

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.**

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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 and provides rental  
15 subsidies for individual tenants (tenant-based vouchers) and multiple units in large projects in  
16 the form 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 following:  
22 (1) a Development Agreement and Master Development Agreement with SFHA and the  
23 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 (collectively, “Development  
24 Agreements”), and the respective Master Development Agreements approved by the Board of  
25 Supervisors by Resolutions 20-17 and 19-17, and on file with the Clerk of the Board of

1 Supervisors in File Nos. 161356 and 161355, respectively (collectively, “Master Development  
2 Agreements”); 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, Pursuant to California Health and Safety Code Section 34290, the Board  
19 of Supervisors may, by ordinance, declare itself to be the Board of Commissioners of SFHA;  
20 and

21           WHEREAS, By a letter from the Mayor to the Board of Supervisors dated  
22 November 18, 2019, 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 (the “Mayor Letter”), the Mayor  
24 will make three appointments to the SFHA Board of Commissioners based on  
25

1 recommendations from the Board of Supervisors, and the Board of Supervisors desires to  
2 make such recommendations to assist with oversight of SFHA; and

3 WHEREAS, The Master Development Agreements and Development Agreements for  
4 the Potrero Site and Sunnyside Site, California Health and Safety Code Section 34320, and  
5 applicable HUD regulations govern property transactions by SFHA, and the Mayor through the  
6 Director of Real Estate, will report to the Board of Supervisors on the disposition of any non-  
7 housing assets owned by the SFHA; and

8 WHEREAS, To protect San Francisco residents served by SFHA and continue the  
9 revitalization of the Sites, the City desires to enter into a Memorandum of Understanding, a  
10 copy of which is on file with the Clerk of the Board in Board File No. 190767 and incorporated  
11 in this resolution by reference (the "MOU"), that will enable SFHA to cure the SFHA Default  
12 and reorganize SFHA consistent with the Default Letter and Mayor Letter; now, therefore, be it

13 RESOLVED, That the Board of Supervisors hereby approves the MOU and authorizes  
14 the Mayor or her designee to enter into any amendments or modifications to the MOU  
15 (including, without limitation, preparation and attachment or, or changes to, any of all of the  
16 exhibits and ancillary agreements) and any other documents or instruments necessary in  
17 connection therewith that the Mayor determines, in consultation with the City Attorney, are in  
18 the best interest of the City, do not materially increase the obligations or liabilities for the City  
19 or materially diminish the benefits of the City, are necessary or advisable to effectuate the  
20 purposes and intent of this Resolution and are in compliance with all applicable laws; and, be  
21 it

22 FURTHER RESOLVED, That the Board of Supervisors approves of the Loan to SFHA,  
23 and ratifies execution of the Loan Agreement and any additions, amendments or other  
24 modifications to the Loan (including, without limitation, preparation and attachment, or  
25 changes to, any of all of the exhibits and ancillary agreements), and any other documents or

1 instruments necessary in connection therewith, that the Director of MOHCD in consultation  
2 with the City Attorney, determines when taken as whole, are in the best interests of the City,  
3 do not materially decrease the benefits to the City, do not materially increase the obligations  
4 or liabilities of the City, or materially decrease the public benefits accruing to the City, and are  
5 necessary or advisable to complete the transaction contemplated and effectuate the purpose  
6 and intent of this Resolution and are in compliance with all applicable laws; and, be it

7           FURTHER RESOLVED, That all actions heretofore taken by the City with respect to  
8 the MOU and the Loan Agreement and the execution and delivery of the MOU and Loan  
9 Agreement are hereby approved, confirmed and ratified.

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