Perm Loan	\$3,754,534	\$39,521	30 yrs @ 5.0%	Not Committed
HCD (MHP)	\$22,981,727	\$241,913	55 yrs @ 3% Res Rec	Not Committed
GP Equity	\$2,000,000	\$21,052	-	Committed
Deferred Fee	\$725,146	\$7,633	-	Committed
LIHTC	\$42,689,476	\$449,363	\$0.969 cents	Not Committed
Commercial Loan	\$384,417	\$4,046	10 yrs @ 6.42%	Not Committed
<b>Total</b>	<b>\$105,770,739</b>	<b>\$1,113,376</b>		

Permanent Uses	Amount	Per Unit	Per SF
Acquisition	\$12,775,000	\$134,474	\$133
Hard Costs	\$68,471,140	\$720,749	\$713
Soft Costs	\$17,944,865	\$188,893	\$187
Reserves	\$1,454,588	\$15,311	\$15
Developer Fee	\$5,125,146	\$53,949	\$53
<b>Total</b>	<b>\$105,770,739</b>	<b>\$1,113,376</b>	<b>\$1,102</b>

\*The MOHCD Gap Loan estimate includes predevelopment and acquisition funding of \$15,000,000 and additional funding of \$18,235,439. Acquisition will be considered paid in full once the Site is transferred to MOHCD at construction close. The final gap amount will be approximately \$20,460,439, inclusive of predevelopment funds, but not acquisition. The cost of relocation was included in the initial proforma's acquisition cost. The cost of relocation will not be included in the acquisition amount when the Site is transferred.

## 1. BACKGROUND

### Project History Leading to This Request.

On January 27<sup>th</sup>, 2023, MOHCD issued a NOFA for \$40,000,000 for site acquisition and predevelopment financing to develop new affordable rental housing for low-income families including a set aside for referrals of homeless households from HSH's Coordinated Entry System. After the initial review of applicants, five teams were interviewed, and all five teams were provided an award letter on June 22, 2023. JRCo and YCD were selected as one of the five teams.

Scoring under the NOFA favored projects in a high-resource area that were competitive for state financing, and could be held for the near long term, requiring an interim use. JRCo identified 650 Divisadero as an eligible site, with the help of CBRE, a broker. The previous owner completed entitlements then sought to sell the site. The Site is in a High Opportunity Area with access to transit and amenities and is also zoned to support a substantial number of units allowing economies of scale.

JRCo and YCD responded to this NOFA as a Joint Venture. The proposed partnership between JRCo and YCD is a continuation of its co-development work at 88 Bluxome, a 100% affordable housing development located in the SOMA neighborhood.

The Sponsor submitted a Letter of Intent to the Seller, Divco Group, LLC in early 2023, with a Purchase and Sale Agreement (PSA) executed in April 2023. Under the terms of the PSA, escrow is required to close by December 26, 2023, with a 30-day extension to close the land sale by January 26, 2024.

The Sponsor has completed an initial due diligence review of the property, including reviewing 3<sup>rd</sup> party reports received from the seller, and completed a Phase I report by Langan Engineering dated May 9, 2023. See Section 2.5 for more detail.

An ALTA survey was conducted by Luk & Associates on April 26, 2023, and revealed that the Site is not in a FEMA designated flood zone. A review of the Preliminary Title Report was done by the Sponsor and no concerns were identified. An appraisal was conducted by CBRE on March 20, 2023, and derived an as-is value of \$12,250,000. The Sponsor conducted Buyer's financial feasibility prior to NOFA submission and will close on the property using MOHDC loan funds prior to January 26, 2024.

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

City of San Francisco Mayor's Office of Housing and Community Development issued a Multisite Acquisition and Predevelopment Notice of Funding Availability (NOFA), for the financing for new, affordable rental housing on January 27, 2023. The NOFA specifically sought projects with

acquisitions in high resource areas that would be competitive for state financing queues. In addition, the NOFA stated goals included the following:

- Construction starts 2026
- Interim Use through 2025
- Maximizing density
- City Subsidy of no more than \$350k per door with acquisitions
- A 25% LOSP set aside
- Racial Equity goals

JRCo and YCD met the minimum threshold eligibility requirements and were one of five teams to submit qualifications to acquire and develop a site. Via a competitive scoring process, the Sponsor was selected as the third highest-ranking team, scoring 80 out of 100 points.

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

1.2.1. Borrower.

The borrower of the predevelopment loan and any gap loan will be Grove St Development, LP. This entity will own the land during the predevelopment phase; immediately prior to the construction loan closing, the land will be sold to the city and ground leased back to the borrower entity, which will also own the improvements.

1.2.2. Joint Venture Partnership.

JRCo, an experienced affordable housing developer, has formed a limited partnership with YCD, an established service provider and emerging developer. YCD or a general partner affiliate will have a .005% ownership and will be the managing general partner. JRCo or a general partner affiliate will have 0.005% ownership in the limited partnership. YCD and JRCo, or their general partner affiliates, will remain in the limited partnership in their original capacities for the entire term of the tax credit period. YCD will receive an option and/or first right of refusal to purchase the property after the 15-year tax credit compliance period. A to-be-determined equity investor will have a 99.99% ownership stake in the limited partnership.

During the course of Project development, JRCo and YCD will act as co-developers for the Project. YCD's long-term organizational goal is to grow a full development staff and continue to partner with other organizations to eventually lead developments independently. The JV partnership supports sharing of resources and capacity building between YCD and JRCo and advances racial equity as described in detail in section 1.2.4. By participating in the predevelopment, construction and long-term operations

of the property with JRCo and having a first-right of refusal at the end of the 15-year tax credit compliance period, YCD builds staff and organizational capacity as well as decision-making power. By leading the community engagement and workforce development efforts for the Project, YCD leverages its community connections and its own workforce development programs in District 5.

**1.2.3. Demographics of Board of Directors, Staff and People Served.**

**YCD:** Established in 1973, YCD is a Black-led California community-based nonprofit that provides a variety of training and support opportunities for the Bayview Hunters Point neighborhood of San Francisco, which is located in District 10.

**Board:** YCD’s Board of Director/Trustees consists of 12 members; of those 11 identify as BIPOC and there is a 50/50 split between those who identify as male and female.

**Organization Staffing:** YCD’s Senior Management consists of over 50% identifying as Black/African American and the remaining 40%+ identifying as people of color with a 3:1 ratio of female to male. YCD’s departments share similar representation as its leadership with over 80% of its workforce identifying as BIPOC and a 3:1 ratio male to female.

**Development Team Staffing:** YCD’s Development team currently consists of 5 team members 3 of which identify as female and BIPOC.

**JRCo** is a for-profit company and does not have a Board of Directors. JRCo has a Management Committee and Senior Leadership team who oversee the national organization’s development opportunities and strategic growth. The Senior Leadership team is 61% Caucasian, 9% Black or African American, and 9% Asian and 21% not specified. Among Leaders within the company, 43% identify as Caucasian, 33% as Black or African American, 14% as Hispanic or Latino, 7% as Asian and 3% as not specified or other. Senior leadership is 48% female and 52% male; among Emerging Leaders, 70% are female and 30% are male. JRCo has a seven-person development team, with 2 team members located in California. Of JRCo’s development staff ,29% identify as Asian, 57% identify as Caucasian and 14% identify as other.

Senior Leadership Team	
Caucasian	61%
Black or African American	9%
Asian	9%
Not Specified	21%
Emerging Leaders	
Female	70%
Male	30%
Development Team	
Asian	29%
Caucasian	14%

#### 1.2.4. Racial Equity Vision.

JRCO has made a commitment to work toward becoming an antiracist organization, looking at everything they do through the lens of racial equity and racial justice. With an understanding of the national reach of JRCO's ability to leverage and direct large sums of capital, develop the field's next leaders and have direct contact with diverse low-income residents in JRCO-managed communities, JRCO's Antiracism Committee established three pillars for JRCO to focus efforts for its initiatives. JRCO has contracted and is working with third-party consultant, Frontline Solutions, for guidance around strategy and implementation. Below are the 3 pillars identified by the Antiracism Committee and specific focus areas within each pillar:

##### Internal

- Culture
- Hiring
- Onboarding
- Retention
- Pay Equity
- Leadership/ Board
- Ownership
- Professional Development

##### External

- Partners
- Contractors
- Consultants
- Where and How we Invest
- Investors
- Suppliers

##### JRCO Communities

- Communities of Opportunity
- Exposure to Real Estate Industry
- Neighborhood/ Community Organizing
- Police Engagement

As a Black-led California community-based nonprofit that has over 50% of its staff identified as Black or African American, YCD's racial equity vision is established through its Executive Director, Board, and staff. However, YCD has a range of policies and procedures around diversity, equity, and inclusion because all organizations—no matter their history—have room for growth in this area. For its part, YCD has been working to build cultural competency with District 10's Asian population, as Asians are the largest racial and ethnic group in District 10 representing approximately 37% of the population.



#### 1.2.5. Relevant Experience.

JRCo owns and operates more than 19,000 units of housing (17,000 of which are affordable), and its development team has completed thirty-one new developments providing 3,465 homes across the United States. In California, JRCo has acquired 9 existing affordable housing communities located in Los Angeles, Pasadena, Oakland, Fremont, and Santa Cruz. JRCo opened its Bay Area office in 2019 and has 2 new construction projects totaling 249 units under construction in California. In 2021, the Office of Community Investment and Infrastructure (OCII) selected the JRCo as the replacement developer for the 112-unit Hunters Point Shipyard Blocks 52 & 54, which began construction in June 2023. Miramar Development is a 137-unit property in Los Angeles that began construction in November 2022.

Prior to joining JRCo, Director Sarah White previously worked with YCD's team during her tenure at TNDC, on the Candlestick Point 10A project. YCD's Project Manager, Monica Almendral, also worked with Sarah and the TNDC team on the 1990 Folsom and 681 Florida projects, so the team has a track record of working together successfully in the past

JRCo and YCD have also been selected as co-developers for 88 Bluxome, an approximate 95-unit large-family development in SOMA. The land transfer for the 88 Bluxome housing project is part of the community benefits package for the larger, market-rate principal project, an office development. The redevelopment of the 88 Bluxome project is currently on hold, as the principal developer re-works the project economics and entitlements to better align with current market conditions.

YCD has 516 units in its pipeline within two developments: 148 ownership and 368 rental units at Mission Bay Block 9A. One of the completed projects is a 4% LIHTC project called Pacific Pointe Apartments, in partnership with AMCAL, a for-profit developer of affordable housing. Additionally, a CCDC-YCD joint venture was awarded Pier 70 through an earlier MOHCD RFQ process; and YCD is also on the team selected for the Potrero Yard development with San Francisco Municipal Transportation Agency (SFMTA).

#### 1.2.6. Project Management Capacity.

JRCo will devote 1 FTE to the Project during early predevelopment.

Sarah White, Director of Development, will lead JRCo's work on the Project and will commit 70% of her time.

Eric Fauerbach, Director of Construction, will spend 20% of their time on the Project.

Jonathan Rose, President, Chris Edwards, Chief Construction Officer, and Caroline Vary, Chief Operating Officer, will commit a total of 10% of combined time on the development.

YCD will commit 0.75 FTE to the Project.

Monica Almendral will spend 35% of her time on the Project as the Project Manager.

Divali Ramkalwan, Director of Housing, will spend 20% of her time on the Project.

YCD has hired two Project Assistants as of August 2023, one of whom will be assigned to this project at 20%.

#### 1.2.7. Past Performance.

- City audits/performance plans.

JRCo does not currently have contracts with the City of San Francisco. However, YCD has numerous contracts with MOHCD on RAD and HOPE SF properties and is compliant with the City's Citywide Fiscal and Compliance monitoring. YCD is a strong performer with deep community roots, hires locally, and works to provide job training or employment for community members. YCD has worked through several programs, such as Neighborhood Access Points, Workforce Job Readiness, Emergency Rental Assistance, Service Connection and Outreach, and acts as fiscal agent for numerous smaller launching Black led CBOs.

- Marketing/lease-up/operations.

YCD and JRCo have not completed lease-ups through the DAHLIA housing portal. However, Sarah White, JRCo's Director for California, has participated in lease ups with OCII (626 Mission Bay Blvd) and MOHCD (490 South Van Ness and 1950 Mission) through TNDC and BRIDGE, her former employers. YCD has nearly 50 years of experience assisting Black and Latin-X community members secure affordable housing.

For 650 Divisadero, YCD and JRCo will request a services agreement with Bayview Hunters Point Multi-Purpose Senior Services, Inc., to complete outreach to Certificate of Preference (COP holders, to achieve a goal of approximately 20% occupancy by COP holders.)

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

<b>Site Description</b>	
Zoning:	NCT – Divisadero Street Neighborhood Commercial Transit District, (65-foot height district)
Maximum units allowed by current zoning (N/A if rehab):	No density limit by lot area. Density is restricted by physical envelope controls of height, bulk, setbacks, open space, exposure, required dwelling unit mix and other applicable controls.
Number of units added or removed (rehab only, if applicable):	N/A
Seismic (if applicable):	Seismic Zone 4. PML/SUL are N/A because there are no existing structures on Site that will be retained.  The Project is not within an area affected by the Alquist-Priolo Special Studies Zone Act—related development limitations do not apply.
Soil type:	Locally, the Site lies within the USGS San Francisco Quadrangle. The area of the Site is underlain by Quarternary-age dune sand. The deposit consists of clean, well-sorted, fine to medium-grained sand.
Environmental Review:	The Project will be exempt from CEQA under SB 35. If the Project receives federal funding (not projected), NEPA will be required.  Potential Presence of Contaminated Fill Material: The subject property is within the expanded SFPHC Article 22A Maher Ordinance Zone boundary.  According to a 2014 geotechnical investigation report prepared by H. Allen Gruen, the subject property is underlain by up to four feet of shallow undocumented fill material with brick and concrete fragments. Based on the presence of this layer of undocumented fill material, elevated concentrations of heavy metals and petroleum hydrocarbons may be present beneath the subject property. Langan considers the presence of potentially contaminated fill material to be a potential Recognized Environmental Condition (REC) for the subject property. No other RECs were identified in the Phase 1 report.  The Sponsor will conduct a Phase II after the property is acquired in early 2024. Additional testing will require selective demolition of the existing building foundation to complete soil borings for testing. This work will be coordinated with the existing tenant, and the Sponsors will obtain a license agreement before beginning the work.
Adjacent uses (North):	Multi-family residential
Adjacent uses (South):	Commercial retail

Adjacent uses (East):	Multi-family residential
Adjacent uses (West):	Mixed Use – Commercial Retail/Multi-family residential
Neighborhood Amenities within 0.5 miles:	<p>John Muir Elementary School                  Creative Arts Charter School                  Gateway Middle School                  Ida B. Wells High School                  Raoul Wallenberg Traditional High School</p> <p>Jewish Community Library</p> <p>Alamo Square Park</p> <p>West Side Community Services</p> <p>CVS Pharmacy                  Walgreens Pharmacy                  Sutter Health CPMC-Davies Medical Center</p> <p>Lucky Supermarket                  Whole Foods                  Bi-Rite Grocery</p>
Public Transportation within 0.5 miles:	<p>Divisadero St. &amp; Hayes St. Bus Stop – Bus 24                  Duboce St. &amp; Noe St. MUNI Rail – Line N</p>
Article 34:	Not Exempt.
Article 38:	Per San Francisco's Parcel Identification map system PIM, the development must comply with Article 38. Housing development will need to participate in the Article 38 mitigation with Department of Public Health.
Accessibility:	Per updated TCAC minimum building standards, 15% will be mobility units; 10% will be accessible for households with hearing and/or visual impairments.
Green Building:	Green Pointed Rated Gold anticipated, to be confirmed once design team is engaged.
Recycled Water:	Requirements to be determined upon selection of design and engineering team.
Storm Water Management:	Requirements to be determined upon selection of design and engineering team.

2.1. Existing Site Description.

The Site is an infill lot in a primarily residential neighborhood with areas of commercial and retail. The Site is one lot on a block bounded by Grove Street to the north, Divisadero Street to the east, Hayes Street to the south, and Scott Street to the west, and is currently occupied by a 14,500-square foot industrial facility.

## 2.2. Zoning.

The Site area is zoned NCT – Divisadero Street Neighborhood Commercial Transit District. The uses permitted include a wide range of commercial and residential uses serving the neighborhood. The maximum allowable height, under zone NCT, is 65 feet and minimum setbacks are 25% at residential levels. There are no floor-to-area ratio/density limits under zone NCT.

The proposed development will utilize either SB 35 or AB 2162 to receive approvals to construct a 9-story building, totaling 85 feet in height. The Sponsors will seek to design the project as a mid-rise building, to avoid additional code-required design and construction costs that would be triggered as a high-rise construction type exceeding 85 feet in height. As a 100% affordable project, the project will be eligible to utilize the California State Density Bonus Law to seek a higher permissible density and building height.

2.3. Probable Maximum Loss. N/A – new construction.

2.4. Local/Federal Environmental Review. N/A – see the above chart.

2.5. Environmental Issues.

- Phase I/II Site Assessment Status and Results. Langan Engineering & Environmental Services, Inc has completed a Phase I Environmental Assessment for the property, dated May 9, 2023. The Phase 1 report identified the presence of the oil/water separator as a recognized environmental condition (REC), and proposed analytical sampling in the area of the separator to determine if the use of the equipment has impacted the subject property. A subsequent Phase II report found no substantial release from the oil/water separator or drain hole at the site. No further investigation was recommended. A 2014 geotechnical investigation report prepared by H. Allen Gruen found the subject property underlain by up to four feet of shallow undocumented fill. The presence of this layer of undocumented fill material may contain elevated concentrations of heavy metals and petroleum hydrocarbons. Langan considers the presence of potentially contaminated fill material to be a potential Recognized Environmental Condition (REC) for the subject property. No other RECs were identified in the Phase 1 report.
- The Sponsor will conduct a Phase II after the property is acquired in early 2024. Additional testing will require selective demolition of the existing building foundation to complete soil borings for testing. This work will be coordinated with the existing tenant, and the Sponsors will obtain a license agreement before beginning the work.
- The subject property is within the expanded SFPHC Article 22A Maher Ordinance Zone boundary. According to the 2014 geotechnical investigation report prepared by H. Allen Gruen, the subject property is underlain by up to four feet of shallow undocumented fill material with

brick and concrete fragments. Based on the presence of this layer of undocumented fill material, elevated concentrations of heavy metals and petroleum hydrocarbons may be present beneath the subject property. Langan considers the presence of potentially contaminated fill material to be a potential REC for the subject property. No other RECs were identified in the Phase 1 report. Off-hauling costs are not represented in the proforma. All costs associated with environmental remediation or mitigation will need to be reviewed by MOHCD.

- Potential/Known Hazards. N/A.

#### 2.6. Adjacent uses and neighborhood amenities.

The proposed project will serve family households. The Project is ideally located within a half-mile radius of five public schools, serving K-12. Medical clinics, pharmacies, grocery stores, and public transportation options (bus and rail) are also within a half-mile of the site. The Project lies on the adjacent block to Alamo Square Park. The project is in a TCAC-designated Highest opportunity location.

#### 2.7. Green Building.

Per the City's Green Building Code, the Sponsor is required to achieve an all-electric building. Green features will be determined during predevelopment and expected to meet the minimum California Tax Credit Allocation Committee's (TCAC) Green Building Requirements.

### 3. COMMUNITY SUPPORT

#### 3.1. Prior Outreach.

The Sponsors have not conducted community outreach, and plan to begin engagement work upon MOHCD's approval of the communication plan and selection of the Project architect. In 2018, there was a prior entitlement approval completed by the seller, proposing a mixed-use residential/commercial project with inclusionary units. The San Francisco Planning Department received 13 letters expressing support, including 9 letters from residents of apartment building Webster Tower & Terrace. Other email comments received include minimizing the number of parking spaces and curb cuts, retaining some of the Mission-Spanish Revival architectural element from the existing building, and recommending tree protection measures to protect a large walnut tree within the rear yard of an adjacent property. The City's Planning Department received one email opposing the development on the basis that the prior development's massing resulted in a loss of light and view and the potential for increase of noise from the new residents of proposed development.

