

Citywide Affordable Housing Loan Committee

San Francisco Mayor's Office of Housing and Community Development
Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure
Controller's Office of Public Finance

1100 Ocean Avenue Apartments

\$7,380,161 LOSP Grant Funds

Evaluation of Request for:	LOSP Grant Funds
Loan Committee Date:	December 1, 2023
Prepared By:	Rosie Chavez, Asset Manager
Source of New Funds Recommended:	General Funds
NOFA/Program/RFP:	Local Operating Subsidy Program (LOSP)
Total Previous City Funds Committed:	\$3,745,499 for LOSP contract ending January 31, 2030 (General Funds - HSH)
This Request:	\$7,380,161 for LOSP contract from 2023 through December 31, 2034 (General Funds - HSH)
Total Funding:	\$11,125,660
Applicant/Sponsor/Grantee:	Mercy Housing California, on behalf of 1100 Ocean Avenue Associates, LP, a California Limited Partnership

1. PURPOSE AND BACKGROUND

1100 Ocean Ave Apartments is a 71 unit affordable housing development that has 19 units supported by LOSP (Project). Mercy Housing California, on behalf of 1100 Ocean Avenue Associates, LP (Sponsor) requests a first amendment to an existing LOSP agreement, in order to increase and extend the existing contract by an additional 5 years through December 31, 2034.

LOSP grant funds for 1100 Ocean Avenue Apartments, administered through a 15-year LOSP Agreement, are almost fully disbursed, 5 years ahead of schedule. The original LOSP Agreement covered the period from February 2015 through January 2030 for a total grant amount of \$3,745,499. Two adjustments were made during the current grant period that have caused LOSP Grant Funds to be depleted faster than originally planned.

- **2015 Accelerated Grant Disbursement Request.** In 2015, MOHCD approved and processed an increase to annual funding against the 15-year LOSP contract to cover the costs of desks clerks not originally budgeted for when the LOSP contract was underwritten and approved by the Board of Supervisors (BOS) in 2014. It is unclear from MOHCD records on why they were originally not included. It was after the LOSP contract was completed that HSA, DPH and Mercy became concerned about the need for desk clerk coverage due to the population mix of TAY and low-income families. It was determined that 24-hour desk coverage, in the form of 3 shifts for desk clerks, should be put into place, in order to secure the property and offset any of the issues faced on other TAY projects that have had increase impacts from the tenants. The overall grant amount did not change; however, because the annual disbursement schedule was accelerated, the total grant amount was anticipated to be expended by June 2024 rather than January 2029, under the BOS approved budget.
- **2022 Permanent Supportive Housing Wage Increase.** In 2022, under the Mayor's direction, MOHCD and HSH increased funding to City-funded Permanent Supportive Housing (PSH) to establish mandatory minimum "wage floors" for three entry-level positions in PSH (\$22 per hour for desk clerks, \$25 per hour for maintenance staff, and \$23 per hour for janitors/custodians), as well as Health Insurance/Benefits, Payroll Taxes, and funds to cover the anticipated cost of wage compression in other positions. 1100 Ocean was one of 40 MOHCD-funded LOSP projects for which annual disbursements were increased in order to raise salaries for existing and future staff in these positions. MOHCD approved an increase of \$115,212 in the annual operating budget for 1100 Ocean. Again, this did not impact the total grant amount of \$3,745,498.84 but accelerated drawdown of the existing LOSP contract, resulting in an anticipated drawdown of the full grant amount by April 2024.

The sponsor has been able to operate the Project with the operating income and cost assumptions from the 2015 approved LOSP budget and the more recent PSH wage increase

approved under the 2022 City budget. The Sponsor is not requesting any changes to the previously approved LOSP budget beyond the annual escalation. The proposed amendment will achieve the following objectives:

- Increase the maximum amount of funds authorized under the LOSP Agreement by \$7,380,161, for a revised total Grant Amount of \$11,125,660.
- Extend the term of the original 15-year LOSP Agreement by 5 years to December 31, 2034. The original expiration date was January 2030.

2. TENANT PROFILE

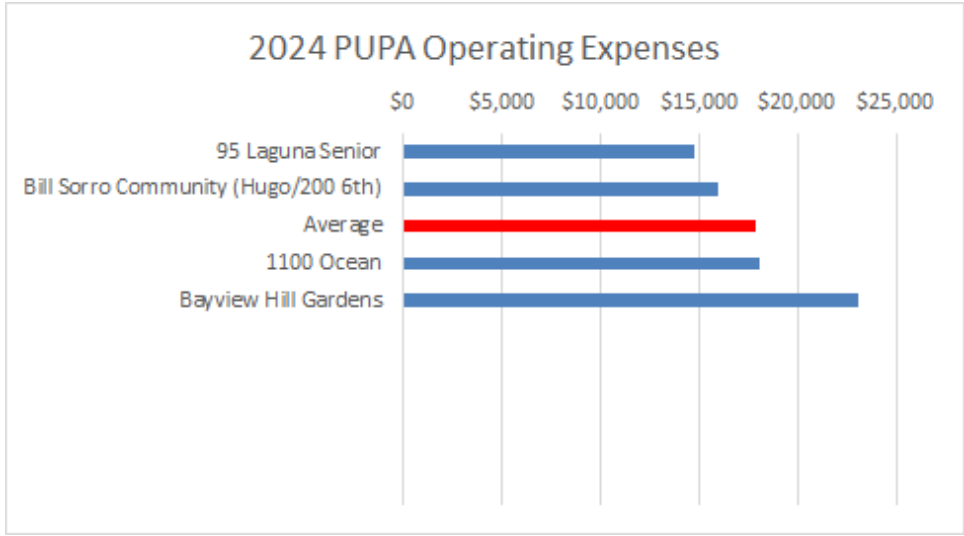
The Project is a five-story affordable rental housing complex of 71 units. The funds cover the operational costs for 19 Transition Age Youth (TAY) units referred by San Francisco's Human Services Agency (HSA). In addition to the LOSP-funded TAY units, 6 units are subsidized with Mental Health Services Act (MHSA) subsidy through the California Housing Finance Agency (CalHFA). Referrals for the MHSA units are made through the San Francisco Department of Public Health (DPH). This brings the total to 25 units set aside for Transition Age Youth. The remaining 45 units are targeted to low-income families at 50% AMI and units are leased up through a waitlist. As of the 2020 reporting year, the average household income for TAY units is 23% AMI. The average household income, across all households, at the property is 35% AMI.

