

INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell, Executive Director

SUBJECT: Mission Bay Affordable Housing Program

Summary

The Agency's 1998 Owner Participation Agreements with FOCIL-MB, LLC ("Master Developer") provide for the development of a new, mixed income residential community in the Mission Bay North and South Redevelopment Project Areas. The "North OPA" and "South OPA" together entitle the development of more than 6,000 housing units—2,964 in Mission Bay North and 3,090 in Mission Bay South—which are expected to provide homes for more than 11,000 people. When Mission Bay North and South are completed, more than 30% of the housing built in the project areas (at least 1,854 units) will be legally restricted to be permanently affordable, substantially exceeding the 15% affordability requirement of the California Community Redevelopment Law.

The program for affordable housing development differs in Mission Bay North and Mission Bay South. In the North, the OPA requires that at least 20% of the housing be developed as affordable units. The OPA provides for these affordable units to be built in two ways: (1) through inclusionary units within private market rate residential projects as part of the Master Developer's obligation, and (2) through the development of affordable housing projects by the Agency, on Agency-owned sites, in partnership with non-profit housing developers.

The redevelopment of Mission Bay North is now nearly complete, and the actual affordable housing level is expected to be 25% (754 of 2,960 units), significantly exceeding the 20% OPA affordability requirement. In Mission Bay South, where residential development is now starting, the OPA requires that at least 1,100 of the 3,090 units entitled (36%) be developed as affordable units. All of the affordable housing in Mission Bay South will be developed as Agency-sponsored projects on land contributed by the Master Developer.

Affordable Housing in Mission Bay North

In Mission Bay North, the Agency's OPA requires that at least 20% of the housing be built as affordable units, equal to approximately 590 affordable housing units. Development in Mission Bay North is nearing completion, with 2,835 housing units completed or currently under construction. Of these 2,835 units, 674 units are affordable, already exceeding the required 590 affordable units. The last remaining undeveloped site in Mission Bay North is entitled for 129 units, including 80 affordable units. This project will bring the total number of affordable housing units in Mission Bay North to 754 units so that at build-out, more than 25% of the 2,964 total housing units in Mission Bay North will be permanently affordable.

The affordable housing requirement in Mission Bay North has been met through both inclusionary units within private residential projects as part of the Master Developer's affordable housing obligation, and through the development of affordable housing projects by the Agency in partnership with non-profit housing developers, on sites deeded to the Agency by FOCIL-MB.

The North OPA contains specific requirements regarding the Master Developer's obligation to construct, affordable inclusionary units in private residential developments in the project area. The OPA requires the Master Developer to provide units for a mix of very low, low and moderate income households, and defines the proportion of rental versus homeownership units. The Master Developer's affordable units must be substantially equivalent in size and type as the market rate units within the same building. To date, 303 units of affordable housing have been constructed in Mission Bay North as part of the Master Developer's inclusionary housing requirement. An additional 80 units of affordable housing will be constructed on the last undeveloped site in Mission Bay North, for a total of 383 inclusionary affordable housing units. These include 276 rental units and 107 first-time homeownership units. 134 of the 383 units are restricted to very low income households, 137 to low income households, and 112 to moderate income households. All inclusionary units must remain affordable for at least 75 years from completion.

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The Agency-sponsored projects in Mission Bay North are developed on four sites totaling 3.8 acres that the Master Developer was required to contribute for this purpose. The Agency affordable housing sites are shown in Attachment 1. To date, the Agency, in partnership with non-profit affordable housing developers, has completed two affordable housing projects: Rich Sorro Commons, containing 100 units of very-low income affordable family rental units and the Mission Creek Senior Community project, containing 140 units of very-low income affordable senior housing. A third project, Mission Walk, which will include 131 units of low and moderate income affordable homeownership housing on two sites, is currently under construction. In total, 371 units of affordable housing will be built on Agency-owned sites in Mission Bay North.

Attachment 2 contains a summary of the affordable housing units built, under construction or planned in Mission Bay North.

Affordable Housing in Mission Bay South

In Mission Bay South, at least 1,100 of the 3,090 residential units entitled will be developed as affordable units. Unlike Mission Bay North where there is an inclusionary housing requirement in private projects, in Mission Bay South all of the affordable housing will be built on Agency-owned parcels, developed by the Agency in partnership with non-profit affordable housing developers. The Master Developer will contribute 12.2 acres to the Agency for the development of this affordable housing. This acreage is divided into 8 sites (some of which have been further subdivided for development). These sites are shown on Attachment 1.

Under the OPA, the Master Developer's contributions of sites to the Agency are tied to the development of nearby market rate projects, so the Agency receives title to the parcels over time as overall development in Mission Bay South proceeds. However, the contribution of land in Mission Bay South can be accelerated if commercial development proceeds more quickly than residential development, to ensure a reasonable balance between job creation and the provision of affordable housing units.

