

1 [Memorandum of Understanding - Reorganization of the Housing Authority of the City and
2 County of San Francisco - Loan Not to Exceed \$20,000,000]

3 **Resolution approving a Memorandum of Understanding between the City and County**
4 **of San Francisco and the Housing Authority of the City and County of San Francisco**
5 **(SFHA) regarding the reorganization of SFHA; ratifying and approving a loan not to**
6 **exceed \$20,000,000 to SFHA and any action heretofore taken in connection with such**
7 **loan to SFHA; and granting general authority to the Mayor and the Mayor’s Office of**
8 **Housing and Community Development to take actions necessary to implement this**
9 **Resolution, as defined herein.**

10
11 WHEREAS, The City and County of San Francisco (“City”) has approximately 12,000
12 households that depend on housing subsidies from SFHA under the United States
13 Department of Housing and Urban Development’s (“HUD”) Housing Choice Voucher Program
14 (“HCV”), also known as “Section 8,” which is administered by SFHA, provides rental subsidies
15 for individual tenants (tenant-based vouchers) and multiple units in large projects in the form
16 of Section 8 project-based contracts vouchers (“PBVs”); and

17 WHEREAS, SFHA has entered into Housing Assistance Payment (“HAP”) contracts
18 with eligible property owners to fund tenant-based vouchers and PBVs; and

19 WHEREAS, SFHA owns in fee (1) an approximately 38-acre site in the Potrero Hill
20 neighborhood improved with 620 units of public housing thereon (“Potrero Site”), and (2) an
21 approximately 50-acre site in the Vistacion Valley neighborhood, known as Sunnydale-
22 Valasco, improved with 785 units of public housing thereon (“Sunnydale Site,” and together
23 with the Potrero Site, the “Sites”); and

24 WHEREAS, In order to ensure the long-term preservation of SFHA’s public housing,
25 the City and SFHA have engaged in numerous housing preservation, subsidy, and

1 revitalization projects, including HUD’s Rental Assistance Demonstration program that is
2 preserving and rehabilitating 3,480 units of distressed public housing through the long term
3 financial investment by the City and a transfer of ownership of the improvements from SFHA
4 to private entities; and

5 WHEREAS, In order to transform four of SFHA’s most distressed housing sites, the
6 City and SFHA launched the HOPE SF initiative (“HOPE SF”) in 2007, which is the nation’s
7 first large-scale public housing transformation collaborative aimed at disrupting
8 intergenerational poverty, reducing social isolation, and creating vibrant mixed-income
9 communities without mass displacement of current residents; and

10 WHEREAS, HOPE SF is a human and real estate capital commitment by the City, and
11 the City’s signature anti-poverty and equity initiative committed to breaking intergenerational
12 patterns related to the insidious impacts of trauma and poverty, and to creating economic and
13 social opportunities for current public housing residents through deep investments in
14 education, economic mobility, health and safety; and

15 WHEREAS, The City desires to develop and revitalize the Sites as a mixed-use,
16 mixed-income development with several different components: (i) construction of the public
17 infrastructure to support the Sites; (ii) development of private affordable housing on affordable
18 parcels in accordance with an affordable housing plan; (iii) development of private residential
19 projects on market rate parcels; and (iv) development of community improvements (e.g., open
20 space areas, community facilities) throughout the Sites; and

21 WHEREAS, On January 31, 2017, the Board of Supervisors approved of the
22 following: (1) a Development Agreement and Master Development Agreement with SFHA and
23 the Sunnydale Development Co. LLC (the “Sunnydale Developer”) for the development of the
24 Sunnydale HOPE SF master plan consisting of a maximum of 1,770 units (785 are
25 replacement units for existing Sunnydale-Velasco households, approximately 200 are

1 additional affordable housing units, 730 units that will be for market rate homeownership or
2 rental), all new streets and utility infrastructure, 3.6 acres of new open spaces, and
3 approximately 60,000 square feet of new neighborhood serving spaces (“Sunnydale HOPE
4 SF Project”); and (2) a Development Agreement and Master Development Agreement with
5 SFHA and BRIDGE Potrero Community Associates, LLC (the “Potrero Developer,” and
6 together with the Sunnydale Developer, the “Developers”) for development of the Potrero
7 HOPE SF master plan consisting of a maximum of 1,700 units (approximately 800 are
8 replacement units for existing Potrero households and additional affordable housing units, and
9 up to 800 units that will be for market rate homeownership and rental), all new streets and
10 utility infrastructure, 3.5 acres of new open spaces, and approximately 50,000 square feet of
11 new neighborhood serving spaces (the “Potrero HOPE SF Project,” and together with the
12 Sunnydale HOPE SF Project, the “Projects”); and

13 WHEREAS, The City and SFHA have commenced the revitalization of the Potrero Site
14 and the Sunnydale Site, and are nearing the completion of rebuilding the public housing
15 located at Alice Griffith and Hunters View; and

16 WHEREAS, In recognition of limited resources and to assure viability of HOPE SF,
17 SFHA has proposed to HUD the accelerated disposition of on-site public housing units that
18 would be rehabilitated to allow for the commitment of PBVs, and then operated on an interim
19 basis until their phased demolition; and

20 WHEREAS, SFHA will implement a phased transfer of the Sites to the Developers
21 consistent with the respective Development Agreements approved by the Board of
22 Supervisors by Ordinances 18-17 and 15-17, and on file with the Clerk of the Board of
23 Supervisors in File Nos. 161164 and 161161, respectively, and the respective Master
24 Development Agreements approved by the Board of Supervisors by Resolutions 20-17