#### 3.2. Future Outreach.

The strategy for engagement during predevelopment will include expanding opportunities to connect with residents, community leaders, business owners, and other stakeholders who might be affected by the Project. The outreach will also extend to the targeted resident population:

family households. The Sponsor will complete a Community Engagement plan that will create a list of all community stakeholders. The plan will incorporate how the Sponsor plans to engage these stakeholders, including outreach via social media, flyers, a website, community meetings both virtual and in-person, coffee hours, and neighborhood walks. Additionally, the Sponsor will identify key stakeholders to develop community acceptance and support. Marketing materials will be translated into languages that are representative of the neighborhood and applicants. At community meetings, translation services will be provided.

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

Chapter 79 of the City's Administrative Code requires public noticing (Prop I) for initial City-funding made to any new construction project. The Sponsor will need to complete the noticing process immediately following Loan Committee's approval of this request and thirty days before the Mayor's signature on the loan documents.

## 4. DEVELOPMENT PLAN

### 4.1. Site Control.

The Site's land is under contract with the seller, with a closing deadline of January 26, 2024. The funds from the MOHCD acquisition and predevelopment loan will be used to acquire the Site prior to the closing deadline. During predevelopment, the project LP will own the land, and immediately prior to the closing of construction period financing, the land will be turned over to MOHCD, and then ground-leased back to the LP who will own the proposed improvements.

#### 4.1.1. Proposed Property Ownership Structure. The Sponsor will own the land in fee during predevelopment, as described above.

At construction closing, MOHCD will transfer the property through a 75-year initial term ground lease agreement (with an option to extend up to 99-years) to Grove St Development, LP. The City's execution of a long-term ground lease for the affordable housing land donation parcel is subject to approval by the City's Board of Supervisors.

Annual rent shall be set at 10% of the fair market unrestricted value, re-determined on the 15th anniversary date of ground lease and every 15 years thereafter.

Payment shall consist of an annual Base Rent of \$15,000, collected annually regardless of cash flow and considered a Project expense.

Residual Rent will be the Annual Rent minus the Base Rent. Residual Rent will only be collected to the extent that cash flow is available and is currently modeled to not accrue. The Sponsor will review whether this non-accrual is consistent with MOHCD policy guidelines.

4.2. Proposed Design.

While design work has not yet commenced, the Project is anticipated to have 9-stories, inclusive of ground floor offices and 2,800 square feet of commercial space. The Sponsor will seek to maximize density within a modern building that responds to its context. The Sponsor is open to seeking a waiver from Planning to eliminate the commercial space in place of more units. Planning has indicated that this is possible, if the Sponsor decided to pursue the action. A decision to do so will need to be made by the Preliminary Gap Request.

Residential SF:	93,200
Commercial SF:	2,800
<b>Building Total SF:</b>	<b>96,000</b>

UNIT TYPES	Avg Unit SF - This Project	CTCAC-Required Minimum SF
Studio:	450	200
1BR:	550	450
2BR:	875	700
3BR:	1100	900
Do all units meet CTCAC minimum SF?	Yes	

4.3. Proposed Rehab Scope. N/A

4.4. Construction Supervisor/Construction Representative's Evaluation

4.4.1. Entitlements: The 650 Divisadero Site is not on the Cortese List and will be eligible for Planning Department's ministerial approvals under SB35. With sufficient LOSP units included in the project, another entitlement pathway could be AB 2162. Both entitlement pathways will allow for additional stories, height, waivers and concessions.

4.4.2. Environmental: The Site will be subject to the following:

- Air Pollutant Exposure Zone (Health Code Article 38)
- Archeologically Sensitive Area (Zone 2 – High sensitivity)
- Maher Ordinance (Health Code Article 22A)

4.4.3. Demolition of Existing Building: Related items are as follows:

- Older buildings may contain hazardous materials like lead paint and asbestos and a management program for the safe and proper removal of hazardous materials will be followed by the demolition and hazardous materials/environmental subcontractor.



- Demolition Permits will need to conform with SF Department of Building Inspection's (SFDBI)'s Information Sheet No. S-04.
- Demolition will need to conform with the SF Environment Department's Construction and Demolition Debris Recovery Law.
- SFMTA requirements for traffic control during construction: Due to Divisadero Street's function as a main north-south traffic arterial, SFMTA may require specific limited and/or overnight work hours for demolition (which would require a night noise permit) and these items will add costs to the construction.

#### 4.4.4. Conceptual Design:

Mithun Architects have developed a conceptual design for a 9-story building with 95 residential units. Initial concerns are as follows:

- Avoiding High-rise classification: 9-story projects need to avoid being classified as a high-rise building due to the significant additional costs for life-safety and mechanical systems as well as additional spatial requirements for upper floor stair vestibules, backup generators and a dedicated ground floor San Francisco Fire Department (SFFD) fire command center. The adjacent sloping streets at Divisadero Street and Grove Street could impact how building height will be determined by SFFD and SFDBI. Unfortunately, several recent projects with the typical high-ceiling ground floor as well as sloping and/or lowered adjacent street levels have received high-rise determinations from SFFD and SFDBI and a subsequent alternate direction was needed.
- SFMTA requirements for traffic control during construction: Due to Divisadero Street's function as a main north-south traffic arterial, SFMTA may require concrete foundation pours and tower crane erection and/or dismantling to occur overnight and require a night noise permit, which add costs to the construction.
- PG&E and SFPUC Power Enterprises: If 650 Divisadero chooses to be a Wholesale Distribution Tariff (WDT) customer under SFPUC Power Enterprises, the cost to trench to the permanent point of connection will result in substantial additional cost to the project. If 650 Divisadero chooses PG&E instead, PG&E would offset these substantial additional costs.
- Conceptual Design issues could include the following:
  - If the proposed Grove Street residential entry is at a low-point that results in a high-rise determination from SFFD and SFDBI, consider moving entry relocation to a higher site datum towards the corner of Divisadero and Grove Streets.
  - Verify with SFDBI and SFFD that second exit via the east ForeCourt to Grove Street will be acceptable.
  - To comply with the code required natural light or natural ventilation, the Second Floor Studio located below the upper floors' eastern overhang cannot have the depth of the

overhang exceed 9 feet. (SF Building Code Amendments Sec. 1204.2.2)

- The light court at the southeast corner needs to have a minimum dimension of 15 feet to comply with Planning's Sec. 140 Exposure exception allowed under SB35 and AB 2162 and/or the SF Building Code's requirements for light court depth that is 8 stories over a ground floor podium (SFDBI Information Sheet No. IE-02 Interior Environment).
- Verify with SFDBI and SFFD which "light courts" will be subject to CA/SF Building Code Sec. 1205.3.2.
- Verify that the corridor length to the upper floors' southwest unit does not exceed the maximum dead-end length of 50 feet.
- With the change in floor plan layout between the Second Floor and the Upper Floors, confirm kitchens and bathrooms will "stack" for construction efficiencies, which will result in construction savings.
- Verify extent of Voice/Alarm Communication System requirement reference in CA/SF Building Code Sec. 503.1.4 Occupied Roofs.
- While the proposed 95 residential units meet the TCAC 25% minimum for 2-Bedroom and 3-Bedroom units and given the feedback from MOHCD's Rental Marketing that Studios and 1-Bedroom units have been difficult to lease up, consider providing less Studios and more 2-Bedroom and 3-Bedroom units.

#### 4.4.5. Preliminary Cost Estimate:

Nibbi Brothers General Contractors provided a preliminary cost estimate of \$59,681,036, which does not include demolition of the existing building or escalation to start of construction. The Subtotal Construction Cost in the MOHCD Application is \$60,104,117, which includes demolition cost at \$114,394 and an escalation allowance of \$3,432,206. If the demolition and escalation costs were added to Nibbi's cost estimate, the subtotal would be \$63,227,636. Adding Contingencies (Design, Bid, Plan Check and Owner's Hard Cost Construction) the total construction costs would be \$70,182,675 instead of the stated \$68,471,140. At \$70,182,675, the cost per gross square foot would be \$731/SF.

Please note that the demolition cost of \$114,394 appears low and if annual escalation is 5% per year instead and construction starts 2 years from now, the above total construction costs will be several million dollars more than the current total construction costs of \$70,182,675. If construction costs two years from now will be closer

to \$750/SF, then the total construction costs would be approximately \$72MM.

Ongoing supply-chain issues for certain construction materials/products, procurement of electrical switchgear and the high costs associated with temporary and permanent electrical power service will add to the total construction costs.

#### 4.5. Commercial Space.

At this time a commercial space plan is not fully developed. The Sponsor may consider seeking a waiver for commercial space from Planning in order to increase the unit count by constructing units on the ground floor instead.

If commercial space is included, the Sponsor will evaluate opportunities for an ECEC at the Project Site during predevelopment per the Mayor's directive for Early Childhood Education Centers (ECECs) in affordable housing.

- Space Description. It is anticipated that there will be one commercial space, consisting of 2,800 square feet, to be located on the ground floor. The use of the space is still being determined by the Sponsor.
- Commercial Leasing Plan. The Sponsors anticipate defining a leasing plan during predevelopment, once concept and schematic designs are completed.
- Operating Pro Forma. The 2,800 sf commercial space is initially underwritten as a NNN lease, with all expenses being charged back to the tenant. Cashflow is projected to begin in Year 1 at approximately \$33,600, reaching full occupancy in year 2 with an estimated income of \$103,320. The Sponsor will ensure that the space conforms to MOHCD's commercial space underwriting guidelines as the details of the space are finalized.
- Tenant Improvement Build Out. There is an allowance of \$210,000 in the proforma to support potential tenant improvements, which would support "warm shell" development costs eligible under MOHCD's commercial space policy.

#### 4.6. Service Space.

Based on the conceptual design, the ground floor includes two property management offices, two conference rooms, and three services offices. With Lutheran Social Services (LSS) as the service provider, the services will include resident service coordination for all tenants and case management, development of housing plan, move-in assistance, documentation of program outcomes, and housing stabilization of programs for LOSP participants.

**4.7. Interim Use.**

The Project is currently occupied by a single commercial business, Seismic Retrofitters, with a lease that expires on August 31, 2023, and a rent payment of \$15,000 per month. The Sponsor has worked with the seller and tenant to extend their lease through September 1, 2025, with the business to remain in operation during the predevelopment phase. The current lease allows Seismic Retrofitters to remain in operation until construction, should the construction date get pushed back. The rental income generated will be used to pay for land carry costs during the predevelopment period.

The Sponsor expects to break even on the holding costs, given the current tenant's \$15,000 rent payments. The Sponsor is aware that holding costs should not be shown in the Project costs overall, as per the terms of the NOFA and any additional cost above what is presented at this time is borne solely by the Sponsor. The \$250,000 in Holding Cost line item in the proforma represents relocation costs for Seismic Retrofitters. The Sponsor only pays property taxes and de minimis insurance costs; all other holding costs are covered by the tenant. Any additional interim use income above the holding costs of the interim use will be put back into the development of the Project.

Sponsor will provide a detailed interim use budget within 3 months of Loan Committee approval, to be approved by MOHCD.

**4.8. Infrastructure. N/A**

**4.9. Communications Wiring and Internet Access.**

The Sponsor will work with the MOHCD Construction Representative to determine the appropriate communications wiring scope that meets MOHCD's standards.

**4.10. Public Art Component.**

The Project's public art requirement calculation is based off 1% of expected construction cost multiplied by the percent of Project funded by MOHCD. Currently, the Project's estimated development budget includes \$150,636.51 for public art in the Hard Cost line item. This amount will be separated out in future versions of the pro forma. The Project is in the very early stages of predevelopment, and as such hasn't yet gone through a formal design or pricing exercise yet, therefore the below art fee is an estimate.

MOHCD Committed*	\$20,460,439
TDC (less acquisition cost)	\$92,995,739
Hard Cost Total	\$68,471,140
<b>Public Art Requirement Calculation</b>	
1%	1%
Construction Cost	\$684,711.40

Percent funded by MOHCD (MOHCD Committed / TDC)	22.0%
<b>Public Art Requirement</b>	<b>\$150,636.51</b>

\* Land not included in MOHCD subsidy

4.11. Marketing, Occupancy, and Lease-Up

MOHCD’s marketing policies and procedures will be applied to all units.

The Sponsors, led by YCD, will conduct outreach to neighborhood-based, non-profit housing corporations, agencies and other low-income housing advocacy organizations that maintain waiting lists. Units that are not subsidized by LOSP will be entered in a lottery and subject to San Francisco preferences. Among all eligible applicants, additional preference will be observed in the following order:

MOHCD Preference	Applicant Category
1	Certificate of Preference (COP) Holders
2	Displaced Tenants Housing Preference (DTHP) Certificate Holders (20% of the lottery units; 21 units total)
3	Neighborhood Resident Housing Preference (NRHP) (25% of the lottery units; 27 units total)
4	Live/Work in San Francisco
5	All Others

\*Should the project not receive HCD funding (e.g., MHP, IIG, AHSC), the neighborhood resident housing preference will instead be subject to a 40% cap, as per MOHCD standard, for the 71 lottery units (32 units total).

Marketing materials will be printed in Chinese, English, Spanish and Tagalog and published in a variety of publications that reach a broad range of non-English speaking populations.

For outreach related to lease-up activities, the Sponsor will compile an extensive list of community organizations, advertisers, and agencies that can be used to provide enhanced marketing to specific groups, such as Agency Certificate Holders, displaced households and homeless households, and other low-income families. The Development Team will meet with MOHCD and the other agencies with a stake in the marketing program and develop a comprehensive plan for the marketing. In addition to the print advertising and fliers, the Development staff will organize and participate in community meetings and forums to assist applicants with understanding the application process and submitting the applications for consideration.

Regarding tenant selection, JSCo’s typical approach, as the property management agent for the property, is to hire the Property Manager and

Assistant Property Manager early in the marketing process to provide the needed staffing. JSCo has conducted numerous lotteries in the selection process that conform to MOHCD's requirements and that have been monitored by City staff. For the Project, JSCo will adapt the selection process to meet MOHCD's updated requirements and participate in MOHCD's update and training meetings. Additionally, JSCO recently updated their Limited English Proficiency Plan and provided training to all of Property Managers on the proper implementation of the plan. The Plan includes a property analysis of Limited English Proficiency households and ongoing tracking of this information at each property to inform the marketing and management efforts with interpretation and translation to other languages.

#### 4.12. Relocation.

The Site is currently occupied by a single commercial business, Seismic Retrofitters, with a lease that expires on August 31, 2025, and a payment of \$15,000 per month. The tenant will relocate in the months prior to beginning demolition activities. The Sponsor has budgeted \$250,000 for relocation in the development proforma, which includes moving expenses, a consultant, and 3 months of security. Sponsor will determine if relocation costs are eligible for basis. In addition, any surplus in holding costs during the interim use period will be applied back to project costs, especially to cover relocation costs as necessary.

The Sponsor will need to provide a relocation plan and may possibly need to engage a relocation consultant. MOHCD will need to review any agreement made with a relocation consultant. The Sponsor will provide a detailed relocation budget and plan within 9 months of closing on the acquisition loan, for MOHCD approval.

## 5. DEVELOPMENT TEAM

Development Team			
Consultant Type	Name	SBE/LBE	Outstanding Procurement Issues
Architect	TBD	TBD	N
Landscape Architect	TBD	TBD	N
JV/other Architect	N/A	TBD	N/A
General Contractor	TBD	TBD	N
Owner's Rep/Construction Manager	TBD	TBD	N
Financial Consultant	TBD	TBD	N
Joint Trench	TBD	TBD	N
Legal	Gubb & Barshay (transaction) Goldfarb & Lippman (acquisition) Farella Braun & Martell (land use)	N	N
Property Manager	JSCo	N	N
Services Provider	Lutheran Social Services	N	N
MEP Consultant	TBD	TBD	N

### 5.1. Procurement Plan.

CMD is working to approve the Sponsor's procurement plan for Professional/Architecture & Engineering Services, and Sponsor's goal for procuring Local Business Entity (LBE) contractors is 25% of total contract value. The Sponsor will post the professional services RFQ for an Owner's Rep in early October. Once selected, Sponsor will work with their Owner's Rep to post an RFQ for Architecture and Engineering Services.

### 5.2. Opportunities for BIPOC-Led Organizations

While not BIPOC specific, BIPOC-led organizations/company will have opportunities during construction. For construction, the development team will focus on procuring a general contractor that demonstrates committed relationships with LBE/SBE subcontractors and a commitment to seeing them grow and thrive. The team will look to establish contacts with the Contracts Management Division and track newly certified firms, for addition to the Sponsor's outreach list. In order to ensure a high turn-out of SBE/LBE during the Project bid stage, the development team will regularly communicate about the 650 Divisadero bidding opportunity. Additionally, the team will ensure that bid scopes are tailored to a size that supports SBE/LBE business participation or encourage joint ventures with larger firms.

## **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/OCII Funding.**

N/A This is the first request for the Sponsor.

### **6.2. Disbursement Status.**

Loan Committee approves payment of costs no earlier than the award date of the NOFA on June 22, 2023, so long as these costs are deemed acceptable and correspond to predevelopment budget attached herein.

### **6.3. Fulfillment of Loan Conditions.**

N/A. This is the Sponsor's first request for funding.

### **6.4. Proposed Predevelopment Financing**

#### **6.4.1. Predevelopment Sources Evaluation Narrative**

The Sponsor proposes the \$15,000,000 in NOFA funds as the sole source of predevelopment financing. The \$12.775 million will cover acquisition, including a purchase price of \$12,250,000 and \$275,000 in transfer taxes and closing costs, as well as \$250,000 in relocation. The remaining \$2,225,000 is sufficient to fund initial predevelopment work, including to conduct initial design and site studies, and pay initial permit fees.

The Predevelopment amount is sufficient for 2 years of development, assuming no significant schedule delay. The predevelopment funds will not be used for holding costs without prior approval by MOHCD staff. Any additional predevelopment funds beyond the NOFA award amount will need to be reviewed and approved by MOHCD before execution of the agreement.

As noted above in Principal Development Issues, the Project will break even on all interim use holding costs. Any additional holding costs will be borne by the Sponsor.



6.4.2. Predevelopment Uses Evaluation:

<b>Predevelopment Budget</b>		
<b>Underwriting Standard</b>	<b>Meets Standard? (Y/N)</b>	<b>Notes</b>
Acquisition Cost is based on appraisal	Y	Land Acquisition Cost is \$12,775,000, or \$134,473/unit based on preliminary unit mix estimate
Holding costs are reasonable	Y	Holding costs in the pro forma represent relocation costs, not traditional holding costs. There are no other holding costs anticipated.
Architecture and Engineering Fees are within standards	Y	
Consultant and legal fees are reasonable	Y	
Entitlement fees are accurately estimated	Y	
Construction Management Fees are within standards	N	The Sponsor is aware the initial budget that was submitted in their NOFA response will need to be revised in order to comply with MOHCD policy.
Developer Fee is within standards	Y	
Soft Cost Contingency is 10% per standards	N	The Soft Cost Contingency in the NOFA response proforma is 0%. The Sponsor has updated their proforma to comply with MOHCD policy. This loan eval reflects the proforma that was submitted as part of the Sponsor's NOFA response.  Soft Cost Contingency in the updated proforma will be 10%.

\* Relocation costs are included within the proforma line items and will need to be separated out by the Sponsor.

6.5. Potential Permanent Financing

The permanent financing is being presented to demonstrate the Project's overall feasibility but is not presented for Loan Committee approval at this time.

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

- Private mortgage (\$3,754,534): The mortgage is supported by the rents from non-LOSP units and is underwritten with 30-

year term, 30-year amortization, at an estimated all-in interest rate of 6.42%. Given the current interest rate environment, it is recommended that the Sponsor explore adding an interest rate cushion to their strategy.

The Sponsor may be able to obtain a higher permanent loan by underwriting to a lower debt service coverage ratio, which in the NOFA application was proposed at 1.2 in year 20. The Sponsor's NOFA response proforma estimates the Project can support a larger 1<sup>st</sup> Mortgage of \$5,842,128; based on a min DSCR of 1.15, an interest rate of 6.75%, and a 30-year term. Though this is a rough estimate that shouldn't be relied on in future estimates, it illustrates the possibility of lowering MOHCD subsidy.

