

Citywide HOPE SF Affordable Housing Loan Committee
San Francisco 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 Phase 3 (1B 1C 3C)
Loan for
Abatement & Demolition
\$5,975,000 Funding Amount

| | |
|---|---|
| Evaluation of Request for: | Demo, Abatement, Infrastructure Predevelopment |
| Loan Committee Date: | October 7, 2022 |
| Prepared By: | Robert Baca, Joint Development Director |
| Source of New Funds Recommended | \$3,975,000 – Housing Trust Fund \$2,000,000- LMIHAF Asset Fund |
| NOFA/PROGRAM/RFP: | HOPE SF |
| Sources and Amounts of Previous City Funds Committed: | \$3,500,000 - 2015 GO Bond for Affordable Housing \$500,000 – Low Moderate Income Housing Fund |
| New Loan: | \$5,975,000 |
| Applicant/Sponsor Name: | Related California (“Related”) & Mercy Housing California (“Mercy”) |

Sponsor Information

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

Project Summary

This request is for the abatement and demolition of 127 existing San Francisco Housing Authority (SFHA) units located in the Sunnydale Phase 3 Infrastructure project area. This work is required to provide a clear area for the construction of new street and utility infrastructure and the preparation of housing blocks 7, 8, and 9 and open space blocks 2 and 4 of the Sunnydale HOPE SF master development. HOPE SF is a large scale, anti-racist community development initiative to build economically and racially inclusive neighborhoods through the development of vibrant, mixed income communities at Sunnydale and other sites without mass displacement of existing residents.

The Sponsor team is targeting December 2023 to start construction of the new infrastructure and to prepare the new housing and open space blocks. In order to meet this schedule, the abatement and demolition work for most of the existing SFHA-owned Phase 3 buildings will need to occur throughout 2023. SFHA, with assistance from the Sponsor services team, has been relocating households from the Phase 3 units into available units elsewhere in Sunnydale. The resulting vacant units are creating safety challenges including squatters and criminal activity. SFHA personnel who have been inspecting and securing the vacant units will be released from employment as of September 30, 2022, so the demolition of the existing units is an urgent remedy to the safety challenges. This loan request is for the funding of the Sponsor team’s abatement and demolition of the SFHA-owned units as well as a budget for the Sponsor team to continue the design and engineering of the new infrastructure through FY 22-23. The Sponsor will submit a future loan request in early Spring 2023 for the abatement and demolition of 3 SFHA-owned buildings that will remain fully occupied until mid-2024 as well for the Phase 3 infrastructure design, permitting and construction. This future loan request will require Loan Committee and Board of Supervisors approval.

Demo & Abatement Request – Project Description

| | | | |
|------------------------|-------------|--------------------------|--------------------------|
| Land Owner: | SFHA | Supervisor and District: | Walton, D10 |
| Total Open Space: | 0 SF | Total bldg./units demo: | 127 units, 127,000 sqft. |
| Total Street Area: | 1.22 acre | General/Demo | TBD |
| | | Contractor: | |
| TDC: | \$5,975,000 | Civil Engineer: | KPFF |
| TDC/SF: | \$ 47 | TDC Less Land Cost/SF: | \$ 47 |
| Loan Amount Requested: | \$5,975,000 | Request Amount/SF: | \$47 |

