MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Authorizing a Phase II Rental Housing Disbursement Agreement with Hunters View Associates, L.P., a California limited partnership, and Hunters View Partners 2, L.P., a California limited partnership, in an aggregate amount not to exceed $21,775,220 for the development of approximately 106 very low and low income rental units plus one manager’s unit, pursuant to the Hunters View Phase II-III Rental Housing Loan Agreement, Middle Point and West Point Roads; Bayview Hunters Point Redevelopment Project Area; and, Authorizing a Replacement Housing Plan for 54 units planned for demolition in Phase II of the Hunters View Revitalization Project, for Hunters View housing development; Bayview Hunters Point Redevelopment Project Area.

EXECUTIVE SUMMARY

The revitalized Hunters View development will provide for full replacement of 267 extremely distressed, public housing units, plus an additional 84 units of affordable rental housing. The development will also include approximately 392 additional mixed-income rental, and for-sale housing units, all constructed in multiple phases and as part of a green and sustainable community (the “Project”), to ultimately total 743 units. The Hunters View development is the first to utilize the “HOPE SF” financing structure, an innovative program developed by the City in response to the lack of Federal HOPE VI funds which have historically been used for this type of project. The Project is also receiving funding from the Mayor’s Office of Housing and Community Development (MOHCD), City, State, Federal and private sources.

Phase I includes three blocks of housing comprised of 106 affordable rental units, plus one manager’s unit. Of the 106 units there are a total of: 80 Public Housing Replacement Units and, 26 non-Public Housing Affordable Rental Units. Construction began in the Fall of 2011 and completed construction in Fall 2013. The former Redevelopment Agency (“Agency”) provided a total of $30,596,884 for the redevelopment of Phase I.

On April 19, 2011, the Commission approved a Phase II-III Rental Loan Agreement (the “Agreement”) for a total of $31,406,982, which fulfilled the Agency’s financial commitment for the completion of this multi-phased Project. Per the disbursement conditions set forth within the Agreement, the Developer is required to seek specific funding approvals for specific phases of development, through the HOPE SF Affordable Housing Loan Committee (“Loan Committee”) and Office of Community Investment and Infrastructure (OCII) Commission (“OCII Commission”) prior to disbursement of the loan amount. Furthermore, each request for approval under the Agreement must include a budget and schedule of performance.
On November 15, 2013, the Loan Committee recommended approval of $21,775,220 to be disbursed from the Agreement for gap funding associated with the development of Phase II, which consists of infrastructure work and one phase of vertical construction of affordable housing for a total of 106 affordable units plus one manager’s unit. The infrastructure work in Phase II includes a new public right-of-way and a new park. The first phase of vertical construction in Phase II, hereafter referred to as Phase IIA, will be located on Blocks 7 and 11 (Attachment 5). Infrastructure construction is anticipated to commence in Spring 2014 and vertical construction of Phase IIA by Fall 2014. The Phase IIA disbursement request is currently being made in order to move forward with the infrastructure work and allow the Developer to submit applications for funding to the California Debt Limit Allocation Committee (CDLAC) and Tax Credit Allocation Committee (TCAC) funding in mid-January 2014.

On June 12, 2008, the San Francisco Planning Commission certified the FEIR for the Project in Motion No. 17617, adopted CEQA findings in Motion No. 17618, and approved the conditional use authorization for the Project in Motion No. 17621. In Motion No. 17618, the Planning Commission also adopted a Statement of Overriding Considerations for significant and unavoidable traffic impacts at six intersections and established a Mitigation Monitoring Program that attaches mitigation measures identified in the FEIR to the conditional use authorization.

Staff recommends authorization of Phase II Rental Housing Disbursement Agreement with Hunters View Associates, L.P. and Hunters View 2 Partners, L.P., and a Replacement Housing Plan associated with the redevelopment of Phase II.

DISCUSSION

Background

In 2002, the San Francisco Housing Authority (SFHA) completed a comprehensive physical needs assessment of all SFHA properties and identified a number of sites with extensive physical problems. One of the sites identified was Hunters View, located within the Bayview Hunters Point Redevelopment Project Area.

