

# SPUR

**Ideas + Action for a Better City**

learn more at [SPUR.org](http://SPUR.org)

*tweet about this event:*

*@SPUR\_Urbanist*

*#SmallSites*

# SAN FRANCISCO SMALL SITES PROGRAM

---

Small Sites, Big Impact

Ruby Harris, SF Mayor's Office of Housing and Community Development

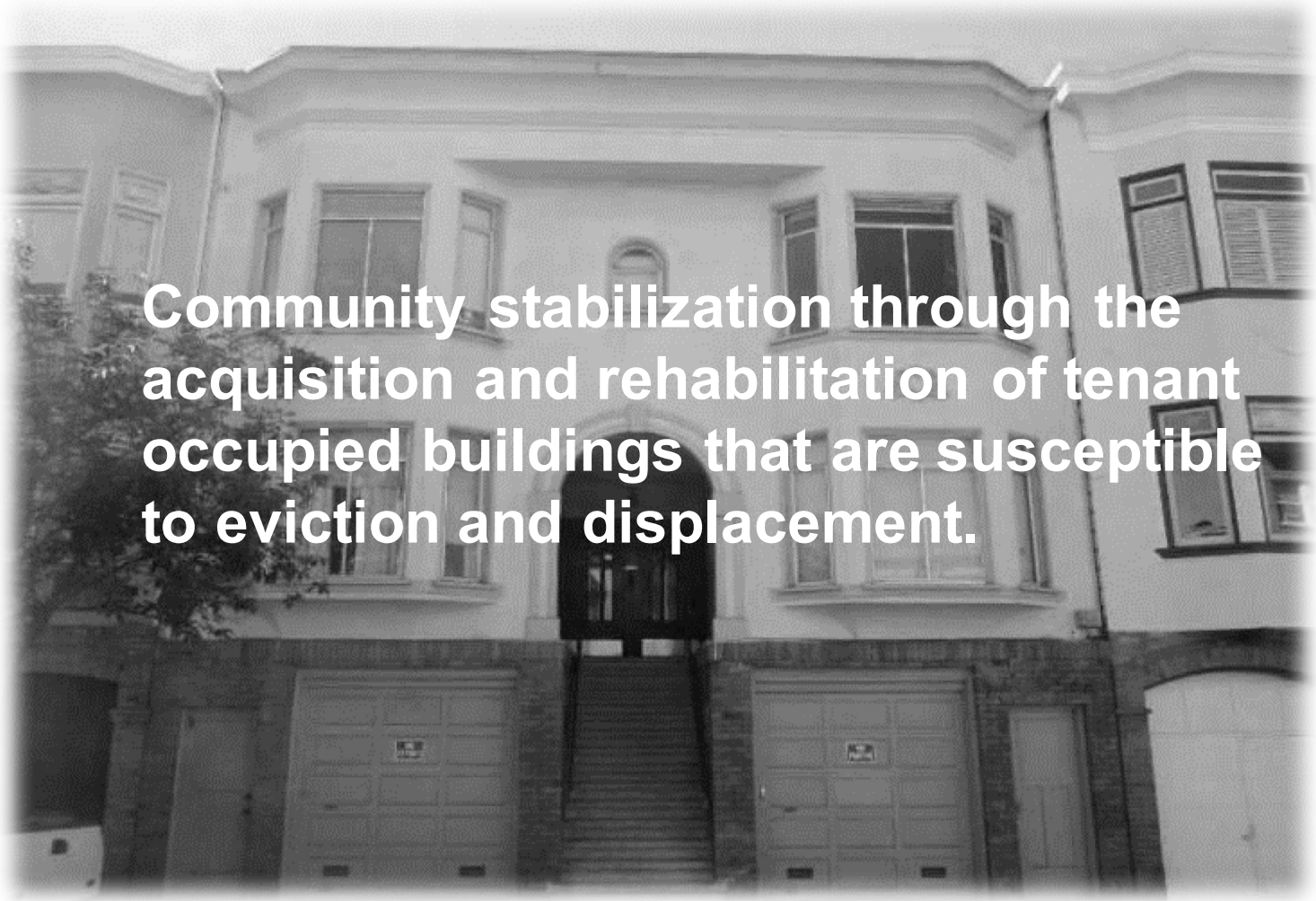
Karoleen Feng, Mission Economic Development Agency

