

1 [Loan Agreement - Sunnydale HOPE SF - Not to Exceed \$28,478,891]

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3 **Resolution approving and authorizing the Director of the Mayor’s Office of Housing and**
4 **Community Development to execute an Amended and Restated Loan Agreement with**
5 **Sunnydale Infrastructure LLC, a California limited liability company, for a total loan**
6 **amount not to exceed \$28,478,891 to finance the first phase of infrastructure**
7 **improvements and housing development related to the revitalization and master**
8 **development of up to 1770 units of replacement public housing, affordable housing,**
9 **and market rate housing, commonly known as the Sunnydale HOPE SF Development**
10 **(“Sunnydale Project”); and adopting findings that the loan agreement is consistent**
11 **with the adopted Mitigation Monitoring and Reporting Program under the California**
12 **Environmental Quality Act, the General Plan, and the eight priority policies of Planning**
13 **Code, Section 101.1.**

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15 WHEREAS, HOPE SF is the nation’s first large-scale public housing transformation
16 collaborative aimed at disrupting intergenerational poverty, reducing social isolation, and
17 creating vibrant mixed-income communities without mass displacement of current residents;
18 and

19 WHEREAS, HOPE SF, the City’s signature anti-poverty and equity initiative, is
20 committed to breaking intergenerational patterns related to the insidious impacts of trauma
21 and poverty, and to creating economic and social opportunities for current public housing
22 residents through deep investments in education, economic mobility, health and safety; and

23 WHEREAS, The Housing Authority of the City and County of San Francisco (“SFHA”)
24 owns and operates 775 units of public housing on the approximately 50-acre site, known as
25 Sunnydale-Velasco; and

1 WHEREAS, The Sunnydale HOPE SF project, which is located in Visitacion Valley, is
2 generally bounded by McLaren Park to the north, Crocker Amazon Park on the west, Hahn
3 Street to the east, and Velasco Avenue to the south, is a mixed-use, mixed-income
4 development with several different components: construction of the public infrastructure to
5 support Sunnydale-Velasco; development of private affordable housing on affordable parcels
6 in accordance with an affordable housing plan; development of private residential projects on
7 market rate parcels; and development of community improvements (e.g., open space areas,
8 community facilities) throughout Sunnydale-Velasco (the "Project"); and

9 WHEREAS, In 2007, SFHA issued a Request for Proposals (RFP), seeking submittals
10 from qualified respondents to develop the Project; and

11 WHEREAS, Mercy Housing Corporation, a California nonprofit public benefit
12 corporation ("Mercy"), in collaboration with the Related Company, a California corporation
13 ("Related"), jointly responded to the RFP and were selected to be the developer for the
14 Project; and

15 WHEREAS, Mercy and Related established a separate entity named Sunnydale
16 Development Co., LLC (the "Developer") under which to plan and develop the Project; and

17 WHEREAS, The Sunnydale HOPE SF master plan consists of (i) a maximum of 1,770
18 units, of which 775 are replacement units for existing Sunnydale-Velasco households,
19 approximately 200 are additional affordable housing units, and up to 730 units will be for
20 market rate homeownership or rental, (ii) all new streets and utility infrastructure, (iii) 3.6 acres
21 of new open spaces, and (iv) approximately 60,000 square feet of new neighborhood serving
22 spaces; and

23 WHEREAS, By Ordinance No. 18-17, the Board of Supervisors approved a
24 Development Agreement with the Developer relating to the Project Site (the "Development
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1 Agreement") under Administrative Code, Chapter 56, which Ordinance is on file with the Clerk
2 of the Board of Supervisors in File No. 161164 and is incorporated herein by reference; and

3 WHEREAS, By Ordinance No. 20-17, the Board of Supervisors made findings under
4 the California Environmental Quality Act (Public Resources Code, Sections 21000 et seq.)
5 and findings of consistency with the General Plan, and the eight priority policies of Planning
6 Code, Section 101.1, which Ordinance is on file with the Clerk of the Board of Supervisors in
7 File No. 161309 and is incorporated herein by reference; and

