

1 [Loan Amendment - Sunnydale Infrastructure 1A3 LLC - Sunnydale HOPE SF Development -
2 Not to Exceed \$26,567,405]

3 **Resolution approving and authorizing the execution of a Second Amendment to the**
4 **Loan Agreement with Sunnydale Infrastructure Phase 1A3 LLC, a California limited**
5 **liability company, to increase the loan amount by \$1,495,294 for a new total loan amount**
6 **not to exceed \$26,567,405 to finance additional construction costs for the second phase**
7 **of infrastructure improvements and housing development related to the revitalization**
8 **and master development of up to 1770 units of replacement public housing, affordable**
9 **housing and market rate housing, commonly known as the Sunnydale HOPE SF**
10 **Development (“Sunnydale Project”); adopting findings that the loan agreement is**
11 **consistent with the adopted Mitigation Monitoring and Reporting Program under the**
12 **California Environmental Quality Act, the City’s General Plan, and the priority policies of**
13 **Planning Code, Section 101.1; and to authorize the Director of Mayor’s Office of**
14 **Housing and Community Development to enter into any amendments or modifications**
15 **to the Agreement that do not materially increase the obligations or liabilities for the City**
16 **and are necessary to effectuate the purposes of the agreement or this Resolution.**

17
18 WHEREAS, HOPE SF is the nation’s first large-scale public housing transformation
19 collaborative aimed at disrupting intergenerational poverty, reducing social isolation, and
20 creating vibrant mixed-income communities without mass displacement of current residents;
21 and

22 WHEREAS, HOPE SF, the City’s signature anti-poverty and equity initiative, is
23 committed to breaking intergenerational patterns related to the insidious impacts of trauma and
24 poverty, and to creating economic and social opportunities for current public housing residents
25 through deep investments in education, economic mobility, health and safety; and

1 WHEREAS, The Housing Authority of the City and County of San Francisco (“SFHA”)
2 owns and operates 775 units of public housing on the approximately 50-acre site, known as
3 Sunnydale-Velasco; and

4 WHEREAS, The Sunnydale HOPE SF project, which is located in Visitacion Valley, is
5 generally bounded by McLaren Park to the north, Crocker Amazon Park on the west, Hahn
6 Street to the east, and Velasco Avenue to the south, is a mixed-use, mixed-income
7 development with several different components: (i) construction of the public infrastructure to
8 support Sunnydale-Velasco; (ii) development of private affordable housing on affordable
9 parcels in accordance with an affordable housing plan; (iii) development of private residential
10 projects on market rate parcels; and (iv) development of community improvements (e.g., open
11 space areas, community facilities) throughout Sunnydale-Velasco (the “Project”); and

12 WHEREAS, In 2007, SFHA issued a Request for Proposals (RFP), seeking
13 submittals from qualified respondents to develop the Project; and

14 WHEREAS, Mercy Housing Corporation, a California nonprofit public benefit
15 corporation (“Mercy”), in collaboration with the Related Company, a California corporation
16 (“Related”), jointly responded to the RFP and were selected to be the developer for the Project;
17 and

18 WHEREAS, Mercy and Related established a separate entity named Sunnydale
19 Development Co., LLC (the “Developer”) under which to plan and develop the Project;
20 and

21 WHEREAS, The Sunnydale HOPE SF master plan consists of (i) a maximum of 1,770
22 units, of which 775 are replacement units for existing Sunnydale-Velasco households,
23 approximately 200 are additional affordable housing units, and up to 730 units will be for
24 market rate homeownership or rental, (ii) all new streets and utility infrastructure, (iii) 3.6 acres
25

1 of new open spaces, and (iv) approximately 60,000 square feet of new neighborhood serving
2 spaces; and

3 WHEREAS, By Ordinance No. 18-17, the Board of Supervisors approved a
4 Development Agreement with the Developer relating to the Project Site (the "Development
5 Agreement") under Administrative Code Chapter 56, which Ordinance is on file with the Clerk
6 of the Board of Supervisors in File No. 161164 and is incorporated herein by reference; and

7 WHEREAS, By Ordinance No. 20-17, the Board of Supervisors made findings under the
8 California Environmental Quality Act (Public Resources Code Sections 21000 et seq.) and
9 findings of consistency with the General Plan and the eight priority policies of Planning Code
10 Section 101.1, which Ordinance is on file with the Clerk of the Board of Supervisors in File No.
11 161309 and is incorporated herein by reference; and

12 WHEREAS, The City, acting through the Mayor's Office of Housing and Community
13 Development ("MOHCD"), administers a variety of housing programs that provide financing for
14 the development of new affordable housing and the rehabilitation of single- and multi-family
15 housing for low- and moderate-income households and resources for homeowners in San
16 Francisco; and

17 WHEREAS, MOHCD enters into loan agreements with affordable housing developers
18 and operators; administers loan agreements; reviews annual audits and monitoring reports;
19 monitors compliance with affordable housing requirements in accordance with capital funding
20 regulatory agreements; and if necessary, takes appropriate action to enforce compliance; and

21 WHEREAS, MOHCD provided Developer with loans to commence predevelopment
22 activities for the Project; and

23 WHEREAS, The Developer established a separate entity named Sunnydale
24 Infrastructure Phase 1A3 LLC (the "Infrastructure Developer") to undertake the second phase
25 of the Project, which will include infrastructure improvements to facilitate the construction of

