

Commission on Community Investment and Infrastructure

RESOLUTION NO. 3-2014

**Adopted January 7, 2014**

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; 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.

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 et seq. the "CRL"), the former San Francisco Redevelopment Agency (the "Agency") undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco; and,

WHEREAS, In accordance with the CRL, the City, acting through its Board of Supervisors, approved a Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area (the "Project Area") by Ordinance No. 113-06, adopted on May 16, 2006. In cooperation with the City, OCII is responsible for implementing the Bayview Hunters Point Redevelopment Plan (the "Redevelopment Plan"); and,

WHEREAS, The Hunters View site consists of an approximately 21 acre site formerly improved with 267 public housing units located in Area B of the Bayview Hunters Point Redevelopment Project Area, generally known as 227-229 West Point Road, Lots 1 through 17 inclusive and Lots A, B, C and D, all as shown on Final Map No. 5461, Assessor's Lots 23 through 43 inclusive, Block 4624, which is owned and operated by the San Francisco Housing Authority (the "SFHA") and known as the Hunters View Public Housing Development (the "Site"). Hunters View Associates, L.P., a California limited partnership (the "Master Developer") has entered into the Master Development Agreement ("MDA") with SFHA, which provides for exclusive negotiations regarding the proposed transfer of the Site for the Project, and the parties currently anticipate that any such transfer would be partially effected from SFHA to Master Developer or its affiliates through one or more fee transfer(s) and partially effected pursuant to one or more long-term ground lease(s); and,

WHEREAS, The Master Developer is currently developing the Site through a three (3) or more phase process, by demolishing the existing public housing rental units located thereon and constructing up to 800 new mixed-income rental and affordable for-sale units, including replacement public housing rental units on a one-for-one basis (collectively, the "**Project**"). The first phase of the Project has been

completed and includes one hundred seven (107) units, comprised of eighty (80) public housing units, twenty six (26) affordable rental and one (1) manager's units; and,

WHEREAS, On April 19, 2011, the Agency and Master Developer entered into that certain Phase II-III Rental Tax Increment Loan Agreement (the "Loan Agreement") pursuant to which Agency agreed to provide up to \$31,406,982 to Master Developer (the "Loan") for predevelopment and construction activities for Phases II and III of the Project. At the time of the Loan Agreement, the development and financial structure of Phases II and III of the Project were still being determined. Accordingly, Agency and Master Developer acknowledged and agreed in the Loan Agreement that: (i) Master Developer would form single asset limited partnerships with subsidiary limited liability corporations to be wholly controlled by Master Developer and/or its general partners, to act as developers of the Phase II and Phase III Project sub phases; (ii) the Loan Agreement would be amended in the future to transfer portions of the Loan to Master Developer or its single asset limited partnerships for predevelopment and construction activities for the Phase II and Phase III Project; and (iii) the future allocations of the Loan to Phase II and/or Phase III could be secured by a deed of trust against the developer's real property interest in the Phase II or Phase III development. Agency and Master Developer agreed at the time that the future structure of such phases and the corresponding agreements would be mutually agreed upon; and,

WHEREAS, Under Resolution No. 9-2013 (September 23, 2013) adopted by the Oversight Board of the City and County of San Francisco and approved by the Department of Finance, the expenditure of \$21,775,225 of the Loan was confirmed to be an "Enforceable Obligation" under the Dissolution Law and approved as part of the Recognized Obligation Payment Schedule 13-14B for the period of January to June 2013. The California Department of Finance provided final approval of the expenditure of Item No. 177 through its letter dated December 17, 2013.

WHEREAS, Master Developer now desires to begin the next phase of construction activities at Hunters View, or Phase IIA of the Project, which will be comprised of Phase IIA(1) (residential rental development and infrastructure related to residential development) and IIA(2) (open space). Phase IIA is the next stage of Phase II of the Project, following the demolition of 54 units in preparation for construction activity under Phase IIA. Phase IIA(1) will be located on Blocks 7 and 11 of the Site (the "Phase IIA(1) Site") and will consist of approximately 107 units of family housing, comprised of eighty (80) public housing units, twenty six (26) affordable rental and one (1) manager's units (the "Phase IIA(1) Project"), and requires Loan funds for Phase IIA(1) construction activities. Master Developer has created HV Partners 2, LP (the "Borrower"), as the entity to be the owner and ground lessee entity for Phase IIA(1) and anticipates entering into a long term ground lease (the "Phase IIA(1) Ground Lease") for the Phase IIA(1) Site by no later than August 31, 2014; and,