PRINCIPAL DEVELOPMENT ISSUES

- **Safety.** As tenant relocations are completed and buildings are vacated, there are safety concerns for keeping those buildings and adjacent areas safe and preventing squatting. The vacant units are secured by SFHA with a clear boarding system but are still subject to squatting. Earlier this summer, gunfire erupted due to squatter activity. SFHA has conducted daily inspections to re-secure the units, but SFHA personnel will not be available after September 30. The loan request includes a budget for a third party to conduct daily inspections and resecure the units. See Section 10.2 for more information.
- **Abatement and demolition budget.** The proposed budget is based on the actual abatement/demo costs in the previous two phases with cost adjusters for escalation. The Sponsor team is conducting hazardous materials inspections to create a biddable scope and will manage a competitive bid process for the abatement/demolition contractor so that the abatement and demolition work can proceed in January 2023 and be complete in November 2023. The hazmat inspections that inform the scoping and contractor bidding could not be conducted until SFHA relocated a significant number of households in each building. SFHA's relocation schedule was based on their schedule for rehabbing vacant units and managing the accelerated conversion as well. In the interest of starting the abatement/demolition work as soon as possible given the safety challenges with vacant buildings, this loan request is submitted based on the actual costs for the previous two phases. See Section 10.2 for more information.
- **Relocation.** SFHA will need to complete the remaining relocation before the start of the abatement and demolition work and is targeting October 31, 2022 to complete all relocation. See Section 5.4 for more information.
- **SFHA Staffing Capacity.** SFHA is significantly reducing their staffing as of September 30, 2022 which will affect SFHA's ability to conduct periodic inspections of the vacant units and re-secure them as needed. The Phase 3 buildings will remain under SFHA ownership and not transferred as part of the accelerated conversion because they will be demolished. The Sponsor, SFHA and HOPE SF staff are coordinating on the relocation of all households by October 31, 2022 out of the buildings that will be abated/demolished through this loan request, then the Sponsor will have a third party erect fencing around the vacant buildings on November 1, 2022. The Sponsor is also planning for the third-party service to conduct periodic inspections and re-secure the SFHA-owned vacant units.

SOURCES AND USES SUMMARY

| Sources | Amount | Terms | Status |
|---|-------------|---|---------------------|
| MOHCD predevelopment loan | \$4,000,000 | 0% interest, 57 yr loan, Assigned or Deferred, In-kind transfer of work product to City | \$588,956 disbursed |
| MOHCD abatement/demo/predevelopment | \$5,975,000 | 0% interest, 57 yr loan, Assigned or Deferred, In-kind transfer of work product to City | This request |
| Total Sources | \$9,975,000 | | |
| Uses | | | |
| Acquisition | \$0 | | |
| Hard Costs (hazmat abatement and building demolition) | \$5,011,429 | | |
| Soft Costs (environmental testing, site safety, design and permitting, developer fee) | \$4,963,572 | | |
| Total Uses | \$9,975,000 | | |

1. BACKGROUND

1.1. Project History Leading to This Request

In 2021, the Sponsor closed a \$4,000,000 predevelopment loan and started the design and engineering of Phase 3 Infrastructure which consists of Phases 1B, 1C, and 3C of the Sunnydale HOPE SF master infrastructure plan. The Sponsor has obtained the Planning Department’s approval of the Phase Application which outlines the scope of the infrastructure and has submitted the Basis of Design initial permit plans.

The Sponsor is requesting \$5,975,000 in additional City funds for the abatement and demolition of 127 existing units that are located in the footprint of Phase 3. This scope will be executed starting in January 2023 to provide a clear area for the late 2023 construction start of new street and utility infrastructure and grading of the housing blocks 7, 8 and 9 and the blocks 2 and 4 open spaces. The Velasco building which contains 14 units will remain occupied until 2024 and demolition and abatement of that building will be deferred until that year. Also to be deferred is the abatement and demolition of Wu Yee Children’s Services Head Start/Early Head Start on Velasco, and the Administration Building on Sunnydale Avenue. The abatement and demolition of the remaining 127 existing units is necessary to prevent squatting and other safety issues. This loan request also includes a soft cost budget for the design, engineering and permitting of the full phase of infrastructure to augment the soft cost budget in the predevelopment loan approved last year.

For a Project History of Sunnydale HOPE SF, with Applicable NOFA/RFQ/RFP, please see Attachment A.

2. BORROWER/GRANTEE PROFILE

(See Attachment B for Borrower Org Chart; See Attachment C for Developer Resume and Attachment D for Asset Management Analysis)

Borrower. Sunnydale Phase 3 Infrastructure, LLC. The two members of this LLC are affiliates of Mercy and Related.

Joint Venture Partnership. Related and Mercy are co-developing the Sunnydale Master Plan project as a joint venture partnership with a 50-50 split of responsibilities. Related and Mercy alternate the responsibility of serving as lead developer for each Sunnydale residential project. Mercy is the lead developer for the Phase 3 Infrastructure and receives input and support from Related. Both Related and Mercy prioritize racial equity goals through their work at Sunnydale. For example, the Non-Profit Housing Association (NPH) has just selected a cross sector team of Mercy Housing BIPOC staff who are on the Visitacion Valley and Sunnydale HOPE SF team for its first Anti Racist Champions of Change (ARCC) cohort. The ARCC is designed to transform the affordable housing sector to one that is led by BIPOC leaders and allies. ARCC will focus on BIPOC leaders’ personal growth; organizational change and remove barriers to BIPOC leadership; and building a network of anti-racist champions of change.

