MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Authorizing a Permanent Loan Agreement with Double Rock Ventures LLC, for a total aggregate amount of $21,972,930 for the 93-unit Phase I of the HOPE SF redevelopment of the Alice Griffith Public Housing site, consisting of replacement public housing units as well as other affordable housing units, 211 Cameron Way; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area

Authorizing a Permanent Loan Agreement with Double Rock Ventures LLC, for a total aggregate amount of $21,893,251 for the 91-unit Phase II of the HOPE SF redevelopment of the Alice Griffith Public Housing site, consisting of replacement public housing units as well as other affordable housing units, 211 Cameron Way; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area

EXECUTIVE SUMMARY

Double Rock Ventures LLC, ("DRV"), an affiliate of McCormack Baron Salazar ("MBS" or "Developer"), is the development entity for the redevelopment of Alice Griffith Public Housing. DRV is now requesting permanent financing for the construction of Phases 1 and 2. CP Development Co, LP is a partnership including the Lennar Corporation ("CP Dev Co" or "Lennar") created for the purpose of redeveloping Hunters Point Shipyard Phase 2 and Candlestick Point.

On June 3, 2010, the former San Francisco Redevelopment Agency (the "Former Agency" now the Office of Community Investment and Infrastructure or "OCII") executed a Disposition and Development Agreement ("DDA") with CP Dev Co that includes a Below Market-Rate Housing Plan ("Housing Plan"). The Housing Plan includes the obligation to revitalize the Alice Griffith public housing development as a mixed-income, service-enriched community ("Project" or "AG"), developed according to the principles of HOPE SF. HOPE SF is an initiative that is being implemented by the Mayor's Office of Housing and Community Development ("MOHCD") to re-envision and redevelop the City's most distressed public housing sites. Consistent with the requirements of the DDA, MBS was selected by CP Dev Co to be the Alice Griffith Developer based upon their extensive experience revitalizing public housing across the country. Additional development team members include the San Francisco Housing Authority (the "Housing Authority") and Urban Strategies, Inc., which will be implementing the social services program at AG.

On March 29, 2011, an initial predevelopment loan for AG was approved by the Former Agency Commission. Then, in August 2011, the development team was awarded a U.S. Department of Housing and Urban Development ("HUD") Choice Neighborhoods Initiative Implementation ("CNI") Grant in the amount of $30,500,000, of which $21,500,000 is to be used for housing
("CNI") Grant in the amount of $30,500,000, of which $21,500,000 is to be used for housing development of the first three phases at AG. The CNI funding comes with a variety of deadlines. Most significant is grant funds must be expended and units delivered by September 2016 for the portion of the funds associated with AG Phases 1 and 2, and September 2017 for the portion of the funds to be used for AG Phase 3. Currently, the AG project is on track to meet these deadlines.

On January 7, 2014, Commission approved infrastructure plans related to AG along with the schematic design for AG Phases 1 and 2. CP Dev Co began infrastructure work in April, 2014.

On April 1, 2014 Commission approved four predevelopment loans for the first three phases of development at AG. The predevelopment funds for AG phases 1 and 2 cover predevelopment expenses prior to construction commencement in January 2015. Also on April 1, 2014, Commission approved a Replacement Housing Plan as required by California Community Redevelopment Law ("CRL"). This plan describes how the first three phases of the AG redevelopment will meet the CRL replacement housing obligations.

MBS’ current request is for permanent gap loans for Phases 1 and 2 of the five-phase vertical affordable housing development. With Commission authorization, the Developer will be able to submit applications for Tax Exempt Mortgage Revenue Bonds from the California Debt Limit Allocation Committee ("CDLAC") in July, and Low Income Housing Tax Credits from the California Tax Credit Allocation Committee ("TCAC") in August. This schedule allows the project to start construction by January 2015, in conformance with the CNI funding deadlines. As is typical prior to CDLAC and TCAC applications, Project construction and development costs are based on cost estimates from the general contractor, not a construction contract and have not yet been finalized. The sources of the OCII loans for each phase will include an OCII subsidy and the Master Developer Subsidy ("MDS"). The MDS will be contributed from the master developer to OCII prior to or at construction loan closing. The proposed funding requests were recommended for approval by the HOPE SF Loan Committee on May 16, 2014. The requested Project funding has also been included in Recognized Obligations Payment Schedule ("ROPS") 2013-14B.