WHEREAS, The Master Developer is now requesting authorization to enter into a Disbursement Agreement to disburse \$21,775,220 of the Loan (the

“Disbursement Amount”) to Borrower for the Phase IIA(1) Project and to set forth the terms and conditions of such disbursement. In connection herewith, Borrower shall also execute a new promissory note for the Disbursement Amount and, upon entering into the Phase IIA(1) Ground Lease, Borrower shall also execute and record a deed of trust and declaration of restrictions; and,

WHEREAS, On November 15, 2013 the Citywide Affordable Housing Loan Committee (“Loan Committee”) approved the Disbursement Amount to the Borrower for the development of Phase IIA. The Disbursement Amount will include \$18,297,533 for vertical development of the residential buildings and \$3,477,687 for infrastructure expenses associated with Phase IIA; and,

WHEREAS, On December 20, 2013, the Loan Committee approved the interest rate of 0.25% for the Disbursement Amount consistent with the Loan Agreement, the Phase IIA(1) and Phase IIA(2) subphases, and allowing a portion of the Disbursement Amount to be available for disbursement prior to execution of the Phase IIA(1) Ground Lease; and,

WHEREAS, In furtherance of the Project, staff now seeks Commission approval of the Hunters View Phase II Replacement Housing Plan (the “Replacement Housing Plan”) which updates the previously approved Replacement Housing Plan and includes the replacement of 54 units demolished in Phase II of the Project. This Replacement Housing Plan is required pursuant to Section 33413.5 of the California Health and Safety Code whenever low- or moderate-income units are demolished as part of a redevelopment project that includes for Redevelopment Agency funding; and,

WHEREAS, Under California State Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, first Extraordinary Session) (“AB 26”), as amended by California State Assembly Bill No. 1484 (“AB 1484”) (together the “Dissolution Laws”) the Agency dissolved as a matter of law on February 1, 2012. On October 2, 2012 the San Francisco Board of Supervisors, acting as legislative body of OCII as the successor to the Agency, passed Ordinance 215-12, which outlined the rights and responsibilities of OCII as the Agency’s successor agency, including but not limited to certain retained existing enforceable obligations for the development of affordable housing. Accordingly, under Ordinance 215-12 and Dissolution Law, OCII has the obligation and authority to enter into this Agreement to allow for the development of the Project; and,

WHEREAS, Under Ordinance 215-12 and the Redevelopment Dissolution Law, OCII has the obligation and authority to provide the Funds for the Project; and,

WHEREAS, For purposes of implementation and to ensure consistency with the City’s overall affordable housing goals and priorities, the Mayor’s Office of Housing and Community Development (MOHCD) is providing project management, loan underwriting, construction monitoring and design review, including approving and processing loan disbursements in cooperation with OCII. Upon completion of the Phase IIA(1) Project, OCII intends to transfer the affordable housing loan

obligation and asset to MOHCD as the designated Successor Housing Agency of the City and County of San Francisco under Board Resolution 11-12, as required by Dissolution Law; and,

WHEREAS, 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. The Disbursement Agreement will provide funding for the development of the Project, and staff has reviewed the Disbursement Agreement and finds it to be within the scope of the project analyzed in the FEIR and no additional environmental review is needed; and,

WHEREAS, The Replacement Housing Plan is a technical document required pursuant to the California Community Redevelopment Law; however, it is not required for every OCII construction activity. The Replacement Housing Plan describes the low- and moderate-income units that are currently planned for demolition, and OCII's plan for timely replacement of demolished units. Authorization of this plan would not directly cause any change in the physical environment and is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

WHEREAS, A copy of the Disbursement Agreement and Replacement Housing Plan are on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, That the Commission on Community Investment and Infrastructure authorizes the Executive Director to execute a Disbursement Agreement substantially in the form of the agreement on file with the Secretary of the Commission and approved as to form by the City Attorney, with Hunters View Partners 2, LP, a California Limited Partnership, in an amount not to exceed \$21,775,220, for construction costs associated with the Project for the development of approximately 106 very low and low income rental units and one manager's unit; and, approves the Hunters View Phase II Replacement Housing Plan for the Hunters View Housing development, on file with the Secretary of the Commission, for the replacement of 54 affordable housing units demolished in Phase II of the Project; and authorizes the Executive Director to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of January 7, 2014.

  
Commission Secretary