MEMORANDUM

DATE: December 17, 2013
TO: HOPE SF Citywide Affordable Housing Loan Committee
FROM: Pam Sims, Project Manager
RE: Hunters View Phase II — Confirmation of OCII Phase II Loan Terms

A. Introduction

Hunters View Associates, L.P. ("HVALP" or "Developer"), a California limited partnership comprised of the John Stewart Company, Hunters Point Affordable Housing, Inc. (a subsidiary of Ridge Point Non-Profit Housing Corporation) and Devine & Gong is responsible for the revitalization of the Hunters View public housing site. On November 15, 2013 the Loan Committee approved $21,775,220 in Office of Community Investment and Infrastructure ("OCII") funds and $7,946,944 in Mayor's Office of Housing and Community Development ("MOHCD") funds for the development of 106 new affordable housing units (and 1 manager's unit) and the associated infrastructure on the surrounding blocks under Phase II of the larger Hunters View revitalization effort.

Staff is seeking Loan Committee approval: 1) to change the interest rate Loan Committee approved on November 15, 2013 from 3% to 0.25%, pursuant to the Phase II-III Rental Tax Loan Agreement, dated April 19, 2011, and 2) to clarify that a portion of the OCII funding will be unsecured until the ground lease between the Developer and the San Francisco Housing Authority (SFHA) has been approved by HUD. Staff also wants to provide clarification that Phase IIA includes Phase IIA(1) (vertical construction) and Phase IIA(2) (horizontal construction).

Staff recommends approval of this request.

B. History of Project Leading to this Request

In April 2011, Loan Committee and the former Redevelopment Agency Commission approved a loan of $31,406,982 for Phases II and III of affordable housing development at Hunters View, with the condition that each phase would require approval by the Loan Committee as it became further refined.

The SFHA began the Phase II vacancy process on July 1, 2013. As of September 10, 2013, all units were vacated and the SFHA Commission approved the License and Preconstruction
Agreement on September 12, 2013. On October 4, 2013 the Loan Committee approved funding from MOHCD to demolish the public housing units in Phase II. The demolition work for Phase II began in mid-October (to reduce the likelihood of individuals illegally residing in these buildings and associated health hazards), and is expected to be completed in early 2014. Infrastructure work is expected to start shortly after the completion of demolition, and vertical construction is expected to begin no later than the Fall of 2014.

The Developer is now preparing to present to the OCII Commission on January 7, 2014, to request authorization for the Executive Director to enter into a Disbursement Agreement for $21,775,220 associated with the development (both infrastructure and vertical) of Phase IIA. In preparation for the OCII Commission, Staff observed that the interest rate Loan Committee approved on November 15, 2013 was 3%; however the amount should have been 0.25% to reflect, and be consistent with, the original Phase II-III Rental Loan Agreement. Staff requests approval to set the interest rate for the Phase II OCII loan to 0.25% so that it is consistent with the original Phase II-III loan agreement.

Additionally, a clarification regarding security for the OCII loan should be considered and approved by the Loan Committee. Specifically, OCII funding will be unsecured until the ground lease has been approved by HUD and executed by the SFHA. While the ground lease should be executed in January 2014, it is unclear how quickly HUD will review and approve the ground lease. As the Loan Committee is aware, the gap funding from OCII is needed to move forward with the infrastructure work and it also allows 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. As stated above, the demolition work is currently being completed at Phase II, and infrastructure is expected to begin in February 2014, and continue through the start of vertical construction. Submission of these funding applications in January will allow the Phase II momentum to continue toward a Fall 2014 vertical construction start date. It is necessary to start vertical construction by Fall 2014 in order to meet the State’s Multifamily Housing Program (MHP) deadline to close its permanent loan by May 2016. Vertical construction of the two blocks in Phase IIA is anticipated to take 17 months and be complete by March 2016. It has been MOHCD staff’s experience that it has taken from 6 to 12 months from construction completion to close MHP loans. Consequently Hunters View will likely miss that MHP permanent conversion deadline if it does not start vertical construction by Fall 2014. Although the ground lease is expected to be approved by HUD by mid-January, in the event HUD does not quickly approve the document Staff requests authorization to proceed with an unsecured loan an amount not to exceed $3,400,000 in OCII funding. This is the current amount budgeted from OCII for infrastructure. Furthermore, beginning infrastructure work prior to executing a ground lease between the Developer and SFHA is similar to the structure used in Phase I, and was approved by Loan Committee.

Also, staff needs to clarify for Loan Committee that Phase IIA is comprised of Phase IIA(1) (vertical costs) and IIA(2) (horizontal costs related to the vertical construction). These descriptions are pursuant to the future ground leases, and the future source of security for the OCII loan funds, between the SFHA and the Master Developer.
LOAN COMMITTEE MODIFICATIONS OR CONDITIONS TO RECOMMENDATION

$1,700,000 of the OCII loan is available for disbursement prior to the closing of the ground lease between the Developer and the SFHA.
LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

Olson Lee, Director
Mayor's Office of Housing and Community Development
Date: 12/20/13

Tiffany Bonne, Executive Director
Office of Community Investment and Infrastructure
Date: 12/20/13

Joyce Crum, Director of Housing and Homeless Programs
Department of Human Services
Date: 12/20/13

Margot Antonetti, Acting Director of Housing and Urban Health
Department of Public Health
Date: 12/20/13

Barbara Smith, Acting Director
San Francisco Housing Authority
Date: 12/30/13