**Staff recommends authorizing the Permanent Loan Agreements with Double Rock Ventures LLC for Phases I and II of the redevelopment of the Alice Griffith public housing site for an aggregate total of $43,866,181 related to the construction of a total of 184 affordable housing units; and adopting environmental findings pursuant to the California Environmental Quality Act for Alice Griffith Phases I and II, 2600 and 2700 Arelious Walker Drive; Bayview Hunters Point Redevelopment Project Area.**

**BACKGROUND**

**Project History**

*Lennar, Hunters Point Shipyard, and Prop G.* The Former Agency selected Lennar/BVHP Partners to develop the Shipyard in 1999; the public-private, collaborative effort to expand the Shipyard redevelopment project to include Candlestick Point and AG culminated in 2008 with the passage of Proposition G by San Francisco voters. As set forth in Proposition G, the CP-HPS2 project would reconnect the Shipyard and Candlestick Point with the Bayview Hunters Point community and the rest of San Francisco and transform the area with new jobs, parks and housing. As approved by the Board of Supervisors and Former Agency Commission, CP-HPS2
more specifically calls for 10,500 new housing units, 31.86% of which are below-market rate, including AG’s one-for-one public housing replacement; 300+ acres of parks and open space; significantly improved rapid transit connections; thousands of new job opportunities; almost 900,000 square feet of new retail; 2.65 million square feet of office/R&D space; and significant new cultural and service amenities.

CP Dev Co concluded a multi-year public planning process on August 3, 2010; when the Board of Supervisors approved tax, land exchange, entitlement, and redevelopment plan amendment documents that together enable the implementation of the Candlestick Point-Hunters Point Shipyard Phase 2 mixed-use project (CP-HPS2). These approvals were in addition to the Former Agency’s approval of the DDA and Housing Plan described above.

Alice Griffith Replacement Projects. AG’s replacement emerged as a critical component of Proposition G, and representatives from the City, the former Redevelopment Agency, and Lennar met with AG residents repeatedly in the lead-up to the 2008 vote to insure resident support. Meetings have continued regularly since. Proposition G’s passage also roughly coincided with the release of guiding principles and recommendations by the HOPE SF Task Force, a broad-based group of citizens convened by the Mayor and Board of Supervisors to address the pressing needs and problems of San Francisco’s most distressed public housing sites, including AG.

With Prop G’s passage, the City’s implementation of HOPE SF as a major policy directive, and the desire of the AG tenants themselves to secure a habitable and safe living environment, AG’s revitalization became one of CP-HPS2’s major community benefits.

The Housing Plan of the DDA defines the roles and responsibilities of the Former Agency and CP Dev Co regarding the development of up to 10,500 housing units, and includes AG’s reconstruction as part of the first phase of the mixed-use project. It also requires CP Dev Co to contribute significant construction and permanent subsidy for the one-for-one replacement of all 256 AG units, as well as construction/permanent subsidy for 248 new affordable units that will be built with the AG units, which are not public housing units (here referred to as “Tax Credit” or “LIHTC” units). Finally, the Housing Plan requires CP Dev Co to replace the decrepit and obsolete infrastructure that currently exists at AG with all new infrastructure and to provide an additional subsidy for the housing development ($90,000 per Public Housing Replacement unit and $70,000 per LIHTC unit).

CNI Program and Transformation Plan. The Choice Neighborhoods Initiative program supports locally driven strategies to address struggling neighborhoods with distressed public or HUD-assisted housing through a comprehensive approach to neighborhood transformation. Local leaders, residents, and stakeholders, such as public housing authorities, cities, schools, police, business owners, nonprofits, and private developers, come together to create and implement a plan that transforms distressed HUD housing and addresses the challenges in the surrounding neighborhood. The program is designed to catalyze critical improvements in neighborhood assets, including vacant property, housing, services and schools.

