

**Citywide HOPE SF Affordable Housing Loan Committee**  
Mayor's Office of Housing and Community Development  
Department of Homelessness and Supportive Housing  
Office of Community Investment and Infrastructure  
Controller's Office of Public Finance  
San Francisco Housing Authority

**Sunnydale HOPE SF**  
**Phase 3 (1B, 1C, and 3C) Infrastructure Gap Loan**  
**Up to \$52,362,512**

Evaluation of Request for:	Horizontal Construction
Loan Committee Date:	April 19, 2024
Prepared By:	Ryan VanZuylen, Senior Project Manager
MOHCD Construction Representatives:	Sarah Tenpas and Brendan Dwyer
Source of New Funds Recommended:	\$40,387,512 – 2019 GO Bonds <u>\$2,000,000 – CPMC</u> \$42,387,512 Total New Funds
NOFA/PROGRAM/RFP:	HOPE SF
Total Previous City Funds Committed	\$3,500,000 - 2019 GO Bond \$2,000,000 - Housing Trust Fund <u>\$4,475,000</u> - LMIHAF \$9,975,000 - total previous City funds
Applicant/Sponsor Name:	Mercy Housing California (“Mercy”) & Related California (“Related”)

**Sponsor Information**

Phase Name:	Phase 3 Infrastructure (1B, 1C and 3C)	Sponsor:	Mercy & Related
Phase Location:	Santos St btwn Sunnydale Ave and Velasco Ave, 94134	Ultimate Borrower Entity:	Sunnydale Phase 3 Infrastructure, LLC

**Project Summary**

Phase 3 Infrastructure (“Phase 3”) is the third infrastructure development phase within the Sunnydale HOPE SF Master Plan to be developed by Mercy Housing California and Related California (together the “Sponsor”) following the completion of the first combined infrastructure Phases 1A1/1A2 and second Phase 1A3. Phase 3 combines three smaller noncontiguous infrastructure phases (Phases 1B, 1C and 3C) and totals approximately 14.67 acres (638,875 square feet) making it HOPE SF’s largest infrastructure phase to date. Phases 1B and 1C are located to the west of Phases 1A1/1A2 and 1A3 and cover the intersection of Sunnydale Avenue and Santos Street south to Velasco Avenue. Phase 1C is located to the far west of the Sunnydale HOPE SF site near Sunnydale Avenue and Brookdale Avenue. Phase 3 will include two 100% affordable housing developments (Block 7 with 89 units and Block 9 with 95 units), two market-rate sites (Blocks 8A and 8B), two new open spaces (Blocks 2 and 4), and new public rights-of-way (“ROWS”). Phase 3 completed the demolition and abatement of 14 public housing buildings with 141 units in February 2024. See map in Section 2.1 for visual representation.

In addition, Phase 3 infrastructure work includes reconstructing Santos Street between Sunnydale Avenue and Velasco Avenue to feature a more aligned two-way street, pedestrian and bicycle connections strengthened through wide, tree-lined sidewalks, new underground utilities, and pad-ready preparation for affordable Blocks 7, 8A, 8B and 9 (the “Project”). To re-route MUNI lines for continued service to the neighborhood and to maintain vehicular access to tenants remaining in legacy public housing buildings on Sunnydale Avenue, the Project requires the build-out of a temporary road (“West Access Road”) connecting the western portion of Sunnydale Avenue to Brookdale Avenue for connection to Geneva Avenue. This build-out for ongoing MUNI and vehicular transportation must be opened prior to commencing work on the Phase 3 contiguous Street Improvement Plan infrastructure construction (Phases 1B and 1C).

Relocation of tenants formerly residing in the Phase 3 footprint is complete but ongoing relocation work remains to prepare residents moving into future affordable housing Blocks 3A and 3B and commercial tenants (Wu Yee Childcare, Boys and Girls Club, YMCA, Vis Valley Strong Families, Mercy Youth Center, and Department of Public Health (“DPH”) Wellness Center. Wu Yee and Boys and Girls Club will move to the Block 1 Community Center in Q3 2024 and the remaining organizations will move to Block 3A in Q1 2025.

The Sponsor received Loan Committee approval for infrastructure predevelopment financing in May 2021 and demolition/abatement financing in October 2022. To complete this Project, the Sponsor is requesting up to an additional \$42,387,512 in infrastructure financing, for a total of \$52,362,512 to fund infrastructure improvements. Notice to Proceed (“NTP”) for the West Access Road is scheduled for June 2024 and for Phases 1B and 1C for Q4 2024 depending on completion of West Access Road. Notice of completion for all infrastructure is scheduled for Q1 2026 with full BOS acceptance in Q4 2026. The earliest the affordable Blocks 7 and 9 can start construction would be Q2 or Q3 2025 if financing is secured.

### **Project Description**

Note: For HOPE SF master project summary narrative, see Attachment A.

Land Owner:	SFHA	Supervisor and District:	Walton, D10
Total Open Space:	2.42 acres	Total Parcel Size:	14.67 acres/638,875 sf
Total Street Area:	4.08 acres	Master Plan Architect:	VMWP
TDC:	\$52,362,512	Civil Engineer:	KPFF
TDC/SF:	\$81.28/sf		
Loan Amount Requested:	\$52,362,512		

### **PRINCIPAL DEVELOPMENT ISSUES**

- **Schedule Risks.** Start of construction for the contiguous Phase 3 infrastructure work (Phase 1B and 1C) depends on the following order of events:
  - Block 1 must receive permanent power for Wu Yee and Boys and Girls Club to permanently relocate into that space. Permanent power energization is planned for late May 2024. Since Phase 1B and 1C infrastructure work is planned to start in November 2024, permanent power must be received by August 2024 at the latest to allow time for Block 1 TCO and Community Based Organizations (“CBOs”) relocation. Delays for perm power past this date will delay CBO relocation and the start of infrastructure past November 2024.
  - All current CBOs must permanently or temporarily relocate from their current buildings in the Phase 3 infrastructure footprint (planned for Q3 2024 and Q1 2025 depending on the CBO). As mentioned above, Block 1 perm power is required for some CBO relocation.
  - The West Access Road must be complete and pass MTA inspections to allow vehicle traffic through the Sunnydale site. This work is planned to start July 2024 and pass inspections in November 2024 (MTA agreed to a one-month inspection timeline). If the work is delayed or MTA inspections take longer than one month, it will delay the start of infrastructure work for Phases 1B and 1C.
- **PG&E Permanent Power.** PG&E originally stated permanent power for Block 1 would be available in 2025 but indicated via email it would come much sooner by June 2024. However, they have not committed to this date. SFPUC and MOHCD have attempted to confirm the perm power dates with PG&E but have been unsuccessful. As a backup plan, Block 1 (Community Center) is coordinating with PUC to receive interim permanent power by late May 2024, and permanent perm power from PG&E once they confirm the date. If Block 1 is delayed significantly in receiving interim perm power, it will delay CBO relocation and infrastructure schedule.
- **West Access Road.** To re-route MUNI lines for continued service to the neighborhood and to maintain vehicular access to tenants remaining in legacy public housing buildings on Sunnydale Avenue, the Project requires the build-out of a temporary West Access Road connecting the western portion of Sunnydale Avenue to Brookdale Avenue for connection to Geneva Avenue. This build-out for ongoing MUNI and vehicular transportation must be opened prior to commencing work on the

Phase 3 contiguous Street Improvement Plan infrastructure (Phases 1B and 1C). Work is expected to start in July 2024 and be complete in November 2024; MOHCD does not expect delays. While the current budget and schedule account for this timeline, any potential delays in starting the West Access Road will impact the overall infrastructure construction schedule. See Sections 1.2, 4.1 and 5.8.

- Commercial tenant relocation. Ongoing relocation work remains for the following commercial tenants: Wu Yee Children’s Services, Boys and Girls Club, YMCA, Vis Valley Strong Families, Mercy Youth Center, and DPH Wellness Center. Wu Yee and Boys and Girls Club plan to move into the Block 1 Community Center in Q3 2024 and the remaining organizations plan to move to Block 3A in Q1 2025. Relocation depends on Block 1 and Block 3A being completed on time. Any delays in Block 1 or Block 3A completion will delay relocation which could delay infrastructure work. However, since work on the West Access Road is not expected to finish until November 2024 MOHCD anticipates there to be enough time for Wu Yee and Boys and Girls Club to relocate into Block 1 and the other CBOs to temporarily relocate into trailers until Block 3A is complete. See Section 5.5.
- Infrastructure uncertainties and contingency. MOHCD and the Sponsor have historically specialized in vertical construction and only in the past few years have managed and financed infrastructure construction. Although both teams have incorporated lessons learned from previous infrastructure phases, there remains much uncertainty and potential for cost overruns. Based on feedback from prior phases and the Budget and Legislative Analyst’s office, this Phase 3 loan includes higher than normal hard cost contingency, 15% + 5% escalation, in the event of cost overruns. See Section 7.2 and 7.3.

### SOURCES AND USES SUMMARY

Predevelopment Sources	Amount	Terms	Status
MOHCD (predev)	\$4,000,000	57 yrs. @ 0%. Assigned or deferred, in-kind transfer of work product to the City.	Committed
MOHCD (demo/abatement)	\$5,975,000	57 yrs. @ 0%. Assigned or deferred, in-kind transfer of work product to the City.	Committed

Permanent Sources	Amount	Terms	Status
MOHCD	\$52,362,512	57 yrs. @ 0%. Assigned or deferred, in-kind transfer of work product to the City.	This Request
<b>Total</b>	<b>\$52,362,512</b>		

Uses	Amount	Per Unit	Per SF
Hard Costs	\$34,540,652	\$139,277	\$54
Soft Costs	\$15,621,860	\$62,991	\$24
Developer Fee	\$2,200,000	\$8,871	\$3.44
<b>Total</b>	<b>\$52,362,512</b>	<b>\$211,139</b>	<b>\$82</b>

\*Note: Per Unit column assumes 184 affordable units for Blocks 7 and 9 and 64 market-rate units for Blocks 8A and 8B (total 248 units).

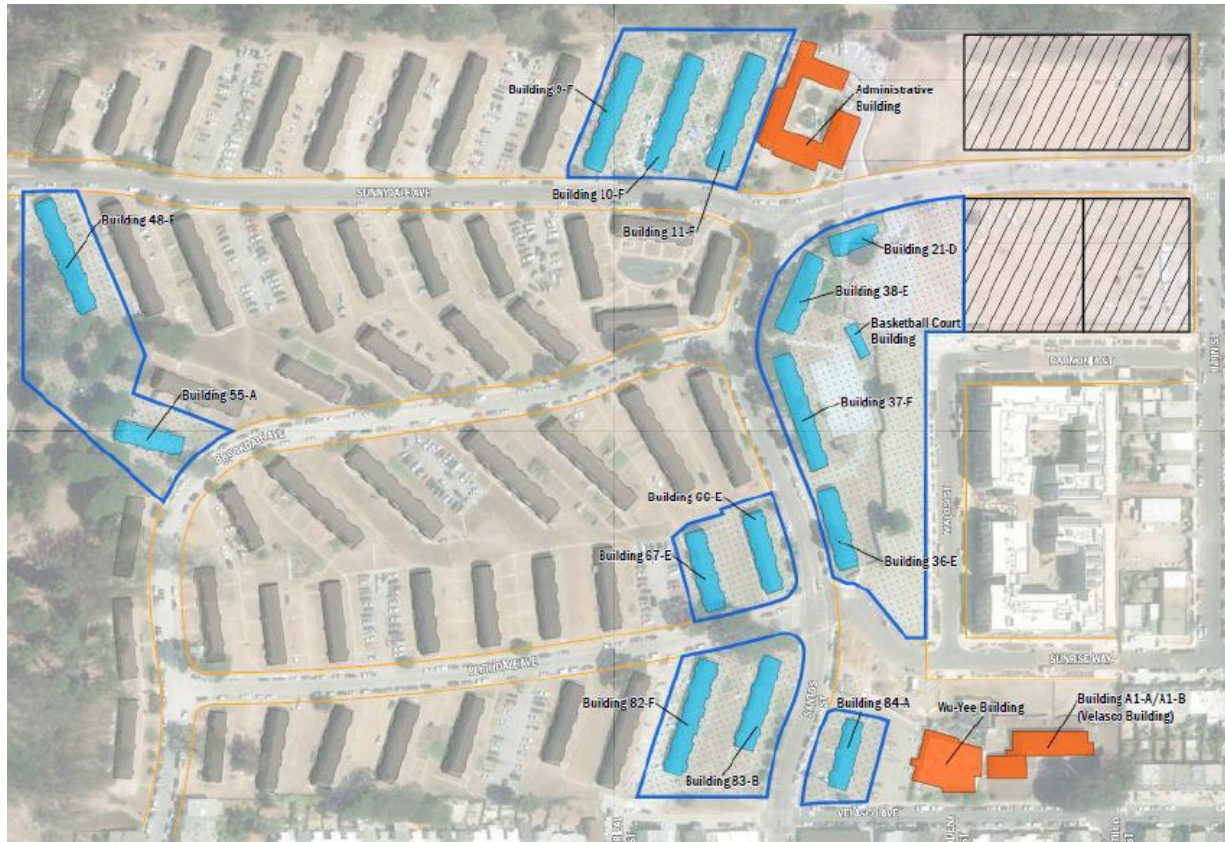
For reference, below are the previous Sunnydale HOPE SF infrastructure phases and associated costs per square foot:

Uses	1A3: 180,338 sf		1A1/1A2: 220,414 sf		Phase 3
	Amount	Per SF	Amount	Per SF	Per SF
Hard Costs	\$ 21,854,901	\$121	\$ 21,313,751	\$97	<b>\$54</b>
Soft Costs	\$ 4,461,805	\$25	\$ 6,256,230	\$28	<b>\$24</b>
Dev Fee	\$ 455,405	\$2.53	\$ 909,000	\$4.12	<b>\$3.44</b>
Total	\$ 26,772,111	\$148	\$ 28,478,981	\$129	<b>\$82</b>

## 1. BACKGROUND

### 1.1. Project History Leading to This Request

The Sponsor received predevelopment funding approval in the amount of \$4,000,000 from Loan Committee for Phase 3 on May 7, 2021, and approval for additional funding for demolition and abatement in the amount of \$5,975,000 from Loan Committee on October 7, 2022. The Sponsor has worked with various City agencies, including the Office of Economic and Workforce Development (“OEWD”) and the Infrastructure Taskforce Department of Public Works (“ITF”), to coordinate review and permit the design of the infrastructure improvements shown in Street Improvement Plans, issue the Street Improvement Permit (“SIP”) and complete related subdivision actions via a Phased Final Map and associated Public Improvement Agreement (“PIA”). Concurrently, the Sponsor worked closely with SFHA to complete the resident relocation work funded by MOHCD necessary to start construction. In January 2023, demolition and abatement commenced on the 14 existing/legacy public housing buildings (141 units) and existing associated infrastructure comprising the Phase 3 site. Below is a diagram of the Sunnydale HOPE SF site with buildings in blue representing demolished public housing buildings.

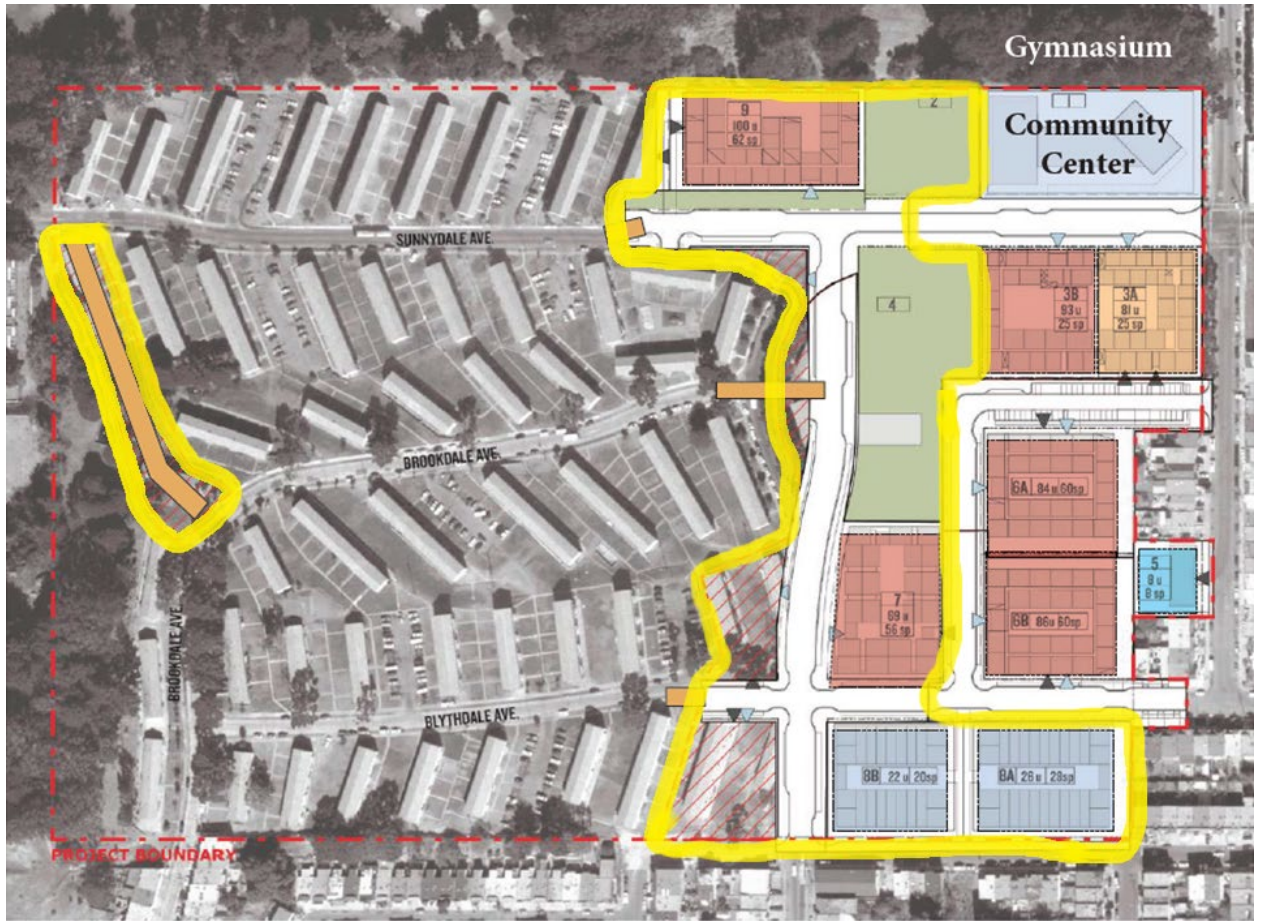


There were two infrastructure phases prior to this Phase 3 infrastructure: Phases 1A1-1A2 (includes affordable Block 6/290 Malosi) and Phase 1A3 (includes affordable Blocks 3A and 3B). Phase 1A1-1A2 started infrastructure construction June 2019, received SFPW Notice of Completion in January 2022, and the infrastructure improvements were accepted by the City in August 2022. This infrastructure phase stayed roughly on schedule and on budget as envisioned by the Phase 1A1-1A2 Infrastructure Gap loan evaluation approved by Loan Committee in September 2018. Phase 1A3 started infrastructure construction in May 2022, plans to receive SFPW Notice of Completion in May 2024, and have improvements accepted by the City in August 2024. Phase 1A3 construction start was delayed by two months and the original completion date of June 2023 was delayed due to severe weather in winter 2022/2023 and PUC/PG&E energization issues. The Sponsor received Loan Committee approval in October 2023 for nearly \$1.5 million in additional funding to complete infrastructure construction. Phase 1A3 infrastructure work was complete in February 2024 and is now completing the NOC process.

## 1.2. Phasing Map

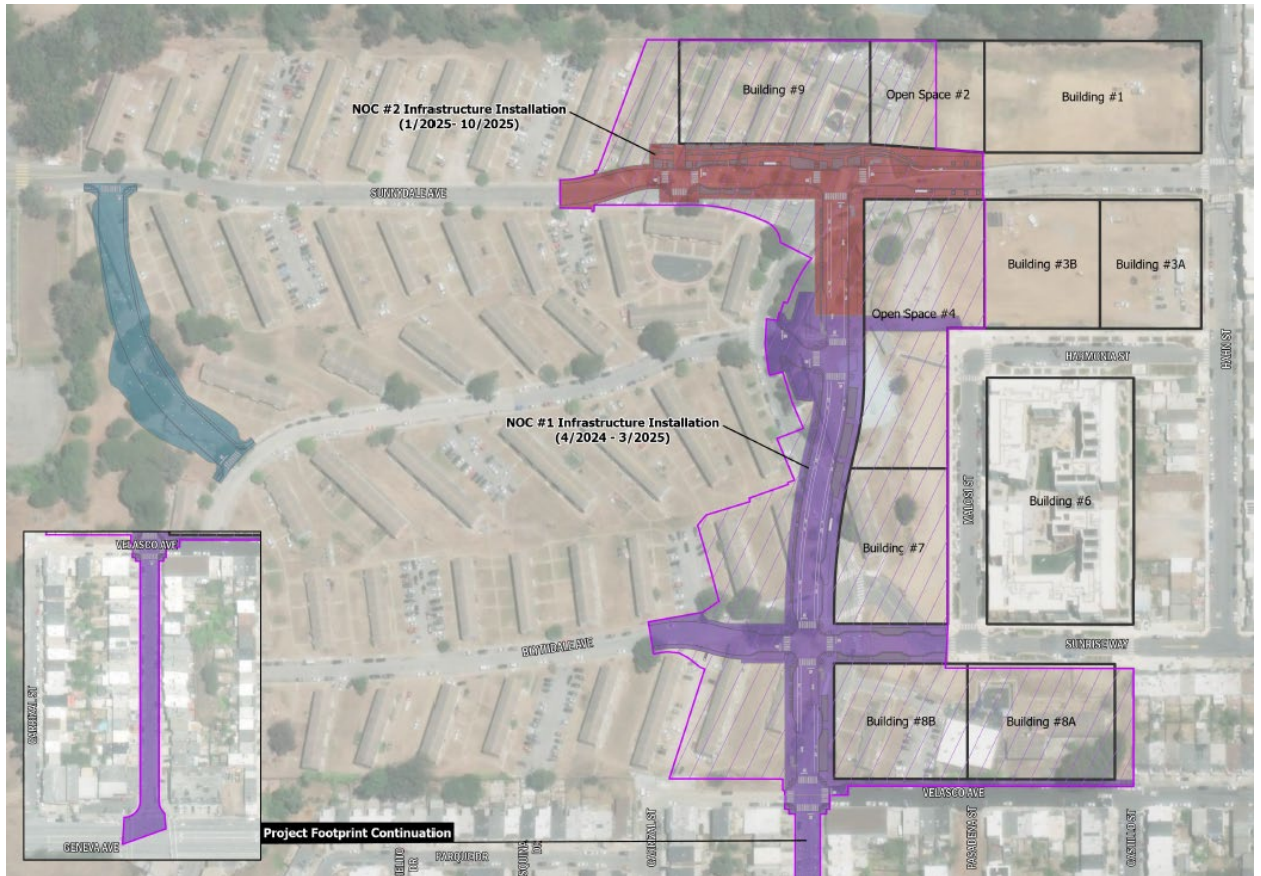
Below is a phasing map that shows the Phase 3 and West Access Road footprints (highlighted with yellow boundary lines) and the types of housing with affordable in pink and market-rate in blue. Block 7 is the affordable parcel towards the southern portion of the map on Santos Street

and Block 9 is the affordable parcel to the north on Sunnydale Avenue. Blocks 7 and 9 could begin construction as early as May 2025 if financing is secured. Unit counts changed after a successful density increase request with Block 7 proposed with 89 units and Block 9 with 95 units. Open space Block 2 is located between Block 9 and the Community Center and Block 4 is just to the south on Santos Street. The temporary western access road is located to the far west of the site.



\*Phase 3 infrastructure footprint highlighted in yellow

The map below shows the Phase 3 footprint with the West Access Road in teal to the left, main infrastructure work in the center, and the infrastructure work along Santos Street from Velasco to Geneva in the bottom left as an insert (since this work is outside the map boundaries on Santos Street south of Velasco). The work along Santos Street south of Velasco to Geneva involved utility extensions to connect with tie ins on Geneva. The work will include trenching and repaving.





As shown below in blue dotted lines, there will be two protected pedestrian-only walkways connecting the western and eastern areas to be maintained throughout construction.



## 2. BORROWER/GRANTEE PROFILE

The Borrower of this loan will be Sunnydale Phase 3 Infrastructure, LLC (“LLC”). The LLC’s sole members are Mercy and Related entities. Mercy and Related are codeveloping the Sunnydale Master Plan project as a joint venture partnership with a 50-50 split of responsibilities and alternate responsibility of serving as lead developer for residential and infrastructure projects. Mercy is the lead developer for Phase 3 infrastructure and receives input and support from Related.