The Sponsor will need to reduce MOHCD subsidy, when possible, by utilizing all supportable debt available. The Sponsor will return to MOHCD at later stages of the predevelopment phase or at preliminary gap loan approval with better assumptions for approval.

- MOHCD Acquisition: \$12,775,000, 0% interest, 3-year term. This will be considered paid in full upon transfer to MOHCD at construction close. The loan will be forgive at construction close upon transfer to MOHCD.
- MOHCD Loan (\$33,235,439): 3%, 55-year, and residual receipts. The estimated MOHCD Gap loan equates to \$191,951 per unit (not including the initial \$15,000,000 predev/acq loan). This number is not being presented for approval; the Sponsor will return at preliminary gap with a more refined number. This estimate includes the closeout of the MOHCD predevelopment loan.
- 4% Tax Credit Equity (\$42,689,476): The Equity Investor has yet to be determined. The Sponsor is assuming \$0.96 federal credit pricing. Considering the market and recent pricing from projects in the MOHCD pipeline, this equity amount appears conservative. Should the market improve, and considering this is a high resource area, an increase in equity would assist in reducing the overall gap. See Section 9.4, Recommended Loan Conditions.

Additionally, if there are State Tax Credits available in 2026, certificated credits could further reduce the need for MOHCD gap subsidy. Calculating an estimated amount of state credits

involves an iterative analysis that wouldn't be accurate if using current application data. Therefore, a more detailed scoring analysis will need to be completed closer to the application date to determine the amount of state credits to be requested.

- MHP (\$22,981,727): 55 years, 3.0% simple interest rate with a 0.42% mandatory payment, residual receipts. The Project does meet the MHP scoring priorities of high resource area. Additionally, the high unit count and high rent neighborhood deliver a large public benefit and relatively high subsidy efficiency score which will allow the Project to be very competitive for MHP financing.
- Deferred Developer Fee (\$725,146): The Sponsor will receive deferred fee that is paid out by Year 15.
- General Partner Equity (\$2,000,000): Sponsor is only required to provide \$100 in GP equity, but the additional GP Equity helps the Sponsor leverage additional tax credit equity of up to \$1 million. The Sponsor can take advantage of this additional ask for tax-exempt bonds because it meets the scoring priorities for a high resource project.
- Construction Loan (\$48,231,755): While not a permanent source, the construction loan terms is proposed. 33 months, 8.0% interest rate. This loan would be funded through proceeds from a tax-exempt bond allocation. Referenced here although this is not a permanent source.

#### 6.5.2 CDLAC Tax-Exempt Bond Application:

The Sponsor expects to compete in the ELI/VLI set-aside within the New Construction pool and the Bay Area's geographic set-aside. However, the intent of the NOFA's set-aside requirement is to utilize underutilized pools of funding. The Sponsor will need to assess which set-asides are most advantageous. The Sponsors will apply to CDLAC-TCAC in 2026 for a 2026 allocation with an approximate \$48.2 million tax-exempt bond request, with an estimated score of 120 total points and an estimated tiebreaker of 165.7% (based off the 2022 tiebreaker calculation).

<b>CDLAC Self-Score</b>	
Opportunity Map Resource Level	Highest Resource
TCAC Housing Type (new construction only)	Large Family
Bond Allocation Request Amount	\$48,231,755
Total Self-Score (out of 120 points)	120
Tiebreaker Score	165%

6.5.3. Permanent Uses Evaluation:

<b>Development Budget</b>		
<b>Underwriting Standard</b>	<b>Meets Standard? (Y/N)</b>	<b>Notes</b>
Hard Cost per unit is within standards	Y	\$720,748/unit
Construction Hard Cost Contingency is at least 5% (new construction) or 15% (rehab)	Y	Hard Cost Contingency is 5.0%
Soft Cost Contingency should be either 5% or 10% of total Soft Costs.	Y	Soft Cost Contingency is 10.0%
Architecture and Engineering Fees are within standards	Y	
Construction Management Fees are within standards	N	Sponsor will update the budget at the time of gap loan approval to be in compliance with standards.
Developer Fee is within standards, see also disbursement chart below	Y	Project management fee: \$1,100,000 At risk fee: \$1,100,000 Deferred fee: \$1,211,942 GP equity: \$2,000,000 Commercial fee: \$200,000 Total fee: \$5,611,942
Consultant and legal fees are reasonable	Y	
Entitlement fees are accurately estimated	Y	
Construction Loan interest is appropriately sized	Y	
Soft Cost Contingency is 10% per standards	Y	Soft Cost Contingency is 10.0%
Capitalized Operating Reserves are a minimum of 3 months	N	The proforma doesn't reflect a capitalized operating reserve. The Sponsor will revise the budget with an

		operating reserve equal to 3 months (estimated at \$387,116)
Capitalized Replacement Reserves are a minimum of \$1,000 per unit (Rehab only)	Y	\$0 per unit, as per our guidelines for new construction.

\* The \$12,775,000 acquisition loan only funds the acquisition cost as stated on the final settlement statement, closing costs associated with acquisition financing, and interest. Any remaining funds of the \$15,000,000 predevelopment and acquisition loan as awarded not used for acquisition will be allocated to the predevelopment loan as a separate note. There will be no additional predevelopment funds from MOHCD. MOHCD believes the initial predevelopment budget is low for the holding period, therefore any additional predevelopment sources will need to be reviewed and approved by MOHCD.

#### 6.5.4 Developer Fee Evaluation:

The milestones for the payment of the developer fee to the sponsor are specified below:

<b>Total Developer Fee:</b>	<b>\$5,611,942</b>	
Predevelopment & Construction Project Management Fee:	\$1,100,000*	
Amount of Fee at Risk (the "At Risk Fee"):	\$1,100,000	
Amount of Commercial Space Developer Fee (the "Commercial Fee"):	\$200,000	
Amount of Fee Deferred (the "Deferred Fee"):	\$1,211,942	
Amount of General Partner Equity Contribution (the "GP Equity"):	\$2,000,000	
Milestones for Disbursement of Developer Fee payable for Project Management	Amount Paid at Milestone	Percentage Project Management Fee
Project Management Fee: Acquisition/Predevelopment Closing	\$165,000	15%
Predevelopment milestone #1: Close of Predevelopment financing	\$165,000	15%
Predevelopment milestone #2: Submission of HCD Funding Application	\$110,000	10%
Predevelopment milestone #3: Submission of CDLAC and TCAC Application	\$110,000	10%
At the Construction Closing	\$220,000	20%
Construction Completion	\$220,000	20%
Milestones for Disbursement of that portion of Developer Fee defined as At-Risk Fee		Percentage At Risk Fee
95% lease up and draft cost certification	\$220,000	20%
Permanent Conversion	\$550,000	50%
Project Close-out	\$330,000	30%
Milestones for Disbursement of that portion of Developer Fee defined as Commercial Fee	N/A	Percentage Commercial Fee

\*The predevelopment payout is not sufficient per MOHCD underwriting guidelines. The Sponsor will need to revise.

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

### 7.1. Annual Operating Budget.

The annual operating budget presented is to demonstrate the Project's overall feasibility but not intended for Loan Committee approval at this time. Sponsor will return to Loan Committee at Gap.

The Project is currently estimating first year operating expenses in 2028 of \$1,965,062, around \$20,684 PUPA including debt service and minimum HCD debt payments. Currently, the Project does not go negative in subsequent years and shows a DSCR of 1.334 in year 17 and 1.281 in year 20. Prior to the approval of gap loan, Sponsors and MOHCD staff will reevaluate perm loan sizing to approve the final permanent loan to be underwritten for the project's final financial plan. Given the project's relatively small size, it will be important to ensure there is no negative trending and that the Project will generate positive cashflow throughout its lifecycle.

### 7.2. Income

The budget will need to be updated through the predevelopment period and building design.

LOSP rents paid by tenant trend at 1% increase per year. The Project is requesting LOSP operating subsidies to support 24 units. The LOSP subsidy is projected at \$409,898K for the first calendar year (11 months of operations) increasing to \$461,893 for the next full year. The 15-year LOSP contract is estimated at \$9,461,408. The Sponsor is aware that their initial pro forma doesn't comply with LOSP policy in terms of reimbursement percentages. This will be corrected in future iterations of the pro forma.

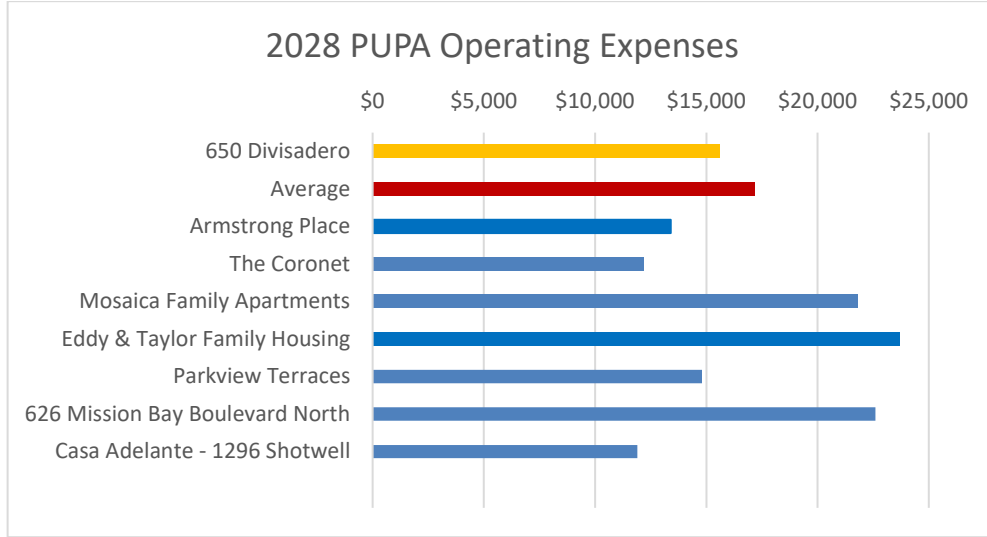
### 7.3. Commercial income

The Sponsor underwrote the 2,800 sf commercial space as a NNN lease, with all expenses being charged back to the tenant. Cashflow is projected to begin in Year 1 at approximately \$33,600, reaching full occupancy in year 2 with an estimated annual income of \$103,320. A 50% vacancy rate is assumed throughout the 20-year proforma, in-line with MHP's requirement.

These assumptions may not meet MOHCD Commercial Underwriting Guidelines for community servicing uses, if that is the intended use. Specifically, the underwritten rent for a community servicing use may be higher than the guidelines allow. The Sponsor will work with MOHCD to bring the income and expenses in line with standards. The Sponsor will

ensure that the space conforms to MOHCD’s commercial space underwriting guidelines as the details of the space are finalized.

7.4. Annual Operating Expenses Evaluation.



In review of the Operating Budget and comparing against other Projects, the Per Unit Per Annum (PUPA) expenses are about average with most other projects in MOHCD portfolio. As noted previously, the Project underwriting for this request is based solely on the response from the Sponsor to the NOFA. The information below represents where the Sponsor meets or does not meet MOHCD underwriting guidelines. The Sponsor will work with MOHCD staff to bring Projects budget in line with guidelines before the closing of the MOHCD acquisition and predevelopment loans. The complete OPEX will be presented for final approval by preliminary gap.

Operating Proforma		
Underwriting Standard	Meets Standard? (Y/N)	Notes
Debt Service Coverage Ratio is between minimum 1.10:1 and maximum 1.15:1 at year 15	N	Year 1 DSCR is 1.379:1 Year 15 DSCR is 1.359:1 Sponsor will work to bring DSCR in line with MOHCD UWs
Debt Service Coverage Ratio stays above 1.00:1 for entirety of projected 20-year cash flow	Y	DSC stays above 1.281:1 in year 20.
Vacancy meets TCAC Standards	Y	Vacancy is 5%

Annual Income Growth is increased at 2.5% per year	Y	Income escalation factor is 2.5% for non-LOSP, LOSP escalation is 1% for tenant rents, SOS income is at 4%
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 \$15,958 per unit
Property Management Fee is at allowable HUD Maximum	Y	Total Property Management Fee is \$85,500 or \$75 PUPM
Property Management staffing level is reasonable per comparables	N	1 FTE General Manager, 2 FTE Assistant General Managers, 4.2 FTE Desk Clerks, 2 FTE Janitors and 3 FTE Maintenance staff. The current proposed staffing is higher than comparable projects. The Sponsor is working on a revised staffing level and will report to MOHCD before gap loan approval.
Asset Management and Partnership Management Fees meet standards	Y	Annual AM Fee is \$29,000/yr. Annual PM Fee is \$30,000/yr.
Replacement Reserve Deposits meet or exceed TCAC minimum standards	Y	Replacement Reserves are \$500 per unit per year
Limited Partnership Asset Management Fee meets standards	Y	Estimated at \$7,500 per year. To be determined.

**LOSP Allocation:** The Sponsor currently shows LOSP allocation for front desk operations, under the Security Payroll/Contract line item, at 100%, which exceeds the approved allocation. Other line items are either not allocated at all or are allocated lower percentages than what is in-line with MOHCD and HSH’s guidelines. Any changes to the allocation in the future will need to be reviewed and approved by both MOHCD and HSH.

**Insurance (\$216,125):** The proposed insurance cost seems low for a Project of this size. The Project team should revisit before preliminary Gap.

**Utilities (\$318,250):** The Sponsor will provide updated utility estimates before gap loan approval.

**Property Management Staffing:** The staffing levels proposed by the Sponsor appear significantly higher than comparably sized properties. The



Sponsor will work to provide backup for the proposed staffing levels or will revise to a more appropriate estimate.

Front Desk: The budgeted amount for front desk has not been reviewed by HSH and is not approved. The represented allocation will be revised and reviewed by MOHCD. The current proforma as submitted for the NOFA shows a reserve representing 4 years of 24/7 front desk coverage, and the security line item is for dusk-to-dawn. These line items will need to be removed to align with MOHCD policy.

#### 7.5. Staffing Summary.

Staffing will be further evaluated during predevelopment as the Project's size and design are developed.

#### 7.6. Capital Needs Assessment & Replacement Reserve Analysis. N/A

7.7. Income Restrictions for All Sources.

<b><u>NON-LOTTERY</u></b>	<b>No. of Units</b>	<b>MOHCD AMI</b>	<b>TCAC AMI</b>	<b>HCD AMI</b>
Studio – LOSP	7	50%	30%	30%
1 BR – LOSP	7	50%	30%	30%
2-BR -LOSP	6	50%	30%	30%
3 - BR - LOSP	4	50%	30%	30%
<b>Sub-Total</b>	<b>24</b>			
<b><u>LOTTERY</u></b>				
Studio	6	30%	25%	25%
Studio	3	65%	50%	50%
1 BR	5	65%	50%	50%
2 BR	4	65%	50%	50%
3 BR	7	65%	50%	50%
Studio	9	75%	60%	60%
1 BR	5	75%	60%	60%
2 BR	14	80%	60%	60%
3 BR	17	80%	60%	60%
<b>Sub-Total</b>	<b>70</b>			
<b>Total Units</b>	<b>94</b>			
<b>PROJECT AVERAGE</b>		<b>61%</b>	<b>48%</b>	<b>48%</b>
<b>AVERAGE FOR LOTTERY UNITS ONLY</b>		<b>71%</b>	<b>54%</b>	<b>54%</b>

\*MOHCD notes that HSH may prefer the LOSP studio units to range from 40%-50% AMIs.

**7.8. MOHCD Restrictions.**

<b>Unit Size</b>	<b>No. of Units</b>	<b>MOHCD AMI</b>
Studio – LOSP	7	50%
1 BR – LOSP	7	50%
2-BR -LOSP	6	50%
3 - BR - LOSP	4	50%
Studio	6	30%
Studio	3	65%
1 BR	5	65%
2 BR	4	65%
3 BR	7	65%
Studio	9	75%
1 BR	5	75%
2 BR	14	80%
3 BR	17	80%

**8. SUPPORT SERVICES**

**8.1. Services Plan.**

Lutheran Social Services of Northern California's (LSS) mission is to promote stability and honor the dignity of those they serve - formerly homeless individuals of all ages - by providing supportive housing services that lead to self-sufficiency. LSS provides housing navigation and maintenance support to all ages: seniors, adults, families, and transition-aged youth. Using stable housing as its blueprint for success, each year LSS guides some 4,300 individuals of all ages in rebuilding their lives after experiencing homelessness or housing insecurity. They provide compassionate, nonjudgmental guidance in each person's journey to address the underlying causes of their homelessness, provide support to maintain housing, and access the services they need to heal and work toward self-sufficiency, health, and economic mobility. During the calendar year of 2022, 99% of all LSS's contracted programmatic residents remained housed.

In San Francisco, LSS provides two primary services – money management services for chronically homeless adults with special needs, and case management services for adults, families and seniors living in supportive housing sites. Their strategic community partnerships encourage innovative development of services, including partnerships with property management companies, the housing authority, landlords,

childcare providers, in-home therapy providers and other continuum of care providers. To serve 650 Divisadero, LSS will hire and train up to 3 FTE employees to work with residents of the building. This will include a RSC to work with all residents of the property and 2 case managers that will work with LOSP residents.

The LSS Housing First model for services includes the LOSP-funded services described below. The staffing plan and budget propose 2 case managers funded by the LOSP program, and a resident service coordinator funded from property operations. Additionally, front desk coverage is assumed from dusk-to-dawn nightly at approximately 2 FTE after Year 4 (The Sponsor has underwritten the project with a reserve to pay for 24/7 front desk coverage from Year 1 to Year 4. Dusk-to-dawn coverage would commence after Year 4). The goal of the services will be to support each resident who comes to live at 650 Divisadero to retain their housing and live full and vibrant lives. For non-LOSP units, LSS will supervise the full time Resident Services Coordinator, to be funded from property operations. The coordinator will liaise with property management and the LOSP-funded staff to ensure weekly meetings occur, ensuring staff communicate effectively and remain focused on tenant housing stability. The service coordinator will plan community-building events and ensure a seamless integration of both formerly homeless and general affordable residents into community life at the building.

Case Management: LSS provides tailored intensive case management to ensure that participants identify, address, and resolve the issues that have led to homelessness to maintain their housing. Services are provided face-to-face, virtually, via telephone, and via case coordination onsite.

Development of Housing Plan: LSS completes an Individual Service Plan (ISP) with each participant. The plan includes goals related to Maintaining Housing, Improving Independence, Self-care, Medical and Mental Health care.

Move-In Assistance: LSS ensures that participants have access to the basics they need for move in including a bed and bedding, towels, plates, utensils, and paper products. LSS reviews the lease with each participant ensuring that they understand rules for guests, use of public space, and payment of rent.

Documentation of Program Outcomes: Each participant is entered into San Francisco's Coordinated Entry Database which tracks basic demographic and program participation information of participants. In addition, LSS uses a client database program that tracks demographics, program services provided, and participant outcomes. This system provides information on the number of individuals served and sub-

population data including number employed, number who identify as LGBTQ+, number with a shared/documentated disability, number with children, and the ages of the children.

Housing Stabilization: Per city contract requirement, each participant and Case Manager meet at least once monthly to identify and resolve any barriers to maintaining housing, improving overall independence, self-care, medical care, and mental health care. It is an LSS service delivery goal to be proactive and offer multiple opportunities for participants to engage in services and activities. These planned interactions and opportunities occur at various times throughout the month during scheduled groups, activities, community meetings, scheduled appointments, and drop-in hours. Participant progress toward outcomes is reviewed regularly and at a minimum at least once every 6 months to determine the type and level of support needed to maintain all goals, or to develop new goals.

Onsite Collaboration: LSS seeks to facilitate the development of interdisciplinary and inter-agency strategies to effectively meet the needs of those we serve. LSS works with other collaborative members to appropriately share information and share decision-making through weekly meetings, case conferences, and other strategies as needed to support and build community throughout the entire housing site. Weekly team meetings and monthly operations meetings provide an opportunity for LSS, property management, and other program partners to address critical tenant and building issues. It also provides an opportunity to check in regarding any questions, issues, or concerns that come up and affect overall onsite programming. Although special attention is given to programming that meets the needs and supports our previously homeless residents, it is important that all activities are open to everyone and designed to cater to all residents to better create a stronger onsite community, stronger connections across all households, and stronger connections with the larger community in the neighborhood.

