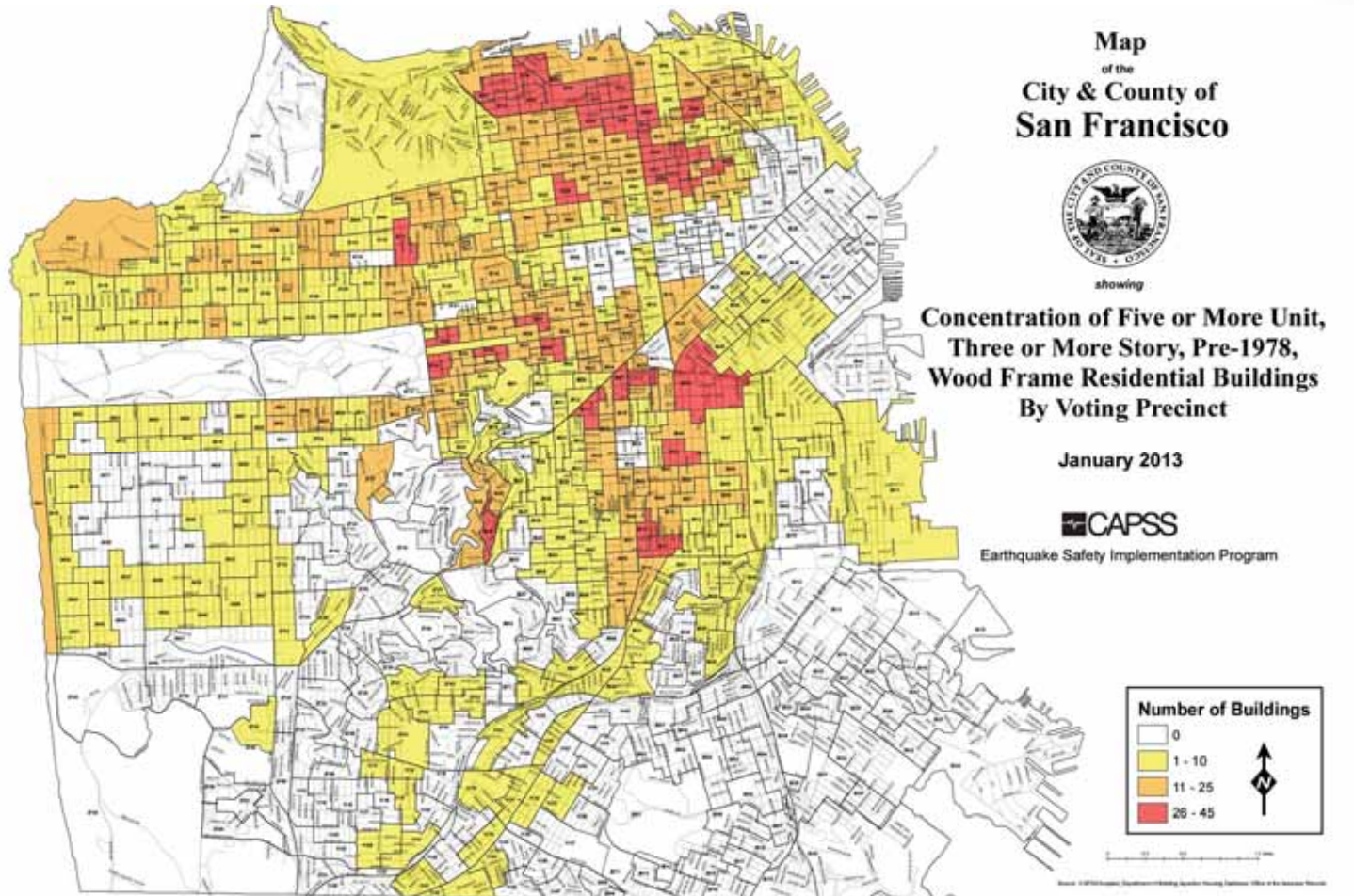
