

# Acquisition for New Permanent Supportive Housing

Our City, Our Home Committee

March 16, 2021

# OCOH Overview

- Shared goal of continuing to **acquire** and **expand** permanent supportive housing for our most vulnerable residents
- Opportunity to build **long-term strategy** and process to support continued expansion of supportive housing
- Gather information on **all potential options** for future Permanent Supportive Housing (PSH) sites, including but not limited to SIP hotels
- Establish City strike team and standard criteria to take advantage of opportunities

# Mayor's Homelessness Recovery Plan

## In order to Rehouse

- 1,500 new units of Permanent Supportive Housing (PSH)
- 1,500 placements into new PSH pipeline units coming online
- 1,500 placements into existing PSH units based on turnover/vacancies
- Expanded Problem Solving
- Create medium-term housing solutions for Adults

## To respond to the immediate crisis of unsheltered homelessness and prevent people from becoming homeless:

- Expand Homelessness Prevention
- Reactive Congregate Shelter to the COVID informed capacity of ~1,000 beds in the adult system (~2,000 beds pre-COVID)
- Expand Congregate Shelter: Open Bayview SAFE Navigation Center and Lower Polk TAY Navigation Center in early 2021
- Maintain Safe Sleep during pandemic

Largest expansion of Permanent Supportive Housing in 20 years

# Expanding Beyond the Recovery Plan

- Plan in place to achieve 1,500 new PSH units in two years, mostly with through flexible housing subsidy pool expansion
- New Prop C-funded acquisitions and new construction projects would create opportunity to expand the housing portfolio beyond Mayor's initial goal
- Acquisition expansion planning should consider Prop C funding levels available long-term to support ongoing operations and services of these units.
- Propose creating standard term sheet & criteria so new acquisitions meet community priorities and clients' needs

# Current Market (Real Estate)

## Today's Supply and Demand (Hotels vs. Housing)

- There is currently not a fire sale mentality – however there is much more willingness to consider selling than previously seen.
- There is still a disconnect between Buyers and Sellers regarding what market pricing *should be*.

## Competitive Process

- Create areas of meaningful comparison
  - Type (as an example, *Hotels typically compare better to Hotels, same is true with SRO's to SRO's*)
  - Extent of Improvements Needed
  - Other comparable factors: # of units / Class of Property / Geography

## Disclosing Negotiations

- Wait until (at least) a tentative agreement has been signed.
- Delay announcing negotiations in a public setting.
- Sharing of specific information compromises the RFI process

# Roles & Responsibilities

## The Department of Homelessness and Supportive Housing (HSH)

- Develop **criteria** for what is needed in sites to meet the needs of the population, taking into account equity, geography, populations (adults, family, TAY, veterans, etc)
- Work with City partners and providers to acquire, operate and refer tenants to supportive housing through Coordinated Entry

## The Mayor's Office of Housing and Community Development (MOHCD)

- Vets and provides expertise on construction scope and costs including ADA, seismic upgrades, health and safety provisions
- Underwrites construction, operating budget as well as acquisition and permanent financing

## The Real Estate Division of the City Administrator's Office (RED)

- Leads negotiations for the acquisition, sale, and lease of real property on behalf of most City departments
- At the request of City departments, assists with searches and vetting of potential sites based on criteria provided by departments

# City's Secures PSH through MOHCD & HSH

- MOHCD's Notices of Funding Availability (NOFAs) have a PSH set aside of 20% - 50% of units
- MOHCD also issues 100% PSH NOFAs, RFQs and RFPs; OCOH funds provide the opportunity to issue more NOFAs are planned to address target populations identified under the HSH Strategic Plan
- Target populations include Adults, Seniors, Families, Transition Age Youth and MHSA (clients with serious mental illness)
- HSH Issues RFP/RFIs for Master Leased and City-Leased PSH Housing
- Hybrid Models: Homekey & 833 Bryant Street projects

# MOHCD PSH Pipeline

1,493 PSH units under construction and in active predevelopment to come online by 2025.

Adults	922	62%
Families	189	13%
Seniors	197	13%
Veterans	103	7%
TAY	81	5%
TOTAL:	1,493	100%

An additional 600 PSH units are projected by 2028; potential for more units if OCOH funds are deployed



# Operating & Services

- MOHCD's Local Operating Subsidy Program (LOSP) created in 2006 support PSH expansion to address chronic homelessness
- HSH inherited DPH's Direct Access to Housing (leased) buildings and H.S.A.'s master lease portfolio in 2016
- HSH adopted criteria for all new HSH units so that residents pay no more than 30% of income toward rent and the ongoing subsidy provides the remainder of funding needed to operate the units
- Legislation to cap tenant rent for pre-2016 HSH units to 30% of income approved by Board of Supervisors in 2020
- Applicants are referred through the Coordinated Entry System

# Housing Pipeline: Planned Exits from Homelessness

- MOHCD/OCII Pipeline = 1,493 units
- Diversion + = 125 slots
- Rapid Rehousing for TAY & Families = 225 slots
- 1500 new PSH units of housing by the end of FY22:
  - ~1,100 units of Flexible Housing Subsidy Pool for families and adults (this is a tenant-based subsidy + ongoing services)
  - ~400 units of project-based PSH at the Granada, the Diva and a TAY site.