3. THE PROPOSED LOSP BUDGET

As a result of the two adjustments mentioned above, the current grant has just \$206,252.85 left remaining for disbursement and will be fully disbursed in early 2024. The requested LOSP funds will enable Mercy Housing to continue to operate the 19 TAY units for an additional ten years, including the remaining five years under the original contract term plus an extension of five years. The attached 20-year cash flow shows projected LOSP funding needs thru 2034 and forms the basis for LOSP Amendment that will extend the grant for an additional 5-years. Mercy confirmed that the annual escalation assumption at 2.5% for income (1% for LOSP tenant income) and 3.5% for expenses in the existing 20-year budget is adequate. Staff has also confirmed that the proposed operating income and expenses underlying this request are conservatively forecasted. The proposed amounts are less than the actuals reported for 2022. Per the 2022 Annual Monitoring Report total income received was \$1,426,103, total operating expenses were \$1,252,683.00, with net operating income of \$173,420.00. Per the 20 Year Details, the proposed operating income was \$1,359,908, proposed total operating expenses were \$1,087,435, with net operating income calculating as \$272,473. No other operating budget adjustments are proposed under this request.

Three LOSP projects with similar unit count and unit size were selected to compare operating expenses against that of 1100 Ocean Avenue Apartments. These properties are Bayview Hill Gardens, Bill Sorro Community and 95 Laguna Senior. The comparative analysis chart can

be found below. 1100 Ocean (\$18,086/PUPA) is slightly higher than the average of the \$17,930/PUPA.



	Original BOS Approved Budget	2015 Accelerated Grant Disbursement	2022 Permanent Supportive Housing Wage Increase	This Request
Total Grant Amount:	\$3,745,499	No change	No change	Additional: \$7,380,161 Total: \$11,125,660
Grant Amount Fully Disbursed by:	January 2030	June 2024	April 2024	December 2034

4. STAFF RECOMMENDATION

MOHCD staff recommend approval of the adjusted LOSP disbursement amounts and extended term, per the attached 20-Year Cash Flow.

If this funding request is approved, it would be executed resulting in a First Amendment to Grant Agreement with a term of 20 years. Though all requested funds would be committed under a single, long-term contract, disbursements thereunder would be subject to annual appropriations by the Board of Supervisors, as is standard for LOSP contracts.

5. LOAN COMMITTEE MODIFICATIONS

6. LOAN COMMITTEE RECOMMENDATION

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

APPROVE. DISAPPROVE. TAKE NO ACTION.

_____ Date: _____

Eric D. Shaw, Director

Mayor's Office of Housing and Community Development

APPROVE. DISAPPROVE. TAKE NO ACTION.

_____ Date: _____

Salvador Menjivar, Director of Housing

Department of Homelessness and Supportive Housing

APPROVE. DISAPPROVE. TAKE NO ACTION.

_____ Date: _____

Thor Kaslofsky, Executive Director

Office of Community Investment and Infrastructure

APPROVE. DISAPPROVE. TAKE NO ACTION.

_____ Date: _____

Anna Van Degna, Director

Controller's Office of Public Finance

Attachments: 20-Year Cash Flow Project
 Revised LOSP A1 A2 Attachment

REQUEST FOR AN AMENDMENT TO LOSP AGREEMENT FOR 1100 OCEAN

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

Fri 12/1/2023 11:48 AM

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

I 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

LOSP Amendment for 1100 Ocean

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

Thu 12/14/2023 4:25 PM

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

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

I support Mercy Housing California request to amend its existing LOSP agreement in order to increase and extend the existing contract by an additional 5 years through December 31, 2034

Salvador



Salvador Menjivar

Director of Housing

Pronouns: He/Him

San Francisco Department of Homelessness and Supportive Housing

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

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Request for an Amendment to LOSP Agreement for 1100 Ocean

Slutzkin, Marc (CII) <marc.slutzkin@sfgov.org>

Fri 12/1/2023 11:48 AM

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

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

Hi Vanessa,

I approve the above request on behalf of OCII.

Thanks

Marc



Marc Slutzkin
Deputy Director

📍 One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

🏠 www.sfocii.org

Re: REQUEST FOR AN AMENDMENT TO LOSP AGREEMENT FOR 1100 OCEAN

Trivedi, Vishal (CON) <vishal.trivedi@sfgov.org>

Fri 12/1/2023 11:43 AM

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

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

I vote Yes.

Regards,

Vishal Trivedi | Financial Analyst
Office of Public Finance | City & County of San Francisco
Email | vishal.trivedi@sfgov.org