

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: July 28, 2021 Budget and Finance Committee Meeting

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<p>Item 2 File 21-0812</p>	<p>Department: Mayor's Office of Housing and Community Development (MOHCD)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve an infrastructure loan agreement between the Mayor’s Office of Housing and Community Development (MOHCD) and Hunters View Associates, L.P. for an amount not to exceed \$33,903,540. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Hunters View HOPE SF is a 21-acre site that will provide up to 800 units of housing by replacing the 267 units of public housing on site, adding 137 affordable rental units, and developing up to 396 market-rate units. Construction of 286 affordable units, two parks, and community service spaces are complete as Phases I and II of the project. • Hunters View Phase III will include 118 affordable housing units, a large neighborhood park, and community-serving spaces. Phase III infrastructure improvements include asbestos abatement, demolition of the foundations, mass grading of the 7.43-acre site, rough grading of all parcels, roadway and utility installation, and park landscaping and furnishings. The infrastructure would also support development of up to 332 market-rate units. • In June 2021, the Citywide Affordable Housing Loan Committee recommended approval of a \$33,903,540 loan for infrastructure improvements for Phase III of the Hunters View project. Of this amount, \$3,000,000 had already been disbursed from the Low and Moderate Income Housing Asset Fund (LMIHAF) and \$30,903,540 is new funding. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed infrastructure loan would provide \$33,903,540 for Hunters View Phase III infrastructure improvements. MOHCD intends to forgive the loan when infrastructure improvements are accepted by the City. The total development cost for the 404 affordable housing units in the Hunters View project (Phases I through III), including infrastructure to support the development of both affordable housing and market-rate housing, is approximately \$385,127,986. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The financing plan for Phase III affordable housing development includes \$52.7 million in tax credit financing; a \$35 million mortgage for Phase III is also dependent on state tax credit and tax-exempt bond funding for this amount. To date, the Hunters View Phase III affordable housing project has not received an allocation of tax-exempt bond financing. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Because the proposed loan agreement is consistent with prior Board of Supervisors actions, the Budget and Legislative Analyst recommends approval of the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In 2007, the San Francisco Housing Authority (SFHA) in partnership with the Mayor's Office of Housing and Community Development (MOHCD) launched the HOPE SF initiative to revitalize the City's most distressed public housing sites into mixed-income communities comprised of affordable housing, including replacement units for existing public housing and new affordable units, and production of market-rate housing. Hunters View is one of the four sites undergoing revitalization as part of the HOPE SF initiative, which also includes Potrero Terrace, Alice Griffith, and Sunnydale. Hunters View is located in the Bayview Hunters Point neighborhood and was originally comprised of 267 public housing units on approximately 21 acres of land.

In 2007, SFHA released a Request for Qualifications (RFQ) for developers to develop the Hunters View site. SFHA selected The John Stewart Company, in collaboration with Ridge Point Nonprofit Housing Corporation and Devine and Gong, Inc., to develop the master development plan for the Hunters View site. The three developers established a separate entity named Hunters View Associates, L.P. to plan and develop the Hunters View project.

The proposed Hunters View development will provide up to 800 residential units by replacing the 267 units of public housing on the site, adding 137 affordable rental units (for households earning up to 50 percent of the Area Median Income, or AMI), and developing approximately 396 market-rate for-sale units. The master plan also includes developing new street and utility infrastructure, parks, and space for community-based organizations.

The Hunters View HOPE SF project is being developed over three phases. Phase I, completed in 2013, includes 107 public housing and affordable housing units across three new buildings, as well as new infrastructure, offices, and Promontory Park. Phase II, completed in 2018, includes 179 public housing and affordable housing units over three new buildings, as well as new infrastructure, Ironwood Park, and a community hub with a childcare center, wellness center, and additional services offices. Approximately 64 market rate units are awaiting Planning Department approval.