2.1. Development Team for Demo & Abatement

| Development Team | | | |
|------------------------------------|---|------------------------|---------------------------------------|
| Consultant Type | Name | SBE/LBE | Outstanding Procurement Issues |
| Owner’s Rep & Construction manager | Hollins Consulting, Inc. | Y | N |
| Civil Engineer | Kpff with Sage as sub | N for kpff; Y for Sage | N |
| Stormwater Designer | MIG | N | N |
| General Contractor | TBD | tbd | Y |
| Environmental (HazMat) | Essel | N | N |
| Geotechnical engineer | ENGEO | N | N |
| Legal | Farella Braun & Martel and Gubb & Barshay | N | N |

3. PRIOR MOHCD FUNDING FOR CURRENT REQUEST

| Loan Type/ Program | Loan Date | Loan Amount | Interest Rate | Maturity Date | Repayment Terms | Outstanding Principal Balance | Accrued Interest to Date |
|-------------------------------------|-----------|--------------------|---------------|---------------|--|--|--------------------------|
| 2015 GO Bond for Affordable Housing | Nov 2021 | \$3,500,000 | 0% | 2078 | Assigned or Deferred, In-kind transfer of work product to City | \$588,956 spent to date (through Draw 7) | \$0 |
| Low Moderate Income Housing Funds | Nov 2021 | \$500,000 | 0% | 2078 | | | |
| Total: | | \$4,000,000 | | | | \$588,956 | \$0 |

3.1 Disbursement Status. To date, \$588,956 of the \$4,000,000 predevelopment loan has been disbursed to cover the cost of consultants’ work on the Phase Application and the Basis of Design for the new infrastructure. The balance of the predevelopment loan budget included an estimate of the design and engineering of the new construction of street and utility infrastructure and an estimate for the mapping and legal costs for the SFHA and City agreements that need to be executed for construction. The Sponsor has completed its negotiations of all design and engineering contracts and this loan request includes \$674,896 in additional funds for the design and engineering team to complete 90% street improvement permit drawings to prepare for a December 2023 infrastructure construction start.

4. SITE

4.1. Description

The Phase 3 site currently consists of 141 public housing units, 127 of which are to be demolished in this loan request and 14 units to be demolished through a future loan request, owned by the San Francisco Housing Authority (SFHA) in 14 residential buildings. The site also houses two non-residential buildings: the Wu Yee Children’s Services Head Start/Early Head Start program on Velasco and the Administration building at 1652-54 Sunnydale Avenue which contains the SFHA leasing office and maintenance yard, the Boys & Girls Sunnydale clubhouse, the SF DPH Wellness Center, and the Youth Center.

Phase 3 forms a contiguous site centered along Santos St between Sunnydale Ave and Velasco St. It is bordered to the east by Phase 1 (Phase 1A1/1A2) and Phase 2 (Phase 1A3), the first two infrastructure phases within the Sunnydale HOPE SF project; McLaren Park to the north; existing public housing buildings to the west; and single-family homes to the south. This infrastructure scope also includes the demolition of two public housing buildings in Phase 3C at the western edge of the Sunnydale HOPE SF site to create a temporary road connecting Sunnydale Ave and Brookdale Ave, which will serve as a detour path for residents within the community. Phase 3C is bordered by the John McLaren School to the west and existing public housing buildings to the north, east, and south.

5. DEVELOPMENT PLAN

5.1. Property Ownership Structure

This request is for abatement and demolition of units owned by SFHA. The Sponsor will conduct the fencing, abatement and demolition under a Construction License Agreement, the form of which has been negotiated by the Sponsor and SFHA and used on the previous two phases of abatement/demolition.

5.2. Environmental Issues

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.

A Phase II environmental site assessment will be conducted for the Phase 3 Infrastructure area. The findings from the Phase II and from the hazardous materials assessment of each building will be the basis for a site mitigation plan to be submitted to the SF Department of Public Health.