CNI is focused on three core goals:

1. Housing: Replace distressed public and assisted housing with high-quality mixed-income housing that is well-managed and responsive to the needs of the surrounding neighborhood;
2. People: Improve educational outcomes and intergenerational mobility for youth with services and support delivered directly to youth and their families; and

3. Neighborhood: Create the conditions necessary for public and private reinvestment in distressed neighborhoods to offer the kinds of amenities and assets, including safety, good schools, and commercial activity, that are important to families’ choices about their community. The neighborhood component for the AG Transformation Plan focuses on the Eastern Bayview.

To achieve these core goals, communities must develop a comprehensive neighborhood revitalization strategy, or Transformation Plan. The AG and Eastern Bayview Transformation Plan (the “Transformation Plan”) builds on the planning efforts for CP-HPSY2 and the former Bayview Redevelopment Project Area. Implementation Grants support communities that have undergone a comprehensive local planning process and are ready to implement their “Transformation Plan” to redevelop the neighborhood.

**Alice Griffith Site Transformation to a Mixed-Income Community.** Pursuant to HOPE SF principles and CNI core goals, the AG site will be rebuilt at a higher density than what currently exists. The projected unit mix is as follows:

- 256 AG units (replaced one-for-one)
- 248 additional affordable (“Tax Credit”) units including managers’ units (affordable to households up to 50% of Area Median Income “AMI”)
- 382 market-rate units
- 43 inclusionary units (affordable to households earning up to 120% of AMI)
- 281 workforce units (affordable to households earning between 120% and 160% of AMI).

**Total Units:** 1,210

**Total Alice Griffith Affordable Units:** 504 (i.e., 256 replacement AG Units + 248 new Tax Credit units)

AG will be rebuilt in five construction phases. Estimated vertical construction commencement dates for each of AG’s five construction phases are provided below (shading below indicates phases that are being developed concurrently). In addition to the schematic design for AG Phases 1 and 2, MBS has completed a master planning process for the entire development and has selected an architect for AG Phase 3. AG Phase 3, which will be starting construction in late 2015, in order to comply with CNI funding deadlines, will be one construction phase that is financed separately to ensure maximum leveraging of other funding sources to the Project.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Block</th>
<th>Estimated Construction Start</th>
<th>Est. Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>1/1/15</td>
<td>93</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>1/1/15</td>
<td>91</td>
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<tr>
<td>3</td>
<td>1</td>
<td>8/1/15</td>
<td>122</td>
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<tr>
<td>4</td>
<td>5,8,9,14</td>
<td>12/1/16</td>
<td>66</td>
</tr>
<tr>
<td>5</td>
<td>9</td>
<td>12/1/16</td>
<td>132</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>504</td>
</tr>
</tbody>
</table>
CP Dev Co is responsible for the AG site infrastructure as part of the overall HPS2-CP infrastructure development program. MBS will be the lead developer for the Alice Griffith public housing replacement units and the tax credit units on the Blocks shown above.

In addition to the on-site AG redevelopment, Carroll Street Senior Housing at 5800 Third Street (also being developed by MBS) has been approved by HUD as the first phase of off-site housing for qualified AG public housing residents under the CNI award. All AG residents have the opportunity to move into a new unit at AG once constructed, but Carroll Street Senior Housing provides an added option for seniors living at AG. Construction on Carroll Street Senior Housing began in April 2014.

On March 29, 2011, the Former Agency Commission approved a $3,000,000 predevelopment loan, to be applied on two separate tracks for both master planning for the entire project and predevelopment for AG Phases 1 and 2; of that amount approximately $1.9 million has been used for the Phase 1 and 2 predevelopment activities. Torti Gallas is master plan architect and architect for AG Phases 1-3, and has completed the master plan and the schematic design for phases 1 and 2. MBS has selected Nibbi Brothers to be the general contractor for AG Phases 1 and 2. On April 1, 2014, the Commission approved additional predevelopment funds for a total of $10,256,146 to complete predevelopment work for Phases 1 and 2 of AG, and begin predevelopment work for Phase 3.