Phase III will include 118 public housing and affordable housing units over two buildings located on two lots, new infrastructure, community-serving ground-floor spaces, and a large neighborhood park. Demolition of the former Phase III public housing buildings to their foundation is complete, and infrastructure improvements are anticipated to begin by September 2021. Up to 332 market-rate ownership units are planned for Phase III. Exhibit 1 below shows the site plan for Phase III development.

Exhibit 1: Phase III Development Site Plan

Market rate housing: Lots 1, 2, 5, 6, and 7



Public & affordable housing: Lots 3 and 4

Source: Disposition and Development Agreement between SFHA and Hunters View Associates L.P.

Development Agreements

SFHA and Hunters View Associates L.P. executed a master development agreement in 2009, and disposition and development agreements for Phases I and II in 2010 and 2013. SFHA and Hunters View Associates L.P. entered into a disposition and development agreement (DDA) for Phase III in January 2021.

Under the Phase III DDA, Hunters View Associates, L.P. is responsible for horizontal infrastructure work and construction of public and affordable housing units. Horizontal infrastructure work

consists of new streets (including to-be-named Streets 1 and 2, shown as Hunters View Drive and Fairfax Avenue in Exhibit 1 above), utilities lines and conduits, sewer and other site work and improvements. The DDA provides for horizontal infrastructure work to begin by November 30, 2022 and be completed by October 31, 2023. SFHA will convey the new streets to the City once the City has accepted the public street improvements in accordance with the Subdivision Map.¹ SFHA will retain ownership of the land for the parcels that are developed as public and affordable housing and the City will have the option to purchase the parcels once affordability restrictions of anticipated tax credit financing expire.

Hunters View L.P. will solicit developers for market rate housing units, which will be evaluated by MOHCD and SFHA. SFHA will ground lease the parcels intended for market rate development to Hunters View L.P. during construction and then sell the land to the selected market rate developer. Under a separate agreement between MOHCD and SFHA, proceeds from land sales of market rate parcels are transferred to MOHCD to be used for HOPE SF projects.

Tenant Relocation

The SFHA has developed a tenant relocation plan for tenants impacted by the Hunters View demolitions. Hunters View tenants have a right of return to newly constructed public housing units. According to MOHCD, all residents living on site at the initiation of negotiations of the Exclusive Negotiation Rights Agreement ("ENRA") in 2005 have relocated to the completed affordable housing units in Phase I and Phase II.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an infrastructure loan agreement between MOHCD and Hunters View Associates, L.P. to finance Phase III infrastructure improvements for an amount not to exceed \$33,903,540. The proposed resolution would also adopt findings that the loan agreement is consistent with the California Environmental Quality Act (CEQA), the General Plan, and the eight priority policies of Planning Code Section 101.1.

Phase III Infrastructure

According to the Phase III DDA, infrastructure improvements include asbestos abatement, demolition of the foundations, mass grading of the 7.43-acre site, rough grading of all parcels, roadway and utility installation, and park landscaping and furnishings. Under the DDA, SFHA will convey the street improvements to the City. The three parks in the Hunters View project, including one in Phase III, will be owned and maintained by Hunters View L.P.

Infrastructure Loan

In June 2021, the Citywide Affordable Housing Loan Committee recommended approval of a \$33,903,540 loan for infrastructure improvements for Phase III of the Hunters View project. Of this amount, \$3,000,000 had already been disbursed from the Low and Moderate Income

¹ The DDA provides recordation of a Subdivision Map, and three separate ground leases between SFHA and Hunters View Associates L.P., after recordation of the Subdivision Map, to facilitate Hunters View Associates predevelopment and infrastructure work.

Housing Asset Fund (LMIHAF) and \$30,903,540 is new funding. The loan sources and terms are shown in Table 1 below.

