

118-0122017-002

Meeting of March 21, 2017

## INFORMATIONAL MEMORANDUM

**TO:** Community Investment and Infrastructure Commissioners

**FROM:** Nadia Sesay, Interim Executive Director

**SUBJECT:** Update regarding Transbay Block (222 Beale and 255 Fremont Streets), 120 units of family affordable housing currently under-construction to include 24 households with rental subsidies who will voluntarily relocate from Sunnydale public housing in collaboration with HOPE SF to facilitate construction at Sunnydale; Transbay Redevelopment Project Area

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## EXECUTIVE SUMMARY

Transbay Block 7 is a 100% affordable OCII-sponsored site currently under construction that will provide 120 units, including one manager's unit, composed of 53 one-bedroom units, 43 two-bedroom units, 23 three-bedroom units. Incomes will be restricted to households earning no more than 50% of the Area Median Income. Amenities will include a 40-slot childcare facility with subsidized spots and a preference for Transbay 7 residents, as well as a community room and a landscaped courtyard and children's play area. Transbay Block 7 is being developed by nonprofit affordable housing developer, Mercy Housing California ("Mercy").

Edwin M. Lee  
MAYOR

Nadia Sesay  
INTERIM  
EXECUTIVE DIRECTOR

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CHAIR

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Mercy is also working on the revitalization of Sunnydale-Valesco Public Housing, a 775 unit site currently owned by the San Francisco Housing Authority ("SFHA") and located in the Visitacion Valley neighborhood ("Sunnydale"). The Sunnydale project is being rebuilt to a higher density through the HOPE SF Initiative, the Mayor's signature anti-poverty project that seeks to end intergenerational poverty and improve life outcomes for the City's long underserved and disconnected public housing residents through a resident-centered reparations approach.

Master planning of the Sunnydale rebuild began in 2008 and has accelerated most recently in 2015 with voter approval of Proposition A (the General Obligation Housing Bond) which authorized the City to issue bonds to fund new construction and preservation of affordable housing in the San Francisco, including \$80 million specifically to repair and reconstruct dilapidated public housing.

With construction of the first phase of Sunnydale expected to begin in the next 12 months, Mercy is in the process of working with existing households on-site to offer voluntary relocation off-site to

One S. Van Ness Ave.  
5th Floor  
San Francisco, CA  
94103

415 749 2400

[www.sfocii.org](http://www.sfocii.org)

other buildings within the Mayor's Office of Housing and Community Development ("MOHCD") or Office of Community Investment and Infrastructure ("OCII") portfolio of sponsored affordable housing developments. The need for relocation is driven by the phasing of the project and the need to demolish the existing units in order to build the newly master planned site. Out of 775 units at Sunnydale, only approximately 100 households need to voluntarily relocate.

Given Transbay Block 7 will finish construction in early 2018 and Sunnydale is expected to begin its construction in the next 12 months, as well as the fact that Mercy is the developer on both projects, OCII, MOHCD, and HOPE SF staff understand this to be an effective and efficient partnership. Per this partnership, Mercy is proposing to set-aside 24 out of 120 units at Transbay Block 7 for Sunnydale families interested in permanently moving off-site before the first phase of the rebuild begins at Sunnydale. Mercy staff will be working not only on the surveying, preparation and moving of interested Sunnydale households but also the lease-up and stabilization of households once they move into Transbay Block 7.

Based on the resident mixes at its other sponsored 100% affordable properties, OCII staff believes that a 20% unit set-aside for Sunnydale residents would be optimal from a property management and services provision perspective.

## **DISCUSSION**

### **Financing**

All 119 units at Transbay 7 (excluding the one manager's unit, which is unrestricted), are restricted at 40% and 50% of the Area Median Income. At these AMI levels, families of four could earn between \$43,100 and \$53,850 annually. The SFHA will provide the 24 households from Sunnydale with the U.S. Department of Housing and Urban Development's ("HUD") rental subsidies called project-based vouchers; these rental subsidies will cover the discrepancy between 30% of the household's monthly income and "fair market rent" as published for each metropolitan area nationwide. The project based vouchers will remain assigned to the Transbay 7 project for its lifetime and thus, while the households may change, 24 units at the project will always be supported through rental subsidies. The project-based vouchers help support the building financially as HUD's fair market rents are higher than the 40% and 50% AMI rents assigned to the remaining 95 units (excluding one manager's unit).