Since the predevelopment loan was approved, MBS along with their architect, Torti Gallas, have completed and submitted design development drawings. MBS has selected San Francisco Housing Development Corporation to be the nonprofit development partner for Phase 1 and Tabernacle Community Development Corporation to be the nonprofit development partner for Phase 2. CP Dev Co has begun infrastructure work on site. The contractor has provided more developed cost estimates for the Projects, which are the basis for the loan requests that are the subject of this memorandum.

**Relocation**

Pursuant to HOPE SF principles, residents will remain on site during construction. The replacement units will be constructed before existing housing is demolished. The first three building phases (Blocks 2, 4 and 1) will be located on vacant land currently owned by OCII and State Parks, which will be transferred to the SFHA prior to construction start and will be ground leased to the Developer. Once each of those blocks is complete, Alice Griffith tenants can move into the new units, leaving vacated buildings that can then be demolished.

All existing tenants will have the opportunity to occupy new units. The Tax Credit units will be restricted and affordable to families up to 50% of AMI pursuant to the Bayview Hunters Point Redevelopment Plan (the “Redevelopment Plan”) and MOHCD policies. In March 2014, MBS selected a relocation consultant, Overland, Pacific & Cutler to develop the Relocation Plan required by HUD. The relocation plan will be implemented by the Housing Authority and will focus on the process of moving residents from the existing housing to the new housing, which will begin after construction of the first phase is complete in July 2016. The consultant has begun the process of developing the plan and has been engaging with residents regarding the process. Resident interviews for the plan will begin in the next few weeks.
In addition to AG residents, there are several on-site community groups and service providers which will need to be relocated, either temporarily until space within the new development is built, permanently, or both. These groups and service providers are: Hunters Point Family Services (including the Community Garden), the open space for FranDelJA Childcare Center, a small police substation, the Opportunity Center (current services and community hub for AG residents), a mural on the Griffith Pump Station, Bayview Hunters Point Health and Environmental Resource Center, and a portion of the True Hope Church parking lot.

CP Dev Co is responsible, per the DDA, for relocating these non-residential groups as they will be displaced by the infrastructure construction. To date, and to accommodate Phase 1 and 2 construction, CP Dev Co has relocated the Community Garden to a temporary location near the Opportunity Center at AG. The HOPE SF Services Director is working with the San Francisco Unified School District to secure a permanent location for the Community Garden behind Brett Harte Elementary School across the street from AG. The community and residents at AG support this plan. For subsequent Phases 3 through 5, CP Dev Co is working with AG residents and services providers along with OCI, MOHCD, and MBS to identify and secure that the most appropriate new locations for the services providers.

**Resident Supportive Services**

Supportive services at AG are being primarily funded by the awarded CNI grant, as outlined in the CNI application and Grant Agreement which allocates $4,575,000 for staffing and services for 5 years. Urban Strategies is the services provider for AG, and is affiliated with MBS; each organization shares several board members. Urban Strategies receives Campaign for HOPE SF funding annually of $165,000. MBS was also awarded a 4 year Public Safety federal grant ($480,000) in conjunction with Choice. The services program is overseen both programmatically and fiscally by MOHCD staff as well as San Francisco Foundation staff.

This site is part of the HOPE SF services framework; which emphasizes community engagement, community building, service connection and case management. There are additional targeted services in housing, health, education, workforce and safety. The staffing structure includes both paraprofessional (residents in numerous designated and supported roles) and professional staff (Project Director, Case Managers, Educational Liaison). Urban Strategies is able to employ a team of service connectors and outreach workers who execute health, education, employment and public safety strategies. The consistent emphasis on community building and resident engagement supports the successful implementation of services. Within their team there are designated staff who specialize in supporting residents to build their workforce skills and employability, address chronic health conditions, and improve attendance at educational entities (preschool, elementary, middle and high school).

In conjunction with all this ongoing work, service connectors are conducting intake and assessments and establishing case plans with families in support of housing stabilization as requested. The level of case management is determined by family needs, which help to develop family goals for their case plan. Stability and improved family functioning are always primary goals. There are also leveraged services through other on site providers (Hunters Point Family, SFPD, HERC, FranDelJA Child Development Center, SFHA) as well as collaborations with other local providers (Parent University, Young Community Developers, Community Response Network, Bayview Hunters Point Multi-Purpose Senior Services, Center for Youth Wellness, Bayview YMCA, College Prep) which permit families to be connected to a wealth of services
some on site and some off site that are designed to meet their needs as indicated by their case plan.