## 8.2. Services Budget.

The budget allocated for supportive services from the property's operating budget is \$91,000 for a total of \$2,573,451. This will need to be confirmed by HSH to be revised if needed prior to preliminary gap.

## 8.3. HSH Assessment of Service Plan and Budget.

This is a preliminary plan and budget. The Sponsor will work with MOHCD and HSH to approve the plan and budget during predevelopment and before gap.

## 9. STAFF RECOMMENDATIONS

### 9.1. Proposed Loan/Grant Terms

<b>Financial Description of Proposed Acquisition Loan</b>	
Acquisition Loan Amount:	\$12,775,000
Loan Term:	3 years
Loan Maturity Date:	2027
Loan Repayment Type:	Upon Land Transfer
Loan Interest Rate:	0%
Date Loan Committee approves prior expenses can be paid:	July 2022

<b>Financial Description of Proposed Acquisition &amp; Predevelopment Loan</b>	
Loan Amount:	\$2,225,000.00
Loan Term:	3 years (note: may be consolidated with 57-year term permanent loan at construction closing)
Loan Maturity Date:	2027
Loan Repayment Type:	Upon Land Transfer
Loan Interest Rate:	3%

### 9.2. Recommended Disbursement Conditions

Prior to Initial Predevelopment and Acquisition Disbursement:

- Sponsor must provide evidence of Prop I sign posting
- Sponsor must provide evidence of Limited Partnership formation
- Sponsor must provide evidence that Developer Fee will be split with YCD

### 9.3. Recommended Loan Conditions:

Prior to acquisition of the Land (estimated Jan 2024)

- Sponsor must provide MOCD with closing statement from Title Company showing the acquisition closing costs and predevelopment expenses.
- Sponsor must provide MOHCD with refined budget for both predevelopment and final development, that are in line with MOHCD UWs.
- The cost of relocation will not be included in the acquisition amount when the Site is transferred.

### Prior to end of 2023

- Section 3.2: Create a detailed community engagement plan before the end of 2023 and update quarterly.
- Section 4.7: Sponsor will determine if relocation costs are eligible for basis.
- Section 4.7: Sponsor will provide a detailed interim use budget within 3 months of Loan Committee approval, to be approved by MOHCD.
- Section 7.2: Sponsor will provide evidence of insurance quote by end of 2023 in order to forecast OPEX in the future.

### Prior to Preliminary Gap

- The Sponsor will provide a detailed relocation budget and plan within 9 months of closing on the acquisition loan, for MOHCD approval.
- Sponsor must provide MOHCD with a services plan and proposed staffing levels that meet MOHCD underwriting standards.
- Sponsor must provide Commercial Space Plan to MOHCD no less than 90 days prior to the Loan Committee date for preliminary gap loan approval, including outcomes achieved related to racial equity goals.
- Sponsor must provide a revised budget consistent with MOHCD policy guidelines no less than 90 days prior to the Loan Committee meeting date.
- Sponsor must provide a revised interim use budget consistent with MOHCD policy guidelines no less than 90 days prior to the Loan Committee meeting date.
- Sponsor to work with MOHCD and HSH to establish the LOSP budget and income restrictions for the referrals from Coordinated Entry.
- The Sponsor's proforma estimates the project can support a larger 1st Mortgage than what is proposed in the current Sources & Uses (see section 6.5.1). The Sponsor will need to seek to reduce MOHCD Gap Loan subsidy when possible by utilizing all supportable debt and other sources available.
- Sponsor will confirm with HSH their desired AMI ranges for LOSP family units.

### Prior to Gap

- Sponsor must work with MOHCD staff and project's General Contractor to Value Engineer construction budget, as required.

- Sponsor must provide signed LOI/s from commercial tenants prior to MOHCD's gap loan closing.
- Sponsor must provide MOHCD with information outlining cost containment, efficiencies and innovation strategies to reduce overall project costs and maximize efficiency of MOHCD gap loans.
- Sponsor must: a) provide for MOHCD review of the Request for Proposals (RFP) for equity investors and lenders before it is finalized and distributed; b) provide for MOHCD review of all raw financial data from developer or financial consultant prior to selection; c) provide for MOHCD review and approval of all selected investors and lenders; and, d) provide for MOHCD review and approval of all Letters of Intent from financial partners.

#### Prior to TCO

- Sponsor must provide initial draft marketing plan at 50% construction completion, outlining the affirmative steps they will take to market the project to the City's preference program participants, including COP Holders, Displaced Tenants, and Neighborhood Residents, as well as how the marketing is consistent with the Mayor's Racial Equity statement and promotion of positive outcomes for African American San Franciscans.
- Sponsor must submit an updated 1st year operating budget and 20-year cash flow – if any changes have occurred – by November 1st before the year the project will achieve TCO so that MOHCD may request the LOSP subsidy.

#### On-Going

- Sponsor must provide quarterly updated response to any letters requesting corrective action.
- Sponsor must provide MOHCD with detailed monthly updates via the MOH Monthly Project Update, including, but not limited to:
  1. Community outreach completed,
  2. Outcomes achieved related to racial equity goals, and
  3. Commercial-use programming.
- The Sponsor must obtain MOHCD approval to submit any local, state, and/or federal funding applications. MOHCD will review the underwriting and applications for any funding sources.



## **10. LOAN COMMITTEE MODIFICATIONS**

## 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 Kaslofsky, Executive Director  
Office of Community Investment and Infrastructure

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

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

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

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

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

### **Attachment A: Project Milestones and Schedule**

## REQUEST FOR ACQUISITION AND PREDEVELOPMENT FINANCING FOR 650 DIVISIDERO

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

Fri 10/13/2023 12:02 PM

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

approve

Eric D. Shaw

Director/ Interim Director HopeSF

Mayor's Office of Housing and Community Development

City and County of San Francisco

1 South Van Ness Avenue, 5th Floor

## 650 Divisadero Street

Kayhan, Dariush (HSA) <dariush.kayhan1@sfgov.org>

Fri 10/20/2023 2:13 PM

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

Cc: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>; Menjivar, Salvador (HOM) <salvador.menjivar1@sfgov.org>

I support Jonathan Rose Companies and Young Community Developers' request for \$12,775,000 for acquisition and \$2,225,000 for predevelopment (total funding \$15,000,000) for 650 Divisadero Street Family Housing.

Thank you,

Dariush

-----  
Dariush Kayhan  
Acting CoC Housing Manager  
[Dariush.Kayhan1@sfgov.org](mailto:Dariush.Kayhan1@sfgov.org)  
415-565-1559

## Request for Acquisition and Predevelopment Financing for 650 Divisadero

Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>

Thu 10/26/2023 12:05 PM

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

Cc: Ely, Lydia (MYR) <lydia.ely@sfgov.org>; Shaw, Eric (MYR) <eric.shaw@sfgov.org>; Colomello, Elizabeth (CII) <elizabeth.colomello@sfgov.org>; Slutzkin, Marc (CII) <marc.slutzkin@sfgov.org>

Hi Vanessa,

I approve the above request on behalf of OCII.

Thanks!

Best Regards,  
Thor



**Thor Kaslofsky**

Executive Director

---

One South Van Ness Avenue, 5th Floor

San Francisco, CA 94103

415.749.2588

[thor.kaslofsy@sfgov.org](mailto:thor.kaslofsy@sfgov.org)

[www.sfocii.org](http://www.sfocii.org)

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\*Please note that if you are receiving this email outside of your normal working hours there is no urgent need to respond unless there is a specific request to do so.

## REQUEST FOR ACQUISITION AND PREDEVELOPMENT FINANCING FOR 650 DIVISADERO

Katz, Bridget (CON) <[bridget.katz@sfgov.org](mailto:bridget.katz@sfgov.org)>

Fri 10/13/2023 12:02 PM

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

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

Approve

**Bridget Katz**

*Deputy Director*, Office of Public Finance

Controller's Office | City & County of San Francisco

Office Phone: (415) 554-6240

Cell Phone: (858) 442-7059

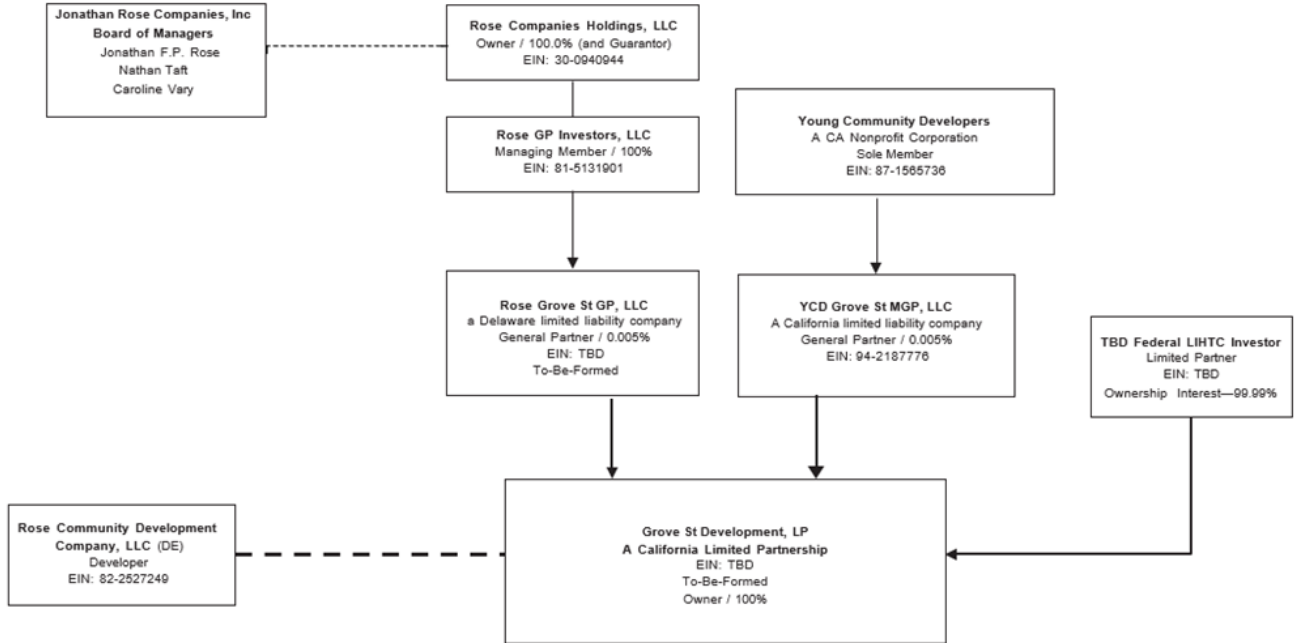
E-mail: [bridget.katz@sfgov.org](mailto:bridget.katz@sfgov.org)

No.	Performance Milestone	Estimated or Actual Date	Notes
A.	Prop I Noticing (if applicable)		
1	Acquisition/Predev Financing Commitment	<u>July 2023</u>	
2.	Site Acquisition	<u>1/26/2024</u>	Acquire site with MOHCD funds
3.	Development Team Selection		
a.	Architect	<u>11/15/2023</u>	
b.	General Contractor	<u>3/1/2024</u>	
c.	Owner's Representative	<u>3/1/2024</u>	
d.	Property Manager	<u>4/2023</u>	
e.	Service Provider	<u>4/2023</u>	
4.	Design		
a.	Submittal of Schematic Design & Cost Estimate	<u>3/1/2024</u>	
b.	Submittal of Design Development & Cost Estimate	<u>TBD</u>	
c.	Submittal of 50% CD Set & Cost Estimate	<u>TBD</u>	
d.	Submittal of Pre-Bid Set & Cost Estimate (75%-80% CDs)	<u>TBD</u>	
5.	Commercial Space		
a.	Commercial Space Plan Submission	<u>TBD</u>	
b.	LOI/s Executed	<u>TBD</u>	
6.	Environ Review/Land-Use Entitlements		
a.	SB 35 Application Submission	<u>TBD</u>	
b.	CEQA Environ Review Submission	<u>N/A</u>	
c.	NEPA Environ Review Submission	<u>N/A</u>	
d.	CUP/PUD/Variances Submission	<u>N/A</u>	
7.	PUC/PG&E		
a.	Temp Power Application Submission	<u>TBD</u>	
b.	Perm Power Application Submission	<u>TBD</u>	
8.	Permits		
a.	Building / Site Permit Application Submitted	<u>TBD</u>	
b.	Addendum #1 Submitted	<u>TBD</u>	
c.	Addendum #2 Submitted	<u>TBD</u>	

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



### Attachment B: Borrower Org Chart



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

**Jonathan F.P. Rose:** Founder, President, CEO & CDO, Jonathan Rose Companies (JRC): Known as an innovator in green building and smart growth development, Mr. Rose has over 30 years of experience acquiring, developing, and owning large-scale multifamily and commercial properties. He provides daily strategic direction to the firm's management team and chairs its Investment Committee. Mr. Rose is Vice Chair of Enterprise Community Partners and is a trustee of the Natural Resources Defense Council. Mr. Rose graduated from Yale University with a B.A. in Psychology and Philosophy and received a Master's in Regional Planning from the University of Pennsylvania.

**Sarah White,** Director, California, JRCo: Ms. White joined JRCo in December 2021 and will focus on expanding and managing the firm's development pipeline in California. Prior to joining JRCo, Sarah worked with BRIDGE Housing and TNDC, where she cumulatively oversaw or directly managed approximately 1,300 units of affordable housing. Examples of past San Francisco development experience include: Hunters Point Shipyard Blocks 52-54, 4840 Mission, Eddy & Taylor, 1990 Folsom/Casa Adelante, 555 Larkin, and 626 Mission Bay Boulevard. Ms. White earned a Master of Arts degree in Urban Planning from UCLA and a Bachelor of Arts degree from the University of Minnesota-Twin Cities, in French and International Relations. Sarah will lead the development effort, with support from the YCD assigned project managers.

**Dion-Jay ("DJ") Brookter,** Executive Director, Young Community Developers (YCD): Under DJ's leadership, YCD develops strong partnerships within the City & County of San Francisco and throughout the State of California, supporting the scalable growth of the organization. He was recently appointed to serve on the San Francisco Sheriff's Oversight Committee, following his preceding appointment as a member of the San Francisco Police Commission. DJ holds a Bachelor of Science degree in Speech Communication from Utah State University and a Master in Business Administration from the University of Phoenix.

**Divali Ramkalawan,** Director of Housing Development and Policy: Divali oversees the development, acquisition, preservation, and advocacy for affordable housing in the neighborhoods YCD serves. Divali holds a Master of City and Regional Planning from the University of California, Berkeley, and a Bachelor of Arts in Business Administration, Political Science and Government from the University of California, Los Angeles.

**Monica Almendral,** Project Manager, YCD: Monica manages the day-to-day coordination of internal and external team members, assembles project budgets, and manages schedules to ensure projects are delivered on time and within budget. Monica holds a Bachelor of Science in Mathematics from Spelman College in Atlanta, Georgia. Divali and Monica will work closely with Sarah and Nicole to implement the community outreach plan and lead the efforts to prepare and submit the HCD funding application

## **Attachment D: Asset Management Evaluation of Project Sponsor**

The Asset Management team at JRCo monitors the operating performance and manages the value-add opportunities for the firm's investment and development properties, in a portfolio that includes more than 17,000 units of affordable housing, 2,000 units of market-rate housing, and approximately \$18.8 million square feet of real estate in operations. JRC's portfolio of properties includes new construction developments, acquisition of existing housing assets, and re-syndication and refinancing of the properties they own and manage. The Asset Management team serves as a strategic, responsible owner for all of Jonathan Rose Companies 113 properties, increasing the depth of integrated, strategic property oversight, and the ease in which data is collected, reported, and used to guide actions. This work includes close collaboration with JRC's Environmental Impact and Social Impact Practices, where these teams intersect to benchmark and chart progress for each property's energy, water, and carbon savings and quality of life indicators such as access to technology, health care, education, and other vital social services. The Asset Managers provide financial oversight of their property portfolio including business plans, providing guidance on operating budgets and 5-year capital expense plans to meet or exceed business plan goals, monitoring the monthly financials to assess performance, acting swiftly to address budget variances, and fully understanding the economics of a deal, while continuously seeking to optimize value. As the liaison between ownership, environmental impact, supportive services, and property management disciplines, the Asset Managers ensure property management is operating to the budget, JRC's Communities of Opportunity standards are in place, and tenants remain stable in their housing. Finally, JRC's Asset Management Practice leads the refinancing and disposition processes of properties and is responsible for the successful completion of the transactions.

*Each Asset Manager has a portfolio of approximately 10-15 properties that are assigned according to their geographic region. In California, the asset management team includes Melissa Galek, Scott Frye, and Evan Finley. Melissa, as Director of Asset Management, brings over 20 years of experience in affordable housing asset management, investor servicing, HUD requirements, and residential development project accounting. She supervises a team of asset managers, including Evan, who oversees a portfolio of 4 Colorado and 10 California properties. Scott's work spans JRC's asset management portfolio, serving as the team's financing expert. He works closely with Melissa and JRC's asset managers to evaluate existing assets for optimal refinance or re-syndication opportunities. Scott then underwrites these transactions and works closely with JRC's Acquisition & Rehabilitation Practice team to reposition these properties and manage their rehabilitation activities through completion. As JRC's portfolio grows, we add additional asset management staff in response and current open positions include an asset manager for the Chicago, Illinois region. As JRC's California and West Coast-focused work grows, Melissa and Evan will manage these properties until an additional full-time asset management position is needed to cover the region's growing asset management needs. Additionally, an Asset Management Analyst supports the team, by preparing required lender and investor reporting. Nathan Taft, Chief Investment Officer,*

*Jill Leshner, Managing Director, and Jonathan Lee, Director working alongside Melissa to manage the Asset Management team and supervise its team of 11 Asset Managers.*

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

*The below language was provided in the Site Acquisition and Predevelopment Financing NOFA of January 27, 2023, Section IV – Selection Process, Minimum Capacity and Experience Requirements, Selection Criteria and Scoring, and Submittal Requirements Overview*

### **A. SELECTION PROCESS**

MOHCD staff will review all submittals for completeness and satisfaction of minimum experience and capacity requirements (see Section B below). If a submittal does not meet minimum experience and capacity requirements, the respondent may submit an appeal to MOHCD staff on technical grounds only.

A Selection Panel will be appointed by the Director of MOHCD composed of persons with expertise in the areas of development, affordable housing finance, affordable housing construction management, community development, commercial space development, housing access/marketing, housing and services for homeless households, and public design/arts commission, as well as community representatives.

The Selection Panel will review all qualified responses (see Section C below) and may interview top-scoring applicants, at which time applicants will be asked to present and explain the major characteristics of their submittal, particularly as they relate to the Scoring Criteria, and respond to questions from the Selection Panel.

After interviews have been completed, the Selection Panel will determine the final ranking of all responses and present this ranking to the Director. The Selection Panel's scoring of each proposal will be done by consensus and will be final.

The Director will then select Project(s) for this funding pool and advise the Mayor of these selections. MOHCD and the selected applicants will enter into acquisition and predevelopment loan agreements with milestone requirements established in accordance with the terms of this NOFA. If MOHCD staff cannot enter into a loan agreement with a selected applicant that is in the best interest of the City, the MOHCD Director may terminate negotiations in his sole discretion. If the MOHCD Director terminates negotiations with a selected applicant, the MOHCD Director reserves the right, in his sole discretion, to (1) negotiate with the next highest ranked Respondent, or (2) reject any and all other proposals, in whole or in part, prior to award, and (3) may re-advertise the NOFA for the full or partial funding amount under such terms the MOHCD Director deems to be in the City's best interest. MOHCD reserves the right to appoint additional parties to the selected applicant team should it be determined that the team lacks representation necessary to the achievement of the goals of the NOFA.

### **B. MINIMUM CAPACITY AND EXPERIENCE REQUIREMENTS**

## 1. Minimum Development Team Characteristics

The proposed applicant team must include the following.

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

## 2. MINIMUM DEVELOPMENT TEAM EXPERIENCE

Minimum experience must be demonstrated by identifying specific **Qualifying Projects** in which team members have participated, as further described below. The proposed Development Team must submit **Form 5 - Qualifying Project Form**, to document how the Qualifying Project characteristics meet each of the experience categories below (developer, owner, property manager, service provider.)