### **Marketing and Leasing**

The 119 units will be leased through two separate processes:

- 95 units will marketed through OCII's standard marketing process, with a preference for Certificate of Preference (COP) holders. Mercy Housing, in conjunction with OCII and MOHCD, is well underway with its outreach to COP holders, with two postcard mailings and a San Francisco Housing Development Corporation technical assistance / rental readiness workshop completed as of the end of February 2017. Once the early outreach period has ended, Mercy Housing will open the application period and start collecting applications from interested households. An electronic lottery will be held to determine the final list of applicants to move on to the next stage of income qualification, and afterwards, a qualifying list of households will be offered leases.

- 24 units set aside for Sunnydale households will be leased through the SFHA's random draw process. Mercy, in its capacity as developer for the Sunnydale project, will market the opportunity to voluntarily move to the Transbay 7 project, once complete, to Sunnydale residents. Mercy will also work with households to get them "rent ready" including linking households with any necessary financial assistance to clear any owed-rent histories. Interested households will fill out a rental application and SFHA will run a random draw process on the interested applicant list, matching household sizes with appropriate unit sizes at Transbay 7. Mercy using will be tasked with ensuring that households are provided with monetary and logistical assistance in the moving process. The units set aside for HOPE SF residents will be distributed evenly throughout the building and the unit mix, while still being determined, will feature more two- and three-bedroom than one-bedroom units based on the households currently living at Sunnydale.

## **Services**

Service provision at Transbay Block 7 will seek to accomplish the following: a) ensure housing retention, b) address physical and mental health needs by connecting the residents to the appropriate programs, c) provide substance abuse referrals utilizing a harm reduction approach, d) work on goals to increase self-sufficiency, e) provide referrals and resources for educational and vocational services, f) provide assessment for counseling/advocacy, and g) assist in referring to access for financial resources.

Services staffing will include a full-time Resident Services Coordinator or Community Builder and part-time Case Manager. The Case Manager will be utilized for a to-be-determined amount of time after residents move in and the funds programmed for that position are envisioned to transition into a more flexible use, dependent on residents' expressed needs and concerns. Mercy intends to gather more specific information once the families are in place by conducting a thorough needs assessment for every resident, which will be used to modify and refine the service program so as to offer the most appropriate "menu" of services. The Resident Services Coordinator / Community Builder will ensure that residents are familiar with community based organizations in the Transbay and surrounding neighborhoods, such as the Embarcadero YMCA.

All site Property Management Staff, Maintenance Staff, Services Staff, and Desk Clerks will be trained in Trauma Informed Care (TIC) by Certified TIC Trainers prior to Lease up, and within 90 days of employment. Annually, staff will receive refresher training to ensure the most recent evidence based TIC is being utilized. To ensure efficacy of the service model, open communication will be encouraged for all residents and staff. Suggestion boxes, monthly community meetings, resident committees, and staff meetings will be utilized to solicit input and address concerns. Additional trainings will include Motivational Interviewing, Mental Health First Aid, Crisis Response and Harm Reduction.

In addition to the services-dedicated physical space and offerings at Transbay Block 7, Mercy envisions opening up the services-related spaces and offerings at Transbay Block 6, a 70-unit 100% affordable building on the neighboring parcel also developed and operated by Mercy, to Transbay Block 7 residents to as to maximize a sense of community to offer a wider variety of activities and services.

## **COMMUNITY ADVISORY COMMITTEE**

At the March 2017 meeting, the Transbay Community Advisory Committee was notified of the partnership between OCII, the HOPE SF team, MOHCD and the San Francisco Housing Authority and to introduce

households electing to move from Sunnydale to Transbay Block 7. The CAC continues to support the Project and OCII staff will continue to provide updates to the CAC on the Project's progress and timelines.

#### **NEXT STEPS**

OCII, HOPE SF, MOHCD, Mercy and SFHA staff will work closely together through the marketing, lease-up and move-in processes for Transbay Block 7 as well as the initiation of services. Once the building is constructed and the lease up of all units is completed, MOHCD will provide the Commission a Marketing Outcomes Report 90 days after 100% occupancy is achieved.

*(Originated by Gretchen Heckman, Development Specialist)*



Nadia Sesay  
Interim Executive Director

Attachment 1: Office of the Mayor Press Release: Mayor Lee Signs Historic Legislation for Mixed Income Development in Sunnydale and Potrero Hill

## Office of the Mayor

# News Releases

**The latest news and announcements from Mayor Lee**

### **Mayor Lee Signs Historic Legislation for Mixed-Income Development in Sunnydale and Potrero Hill**

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**Posted Date:** Wednesday, February 01, 2017

Mayor Edwin M. Lee today signed historic legislation to authorize the phased redevelopment of the Potrero Terrace and Annex and Sunnydale public housing sites, both part of the City's HOPE SF neighborhood transformation initiative.

Once completed, the re-envisioned Potrero Hill and Sunnydale communities will be mixed-income, service-enriched communities, affordable to more than 3,000 low-income and middle-class families, and developed according to the non-displacement principles of the Mayor's HOPE SF initiative.