Based on the Sponsor's experience with Phase 1A-1/2 and 1A-3 abatement/demo, the Phase 3 existing buildings are expected to contain lead containing materials, asbestos containing materials and PCBs. Sponsor team unit inspections are underway, and a written assessment will be available in mid-October.

The abatement/demolition work will be conducted with residences and McLaren Park immediately adjacent. The abatement areas will be sealed, and the overall abatement/demo areas will be secured with construction fencing by the contractor. The abatement air monitoring will be conducted by Essel, a third-party hazardous materials specialist (that is also conducting the inspections and creating the biddable scope).

Please see Section 10.2 for the description of the hard cost and hazmat testing cost that are included in this loan request.

5.3. Demolition

The Sponsor is budgeting \$4,961,429 of total hard costs for the abatement and demolition of 127 existing units which includes escalation and hard cost contingency. Most of this work will start in January 2023 and be completed in November 2023. The Administration Building, Wu Yee Early Head Start/Early Head Start and 14 units at the Velasco building will remain occupied until 2024 and the abatement/demo work of these structures will be deferred until that time and included in a future loan request.

| Subphase | Building # | # Units | Abatement/Demo Jan – Nov 2023 | Buildings not included in this scope/request |
|--------------|--------------|---------------------|----------------------------------|--|
| 1B | 21D | 2 + 2 non dwelling | X | |
| 1B | 36E | 7 | X | |
| 1B | 37F | 12 | X | |
| 1B | 38E | 7 | X | |
| 1B | 66E | 8 | X | |
| 1B | 67E | 8 | X | |
| 1B | 82F | 12 | X | |
| 1B | 83B | 10 | X | |
| 1B | 84A-1 | 6 | X | |
| 1B | Velasco Bldg | 14 | | X |
| 1B | Wu Yee ECE | n/a | | X |
| 1C | 9F | 11 + 1 non dwelling | X | |
| 1C | 10F | 12 | X | |
| 1C | 11F | 11 | X | |
| 1C | Admin | n/a | | X |
| 3C | 48F | 12 | X | |
| 3C | 55A | 5 | X | |
| TOTAL | | 127 | | |

The Sponsor team is conducting building inspections to determine the scope of hazardous materials that must be abated. Based on the inspections for the previous two phases, the scope will include the abatement of lead-based paint containing materials, asbestos containing materials and PCBs. The Sponsor team estimated the scope and cost of this abatement for Phase 3 based on the two prior phases. A biddable scope of work will be developed based on the Phase 3 inspections and the Sponsor team will manage a competitive RFP process for the abatement/demolition contractor. The SF Housing Authority will continue to own the units during the abatement and demolition and Sponsor will conduct the work under a SFHA Construction License Agreement to be approved by the SFHA Commission.

5.4. Relocation

The Sunnydale HOPE SF Master Relocation Plan and the Phase 1B 1C 3C Relocation Plan governs the relocation of the 141 households in the existing units and the non-residential occupants in those units, mostly community-based organizations (CBOs), and the two non-residential buildings in Phase 3. These two relocation plans were reviewed by MOHCD and approved by the SF Housing Authority Commission in 2016 and 2021 respectively. SFHA is the entity responsible for relocation activities, including noticing of residents and providing residents with relocation counseling and moving assistance. The Mercy on site services team supports the SFHA relocation work through resident outreach and coordinating the services that residents may need to be able to move.

Through this team approach, most of the Phase 3 households have moved permanently to new construction units set aside for Sunnydale households at 691 China Basin (in Mission Bay) and at 290 Malosi (at Sunnydale). 691 China Basin is an offsite development that gave a priority to residents who voluntarily relocated from Sunnydale HOPE SF and 290 Malosi is a new construction development completed in Sunnydale HOPE SF. Both developments were completed in 2021. The remaining Phase 3 households who live in the Phase 3 area are being relocated to existing vacant rehabbed units within Sunnydale or they will stay in the Velasco building, which will not be demolished until 2024. SFHA and Mercy are targeting to complete the relocation of all Phase 3 households in October 2022.