Residential development in Mission Bay South has recently commenced, with three market rate sites totaling 610 units now in construction. The Agency recently released a Request for Qualifications for a non-profit developer for its first affordable housing site in the project area, which will include 134 family rental units with supportive services. Furthermore, in 2005, the Agency approved a Development and Disposition Agreement with the University of California, San Francisco ("UCSF") regarding UCSF's development of 160 units of affordable housing on Block 7 East for its low and moderate income employees; at its August 5, 2008 meeting, the Commission will consider a term sheet that would lead to UCSF's development of an additional 77 units of affordable housing in the project area. The affordable housing projects are tied to UCSF's development of a new hospital in Mission Bay South.

Agency Affordable Housing Development

In accordance with the OPAs and the Agency's Mission Bay Affordable Housing Policy, Agency sites are developed by non-profit developers selected by the Redevelopment Commission through a Request for Qualifications ("RFQ") process, with priority given to San Francisco-based nonprofits. RFQs are issued as sites become available for development. The development program for each site is determined based on the City's overall affordable housing priorities, and includes projects for families, seniors, and special needs populations.

The Agency retains ownership of the land for rental projects, which are permanently affordable through groundleases and funding agreements with the non-profit developer/operators. All affordable homeownership units are included in the Agency's limited equity program to ensure long-term affordability. The development of the Agency-sponsored projects is subsidized through the 20% tax increment affordable housing set-aside generated by private development in Mission Bay North and South, along with additional "excess" tax increment not needed for public infrastructure development.

Income and Affordability Levels

The redevelopment of Mission Bay provides housing opportunities for a range of household income levels, based on area median income ("AMI"). The Master Developer provides affordable inclusionary housing units for very low income households (50% of AMI), low income households (70% of AMI) and moderate income households (110% of AMI). The majority of Agency projects are very low income rental projects, at a maximum income level of 50% of AMI, with many units designated for even lower income levels. First-time homeownership units have a maximum affordability level of 100% of AMI. The table below

defines very low, low and moderate incomes for two and four person households, based on 2008 AMI information published by the U.S. Department of Housing and Urban Development (“HUD”).

	50% AMI Very Low Income	70% AMI Low Income	100% AMI Moderate Income	110% AMI Moderate Income
<u>Two-Person Household</u>				
Annual Income	\$ 37,750	\$ 52,800	\$ 75,450	\$ 83,000
<u>Four-Person Household</u>				
Annual Income	\$ 47,150	\$ 66,000	\$ 94,300	\$ 103,750

Based on HUD standards, rents in affordable housing are set at 30% of household income. Accordingly, the rent for a very low income housing unit would range \$944 per month for a two-person household to \$1,179 for a four-person household. For affordable homeownership units, prices are set so that housing costs, including mortgage payments, taxes, insurance, and home-owners association fees, do not exceed 33% of household income. Based on current interest rates and income levels, a homeownership unit for a household of three people at a moderate income level (at 100% of AMI), would be priced at approximately \$280,029.

(Originated by Kelley Kahn, Project Manager and Amy Neches, Manager of Project Area Planning and Development)

Fred Blackwell
Executive Director

Attachment #1: Agency Affordable Housing Sites Map
Attachment #2: Summary of Affordable Housing in Mission Bay North

bc: Neches
Kahn
Reilly
J. White
O. Lee
Legal (4)
Maduli-Williams
Press
Brown Act Book
File

Attachment 2: Affordable Housing Production in Mission Bay North

Project	Developer	Total # of Units/Type	# of Affordable Units	Affordability Levels	Status
Agency-Sponsored Projects on Agency Affordable Housing Sites					
Rich Sorro Commons <i>Block N2/Parcel 2</i>	Mission Housing Development Corporation	100 rental	100	Very Low Income	Built
Mission Creek Senior Community <i>Block N3a/Parcel 1</i>	Mercy Housing California	140 rental	140	Very Low Income	Built
Mission Walk <i>Block N4a/Parcel 2 and N4a/Parcel 2</i>	Bridge Housing	131 condos	131	Moderate Income	Under construction
Master Developer Obligation					
The Beacon <i>Block N1</i>	Catellus Development Corp.	595 condos	27	Low Income	Built
Avalon Bay Phase 1 Block N2/Parcel 3	Avalon Bay Communities	250 rental	21	Low and Moderate Income	Built
Avalon Bay Phase 1 Block N3/Parcel 1	Avalon Bay Communities	313 rental	19	Low and Moderate Income	Built
Crescent Cove <i>Block N5/Parcel 1</i>	Related Companies	236 rental	236	Very Low and Low Income	Built
Block N4/Parcel 3	TBD	129 condos	80	Moderate Income	Pipeline
			Total: 754	Affordable Units	