California Housing Partnership Corporation
California's Experts on Affordable Housing Finance, Advocacy & Policy

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San Francisco Begins Second Phase of RAD Public Housing Initiative

Friday, October 14, 2016 marked a major milestone in San Francisco's ambitious plan to revitalize its public housing properties through the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) program. Financing closed on the last of the 14 properties in the second phase of SF RAD on Friday, and building ownership officially transferred to eight owner/developer teams who are now beginning rehabilitation of the 2,058 apartments in Phase II.

San Francisco is the first jurisdiction to use the portfolio approach allowed under RAD 2.0 in combination with project-based vouchers and RAD funding based on each property's financial needs. The first phase of SF RAD consisted of 1,422 apartments in an additional 15 properties closed and began renovations late last year. Due to federal cuts over the past 25 years, San Francisco's public housing has been receiving less than $10 million in annual capital funds. Together, the two phases of SF RAD comprise over $1 billion in net new funding that will result in approximately $800 million in improvements to outdated buildings that make up the bulk of San Francisco's public housing. [For more on the background of the SF RAD initiative, click here.]

The SF RAD effort has required intensive collaboration, ambitious underwriting, and innovative financing approaches from HUD, the San Francisco Mayor's Office of Housing and Community Development (SFMOH), the San Francisco Housing Authority (SFHA), the developer teams rehabilitating and managing the properties, the California Housing Partnership Corporation (CHPC), and the project's equity investors and lenders: Bank of America Merrill Lynch (BAML), Aegon, and Freddie Mac.

SFMOH Director Olson Lee commented, "SF RAD is a success because it has involved the city's entire affordable housing eco-system, including neighborhood-based affordable housing developers, local contractors, architects, legal aid organizations, and city departments. Most of all, it has been the leadership of Mayor Edwin M. Lee that will make it possible for residents to move back into rehabilitated, sustainable housing that is fully connected to services. While it is true that San Francisco is blessed with local resources that have allowed us to be unusually ambitious, we believe that the RAD 2.0 model we have developed here can be successfully adapted by other communities across the county."

Cluster	Properties	Phase II Developer Teams
Chinatown	Ping Yuen, Ping Yuen North	Chinatown Community Development Center
Western Addition 1	Westwide Courts	Related California Tabernacle Community Development Corporation
Western Addition 2	Rosa Parks, 1750 McAllister	Tenderloin Neighborhood Development Corporation (Rosa Parks) Community Housing Partnership (1750 McAllister)
Tenderloin/SOMA	350 Ellis, 320-330 Clementina	Tenderloin Neighborhood Development Corporation
Bernal Heights	Alemany	Bernal Heights Neighborhood Center BRIDGE Housing
Mission/Castro	3850 18th St., Mission Dolores	Mission Economic Development Agency BRIDGE Housing
California Corridor	Kennedy Towers, 1760 Bush, 2698 California	Mercy Housing California John Stewart Company Japanese American Religious Federation
Southeast	Westbrook	John Stewart Company Related California San Francisco Housing Development Corporation Ridge Point Non-Profit Housing Corporation

CHPC worked extensively with SFMOH, HUD, SFHA, and the eight development teams (see table above) to align funding resources with rehabilitation scopes while assembling the financing. Dave Kiddoo, CHPC's Senior Housing Finance Consultant, Public Housing Initiatives Director and day-to-day manager of the SF RAD financing plan, added, "The Phase 2 SF RAD closings represents the culmination of four years of hard work by SFMOH staff, the housing organizations who will oversee the physical and operations improvements that are so badly needed at these properties, SFHA, HUD and resident advocates, who collectively developed the original vision for the transformation, as well as our financing partners who were able to step up to provide debt and equity in unprecedented amounts and aggressive terms."

City Stretches Resources Through Innovative Financing Plan

From the very first meeting it was clear the properties' physical and operating needs required funding well beyond what RAD could provide. With extensive input from CHPC, the support of SFHA, and creative problem solving and approvals from HUD, the SF RAD team took a number of critical steps including:

1. Converting 29 public housing properties to voucher funding using the combined authorities of RAD and Section 18 of the United States Housing Act of 1937.

2. Project-basing approximately 1,600 new vouchers created through the RAD and Section 18 conversions, enabling the portfolio to leverage an estimated $330 million in new private debt for both phases.

3. Capturing the tax credit value of the existing buildings combined with the value of the $800 million in estimated renovations, leading to net equity investments of approximately $815 million from the sale of federal 4% Low Income Housing Tax Credits for both phases.

4. Obtaining $530 million in equity for Phase II from BAML and Aegon to invest - an increase of more than 60% over initial projections.

5. Providing $87 million in city funds to fill remaining gaps, with an additional $12 million in city bridge funding for Phase II.