Below is a chart of the community-based organizations (CBOs) with offices or facilities in Sunnydale and their relocation status.

| CBO and current location | Permanent new location and when available | Temporary relocation home |
|--|---|---|
| Visitacion Valley Strong Families (VVSF) in apartment | Block 3A, Spring 2025 | Vacant rehabbed unit |
| YMCA in apartment | Block 3A, Spring 2025 | Vacant rehabbed unit |
| Sunnydale Tenants Association in apartment | Block 3B, Fall 2025 | Vacant rehabbed unit |
| Mercy Housing at 1657 Sunnydale apt | Block 3A, Spring 2025 | Staff will share space with Mercy at 1711 Sunnydale |
| SF DPH Wellness Center in Admin Bldg | Block 3A, Spring 2025 | N/A; Admin Bldg will not be demolished until Summer 2024 |
| Boys & Girls Club in Admin Bldg | Block 1 Community Center, Spring 2024 | N/A; Admin Bldg will not be demolished until Summer 2024 |
| Youth Center in Admin Bldg | Mercy is exploring options | Mercy is exploring options |
| Wu Yee Head Start/Early Head Start facility on Velasco | Block 1 Community Center, Spring 2024 | N/A; Wu Yee facility will not be demolished until Summer 2024 |
| SFHA leasing office and maintenance yard in Admin Bldg | N/A as Eugene Berger Management Company is taking over ops and maintenance role from SFHA | N/A |

The CBO relocation costs are included in the Phase 3 predevelopment budget.

6. Permits & Planning Review

The abatement and demolition permits that will be required are:

| <u>Permit</u> | <u>Status</u> |
|---|--|
| Bay Area Quality Management District account for the hazardous materials disposal | This permit requirement will be obtained by the abatement contractor as required by BAAQMD. The contractor can pull this permit within days of receiving an NTP. |
| Utility shutoffs and/or capping of utilities | Sponsor team is in communication with the utility agencies and is scheduling the utility shut offs for November, when the buildings will be vacant |
| Demolition permits for each individual building | Sponsor will submit these demo permits to DBI in October. DBI requires the contractor that will execute the abatement and demolition work to pull the permits which Sponsor is targeting for December. |
| Demolition permits for existing trees | January 2023 target to pull these permits from the Bureau of Urban Forestry |

7. Roads. N/A. This demo and abatement request does not include roads.

7.1. Open Space. N/A. This demo and abatement request does not include open space.

7.2. Market Rate Parcels. N/A. This demo and abatement request does not include market rate.

7.3. Utilities to Parcels. N/A

8. CONSTRUCTION SUPERVISOR

The budgeted amounts for the demolition of these buildings are in line with what we have seen on previous HOPE SF demolition phases, with a reasonable assumption of escalation. Since no permanent improvements are included in this request, no further design review necessary at this time. Demolishing existing housing without Site Permit approval for the housing that is to replace it goes against standard DBI practice, but DBI will allow it to proceed with “Letters of Exception” from MOHCD explaining the reasons why this demolition is needed in advance of any Phase 3 vertical building permits having their site permits approved by the time demolition work is ready to commence.

9. PRIOR CONDITIONS

| Loan Condition (from Predevelopment Loan approval) | Status |
|--|---|
| Sponsor must complete relocation plan related to demolition of existing buildings and secure SFHA Commission and HUD approval | Completed. SFHA Commission voted to approve the phase relocation plan on July 22, 2021 |
| Sponsor must provide a phased schedule, including sequence of relocation, demolition and infrastructure construction and construction start to MOHCD for approval. | Schedule of diagrams of sequence submitted to MOHCD and DPW/OEWD . |
| Sponsor must submit Phase Application prior to submission for Planning Dept approval | Completed. Approved November 2021. |
| Sponsor must submit Construction Management RFQ to MOHCD for approval and include MOHCD on selection panel. Sponsor must provide Construction Management contract to MOHCD for approval. | Completed. Draft reviewed by MOHCD. MOHCD represented on selection panel with Sponsor. |
| Sponsor must submit General Contractor RFQ to MOHCD for approval and include MOHCD on selection panel. Sponsor must provide General Contractor's contract to MOHCD for approval. | MOHCD reviewed the RFQ for Block 7 and 9 GC selection. MOHCD will be asked to review the abatement/demo GC RFP and participate in the selection panel. |
| Sponsor to work on containing hard and soft costs and strategies for cost effective design and construction with assistance from the Infrastructure Construction Manager and MOHCD's Construction Representative | In progress |
| Sponsor will provide a draft marketing and analysis plan to MOHCD within 6 months of predevelopment loan closing | MOHCD and Sponsor agreed to delay this deadline to May 2022. MOHCD and Sponsor are currently working with a consultant to assess feasibility for HUD CHOICE funding which will influence the configuration of the market rate blocks 5 and 8. |