In 2003, SFHA issued a Request for Qualifications for a developer to redevelop the Hunters View public housing site (the Development). In August 2005, SFHA selected the development team originally formed as Hunters View Community Partners “HVCP” (and now the currently formed HVA, L.P.). It is comprised of the John Stewart Company (JSCo), Devine & Gong, Incorporated (DGI), and Hunters Point Affordable Housing, Inc. (a subsidiary of Ridge Point Nonprofit Housing Corporation (“Ridge Point”).

HVA has created a master plan of streets, parks, housing, and community facilities and incorporated a phasing plan to accommodate on-site relocation of existing residents while a new, mixed-income community is constructed. This development will, over multiple phases, provide for full replacement of 267 significantly distressed public housing units plus an additional 84 units of affordable rental housing serving households earning up to 50% of Area Median Income (AMI). The development will, ultimately, also include approximately 392 additional units of mixed-income for-sale and/or market-rate rental housing in a green and sustainable community anticipated to ultimately total approximately 743 units. The completed 22 acre site will further include parks and open space, landscaped courtyards, transit improvements, pedestrian and
vehicular connections to the adjacent neighborhoods and community space to support the existing and future residents.

The Hunters View development is the first to utilize the “HOPE SF” financing structure, an innovative program developed by the City in response to the lack of Federal HOPE VI funds which have historically been used for this type of project. The development is also receiving funding from OCII, Mayor’s Office of Housing and Community Development (MOHCD), State, Federal and private sources.

In February 2011 infrastructure work began on Phase IA, and was completed last month. Construction of the Phase IA housing (vertical construction of three blocks) commenced in September of 2011 and was completed in July 2013. Several reasons account for the extended construction period, including some initial challenges with an abatement/demolition subcontractor, a staggered construction start (for each block) and a fire at Block 6 in July 2012. Block 6 (Phase I), received its Temporary Certificate of Occupancy on December 13, 2012, Block 5 received its Temporary Certificate of Occupancy on April 12, 2013, and Block 4 received its Temporary Certificate of Occupancy on June 28, 2013. Phase I achieved full occupancy as of August 1, 2013.

Phase I vertical and infrastructure includes three blocks of rental housing totaling 106 new affordable housing units, plus one manager’s unit. Of the affordable housing units a total of 26 are tax credit units which are affordable to households earning up to 50% Area Median Income (“AMI”). The remaining 80 units are public housing (Annual Contribution Contract and Section 8 assisted) units which are affordable to households earning up to 80% AMI. Additionally, Phase I includes a new park, additional open space, landscaped courtyards, transit improvements, pedestrian and vehicular connections to the adjacent neighborhoods and community space to support the existing and future residents. Future phases will complete the infrastructure and housing development work to meet the City partner’s commitment of replacing all existing 267 public housing units, adding 84 additional low-income affordable rental units and parcels for the development of approximately 392 market-rate units, whose sales are intended to help cross-subsidize the cost of the infrastructure work.

**Project Rationale and Description**

According to the 2010-2014 Consolidated Plan, producing in-fill affordable rental and first-time homeownership housing on underutilized Housing Authority sites is a key strategy in creating affordable housing opportunities for individuals and families. This foundation is also addressed more specifically in the “HOPE SF Taskforce Summary Recommendations to the Mayor and Board of Supervisors” (“Task Force Summary”) dated March 23, 2007. In the Task Force Summary, the vision of HOPE SF is stated as follows: “Rebuild our most distressed public housing sites, while increasing affordable housing and homeownership opportunities, and improving the quality of life for existing residents and the surrounding communities”. The HOPE SF principles which support this vision are described as follows:

1. Ensure no loss of public housing – one-for-one replacement.
2. Create an economically integrated community through a “housing ladder” that includes public housing, low income rental, below market for sale and market rate housing.
3. Maximize the creation of new affordable housing.
4. Involve residents in the highest levels of participation in the entire project.
5. Provide economic opportunities throughout the rebuilding process.
6. Integrate process with neighborhood improvement plans.
7. Create environmentally sustainable and accessible communities.
8. Build a strong sense of community.