# Costs of Recent PSH Projects

## Acquisition and Rehab in Place:

- The Granada
  - \$409,000 per door in total development cost (TDC)
- 400 Geary Street Project (formerly Hotel Diva)
  - \$560,000 TDC per door in total development cost (TDC)

## New Construction

- Maceo May Apartments - 1 Treasure Island Redevelopment Phase
  - \$706,000 TDC per door (modular + large unit count)
- Mission Bay South Block 9:
  - \$569,419 per door TDC (modular + large unit count)
- Casa de la Mission
  - \$ 681,981 per door TDC (traditional construction + small unit count)

\*\*These costs are not directly comparable as the size of units and amenities differ

# Cost for Operating Subsidies & Services

	Estimated Cost Per Unit/Per Month	Estimated Approx. Cost Per Unit/Per Year
Operating	\$1,100	\$13,200
	Cost Per Person/Per Month	Cost Per Person/Per Year
Services	\$550	\$6,600

# Actions Underway

## **Vet Request for Information (RFI) submissions to Identify Purchase Opportunities**

- HSH/Real Estate/MOHCD reviewing submissions to RFI 100 and RFI 100-A from potential sellers and conducting site visits

## **Establish City Team**

- Identify available resources for acquisition and ongoing operations/services
- Determine most expeditious acquisition model and timeline

## **Begin Implementation of Acquisition Strategy**

- Issue competitive NOFA to generate competition among potential sellers
- Complete due diligence of best opportunities and begin final negotiations

# PSH Request for Information Process

## RFI #100 & 100A

- 76 properties submitted (as of 3/8/21) with a total of 4,724 units
  - 5 immediately excluded
  - 71 properties under consideration
  - RFI deadline: April 30, 2021

## Update:

- Submissions continue on a rolling basis
- 24 Site Visits as of March 8th



City and County of San Francisco  
Department of Homelessness and Supportive Housing

**Request For Information (RFI)**  
**Potential Permanent Supportive Housing Sites**  
**RFI# HSH2021-100A**  
**Link: [Housing RFI Submission Form](#)**

### Summary

To assist the City and County of San Francisco with plans for providing permanent supportive housing, the Department of Homelessness and Supportive Housing ("City" or "HSH") invites interested property owners and authorized representatives to submit information to assist the City in identifying suitable properties for the possible acquisition or master leasing of permanent supportive housing sites to house people currently experiencing homelessness. These sites can include, but are not limited to, the acquisition of tourist hotels, residential Single-Room Occupancy (SRO) hotels, and other multi-unit housing sites.

### Schedule

RFI issued	January 8, 2021
Final Deadline for Submitting Information	April 30, 2021

### RFI Questions and Communications

Interested parties are directed **not** to contact any employees, agents or officials of the City other than those specifically designated in this RFI. All questions must be submitted by email to [HSHhousing@sfgov.org](mailto:HSHhousing@sfgov.org).

### RFI Responses

Responses to the RFI should be submitted via the following link: [Housing RFI Submission Form](#). Please do not send responses via email. The City will make reasonable efforts to respond to all appropriate submissions, however, this request in no way implies a commitment to negotiate or respond to inquiries. If you already responded to RFI# HSH2020-100, issued July 24, 2020, you do not need to submit another form, unless you wish to provide additional information, or identify a different property.

# RFI Listed Desired Building Attributes

## Preferred Building Characteristics for PSH

- Unit count ~ 100-150
- Space for supportive services
- Vacant/Ready for Occupancy
- Location
- Elevator, ADA access
- Minimal rehab work required
- Other Amenities (communal kitchen, kitchenettes)

## Unknowns

- Total Cost (Acquisition Plus Possible Rehab)
- Physical Condition

# Examples of Market Opportunities

## Property #1 Example – Medium

- Ample communal spaces
- Elevator with wheelchair accessibility
- Communal kitchen and dining area
- Coin-operated laundry and storage
- Mix of shared and private baths
- Accessibility issues
- Deferred maintenance work





# Examples of Market Opportunities

## Property #2– Medium

- Range of Room Sizes
- Open kitchen/communal space
- Elevator with wheelchair accessibility
- Entry accessible
- Private baths
- Some modernization required



# Next Steps

- Establish a City team to lead this effort, including HSH, MOHCD, Real Estate, and other City partners and bringing external support
- Identify available resources for both acquisition and ongoing operations and services
- Determine fastest acquisition timeline and acquisition model
- Issue competitive NOFA to generate competition among potential sellers
- Complete due diligence and enter into final negotiations
- Complete approval process and close acquisitions
- Complete process to PSH select operator/services providers
- Draft new construction NOFA to seed pipeline for medium- and long-term

Thank you!