10. DEMO & ABATEMENT FINANCING PLAN

10.1. Financing Narrative

The MOHCD \$5,975,000 loan amount is based on Sponsor’s budget for the abatement and demolition scope as well as soft cost for the design, engineering and permitting of the full Phase 3 infrastructure. Sponsor used the actual abatement and demolition costs from the previous two phases of abatement/demo that were completed, including Phase 1A-3 that was completed earlier in 2022. The budget includes a typical contingency and 4% escalation for a 2023 start.

10.2. Horizontal Uses Evaluation

| INFRASTRUCTURE DEVELOPMENT BUDGET | | |
|---|-----------------|---|
| Underwriting Standard | Meets Standard? | Notes |
| Bid Contingency is at least 5% of total hard costs | Y | Bid contingency is currently 5% and hard cost contingency is at 5%. |
| Escalation amount is commensurate with time period until expected construction start, not to exceed 15% | Y | 4% escalation is budgeted as the hard cost estimate based on Phase 1A-3 abatement/demo that was completed in 2022 |
| Construction Management Fees are within standards | Y | The CM fee for predev and abatement/demo totals \$600,000 compared to \$651,608 total spent on Phase 1A-1/2 through Acceptance. The Phase 3 CM fee includes project management of the design and demo teams, mapping, permitting, budget and scheduling. |
| Developer Fee is within standards | N/A | No Developer fee in this scope. The predevelopment loan includes \$181,364 in developer fee for the completion of 60% street improvement permits which will occur in 2023. |
| Soft Cost Contingency is 10% per standards | N | Soft Cost Contingency is 8% of the total soft costs in the predevelopment and abatement/demo budgets. Most of the consultant contract scope and budgets have been confirmed and the other line items are informed by actual costs on Phase 1A-1/2 which has been completed. |
| Infrastructure Project Management Fees included in Developer Fee | N/A | No additional project management fee |

Hard Costs: The abatement and demolition is estimated at \$4,338,864 for 127 units in 14 buildings which is an average of \$289,257 per existing building. The Infrastructure Construction Manager, Hollins Consulting, developed this budget by using actual cost data from the previous phases of abatement/demo and applying that cost information to take offs for each of the buildings. Their cost estimate also accounts for securing the work areas, clearing and grubbing, demolishing and capping of building utilities, demolishing building pads, asphalt, concrete and trees and rough grading. The budget includes an estimate for the general requirements, general conditions, bonds and insurance, overhead and profit.

Hard Cost Contingencies: A total contingency of \$622,564 is budgeted and is composed of 5% bid contingency, 4% escalation (from 2022 cost data to 2023 construction period) and 5% hard cost contingency.

HazMat Testing. The budget includes \$113,064 in hazmat testing and reporting which includes the survey of existing buildings for asbestos, lead, PCBs and other hazardous materials, and the development of a biddable scope of work and specifications. This budget is per the contract executed with the environmental consultant.

Environmental Monitoring: Environmental monitoring is budgeted for \$177,725. This budget includes the development of an abatement/demolition monitoring plan, third party monitoring of the asbestos abatement and fugitive dust oversight. This budget is per the contract executed with the environmental consultant.

Permits: Permit fees of \$47,886 is included to augment the \$250,000 permit fee budget funded through the predevelopment loan. The additional \$47,886 is an estimate of the DBI demolition permit fees.

Construction Management Fee: This loan request does not include a budget for the construction manager. The predevelopment loan includes a \$600,000 budget for Hollins Consulting, the construction manager, to oversee the design, engineering and permitting of the Phase 3 infrastructure as well as to oversee the abatement/demolition phase of work as owner's representative. Their services include pulling the applicable permits, overseeing the environmental assessment, contractor procurement, contract negotiation and managing the monitoring and contracting team during the construction period.