Tyler Macmillan, SF Community Land Trust

# Small Sites Program

## Overarching Goal

**Community stabilization through the acquisition and rehabilitation of tenant occupied buildings that are susceptible to eviction and displacement.**



# Small Sites Program

## Funding Sources

- Launched in July 2014 with an initial \$3MM as a pilot program after a 6 month stakeholder process.
- Since then, SSP has been allocated \$75MM through FY 2017-18:

Small Sites Program Sources		
	Total	% of total
Housing Trust Fund	10,700,000	14%
Inclusionary Small Sites Set-Aside	22,500,000	30%
Expedited Condo Conversion	4,200,000	6%
SOMA Stabilization	13,400,000	18%
Housing Bond (Prop A)	24,200,000	32%
<b>TOTAL</b>	<b>\$75,000,000</b>	

\$23MM - funded/closed

\$22MM - pending approval

\$30MM - remaining through FY 2017-18

- Additional sources pending program design: \$100MM Prop C bond loan program

# Small Sites Program

## Achievements

- 13 buildings, 78 units closed
- 154 people stabilized:
  - Average AMI 63%; 30% earn less than 50% AMI
  - 21 Seniors, 13 disabled, 28 children under age 18
  - 23 units active Ellis Act (30% of total)
- Ethnicity:
  - 34% Latino
  - 32% White
  - 23% Asian
  - 9% API (Filipino)
  - 2% African American
- 17 vacancies available for incoming residents; most priced at 120% AMI
- 12 additional buildings pending, resulting in a total unit count of 137 units, 24 group housing units and 9 commercial spaces

# Small Sites Program

## Achievements

- SSP Unit Mix:
  - 36 Studios (26%)
  - 58 1-Bedrooms (43%)
  - 34 2-Bedrooms (25%)
  - 7 3-Bedrooms (5%)
  - 2 4-Bedrooms (1%)
- SSP projects are located in Supervisor Districts 1, 3, 5, 6, 8, 9, and 10

# Small Sites Program

## Key Program Elements

- 3-25 Unit Residential or Mixed-use Buildings
- Borrowers may be either for-profit or non-profit
- Win-win: Seller gets market value, tenants stay in place, City increases the supply of affordable housing, owners have a feasible project that meets their organizational mission
- Max City Subsidy Per Unit:
  - \$350k for buildings with 3-9 units
  - \$300k for buildings with 10-25 units
  - \$150k SROs & group housing
- 1<sup>st</sup> Loan from a Commercial Lender or CDFI; 2<sup>nd</sup> Loan from City
- 90 Day Close

# Small Sites Program

## Key Program Elements

- At Acquisition, 66% of tenants of each building must earn an average of 80% AMI or less
- Rents are restricted to average 80% AMI
- Rents are no longer subject to Rent Control; they are subject to MOHCD's affordability restrictions
- Restrictions are for the life of the project



# Small Sites Program

The purchase process from the developer's perspective

- **MEDA** – focus on long-term tenants who are at risk of displacement in and around the **Mission District**. Target buildings with school-age families or around planned luxury condo developments
- **SFCLT** – focus on long-term tenants who are at risk of displacement throughout the city, especially in buildings with a strong community of residents who contribute to the diversity of San Francisco.
- Acquire
- Borrow money from City of SF and first lender
- Rehabilitate
- Own the properties

# Small Sites Program

## Buying Buildings



# Small Sites Program

## What developers look for

- Buildings that are not yet on the market
- Buildings with long-term existing low-moderate income tenants
- Buildings with active eviction activity
- Tenants interested in collective management
- Tenants advocating to support other tenants at risk of displacement



# Small Sites Program

## How developers identify a building

- Repairs and new paint (prep for sale)
- Owner mentions that he/she does not want to continue managing the building
- Tenants receive notification to show units to inspectors, real estate agents, and potential buyers
- Open houses to show the building
- Realtors approach us/we find properties on the MLS
- Tenants and/or tenant agents approach buyers under the SSP