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

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

- The project must be new construction (not a requirement for Minimum Service Provision Experience) in a construction type appropriate for the proposed site development (not a requirement for Minimum Property Manager and Service Provision Experience).
- The project must include units for households experiencing homelessness.
- The project must be financed in part with Low-Income Housing Tax Credits.

### 3. MINIMUM DEVELOPER AND OWNER CAPACITY REQUIREMENTS

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**Minimum Developer Experience:** The proposed Developer must have completed within the past ten years at least **one** Qualifying Project. The definition of “completed” is having received Temporary Certificate of Occupancy by the date of the issuance of the NOFA. For joint-venture Development partners, the experience of either entity may suffice for the joint-venture partnership. A Memorandum of Understanding between joint-venture Development partners must be submitted with the application.

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

**Minimum Ownership Experience:** The proposed site owner must have owned at least **one** Qualifying Project for at least five (5) years prior to the submittal deadline of this NOFA. For purposes of this requirement, the managing general partner of the tax credit partnership intended to take ownership of the completed Project and to provide asset management for the Project is the proposed “Owner”.

In addition, each proposed Owner must provide evidence of experience with owning housing financed with Low Income Housing Tax credits. This experience does not have to be on the same project that satisfies the 5-year ownership requirement. If the Selected Developer entity is not the same entity as the proposed Owner, MOHCD reserves the right to require that certain members of the Selected Developer remain active in the ownership for whatever length of time MOHCD deems necessary to ensure operating and financial stability.

**Minimum Property Manager Experience:** The proposed property manager for the Project must have managed at least two Qualifying Projects, each for at least 36 months. In addition, the Property Manager must provide evidence of experience managing housing financed with Low Income Housing Tax credits and operating projects with a Housing First approach. The Property Manager must demonstrate effective strategies for working with service providers to collaborate on housing stability of residents.

**Minimum Service Provision Requirements:** The proposed service provider(s) must have at least 36 months’ experience providing supportive services within a Qualifying Project, including case management and comprehensive services for homeless households in a residential setting. The proposed service provider(s)

must demonstrate effective strategies for collaborating with property management on housing stability for residents. The proposed service provider(s) must have the infrastructure to supervise and train onsite staff and their supervisors.

Other Consultants: For any applicant team, the experience of key staff members or “other consultants” may be substituted for the experience of the organization as a whole as long as the staff member’s or consultant’s experience in other firms was substantive and involved responsibilities similar to what they are anticipated to perform as a member of the Respondent’s team.

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

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

- Financial Capacity: The proposed Developer (or Guarantor where another entity is providing required guarantees) must demonstrate its ability to obtain competitive financing, as evidenced by submitting the latest (2) years of either signed federal income tax returns (including schedules or attachments, if any); or audited financial statements (with management letters, if any). The proposed Developer must also submit **Attachment F – Financing Terms for Developer’s Qualifying Project** documenting the equity pricing and debt terms for the Qualifying Project submitted under Minimum Developer Experience.
- Staffing Capacity: The proposed Developer must document its capacity to successfully plan, design, and develop the Project, throughout the period of development, either through staff with appropriate experience and capacity, contracted services, or collaboration with other organizations. To document this, the proposed Developer must submit a written narrative **no more than one page** (in Times New Roman font, 12 font size, and 1-inch margins) to document the experience and capacity of key staff, their workloads, and the organizational structure for supporting staff. The proposed Developer must also submit **Attachment G – Projected Staffing Workload Form** to document the work assignments (existing or contemplated) associated with each staff person expected to work on the Project for Developer.
- Asset Management Capacity: The proposed Owner must document its capacity to successfully manage real estate assets in compliance with City regulatory agreements and restrictions. To document this, the proposed Owner must submit a recent Real Estate Owned (REO) schedule, stating the number of projects and



average number of units/project currently in Owner's asset management portfolio, proposed Owner's current asset management staffing (noting job titles), FTEs, and status of each position (filled/vacant), and proposed Owner's organizational chart.

### C. MINIMUM PROPOSAL REQUIREMENTS

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#### Eligible Proposals:

2. Must demonstrate *site control by applicant* as evidenced by appropriate documentation (Deed of Trust, Purchase Agreement, Option to Purchase Agreement.) The proposed purchase price must be reasonable in comparison to other sites in the neighborhood, and in comparison to other affordable housing sites in the City, and must be supported by an appraisal as part of the application package.
3. Must include a description of proposed interim uses for the Site during the extended predevelopment period through 2026. This should include a description of current structures and uses; what if any structures or amenities will be preserved; and the timeline, budget, and scope of planned interim uses. The budget should include a description of how security and other holding costs have been calculated.
4. Must include a description of site context: parcel history; current zoning; parcel configuration, including the need for potential parcel mergers; potential historic resources on the site or adjacent to it; and prior uses at the site that may have left environmental impacts. Applicant must include a map of neighboring amenities.
5. Must demonstrate ability for the project to make use of streamlined entitlements through SB 35 or another streamlining initiative.
6. Must include the opportunity for the City to eventually own the land as ground lessor under a long-term ground lease structure or some other land dedication/ subdivision mechanism that will insure long-term affordable housing as the primary use of the land.
7. Must demonstrate overall financial feasibility through inclusion of a Financing Plan. The financing plan must include a detailed Sources and Uses Budget that includes the following and uses the most current version of the MOHCD Underwriting Guidelines, available on the MOHCD website (<https://sfmohcd.org/housing-development-forms-documents>.) The project must be financially feasible, including realistic development and operating budget projections that conform to industry standards, including TCAC minimum standards. Each proposed financing source must be realistic, compatible with MOHCD and all other committed or proposed funding sources, and appropriate for the proposed housing. Applicant must demonstrate that there is a reasonable likelihood that all identified development sources will be secured in a timely manner.

- a. Primary capital funding sources can include 4% low income housing tax credit equity with tax exempt bonds, City subsidy, and Federal Home Loan Bank Affordable Housing Program funds, and that may include any other funding sources developers deem applicable, such as State of California Department of Housing and Community Development (HCD) (for example, MHP and IIG) or CalHFA funds. Do not assume use of No Place Like Home funds. Do not assume access to Section 8 (Housing Choice Vouchers, Project Based Section 8, or Continuum of Care, for example.)
- b. Rents set at affordability levels appropriate for the target population.
  - a. For the LOSP units serving formerly homeless households, applicants should include a projected rent subsidy amount necessary to ensure affordability and to meet the building's operations and maintenance needs, including adequate reserve deposits, asset management and partnership management fees, mandatory hard debt payments to HCD, if any, and a minimum of 5 years of deferred developer fee, as applicable. For purposes of this projection, developers should assume that the actual tenant-paid portion of rental income is **\$250** per unit per month for formerly homeless households. *Future projections may differ given the proposed tenant population and subsidy program available.*

While a commitment of capital funding does not guarantee an award of local operating subsidies, the City will work with the selected developer to leverage the most appropriate subsidies to serve the target population.

An application submitted under this NOFA is also considered an application for local operating subsidies should those subsidies be made available and are necessary.

- b. For the non LOSP units serving low income households, sponsors may propose rents up to the maximum tax credit eligible rent under the HUD Unadjusted Metro Fair Market Rent Area that contains San Francisco, as published annually by MOHCD ("MOHCD AMI"). For the LOSP units, sponsors should assume an ongoing rental subsidy sufficient to cover difference between \$250/month tenant payment and 60% MOHCD AMI rent levels.
  - c. For units serving seniors age 62+ intending to use the SOS Program subsidy, assume that 40% of the senior units will have an SOS contract. Rents to be set at 15% AMI and 25% AMI, with contract growing at 4% annually.
8. Must demonstrate – through provision of specific examples of inputs used for estimating – that the project's total development budget, as well as its specific line items, are comparable to recent and similar projects, to industry standards and are compliant with funding source regulations, MOHCD policy and most recent underwriting guidelines. Cost per unit, per square foot (land area and building space), per bed or bedroom will be

examined relative to total development cost, City subsidy, and construction cost.

9. Must propose the maximum use of available, non-local funds to achieve the highest reasonable financial leveraging of capital resources for the predevelopment, construction and permanent phase. The amount of City funds requested per unit and the actual or proposed level of funds to be leveraged from other sources will be examined.
10. Must demonstrate competitiveness for State bond and tax credit funds administered by the California Debt Limit Allocation Committee.
11. Proposals that include any displacement/relocation of residential and/or commercial tenants must include a full relocation plan and budget. Displacement or relocation that is required as a condition of site control is highly discouraged, though in some cases may be justified.
12. Must budget for a supportive services and housing stabilization component that is appropriate for the needs of the anticipated tenant population, including households who have experienced homelessness, and within either HSH's or MOHCD's funding guidelines for the services contract.
13. Must include a community engagement plan that demonstrates the capacity to generate necessary neighborhood support for the proposed development. Include any evidence of support expressed to date for the project, as well as plans for community engagement going forward. This also needs to cover the entire development period, including interim use and construction work.
14. Must include an operating budget that includes all expenses necessary to properly operate and maintain the building. This budget should include a service coordinator/connector staff position(s), at 1:100, to assist the non-homeless households. A separate budget should be attached for services that will support the households who were formerly homeless, for which the City will provide funding.
15. Must provide a construction cost estimate that reflects current construction costs and show escalation assumptions as a separate line item.
16. Must include a Services Plan and Budget that complies with MOHCD underwriting requirements. The awarded development team will apply for services funding separately at the appropriate time. However, HSH, MOHCD, and OCII, where applicable, collaborate closely on funding decisions in order to maximize the use of City resources. Capital funding decisions under this NOFA will include review and approval by representatives of these agencies. Successful applicants under this NOFA

will receive priority for funding from HSH and MOHCD for services and operating subsidies.

- Operating budgets should include up no (and no more than) 1:100 staffing for the non-homeless residents.
- For the units occupied by formerly homeless residents: assume that services for homeless families will be funded separately by HSH through direct contracts with the Projects’ social services providers.
- For the purposes of this NOFA only, respondents should budget \$1,000 per unit per month in services funding for the formerly homeless units. This amount may change during underwriting and services negotiations. Assume 1:20 case management staffing ratios for these units.
- Services funding will be conditioned on continuous compliance with the terms of the Respondent’s Local Operating Subsidies Program (“LOSP”) agreements with MOHCD as well as the support services agreement held by HSH.

17. Must provide concept-level drawings and/or diagrams that indicate the Project approximate height, bulk, site layout, unit count, and commercial/common space use, which can be printed on 8.5” x 11” paper, no more than two (2) pages. The purpose of these diagrams will be to confirm the anticipated unit yield at the site, and its conformance to existing zoning restrictions including any available density bonuses. Note: This information does not constitute a formal design submission. There is no reimbursement for costs related to this requirement.

**D. SELECTION CRITERIA AND SCORING**

Responsive submittals include all the required information listed above, and a background and a vision statement articulating the application of best practices for the successful development of affordable housing and the achievement of desired outcomes and goals.

All applications that meet the Minimum Experience and Capacity Requirements listed in Section IV.B and IV.C will be scored and ranked according to the extent to which their Experience and Vision meets the following selection criteria:

	<b>Category</b>	<b>Points</b>
<b>A.</b>	<b>EXPERIENCE:</b>	<b>40</b>
i.	<b>Developer (12 pts)</b> 1. Experience with the following: <ul style="list-style-type: none"> <li>o Completing projects on time and on budget</li> <li>o Obtaining competitive financing terms</li> <li>o Developing proposed type of construction</li> </ul>	

	<ul style="list-style-type: none"> <li>o Developing housing for low-income households, including those experiencing homelessness, as applicable</li> <li>2. Building community support through outreach</li> <li>3. Current staff capacity and experience to take on this project type</li> </ul>	
ii.	<p><b>Owner (4 pts)</b></p> <ul style="list-style-type: none"> <li>1. Track record successfully owning housing financed with Low-Income Housing Tax Credits</li> <li>2. Experience owning affordable housing for low-income households, including those experiencing homelessness, if applicable</li> <li>3. Effectiveness of current asset management structure and staffing, given portfolio size</li> <li>4. Capacity for assuming asset management of an expanded portfolio once the development is complete</li> </ul>	
iii.	<p><b>Property Manager (8 pts)</b></p> <ul style="list-style-type: none"> <li>1. Experience managing property for low-income households, including those experiencing homelessness, if applicable</li> <li>2. Experience achieving high rates of housing retention</li> <li>3. Implements low barrier tenant selection policies consistent with Housing First principles and the HSH Documentation Policy</li> <li>4. Contributes to long-term sustainability of the development</li> <li>5. Achieves cost efficiencies in operations</li> </ul>	
iv.	<p><b>Service Providers (8 pts)</b></p> <ul style="list-style-type: none"> <li>1. Experience providing access and delivering services to low-income households, including those experiencing homelessness, if applicable</li> <li>2. Experience linking residents to the City's safety net of services</li> <li>3. Works with property management to achieve high rates of housing retention</li> <li>4. Supports positive outcomes for residents around health and economic mobility</li> </ul>	

	<ol style="list-style-type: none"> <li>5. If applicable, provides explanation for service contracts terminated prematurely within the last 5 years</li> <li>6. Capacity to attract and retain adequate staffing to take on this project</li> </ol>	
v.	<p><b>Racial Equity (8 pts)</b></p> <ol style="list-style-type: none"> <li>1. Experience providing housing to COP holders and neighborhood preference holders</li> <li>2. Uses innovative approaches to engagement with COP and neighborhood preference holders</li> <li>3. Demonstrates commitment to racially diverse project development teams</li> <li>4. Demonstrates experience with serving historically excluded communities of color</li> </ol> <ol style="list-style-type: none"> <li>1. Describes experience providing access and implementing effective service delivery strategies to historically excluded communities of color</li> </ol>	

<b>B. VISION:</b>		<b>60</b>
i.	<p><b>Site and Project Concept (15 pts)</b></p> <ol style="list-style-type: none"> <li>1. Proposes site whose location, size, configuration, and zoning support the development of affordable and permanent supportive housing, including ability to maximize unit yield in a cost-effective construction type and make use of entitlement expediting such as SB 35.</li> <li>2. Describes vision for a development program at this site, while best achieving the project goals, and includes:                             <ul style="list-style-type: none"> <li>o A residential program and other envisioned uses;</li> <li>o Indicates how the proposed uses and amenities will enhance the lives of the proposed target population and the surrounding neighborhood.</li> </ul> </li> </ol>	

	<ol style="list-style-type: none"><li>3. Indicates populations served by the programs and spaces (families, families experiencing homelessness, young adults, children etc.).</li><li>4. Describes the interim use strategy, including contingencies for construction start delays of up to three (3) years</li></ol>	
ii.	<p><b>Community Engagement Strategy (10 pts)</b></p> <ol style="list-style-type: none"><li>1. Describes community engagement strategy and includes:<ul style="list-style-type: none"><li>o The team’s philosophy on community engagement</li><li>o Process for establishing and/or building positive relationships with surrounding neighbors and the larger community</li><li>o Efforts designed to engage all interested community members—particularly BIPOC members of the target populations—and including monolingual non-English speaking community members;</li><li>o How the Development Team intends to comply with the City’s Language Access Ordinance</li></ul></li><li>2. Describes the Team’s approach to achieving entitlements for the project expeditiously and the approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations.</li><li>3. Indicates how particular community engagement strategy will address the historical exclusion of communities of color from quality housing, including but not limited to marketing to attract target populations.</li></ol>	

iii.	<b>Services Delivery Strategy (10 pts)</b> <ol style="list-style-type: none"><li>1. Describes the Development Team’s services delivery strategy and includes:<ul style="list-style-type: none"><li>o The overall service philosophy;</li><li>o Model for providing services to formerly homeless residents (including case management ratio and provision of amenities such as front desk clerks, if applicable);</li><li>o The services goals of the proposed vision.</li></ul></li><li>2. A brief description of the desired outcome of the services to be provided and innovative approaches to services provision, including the strategy of engaging residents and encouraging access to services.</li><li>3. Describes how services for residents will be coordinated with the existing network of services in  the neighborhood and community.</li><li>1. Describes strategies used to help BIPOC tenants overcome barriers to accessing supportive services and income that mitigate the effects of poverty and  lead to improved self-sufficiency.</li></ol>	
iv.	<b>Finance &amp; Cost Containment Approach (15 pts)</b> <ol style="list-style-type: none"><li>1. Describes the Development Team’s financing approach to the project.</li><li>2. Describes how project is strategically positioned to successfully compete for State funding resources, including funding from the CA Debt Limit Allocation Committee and Department of Housing and Community Development</li><li>3. Includes the Team’s process for structuring the project and controlling development costs.</li><li>4. Includes innovative strategies intended to minimize MOHCD’s projected capital gap financing.</li><li>5. Describes any innovative (i.e. non-standard, routine</li></ol>	



	or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses. <ol style="list-style-type: none"> <li>1. Includes proforma financials.</li> <li>2. Includes project design concept to fact check the financials</li> </ol>	
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v.	<b>Racial Equity Strategy (10 pts)</b> <ol style="list-style-type: none"> <li>2. Explains how vision aligns with the primary goals of this NOFA set forth in the Introduction and Project Expectations.</li> <li>3. Proposes a substantive partnership that increases opportunity/capacity for growth of Emerging Developers (smaller organizations).</li> </ol>	
<b>TOTAL POSSIBLE POINTS</b>		<b>100</b>

Projects must receive at least 70 points to proceed through the selection process.

**E. SUBMITTAL REQUIREMENTS OVERVIEW**

Using **Attachment B – Submittal Checklist**, check boxes of all items that will be submitted. Complete and submit **Attachment C - NOFA Registration Form**. All addenda, responses and additional information will be distributed to all parties who have submitted a registration form in accordance with Section IIB above.

*1. Minimum Development Team Characteristics*

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Submit **Attachment D - Respondent Description** to document the name of each organization, names of the organization’s Director (or equivalent position) and primary contact persons, and phone numbers and email addresses for each of the following:

- Lead Developer and Co-Developers (if applicable)
- Development Consultant (if applicable)
- Owner(s)

- Property Manager(s)
- Service Provider(s)

For each Lead Developer and/or Co-Developer, submit a current copy of the following documents:

- a. **Certificate of Good Standing** from the California Secretary of State
- b. **Certification of 501(c)(3) status** (for nonprofit corporations) from the Internal Revenue Service.

## 2. Minimum Development Team Experience

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Submit **Attachment E - Qualifying Project Form**, to document how the Qualifying Project characteristics meet each of the experience categories below (developer, owner, property manager, service provider.) The Development Team may submit more than one

(1) Qualifying Project for each of the experience categories:

- a. Minimum Development Experience
- b. Minimum Ownership Experience
- c. Minimum Property Management Experience
- d. Minimum Service Provision Experience
- e. Minimum experience in incorporating principles of racial equity into development, management and service experience

To demonstrate the minimum required development team experience, each team should submit one project for each experience category. When appropriate, teams may submit the same project as evidence of experience across multiple experience categories, or may use different projects to demonstrate experience across categories. In all cases, no more than five (5) total Qualifying Projects should be submitted. **Qualifying Projects will not be scored, but are used to identify if the proposed Development Team meets the minimum development team experience required to develop the Site.**

## 3. Minimum Developer and Owner Capacity Requirements

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### **Financial Capacity**

- Latest two (2) years of either signed federal income tax returns (including schedules or attachments, if any); or audited financial statements (with management letters, if any).
- **Attachment F – Financing Terms for Developer’s Qualifying Project** to document the equity pricing and debt terms for the Qualifying Project submitted under Minimum Developer Experience.

### Staffing Capacity

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- Description of Key Staff Experience – Provide written narrative of **no more than one page** (in Times New Roman font, 12 font size, and 1-inch margins) to document the

experience and capacity of key staff, their workloads, and the organizational structure for supporting staff.

- **Attachment G – Projected Staffing Workload Form**, documenting the work assignments (existing or contemplated) associated with each staff person expected to work on the Project for Developer.

#### Asset Management Capacity

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- Proposed Owner’s recent **Real Estate Owned (REO) schedule**, documenting the number of projects and average number of units/project currently in Owner’s asset management portfolio.
- Proposed Owner’s current **asset management staffing**, noting job titles, FTEs, and status of each position (filled/vacant).
- Proposed Owner’s **organizational chart**.