"Today's commitment to Sunnydale and Potrero Hill families shows that San Francisco is delivering on our promise to ensure all of our residents, especially our low-income families, share in the prosperity of our City," said Mayor Lee. "After years of hard work by community partners and leaders, particularly our residents, today we take a significant step in fulfilling our City's promise to low-income families in Sunnydale and Potrero Hill, and righting a historic wrong. I commend Supervisor Malia Cohen, Board President London Breed and our Board of Supervisors for unanimously approving the entitlements necessary for launching the historic rebuild of vibrant mixed-income communities without displacement of residents."

San Francisco's HOPE SF initiative is the nation's first large-scale public housing transformation and reparations effort aimed at disrupting intergenerational poverty, reducing social isolation, and creating vibrant mixed-income communities without mass displacement. Backed by significant local funding, including the 2015 \$310 million affordable housing bond, HOPE SF places residents first, ensuring that the households currently living in the community have the first chance to move into new housing as development progresses.

"Today, we stand tall as a City, and put the entire nation on notice that we put our resources where our values are," said Supervisor Malia Cohen. "This is an incredible and historic moment for our City. Rebuilding public housing is one of the most transformative initiatives we can move forward."

"Generations and generations of families have waited for this day, telling me: 'it's not going to happen,'" said long-time Sunnydale resident community leader Ruth Jackson. "But today we have given our families hope where little existed, and life where there was constant strife. Our children and seniors will now have a safe place to believe and grow."

Potrero Hill construction begins this month and construction is expected to begin in Sunnydale later this year, including the development of new roadways, sidewalks, transit connections, and utilities in a regular street grid pattern that will reconnect the communities with their surrounding neighborhoods for the first time ever. In addition to Sunnydale and Potrero, HOPE SF includes the redevelopment of Alice Griffith and Hunters View communities in Bayview Hunters Point, each well under way.

"It's amazing to finally see change coming to Potrero Hill," added recent San Francisco State graduate and Potrero Hill resident Terry Jones. "Growing up, I felt isolated and segregated from the rest of the city in terms of financial opportunities and prosperity."

Now with the rebuild finally happening, we residents can finally feel and be a part of the changing San Francisco that was long overdue.”

The development agreements signed today clear the way for these important projects to begin. The transformation of more than 80 acres of mixed-income housing will be developed over the next 15 years through a partnership between the City and County of San Francisco, the San Francisco Housing Authority, and the master developer for each site – Bridge Housing for Potrero and a partnership of Mercy Housing and Related California for Sunnydale. These innovative public-private partnerships build on extensive community leadership and philanthropic support, contribute extensive development expertise, provide on-site relocation services for existing residents, and leverage diverse public financing sources for the projects.

“From our perspective, partnering with residents to transform Sunnydale is first and foremost an investment in people,” says Doug Shoemaker, President of Mercy Housing California. “Beyond just developing new homes, we see one of our principal roles as helping the City and residents of Sunnydale achieve fundamental aspirations—educate our children, keep our families safe, and share in the economic prosperity that surrounds Sunnydale.”

“Sunnydale HOPE SF continues our longstanding commitment to mixed income housing and the creation of a true neighborhood, with services and amenities for all,” said Related California CEO William Witte.

“The Potrero master plan reflects the vision that was developed through an extensive community engagement process,” said Cynthia A. Parker, BRIDGE Housing President and CEO. “We’re proud of our role in the collaborative efforts to not only transform the physical environment, but also improve social outcomes for residents and provide the foundation for a thriving, mixed-income neighborhood.”

HOPE SF is a community-driven partnership with residents, and is being implemented by the Mayor’s Office of Housing and Community Development (MOHCD) leading the transformation of the City’s most distressed public housing communities. MOHCD anticipates financing more than \$500 million to support the successful redevelopment of Sunnydale and Potrero Hill.

Potrero Hill and Sunnydale will replace 1:1 each public housing unit, and add approximately another 1,000 homes in each neighborhood for low-income and middle-class households. Each project will include more than 3.5 acres of newly-constructed public open space, with amenities such as children play areas, plazas, and urban gardens. Additionally, both projects include significant new space for retail and supportive social services, as well as state-of-the-art community and recreation centers. The San Francisco Housing Authority is an anchor partner supporting the development and resident engagement processes.

“This is no longer the ‘other side’ of Potrero Hill or the ‘swamps’ of Sunnydale. This is our community, our San Francisco. Today we move forward and stand united as residents, community leaders, developers, and city partners in repairing a historic wrong of public policy,” said Theo Miller, HOPE SF Director.