While the CNI services funding does not continue after 2017, the City's through its HOPE SF leadership are committed to providing the same level of services throughout after construction completion given the importance of supporting families throughout the redevelopment. While specific city sources have not yet been earmarked to begin at the close of the CNI grant in 2017, long term sustainability options are currently being discussed (such as funding services with Community Development Block Grant or General Fund dollars). Also one of the goals of the services program during the CNI grant period is to create intentional connections to quality neighborhood providers. The intent of HOPE SF is not to create islands of services at our HOPE SF sites but to create strong connections to the city network of care as well as working to sustain improved family self-sufficiency and functioning.

Alice Griffith Financing Plan
The Housing Plan stipulates that CP Dev Co provide a $90,000 per Public Housing Replacement Unit subsidy to the AG vertical development, and $70,000 per Tax Credit Unit (“Master Developer Subsidy” or “MDS”). The Housing Plan also requires that OCII provide a base subsidy of $62,017,200 in tax increment gap financing among the five phases based on Development needs per phase. For each phase of AG, OCII and CP Dev Co will provide the proportion of the contributions described above. If after maximizing all available sources other than CP Dev Co and OCII, the total development cost (“TDC”) for any phase exceeds the TDC initially projected in the DDA, then the excess of the TDC will be considered a cost overrun (“Cost Overrun”) pursuant to the formula in the Housing Plan. If there are Cost Overruns in any phase, then CP Dev Co must cover Cost Overruns attributable to the Public Housing Replacement Units and OCII must cover the cost overruns attributable to the Tax Credit Units. OCII is responsible for funding any gaps in projected tax credit equity and/or Affordable Housing Program funds below what was projected at the time the DDA was executed. Conversely, additional funding sources unanticipated at the time of the DDA reduce OCII’s obligation (e.g. the $21,350,000 of HUD’s CNI Grant that will be used for housing development at AG). Based on these terms and considering the CNI funds for the project, OCII’s base subsidy, once the CNI funds are incorporated into the development budget, is $40,667,200. The respective OCII and Master Developer subsidies must be provided at or prior to the close of construction financing of each phase, pursuant to Section 5.4 (a) and (c) of the BMR Housing.

As was initially anticipated, the Developer’s current estimate of TDC for all phases is higher than the initial DDA estimate, thus the Cost Overrun calculation is needed. Current financial modelling predicts OCII’s commitment to all Phases of AG to be just over $50,000,000 and CP Dev Co’s to be over $57,000,000. Based on these estimates, staff projects that OCII will fund its full contribution for Phases 1 and 2 with a combination of existing balances from the prior Low and Moderate Income Housing Fund, prior year bond proceeds, and ROPS 13-14B RPTTF.

Community Support
Alice Griffith’s inclusion in the CP-HPS2 project resulted in extensive public review, with hundreds of meetings held since 2007. Both the Hunters Point Shipyard Citizen’s Advisory Committee (“CAC”) and Bayview Hunters Point Project Area Committee (now defunct) supported the larger CP-HPS2 project and Alice Griffith’s renovation. Alice Griffith itself has an active Residents Council and Tenant Association, and MBS, Urban Strategies, MOHCD and OCII staff meet regularly with both groups. Given the extreme habitability problems that
currently exist at the site, AG tenants have shown strong support for the site's revitalization. In May 2012 MBS and their master plan and Phase 1-3 architect, Torti Gallas, convened a week-long design charrette with residents and other project stakeholders including MOHCD, OCII, HUD, SFHA, the San Francisco Unified School District, HPSY CAC and other community organizations. The results of this charrette have been incorporated into the master plan and the schematic design for phases 1 and 2. This fall OCII, MOHCD, and development team staff presented both the infrastructure plan and the AG Phases 1 and 2 schematic designs to the CAC and all of its subcommittees for review and recommendation, which was granted by the CAC. The AG residents along with Project stakeholders are very supportive of the Project. The development team, OCII, and MOHCD staff continue to meet regularly with the residents, the CAC, and other community stakeholders regarding the development process.