#### Racial Equity Capacity

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- Demonstrate how developer has met the City’s minimum compliance standards for Equal Employment Opportunities on the **Qualifying Project**.

#### 4. Selection Criteria and Scoring

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- ii. **Experience:** Provide written narrative of **no more than five pages** (in Times New Roman font, 12 font size, and 1-inch margins).
- iii. **Vision:** Provide written narrative of **no more than seven pages** (in Times New Roman font, 12 font size, and 1-inch margins).

Additional documents submitted in this section will not be allowed, except as identified on the **Attachment B: Submittal Checklist**.

#### F. Scoring for EXPERIENCE

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In **no more than five pages** of written narrative (in Times New Roman font, 12 font size, 1-inch margins), describe how each member of the Proposed Development Team has the most relevant experience for the successful development of the project.

**Describe how the Development Team has implemented lessons learned from past affordable housing experience.** Please note that Respondents are not limited to discussing the Qualifying Project(s).

Developer: Describe the Developer’s track record successfully developing high-quality affordable housing, including supportive housing. In particular, discuss the Developer’s experience completing housing development projects on time and on budget, obtaining competitive financing terms, developing type V/I or III/I construction, developing for low-income families and those experiencing

homelessness and building community support for mixed use projects (affordable residential with ground floor commercial) through outreach for similar projects. Describe the experience and capacity of current staff to take on a project of this type.

*Owner:* Describe the Owner's track record successfully owning housing financed with Low-Income Housing Tax Credits. In particular, discuss the Owner's experience owning affordable housing for low-income families and those experiencing homelessness and describe the Owner's current asset management structure, staffing and portfolio, and its capacity for assuming asset management of an expanded portfolio once the development is complete. For purposes of this requirement, the managing general partner of the tax credit partnership intended to take ownership of the completed project and to provide asset management for the project is the proposed "Owner".

*Property Manager:* Describe the Property Manager's track record successfully managing high-quality affordable housing communities. In particular, discuss the Property Manager's experience providing management services for low-income families and those experiencing homelessness, including communities of color; experience achieving high rates of housing retention, implementing low barrier tenant selection policies, contributing to the long-term sustainability of the development, experience administering subsidies such as LOSP; and achieving cost efficiencies in operations.

*Services Provider(s):* Describe the Services Provider(s)' track record delivering highly impactful services to residents in affordable and/or supportive housing developments. In particular, discuss the Services Provider(s)' experience delivering services to low-income families and those experiencing homeless, including communities of color; linking residents to the City's safety net of services; working with property management to achieve high rates of housing retention; and supporting positive outcomes for residents around health, economic mobility, and housing stability. If the Service Provider(s) have had any services contracts prematurely terminated in the last five years, include an explanation for each termination. Discuss strategies for eliminating barriers that prevent communities of color from accessing quality health care services, employment and educational opportunities.

*Racial Equity Strategy:* MOHCD recognizes the oppressive history of racial injustice, especially in housing and community services, the structural inequities that remain today, and the trauma those inequities perpetuate. Please describe the Developer team's level of racial equity awareness using the guidelines below:

- Understands and communicates that reducing racial inequities is mission critical
- Routinely collects, disaggregates, and analyzes data by race/ethnicity in programmatic and operational work
- Views diversity as a value-added feature of organizations, and enquires about the cultural competence of staff and grantees to work with diverse groups

- Has mechanisms for management accountability for equity, diversity, and inclusion
- Has mechanisms for staff accountability for equity, diversity, and inclusion
- Describes Development Team's present and future practices to meet MOHCD's racial equity goals as articulated in the racial equity goals of this NOFA
- Describes the Developer's experience with serving historically excluded communities of color
- Has experience providing access and implementing service delivery strategies to historically excluded communities of color
- Describes the demonstrated commitment to racially diverse project development and service teams.

### G. Scoring for VISION

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In **no more than seven pages** of written narrative (in Times New Roman font, 12 font size, 1-inch margins), describe the Proposed Development Team's vision for the successful development of the project:

Program concept: Describe how the Development Team's proposed Project will maximize unit yield in a cost-effective construction type and make use of SB35's expedited permitting. Describe the Development Team's vision for a development program while best achieving MOHCD's project expectations and goals. Indicate how the proposed uses and amenities will enhance the lives of the future residents and the surrounding neighborhood. Indicate particular groups served by the programs and spaces (tots, children, teens, young adults, adults, formerly homeless, etc.). Describe how the program will contribute to lowering barriers to persons of color seeking and retaining housing. Applicants should provide concept-level drawings and/or diagrams that indicate the Project approximate height, bulk, site layout, unit count, and commercial/common space use to print on 8.5" x 11" paper, no more than two pages. The purpose of these diagrams will be to confirm the anticipated unit yield at the site, and its conformance to existing zoning restrictions including any available density bonuses. This information does not constitute a formal design submission.

Community engagement strategy: Describe the Development Team's community engagement strategy, including the team's philosophy on community engagement and process for establishing and/or building positive relationships with surrounding neighbors and the larger community. Describe the Team's approach to achieving entitlements for the project expeditiously and the Team's approach to maintaining and building community relationships after entitlements have been achieved and the development is in operations. The strategy should include efforts designed to engage all interested community members, particularly BIPOC members of the target population, and including monolingual non-English speaking members of the community. The strategy should also make clear how the Development Team intends to comply with the City's Language Access Ordinance. Finally, address how the community engagement

strategy will address the historical exclusion of communities of color from quality housing.

*Services delivery strategy:* Describe the Development Team's services delivery strategy, including the overall philosophy and model for providing services to targeted low-income and formerly homeless populations (including case management ratio and provision of amenities such as front desk clerks), the services goals of the proposed vision, a brief description of the desired outcomes of the services to be provided and innovative approaches to services provision, including the strategy for engaging residents and encouraging access to services, and how services for residents will be coordinated with the existing network of services in the neighborhood and community.

*Financing and cost containment approach:* Describe the Development Team's financing approach to the project, including the Team's process for structuring the project and controlling development costs. Describe any innovative strategies intended to minimize MOHCD's projected capital gap financing. Also, describe any innovative (i.e., non-standard, routine or commonly used) direct or indirect cost-cutting strategies relevant to overall development, construction or operating expenses. Do not submit a development budget or pro forma. Scored responses must be in narrative form only.

*Racial Equity Strategy:* Please submit an overall statement regarding how the Development Team will incorporate the principles of racial equity in the development of the program concept, the community engagement strategy, services delivery strategy and marketing approach. Explain how the strategy aligns with the goals of this NOFA set forth in the Introduction and Project Expectations. Describe any substantive partnership that is part of the NOFA response that increases opportunity/capacity for growth of Emerging Developers (smaller organizations) in development roles. Explain how the Development Team's model removes barriers to intergenerational wealth, self-sufficiency and resiliency for persons of color, particularly COP holders, African American households and/or households in historically African American neighborhoods.

In this section, include the following attachments:

- Evidence of Site Control
- Appraisal
- Map of Neighborhood Amenities
- MOHCD Application Proforma
- **Attachment I – CDLAC Self Score Worksheet**

## 5. Evidence of Authority

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Provide a certified corporate resolution of the applicant or, in the case of a partnership, the applicant's general partner, expressly authorizing the applicant to provide a response to this NOFA and, if selected by the City, to enter into negotiations with the City for the acquisition of the site.

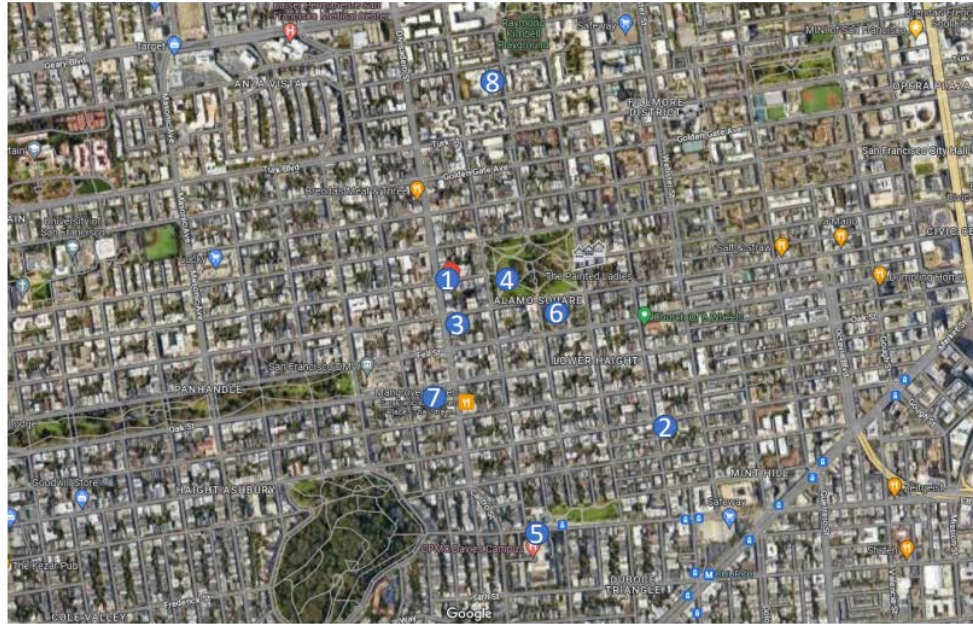
## 6. *Disclosure Form*

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Submit a completed and signed copy of **Attachment H – Disclosures**, which requires any respondent to this NOFA to disclose defaults, lawsuits, legal proceedings, bankruptcy filings or financial interests affiliated with MOHCD staff or Citywide Affordable Housing Loan Committee members. The individual who signs the form must be authorized to enter into legal agreements on behalf of the Respondent.

**Note Regarding Submittals:** Applicants may amend their response prior to the submission deadline. However, after the submission deadline, corrections are only allowed if immaterial and at the sole discretion of MOHCD.

### **Attachment F: Site Map with amenities**



#### **Neighborhood Amenities: 650 Divisadero**

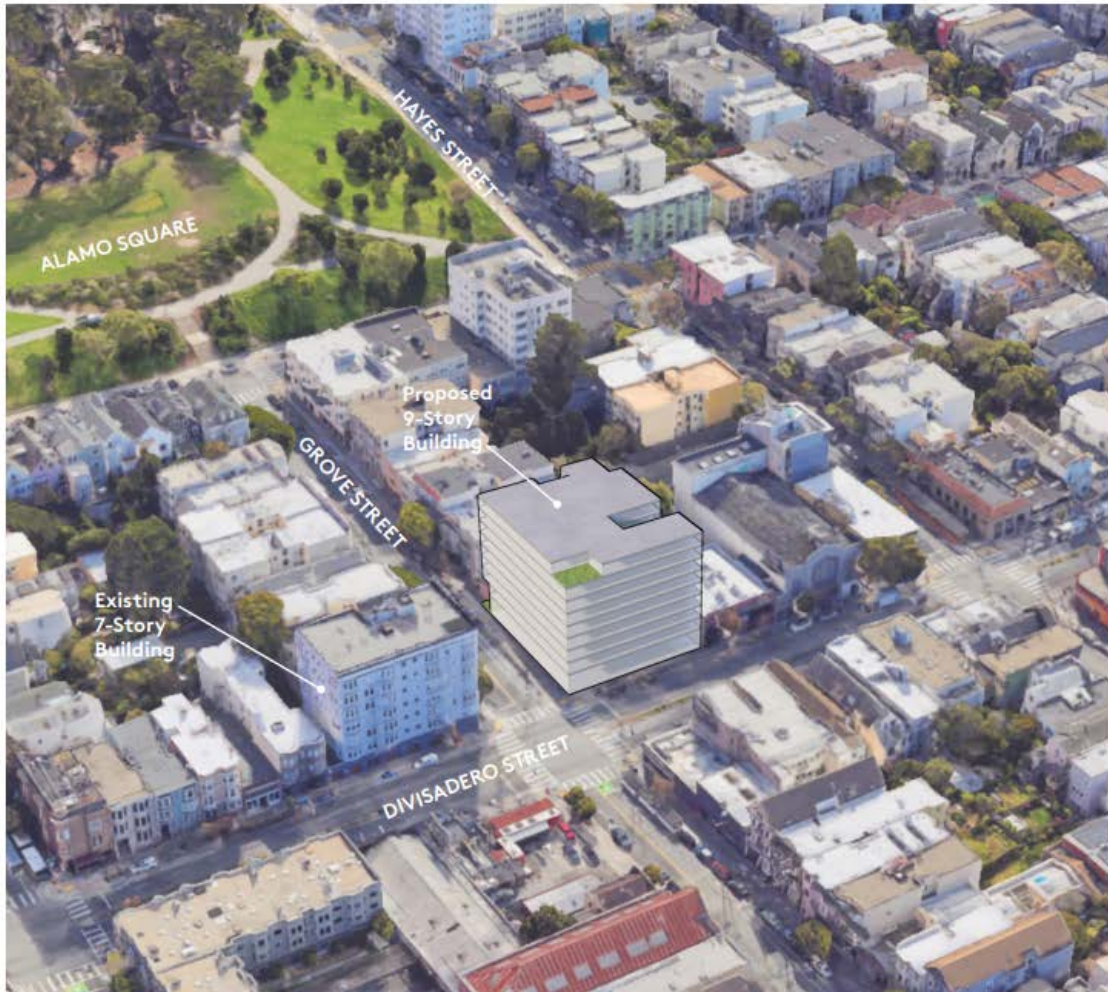
- |   |   |
|---|---|
| 1. 650 Divisadero, Proposed Site                                | 5. CPMC Davies Campus, Castro/Dubose, .49 miles from subject site         |
| 2. CVS Pharmacy, 499 Haight, .48 miles from subject site        | 6. Ida B. Wells High School, 1099 Hayes St, .23 miles from subject site   |
| 3. Bi-Rite Grocery, 550 Divisadero, .06 miles from subject site | 7. West Side Community Services, 1153 Oak St, .21 miles from subject site |
| 4. Alamo Square Park, .08 miles from subject site               | 8. Jewish Community Library, 1835 Ellis St, .37 miles from subject site   |

]



**Attachment G: Elevations and Floor Plans**

**650 DIVISADERO: MASSING & DATA**



Unit Count					
Floor	Studio	1-Bed	2-Bed	3-Bed	Total
9	3	3	3	3	12
8	3	2	3	4	12
7	3	2	3	4	12
6	3	2	3	4	12
5	3	2	3	4	12
4	3	2	3	4	12
3	3	2	3	4	12
2	4	2	4	1	11
1					0
<b>Totals:</b>	25	17	25	28	95
	26.3%	17.9%	26.3%	29.5%	

Building Summary	
Lot Area (sf)	12,500
Building Area (sf)	96,015
Retail Space (sf)	2,800
Common Open Space (sf)	2,450
Units	95
Car Parking	0
Stories	9
Height From Grade	90'

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

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

Updated 10/5/2023

	Acquisition costs by Unit/Bed/SF			Construction by Unit/Bed/SF			Soft Costs By Unit/Bed/SF			Total Development Cost (Not including Land)			Subsidy	
	Acq/unit	Acq/BR	Acq/lot sq.ft	Const/unit	Const/BR	Const/ sq.ft <sup>6</sup>	Soft/unit	Soft/BR	Soft/ sq.ft <sup>6</sup>	TDC/unit	TDC/BR	TDC/ sq.ft <sup>6</sup>	Subsidy / unit	Leveraging <sup>7</sup>
Delta of Subject and Comparable Projects	\$ 5,043	\$ 2,694	39.53124254	\$ 47,987	\$ (13,845)	\$ 89	\$ 17,909	\$ (172)	\$ 28	\$ 70,148	\$ (11,795)	\$ 122	\$ 53,084	24.3%
Delta Percentage	1043%	932%	1601%	7%	-3%	14%	10%	0%	18%	8%	-2%	15%	18%	37%
<b>650 Divisadero</b>	<b>\$ 5,526</b>	<b>\$ 2,983</b>	<b>\$ 42</b>	<b>\$ 738,765</b>	<b>\$ 396,765</b>	<b>\$ 731</b>	<b>\$ 188,893</b>	<b>\$ 101,959</b>	<b>\$ 187</b>	<b>\$ 933,185</b>	<b>\$ 503,708</b>	<b>\$ 923</b>	<b>\$ 349,847</b>	<b>62.5%</b>
<i>Comparable Projects</i>	<i>Average: \$ 484</i>	<i>\$ 289</i>	<i>\$ 2.47</i>	<i>\$ 690,778</i>	<i>\$ 412,610</i>	<i>\$ 641</i>	<i>\$ 170,984</i>	<i>\$ 102,131</i>	<i>\$ 159</i>	<i>\$ 863,037</i>	<i>\$ 515,503</i>	<i>\$ 801</i>	<i>\$ 296,763</i>	<i>65.6%</i>