### 2.1. Development Team for Infrastructure

The Sponsor was selected for the revitalization of Sunnydale HOPE SF in 2007. Due to the nature of the work and the required continuity needed over each phase, Contract Management Division (CMD) approved certain contractors to be maintained through each phase. As such, the core infrastructure team, including the Sponsor’s preconstruction and construction management consultant, for Phase 3 was consistent with Sunnydale’s first and second infrastructure phases. For all other disciplines, the Sponsor is complying with CMD’s requirement to competitively procure when the expected fee exceeds CMD’s threshold.

CMD provided the Sponsor the goal of 20% SBE for professional services, 20% for demolition and abatement, and 20% for infrastructure construction. To date, the Sponsor achieved a 17% SBE goal for hard cost professional services (since Silverado and Eco Bay self-performed demo and abatement and are non-SBE) but all other subcontractors were SBE. In partnership with CMD, the Sponsor issued a competitive Request for Proposals for the Phase 3 construction contract. Through this process, McGuire & Hester (“MGH”) was selected as the Prime General Contractor to complete the Phase 3 Infrastructure Phase. MGH served as prime subcontractor on the previous infrastructure Phase 1A3. The subcontractor SBEs are outlined in table below totaling 20.17% of the infrastructure construction contract. The Sponsor will continue working with MGH to increase participation.

<b>Infrastructure Team</b>			
<b>Consultant Type</b>	<b>Name</b>	<b>SBE / LBE</b>	<b>Outstanding Procurement Issues</b>
Civil Engineer	KPFF (Sage as subconsultant)	Sage SBE	N
Landscape Architect	Merrill-Morris (subconsultant to KPFF)	LBE	N
Joint Trench Consultant	UDCE (subconsultant to KPFF)	N/A	N
General Contractor	McGuire & Hester	N/A	N
Owner's Rep/CM	Townsend Management Inc.	N/A	N
Geotechnical	ENGEO	N/A	N
Legal	Gubb & Barshay, Farella Braun + Martel	N/A	N
Master Plan Architect	VMWP	N/A	N
Surveyor/Mapping	Martin M. Ron Associates	LBE	N
Environmental Consultant	Essel	N/A	N

<b>GC Subcontractor Contract Break-out</b>		
<b>Trade</b>	<b>Consultant Name</b>	<b>SBE/LBE</b>
Electrical	Phoenix Electric	N
Electrical	Bay Tech	Y (hyper local LBE)
Electrical	Reliance Engineering	Y (hyper local LBE)
Demo	FERMA	N
Trucking	HVW8 Trucking	Y (hyper local LBE)
Concrete	Ron Nelson	Y (hyper local LBE)
SWPPP	SSEC	Y (hyper local LBE)
Sawcutting	Bay Line	Y (hyper local LBE)

**3. PRIOR MOHCD FUNDING FOR CURRENT REQUEST**

This is the third funding request related to Sunnydale HOPE SF Phase 3. On May 7, 2021, the Loan Committee approved \$4,000,000 for predevelopment activities, including designing the street improvement plans, consultants' work on the Phase Application, and the Basis of Design for new infrastructure that informs the street improvement plans. Then on October 7, 2022, Loan Committee approved \$5,975,000 for demolition and abatement of the public housing improvements within the

project area, and additional design work to complete 90% street improvement plan permit drawings. Total prior funding is \$9,975,000.

3.1. Disbursement Status.

As of this Loan Committee date, the Sponsor has drawn \$8,356,659.04 and has \$1,618,340.96 remaining for disbursement.

4. SITE

4.1. Description

Phase 3 (Phases 1B, 1C and 3C) mostly forms a contiguous site centered along Santos Street between Sunnydale Avenue and Velasco Street. It is bordered to the east by the first two infrastructure phases (Phases 1A1/1A2 and Phase 1A3); to the north by McLaren Park; to the west by existing public housing buildings; and to the south by single family homes outside of Sunnydale HOPE SF. It encompasses utility extension work along Santos Street south from Velasco to Geneva to connect with utility tie ins at Geneva. This will require trenching and repaving along Santos Street.

The Phase 3 scope also includes a temporary private road (“West Access Road”) as part of Phase 3C at the western edge of the Sunnydale HOPE SF site to serve as a connecting road for residents remaining in legacy public housing buildings on Sunnydale Avenue and a temporary MUNI bus route between Sunnydale Avenue and Brookdale Avenue. The West Access Road must be completed and open to start the rest of the Phase 3 infrastructure work in Phase 1B and 1C. It is expected to start construction in July 2024 and be complete in November 2024, with three months of construction and one month for opening (including SFMTA testing and inspection). The West Access Road will remain in place until completion of the future Phase 2C projected in 2030.

The site formerly consisted of 14 public housing residential buildings, two non-residential buildings for the Wu Yee Children’s Services - New Generation/Headstart program (Velasco Building), and the Administration Building which contains the Boys and Girls Club, DPH Wellness Center, Youth Center, SFHA leasing office, and other community-based organizations. All residential buildings except the Velasco building have been demolished and abated and the non-residential buildings are scheduled for demolition in Fall 2024 to not interrupt summer programming for the CBOs. The Administration Building and Velasco building in Phase 1C are scheduled for demolition in September 2024, concurrent with anticipated NTP for Phase 3 infrastructure. This will allow Wu Yee and Boys and Girls Club to move into the new space in Block 1 after it is completed in late summer 2024.

Infrastructure improvements will not only support the surrounding neighborhood but will also support four new buildings and two open space parcels within Phase 3. Block 7, with 89 units of affordable housing, will be located east of Santos Street and to the west of Block 4 open space. Block 9, with 95 units of affordable housing, will be located north of Sunnydale Avenue and on the western side of Block 2 open space. The main lobby for Block 7 will be located on Santos Street. The main lobby for Block 9 will be located on Sunnydale Avenue.

Block 2, situated to the north of Sunnydale Avenue between Block 9 and the Block 1 Community Center/Hub will be 0.75 acres of publicly accessible open space. Block 4, totaling

1.67 acres of publicly accessible open space, will be situated to the east of Santos Street adjacent to the Block 3B building. Blocks 8A and 8B, located on the south of Sunrise Way and east of Santos Street, will consist of residential market-rate housing which is mapped for up to 64 condominium units.

The realigned Sunnydale Avenue will connect to the newly completed portion of Sunnydale Avenue within the Phase 1A3 area (from Hahn Street) which is set for completion in Q2 2024 and City Acceptance in summer 2024. It will connect to the realigned Santos Street with the continuation of a dedicated bicycle travel lane on the north side of the roadway in the linear open space for westbound bicycle traffic. There are four proposed bus stop enclosures along Santos Street - two between Sunnydale and Brookdale Avenues and two between Sunrise and Velasco. There is also one proposed on Sunnydale, east of Santos on the north side.

In addition to the bike path along Sunnydale Ave, there will be a linear open space area comprised of green space and a pedestrian walking path running east/west along Sunnydale Avenue, providing Block 2 with a continued link to McLaren Park. The pathway provides a green street and setback to create connection between the community and McLaren Park, while also serving as a stormwater management demonstration area.

The following table summarizes the allocation of this Development Area:

	SF	Acres	% of Site
Block 7 Development Site	44,404	1.02	7%
Block 9 Development Site	52,278	1.20	8%
Block 8A Development Site	37,787	0.87	6%
Block 8B Development Site	47,659	1.09	7%
Block 2 Open Space	32,270	0.75	5%
Block 4 Open Space	72,882	1.67	11%
Temporary Connections	127,943	2.94	20%
Permanent Public Right-of-Way	177,657	4.08	28%
West Access Road SW Improvements	4,297	0.1	1%
West Access Road	41,499	0.95	6%
<b>Phase 3 Area</b>	<b>638,875</b>	<b>14.67</b>	<b>100%</b>

## 5. DEVELOPMENT PLAN

### 5.1. Property Ownership Structure

The Sunnydale Phase 3 Infrastructure, LLC entity executed a short-term demolition license agreement with the San Francisco Housing Authority (“SFHA”) on November 17, 2022, which allowed the LLC to abate and demolish the existing buildings in the Phase 3 footprint.

By June 2024, the SFHA and the Sponsor will execute a short-term ground lease to allow the LLC to demolish and construct the utility and street infrastructure as well as grade and prepare the Blocks 2, 4, 7, 9, 8A and 8B sites. This ground lease will be in effect until the City accepts the infrastructure through a Board of Supervisors action (Ordinance) expected in 2027.

At the construction closing for vertical development Blocks 7 and 9, the parcels are planned to be ground leased for 99 years by SFHA to California limited partnerships consisting of Mercy and Related as co-general partners, similar to what has been done for vertical developments in previous infrastructure phases. The vertical development ground leases will be carved out of the infrastructure ground lease, effectively shrinking the infrastructure ground lease until the City accepts the infrastructure improvements. Once infrastructure work is complete, the short-term infrastructure ground lease will expire and SFHA will have sole ownership of market-rate Blocks 8A and 8B which follows the same process as Phase 1A1-1A2 for Block 5. Per the Development Agreement, Blocks 2 and 4 will be owned and managed by the Sponsor through the LLC.

The Sponsor is requesting that part of the linear open space totaling roughly 3,500 square feet (including a 2-lane bike lane, greenspace, and walking path) along Sunnydale Avenue be accepted by the City for ownership, maintenance and liability. Given that the linear open space would run along 5 buildings with different ownership entities, MOHCD staff agreed to explore this option. However, City agencies are wary of taking ownership without additional funds. San Francisco Public Works (“SFPW”), OEWD and MOHCD are making the request to RPD and MTA but a decision will not be made before this Loan Committee date. If needed, SFPW can defer this decision as part of the SIP is approved so that there are no delays.

Per the Development Agreement (“DA”) dated 3/3/2017, as the project is implemented over time, the Sponsor and the City may mutually agree that some of the planned open space assets are well suited for public ownership, maintenance and liability. As mentioned above, the Sponsor proposes that the bike lane and additional landscaping found between the sidewalk and the bike lane (linear open space) be maintained by a City department. The Class I 2-lane bike lane, with input from RPD and SFPW, was designed to City and County of San Francisco specifications and included in the SIP. Additionally, MOHCD and the Sponsor are negotiating maintenance costs for the linear open space, which may require a higher contract in the future vertical developments’ operating costs due to additional frontage at buildings north of Sunnydale Avenue or be maintained by the to-be established Sunnydale HOA. The Sponsor intends to continue analyzing additional opportunities for public control of open space assets, including Blocks 2 and 4, with RPD. The decision to have the City maintain the linear open space or Blocks 2 and 4 does not affect this infrastructure loan request but may impact costs for Blocks 2 and 4.

MOHCD and HOPE SF note that part of the goals of HOPE SF include reinvesting in communities that have historically seen less investment in housing, infrastructure and public spaces. This could include reintegrating new open space under the purview of the City, in this case RPD and/or SFPW, to maintain investment and upkeep over time instead of solely controlled by the Sponsor or a private entity. While it was understood, but not explicit, that the Sponsor would maintain ownership of the public open space and linear open space the Development Agreement does allow for flexibility. MOHCD, in coordination with OEWD and SFPW, will explore the option of City Acceptance for these spaces with RPD and other City agencies. The goal would be to reach a conclusion on the linear open space prior to Phase 3 infrastructure NTP (Q4 2024) and continue conversations about Blocks 2 and 4 as construction progresses.

## 5.2. Environmental Review

Traces of arsenic and vanadium were found on site, but subsurface soil is not expected to pose significant adverse impacts to human health and the environment. The Phase I report, dated October 18, 2023, does identify serpentinite, asbestos-containing materials, and lead-based paint at the Phase 3 project area. As noted in the Phase I report, asbestos abatement was performed during demolition and abatement activities and an Asbestos Dust Mitigation Plan (“ADMP”), Dust Control Plan (“DCP”), and hazardous building material demolition surveys were produced to address these issues. Due to low contamination level of lead-based paint, the paint was removed via demolition and accepted by recycling facilities for concrete. Based on the findings outlined in the Phase I report, a Phase II report is not required.