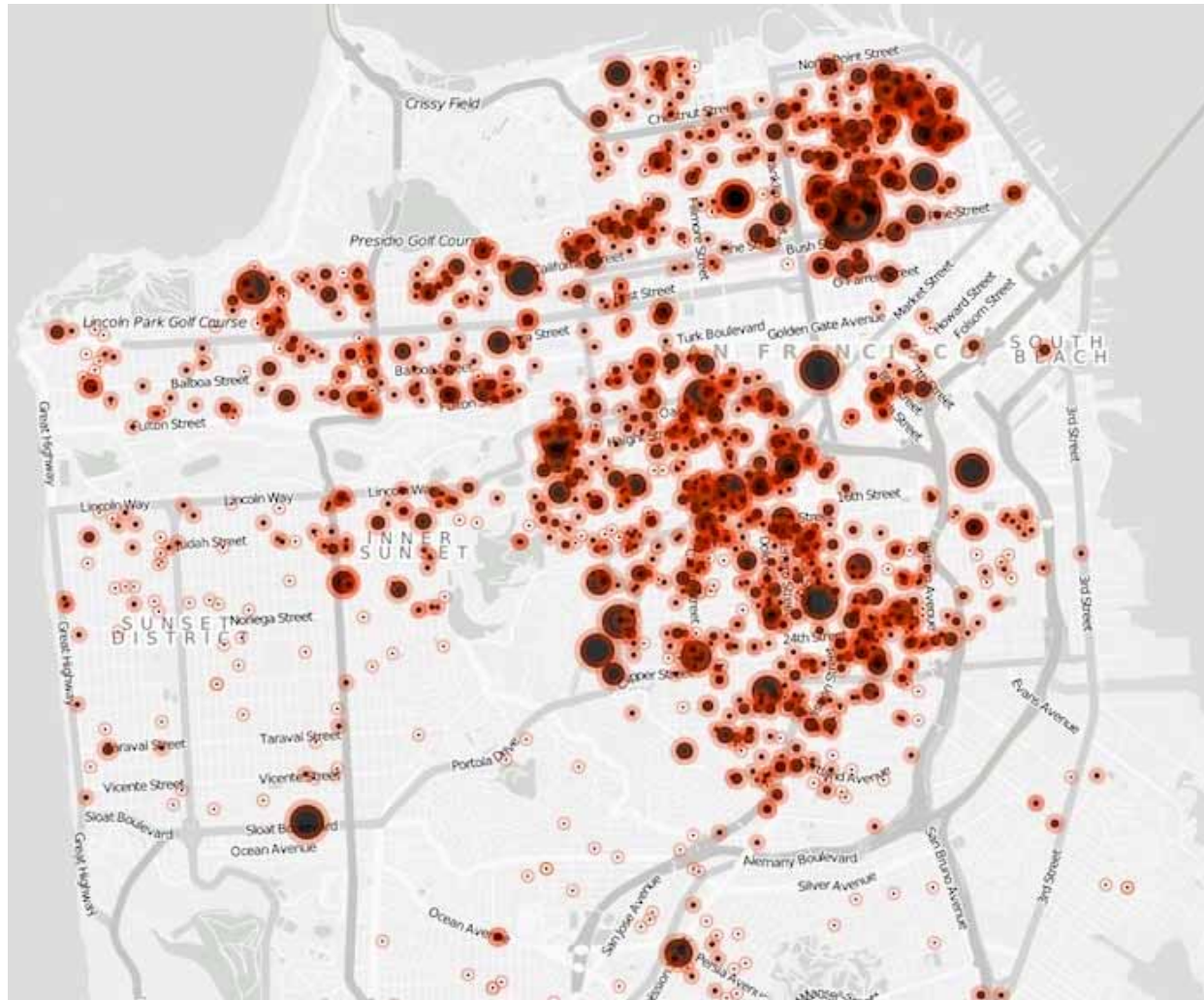


