

1 [Agreements - Sunnydale Parcel Q Housing Partners, L.P. - 1491 Sunnydale Avenue -
2 Purchase and Sale for Real Estate and Ground Lease - \$3,000,000 and \$15,000
3 Respectively]

4 **Resolution approving and authorizing the execution and performance of an Agreement**
5 **of Purchase and Sale of Real Estate in connection with the acquisition of the parcel**
6 **located at 1491 Sunnydale Avenue Street (Assessor’s Parcel Block No. 6356, Lot No.**
7 **61-68) (“the Property”), for \$3,000,000 and a long term, 75 years with a 24 year**
8 **extension option, Ground Lease of the Property for \$15,000 annual base rent, with**
9 **Sunnydale Parcel Q Housing Partners, L.P., to construct a 100% affordable, 55-unit**
10 **multifamily rental housing development for low-income households; adopting findings**
11 **that the conveyance is consistent with the General Plan, and the eight priority policies**
12 **of Planning Code, Section 101.1; and authorizing and directing the execution of any**
13 **documents necessary to implement this Resolution, as defined herein.**

14 WHEREAS, In August 2007, the San Francisco Board of Supervisors established the
15 HOPE SF program to fund revitalization of San Francisco’s most distressed public housing
16 (Ordinance No. 180-07 and 556-07); and

17 WHEREAS, In October 2007, the Housing Authority of San Francisco (“SFHA”) issued
18 a Request for Qualifications to Redevelop Authority Property for seven sites including
19 Sunnydale and Velasco (“Sunnydale”); and

20 WHEREAS, In March 2008, the SFHA Board of Commissioners selected Mercy
21 Housing California and The Related Companies of California as co-developers (“Developer”)
22 for the revitalization of Sunnydale through HOPE SF, the City and County of San Francisco’s
23 (“City”) initiative to transform severely distressed public housing into thriving mixed-income
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1 neighborhoods with targeted strategies to improve the educational, economic and health
2 outcomes for existing public housing residents; and

3 WHEREAS, In April 2008, the Mayor’s Office of Housing and Community Development
4 (“MOHCD”) issued a Notice of Funding Availability for development of the Sunnydale Master
5 Plan (“Master Plan”), and the Developer was the selected recipient of such funding; and

6 WHEREAS, Sunnydale Development Co., LLC, a California limited liability company
7 (“Master Developer”), a subsidiary of the Developer, created the Sunnydale HOPE SF Master
8 Plan (“Master Plan”) for the revitalization of Sunnydale, which includes a maximum of 1,770
9 new units, including 969-994 affordable units, of which 775 are replacement units for existing
10 Sunnydale public housing residents and approximately 600 units as market rate
11 homeownership, all new streets and utility infrastructure, 4.6 acres of new open spaces, and
12 approximately 60,000 square feet of new neighborhood serving spaces; and

13 WHEREAS, In order to start demolition and construction of new housing units at
14 Sunnydale, the Master Developer was required to purchase the Property, which is adjacent to
15 Sunnydale, for the purpose of relocating some residents from Sunnydale; and

16 WHEREAS, Sunnydale Parcel Q Housing Partners, L.P. (“Seller/Lessee”), a subsidiary
17 of the Master Developer, acquired the Property in 2016 for \$3,000,000 using a \$5,000,000
18 acquisition and predevelopment loan from MOHCD (the “MOHCD Loan”); and

19 WHEREAS, The City desires to acquire the Property, under the jurisdiction of
20 MOHCD, from Seller/Lessee pursuant to an Agreement of Purchase and Sale for Real
21 Estate (“PSA”) in substantially the form approved by the Director of Property and the
22 Acting Director of MOHCD on file with the Clerk of the Board of Supervisors in File No.
23 171197, incorporated herein by reference; and

24 WHEREAS, In consideration of the Seller/Lessee’s agreement to convey the
25 Property to MOHCD, MOHCD shall apply a credit of \$3,000,000 to the outstanding

1 balance and accrued interest of the MOHCD Loan and reconvey the related Deed of
2 Trust subject to the conditions described in the PSA; and

3 WHEREAS, MOHCD is also providing the Seller/Lessee with new financial assistance
4 to leverage equity from an allocation of low-income housing tax credits and other funding
5 sources in order to construct on the Property a 100% affordable, 55-unit multifamily rental
6 housing development for low-income households, of which 41 units will be set aside for the
7 relocation of some Sunnydale residents; and

8 WHEREAS, Seller/Lessee has obtained all entitlements and is ready to begin
9 construction of the Project; and

10 WHEREAS, An appraisal dated November 1, 2017, valued the Property at
11 \$5,950,000 with entitlements; and

12 WHEREAS, MOHCD desires to lease back the Property to the Seller/Lessee for
13 \$15,000 per year Base Rent, in exchange for the Seller/Lessee's agreement, among other
14 things, to develop and operate the Project with rent levels affordable to households up to 60%
15 Area Median Income (AMI), pursuant to a Ground Lease between the City and Seller/Lessee
16 substantially in the form approved by the Director of Property and MOHCD on file with the
17 Clerk of the Board of Supervisors in File No. 171197, incorporated herein by reference; and,

18 WHEREAS, The Ground Lease provides, among other conditions, for a term of 75
19 years and one 24 year option to extend; and,