**DISCUSSION ALICE GRIFFITH PHASES 1-2**

The two blocks of Phase 1 and 2 effectively create a gateway to the new Alice Griffith neighborhood, connecting higher density affordable housing with the proposed mixed-income housing, mixed-use community and existing single family homes. Phases 1 and 2 will each be multifamily elevator buildings, constructed simultaneously, and will have a total of 184 units (Phase 1: 93 units and Phase 2: 91 units). The schematic design for these phases was approved by Commission on January 7, 2014.

The unit mix will serve the household size needs of existing Alice Griffith residents and be compliant with California Community Redevelopment Law ("CRL") and the DDA. Though the existing unit mix does not exactly meet the unit size needs of the existing AG residents, it is anticipated that the existing unit mix will be replaced on site as required by CRL, and that the current residents can be served by adjusting the Public Housing Replacement designation among all of the affordable units. So while all the unit sizes will be replaced on site, in at least the same number that currently exist, they may not all be designated Public Housing Replacement. In order to meet the needs of the existing residents, the 256 Public Housing Replacement Units will have a mix that reflects the needs of the residents at the time of the close of financing per phase, as much as is possible given that resident unit size needs will shift until and after occupancy. A Replacement Housing Plan for Phases 1-3, as required by CRL, was approved by the OCII Commission on April 1, 2014. The unit mix for the first two phases is as follows:

<table>
<thead>
<tr>
<th>Number of Units per Block</th>
<th>Phase 1 Block 2</th>
<th>Phase 2 Block 4</th>
<th>Total Phases 1 &amp; 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 BDRM</td>
<td>23</td>
<td>23</td>
<td>46</td>
</tr>
<tr>
<td>2 BDRM</td>
<td>51</td>
<td>47</td>
<td>98</td>
</tr>
<tr>
<td>3 BDRM</td>
<td>7</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>4 BDRM</td>
<td>12</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>93</td>
<td>91</td>
<td>184</td>
</tr>
<tr>
<td><strong>Total Bedrooms</strong></td>
<td>194</td>
<td>192</td>
<td>386</td>
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<tr>
<td>Public Housing Replacement</td>
<td>58</td>
<td>56</td>
<td>114</td>
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<tr>
<td>Tax Credit Only Units / 50% AMI</td>
<td>35</td>
<td>35</td>
<td>70</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>93</td>
<td>91</td>
<td>184</td>
</tr>
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**Permanent Funding Request**
Phases 1 and 2 are still in their predevelopment periods, however, MBS is now requesting gap funding commitment in order to apply to TCAC and CDLAC for 4% low income housing tax credits and bond financing. As described in more detail above, the financing plans for Phases 1 and 2 will each have CNI funds, OCII funds and Master Developer Subsidy. MBS is the CNI grantee, but funds are disbursed via a Disbursement Agreement with MOHCD. CNI funds are allocated per phase to allow for maximum leveraging and to meet the CNI funding deadlines. A summary of Phases 1 and 2 sources and uses is shown on page 21 of the attached Loan Evaluation.

MBS projects tax exempt bond-financed construction loans of approximately $30,000,000 each for Phase 1 and 2 with interest rates of 4%. The project budget does not include a first mortgage as there is not sufficient cash flow to support long term debt service. The Developer will continue to explore the opportunity to leverage permanent debt for Phase 1 and Phase 2. The Projects may be able to carry permanent debt if Project Based Section 8 Vouchers ("PBV") are incorporated into the operating budget. OCII and MOHCD staff along with the development team will evaluate this possibility as well.

Each of the OCII loans is comprised of an OCII subsidy and a Master Developer subsidy, including the base subsidy and the "cost overrun" amounts described above (Page 7, Alice Griffith Financing Plan). The OCII total loan amount for Phase 1 will be for an amount not to exceed $21,972,930, and the OCII total loan amount for Phase 2 will be for an amount not to exceed $21,893,251.