After start of construction on the Phase 3 Demolition and Abatement scope, the Bay Area Air Quality Management District (“BAAQMD”) notified the Sponsor that they must provide an Asbestos Dust Mitigation Plan (“ADMP”) for BAAQMD review and approval. The ADMP was prepared according to the California Air Resource Board Final Regulation Order implementing the Asbestos Airborne Toxic Control Measure (“ATCM”) for Construction, Grading, Quarrying, and Surface Mining Operations. The Site falls under the oversight of the ATCM due to the presence of serpentinite which was found during ENGEIO Incorporated’s geotechnical investigation. ENGEIO’s report, dated October 11, 2022, encountered serpentinite at a depth of 26 feet below ground surface located in the northwestern portion of the project area. Serpentinite was also encountered at nine feet below ground surface in a second geotechnical investigation report dated September 16, 2022, located in the southwest area of the project property in Block 7. The Phase 3 activities include the cost of complying with requirements outlined in the approved ADMP, which applies to all construction and grading activities related to soil excavation, trenching, stockpiling, and grading activities, and according to BAAQMD, the Site is subject to the provisions of the ATCM, which identifies site-specific dust mitigation measures that must be implemented at the beginning and maintained throughout all construction as well as grading activities that will disturb the soil or bedrock for the duration of the project. These requirements include residual soil track-out mitigation measures including stabilized construction site entrance and exit locations and daily wet sweeps, misting or spraying of active and inactive storage piles at the project site to prevent fugitive dust emission, application of water for all unpaved roads, parking lots, and staging areas, earth moving activities. Additional requirements include mitigation and covering for off-site soil transport, and post-construction stabilization of disturbed areas such as vegetative cover or paving. Continuous asbestos air monitoring is also required during construction of Phase 3 infrastructure and included under the environmental soft cost budget. BAAQMD required more monitoring locations and restrictions than in previous infrastructure phases which increased the cost of monitoring and the ADMP. The total cost of monitoring and mitigation measures is approximately \$xx.

## 5.3. Permits, Planning Review and Approvals

The Sunnydale HOPE SF Project received its master entitlements in March 2017, which included a DA between the Sponsor, the City and County of San Francisco, and the San Francisco Housing Authority. A Master Infrastructure Plan and a Design Standards and Guidelines document, which together provide high level plans of streets, utilities, building typologies and open spaces, was incorporated into the DA and master approvals. As part of the Master Approvals, the Sunnydale HOPE SF Special Use District set forth provisions for land

use, building envelope controls, and procedural requirements for phase and design review approval. The Sponsor submitted a Phase Application for this Project to the Planning Department in 2022, including development of four development blocks, two open space blocks, and the reconfiguration of a portion of Sunnydale Avenue, Santos Street, Blythdale Avenue and Sunrise Way, along with the construction of a temporary access road at the western end of the site. The Phase Application was approved in July 2022.

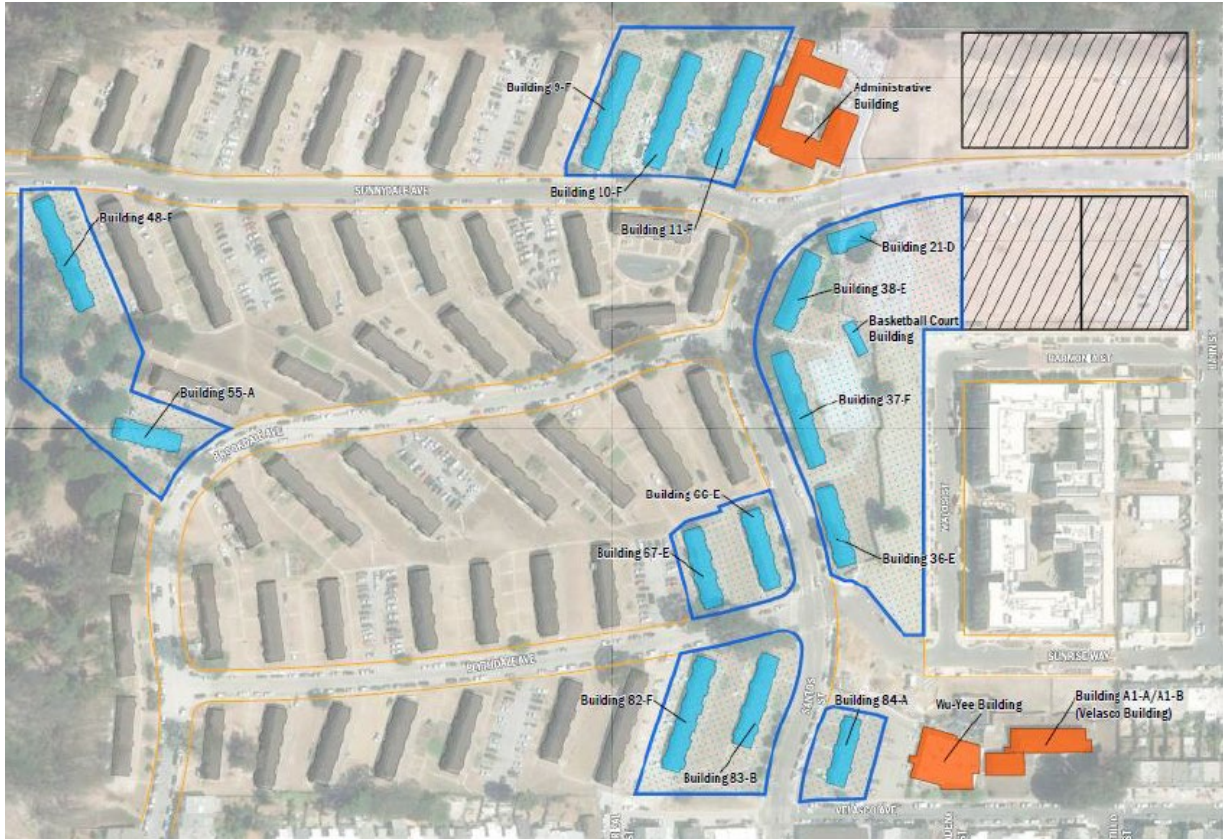
The Phase Application approval includes the following conditions:

- The Project Sponsor shall continue to work with the SFMTA on the phasing and related street design for the temporary bus routing that will accommodate the bus lines running through the site during construction.
- Additionally, the Sponsor shall continue to consult with RPD on the design of the proposed parks on Blocks 2 and 4, including but not limited to any possible bike facilities that could align with proposed bike improvements along Sunnydale and Leland Avenues.
- The Sponsor will keep RPD staff informed of demolition activity that is adjacent to RPD property to ensure that any demolition considers the southern edges of Herz Playground and McLaren Park to prevent any damage to RPD property.

The infrastructure construction plans for Public Rights of Way (“PROWs”) and utilities are being reviewed and approved by the City through the Street Improvement Permit (“SIP”) application process facilitated by the ITF and OEWD. As of March 2024, the 100% Street Improvement Plans has been submitted and the Sponsor is responding to comments from the City. ITF does intake of these drawings and coordinates the review and comments by SFPW, Planning, SFMTA, San Francisco Public Utilities Commission (“SFPUC”), Fire Department (“SFFD”), and Department of Technology. The Sponsor anticipates approval of the 100% Street Improvement Plans in June 2024, however the final date will be determined based on how quickly the Sponsor addresses City comments and when the PIA and Final Map are approved by the Board of Supervisors.

As a privately owned, publicly accessible temporary road, the West Access Road permit is separate from the larger SIP and was submitted through the Department of Building Inspection (“DBI”). The permit for the West Access Road was originally submitted in May 2023, and resubmitted to address comments in September 2023. The permit will be resubmitted in April 2024 for DBI review and comment. The Sponsor anticipates approval of the West Access Road permit by June 2024 depending on when the City can provide comments and those comments are promptly addressed by the Sponsor. Based on MOHCD’s experience with the SIP and previous approval documents between the Sponsor and City agencies, this appears reasonable if not slightly ambitious. As this loan is not planned to be encumbered until early July, this provides a few extra weeks for West Access Road permit approval cushion to keep the current schedule.

#### 5.4. Relocation in Phase 3 Footprint

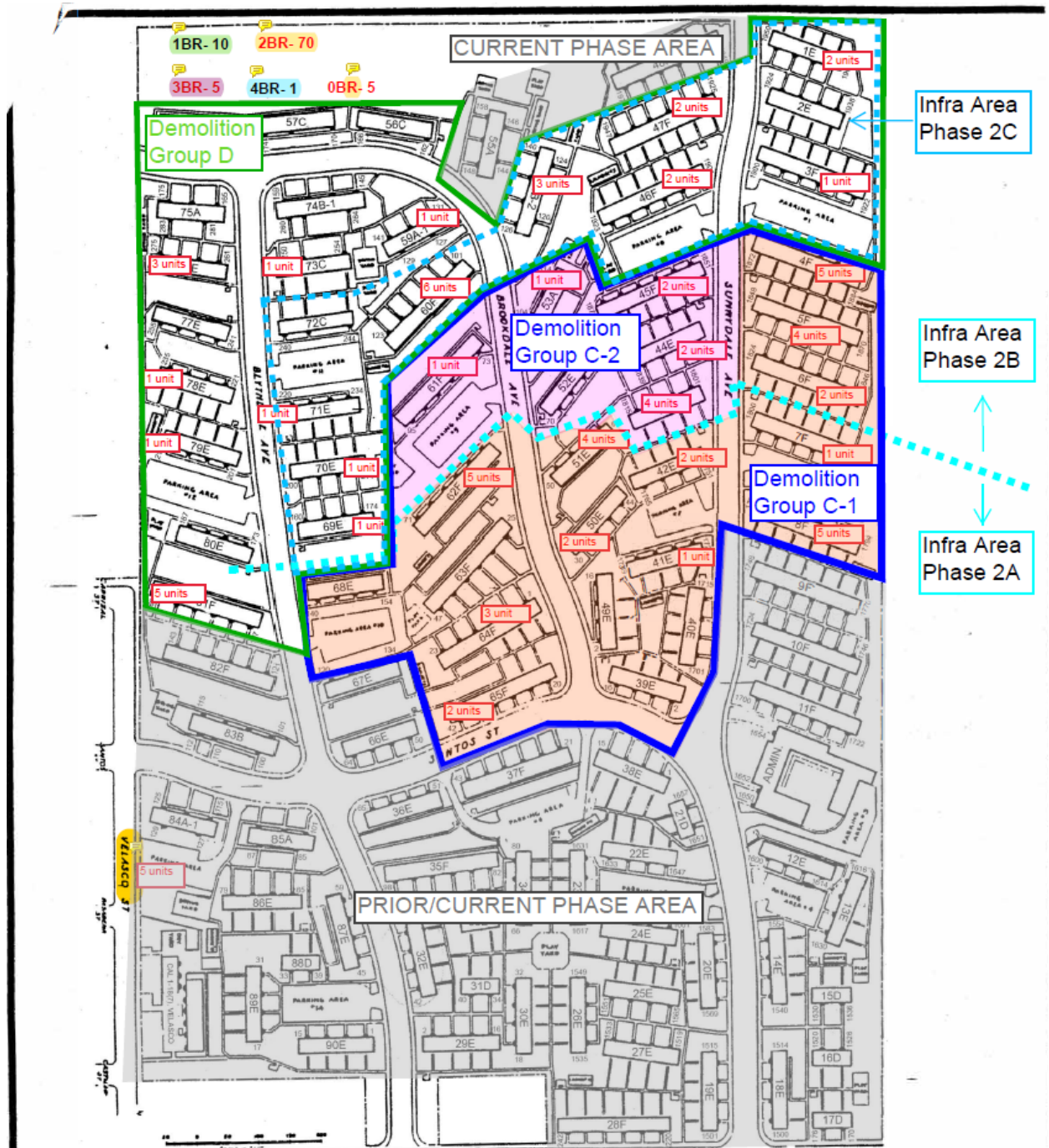


The relocation of public housing residents, in blue above, residing within the Phase 3 footprint to rehabbed public housing units in later phases was completed in June 2023 before demolition and abatement began. SFHA, with financial support from MOHCD, performed the relocation of these former households. The Sunnydale HOPE SF Final Master Relocation Plan approved by SFHA on November 22, 2016, outlines the applicable relocation requirements, including the Uniform Relocation Act and State of California Relocation Assistance Law, and details a phased relocation plan consistent with those requirements. SFHA, as the displacing agency, executed the relocation activities for Phase 3, with support from the Sponsor and MOHCD.