Therefore, the Agreement includes a hybrid of marketing, outreach and preferences, including:

For the Hunters View Public Housing Replacement Units resident occupancy preference will be in the order below:

1. All eligible Hunters View residents currently residing at Hunters View or those who resided at Hunters View at the Initiation of Negotiation (ION) in November of 2005 will be given first right to occupy the new units at Hunters View;
2. Second preference for occupancy of replacement units will be given to Certificate of Preference Holders from the Bayview Hunters Point area (because the project lies within the Bayview Hunters Point Project Area);
3. Third preference will be given to SFHA applicants on the Housing Authority waitlist. Specifics of these preferences will need to be further refined with the assistance of the Housing Authority and following HUD regulations.

For Hunters View low-income rentals, resident occupancy preference will be per the Bayview Hunters Point Redevelopment Plan, as described below:

1. First preference will be given to Certificate of Preference Holders from the Bayview Hunters Point Redevelopment Project Area;
2. Second preference will be given to Certificate of Preference Holders from the Western Addition Redevelopment Project Area;
3. Third preference will be given to rent burdened or assisted housing residents defined as persons paying more than 50% of their income for housing, or persons residing in Public Housing or Project Based Section 8 housing;
4. Fourth preference will be given to residents of San Francisco;
5. Fifth preference will be given to the general public.

**Project Design**

Phase II/A has a total of 106 affordable units plus a manager’s unit distributed on two blocks, Block 7 and Block 11. Of the 106 affordable units, 80 are public housing replacement units which are affordable to households earning up to 80% AMI, and 26 are new units affordable to households earning up to 50% AMI.

The design at Block 7 will consist of 50 units, with both apartments and row houses due to the steep topography. There will be 4 fully accessible flats, 23 adaptable flats, 1 “supervisitable” and 2 “visitable” row houses. There will be three 3-story buildings, one 5-story building and a central courtyard area all within Block 7. Block 11 will include 57 units—7 row houses and 50 apartment homes. Five of the flats will be fully accessible, and 43 flats will be adaptable. One row house will be “supervisitable.” Interior courtyard space will be activated by podium-level planters and plots for individual gardens and gathering spaces between buildings. Towards the back of Block 11, Ironwood Park will include play equipment, landscaping, and space for recreational activities for residents. There will be 53 podium level parking spaces provided in
both Blocks 7 and 11. The development team also heard feedback that residents prefer short staircases in townhouse units, so the row houses have been designed with half-stairways between floors.

Project Financing
In December 2011, the Loan Committee recommended approval to the Mayor for a loan from the Mayor’s Office of Housing and Community Development in an amount not to exceed $2,500,000 to fund predevelopment activities associated with the development of Phase II. On October 4, 2013, Loan Committee recommended approval to the Mayor for a loan from MOHCD in amount of $1,702,705 for demolition of the vacant public housing units in Phase II. The demolition of these units was ahead of the construction schedule in order to address health and safety issues associated with these vacant units. Actual demolition work commenced in early November 2013, and is expected to be complete in January 2014.

The Developer sought Loan Committee recommendation for approval for the gap funding request at the November 15, 2013 Loan Committee meeting and Loan Committee approved a total of $21,775,220 in OCII funding from the Agreement for Phase IIA of the Project (See the November 15th Loan Evaluation, Attachment 1). The OCII funding will pay for costs associated with the vertical (primarily unit construction) on Blocks 7 and 11, and infrastructure (grading and earthwork) development of Phase IIA. The term of the OCII funding is 57 years, with repayment through residual receipts.