# Small Sites Program

## How tenants get involved

- Organize tenant meetings with the developer
- Show a willingness to fight to keep their housing
- Approach the owner to sell the building to an SSP developer
- Provide information about condition of the building and tenant incomes
- Help the developer to make a competitive offer, which sometimes includes raising additional funds
- Communicate to potential buyers that they want to stay in the building





# Small Sites Program

## Closing an SSP project

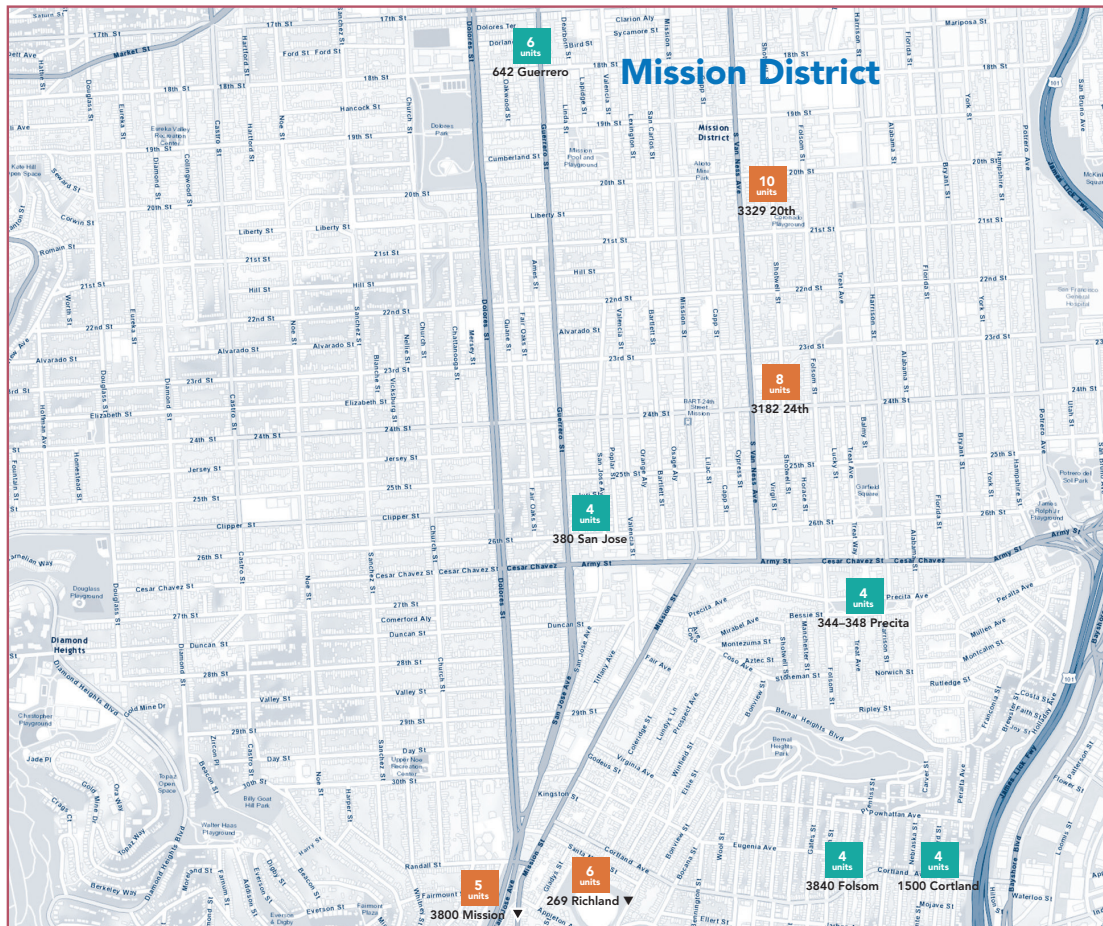
- A combination of sources are needed to close an SSP project:
  - 1<sup>st</sup> mortgage approx. 30-40% LTV, supported by tenant rents
  - 2<sup>nd</sup> loan from City SSP, including acquisition, rehab, reserves and soft costs
  - Additional community sources



# Small Sites Program

## MEDA Projects

Our Small Sites properties





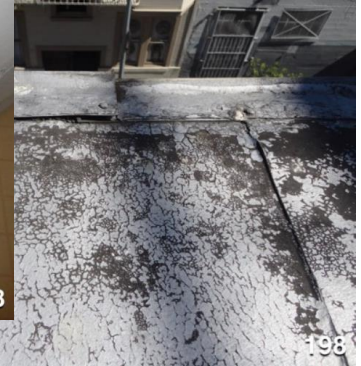
# Small Sites:

## Current Conditions

Small sites typically suffer from many years of deferred maintenance.