For the Phase 3 Demolition and Abatement Phase, the Phase 3 Relocation Plan Revision, dated October 11, 2021, indicates that 121 households were to be relocated from legacy public housing units by Summer 2022 to commence work on the abatement and demolition. The Phase 3 specific Relocation Plan was approved by the SFHA Commission on November 19, 2021. Residents who were impacted by the demolition within Phase 3 footprint area moved to either 290 Malosi or a rehabilitated unit on the Sunnydale HOPE SF site. There are approximately 220 households remaining in existing public housing units seen below in colored groups C-1, C-2, and D. After lease-up of Blocks 7 and 9 within the Phase 3 area, there are expected to be approximately 80 remaining households living in existing public housing. Right to return households for Blocks 3A



and 3B (anticipated to receive TCO in late 2024/early 2025) are planned to come from Group C-1 below. Lease up for right to return residents into Blocks 7 and 9 (137 units) in 2027 will include remaining residents from Groups C-1, C-2 and D if necessary.



While most of the buildings in the Phase 3 area have already been demolished, some relocation will be required before Phase 3 infrastructure work can start. The demolition and abatement of

buildings highlighted in blue above was completed in February 2024. The buildings in orange above (Administration building, Wu Yee Children’s Services – New Generation and Velasco buildings) will remain occupied until September 2024 and demolished in October 2024. By September 2024, Wu Yee, presently located near the Velasco Building, and the Boys & Girls Club, presently located at the Administration Building, will permanently relocate to their new spaces at the Block 1 Community Center (“The Hub”), which is planned for completion in Fall 2024. The remaining community-based organizations (“CBOs”) at the Administration building, including the DPH Wellness Center, YMCA-Bayview, and Visitation Strong Families will be temporarily relocated to trailers until the completion of their permanent locations at Block 3A and possibly 3B. Youth Center staff are employees of Mercy Housing, not a separate CBO, and are undergoing a restructure with some staff planned to work out of the Community Center/Block 1 and others out of the Neighborhood Resource Center (or Mercy Customer Service Center) in Block 3A.

<b>CBO</b>	<b>Originally located at</b>	<b>Temporarily moving to</b>	<b>Final relocation</b>
Wu Yee Children’s Services – New Generation	Velasco Building	N/A	Block 1 fall 2024
Boys and Girls Club	Admin Building	N/A	Block 1 fall 2024
DPH Wellness Center	Admin Building	Trailer fall 2024 - Feb2025	Block 3A Feb 2025
YMCA Bayview	Admin Building	Trailer fall 2024 - Feb2025	Block 3A/3B Feb 2025
Vis Valley Strong Families	Admin Building	Trailer fall 2024 - Feb2025	Block 3A/3B Feb 2025
Mercy Youth Center	Admin Building	Trailer fall 2024 - Feb2025	Block 1 and 3A Feb 2025

The Sponsor will follow the requirements and procedures for non-residential relocation as outlined in the approved Phase 3 Relocation Plan. The Sponsor will lead on coordination and oversight of all temporary relocation for the non-residential tenants based in the Administrative Building. The Project budget currently includes funds for temporary relocation to rented trailers, moving assistance, and staffing to support relocation coordination and efforts. The non-residential tenants, including DPH, Visitation Valley Strong Families, and Bayview YCMA will permanently relocate to Block 3A and possibly Block 3B at construction completion anticipated by February 2025.

5.5. Mapping

The Sponsor is responsible for preparing the Master Tentative Map and subsequent infrastructure Phase Maps for ITF and Board of Supervisors approval. The Master Developer has so far prepared a sitewide Master Tentative Map No. 9537, Phase One Final Map (for infrastructure Phase 1A1-1A2), and Phase 2 Final Map No. 11040 (for infrastructure Phase 1A3). The Sponsor prepared a Phase 3 Final Map application for this Project that includes Infrastructure Phase 3 improvements that is in the final round of review with BSM and is expected to be approved in June 2024 by a Board of Supervisors Motion. The Phase 3 Final Map and related documents (including offer of improvements, offers of dedication, quitclaim deed, easement deeds, and Public Improvement Agreement) will be included in the Legislative Motion package for Board of Supervisors approval in June 2024. These documents, after being reviewed and approved by City agencies, will be brought to the SFHA Commission for approval in April/May 2024 ahead of the BOS approval.

5.6. Parking.

Parking is not governed by zoning but by the 2017 Sunnydale Special Use District and the 2017 Development Agreement requires, as stated in the Transportation Demand Management Plan (TDM) Exhibit M, a parking maximum of 1-to-1 off-street parking for all units built. At full build out, it is expected that there will be roughly 1,400 total off-street parking spots (.76 spaces per dwelling unit), which is higher than the .55 ratio for the 775 units originally on Sunnydale. In the TDM, the Sponsor proposed a maximum ratio of 0.75 off-street parking for all affordable housing units.

The Sunnydale neighborhood, partly due to its location and lack of City transportation investments, has been historically underserved by SFMTA, and as such, residents are largely reliant on automobiles. Parking generally, and more specifically the decrease in overall parking onsite after revitalization, has been a contentious issue at all HOPE SF sites. The lack of adequate on-street and off-street parking is exacerbated by COVID impacts to MTA’s operations that have resulted in delays in planned public transportation improvements at the HOPE SF sites.

Due to the lack of parking on- and off- street and inadequate transit opportunities, the Sponsor, with MOHCD support, has increased off-street parking at Blocks 3A, 3B, 7 and 9 to a 0.75 ratio. The updated breakdown of the number of on-street spaces in building block and off-street parking associated with each built property is listed below, based on construction.

Phase	Block	Units	Off-Street Spaces	Parking Ratio <i>Per Development, excludes On-Street</i>
	Casala (Parcel Q)	55	30	0.55
1A-1, 1A-2	Block 6	167	78	0.47
1A-3	Block 3A & 3B	170	138	0.81
1B	Block 7	89	61	0.69
1C	Block 9	95	71	0.75

In addition, HOPE SF, MOHCD, SFMTA and SF Planning need to work closely to address parking challenges while also considering the inadequate transportation options for large families. For example, while most HOPE SF Master Developers considered providing parking on a phase-by-phase basis, residents do not consider their neighborhood in phases. As on-street parking decreases in the phases due to increased density, many residents feel they are losing an amenity especially when their large families’ primary transportation option, due to income, becomes the inadequate public transit system for basic needs like school, food shopping, and other essentials. Furthermore, due to the pandemic SFMTA may have limited future investments for the HOPE SF communities.

### 5.7. Roads

Santos Street, an existing curved residential street, will be realigned to the new street grid from Sunnydale Avenue to Velasco Street. The new two-way, impervious asphalt over concrete, paved street will include bicycle sharrows, curb and gutter, sidewalks, on-street loading zones, street trees with grates, street & pedestrian lighting, corner bulb-outs with ramps and crosswalks, ornamental planters, street furnishings (e.g. street signs, utility meter boxes, sewer traps/vents, fire hydrants, fire pull boxes, site benches, bike racks, irrigation control boxes and covers, bollards, etc.), underground utilities (including combined sewer system (CSS) with manholes & catch basins), domestic water, auxiliary water supply system (AWSS), and joint trench (electrical/gas/telecommunications/street light conduit).

Santos Street is the only street that runs the entirety of the north-south direction within the Sunnydale community currently. The Phase 3 scope includes the closure of Santos and a portion of Sunnydale Avenue, which is an SFMTA bus route. The Sponsor has coordinated with SFMTA during preconstruction and design to outline temporary bus routing for MUNI to maintain service to the neighborhood throughout construction. Prior to the closure of Sunnydale and Santos, a new temporary street known as the West Access Road will be built to connect Sunnydale Avenue to Brookdale Avenue and provide a north-south artery. While the proposed road will be privately owned and maintained until 2030 when infrastructure phase 2C starts, it has been designed to meet City specifications for Public ROW to accommodate use by MUNI and vehicles. This temporary street will be later removed, the area re-graded and developed for a market-rate component within the final phase, expected in 2030.

### 5.8. Open Space

Included in this Project are two new open spaces, Block 2 and Block 4. Block 2, approximately 0.75 acres, is bordered by Sunnydale Avenue to the south, the currently under construction community center (Block 1) to the east, Herz playground to the north, and the Block 9 affordable housing development to the west. Block 4, approximately 1.67 acres, is bordered by Sunnydale Avenue and Block 2 to the north, affordable housing development Block 3B to the east, the Block 9 affordable housing development to the south, and existing public housing units to the west. Block 4 is contemplated to include a neighborhood green, pavilion, and community garden area. The Planning Department will review the design of these open spaces. The Sponsor will engage the Sunnydale and Visitacion Valley community in the programming and design of these two open space blocks. The Sponsor will build from the community input provided in 2018-2019 for the overall programming and planning of the neighborhood Hub, which includes these two open spaces, the Community Center and Herz Rec Center campus, and the Block 3 ground floor neighborhood retail and amenities. There will be ongoing community engagement activities to inform Blocks 2 and 4 open space program and design in 2024-2025. Depending on funding availability, the Sponsor and MOHCD prefer to complete the open spaces concurrently with the completion of affordable Blocks 7 and 9 in 2027-2028.

### 5.9. Market-Rate Parcels.

This phase includes two market-rate parcels, Blocks 8A and 8B. Located on the southeast corner of Santos Street and the new Sunrise Way, the two sites comprise approximately 1.96 developable acres and will likely be sold as one developable site. A 2019 analysis by VMWP (the master plan architect) and Polaris Pacific based on the ownership products most likely to be developed at this location suggests a development of up to 78 market-rate units with townhomes and apartment flats. The Phased Final Map for this infrastructure phase will include mapping these blocks for 64 condos and entitling them for market-rate development based on the architectural fit study. SFHA will sell the land fee simple, but the Sponsor will be responsible for the marketing and sale of these parcels to a third-party homebuilder. The Sponsor created a marketing strategy in 2019, but much of the work was put on hold due to the COVID-19 pandemic as well as market conditions impacting market-rate development in San Francisco. The Sponsor and MOHCD will resume discussions to move forward on the market these parcels with the Sponsor submitting a new marketing plan later in 2024.

### 5.10. Utilities to Parcels

Irrigation, domestic water, auxiliary water supply system (AWSS), combined sewer services, electrical, and telecommunications utilities will be installed to serve the individual parcels. These agencies will be reviewing, inspecting, and approving the installations:

- SFPUC for street lighting & electrical, irrigation, domestic water and AWSS, stormwater management, Combined Storm Sewer and Grading and Overland Release;
- AT&T, Monkey Brains and other providers for telecommunications;
- Department of Technology for emergency communications and City fiber installation; and
- SFPW, SFPW-Disability Access Coordinator (DAC), and MTA for road and sidewalk construction including accessible path of travel.

Utility connections will be typical and comply with utility company and City standards. The proposed utility connections and design are outlined in the 100% Street Improvement Plans under review by the City.

## 6. PRIOR CONDITIONS

- Sponsor must provide MOHCD with detailed monthly updates via the MOH Monthly Project Update.

**Status:** Ongoing. Sponsor has provided monthly reports and will continue through Phase 3 infrastructure construction.

- Sponsor must provide MOHCD with information outlining cost containment, efficiencies, and innovation strategies to reduce overall project costs and maximize efficiency of MOHCD gap loans.

**Status:** Completed.

- Sponsor to coordinate with SFHA to complete relocation of existing occupants prior to abatement and demolition of existing buildings.

**Status:** Completed. All residents were relocated as of May 2023.

- Sponsor must submit a revised schedule, including sequencing of relocation, demolition, and abatement for the remaining phase 3.

**Status:** Completed.

- Sponsor must submit a plan for securing the areas post demolition.

**Status:** Ongoing. Sponsor is working with the abatement/demolition contractor to assign the contract for fencing and fence maintenance to Sponsor for the period between demolition/abatement completion and start of construction for the overall infrastructure phase. Fencing will secure the cleared areas from public access prior to contractor mobilization for the infrastructure scope of work.

- Sponsor must submit General Contractor/demo contractor RFQ to MOHCD for approval and include MOHCD on selection panel. Sponsor must provide the abatement and demolition contract to MOHCD for approval.

**Status:** Completed.

- Sponsor to work on containing soft and hard costs and strategies for cost effective design and construction with assistance from the Infrastructure Construction Manager and MOHCD's Construction Representative.

**Status:** Completed. The infrastructure GC was brought on much closer to construction NTP and submitted a bid that was inclusive of all work, much of which is self-performed. See MOHCD Construction Representative evaluation in Section 7.3 for more detail on cost containment strategies.