1 127 public housing replacement units and 41 new affordable rental units, a new community
2 building, a realigned Sunnydale street segment, and an electrical switchgear to serve the
3 Project (the “Phase 1A3 Project”); and

4 WHEREAS, Under Resolution No. 45-22, the Board of Supervisors approved an
5 Amended and Restated Loan Agreement between the City and the Infrastructure Developer, a
6 copy of which is on file with the Clerk of the Board of Supervisors in File No. 211266 (“Loan
7 Agreement”), and loan in the amount of Not to Exceed \$25,072,1111 (the “Loan”) to the
8 Infrastructure Developer to finance the second phase of infrastructure improvements and
9 housing development related to the revitalization and master development of the Sunnydale
10 Project; and

11 WHEREAS, On May 20, 2022, the Infrastructure Developer closed construction
12 financing and began construction on the Phase 1A3 Project; and

13 WHEREAS, Due to severe weather in 2023 and challenges securing interim electrical
14 power the Phase 1A3 Project requires more funding to complete; and

15 WHEREAS, On October 20, 2023, the Citywide Affordable Housing Loan Committee,
16 consisting of MOHCD, Department of Homelessness and Supportive Housing, the Office of
17 Community Investment and Infrastructure, Office of the Controller and SFHA, recommended
18 approval to the Mayor of an increase to the loan of \$1,495,294 to the Infrastructure Developer
19 for the Phase 1A3 Project for a total amount not to exceed \$26,567,405; and

20 WHEREAS, In order for the Infrastructure Developer to complete construction for the
21 Phase 1A3 Project, MOHCD desires to provide an additional loan in the amount not to exceed
22 \$1,495,294 and a total loan amount not to exceed \$26,567,405, to the Infrastructure Developer
23 pursuant to a Second Amendment to the Loan Agreement (“Second Amendment”) in
24 substantially the form on file with the Clerk of the Board in File No. 231133, and in such final
25 form as approved by the Director of MOHCD and the City Attorney; and

1 WHEREAS, The material terms of the Loan Agreement also include: (i) a minimum term
2 of 57 years; (ii) will bear no interest; and (iii) will be forgiven once the City accepts the
3 improvements and new streets; now, therefore, be it

4 RESOLVED, That the Board of Supervisors hereby adopts the findings contained in
5 Ordinance No. 20-17 regarding the California Environmental Quality Act for the Project, and
6 hereby incorporates such findings by reference as though fully set forth in this Resolution; and,
7 be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the Project is
9 consistent with the General Plan, and with the eight priority policies of Planning Code, Section
10 101.1 for the same reasons as set forth in Ordinance No. 20-17, and hereby incorporates such
11 findings by reference as though fully set forth in this Resolution; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby approves the Second
13 Amendment and authorizes the Director of MOHCD or his designee to enter into any
14 amendments or modifications to the Agreement (including, without limitation, preparation and
15 attachment to, or changes to, any of all of the exhibits and ancillary agreements) and any other
16 documents or instruments necessary in connection therewith that the Director determines, in
17 consultation with the City Attorney, are in the best interest of the City, do not materially
18 increase the obligations or liabilities for the City or materially diminish the benefits of the City,
19 are necessary or advisable to effectuate the purposes and intent of this Resolution and are in
20 compliance with all applicable laws, including the City Charter; and, be it

21 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
22 delegates to the Director of MOHCD and/or the Director of Property, and their designees, the
23 authority to undertake any actions necessary to protect the City's financial security in the
24 Property and enforce the affordable housing restrictions, which may include, without limitation,
25

1 acquisition of the Property upon foreclosure and sale at a trustee sale, acceptance of a deed in
2 lieu of foreclosure, or curing the default under a senior loan; and, be it

3 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
4 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors; and
5 be it

6 FURTHER RESOLVED, That within thirty (30) days of the Second Amendment being
7 fully executed by all parties, MOHCD shall provide the final Second Amendment to the Clerk of
8 the Board for inclusion into the official file.

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City and County of San Francisco

Tails Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 231133

Date Passed: November 28, 2023

Resolution approving and authorizing the execution of a Second Amendment to the Loan Agreement with Sunnydale Infrastructure Phase 1A3 LLC, a California limited liability company, to increase the loan amount by \$1,495,294 for a new total loan amount not to exceed \$26,567,405 to finance additional construction costs for the second phase of infrastructure improvements and housing development related to the revitalization and master development of up to 1770 units of replacement public housing, affordable housing and market rate housing, commonly known as the Sunnydale HOPE SF Development ("Sunnydale Project"); adopting findings that the loan agreement is consistent with the adopted Mitigation Monitoring and Reporting Program under the California Environmental Quality Act, the City's General Plan, and the priority policies of Planning Code, Section 101.1; and to authorize the Director of Mayor's Office of Housing and Community Development to enter into any amendments or modifications to the Agreement that do not materially increase the obligations or liabilities for the City and are necessary to effectuate the purposes of the agreement or this Resolution.

November 15, 2023 Budget and Finance Committee - RECOMMENDED

November 28, 2023 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 231133

I hereby certify that the foregoing Resolution was ADOPTED on 11/28/2023 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

12/8/23

Date Approved