Exhibit 2: Loan Sources and Terms

Sources	Amount	Terms	Status
LMIHAF	\$3,000,000	30 years @ 0.25% residual receipts	Previously disbursed
General Fund	20,982,916	30 years @ 0.25% residual receipts	This request
HOPE SF General Fund	6,500,000	30 years @ 0.25% residual receipts	This request
Assets from Office of Community Investment and Infrastructure (OCII) from a previous Hunters View Phase II-III loan	3,000,000	30 years @ 0.25% residual receipts	This request
Streets Bond (Proposition A)	420,624	30 years @ 0.25% residual receipts	This request
Total	\$33,903,540		

Source: Proposed Loan Agreement

The proposed loan amount of \$33,903,540 would be used for infrastructure improvements to support both affordable and market-rate housing.

The proposed loan agreement provides for a 30-year maturity with a simple annual interest rate of 0.25 percent, shown in Exhibit 2 above. Outstanding principal and interest are due on the maturity date. According to the loan agreement, the loan repayment obligation will be considered satisfied when (1) the project is completed and the Notice of Completion issued, (2) the Department of Building Inspection approves the permit for open space improvements at Bayview Park, and (3) the public infrastructure improvements are delivered to and accepted by the City. According to Ms. Cindy Heavens, MOHCD Project Manager, MOHCD intends to forgive the loan when infrastructure improvements are accepted by the City, subject to future Board of Supervisors approval.

FISCAL IMPACT

The proposed infrastructure loan agreement would have an amount not to exceed \$33,903,540. The sources and uses of funds are shown in Exhibit 3 below.

Exhibit 3: Infrastructure Loan Sources and Uses

Sources	Amount
LMIHAF	\$3,000,000
General Fund	20,982,916
HOPE SF General Fund	6,500,000
OCII	3,000,000
Streets Bond (Proposition A)	420,624
Total Sources	\$33,903,540

Uses	Amount
Demolition	\$1,115,501
Bayview Park	2,976,064
Infrastructure Improvements	19,392,978
Detention Basin	375,000
Contingency (8.1%)	1,939,297
<i>Construction Subtotal</i>	<i>\$25,798,840</i>
Architecture & Design	1,521,991
Engineering & Environmental Studies	2,730,724
Legal Costs	192,000
Other Development Costs	1,700,801
Contingency (5.7%)	350,658
<i>Soft Costs Subtotal</i>	<i>\$6,496,174</i>
Developer Fees	1,608,526
Total Uses	\$33,903,540

Source: Proposed Loan Agreement

The total development cost for the 267 public housing units and 137 affordable housing units in the Hunters View project (Phases I through III) is approximately \$385,127,986. This amount includes horizontal infrastructure to support the development of both affordable housing and market-rate housing. It does not include the construction of market-rate units. The sources and uses of funds are shown in Exhibit 4 below.

Exhibit 4: Hunters View Project: Public & Affordable Housing Budget, All Phases

Sources	Amount
OCII Funds	\$43,475,442
MOHCD Funds	87,879,524
DPW Streets Funds	5,337,124
Proposition AA	1,844,994
Stewardship and Citibank Grants	110,000
First Mortgage	43,582,000
Housing and Community Development (HCD) Funds	44,220,623
SFHA Loan	8,299,333
Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP)	1,000,000
NOI/Accrued Interest/Other	2,664,613
Owner Funds	46,093
Rebates	804,676
Deferred Developer Fee	1,504,095
SFMTA Lifeline Transportation Program	490,160
Tax Credit Equity	143,869,309
Total Sources	\$385,127,986

Uses	Amount
Master Planning	\$2,665,867
Phase I Development	92,760,314
Phase II Development	139,121,568
Phase III Development ²	153,246,104
Total Uses	\$385,127,986

The Hunters View financing plan includes tax credit equity of \$143,869,309 of which \$91,147,864 has been previously allocated for Hunters View Phases I and II and \$52,721,445 has not yet been allocated for Phase III. Additionally, approximately \$35,320,000 in First Mortgage loans are dependent on allocations of tax-exempt bonds for Hunters View Phase III.