SSP's goal is to stabilize households in place and complete health and safety improvements.

Typical improvements: roofs, windows, seismic, in-unit heating/venting, dry rot repair, and painting.





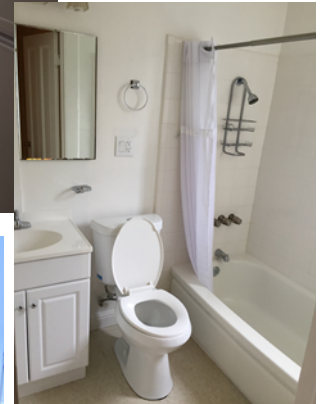
# Small Sites Program

## 380 San Jose Rehab

Before



After



# Small Sites Program

## Construction Management

- Light to Moderate Rehab – approx. \$70k per unit
  - Focused on health, safety, systems and building envelope
- Construction timing:
  - Predevelopment takes approximately 3-6 months
  - Construction takes approximately 3-4 months
- Short-term relocation

# Small Sites Program

## Asset Management

- Property management typically done by an outside commercial property management company
- Affordable housing asset management and property management functions completed by the developer, such as income certs, lottery lease-up, etc.
- Developer fees earned pay for non-profit staff and toward working capital for future projects
- Ongoing tenant communication/involvement

# San Francisco's Small Sites Program

## Challenges & Solutions

- Each small site is unique and requires high levels of program flexibility – the program is built to both maintain standards and allow for some level of flexibility to meet market demands
- Tenant counseling/organizing is key – tenants must be on board with their building being included in the SSP
- Capacity has been an issue across the board (City, Nonprofits, Contractors, Lenders, CNA Providers, etc.) – as the program grows, all entities are staffing up and SSP is increasing its network
- A faster, leaner process is desired by all – the developers and the City are looking tools that allow faster closings, such as bridge financing products

# Small Sites Program

## Next Steps

- SRO/Preservation Program
- Accessory Dwelling Units
- Commercial Underwriting
- Incorporation of Prop C Funds (low cost hard debt)
- Housing Accelerator Fund (external fund for bridge financing)

## Questions?



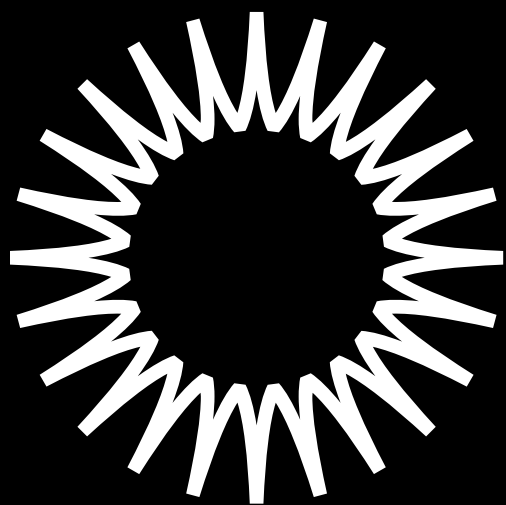
### SMALL SITES ACQUISITION & REHAB PROGRAM

Back Row, Upper Market, Haight: 642 Guerrero, 149 Duboce, 1684 Grove, 70 Belcher, 966 Oak

Middle Row, Tenderloin & SoMa: 308 Turk, 568 Natoma, 534 Natoma, 1353 Folsom

Front Row, Mission: 380 San Jose, 2976 23rd St, 2840 Folsom

Image Courtesy of Fernando Marti



# SPUR

**Ideas + Action for a Better City**

learn more at [SPUR.org](http://SPUR.org)

*tweet about this event:*

*@SPUR\_Urbanist*

*#SmallSites*