Other Soft Costs/Professional Services: This loan request includes \$674,896 for the design and engineering of the new infrastructure construction to 90% street improvement permit. The professional services are civil engineering, stormwater management design, joint trench design, landscape architect and surveying and mapping. This loan request augments the predevelopment loan budget for these professional services based on the contracts negotiated with the consultants.

11. **Security:** The SFHA has been securing vacant units and conducting periodic inspections for unauthorized occupants, but the SFHA personnel will be leave SFHA on September 30, 2022. The Sponsor is offering to hire a third party to conduct regular inspections and re-secure vacant units. The cost for this scope for October through January 2023 is \$99,000. Predevelopment loan funds will be used to cover this cost given the urgency to address this need.

12. HORIZONTAL DEVELOPER FEE

Developer fee is not budgeted for the abatement/demolition scope. The predevelopment loan includes \$181,364 in developer fee for the completion of 60% street improvement permits which will occur in 2023.

13. STAFF RECOMMENDATIONS

13.1. Proposed loan/grant terms

| Financial Description of Proposed Loan | |
|---|--|
| Loan Amount: | \$5,975,000 |
| Loan Term: | 57 years |
| Loan Maturity Date: | 2079 |
| Loan Repayment Type: | Assigned or Deferred, In-kind transfer of work product to City |
| Loan Interest Rate: | 0% |

13.2. Recommended conditions prior to disbursement of the demo loan

1. Receipt and approval of final demo and abatement budget after bidding.
2. Sponsor must submit a plan for securing the vacant buildings prior to demolition.

a. Conditions of Loan

1. Sponsor must provide MOHCD with detailed monthly updates via the MOH Monthly Project Update.
2. 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.
3. Sponsor to coordinate with SFHA to complete relocation of existing occupants prior to abatement and demolition of existing buildings.
4. Sponsor must submit a revised schedule, including sequencing of relocation, demolition, and abatement for the remaining phase 3.
5. Sponsor must submit a plan for securing the areas post demolition.
6. 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.
7. 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.

14. LOAN COMMITTEE

14.1. Modifications

14.2. Recommendations

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

APPROVE DISAPPROVE TAKE NO ACTION

Eric D. Shaw, Director
Mayor's Office of Housing and Community Development

Date: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

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

Date: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

Thor Kaslovsky, Executive Director
Office of Community Investment and Infrastructure

Date: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

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

Date: _____

APPROVE. DISAPPROVE. TAKE NO ACTION.

Tonja Lediju, Chief Executive Officer
San Francisco Housing Authority

Date: _____

ATTACHMENTS

- A. HOPE SF Project Summary
- B. Applicable HOPE SF Developer Fee Policy
- C. Project Milestones and Schedule
- D. Site Map with Amenities
- E. Infrastructure Development Budget
- F. Infrastructure Operating Budget

Chavez, Rosanna (MYR)

From: Ely, Lydia (MYR)
Sent: Tuesday, October 11, 2022 10:56 AM
To: Chavez, Rosanna (MYR)
Subject: Re: Sunnydale Phase 3 Vote from 10/7 Loan Committee

Hi Rosie, I approve of the Sunnydale Phase 3 demo and abatement loan as presented to Loan Committee on October 7, 2022. Thank you,
Lydia

—

Lydia Ely
Deputy Director for Housing
San Francisco Mayor's Office of Housing and Community Development
(415) 225-2936

From: Chavez, Rosanna (MYR) <rosanna.chavez@sfgov.org>
Sent: Tuesday, October 11, 2022 9:17:01 AM
To: Ely, Lydia (MYR) <lydia.ely@sfgov.org>
Subject: Sunnydale Phase 3 Vote from 10/7 Loan Committee

Hi Lydia,

If you could please provide your vote for Sunnydale Phase 3 from 10/7 Loan Committee.