POLICY CONSIDERATION

Project Costs and State Tax Credit Allocation

As noted above, the financing plan for Phase III public housing and affordable housing development includes \$52.7 million in tax credit financing; a \$35 million mortgage for Phase III is also dependent on state tax credit and tax-exempt bond funding for this amount. The Hunters View Phase III affordable housing project did not receive an allocation of tax-exempt bond financing in either Round 1 or Round 2 of the 2021 funding competition. Currently, the statewide demand for such allocations is three times greater than funding available. The 2021 process favors lower cost projects that are located in high resource areas. According to Ms. Amy Chan, MOHCD Director of Policy and Legislative Affairs, MOHCD has requested that the State modify its criteria for awarding bond financing, but the earliest the change would occur is in 2022. Hunters

² The Phase III development amount of \$385,127,986 includes infrastructure costs of \$33,903,540 funded by the proposed resolution.

View will reapply for State financing until an allocation is granted. In May 2021 the Governor's Office announced that the State Department of Housing and Community Development (HCD) will make \$1.75 billion available for stalled projects awaiting a bond allocation that also have an HCD award. While the specifics of the deployment of the funds has yet to be determined, MOHCD staff will work with the State to ensure that Hunters View Phase III, which was previously awarded HCD IIG funds eligible for the funds.

Infrastructure Costs

According to MOHCD, the infrastructure plans were approved by the Department of Public Works (DPW), who noted that the costs originally estimated by the master developer were high. However, according to MOHCD, construction subcontractor bids provided by the master developer were consistent with the original cost estimate.

The uncertainty in the State allocation of federal low-income housing tax credits to Hunters View Phase III, as well as a longer than expected DPW review process, has resulted in an approximately one-year delay to begin the infrastructure improvements.

Horizontal Infrastructure Improvements

The \$33.9 million of infrastructure work funded by the City and to be performed by Hunters View Associates L.P. will support affordable housing development on Lots 3 and 4, and the market-rate development on Lots 1, 2, 5, 6, and 7. According to MOHCD staff, although the proposed loan will pay for infrastructure construction that supports market rate housing development, MOHCD determined that the use of these funds for horizontal infrastructure supporting market rate and affordable housing was appropriate because proceeds from the sale of the market rate parcels will be returned to MOHCD. The market rate parcels – Lots 1, 2, 5, 6, and 7 – are owned by the San Francisco Housing Authority, and under the Cashflow Memorandum of Understanding between the San Francisco Housing Authority and MOHCD, MOHCD will receive the proceeds from the sale of the Hunters View parcels owned by SFHA.

Because the proposed loan of \$33.9 million to fund horizontal infrastructure development for the Hunters View Phase III is consistent with prior Board of Supervisors actions, the Budget and Legislative Analyst recommends approval of the proposed resolution.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 6 File 21-0816</p>	<p>Department: Recreation and Park Department</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively authorize the City to accept and expend a \$207,000 California Department of Parks and Recreation Habitat Conservation Fund Grant for the construction of a trail in McLaren Park and approve a Grant Contract that requires the City to maintain the trail from July 1, 2019 through June 30, 2039. The proposed grant requires equal matching City funds of \$207,000, which would be sourced from 2012 Clean and Safe Neighborhood Parks Bond proceeds. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • McLaren Park is owned by the City and maintained through its Recreation and Park Department. On November 6, 2012, San Francisco residents approved Proposition A, a \$195 million General Obligation Bond identified as the 2012 Clean and Safe Neighborhood Parks Bond that included \$2,000,000 in funding to support trail improvements in McLaren Park. • The Recreation and Park Department leveraged this public funding to receive a Habitat Conservation Fund grant for \$207,000 from the California Department of Parks and Recreation. • The Habitat Conservation Fund Grant would fund the Visitacion Avenue Corridor Trail Project to build a new 1,400-foot bike and pedestrian trail through McLaren Park. Department staff anticipates construction will begin Winter 2022 and be completed in Fall 2022. • The proposed Grant Contract requires the Department to maintain project location for public use for a period of 20-years ending on June 30, 2039 <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed Grant Contract requires the Department to provide a one-to-one funding match. Accordingly, all matching funds come from the 2012 Clean and Safe Neighborhood Parks Bond. The total project cost is \$414,000. Indirect costs are not included in the budget. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