20 WHEREAS, On July 9, 2015, by Motion No. 19409, the Planning Commission certified
21 the Final Environmental Impact Report ("FEIR") for the Sunnydale HOPE SF Master Plan
22 (Planning Case No. 2010.0305E) as accurate, complete and in compliance with the California
23 Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.) and
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1 Administrative Code, Chapter 31; said Motion is on file with the Clerk of the Board of
2 Supervisors in File No. 161309 and is incorporated herein by reference; and

3 WHEREAS, On June 16, 2016, the Planning Department issued an Addendum to the
4 FEIR, that included the addition of Parcel Q to the original Sunnydale HOPE SF
5 Description; the Planning Department determined that no additional environmental impacts,
6 or impacts of greater severity would occur, and that the analysis and conclusions from the
7 FEIR remained valid; and

8 WHEREAS, On November 17, 2016, by Motion No. 19784, the Planning Commission by
9 Motion No. 20018 approved CEQA Findings, including adoption of a Mitigation Monitoring and
10 Reporting Program (MMRP), under Case No. 2010.0305ENV, for approval of the Sunnydale
11 HOPE SF Project; said Motion is on file with the Clerk of the Board of Supervisors in File No.
12 161309 and is incorporated herein by reference; and

13 WHEREAS, On November 17, 2016, by Motion No. 19785, the Planning Commission
14 adopted findings establishing the Sunnydale HOPE SF Project, on balance, consistent with
15 the General Plan, and Planning Code, Section 101.1; said Motion is on file with the Clerk of
16 the Board of Supervisors in File No. 171197 and is incorporated herein by reference; and

17 WHEREAS, On November 17, 2016, by adopting Resolution Nos. 19786, 19787,
18 19788 and 19789, the Planning Commission recommended to the Board of Supervisors that
19 the Board approve General Plan Amendments, Planning Code Text Amendments, Planning
20 Code Map Amendments, and a Development Agreement between the City, the Housing
21 Authority and Sunnydale Development Co., LLC, respectively; said Resolutions are on file
22 with the Clerk of the Board of Supervisors in File No. 161309 and is incorporated herein by
23 reference; and.

24 WHEREAS, On January 31, 2017, the Board of Supervisors adopted Ordinance Nos.
25 20-17, 16-17, 17-17, 18-17(File Nos. 161356, 161309, 161162, 161163, and 161164)

1 approving General Plan Amendments, Planning Code Text Amendments, Planning Code Map
2 Amendments, and the Development Agreement respectively.

3 WHEREAS, The Planning Department found that the PSA and Ground Lease
4 are consistent with the General Plan, and with the eight priority policies under Planning
5 Code, Section 101.1 for the reasons set forth in the letter of the Planning Department
6 dated October 5, 2017, which is on file with the Clerk of the Board in File No. 2017-
7 012081GPR; now, therefore, be it

8 RESOLVED, That the Board of Supervisors hereby finds that the PSA and
9 Ground Lease are consistent with the General Plan, and with the eight priority policies
10 under Planning Code, Section 101.1 for the same reasons set forth in the letter of the
11 Planning Department dated October 5, 2017, and hereby incorporates such findings by
12 reference as though fully set forth in this Resolution; and, be it

13 FURTHER RESOLVED, That in accordance with the recommendations of the
14 Director of Property and the Acting Director of MOHCD, the Board of Supervisors
15 hereby approves the conveyances of the Property, under the jurisdiction of MOHCD,
16 the PSA and the Ground Lease, and authorizes the Director of Property (or designee)
17 and the Acting Director of MOHCD (or designee) to execute and deliver the PSA and
18 the Ground Lease substantially in the form presented to the Board and any such other
19 documents that are necessary or advisable to complete the transaction contemplated
20 by the PSA and the Ground Lease, and to effectuate the purpose and intent of this
21 Resolution; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director
23 of Property (or designee) and the Acting Director of MOHCD (or designee), in
24 consultation with the City Attorney, to enter into any additions, amendments or other
25 modifications to the PSA and the Ground Lease (including in each instance, without

1 limitation, the attachment of exhibits), that the Director of Property and the Acting
2 Director of MOHCD determine are in the best interests of the City, do not materially
3 decrease the benefits to the City with respect to the Property, or otherwise materially
4 increase the obligations or liabilities of the City, and are necessary or advisable to
5 complete the transaction contemplated herein, effectuate the purpose and intent of this
6 Resolution, and are in compliance with all applicable laws, including the City's Charter,
7 provided that documents that include amendments from what was previously submitted
8 to the Board shall be provided to the Clerk of the Board, as signed by the parties,
9 together with a marked copy to show any changes, within 30 days of execution for
10 inclusion in the official file; and, be it

11 FURTHER RESOLVED, That the Director of Property is hereby authorized, in the
12 name and on behalf of the City and County of San Francisco, to accept the deed to the
13 Property from the Seller/Lessee upon the closing in accordance with the terms and conditions
14 of the PSA, to place the Property under the jurisdiction of MOHCD, and to take any and all
15 steps as the Director of Property deems necessary or appropriate in order to consummate the
16 conveyance of the Property pursuant to the PSA, or to otherwise effectuate the purpose and
17 intent of this Resolution, such determination to be conclusively evidenced by the execution
18 and delivery by the Director of Property of any such documents; and, be it

19 FURTHER RESOLVED, That all actions authorized and directed by this
20 Resolution and heretofore taken are hereby ratified, approved and confirmed by this
21 Board of Supervisors.

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RECOMMENDED:

John Updike, Director of Property

Kate Hartley, Acting Director, Mayor's Office of Housing and Community
Development