Staff returned to the Loan Committee on December 20, 2013 to present a clarification that Phase IIA includes Phase IIA(1) (vertical construction of blocks 7 and 11, plus onsite horizontal work) and Phase IIA(2) (park and pathways). Also, staff corrected the interest rate at the December 20th Loan Committee meeting, as the Loan Evaluation presented on November 15th inadvertently included an erroneous interest rate of 3% rather than the 0.25% interest rate required by the Agreement. Finally, the Loan Committee approved a request by the Developer to allow up to $1,700,000 be made available for disbursement prior to the close of the Ground Lease with the SFHA. (See the December 20th Loan Committee Memo, Attachment 2). Typically construction funds are first secured on the leasehold prior to disbursing the funds. In the case of Hunters View Phase II, the ground lease between the Developer and the SFHA must be first approved by the U.S. Department of Housing and Urban Development (HUD). HUD is currently reviewing the ground lease and SFHA expects approval from HUD by mid-Spring 2014. However, the infrastructure work needs to begin immediately following the completion of the demolition work in order to keep the Phase IIA development on schedule for an early Fall 2014 vertical construction start date and closing the State Multifamily Housing Program (MHP) funding ($10,000,000) by May 2016. The State requires closing of its $10 million loan by May 2016 or it would rescind its commitment. Approximately $3.4 million of the Phase II Disbursement Agreement amount is needed for infrastructure; the Loan Committee recommended that no more than half of that amount, or $1.7 million, be made available prior to the securing of the Phase II funds on the SFHA ground lease.

The total development cost of blocks 7 and 11, and a portion of associated infrastructure costs is $83,527,790, and other funding sources include: MOHCD HOPE SF funds; Department of Public Works Streets Bonds and San Francisco County Transportation Authority Prop AA funds, which are both eligible to pay for infrastructure related costs; Housing Authority Replacement Housing Factor Funds; California Department of Housing and Community Development (HCD)
- Infill Infrastructure Grant Program (IIG); HCD – Multifamily Housing Program (MHP); equity raised from the sale of 4% Low-Income Housing Tax Credits; private loan funds; and, tax-exempt bond financing in the form of mortgage revenue bonds to be issued by the City. The IIG funding was awarded in June 2009 and will be used to address public space improvements (right of way, utilities, surface improvements, landscaping) and related demolition & grading. The MHP funding for the Phase II development was awarded in January 2012 and will be used for the vertical component of Phase II. Any additional funding received by the Developer from cost savings measures will be used to reduce the OCII and MOHCD loans.

**Housing Replacement Plan** (Attachment 4)

California Health and Safety Code Section 33413.5 requires the Agency, now OCII as successor, to adopt a replacement housing plan when Agency action leads to the removal of low and/or moderate income units. The Replacement Housing Plan (“Plan”) has been created to comply with those requirements by describing how the Agency will meet its replacement housing obligations during Phase II of the Hunters View revitalization project. The Plan reflects the timing and number of units that have been demolished in Phase I, and will be demolished in Phase II. Also, the number of units (by bedroom size) replaced in Phase I, and the timing and number of units (by bedroom size) to be replaced for Phase II are included in the Plan. As background, Phase I of the Project consisted of the demolition of 113 public housing units. Ultimately, and over the course of multiple phases, the project will include the demolition and replacement of all 267 existing affordable public housing units with 267 new affordable housing units, in the Bayview Hunters Point Redevelopment Project Area (Areas A and B).

The essential features of the Replacement Housing Plan for Phase I and II are:

- Units demolished at Hunters View will be replaced by newly constructed units;
- Replacement units will be located on the existing site of the Project, in the Bayview Hunters Point Redevelopment Project Area;
- The affordability level of all replacement units will be at or below the affordability level of the units to be demolished; and
- Significantly, the number of new affordable housing units will exceed the number of units required to be replaced under State law.

Specifically the Replacement Housing Plan addresses the demolition and replacement of Phase I and Phase II Public Housing Units, which includes: 1) the number and type of units demolished and the number and type of new replacement units constructed in Phase I; and 2) the number and type of units planned for demolition for Phase II and the number and type of new replacement units planned for construction in Phase II.