## 7. HORIZONTAL FINANCING PLAN

### 7.1. Horizontal Financing Narrative

The entire infrastructure amount for Phase 3 is paid for by MOHCD. In Q2 2023, MOHCD and the Sponsor applied for HCD's Infill Infrastructure Grant funds for the Catalytic Qualifying Infill Area ("QIA") which included 3 QIAs: Sunnydale HOPE SF, Potrero HOPE SF and India Basin. On August 22, 2023, all three QIAs were awarded \$45 million total. However, MOHCD has serious concerns about starting construction and completing units at the other two QIA sites which could jeopardize the total award. If funds are secured, a portion would be used to reimburse part of this MOHCD loan for Sunnydale HOPE SF Infrastructure Phase 3. That amount will be determined by MOHCD and will reflect revised unit counts. However, the decision on whether this funding will be awarded to Sunnydale without the other two QIAs, if they do not move forward within the deadline, will be made by HCD. MOHCD will continue to explore this scenario with HCD to keep the award.

### 7.2. Horizontal Uses Evaluation

The Sponsor has based all infrastructure costs on consultations with their construction manager, civil engineer, and a bid from the Project's General Contractor. SFPW has reviewed the bid detail as of April 3, 2024. For the bid items with comparable data, SFPW compared the costs and found them to be roughly 3.6% (\$545,315) lower than other City/Caltrans contracts. See

Attachment G for more information. Phase 3 is considerably larger than previous infrastructure phases (14.67 acres compared to 4.14 acres for Phase 1A3 and 5.06 acres for Phase 1A1-1A2) which adds to total costs.

<b>INFRASTRUCTURE DEVELOPMENT BUDGET</b>		
<b>Underwriting Standard</b>	<b>Meets Standard?</b>	<b>Notes</b>
Hard Cost Contingency is at least 5% of total hard costs	N	Hard cost contingencies are 15%. Staff support a large contingency. See below.
Escalation amount is commensurate with time period until expected construction start, not to exceed 15%	Y	5% escalation is being held to cover costs through construction start (roughly 8 months).
Construction Management Fees are within standards	Y	CM costs are \$2.09M (\$3.27/sf) and are comparable to previous infrastructure phases based on square footage. Phase 1A3 CM fees totaled \$3.52/sf and 1A1-1A2 totaled \$2.96/sf.
Developer Fee is within standards	N	Total request developer fee exceeds the amount contemplated on the HOPE SF infrastructure developer fee policy schedule. Staff propose to increase developer fee to \$2.2M based on expertise needed for infrastructure management.
Soft Cost Contingency is 10% per standards	Y	Soft cost contingency is 10% excluding relocation costs.

**Allowances:** The Sponsor is holding \$2 million in allowances. Many of the allowances come from lessons learned on previous infrastructure projects and are generally supported by MOHCD staff. The Sponsor is carrying a large \$750,000 owner allowance for unforeseen buried obstructions which have been an issue before. MOHCD will continue working with the Sponsor to determine if this level is appropriate given the considerable challenges and cost overruns from prior phases. If by construction closing MOHCD determines some allowances are not needed, they will be removed and used to reduce MOHCD’s gap loan. The General Contractor is holding \$150,000 for a local hire program allowance to provide a local resident position on the GC team to support the Project’s workforce development goals and provide general laborer services typically needed for construction projects.

**Hard Cost Contingency:** Based on lessons learned from previous infrastructure Phase 1A3 and the magnitude of unforeseen site conditions in prior phases, the Sponsor is requesting a higher-than-normal hard cost contingency of 15% for unanticipated conditions that may arise during infrastructure construction. Due to severe weather in the winter of 2022/2023, the need for interim power due to PUC/PGE delays, and other unforeseen costs, Phase 1A3 required roughly \$1.2M in additional hard cost funds to complete. The Board of Supervisors approved the additional amount in November 2023 and the Budget and Legislative Analyst’s Office

recommended higher contingencies to account for unanticipated infrastructure costs. Any funds remaining after City Acceptance of Phase 3 improvements will be returned to MOHCD.

**Escalation:** The Sponsor requests 5% escalation to cover labor and material escalation between the bid date in March 2024 and the start of infrastructure construction. Since construction on Phase 1B and 1C cannot start until the West Access Road is complete (tentatively November 2024), the Sponsor is requesting 5% escalation for the roughly eight months until full infrastructure work starts.

**Improvements:** At predevelopment in April 2021, it was estimated that infrastructure improvements would cost approximately \$31.4 million including hard cost contingency and escalation. At gap, this request has increased to \$34.54 million reflecting the general contractor's cost estimate and given more detail about the infrastructure project.

**Environmental Monitoring:** Environmental monitoring has increased from \$291,000 to \$854,000 since predevelopment. The increased costs reflect that the Phase 3 site has naturally occurring asbestos and serpentine rock which requires additional oversight and monitoring. While it was known that the site contained asbestos and serpentine rock, there were more mitigation measures required than in previous phases. Phase 3 environmental monitoring include costs of complying with requirements under the Asbestos Dust Mitigation Plan and the Airborne Toxic Control Measure which specifies dust mitigation measures that must be implemented at beginning and throughout construction. As mentioned in Section 5.2 Environmental Review, BAAQMD required more air monitoring earlier than previous infrastructure phases. The environmental consultant will be onsite for the entire workday to perform oversight and air monitoring during days which construction and grading activities disturb soil or bedrock. This air monitoring includes taking notes daily to summarize the construction activities, utilizing air monitoring equipment and low-flow air sampling devices, and submitting results of the sampling to labs and the BAAQMD on a bi-weekly basis.

**Construction Management Fee:** The construction management team for Phase 3 is Townsend Management Inc. It is estimated that the fees will total \$2.09 million for approximately 35 months, or about \$59,714 per month. This duration assumes approximately 5 months of preconstruction, 24 months of construction, and 6 months of project close-out/City acceptance.

**Relocation:** The budget includes \$1,343,838 for relocation expenses related to the move-in of Sunnydale public housing residents into Blocks 7 and 9, relocation readiness and commercial relocation. This type of relocation is specific to HOPE SF projects and has historically been funded through infrastructure loans. See Section 8 for more detail.

**Maintenance:** This budget includes \$944,713 for total maintenance of infrastructure improvements until City Acceptance and the completion of Phase 2C. It is anticipated that \$150,470 will be needed for maintenance of the contiguous Phase 3 improvements from completion to City Acceptance. This estimate anticipates roughly 1.5 years from completion to acceptance based on previous infrastructure phases (3.5 years for 1A1-1A2 and tentatively 1 year for 1A3). MOHCD staff anticipated that earlier infrastructure phases may take longer for City Acceptance given it was a new process for Sponsor and MOHCD staff but that over time it should be more efficient. Given that Phase 3 is considerably larger and more complex than any



other infrastructure phase, but staff is more comfortable with the City Acceptance process, MOHCD staff believe 1.5 years for maintenance is a reasonable estimate.

The additional \$793,243 is set aside to cover maintenance of the West Access Road improvements estimated until completion of the future Phase 2C projected in 2030. This road will eventually be demolished with construction of Phase 2C and will not be accepted by the City. The Sponsor provided a rough estimation of maintenance costs needed based on their experience with the temporary Sunrise Way improvement complete during Phase 1A1-1A2. Their estimate shows roughly \$67,500/year, which includes maintenance and insurance, and when accounting for a 10% inflation until 2030 comes to \$793,243.

### 7.3 Construction Supervisor and Additional Hard Cost Analysis

This phase of infrastructure work at Sunnydale is the largest HOPE SF infrastructure phase to date. In terms of acreage covered, it is significantly larger than both the two previous phases (1A-1 & 1A-2 and 1A-3) combined. Part of this area includes a portion of the western side of the Sunnydale site where a temporary road (Western Access Road) will be built. While the Western Access Road is still a significant and costly undertaking, it does not include all the utilities, street trees, bike racks, etc., that the permanent streets in previous phases (and the main Phase 3 infrastructure phase) include. Since this road needs to be in place to provide site access to residents during construction of other improvements in this phase, the schedule is longer than previous phases, which creates higher risk of delays (more potential for rain days) and cost increases (unanticipated supply chain issues, inflation/escalation, etc.). To account for this higher risk, the developer proposes a very robust amount of Owner-held contingency and allowances of approximately 26% of the projected initial contract value (including 15% hard cost contingency, 5% escalation, and 6% in allowances). Although conservative, it seems reasonable given cost overruns seen on previous phases, in addition to the added risk given the size and length of this phase.

As with all the HOPE SF Infrastructure work, the design is based on the Master Plan and the Design Guidelines, leaving very little to the discretion of the design team, and limited opportunities to adjust the scope to save costs. The team has worked diligently to think through the constructability issues and apply lessons learned from the previous phases. The size of this phase is itself an example of applying those lessons learned, as this was previously envisioned as two phases, which would have resulted in more temporary improvements to connect newly built streets to existing ones. Temporary conditions create increased legal fees, civil engineering fees, insurance costs, and overall liability for the Sponsor.

Another example of the development team applying lessons learned to reduce costs is the structure of the General Contractor team. Previous infrastructure phases at Sunnydale, and all HOPE SF sites, have procured construction teams largely the same way as MOHCD and OCII vertical projects: hire a GC well in advance of construction for pre-con services and then go to bid again for subcontractors closer towards construction start. In this case, the GC has been brought onboard much closer to construction NTP and submitted a bid that was inclusive of all work, much of which is self-performed. This change in approach led to the first instance in which the GC is not a company that has also done MOHCD/OCII vertical work, although they are familiar with Sunnydale since they are the prime subcontractor on the 1A3 phase. Directly hiring a largely self-performing Infrastructure GC has led to a much lower overall cost, as the selected

GC’s bid was significantly lower than those submitted by others that typically work on vertical construction projects. This does present some risk that the GC will now be responsible for certain management responsibilities (e.g. overall project local hire / Section 3 requirement compliance, neighborhood relations / communication, achieving SBE/LBE participation goals, etc.) that were previously handled by other firms more experienced in these somewhat unique aspects of working on MOHCD/OCII projects.

As it has now become customary, MOHCD requested a review by SFPW of the contractor’s unit pricing for various scopes of work. Public Works was able to provide comments on roughly two-thirds of the overall budget, as these were unit costs that they were able to compare to data of comparable projects in the database (See Attachment G). The remaining items were lump sums that they were not able to comment on. Of the portions of work that they were able to review, there was a mix of items that seemed more expensive per unit, and others that were less expensive, but on balance, the budget came in roughly \$500K less expensive than their data would suggest it should be. There are a variety of reasons for this. Optimistically, it could derive from a more competitive bidding climate now than in past years from which the data is drawn. On the more pessimistic side, it could be that the GC is not properly accounting for costs and might seek to recoup those potential losses via change order requests. As previously noted, the Owner is carrying a higher-than-average amount of contingency funds, so they should be covered even in the more pessimistic scenario.

8. RELOCATION COSTS

See Attachment F “Relocation Memo” for more specific descriptions on relocation services, direct moving costs, and commercial relocation costs from the Sponsor. Total relocation costs are related to relocation readiness staffing, direct moving costs, and temporary commercial relocation costs.

Relocation Readiness Staffing	\$622,308
Direct Residential Tenant Moving Costs	\$245,075
Temporary Velasco Relocation Costs	\$4,255
Commercial Tenant Relocation Costs	\$240,000
Commercial Tenant Temporary Costs	\$232,200
<b>Total</b>	<b>\$1,343,838</b>

Relocation Readiness Staffing: As part of this loan increase, the Sponsor initially requested four years (2024–2027) of relocation readiness staffing (see chart below). MOHCD Housing and Community Development staff agreed to only include two years (2024-2025) for a total of \$622,308 and reassess the adequacy of relocation readiness staffing at the end of 2025. Continuity of relocation readiness services is necessary for legacy resident relocation including Blocks 3A and 3B in 2024-2025 (will need to lease up roughly 127 right to return PBV households) and Blocks 7 and 9 in 2026-2027 (will need to lease up roughly 140 right to return PBV households). However, HOPE SF envisioned winding down these services over time to be replaced by services through each affordable buildings operating expenses. MOHCD staff wish to revisit the level of services in 2025 and if more services are needed and requested funds may come from future affordable building gap loans, a future infrastructure predevelopment loan, or an amendment to the Master Loan or this Phase 3 infrastructure loan.

As households in legacy public housing units await relocation to their new replacement units, the Sponsor’s relocation readiness staff request to continue their services model based on HOPE SF principles, particularly to rebuild housing without mass displacement, incorporate trauma-informed practices, collaborate across systems and sectors, and create a culture of inclusion and belonging. This work includes providing continuous assistance with rental assistance applications (such as appointment reminders, vital document collection, translation services, door-to-door assistance with residents with disabilities and those who are hard to reach), hosting relocation information/readiness meetings with residents, Reasonable Accommodation requests, add-family requests, and off-site relocation assistance. Outreach to households who are not eligible for assistance under the Right to Return Ordinance is aimed at locating another housing option for that individual or family. Ineligible groups that may require alternative housing options include sublets, squatters, and those who have been, or are in the process of being evicted. Continued partnership with SFHA and the on-site management company Eugene Berger Management Corporation at Sunnydale is needed to ensure households remain stably housed and eligible for relocation.