8 WHEREAS, The City, acting through the Mayor's Office of Housing and Community
9 Development ("MOHCD"), administers a variety of housing programs that provide financing for
10 the development of new affordable housing and the rehabilitation of single- and multi-family
11 housing for low- and moderate-income households and resources for homeowners in San
12 Francisco; and

13 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
14 and operators; administers loan agreements; reviews annual audits and monitoring reports;
15 monitors compliance with affordable housing requirements in accordance with capital funding
16 regulatory agreements; and if necessary, takes appropriate action to enforce compliance; and

17 WHEREAS, MOHCD provided Developer with loans to commence predevelopment
18 activities for the Project; and

19 WHEREAS, The Developer desires to commence the first phase of the Project, which
20 will include infrastructure improvements to facilitate the construction of approximately 125
21 public housing replacement units and 41 new affordable rental units, one market rate
22 development, three new street segments, and an electrical switchgear to serve the Project
23 ("Phase 1 Project"); and

24 WHEREAS, The Developer established a separate entity named Sunnydale
25 Infrastructure LLC (the "Infrastructure Developer") to undertake the Phase 1 Project; and

1 WHEREAS, On September 21, 2018, the Citywide Affordable Housing Loan
2 Committee, consisting of MOHCD, Department of Homelessness and Supportive Housing, the
3 Office of Community Investment and Infrastructure and SFHA, recommended approval to the
4 Mayor of a loan to the Infrastructure Developer for the Phase 1 Project in a total amount not to
5 exceed \$28,478,891; and

6 WHEREAS, In order for the Infrastructure Developer to construct the Phase 1 Project,
7 MOHCD desires to provide an additional loan in the amount not to exceed \$20,478,891 and a
8 total loan amount not to exceed \$28,478,891 to the Infrastructure Developer pursuant to an
9 Amended and Restated Loan Agreement (“Infrastructure Agreement”) in substantially the form
10 on file with the Clerk of the Board of Supervisors in File No. 190351, and in such final form as
11 approved by the Director of MOHCD and the City Attorney; and

12 WHEREAS, The material terms of the Infrastructure Agreement also include: a
13 minimum term of 57 years; will bear no interest; and will be forgiven once the City accepts the
14 improvements and new streets; now, therefore, be it

15 RESOLVED, That the Board of Supervisors hereby adopts the findings contained in
16 Ordinance No. 20-17 regarding the California Environmental Quality Act for the Project, and
17 hereby incorporates such findings by reference as though fully set forth in this Resolution;
18 and, be it

19 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the Project is
20 consistent with the General Plan, and with the eight priority policies of Planning Code, Section
21 101.1, for the same reasons as set forth in Ordinance No. 20-17, and hereby incorporates
22 such findings by reference as though fully set forth in this Resolution; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors hereby approves the
24 Infrastructure Agreement and authorizes the Director of MOHCD or her designee to enter into
25 any amendments or modifications to the Agreement (including, without limitation, preparation

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

7 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
8 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
9 authority to undertake any actions necessary to protect the City's financial security in the
10 Property and enforce the affordable housing restrictions, which may include, without limitation,
11 acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed
12 in lieu of foreclosure, or curing the default under a senior loan; and, be it

13 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
14 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
15 and, be it

16 FURTHER RESOLVED, That within thirty (30) days of the Infrastructure Agreement
17 being fully executed by all parties, MOHCD shall provide the final Infrastructure Agreement to
18 the Clerk of the Board for inclusion into the official file; and, be it

19 FURTHER RESOLVED, That MOHCD shall provide a written report to the Board of
20 Supervisors on the proceeds of the sale of Block 5 after the finalization of the sale, which
21 includes the process for advertising the availability of the property for sale, the number of
22 bidders, the range of bids, and the criteria for selecting the buyer.

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1 Recommended

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

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