There are eighteen 4-bedroom units and six 5-bedroom units that will not be replaced in Phases I and II but will be replaced in Phase III, thus ensuring that all of the original units will be replaced both in terms of the number of units and the unit sizes. All replacement units in Phase II will be affordable to the same or lower income category as the units removed from the Site during Phase II. OCII will record a regulatory agreement that ensures the affordability of the replacement units for a minimum fifty-five (55) year period.
Again, the Developer intends to complete construction of the replacement housing units over a number of phases to facilitate the desire of the City to accommodate on-site relocation of the existing Hunters View residents. Currently, each phase includes demolition and construction of new units so that removal and replacement will take place within the four-year timetable in Health and Safety Code Section 33413(a). The Phase II units have currently all been demolished, which now results in a requirement for replacement of these Phase II units. It is anticipated that all Phase II units will be completed by the end of 2017. Upon completion of Phase II, the overall number of replacement units will exceed the number of units demolished in Phase I and II, and in terms of unit size, all existing units will have been replaced except for eighteen 4-bedroom and six 5-bedroom units, which will be replaced in Phase III, which is anticipated to be completed by 2017.

**Compliance with OCII Policies, HUD and SFHA Resolutions**

In order to meet the Community Benefits Program for the Hunters View Development, an Inter-Agency Memorandum of Understanding (MOU) between the former Agency, San Francisco Housing Authority (SFHA), MOHCD, and Office of Economic and Workforce Development (OEWD) to clarify and define the roles, responsibilities, goals and procedures for the Hunters View Development. The specific programs to be enforced include OCII’s Small Business Enterprise (SBE) Program and Bayview Hunters Point Employment and Contracting Policy (BVHP ECP) Program, Housing and Urban Development Act of 1968 and the SFHA Resolutions No. 4967 and 3639.

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 BVHP ECP and SBE Program on this development. To date, the Developer has achieved 61% SBE (41.8% SF-SBE, 9.1% MBE and 30% WBE) participation for professional services consultants.

To date, the Hunters View Phase I and 2 has achieved 40.2% SBE (15.3% BVHP, 20.9% SF-SBE, 15.1% MBE and 2.7% WBE) participation towards the construction subcontracting participation goal. During the construction of Phase II of this project, the Developer continues to commit to achieving the 50% SBE construction subcontracting participation goal. The project is also subject to BVHP ECP Construction Workforce Program’s 50% local San Francisco hiring and the payment of prevailing wages.

With regards to the construction workforce program in Hunters View, the BVHP ECP governs construction workforce hiring and placement with a residency modification to accommodate...
provision in the HUD Section 3 Act and the SFHA’s Resolution Number 4967. According to HUD Section 3, at least 30 percent of the permanent, full-time employees hired should be Section 3 residents. After a Section 3 employee has been employed for 3 years, the employee may no longer be counted as a Section 3 employee to meet the 30 percent requirement. This requires recipients to continue hiring Section 3 residents when employment opportunities are available.

In meeting the 50% local San Francisco resident goal, individuals are placed in employment opportunities in the following order of preference using good faith efforts:

1. Hunters View Public Housing residents (named on the lease);
2. San Francisco Housing Authority residents within 94124;
3. San Francisco Housing Authority residents in 94134 and 94107;
4. San Francisco Housing Authority residents in other zip codes;
5. Hunters View communities of opportunities members;
6. Bayview Hunters Point Project Area residents; and
7. San Francisco residents.

Construction on the Phase 1 began in 2011 and was completed earlier this year. To date, Hunters View has achieved 47.4% in local SF hiring with 21.5% of the workers living in the 94124 zip code area. Also, the project has also achieved 4.5% female and 72.3% minority participation to date. Of the 440,000 total workforce hours, HV residents worked 23,595 total hours or 5.4%.

SERVICES & CITY BUILD WORKFORCE UPDATE

Bayview YMCA
The Hunters View service team consisting of service connectors, workforce providers, and peer leadership provides service connection in the form of outreach to households on site, individual assessments to determine resident needs, formal referrals and follow up appointments, programmed activities on site that include access to computers and access to services that are within the community but not on site.