The additional Sunnydale Infrastructure Phase 1A3 loan, approved by Loan Committee on October 20, 2023, provided funds for relocation readiness services through the end of 2023. This loan would fund staffing services through the end of 2025 (2 years). MOHCD staff notes Sunnydale and Potrero HOPE SF have faced challenges maintaining continuity of services given varying infrastructure timelines to provide loans. The total staffing costs from 2024 through end of 2025 is \$622,308 shown below:

Staff Title	Salaries	Benefits	Salaries + Benefits	FTE	2024 Budget	2025 Budget
Relocation Coordinator II	\$75,500.00	\$24,160.00	\$99,660.00	1	\$99,660.00	\$102,649.80
RSM II Sunnydale	\$97,188.00	\$31,100.16	\$128,288.16	0.5	\$64,144.08	\$39,641.04
Director of Community Life	\$160,680.00	\$51,417.60	\$212,097.60	0.25	\$53,024.40	\$54,615.13
Community Safety Oversight	\$92,000.00	\$29,440.00	\$120,120.00	0.5	\$60,060.00	\$61,861.80
Community Safety Oversight	\$92,001.00	\$29,440.32	\$120,121.00	0.25	\$30,030.25	\$30,931.16
Sunnydale Fiscal Analyst	\$95,872.40	\$30,679.17	\$126,551.57	0.1	\$12,655.16	\$13,034.81
<b>Total Budget</b>					<b>\$319,573.89</b>	<b>\$302,733.74</b>

Direct Tenant Moving Costs: Below are per unit relocation costs for tenants permanently moving into Blocks 7 and 9 based on relocation schedule of expenses.

**Block 7**

	Moving	Utility Transfer	Household Total	Block 7 Move-In	Subtotal
Studio	\$1,165	\$200	\$1,365		\$0
One BR	\$1,250	\$200	\$1,450	13	\$18,850
Two BR	\$1,475	\$200	\$1,675	35	\$58,625
Three BR	\$1,790	\$200	\$1,990	18	\$35,820
Four BR	\$2,065	\$200	\$2,265	1	\$2,265
Five BR	\$2,365	\$200	\$2,565		\$0
<b>Total</b>				<b>67</b>	<b>\$115,560</b>

**Block 9**

	Moving	Utility Transfer	Household Total	Block 9 Move-In	Subtotal
Studio	\$1,165	\$200	\$1,365		\$0
One BR	\$1,250	\$200	\$1,450	4	\$5,800
Two BR	\$1,475	\$200	\$1,675	41	\$68,675
Three BR	\$1,790	\$200	\$1,990	14	\$27,860
Four BR	\$2,065	\$200	\$2,265	12	\$27,180
Five BR	\$2,365	\$200	\$2,565		\$0
<b>Total</b>				<b>71</b>	<b>\$129,515</b>

**TOTAL      \$245,075.00**

Commercial Relocation Costs and Temporary Commercial Relocation Costs: Per the Relocation Plan, each commercial tenant may receive up to \$40,000 for relocation. The commercial relocations costs below have not been included in prior infrastructure phase or vertical development loans.

CBO	Originally located at	Temporarily moving to	Final relocation	Perm Relocation Costs
Wu Yee Children’s Services – New Generation	Velasco Building	N/A	Block 1 fall 2024	\$40,000
Boys and Girls Club	Admin Building	N/A	Block 1 fall 2024	\$40,000
DPH Wellness Center	Admin Building	Trailer fall 2024 - Feb2025	Block 3A Feb 2025	\$40,000
YMCA Bayview	Admin Building	Trailer fall 2024 - Feb2025	Block 3A/3B Feb 2025	\$40,000

Vis Valley Strong Families	Admin Building	Trailer fall 2024 - Feb2025	Block 3A/3B Feb 2025	\$40,000
Mercy Youth Center	Admin Building	Trailer fall 2024 - Feb2025	Block 1 and 3A Feb 2025	\$40,000

The Sponsor anticipates needing two trailers for temporarily relocating commercial tenants until Blocks 3A and 3B are complete. The cost for both trailers is anticipated to be \$232,200.

Item	Cost	Quantity	UOM	Total
Trailer Rental Setup and Return	\$ 38,000.00	2	LS	\$76,000.00
Trailer Rental Monthly (2 trailers)	\$ 7,000.00	6	MO	\$42,000.00
Temporary Water/ Waste Tanks	\$ 4,000.00	2	LS	\$8,000.00
Temporary Water/ Waste Tanks MO Service	\$ 3,100.00	2	MO	\$6,200.00
Connect to existing utilities	\$ 50,000.00	2	EA	\$100,000.00
<b>Total</b>				<b>\$232,200.00</b>

#### 9. HORIZONTAL DEVELOPER FEE

Per the HOPE SF Developer Fee Policy (attached as Exhibit B), which is part of the Development Agreement, the Sponsor is eligible for \$1,209,090 in developer fee for this phase. However, given that HOPE SF infrastructure phases require significant project management and specialized expertise, the Sponsor has requested to augment the developer fee for this Phase to \$2,200,000. MOHCD staff supports this request. The Sponsor has received \$181,364 in developer fee for completing 60% Construction Documents. They will receive the remaining developer fee upon completion of the milestones listed below.

<b>HOPE SF Developer Fee Disbursement For Phase 3 Infrastructure</b>		
<b>Payment Milestone</b>	<b>% of Project Mgmt. Fee</b>	<b>Amount</b>
60% Construction Documents	8% (was 10% with previous fee)	\$181,364
Construction Commencement	25%	\$550,000
50% Completion of Phase	20%	\$440,000
SFPW Notice of Completion	30%	\$660,000
BOS Acceptance	17% (was 15% with previous fee)	\$368,636
<b>Total Developer Fee</b>	<b>100%</b>	<b>\$2,200,000</b>

## 10. STAFF RECOMMENDATIONS

### 10.1. Proposed loan/grant terms

<b>Financial Description of Proposed Loan</b>	
Loan Amount:	\$52,362,512
Loan Term:	57 years of Project NTP (no later than December 31, 2082)
Loan Maturity Date:	2081 (no later than 12/31/82)
Loan Repayment Type:	Forgiven through in-kind transfer of work product to City
Loan Interest Rate:	0%

### 10.2. Loan Conditions

1. Sponsor must provide MOHCD with detailed monthly updates via the HOPE SF monthly report.
2. Sponsor will continue to contain costs and if updated cost estimates come in below what is approved by Loan Committee any unused funds will be returned to MOHCD.
3. By the end of Q3 2024 (September 2024), the Sponsor will provide MOHCD with an updated market rate development marketing strategy that includes next steps and timelines for the sale of all market rate parcels and sitewide parking requirements.
4. By the end of Q3 2024 (September 2024), the Sponsor will provide MOHCD with a proposed timeline for open spaces Blocks 2 and 4 design, construction and funding.
5. By the end of 2024, the Sponsor will provide MOHCD with a plan and timeline for finalizing the Sunnydale Master Association or HOA. The plan should outline steps and approvals from appropriate parties and costs assumed by the association including maintenance of public spaces.
6. By the end of 2024, the Sponsor will provide MOHCD with an update on relocation services needs assessment for 2025-2030.
7. MOHCD will review and approve final construction pricing, contract and contingency level above 10% owner hard cost contingency (including owner allowances). Any unneeded escalation will be removed from the budget at construction closing unless approved by MOHCD. Any budget reductions will be used to reduce the MOHCD gap loan.
8. Sponsor will provide updates every two weeks on CBO relocation until all CBOs are permanently relocated.

## 11. LOAN COMMITTEE

### 11.1. Modifications

### 11.2. Recommendations

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

APPROVE       DISAPPROVE       TAKE NO ACTION

Date: \_\_\_\_\_

\_\_\_\_\_  
Daniel Adams, Director  
Mayor's Office of Housing and Community Development

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

Date: \_\_\_\_\_

\_\_\_\_\_  
Salvador Menjivar, Deputy Director for Programs  
Department Homelessness and Supportive Housing

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

Date: \_\_\_\_\_

\_\_\_\_\_  
Thor Kaslofsky, Executive Director  
Office of Community Investment and Infrastructure

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

Date: \_\_\_\_\_

\_\_\_\_\_  
Anna Van Degna, Director  
Controller's Office of Public Finance

APPROVE.       DISAPPROVE.       TAKE NO ACTION.

Date: \_\_\_\_\_

\_\_\_\_\_  
Tonja Lediju, Chief Executive Officer  
San Francisco Housing Authority

#### ATTACHMENTS

- A. HOPE SF Project Summary
- B. Applicable HOPE SF Developer Fee Policy
- C. Project Milestones and Schedule
- D. Borrower Org Chart
- E. Infrastructure Development Budget
- F. Relocation Memo
- G. San Francisco Public Works ITF Hard Cost Analysis

## FW: Request for Infrastructure Gap Loan for Hope SF Sunnydale

Adams, Dan (MYR) <Dan.Adams@sfgov.org>

Sun 4/21/2024 12:27 PM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

I also approve the above referenced request.

Daniel Adams

Director

Mayor's Office of Housing and Community Development

City and County of San Francisco

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## HOPE SF SUNNYDALE PHASE 3

Menjivar, Salvador (HOM) <salvador.menjivar1@sfgov.org>

Fri 4/19/2024 1:40 PM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

I approve Mercy Housing California and Related California request of up to an additional \$42,387,512 in infrastructure financing, for a total of \$52,362,512 to fund infrastructure improvements for HOPE SF Sunnydale Phase 3.

Best,

Salvador

## Request for Infrastructure Gap Loan for Hope SF Sunnydale

Slutzkin, Marc (CII) <marc.slutzkin@sfgov.org>

Fri 4/19/2024 12:08 PM

To: Amaya, Vanessa (MYR) <Vanessa.Amaya@sfgov.org>

Cc: Ely, Lydia (MYR) <lydia.ely@sfgov.org>; Kaslofsky, Thor (CII) <Thor.Kaslofsky@sfgov.org>; Colomello, Elizabeth (CII) <elizabeth.colomello@sfgov.org>; Adams, Dan (MYR) <Dan.Adams@sfgov.org>

Hi Vanessa,

I approve the above request on behalf of OCII.

Thanks

Marc



**Marc Slutzkin**  
**Deputy Director**

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📍 One South Van Ness Avenue, 5th Floor  
San Francisco, CA 94103

🏠 [www.sfocii.org](http://www.sfocii.org)

**Re: REQUEST FOR INFRASTRUCTURE GAP LOAN FOR HOPE SF SUNNYDALE**

Trivedi, Vishal (CON) <[vishal.trivedi@sfgov.org](mailto:vishal.trivedi@sfgov.org)>

Fri 4/19/2024 11:35 AM

To: Amaya, Vanessa (MYR) <[Vanessa.Amaya@sfgov.org](mailto:Vanessa.Amaya@sfgov.org)>

Cc: Adams, Dan (MYR) <[Dan.Adams@sfgov.org](mailto:Dan.Adams@sfgov.org)>

I vote yes.

**Vishal Trivedi** | Financial Analyst  
Office of Public Finance | City & County of San Francisco  
Email | [vishal.trivedi@sfgov.org](mailto:vishal.trivedi@sfgov.org)

## **Attachment A: HOPE SF Project Summary**

### **HOPE SF Initiative:**

HOPE SF, established in 2007, seeks to transform four of San Francisco's most distressed public housing sites into new mixed-income communities. HOPE SF sites share unified principals and goals to eradicate intergenerational poverty by:

- Ensuring No Loss of Public Housing, which includes unit-for-unit replacement, building modern high-quality homes, and minimizing temporary and permanent displacement.
- Creating an Economically Integrated Community.
- Maximizing the Creation of New Affordable Housing.
- Involving Residents in the Highest Levels of Participation in the Entire Project.
- Providing Economic Opportunities through the Rebuilding Process.
- Integrating Process with Neighborhood Improvement Revitalization Plans.
- Creating Economically Sustainable and Accessible Communities.
- Building a Strong Sense of Community.

The four HOPE SF sites are Alice Griffith, Hunters View, Sunnydale/Velasco and Potrero Annex/Terrace.