<table>
<thead>
<tr>
<th>OCII Permanent Sources:</th>
<th>Phase 1</th>
<th>Phase 2</th>
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</thead>
<tbody>
<tr>
<td>OCII Funding Base</td>
<td>$2,743,650</td>
<td>$2,797,550</td>
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<tr>
<td>OCII Funding &quot;Cost Overruns&quot;</td>
<td>$4,350,267</td>
<td>$4,463,731</td>
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<tr>
<td>OCII Funding</td>
<td>$7,093,917</td>
<td>$7,261,281</td>
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<td>CP DEV CO Funding Base</td>
<td>$7,670,000</td>
<td>$7,490,000</td>
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<td>CP DEV CO Funding &quot;Cost Overruns&quot;</td>
<td>$7,209,013</td>
<td>$7,141,970</td>
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<tr>
<td>Master Developer Subsidy</td>
<td>$14,879,013</td>
<td>$14,631,970</td>
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<tr>
<td><strong>Total OCII Loan Amount</strong></td>
<td><strong>$21,972,930</strong></td>
<td><strong>$21,893,251</strong></td>
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Each of the two loans will have a term of 55 years, and staff is currently recommending an interest rate of 0%, with authority given to the Director of MOHCD and the Executive Director of OCII to approve an increase up to 3%, if the one or both of the phases can support a higher interest while still passing the "true debt test". The IRS requires that project debt is repayable at the end of the loan term. Since many City and OCII sponsored projects do not generate significant cash flow due to the low-income populations that they serve, it is not unusual for the annual interest due to remain unpaid and accrue to a certain extent, depending on the terms of each loan and therefore interfering with a project's ability to pass the true debt test.

In order to pass the "true debt test" staff recommends approval of the following: 1) 0% interest rate, but that executive staff at OCII and MOHCD have the authority to increase the interest rate to a maximum of 3%, should either or both of the projects be able to support it at the time of the close of construction financing; 2) allow, in year 56 of project operations, the MOHCD Executive Director to approve an increase in the Project's affordability restrictions from 50% of San Francisco Area Median Income ("AMI") up to a maximum of 60% AMI in to achieve a
positive cash flow when all existing debts are repaid in the event that it is necessary to conform to the true debt analysis.

Construction costs are based on initial estimates provided by the general contractor joint venture of Nibbi Brothers and Baines Group in March 2014. They have increased slightly (approximately $34,000 per unit for Phase 1 and $43,000 for Phase 2) since the predevelopment budgets were approved in December 2013 due to the more refined cost estimating since the contractor was selected. Cost containment will be at the forefront of each design review step and will inform the design team's approach to the refinement of the schematic design. City staff including the OCII Architect and MOHCD Construction Manager will continue to work with the development team to identify value engineering opportunities to improve efficiencies and contain construction costs. Some of the design approaches that require further refinement that may impact the cost are a reduction and coordination of exterior finishes, the mechanical, electrical and plumbing systems, and general contractor costs and fees. A significant amount of value engineering work has already occurred, for example, eliminating balconies, reducing exterior finishes, simplifying layout of units, reducing the size of units, and changing a commercial grade window to a residential vinyl window. These value engineering changes are substantially consistent with the approved schematic design. MOHCD staff has requested, and MBS agreed, that the development team employ an independent peer review process for the major design components including MEP and structural systems. When compared to other recent MOHCD/OCII funded affordable housing projects, AG Phases 1 and 2 on a per unit basis are slightly higher than average. However, on a per bedroom and per square foot basis, costs are lower than average because AG units have more bedrooms, therefore larger units, than typical City/OCII funded affordable family housing.

As a condition of construction loan closing, OCII must be in receipt of the Master Developer Subsidy, which is included in the OCII loan amount, pursuant to Section 5.4 (a) and (c) of the Below Market Rate Housing Plan component of the DDA with CP DEV CO which states that the MDA must be provided "on the date of the closing of the construction loan" for the applicable phase.