**Attachment I: Predevelopment Budget**



**Attachment J: Development Budget**



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





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



650 Divisadero

	Total # Units:		LOSP Units		Non-LOSP Units		Year 4		Year 5			Year 6			Year 7	
	95	24	25.00%	75.00%	71		2031		2032		2033				2034	
	% annual inc	% annual increase	Comments (related to annual inc assumptions)		non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP		
<b>INCOME</b>																
Residential - Tenant Rents	1.0%	2.5%			1,724,416	1,813,434	89,608	1,767,627	1,857,435	90,807	1,811,715	1,902,522	91,715	1,857,008		
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a			-	-	-	-	-	-	-	-	-	-		
Residential - LOSP Tenant Assistance Payments	n/a	n/a			-	498,411	516,890	-	516,890	536,038	-	536,038	555,879	-		
Commercial Space	n/a	2.5%		from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	-	-	-	-	-	-	-	-	-	-		
Residential Parking	2.5%	2.5%			-	-	-	-	-	-	-	-	-	-		
Miscellaneous Rent Income	2.5%	2.5%			-	-	-	-	-	-	-	-	-	-		
Supportive Services Income	2.5%	2.5%			-	-	-	-	-	-	-	-	-	-		
Interest Income - Project Operations	2.5%	2.5%			-	-	-	-	-	-	-	-	-	-		
Laundry and Vending	2.5%	2.5%			9,208	12,277	3,146	9,438	12,584	3,225	9,674	12,899	3,305	9,916		
Tenant Charges	2.5%	2.5%			-	-	-	-	-	-	-	-	-	-		
Miscellaneous Residential Income	2.5%	2.5%			-	-	-	-	-	-	-	-	-	-		
Other Commercial Income	n/a	2.5%		from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	-	-	-	-	-	-	-	-	-	-		
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a		Link from Reserve Section below, as applicable	-	-	-	-	-	-	-	-	-	-		
<b>Gross Potential Income</b>					<b>1,733,624</b>	<b>2,324,123</b>	<b>609,945</b>	<b>1,776,965</b>	<b>2,386,910</b>	<b>630,070</b>	<b>1,821,389</b>	<b>2,451,460</b>	<b>650,899</b>	<b>1,866,924</b>		
Vacancy Loss - Residential - Tenant Rents	n/a	n/a		Enter formulas manually per relevant MOH policy; annual incrementing usually not appropriate	(86,221)	(90,672)	(4,495)	(88,376)	(92,872)	(4,540)	(90,886)	(95,126)	(4,586)	(92,850)		
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a			-	-	-	-	-	-	-	-	-	-		
Vacancy Loss - Commercial	n/a	n/a			-	-	-	-	-	-	-	-	-	-		
<b>EFFECTIVE GROSS INCOME</b>					<b>1,647,404</b>	<b>2,233,451</b>	<b>605,449</b>	<b>1,688,589</b>	<b>2,294,038</b>	<b>625,530</b>	<b>1,730,803</b>	<b>2,356,333</b>	<b>646,314</b>	<b>1,774,074</b>		
<b>OPERATING EXPENSES</b>																
<b>Management</b>																
Management Fee	3.5%	3.5%		1st Year to be set according to HUD schedule.	71,097	94,795	24,528	73,585	98,113	25,387	76,160	101,547	26,275	78,826		
Asset Management Fee	3.5%	3.5%		per MOHCD policy	24,115	32,153	8,320	24,959	33,278	8,611	25,832	34,443	8,912	26,736		
<b>Sub-total Management Expenses</b>					<b>95,212</b>	<b>126,948</b>	<b>32,848</b>	<b>98,544</b>	<b>131,391</b>	<b>33,998</b>	<b>101,993</b>	<b>135,990</b>	<b>35,187</b>	<b>105,562</b>		
<b>Salaries/Benefits</b>																
Office Salaries	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Manager's Salary	3.5%	3.5%			120,573	160,764	41,598	124,793	166,391	43,054	129,161	172,215	44,561	133,682		
Health Insurance and Other Benefits	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Other Salaries/Benefits	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Administrative Rent-Free Unit	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
<b>Sub-total Salaries/Benefits</b>					<b>120,573</b>	<b>160,764</b>	<b>41,598</b>	<b>124,793</b>	<b>166,391</b>	<b>43,054</b>	<b>129,161</b>	<b>172,215</b>	<b>44,561</b>	<b>133,682</b>		
<b>Administration</b>																
Advertising and Marketing	3.5%	3.5%			2,687	3,582	927	2,781	3,708	959	2,878	3,837	993	2,979		
Office Expenses	3.5%	3.5%			77,333	103,111	26,680	80,040	106,720	27,614	82,841	110,455	28,580	85,741		
Office Rent	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Legal Expense - Property	3.5%	3.5%			6,320	8,428	2,180	6,541	8,721	2,257	6,770	9,028	2,338	7,007		
Audit Expense	3.5%	3.5%			16,631	22,174	5,738	17,213	22,950	5,938	17,815	23,754	6,146	18,439		
Bookkeeping/Accounting Services	3.5%	3.5%			9,164	12,218	3,161	9,484	12,646	3,272	9,816	13,088	3,387	10,160		
Bad Debts	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Miscellaneous	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
<b>Sub-total Administration Expenses</b>					<b>112,134</b>	<b>149,512</b>	<b>38,686</b>	<b>116,058</b>	<b>154,745</b>	<b>40,040</b>	<b>120,121</b>	<b>160,161</b>	<b>41,442</b>	<b>124,325</b>		
<b>Utilities</b>																
Electricity	3.5%	3.5%			106,645	142,193	36,792	110,377	147,170	38,080	114,241	152,321	39,413	118,239		
Water	3.5%	3.5%			157,992	210,896	54,507	163,522	218,029	56,415	169,245	225,860	58,390	175,169		
Gas	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Sewer	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
<b>Sub-total Utilities</b>					<b>264,637</b>	<b>352,849</b>	<b>91,300</b>	<b>273,899</b>	<b>365,199</b>	<b>94,495</b>	<b>283,486</b>	<b>377,981</b>	<b>97,803</b>	<b>293,408</b>		
<b>Taxes and Licenses</b>																
Real Estate Taxes	3.5%	3.5%			3,328	4,435	1,148	3,443	4,590	1,188	3,563	4,751	1,229	3,688		
Payroll Taxes	3.5%	3.5%			68,440	91,254	23,612	70,836	94,447	24,438	73,315	97,753	25,294	75,881		
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
<b>Sub-total Taxes and Licenses</b>					<b>71,766</b>	<b>95,688</b>	<b>24,759</b>	<b>74,278</b>	<b>99,038</b>	<b>25,626</b>	<b>76,878</b>	<b>102,504</b>	<b>26,523</b>	<b>79,569</b>		
<b>Insurance</b>																
Property and Liability Insurance	3.5%	3.5%			179,716	239,622	62,002	186,006	248,008	64,172	192,517	256,689	66,418	199,255		
Fidelity Bond Insurance	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Workers' Compensation	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Director's & Officers' Liability Insurance	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
<b>Sub-total Insurance</b>					<b>179,716</b>	<b>239,622</b>	<b>62,002</b>	<b>186,006</b>	<b>248,008</b>	<b>64,172</b>	<b>192,517</b>	<b>256,689</b>	<b>66,418</b>	<b>199,255</b>		
<b>Maintenance &amp; Repair</b>																
Payroll	3.5%	3.5%			54,466	72,621	18,791	56,372	75,163	19,448	58,345	77,793	20,129	60,387		
Supplies	3.5%	3.5%			42,034	56,046	14,502	43,505	58,007	15,009	45,028	60,038	15,535	46,604		
Contracts	3.5%	3.5%			15,696	20,928	5,415	16,245	21,660	5,605	16,814	22,419	5,801	17,402		
Garbage and Trash Removal	3.5%	3.5%			24,946	33,262	8,606	25,819	34,426	8,908	26,723	35,631	9,219	27,658		
Security/Payroll/Contract	3.5%	3.5%			-	184,441	190,897	-	190,897	197,578	-	197,578	204,494	-		
HVAC Repairs and Maintenance	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	3.5%			-	-	-	-	-	-	-	-	-	-		
Miscellaneous Operating and Maintenance Expenses	3.5%	3.5%			65,400	87,201	22,563	67,690	90,253	23,353	70,059	93,412	24,170	72,511		
<b>Sub-total Maintenance &amp; Repair Expenses</b>					<b>202,543</b>	<b>454,498</b>	<b>260,774</b>	<b>209,632</b>	<b>470,406</b>	<b>269,901</b>	<b>216,669</b>	<b>486,870</b>	<b>279,348</b>	<b>224,563</b>		
<b>Supportive Services</b>	3.5%	3.5%			100,893	100,893	-	104,425	104,425	-	108,079	108,079	-	111,862		
<b>Commercial Expenses</b>																
<b>TOTAL OPERATING EXPENSES</b>					<b>1,147,474</b>	<b>1,680,775</b>	<b>551,967</b>	<b>1,187,635</b>	<b>1,739,602</b>	<b>571,286</b>	<b>1,229,202</b>	<b>1,800,488</b>	<b>591,281</b>	<b>1,272,225</b>		
<b>RESERVES/GROUND LEASE BASE RENT/BOND FEES</b>																
<i>elbow cells; manipulate each cell rather than dragging across multiple cells</i>																
Ground Lease Base Rent					11,250	15,000	3,750	11,250	15,000	3,750	11,250	15,000	3,750	11,250		
Bond Monitoring Fee					5,625	7,500	1,875	5,625	7,500	1,875	5,625	7,500	1,875	5,625		
Replacement Reserve Deposit					38,162	50,883	13,166	39,498	52,664	13,627	40,881	54,507	14,104	42,311		
Operating Reserve Deposit					-	-	-	-	-	-	-	-	-	-		
Other Required Reserve 1 Deposit					-	-	-	-	-	-	-	-	-	-		
Other Required Reserve 2 Deposit					-	-	-	-	-	-	-	-	-	-		
Required Reserve Deposits, Commercial					-	-	-	-	-	-	-	-	-	-		
<b>Sub-total Reserves/Ground Lease Base Rent/Bond Fees</b>					<b>55,037</b>	<b>73,383</b>	<b>18,791</b>	<b>56,373</b>	<b>75,164</b>	<b>19,252</b>	<b>57,756</b>	<b>77,007</b>	<b>19,729</b>	<b>59,186</b>		
<b>TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/Bond Fees)</b>					<b>1,202,511</b>	<b>1,754,158</b>	<b>570,758</b>	<b>1,244,008</b>	<b>1,814,766</b>	<b>590,538</b>	<b>1,286,958</b>	<b>1,877,496</b>	<b>611,010</b>	<b>1,331,411</b>		
<b>NET OPERATING INCOME (INCOME minus OP EXPENSES)</b>																
					<b>444,893</b>	<b>479,293</b>	<b>34,691</b>	<b>444,580</b>	<b>479,271</b>	<b>34,992</b>	<b>443,845</b>	<b>478,838</b>	<b>35,304</b>	<b>442,663</b>		
<b>DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)</b>																
<i>elbow cells; manipulate each cell rather than dragging across multiple cells</i>																
Hard Debt - First Lender					282,261	282,261	-	282,261	282,261	-	282,261	282,261	-	282,261		
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Lender)					72,629	96,838	24,210	72,629	96,838	24,210	72,629	96,838	24,210	72,629		
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)					-	-	-	-	-	-	-	-	-	-		
Hard Debt - Fourth Lender					-	-	-	-	-	-	-	-	-	-		
Commercial Hard Debt Service					-	-	-	-	-	-	-	-	-	-		
<b>TOTAL HARD DEBT SERVICE</b>					<b>354,890</b>	<b>379,099</b>	<b>24,210</b>	<b>354,890</b>	<b>379,099</b>	<b>24,210</b>	<b>354,890</b>	<b>379,099</b>	<b>24,210</b>	<b>354,890</b>		
<b>CASH FLOW (NOI minus DEBT SERVICE)</b>					<b>90,003</b>	<b>100,194</b>	<b>10,481</b>	<b>89,691</b>	<b>100,173</b>	<b>10,783</b>	<b>88,956</b>	<b>99,739</b>	<b>11,094</b>	<b>87,773</b>		

650 Divisadero

Total # Units:		LOSP Units	Non-LOSP Units		Year 8 2035			Year 9 2036			Year 10 2037		
	95	24	71										
	25.00%	75.00%											
	% annual inc LOSP	% annual increase	Comments (related to annual inc assumptions)	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
<b>INCOME</b>													
Residential - Tenant Rents	1.0%	2.5%		1,948,723	92,632	1,903,433	1,996,065	93,559	1,951,019	2,044,578	94,494	1,995,794	2,094,289
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a			-	-	-	-	-	-	-	-	-
Residential - LOSP Tenant Assistance Payments	n/a	n/a		555,879	576,436	-	576,436	597,735	-	597,735	619,803	-	619,803
Commercial Space	n/a	2.5%	from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	-	-	-	-	-	-	-	-	-	-
Residential Parking	2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous Rent Income	2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Supportive Services Income	2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Interest Income - Project Operations	2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Laundry and Vending	2.5%	2.5%		13,222	3,388	10,164	13,652	3,473	10,418	13,891	3,560	10,679	14,238
Tenant Charges	2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous Residential Income	2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Other Commercial Income	n/a	2.5%	from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	-	-	-	-	-	-	-	-	-	-
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a	Link from Reserve Section below, as applicable	-	-	-	-	-	-	-	-	-	-
<b>Gross Potential Income</b>				<b>2,517,823</b>	<b>672,456</b>	<b>1,913,597</b>	<b>2,586,054</b>	<b>694,767</b>	<b>1,961,437</b>	<b>2,656,204</b>	<b>717,857</b>	<b>2,010,473</b>	<b>2,728,330</b>
Vacancy Loss - Residential - Tenant Rents	n/a	n/a	Enter formulas manually per relevant MOH policy; annual incrementing usually not appropriate	(97,436)	(4,632)	(95,172)	(99,803)	(4,678)	(97,551)	(102,229)	(4,725)	(99,990)	(104,714)
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a		-	-	-	-	-	-	-	-	-	-
Vacancy Loss - Commercial	n/a	n/a		-	-	-	-	-	-	-	-	-	-
<b>EFFECTIVE GROSS INCOME</b>				<b>2,420,387</b>	<b>667,825</b>	<b>1,818,425</b>	<b>2,486,250</b>	<b>690,089</b>	<b>1,863,886</b>	<b>2,553,975</b>	<b>713,132</b>	<b>1,910,483</b>	<b>2,623,615</b>
<b>OPERATING EXPENSES</b>													
<b>Management</b>													
Management Fee	3.5%	3.5%	1st Year to be set according to HUD schedule.	105,101	27,195	81,585	108,780	28,147	84,440	112,587	29,132	87,396	116,528
Asset Management Fee	3.5%	3.5%	per MOHCD policy	35,648	9,224	27,672	36,896	9,547	28,641	38,187	9,881	29,643	38,524
<b>Sub-total Management Expenses</b>				<b>140,750</b>	<b>36,419</b>	<b>109,257</b>	<b>145,676</b>	<b>37,694</b>	<b>113,081</b>	<b>150,775</b>	<b>39,013</b>	<b>117,039</b>	<b>155,052</b>
<b>Salaries/Benefits</b>													
Office Salaries	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Manager's Salary	3.5%	3.5%		178,242	46,120	138,360	184,480	47,734	143,203	190,937	49,405	148,215	197,620
Health Insurance and Other Benefits	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Other Salaries/Benefits	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Administrative Rent-Free Unit	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Salaries/Benefits</b>				<b>178,242</b>	<b>46,120</b>	<b>138,360</b>	<b>184,480</b>	<b>47,734</b>	<b>143,203</b>	<b>190,937</b>	<b>49,405</b>	<b>148,215</b>	<b>197,620</b>
<b>Administration</b>													
Advertising and Marketing	3.5%	3.5%		3,972	1,028	3,083	4,111	1,064	3,191	4,255	1,101	3,303	4,404
Office Expenses	3.5%	3.5%		114,321	29,580	88,741	118,322	30,616	91,847	122,463	31,687	95,062	126,749
Office Rent	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Legal Expense - Property	3.5%	3.5%		9,342	2,417	7,252	9,669	2,502	7,506	10,008	2,590	7,789	10,358
Audit Expense	3.5%	3.5%		24,585	6,361	19,084	25,446	6,584	19,752	26,336	6,814	20,443	27,258
Bookkeeping/Accounting Services	3.5%	3.5%		13,546	3,505	10,515	14,021	3,628	10,883	14,511	3,755	11,264	15,019
Bad Debts	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Administration Expenses</b>				<b>165,766</b>	<b>42,892</b>	<b>128,676</b>	<b>171,568</b>	<b>44,393</b>	<b>133,180</b>	<b>177,573</b>	<b>45,947</b>	<b>137,841</b>	<b>183,788</b>
<b>Utilities</b>													
Electricity	3.5%	3.5%		157,652	40,792	122,377	163,170	42,220	126,661	168,881	43,698	131,094	174,792
Water	3.5%	3.5%		233,559	60,433	181,300	241,733	62,548	187,645	250,194	64,738	194,213	258,950
Gas	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Sewer	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Utilities</b>				<b>391,211</b>	<b>101,226</b>	<b>303,677</b>	<b>404,903</b>	<b>104,769</b>	<b>314,306</b>	<b>419,074</b>	<b>108,436</b>	<b>325,307</b>	<b>433,742</b>
<b>Taxes and Licenses</b>													
Real Estate Taxes	3.5%	3.5%		4,917	1,272	3,817	5,089	1,317	3,950	5,267	1,363	4,089	5,452
Payroll Taxes	3.5%	3.5%		101,174	26,179	78,337	104,716	27,095	87,285	108,381	28,043	84,130	112,174
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Taxes and Licenses</b>				<b>106,091</b>	<b>27,451</b>	<b>82,354</b>	<b>109,805</b>	<b>28,412</b>	<b>85,236</b>	<b>113,648</b>	<b>29,406</b>	<b>88,219</b>	<b>117,626</b>
<b>Insurance</b>													
Property and Liability Insurance	3.5%	3.5%		285,673	68,743	206,229	274,971	71,149	213,447	284,595	73,639	220,917	294,556
Fidelity Bond Insurance	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Worker's Compensation	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Director's & Officers' Liability Insurance	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Insurance</b>				<b>285,673</b>	<b>68,743</b>	<b>206,229</b>	<b>274,971</b>	<b>71,149</b>	<b>213,447</b>	<b>284,595</b>	<b>73,639</b>	<b>220,917</b>	<b>294,556</b>
<b>Maintenance &amp; Repair</b>													
Payroll	3.5%	3.5%		80,516	20,834	62,501	83,334	21,563	64,688	86,251	22,317	66,952	89,270
Supplies	3.5%	3.5%		62,139	16,078	48,235	64,314	16,641	49,924	66,565	17,224	51,671	68,894
Contracts	3.5%	3.5%		23,203	6,004	18,011	24,015	6,214	18,642	24,856	6,431	19,294	25,726
Garbage and Trash Removal	3.5%	3.5%		36,878	9,542	28,626	38,168	9,876	29,628	39,504	10,222	30,665	40,887
Security Payroll/Contract	3.5%	3.5%		204,494	51,691	-	211,651	52,959	-	219,059	54,728	-	226,728
HVAC Repairs and Maintenance	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous Operating and Maintenance Expenses	3.5%	3.5%		96,681	25,016	75,049	100,065	25,892	77,675	103,567	26,798	80,394	107,192
<b>Sub-total Maintenance &amp; Repair Expenses</b>				<b>503,910</b>	<b>129,125</b>	<b>374,442</b>	<b>521,547</b>	<b>137,244</b>	<b>437,222</b>	<b>528,801</b>	<b>137,718</b>	<b>467,726</b>	<b>658,694</b>
<b>Supportive Services</b>	3.5%	3.5%		111,862	-	111,862	-	111,862	-	111,862	-	111,862	-
<b>Commercial Expenses</b>				-	-	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>				<b>1,863,506</b>	<b>611,976</b>	<b>1,316,752</b>	<b>1,828,728</b>	<b>633,395</b>	<b>1,362,839</b>	<b>1,896,234</b>	<b>655,564</b>	<b>1,410,538</b>	<b>2,066,102</b>
<b>RESERVES/GROUND LEASE BASE RENT/BOND FEES</b>													
<b>Reserves/Ground Lease Base Rent/Bond Fees</b>													
Ground Lease Base Rent				15,000	3,750	11,250	15,000	3,750	11,250	15,000	3,750	11,250	15,000
Bond Monitoring Fee				7,500	1,875	5,625	7,500	1,875	5,625	7,500	1,875	5,625	7,500
Replacement Reserve Deposit				56,415	14,597	43,792	58,390	15,108	45,325	60,433	15,637	46,911	62,548
Operating Reserve Deposit				-	-	-	-	-	-	-	-	-	-
Other Required Reserve 1 Deposit				-	-	-	-	-	-	-	-	-	-
Other Required Reserve 2 Deposit				-	-	-	-	-	-	-	-	-	-
Required Reserve Deposits, Commercial				-	-	-	-	-	-	-	-	-	-
<b>Sub-total Reserves/Ground Lease Base Rent/Bond Fees</b>				<b>78,915</b>	<b>20,222</b>	<b>60,667</b>	<b>80,890</b>	<b>20,733</b>	<b>62,200</b>	<b>82,933</b>	<b>21,262</b>	<b>63,786</b>	<b>85,048</b>
<b>TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/Bond Fees)</b>				<b>1,942,421</b>	<b>632,198</b>	<b>1,377,420</b>	<b>2,009,618</b>	<b>654,128</b>	<b>1,425,039</b>	<b>2,079,167</b>	<b>676,826</b>	<b>1,474,324</b>	<b>2,151,150</b>
<b>NET OPERATING INCOME (INCOME minus OP EXPENSES)</b>													
				<b>477,967</b>	<b>35,627</b>	<b>441,006</b>	<b>476,632</b>	<b>35,961</b>	<b>438,847</b>	<b>474,808</b>	<b>36,306</b>	<b>436,159</b>	<b>472,465</b>
<b>DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)</b>													
Hard Debt - First Lender				282,261	-	282,261	282,261	-	282,261	282,261	-	282,261	282,261
Hard Debt - Second Lender (HCD Program 0.42% p/mt, or other 2nd Lender)				96,838	24,210	72,629	96,838	24,210	72,629	96,838	24,210	72,629	96,838
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)				-	-	-	-	-	-	-	-	-	-
Hard Debt - Fourth Lender				-	-	-	-	-	-	-	-	-	-
Commercial Hard Debt Service				-	-	-	-	-	-	-	-	-	-
<b>TOTAL HARD DEBT SERVICE</b>				<b>379,099</b>	<b>24,210</b>	<b>354,889</b>	<b>379,099</b>	<b>24,210</b>	<b>354,889</b>	<b>379,099</b>	<b>24,210</b>	<b>354,889</b>	<b>379,099</b>
<b>CASH FLOW (NOI minus DEBT SERVICE)</b>				<b>98,868</b>	<b>11,417</b>	<b>86,116</b>	<b>97,534</b>	<b>11,751</b>	<b>83,958</b>	<b>95,709</b>	<b>12,097</b>	<b>81,269</b>	<b>93,366</b>
<b>Allocation of Commercial Surplus to LOSP/non-LOSP (residual income)</b>													
<b>AVAILABLE CASH FLOW</b>				<b>98,868</b>	<b>11,417</b>	<b>86,116</b>	<b>97,534</b>	<b>11,751</b>	<b>83,958</b>	<b>95,709</b>	<b>12,097</b>	<b>81,269</b>	<b>93,366</b>
<b>USES OF CASH FLOW BELOW (THIS row also shows DSCR.)</b>													
<b>USES THAT PRECEDE MO</b>													