### **Project Summary:**

The 48.8-acre Sunnydale HOPE SF site is located in the western end of the Visitacion Valley neighborhood in San Francisco. The Sunnydale and Velasco public housing, together referred to as Sunnydale, are currently owned, and operated by the San Francisco Housing Authority (SFHA), with 775 public housing units on site. The team of Mercy Housing California and The Related Companies of California was selected as the master developer by the SFHA and entered into an Exclusive Negotiating Rights Agreement with SFHA dated September 11, 2008. Van Meter Williams Pollack LLP was selected as the master plan architect.

The Sunnydale HOPE SF master planning process included an extensive resident and community engagement that spanned over 18 months. The goals for the revitalization of Sunnydale are to create a vibrant and healthy mixed-income neighborhood in which residents thrive. The development should reconnect Sunnydale residents with the surrounding neighborhood and reconnect the surrounding neighborhood with the Sunnydale residents. It is envisioned that the new community will bring in new residents of different incomes, new quality programs for youth and families, and new open space and green landscaping will provide healthy places to play and to grow local produce.

The master plan as described in the Development and Master Development Agreements includes:

- Up to 1,770 housing units consisting of a mix of one-for-one replacement public housing pending availability of project based rental subsidies, and tax credit affordable units for a total of 994 total affordable units, and approximately 600 market-rate units;
- A 30,000 square foot Community Center with recreational facility and family and youth development programs for the entire neighborhood and early childhood learning center, located at the gateway on Hahn and Sunnydale Avenue;
- 22,000 square feet for a neighborhood health clinic, arts program, early childhood education center, and job training for youth and adults located in the ground floor of the senior and family mixed use buildings across the street from the Community Center.

- 8,000 square feet of neighborhood serving retail including a corner grocery, financial services, and healthy eating establishments also located in the ground floor of the senior housing/mixed use building;
- 4.6 acres of open spaces in four blocks and a linear open space on the north side of Sunnydale Avenue. The program for these open spaces includes a community garden, orchards, plazas, play areas, and neighborhood green.

The Sunnydale HOPE SF development received CEQA clearance on July 9, 2015 and NEPA clearance with CPD and PIH Authorization to Use Grant Funds on September 1, 2015. An EIR/EIS Addendum for Parcel Q was approved on June 16, 2016. The Board of Supervisors approved the Master Development Agreement with SFHA and City on December 8, 2016 by SFHA Commission and on January 31, 2017. The Development Agreement, which vests entitlements for the project for 25 years, was approved by the Board of Supervisors on January 31, 2017. Both the MDA and DA were recorded on March 3, 2017.

**Project Funding Summary – Funded to Date:**

**Master Planning Funding to Date:**

Master Planning activities related to community building, Choice Neighborhoods Planning, EIR/EIS Planning, Entitlements Legislation etc. has been funded since 2008 in the following amounts:

<b>Total Master Planning Sources</b>	<b>Amount</b>	<b>Status</b>
HOPE SF Loan 1	\$1,400,000	Disbursed
HOPE SF Loan 2	\$1,724,593	Disbursed
HOPE SF Loan 3	\$1,000,000	Disbursed
HOPE SF Loan 4	\$1,123,846	Disbursed
HOPE SF Loan 5	\$1,000,000	Disbursed
HOPE SF Loan 6	\$2,475,000	Disbursed
HOPE SF Loan 7	\$1,094,878	\$730,880 remaining
<b>Total</b>	<b>\$9,818,317</b>	

**Vertical and Horizontal Funding to Date:**

	<b>Amount</b>	<b>Status</b>
Sunnydale Parcel Q Vertical Gap	\$ 12,466,847	Disbursed; Leased up 2019,
Sunnydale Block 6 Vertical Gap	\$12,910,414	Disbursed; Lease up Nov 2021
Sunnydale Phase 1A1/1A2 Gap	\$28,478,891	Closed May 2019, Improvements Accepted by City August 2022
Sunnydale Block 7 Predevelopment	\$2,820,000	Closed Sept 2021
Sunnydale Block 9 Predevelopment	\$3,500,000	Closed Sept 2021
Sunnydale Phase 3 Infrastructure Predevelopment	Included in Gap	Closed Sept 2021
Sunnydale Phase 3 Infrastructure Demo+Abatement	Included in Gap	Closed Dec 2022

Sunnydale Phase 1A3 Infrastructure Gap	\$26,567,405	Closed Feb 2022, Additional gap October 2023
Sunnydale Phase 3B Vertical Gap	\$29,316,271	Closed Feb 2023
Sunnydale Block 3A Vertical Gap (Res+Com)	\$26,397,647	Closed May 2023
Sunnydale Phase 1A3 Infra Additional Gap	\$1,495,294	Closed Dec 2023
<b>Sunnydale Phase 3 Infrastructure Gap</b>	<b>\$52,362,512</b>	<b>This request</b>
Total	\$196,315,281	

Phase 1A1-1A2 started infrastructure construction June 2019, received SFPW Notice of Completion in January 2022, and the infrastructure improvements were accepted by the City in August 2022. This infrastructure phase stayed roughly on schedule and on budget as envisioned by the Phase 1A1-1A2 Infrastructure Gap loan evaluation approved by Loan Committee in September 2018. Phase 1A3 started infrastructure construction in May 2022, plans to receive SFPW Notice of Completion in May 2024, and have improvements accepted by the City in August 2024. Phase 1A3 construction start was delayed by two months and the original completion date of June 2023 was delayed due to severe weather in winter 2022/2023 and PUC/PG&E energization issues. The Sponsor received Loan Committee approval in October 2023 for nearly \$1.5 million in additional funding to complete infrastructure construction. Phase 1A3 infrastructure work was complete in February 2024 and is now completing the NOC process.

**Overall Funding and Ownership Structure:**

The Master Planning loan is made to the Master Developer, which is Sunnydale Development Co., LLC (which consists of Mercy Housing California and The Related Companies of California as sole members). Horizontal (infrastructure) loans will be made to an LLC entity that will consist of affiliates of Mercy and Related as members, and when the City accepts the streets and public infrastructure, the loan will be considered forgiven. Vertical loans are made to single purpose Limited Partnerships that will own and operate the individual affordable housing buildings. The general partners of these limited partnerships will be affiliates of Mercy Housing and Related CA. Vertical loans are payable on residual receipts basis and due in 55 years. The infrastructure LLC may assign any portion of the horizontal loans to a vertical developer LP entity to the extent allowable under the tax credit program in order to maximize leveraging of the tax credits.

All affordable parcels will be ground leased to the vertical LP entity by the Authority for 99 years. All market-rate parcels, once improved by the infrastructure LLC, will be sold fee simple by Authority to a third party. All infrastructure parcels will be dedicated to the City through their infrastructure acceptance process. All parks and open spaces will be sold fee simple by Authority to the master plan developer entity or its affiliate, and maintained by the master HOA.

**Services Plan and Relocation Summary:**

**Overall Services approach**

Since 2009, Mercy/Related has staffed community liaisons or other community staff at Sunnydale to engage residents, neighbors, Community Based Organizations (CBOs) and other stakeholders in community building and programs and services. Currently located on site at 1711 and 1657 Sunnydale Ave, Mercy’s on-site staff includes six staff that collectively represents Sunnydale residents, including the racial diversity of the Sunnydale/Velasco community, language fluency in Samoan, Cantonese, Mandarin, Taiwanese, and Spanish. Managed by a senior Resident Services Manager, two Resident

Services Coordinators (RSC) and three Community Liaisons together engage residents and neighbors in community building events such as:

- Weekly game nights and senior teas
- Annual events: Back to school, Thanksgiving, Christmas, Family Day, Game Day
- Support residents in their organizing, such as the women's group
- Special events such Black History Month Talent Show and Literacy Career Day
- Monthly or special community meetings with various topics related to the development or to engage them in neighborhood issues such as parks, transit or safety
- Community gardening with Urban Sprouts and the Greenway

The team, in particular the Resident Services Coordinators, connects residents with services and programs that they desire or need. This includes connecting them to the CBO's that serve Sunnydale and Visitacion Valley, or finding resources in other neighborhoods as needed. This also includes connecting with SFHA staff to assist residents with urgent or long-standing maintenance issues.

Mercy assists in the management of a Collective Impact table and the Vis Valley Collaborative. The latter is a coalition of CBOs and City agencies that serve the Sunnydale and Vis Valley community that serves as a central place for information sharing and coordination of activities. The Collective Impact table is a subset of the CBOs and City agencies that is focused on strategic and collective action for maximum impact on the community, as opposed to each CBO or agency working on their own.

#### **Overall Relocation Approach:**

Mercy/Related's approach to supporting Sunnydale/Velasco households in relocating to new on site or off-site permanent housing units and/or temporarily to vacant units and then to new permanent housing units involves pre and post move work by Mercy's Sunnydale Resident Services team and others as follows:

- One on one household engagement to obtain household data, provide information about the new development and relocation process, and to offer Mercy's assistance in connecting residents with services.
- Preparing residents for relocation by identifying and helping them to remove barriers to relocation. This includes collaborating with CBOs for case management services and legal and housing groups on legal support to residents.
- Working closely with SFHA, which will manage the household moves
- Work with Mercy property management, who will manage the new housing units, to develop and execute a plan for a seamless lease up, move in and transition of households into the new units.
- Work with the Mercy resident services coordinator for the new development for a "warm handoff" of households from the Mercy Sunnydale Resident Services team so that residents continue to obtain resident services support from Mercy Housing in the new development.

**Attachment B: Applicable HOPE SF Developer Fee Policy**

The HOPE SF Developer Fee Policy for Sunnydale HOPE SF is attached as Exhibit B to this loan evaluation. A summary of the policy is as follows:

<b>HOPE SF DEVELOPER FEE STRUCTURE BY FEE TYPE AND MILESTONE</b>	
Master Planning Fee	\$1,400,000
Management cost reimbursement during planning/entitlement	\$1,000,000
Land use approval - DA	\$200,000
HUD Section 18 approval	\$200,000
Master Planning Additional Residential Fee (as applicable on a per-building basis pursuant to Section 1) AT RISK	\$800,000
<b>Infrastructure Development Fee:</b>	
<b>Disbursements Milestones Per Phase</b>	Total Aggregate Fee: \$5 Million (per phase fee values divided equally between DA-defined phases)
60% Construction Documents	15%
Construction Commencement	25%
Fifty Percent Completion of the Phase	20%
SFPW Notice of Completion	30%
Board of Supervisors Acceptance	10%
Residential Developer Fee(s) by Financed Phase (example)	\$2,000,000
HOPE SF Loan Closing	\$150,000
During or at completion of predevelopment/construction closing with no more than 35% of the total project management fee disbursed prior to construction loan closing	\$550,000
During or at Completion of Construction	\$200,000
Project close-out: PIS application; 100% lease-up; City Approval of Sponsor's project completion report and documents, including final cost certification	\$100,000
At-Risk	\$1,000,000
Lot Sales Proceeds (as applicable, pursuant to Section 4)	



**Attachment C: Project Milestones and Schedule**

<b>Phase 3 Abatement Demolition</b>	
<b>Task</b>	<b>Complete</b>
SFHA relocation of occupants out of Phase 3 units (including moving to new units at 290 Malosi)	May-23
Security of vacant units	10/21/2022
Utility disconnect/capping permit submission	Jun-22
Utility disconnect/capping work completed	6/16/2023
HazMat survey and report and biddable specs completed	11/1/2022
Abatement/demolition contractor procurement (bidding)	10/20/2022
Contractor selection and contract negotiation	12/2/2022
MOHCD NTP checklist items completed	Jan-23
Abatement and demolition activity under SFHA license agreement	01/2024
Abatement and Demo NTP	6/12/2023
Western Access Road Demo and Abatement (Buildings 48F and 55A)	3/04/24
Demo and Abatement complete	4/8/2024

<b>Phase 3 Horizontal</b>	
<b>Task</b>	<b>Complete</b>
Phase Application Submittal	Dec-21
Phase Application Approval	July-22
GC Selected	February-24
60% SIP Submitted.	May-23
90% SIP submitted.	Sep-23
100% SIP submitted.	March-24
100% SIP approved.	May-24
Enter into construction contract.	June-24
Final Map recorded for this phase	May-24
Street Improvement Plans and Specs, Final Map and Public Improvement Agreement approved by BOS and signed/recorded	Jun-24

Western Access Road NTP	Jun-24
Western Access Road NOC	Nov-24
BOS and Mayor Approval of loan, funds disbursed	May-24
Infrastructure Construction NTP (same GC as Western Access Road)	Nov-24
Infrastructure NOC	Dec-25
City Acceptance	Apr-26

**Attachment D: Borrower Org Chart**

**Attachment E: Infrastructure Development Budget**

**Attachment F: Relocation Memo**