Small Apartment Buildings



Ellis Act Evictions in San Francisco



1998 – 2013

Source: www.theatlanticcities.com October 2013

We're losing more affordable units per year than we can build!

The Acquisition/Rehab strategy is critical for preventing/mitigating the overall net loss of affordably priced apartments in San Francisco.

Small Site Acquisition in SF

- City policy approved in 2009
- “Small” = 5-25 units
- Competitive market requires a more nimble acquisition process & willing seller
- Scattered sites require new approach to property and asset management
- Mixed-Income Model is necessary

When is it Feasible in SF?

Assumptions:

- City subsidy = maximum **\$350,000 per unit**
- Annual operating cost per unit = \$5,000
- **\$500,000 Total Cost per Unit** (to purchase and/or renovate)

Affordable Monthly Rent per Unit	Is affordable to a single person household earning: _____% AMI	Can cover this much of a mortgage (5.5% amortized interest)	Will need this much “Subsidy” from the City to cover the gap between income and expenses
\$500	30% (\$20,000)	\$ 10,000	\$490,000
\$700	40% (28,000)	\$ 40,000	\$460,000
\$900	50% (\$36,000)	\$ 70,000	\$430,000
\$1,000	60% (\$43,000)	\$ 85,000	\$415,000
\$1,200	70% (\$50,000)	\$115,000	\$385,000
\$1,500	80% (\$57,000)	\$150,000	\$350,000
\$1,800	100% (\$71,000)	\$200,000	\$300,000
\$2,200	120% (\$85,000)	\$260,000	\$240,000

Mixed-Income Buildings Scenarios

10-unit Building - Average 80% AMI

# Units	% AMI	# Units	% AMI	# Units	% AMI
1	30% AMI	2	30% AMI	3	30% AMI
0	50% AMI	0	50% AMI	0	50% AMI
8	80% AMI	6	80% AMI	4	80% AMI
0	100% AMI	0	100% AMI	0	100% AMI
1	120% AMI	2	120% AMI	3	120% AMI
10	79% AMI	10	75% AMI	10	77% AMI

Findings to Date

- Need a **willing seller**
- Need **100% acquisition financing with either permanent subsidy or a clear take-out plan (e.g., City Second Loans).**
- Competing with private investors in a hot market leaves Nonprofits little choice of properties, **more quirky, fringe properties that are not as attractive to investors** (non-conforming units, very low rents, mixed-use, shared housing).
- **Tenant Education & Engagement is very important** to ensure full compliance and eligibility for public subsidies.
- City of SF launched the program in July 2014 with only \$3M. **By July 2016: \$20 million used to purchase 12 buildings (85 units – averaging \$240,000 subsidy per unit). With 6 more buildings in the pipeline, the program will achieve scale at 100 units in just two years of implementation.**

Challenges & Needs

Largest Challenges:

- Lack of Funding & Finance in the early phase
- Delays and resistance from City Housing Staff on the launch and implementation of this strategy that is very different from the mainstream models of using Tax Credit Financing for New Construction.

What's Needed Next:

- **100% acquisition financing up front** to ensure fast acquisition and permanent affordability:
 - ✧ Fill the acquisition gap
 - ✧ Capitalize Reserves
 - ✧ Provide renovations to minimize maintenance costs
- **Foundation Grant Funding** to support capacity building and tenant outreach/education.
- **Political Will** from local Housing Departments

Lenders Supporting the Small Sites Acquisition Program

- Boston Private Bank
- Clearinghouse CDFI
- Enterprise Community Partners
- First Republic Bank
- Northern CA Community Loan Fund

Properties Acquired thru the Small Sites Acquisition Program

- - 534 Natoma (SoMa) SFCLT
- - 568 Natoma (SoMa) SFCLT
- - 1353 Folsom (SoMa) SFCLT
- - 308 Turk (Tenderloin) SFCLT
- - 70 Belcher (Duboce Triangle) SFCLT
- - 1644 Grove (NoPa) SFCLT
- - 151 Duboce (Mission) SFCLT
- - 2840 Folsom (Mission) SFCLT
- - 640 Guerrero (Mission) MEDA
- - 380 San Jose (Mission) MEDA
- - 1500 Cortland (Mission) MEDA
- - 462 Green (Chinatown) Chinatown CDC

Thank You!

For more information contact us at:

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