SF RAD Portfolio Phases I and II Sources and Uses of Financing

Sources	Phase I	Phase II	Total
Bank of America & Freddie Mac Permanent Tax-Exempt Debt	$83,038,000	$248,581,500	$331,619,500
SFMOH Pre-Development and Gap Loans	$37,882,591	$47,541,581	$86,544,172
Bank of America/FHLB AHP	$1,120,000	$2,690,000	$2,690,000
Bank of America or Aegon Tax Credit Equity Investment	$284,935,952	$531,137,537	$816,073,489
TOTAL	**$406,976,543**	**$829,950,618**	**$1,236,927,161**

Uses	Phase I	Phase II	Total
Hard Costs and Contingency	$253,223,551	$544,554,883	$797,778,434
Closing Costs and Transfer Taxes	$20,457,824	$31,378,560	$51,836,384
Financing Costs	$21,699,690	$55,396,936	$77,096,626
Soft Costs and Developer Fee	$89,716,458	$161,747,407	$251,463,865
Reserves	$21,879,020	$36,872,832	$58,751,852
TOTAL	**$406,976,543**	**$829,950,618**	**$1,236,927,161**

Working with Tenants to Ensure Smooth Transition and Temporary Relocation

SFMOH and SFHA worked hard to address tenant concerns through numerous tenant meetings and by providing additional services. The development teams and service providers also conducted extensive on-site outreach. Each site had working groups made up of tenants, property managers, and advocates, as well as development team representatives to familiarize tenants with new leases, create new house rules, share information on temporary relocation, and establish tenant governance. Ann Griffith, Senior Program Director at Enterprise Community Partners helped engage this diverse group of stakeholders in a successful process. To minimize displacement, Phase II temporary relocation is being accomplished via on-site vacant units along with some off-site units. SFHA and SFMOH also launched a vigorous campaign to encourage tenants to add all resident family members to their leases, ensuring that all residents would be able to remain when new management took over.

SF RAD Phase II Case Study: Rosa Parks

Tenderloin Neighborhood Development Corporation (TNDC) has taken on three Phase II SF RAD properties, one of which is Rosa Parks in San Francisco's Western Addition neighborhood. Built in 1962, the twelve story concrete building currently includes 199 units of studios, one- and two-bedroom apartments housing seniors and people living with a disability.

Like many properties in SF RAD, Rosa Parks is in need of significant rehabilitation-notably its plumbing, which requires replacement of vertical waste lines and sewer laterals. TNDC is reconfiguring offices for property management and social services, along with common area kitchen, baths, and resident gathering spaces. TNDC is making additional seismic improvements at the ground floor level where connector beams will reinforce the corners of the building. TNDC is also updating all units with new flooring, fixtures, cabinets, and windows. Because construction will take place in an occupied building, TNDC's relocation team continues to work with the residents to ensure their housing needs are met until work in their unit is complete and it is safe to return.

Photo credit: Daniel Findley

Building on TNDC's core belief that opportunity knocks only if you have a door, TNDC found a way to add three new family apartments to Rosa Parks, bringing the total count to 202 affordable units. In an era of unprecedented development of market rate residential property in San Francisco, this is a welcomed response, however small, to the city's affordability crisis.

Speaking to the impact the RAD program will have on TNDC and the communities it serves, CEO Don Falk comments, "Other than those in public housing, the people TNDC has historically served are the lowest income people in San Francisco. That is what is unique and important about TNDC and our role. There is something deeply gratifying to be able to embrace people who live in public housing, and because of RAD we're going to bring resources to the physical building as well as our own unique style of management and services to our new residents."

SF RAD Phase II Case Study: Ping Yuen and North Ping Yuen

Chinatown Community Development Center (CCDC) is a place-based community development organization providing affordable housing for 3,000 residents in 26 properties throughout San Francisco with a historic focus on Chinatown where it has been active since 1977. CCDC has committed to revitalizing four public housing properties comprising 576 units, the largest cluster in the SF RAD portfolio and the only one that includes properties for both families and senior/disabled residents. CCDC's involvement in RAD is a mission-driven addition to CCDC's work, and its strong ties to Chinatown place them in a unique position to build the trust needed to be successful.

One third of Chinatown's population lives in SROs with families and seniors often sharing a single room and common kitchens and bathrooms. Rehabilitation and long-term preservation of the Ping Yuen units, all with private bathrooms and kitchens, protects a critical resource for Chinatown. Ping Yuen was constructed in the 1950s as housing for the Chinese population of Chinatown. The current ethnic makeup of Ping Yuen and North Ping Yuen is about 30 percent non-Asian and CCDC expects that trend toward diversity to increase. Its on-site property management and resident services staff is now a multi-cultural team that reflects and supports the diverse resident population.

CCDC took ownership and began rehabilitation of two RAD Phase I properties in 2015. Its Phase II properties include the adjacent Ping Yuen and North Ping Yuen, which together comprise 434 family units. Due to more than 25 years of federal cuts to public housing, CCDC must address a daunting list of physical needs including plumbing waste leaks, piecemeal elevator repair, outdated electrical service, poor air quality/ventilation, mold and mildew, inadequate security and broken or missing locks, and lack of accessibility for seniors and people with disabilities.

Photo credit: Chris Carlsson

CCDC's rehab will include updates to all major building systems, seismic and structural repairs, modernization of the elevators, improved security, all-new baths and kitchens, flooring, paint, and ventilation, as well as new staff offices and community rooms. CCDC is also adding solar photovoltaic panels to the roofs of all buildings. In order to accomplish this work, CCDC must temporarily relocate residents in phases of approximately ten months. The organization's Temporary Relocation Team finds temporary units and places residents, and its services staff provides support to ensure housing stability through the relocation period and a smooth return to the property.

Norman Fong, Executive Director at CCDC, is enthusiastic about this effort: "After years of public disinvestment in the Pings, CCDC is optimistic for the launch of a new day as we bring resources and a community-based approach to reviving this important housing asset for San Francisco and Chinatown. We are grateful for the City's commitment to SF RAD, to Aegon and Bank of America as our financial partners, and to CHPC for its expertise in providing access to these sources. Long live the Pings!"

For more information about the California Housing Partnership,
please visit our website at [www.chpc.net.](http://www.chpc.net)