650 Divisadero

Total # Units:	LOSP Units		Non-LOSP Units		Year 14		Year 15			Year 16			Year 17				
	95	24	71		2014		2014	2015	2016	2017	2018	2019	2020	2021			
	25.00%	75.00%			% annual inc	% annual increase	Comments (related to annual inc assumptions)	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP
<b>INCOME</b>																	
Residential - Tenant Rents					1.0%	2.5%		2,207,399	2,305,730	99,315	2,262,584	2,361,898	100,308	2,319,148	2,419,456	101,311	2,377,127
Residential - Tenant Assistance Payments (Non-LOSP)					n/a	n/a		-	-	-	-	-	-	-	-	-	-
Residential - LOSP Tenant Assistance Payments					n/a	n/a		-	716,314	742,650	742,650	768,057	768,057	768,057	796,318	-	-
Commercial Space					n/a	2.5%	from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	-	-	-	-	-	-	-	-	-	-
Residential Parking					2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous Rent Income					2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Supportive Services Income					2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Interest Income - Project Operations					2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Laundry and Vending					2.5%	2.5%		11,787	15,716	4,027	12,082	16,109	4,128	12,384	16,512	4,231	12,693
Tenant Charges					2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous Residential Income					2.5%	2.5%		-	-	-	-	-	-	-	-	-	-
Other Commercial Income					n/a	2.5%	from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	-	-	-	-	-	-	-	-	-	-
Withdrawal from Capitalized Reserve (deposit to operating account)					n/a	n/a	Link from Reserve Section below, as applicable	-	-	-	-	-	-	-	-	-	-
<b>Gross Potential Income</b>								<b>2,219,186</b>	<b>3,037,760</b>	<b>845,992</b>	<b>2,274,666</b>	<b>3,120,657</b>	<b>872,492</b>	<b>2,331,532</b>	<b>3,204,024</b>	<b>901,860</b>	<b>2,389,820</b>
Vacancy Loss - Residential - Tenant Rents					n/a	n/a	Enter formulas manually per relevant MOH policy; annual incrementing usually not appropriate	(110,370)	(115,286)	(4,966)	(113,129)	(118,095)	(5,015)	(115,957)	(120,973)	(5,066)	(118,856)
Vacancy Loss - Residential - Tenant Assistance Payments					n/a	n/a		-	-	-	-	-	-	-	-	-	-
Vacancy Loss - Commercial					n/a	n/a		-	-	-	-	-	-	-	-	-	-
<b>EFFECTIVE GROSS INCOME</b>								<b>2,108,816</b>	<b>2,922,474</b>	<b>841,026</b>	<b>2,161,536</b>	<b>3,002,562</b>	<b>867,477</b>	<b>2,215,575</b>	<b>3,083,052</b>	<b>896,794</b>	<b>2,270,964</b>
<b>OPERATING EXPENSES</b>																	
<b>Management</b>																	
Management Fee					3.5%	3.5%	1st Year to be set according to HUD schedule.	100,289	133,718	34,600	103,799	138,398	35,811	107,432	143,242	37,064	111,192
Asset Management Fee					3.5%	3.5%	per MOHCD policy	34,016	45,355	11,736	35,207	46,942	12,146	36,439	48,585	12,571	37,714
<b>Sub-total Management Expenses</b>								<b>134,305</b>	<b>179,073</b>	<b>46,335</b>	<b>139,005</b>	<b>185,341</b>	<b>47,957</b>	<b>143,871</b>	<b>191,827</b>	<b>49,635</b>	<b>148,906</b>
<b>Salaries/Benefits</b>																	
Office Salaries					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Manager's Salary					3.5%	3.5%		170,080	226,774	58,678	176,033	234,711	60,731	182,194	242,926	62,857	188,571
Health Insurance and Other Benefits					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Other Salaries/Benefits					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Administrative Rent-Free Unit					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Salaries/Benefits</b>								<b>170,080</b>	<b>226,774</b>	<b>58,678</b>	<b>176,033</b>	<b>234,711</b>	<b>60,731</b>	<b>182,194</b>	<b>242,926</b>	<b>62,857</b>	<b>188,571</b>
<b>Administration</b>																	
Advertising and Marketing					3.5%	3.5%		3,790	5,053	1,308	3,923	5,230	1,353	4,060	5,413	1,401	4,202
Office Expenses					3.5%	3.5%		109,086	145,448	37,635	112,904	150,839	38,952	116,856	155,807	40,315	120,946
Office Rent					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Legal Expense - Property					3.5%	3.5%		8,915	11,886	3,076	9,227	12,302	3,183	9,549	12,733	3,295	9,884
Audit Expense					3.5%	3.5%		23,459	31,279	8,093	24,280	32,374	8,377	25,130	33,507	8,670	26,010
Bookkeeping/Accounting Services					3.5%	3.5%		12,926	17,235	4,460	13,379	17,838	4,616	13,847	18,462	4,777	14,331
Bad Debts					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Administration Expenses</b>								<b>158,176</b>	<b>210,901</b>	<b>54,571</b>	<b>163,712</b>	<b>218,283</b>	<b>56,481</b>	<b>169,442</b>	<b>225,922</b>	<b>58,457</b>	<b>175,372</b>
<b>Utilities</b>																	
Electricity					3.5%	3.5%		150,433	200,577	51,899	155,698	207,598	53,716	161,148	214,863	55,896	166,788
Water					3.5%	3.5%		222,864	297,152	76,888	230,664	307,952	79,579	238,737	318,316	82,364	247,693
Gas					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Sewer					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Utilities</b>								<b>373,297</b>	<b>497,729</b>	<b>128,787</b>	<b>386,362</b>	<b>515,150</b>	<b>133,295</b>	<b>399,885</b>	<b>533,180</b>	<b>137,960</b>	<b>413,861</b>
<b>Taxes and Licenses</b>																	
Real Estate Taxes					3.5%	3.5%		4,692	6,256	1,619	4,856	6,475	1,675	5,026	6,701	1,734	5,202
Payroll Taxes					3.5%	3.5%		96,542	128,722	33,307	99,921	133,227	34,473	103,418	137,890	35,679	107,037
Miscellaneous Taxes, Licenses and Permits					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Taxes and Licenses</b>								<b>101,234</b>	<b>134,978</b>	<b>34,926</b>	<b>104,777</b>	<b>139,702</b>	<b>36,148</b>	<b>108,444</b>	<b>144,592</b>	<b>37,413</b>	<b>112,239</b>
<b>Insurance</b>																	
Property and Liability Insurance					3.5%	3.5%		253,508	338,010	87,460	262,380	349,840	90,521	271,564	362,085	93,689	281,068
Fidelity Bond Insurance					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Workers' Compensation					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Director's & Officers' Liability Insurance					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
<b>Sub-total Insurance</b>								<b>253,508</b>	<b>338,010</b>	<b>87,460</b>	<b>262,380</b>	<b>349,840</b>	<b>90,521</b>	<b>271,564</b>	<b>362,085</b>	<b>93,689</b>	<b>281,068</b>
<b>Maintenance &amp; Repair</b>																	
Payroll					3.5%	3.5%		76,829	102,439	26,506	79,518	106,024	27,344	82,302	109,735	28,394	85,182
Supplies					3.5%	3.5%		59,293	79,058	20,456	61,369	81,825	21,172	63,517	84,689	21,913	65,740
Contracts					3.5%	3.5%		22,141	29,521	7,639	22,916	30,554	7,906	23,718	31,624	8,183	24,548
Garbage and Trash Removal					3.5%	3.5%		35,189	46,919	12,140	36,421	48,961	12,955	37,695	50,260	13,005	39,015
Security Payroll/Contract					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
HVAC Repairs and Maintenance					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Vehicle and Maintenance Equipment Operation and Repairs					3.5%	3.5%		-	-	-	-	-	-	-	-	-	-
Miscellaneous Operating and Maintenance Expenses					3.5%	3.5%		92,254	123,005	31,828	95,483	127,310	32,942	98,225	131,766	34,095	102,284
<b>Sub-total Maintenance &amp; Repair Expenses</b>								<b>285,706</b>	<b>641,115</b>	<b>367,848</b>	<b>295,706</b>	<b>663,554</b>	<b>380,722</b>	<b>306,056</b>	<b>686,778</b>	<b>394,048</b>	<b>316,768</b>
<b>Supportive Services</b>					3.5%	3.5%	from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%	142,320	142,320	-	147,301	147,301	-	152,457	152,457	-	157,793
<b>Commercial Expenses</b>																	
<b>TOTAL OPERATING EXPENSES</b>																	
<b>PUPA (w/o Reserves/GL Base Rent/Bond Fees)</b>								<b>1,618,625</b>	<b>2,370,899</b>	<b>778,604</b>	<b>1,675,277</b>	<b>2,453,881</b>	<b>805,855</b>	<b>1,733,911</b>	<b>2,539,767</b>	<b>834,060</b>	<b>1,794,598</b>
<b>Reserves/Ground Lease Base Rent/Bond Fees</b>																	
Ground Lease Base Rent								11,250	15,000	3,750	11,250	15,000	3,750	11,250	15,000	3,750	11,250
Bond Monitoring Fee								5,625	7,500	1,875	5,625	7,500	1,875	5,625	7,500	1,875	5,625
Replacement Reserve Deposit								53,832	71,776	18,572	55,716	74,288	19,222	57,666	76,888	19,895	59,684
Operating Reserve Deposit								-	-	-	-	-	-	-	-	-	-
Other Required Reserve 1 Deposit								-	-	-	-	-	-	-	-	-	-
Other Required Reserve 2 Deposit								-	-	-	-	-	-	-	-	-	-
Required Reserve Deposits, Commercial								-	-	-	-	-	-	-	-	-	-
<b>Sub-total Reserves/Ground Lease Base Rent/Bond Fees</b>								<b>70,707</b>	<b>94,276</b>	<b>24,197</b>	<b>72,591</b>	<b>96,788</b>	<b>24,847</b>	<b>74,541</b>	<b>99,388</b>	<b>25,520</b>	<b>76,559</b>
<b>TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)</b>								<b>1,689,332</b>	<b>2,465,175</b>	<b>802,801</b>	<b>1,747,868</b>	<b>2,550,669</b>	<b>830,702</b>	<b>1,808,452</b>	<b>2,639,155</b>	<b>859,580</b>	<b>1,871,158</b>
<b>NET OPERATING INCOME (INCOME minus OP EXPENSES)</b>																	
<b>DEBT SERVICE/MUST PAY PAYMENTS ("hard debt"/amortized loans)</b>								<b>419,484</b>	<b>457,298</b>	<b>36,225</b>	<b>413,669</b>	<b>451,893</b>	<b>36,775</b>	<b>407,122</b>	<b>443,897</b>		

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	Total # Units:		LOSP Units:		Non-LOSP Units:		Year 18 2015				Year 19 2016				Year 20 2017			
	25.00%	75.00%	24	71														
	% annual inc LOSP	% annual increase			Comments (related to annual inc assumptions)	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total
<b>INCOME</b>																		
Residential - Tenant Rents	1.0%	2.5%				2,478,438	102,324	2,436,555	2,538,879	103,347	2,497,469	2,600,816	104,381	2,559,906	2,664,286			
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	n/a																
Residential - LOSP Tenant Assistance Payments	n/a	n/a				796,318	825,593		825,593	855,918		855,918	887,330		887,330			
Commercial Space	n/a	2.5%			from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%													
Residential Parking	2.5%	2.5%																
Miscellaneous Rent Income	2.5%	2.5%																
Supportive Services Income	2.5%	2.5%																
Interest Income - Project Operations	2.5%	2.5%																
Laundry and Vending	2.5%	2.5%				16,925	4,327	13,011	17,948	4,445	13,336	17,781	4,557	13,670	18,226			
Tenant Charges	2.5%	2.5%																
Miscellaneous Residential Income	2.5%	2.5%																
Other Commercial Income	n/a	2.5%			from 'Commercial Op. Budget' Worksheet, Commercial to Residential allocation: 0%													
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a			Link from Reserve Section below, as applicable													
<b>Gross Potential Income</b>						<b>3,291,680</b>	<b>932,254</b>	<b>2,449,566</b>	<b>3,381,820</b>	<b>963,711</b>	<b>2,510,805</b>	<b>3,474,516</b>	<b>996,267</b>	<b>2,573,575</b>	<b>3,569,843</b>			
Vacancy Loss - Residential - Tenant Rents	n/a	n/a			Enter formulas manually per relevant MOH policy; annual incrementing usually not appropriate	(123,922)	(5,116)	(121,828)	(126,944)	(5,167)	(124,873)	(130,041)	(5,219)	(127,995)	(133,214)			
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a																
Vacancy Loss - Commercial	n/a	n/a																
<b>EFFECTIVE GROSS INCOME</b>						<b>3,167,759</b>	<b>927,138</b>	<b>2,327,738</b>	<b>3,254,876</b>	<b>958,544</b>	<b>2,385,932</b>	<b>3,344,475</b>	<b>991,048</b>	<b>2,445,580</b>	<b>3,436,628</b>			
<b>OPERATING EXPENSES</b>																		
<b>Management</b>																		
Management Fee	3.5%	3.5%			1st Year to be set according to HUD schedule.	148,256	38,361	115,084	153,445	39,704	119,111	158,815	41,093	123,280	164,374			
Asset Management Fee	3.5%	3.5%			per MOHCD policy	50,286	13,011	39,034	52,046	13,467	40,400	53,867	13,938	41,814	55,753			
<b>Sub-total Management Expenses</b>						<b>198,541</b>	<b>51,373</b>	<b>154,118</b>	<b>205,490</b>	<b>53,171</b>	<b>159,512</b>	<b>212,683</b>	<b>55,032</b>	<b>165,095</b>	<b>220,128</b>			
<b>Salaries/Benefits</b>																		
Office Salaries	3.5%	3.5%																
Manager's Salary	3.5%	3.5%				251,428	65,057	195,171	260,228	67,334	202,002	269,336	69,691	209,072	278,763			
Health Insurance and Other Benefits	3.5%	3.5%																
Other Salaries/Benefits	3.5%	3.5%																
Administrative Rent-Free Unit	3.5%	3.5%																
<b>Sub-total Salaries/Benefits</b>						<b>251,428</b>	<b>65,057</b>	<b>195,171</b>	<b>260,228</b>	<b>67,334</b>	<b>202,002</b>	<b>269,336</b>	<b>69,691</b>	<b>209,072</b>	<b>278,763</b>			
<b>Administration</b>																		
Advertising and Marketing	3.5%	3.5%				5,603	1,450	4,349	5,799	1,500	4,501	6,002	1,583	4,659	6,212			
Office Expenses	3.5%	3.5%				161,261	41,726	125,179	166,905	43,187	129,580	172,746	44,698	134,094	178,793			
Office Rent	3.5%	3.5%																
Legal Expense - Property	3.5%	3.5%				13,178	3,410	10,230	13,640	3,529	10,588	14,117	3,653	10,958	14,611			
Audit Expense	3.5%	3.5%				34,680	8,973	26,920	35,894	9,287	27,862	37,150	9,613	28,838	38,450			
Bookkeeping/Accounting Services	3.5%	3.5%				19,109	4,944	14,833	19,777	5,117	15,352	20,470	5,296	15,889	21,186			
Bad Debts	3.5%	3.5%																
Miscellaneous	3.5%	3.5%																
<b>Sub-total Administration Expenses</b>						<b>233,830</b>	<b>60,503</b>	<b>181,510</b>	<b>242,014</b>	<b>62,621</b>	<b>187,863</b>	<b>250,484</b>	<b>64,813</b>	<b>194,438</b>	<b>259,251</b>			
<b>Utilities</b>																		
Electricity	3.5%	3.5%				222,384	57,542	172,625	230,167	59,556	178,667	238,223	61,640	184,921	246,561			
Water	3.5%	3.5%				329,457	85,247	265,741	340,988	88,231	264,692	352,923	91,319	273,956	365,275			
Gas	3.5%	3.5%																
Sewer	3.5%	3.5%																
<b>Sub-total Utilities</b>						<b>551,841</b>	<b>142,789</b>	<b>428,367</b>	<b>571,155</b>	<b>147,786</b>	<b>443,359</b>	<b>591,146</b>	<b>152,959</b>	<b>458,877</b>	<b>611,836</b>			
<b>Taxes and Licenses</b>																		
Real Estate Taxes	3.5%	3.5%				6,936	1,795	5,384	7,179	1,857	5,572	7,430	1,923	5,768	7,690			
Payroll Taxes	3.5%	3.5%				142,717	36,928	110,784	147,112	38,220	114,661	152,882	39,558	118,674	158,232			
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%																
<b>Sub-total Taxes and Licenses</b>						<b>149,653</b>	<b>38,723</b>	<b>116,168</b>	<b>154,890</b>	<b>40,078</b>	<b>120,234</b>	<b>160,312</b>	<b>41,481</b>	<b>124,442</b>	<b>165,922</b>			
<b>Insurance</b>																		
Property and Liability Insurance	3.5%	3.5%				374,758	96,969	290,906	387,874	100,362	301,087	401,450	103,875	311,625	415,501			
Fidelity Bond Insurance	3.5%	3.5%																
Workers Compensation	3.5%	3.5%																
Director's & Officers' Liability Insurance	3.5%	3.5%																
<b>Sub-total Insurance</b>						<b>374,758</b>	<b>96,969</b>	<b>290,906</b>	<b>387,874</b>	<b>100,362</b>	<b>301,087</b>	<b>401,450</b>	<b>103,875</b>	<b>311,625</b>	<b>415,501</b>			
<b>Maintenance &amp; Repair</b>																		
Payroll	3.5%	3.5%				113,576	29,388	88,163	117,551	30,416	91,249	121,666	31,481	94,443	125,924			
Supplies	3.5%	3.5%				87,653	22,680	68,041	90,721	23,474	70,422	93,896	24,296	72,887	97,182			
Contracts	3.5%	3.5%				32,730	8,469	25,407	33,876	9,183	26,296	35,062	9,572	27,217	36,289			
Garbage and Trash Removal	3.5%	3.5%				52,020	13,460	40,380	53,840	13,931	41,794	55,725	14,419	43,256	57,675			
Security Payroll/Contract	3.5%	3.5%				288,458	75,554	238,554	298,954	80,004	248,954	328,954	87,919	261,035	341,869			
HVAC Repairs and Maintenance	3.5%	3.5%																
Vehicle and Maintenance Equipment Operation and Repairs	3.5%	3.5%																
Miscellaneous Operating and Maintenance Expenses	3.5%	3.5%				136,378	35,288	105,863	141,151	36,523	109,569	146,092	37,801	113,044	151,205			
<b>Sub-total Maintenance &amp; Repair Expenses</b>						<b>710,815</b>	<b>407,839</b>	<b>327,855</b>	<b>735,694</b>	<b>211,114</b>	<b>524,330</b>	<b>761,443</b>	<b>230,888</b>	<b>614,206</b>	<b>788,094</b>			
<b>Supportive Services</b>	3.5%	3.5%				157,793		163,315	163,315		169,032	169,032		174,948	174,948			
<b>Commercial Expenses</b>																		
<b>TOTAL OPERATING EXPENSES</b>						<b>2,628,659</b>	<b>863,252</b>	<b>1,857,409</b>	<b>2,720,662</b>	<b>893,466</b>	<b>1,922,419</b>	<b>2,815,885</b>	<b>924,737</b>	<b>1,989,703</b>	<b>2,914,441</b>			
<b>RESERVES/GROUND LEASE BASE RENT/BOND FEES</b>																		
Ground Lease Base Rent						15,000	3,750	11,250	15,000	3,750	11,250	15,000	3,750	11,250	15,000			
Bond Monitoring Fee						7,500	1,875	5,625	7,500	1,875	5,625	7,500	1,875	5,625	7,500			
Replacement Reserve Deposit						79,579	20,591	61,773	82,364	21,312	63,935	85,247	22,058	66,173	88,231			
Operating Reserve Deposit																		
Other Required Reserve 1 Deposit																		