Also as a condition of closing and as described above, the Developer will continue to explore options to address the early negative cash flow occurrences while maximizing any opportunities to leverage permanent debt for Phase 1 and Phase 2 without jeopardizing project stability. At a minimum, the existing cash flow must be supplemented PBV, as made available by HUD and SFHA, and such PBV income should be at a level to permit permanent debt. As a result, the final sources and uses of funds, operating budget, and multi-year cash flow proforma are subject to approval by OCII Director and MOHCD Executive Director prior to closing.

Marketing

Existing residents will all have priority to move into the Public Housing Replacement units. Once all existing residents have been housed, the Housing Authority will refer people from their public housing waitlist per HUD regulations and the Housing Authority’s Administrative Plan. For the Tax Credit units, existing residents will also have priority to move into these units if they choose, beyond that, occupancy priorities will follow the BVHP Redevelopment Plan and the CP-HPS2 Housing Plan, as follows: 1) Hunters Point Certificate of Preference ("COP") Holders; 2) other COP Holders; 3) rent burdened San Francisco residents (persons paying more than fifty percent (50%) of their income for housing) and assisted residents (persons residing in public
housing or project-based section 8 housing); 4) San Francisco residents and workers; and 5) members of the general public.

The Developer will submit a marketing plan at the start of construction for Phases 1 and 2 which will describe the outreach and tenant selection procedures for the Tax Credit units, including efforts to ensure that the maximum number of COP holders are referred to and housed at Alice Griffith. MOHCD recently requested that OCII consider adopting the Ellis Act Housing Preference ("EAHP") is OCII funded projects. Prior to inclusion of this preference at AG, staff plans to present a workshop on EAHP to the Commission later this Summer. If the Commission directs staff to adopt EAHP, then those preferences will be incorporated into marketing at AG.

**Nonprofit Partners**

San Francisco Housing Development Corporation ("SFHDC") will be the nonprofit partner for Phase 1 and Tabernacle Community Development Corporation ("TCDC") will be the nonprofit partner for Phase 2. The nonprofits will act as the managing general partners for the respective phases, in conformance with TCAC requirements. SFHDC and TCDC will also develop community outreach plans to ensure that community residents and Certificate of Preference holders are aware of upcoming housing opportunities at Phases 1 and 2 of Alice Griffith and are prepared to take advantage of those opportunities. SFHDC and TCDC will also participate in the development and operations of the Projects in partnership with MBS.

**Project Schedule**

Construction of AG Phases 1 and 2 is on track to begin in January 2015, which will allow the Developer to complete construction in July 2016, in compliance with the mandatory HUD deadline of September 2016. AG Phase 3 will start construction in August 2015 and complete construction in February 2017, ahead of the September 2017 mandatory HUD deadline.

**Equal Opportunity Program and Compliance with OCII Policies**

The Developer complies with the OCII's Nondiscrimination in Contracts, Minimum Compensation and Health Care Accountability policies and has worked closely with contract compliance staff to comply with the Bayview Hunters Point Employment and Contracting Policy ("BVHP ECP") Program on this development. To date, the Developer has achieved 55.8% SBE participation for professional services consultants. Please refer to Attachment C for a summary of the professional services consultants for this Project.

During the construction phase of this project, the Developer is committed to meet the 50% SBE construction subcontracting participation goal. The general contractor for the project is a joint venture between Nibbi Brothers and Baines Group, an Agency-certified SBE/MBE. The project is also subject to OCII's Bayview Hunters Point Employment and Contracting Policy, which has established a 50% local San Francisco construction workforce hiring goal with first consideration for residents of the BVHP area and the payment of prevailing wages. AG Phases 1-3 are also subject to SFHA and HUD Section 3 resident hiring and contracting requirements. These policies will be combined to provide first consideration for Alice Griffith residents.
NEXT STEPS
Staff will return to the OCII Commission for approval of the Master Development Agreement and related documents by early Fall 2014.

(Originated by Elizabeth Colomello, Development Specialist)

Tiffany Bohoe
Executive Director

Attachment A: Alice Griffith Current and Future Parcel Ownership and Site Plan
Attachment B: Loan Evaluation – May 16, 2014
Attachment C: Professional Consultants Summary
Attachment D: Loan Agreements
Attachment E: Supportive Services Budget
Attachment F: Alice Griffith Community Services and Activities Calendars for June 2014