SAN FRANCISCO SMALL SITES PROGRAM

Small Sites, Big Impact

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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:

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

• 1st Loan from a Commercial Lender or CDFI; 2nd 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
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\textsuperscript{st} mortgage approx. 30-40\% LTV, supported by tenant rents
  - 2\textsuperscript{nd} loan from City SSP, including acquisition, rehab, reserves and soft costs
  - Additional community sources
Small Sites Program
MEDA Projects

Our Small Sites properties

- 624 Guerrero: 6 units
- 380 San Jose: 6 units
- 642 Guerrero: 4 units
- 344–348 Precita: 4 units
- 1500 Cortland: 4 units
- 3840 Folsom: 4 units
- 3329 20th: 10 units
- 3800 Mission: 8 units
- 269 Richland: 6 units
- 3840 Folsom: 5 units
- 3800 Mission: 6 units
- 269 Richland: 5 units
- 1500 Cortland: 5 units

Mission District
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 Polk, 966 Oak
Middle Row, Tenderloin & SoMa: 308 Turk, 568 Natoma, 574 Natoma, 1353 Folsom
Front Row, Mission: 380 San Jose, 2976 23rd St, 2840 Folsom

Image Courtesy of Fernando Marf