McLaren Park is owned by the City and maintained through its Recreation and Park Department. On November 6, 2012, San Francisco residents approved Proposition A, a \$195 million General Obligation Bond identified as the 2012 Clean and Safe Neighborhood Parks Bond that included \$2,000,000 in funding to support trail improvements in McLaren Park and \$1,500,000 for the restoration of natural features within the park.

The Recreation and Park Department leveraged this public funding to receive two additional grants: an Outdoor Environmental Education Grant for \$250,000 and a Habitat Conservation Fund grant for \$207,000. (See Exhibit 1 below) The California Department of Parks and Recreation administers the Habitat Conservation Fund Program.

Exhibit 1. McLaren Park Trails Project Funding Sources

Sources	Amount
Visitacion Ave. Corridor Trail Habit Conservation Grant	\$207,000
McLaren Park - Habitat Conservation Fund	250,000
2012 Clean and Safe Neighborhood Park Bond	3,500,000
Total	\$3,957,000

Source: Recreation and Park Department

The McLaren Park Trails Project is comprised of four priority areas,¹ the first of which to be implemented are the improvements to the Visitacion Avenue Corridor. The project will start following Board approval of the resolution under consideration, and once contractual services have been awarded following a competitive bid process undertaken by the Recreation and Parks Department.

¹ The McLaren Park Trails Project consists of trail improvements in four priority areas: 1) Upper Reservoir 2) Shelley Loop Interior 3) Connection between Louis Sutter and Mansell Courts and 4) Visitacion Avenue Corridor Trail.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize the City to accept and expend a \$207,000 California Department of Parks and Recreation Habitat Conservation Fund Grant for the construction of a trail in McLaren Park and approve a Grant Contract that requires the City to maintain the trail from July 1, 2019 through June 30, 2039. The proposed grant requires equal matching City funds of \$207,000, which would be sourced from 2012 Clean and Safe Neighborhood Parks Bond proceeds.

The Visitacion Avenue Corridor Trail Project will create a new 1,400 foot bike and pedestrian trail through McLaren Park, along Visitacion Avenue, from Hahn Street to the Visitacion Valley Middle School campus. To create the trail, the project will remove brush and hazardous trees, plant new trees, and install signage. The Proposed Grant Contract requires that construction be complete by June 2024. According to Recreation and Park Department staff, construction is expected to begin Winter 2022 and be completed in Fall 2022.

The proposed Grant Contract requires the Department to maintain the project location for public use for a period of 20-years ending on June 30, 2039. This proposed resolution would approve that provision.

FISCAL IMPACT

The proposed Grant Contract requires the Department to provide a one-to-one funding match. Accordingly, all matching funds come from the 2012 Clean and Safe Neighborhood Parks Bond. The proposed Grant Contract does not allow for including indirect costs in the grant budget.

Exhibit 2. Visitacion Avenue Corridor Trail Project Budget

	2012 Clean & Safe Neighborhood Parks Bond	Habitat Conservation Fund Grant	Total
Pre-Construction			
Landscape Architecture/Design	\$27,500		\$27,500
ADA Consultant	2,000		2,000
Project Management	37,500		37,500
Subtotal	67,000		67,000
Construction			
Site Preparation	33,000		33,000
Multi-Use Trail Development	62,000	207,000	269,000
Signage and Landscape Elements	45,000		45,000
Subtotal	140,000	207,000	347,000
Total Project Cost	\$207,000	\$207,000	\$414,000

Source: Recreation and Parks Departments

RECOMMENDATION

Approve the resolution.