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1 and 19-17, and on file with the Clerk of the Board of Supervisors in File Nos. 161356
2 and 161355, respectively; and

3 WHEREAS, On September 6, 2018, the Shortfall Prevention Team of HUD notified
4 SFHA of a shortfall of SFHA's HCV funding, and on October 2, 2018, the HUD Quality
5 Assurance Division conducted onsite review of HCV financials and concluded on
6 October 12, 2018 that SFHA would have a shortfall of funding to meet SFHA's HAP contract
7 obligations for both tenant-based vouchers and PBVs by December 1, 2018, which will result
8 in HAP contract terminations and displacement of thousands of tenants in affordable housing;
9 and

10 WHEREAS, SFHA requested the City through the Mayor's Office of Housing and
11 Community Development ("MOHCD") to provide an emergency, long-term loan of up to \$20
12 million ("Loan") to meet its HAP contractual obligations and prevent displacement of tenants;
13 and

14 WHEREAS, On November 13, 2018, HUD provided \$10,000,000 in shortfall funding to
15 SFHA and required SFHA to take certain actions to remedy the shortfall, and SFHA obtained
16 HUD approval to use \$5,000,000 in cash reserves for the shortfall; and

17 WHEREAS, On November 21, 2018, SFHA's financial consultant, BDO, with which
18 SFHA hired to resolve various accounting and financial issues, delivered a report that SFHA
19 needed immediate funding before December 1, 2018, to alleviate a total shortfall of
20 approximately \$32 million through December 2018; and

21 WHEREAS, MOHCD and SFHA executed an emergency Loan Agreement dated
22 November 26, 2018, a copy of which is on file with the Clerk of the Board in Board File
23 No. 190767 and incorporated in this resolution by reference ("Loan Agreement"), to enable
24 SFHA to maintain its obligations under the HAP contracts and keep the San Francisco
25 residents in their housing; and

1 WHEREAS, By a letter from HUD to SFHA dated March 7, 2019, a copy of which is on
2 file with the Clerk of the Board in Board File No. 190767 and incorporated in this resolution by
3 reference (the “Default Letter”), HUD determined that SFHA was in default under its Housing
4 Choice Voucher Consolidated Annual Contributions Contract (“HCV Contract”) and its Low
5 Rent Public Housing (“LRPH”) Consolidated Annual Contributions Contract (“LRPH Contract”)
6 executed by and between SFHA and HUD on August 12, 1998, and April 29, 1996,
7 respectively (the “SFHA Default”); and

8 WHEREAS, After a determination of default, HUD has the legal authority to take
9 possession of all or a part of SFHA or require SFHA to make other arrangements acceptable
10 to HUD that are in the best interests of the public housing residents and families assisted by
11 HUD; and

12 WHEREAS, Under the Default Letter, HUD has determined that it is in the best
13 interests of SFHA’s public housing residents and assisted families to allow SFHA the
14 opportunity to cure the SFHA Default as follows: (i) the City’s assumption of oversight of the
15 programmatic and financial functions under the HCV Contract and LRPH Contract, and (ii)
16 outsourcing programmatic and financial administration of the HCV Program and LRPH
17 Program to a third party expert; and

18 WHEREAS, To protect San Francisco residents served by SFHA and continue the
19 revitalization of the Sites, the City desires for SFHA to cure the SFHA Default and enter into a
20 Memorandum of Understanding, a copy of which is on file with the Clerk of the Board in Board
21 File No. 190767 and incorporated in this resolution by reference (the “MOU”), to reorganize
22 SFHA consistent with the Default Letter; now, therefore, be it

23 RESOLVED, That the Board of Supervisors hereby approves the MOU and authorizes
24 the Mayor or her designee to enter into any amendments or modifications to the MOU
25 (including, without limitation, preparation and attachment or, or changes to, any of all of the

1 exhibits and ancillary agreements) and any other documents or instruments necessary in
2 connection therewith that the Mayor determines, in consultation with the City Attorney, are in
3 the best interest of the City, do not materially increase the obligations or liabilities for the City
4 or materially diminish the benefits of the City, are necessary or advisable to effectuate the
5 purposes and intent of this Resolution and are in compliance with all applicable laws; and, be
6 it

7 FURTHER RESOLVED, That the Board of Supervisors approves of the Loan to SFHA,
8 and ratifies execution of the Loan Agreement and any additions, amendments or other
9 modifications to the Loan (including, without limitation, preparation and attachment, or
10 changes to, any of all of the exhibits and ancillary agreements), and any other documents or
11 instruments necessary in connection therewith, that the Director of MOHCD in consultation
12 with the City Attorney, determines when taken as whole, are in the best interests of the City,
13 do not materially decrease the benefits to the City, do not materially increase the obligations
14 or liabilities of the City, or materially decrease the public benefits accruing to the City, and are
15 necessary or advisable to complete the transaction contemplated and effectuate the purpose
16 and intent of this Resolution and are in compliance with all applicable laws; and, be it

17 FURTHER RESOLVED, That all actions heretofore taken by the City with respect to
18 the MOU and the Loan Agreement and the execution and delivery of the MOU and Loan
19 Agreement are hereby approved, confirmed and ratified; and, be it

20 FURTHER RESOLVED, That within 30 days of the execution of the Memorandum of
21 Understanding, the Department shall provide the executed Memorandum of Understanding to
22 the Clerk of the Board for inclusion in the official file.

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