The service team assists residents in addressing health issues and other concerns including addressing their financial management needs, assists residents in planning for self-sufficiency and support for their children such as ensuring school age children are attending school and participating in supportive after school programs and healthy activities and helps to ensure children are on track for higher education. The service team is also responsible for bringing advance notice of resources and opportunities to the attention of the families in a manner that allows them to plan for and access the resources. Peer leaders have been hired to help develop education and health plans for the residents. Additionally, mental health referrals and access to services are made available through the center.

The Hunters View workforce team led by the Bayview YMCA provides employment assistance in the form of individual work readiness assessments, job readiness counseling/referrals, informational workshops, resume support, limited job skills testing, pre-interview counseling/support, post- interview counseling/support, access to computers for education or employment purposes only, on-line job search and application assistance and access to computers, job posting boards, workforce experts - (as speakers) and barrier removal support.
CityBuild is also a member of the workforce team providing input into the selection of appropriate candidates, job readiness workshops, and job referrals.

The following information is City Build’s employment outcomes to date.

**CityBuild’s Efforts - Phase I**
- 77 individuals referred by CityBuild were hired to work on HV Phase I.
- 36 of 77 individuals hired were HV residents.
- Provided work readiness workshops and pre-screened candidates for potential construction-related openings; and worked very close with urban strategies on providing case management services for individuals placed on HV Phase I.

**CityBuild efforts – Phase II**
- Referred 13 individuals for hiring on HV Phase II.
- 10 of the 13 individuals referred were hired and all live within 94124.
- 7 of the 10 individuals are HV residents.
- On-going work with Bayview YMCA to identify appropriate candidates.

**CityBuild Academy**
- 4 HV residents participated in the CityBuild Academy
- 3 of the four graduated from CityBuild. The fourth left the program early but received all of her certifications.
- All four were placed, and 3 were part of the 36 that worked on Phase I.

**Additional Highlights:**
- **Other Job Placement**: One resident has been successfully employed in other sectors.
- **Assistance with Work Readiness**: Ensuring residents who are ready and able to engage in training or work have the dress, tools, equipment, union dues, and transportation they need to be successful. To date assistance includes: Eighteen residents have been assisted with union dues payments.
- **Referrals to offsite employment and training programs including**: Renaissance Entrepreneurship Center (2); Renaissance Parents of Success - SPOA (12); Individual Referrals (5); RAMP-SF (8); Ironworker Union Training (7); and, Lead & Asbestos Training (12).

Recently, CityBuild coordinated with Local 67 to hold an asbestos and abatement training, which was held at City College of San Francisco (CCSF). The training was held at CCSF Evan Campus, instead of San Ramon, in effort to accommodate HV residents who would have been challenged to attend a training session located in San Ramon. 18 individuals participated and completed the 40 hour training. Of the 18, seven are HV residents. All 18 have been indentured into Local 67, which falls under the laborers union. The seven HV residents will be referred for interviews with an environmental contractor currently working on HV Phase II. Those not hired will be referred to other potential openings at other construction sites within the City.
NEXT STEPS
Infrastructure construction is anticipated to commence in Spring 2014 and vertical construction of Phase IIA by Fall 2014.

CALIFORNIA ENVIRONMENTAL QUALITY ACT
On June 12, 2008, the San Francisco Planning Commission certified the FEIR for the Project in Motion No. 17617, adopted CEQA findings in Motion No. 17618, and approved the conditional use authorization for the Project in Motion No. 17621. In Motion No. 17618, the Planning Commission also adopted a Statement of Overriding Considerations for significant and unavoidable traffic impacts at six intersections and established a Mitigation Monitoring Program that attaches mitigation measures identified in the FEIR to the conditional use authorization.

(Originated by Pam Sims, Project Manager Mayor’s Office of Housing and Community Development)

Tiffany Hohee
Executive Director

Attachment 1: HOPE SF Affordable Housing Loan Committee Evaluation Dated November 16, 2013
Attachment 2: HOPE SF Affordable Housing Loan Committee Memo Dated December 20, 2013
Attachment 3: Disbursement Agreement
Attachment 4: Replacement Housing Plan
Attachment 5: Master Plan