Thank you,

Rosie Chavez

Asset Manager/Assistant Housing Loan Administrator
Mayor's Office of Housing and Community Development
1 South Van Ness, 5th Floor, San Francisco, CA 94103
(628) 652-5810

Chavez, Rosanna (MYR)

From: Menjivar, Salvador (HOM)
Sent: Friday, October 7, 2022 11:38 AM
To: Shaw, Eric (MYR); Chavez, Rosanna (MYR)
Cc: Ely, Lydia (MYR)
Subject: Sunnydale Phase 3

I support Related California & Mercy Housing California loan request for \$5,975,000 to complete Abatement & Demolition at Sunnydale Phase 3 (1B 1C 3C).

best,

salvador



Salvador Menjivar
Director of Housing
Pronouns: He/Him
San Francisco Department of Homelessness and Supportive Housing
salvador.menjivar1@sfgov.org | 415-308-2843

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Chavez, Rosanna (MYR)

From: Colomello, Elizabeth (CII)
Sent: Friday, October 7, 2022 11:33 AM
To: Chavez, Rosanna (MYR)
Cc: Kaslofsky, Thor (CII); Ely, Lydia (MYR)
Subject: Sunnydale Phase 3 Abatement and Demo Loan \$5,975,000

Hi Rosie-
I approve the subject loan request on behalf of OCII.
Thanks-
Elizabeth



Elizabeth Colomello
Housing Program Manager

📍 One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
📞 415.749-2488, Cell 415.407-1908
🏠 www.sfocii.org

Chavez, Rosanna (MYR)

From: Katz, Bridget (CON)
Sent: Friday, October 7, 2022 11:33 AM
To: Chavez, Rosanna (MYR)
Subject: Sunnydale Phase 3 Infrastructure Add Predev Loan

Approve

Bridget Katz

Development Finance Specialist, Office of Public Finance
Controller's Office | City & County of San Francisco

Office Phone: (415) 554-6240

Cell Phone: (858) 442-7059

E-mail: bridget.katz@sfgov.org

Chavez, Rosanna (MYR)

From: Tonia Lediju, PhD <ledijut@SFHA.ORG>
Sent: Friday, October 14, 2022 11:18 PM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR)
Subject: RE: Citywide Affordable Housing Loan Committee - Friday, October 7, 2022 11:15 a.m.

Importance: High

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Rosanna,

Apologies for failing to do so. Yes on Sunnydale Phase 3 Infrastructure.

Respectfully,

Tonia Lediju, PhD

Chief Executive Officer
Housing Authority of the City & County of San Francisco
(650) 356-8401
(415) 619-1936

Clear is kind. Unclear is unkind -- Brene' Brown, PhD

From: Chavez, Rosanna (MYR) <rosanna.chavez@sfgov.org>
Sent: Friday, October 14, 2022 6:04 PM
To: Tonia Lediju, PhD <ledijut@SFHA.ORG>
Subject: RE: Citywide Affordable Housing Loan Committee - Friday, October 7, 2022 11:15 a.m.

Hello Dr. Lediju,

If you could please provide your vote for Sunnydale Phase 3 Infrastructure that was presented to Loan Committee October 7th.

Thank you,

Rosie Chavez

Asset Manager/Assistant Housing Loan Administrator
Mayor's Office of Housing and Community Development
1 South Van Ness, 5th Floor, San Francisco, CA 94103
(628) 652-5810

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:

| Total Master Planning Sources | Amount | Status |
|--------------------------------------|--------------------|---------------|
| 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 | \$94,878 | 94,878 |
| HOPE SF Loan 8 | \$1,000,000 | \$1,000,000 |
| Total | \$9,818,317 | |

Vertical and Horizontal Funding Disbursed to Date:

| | Amount | Status |
|---|---------------------|------------------------------|
| 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 |
| Sunnydale Phase 1A3 Predevelopment | \$5,800,000 | Closed August 2019 |
| Sunnydale Phase 1A3 Gap | \$19,272,111 | Closed February 2022 |
| Sunnydale Phase 3A Predevelopment | \$1,850,000 | Closed Jan 2020 |
| Sunnydale Block 3B Predevelopment | \$1,850,000 | Closed Jan 2020 |
| Sunnydale Phase 3 Infrastructure Predevelopment | \$4,000,000 | Closed Sept 2021 |
| Sunnydale Block 7 Predevelopment | \$2,820,000 | Closed Sept 2021 |
| Sunnydale Block 9 Predevelopment | \$3,500,000 | Closed Sept 2021 |
| | \$92,948,263 | |

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

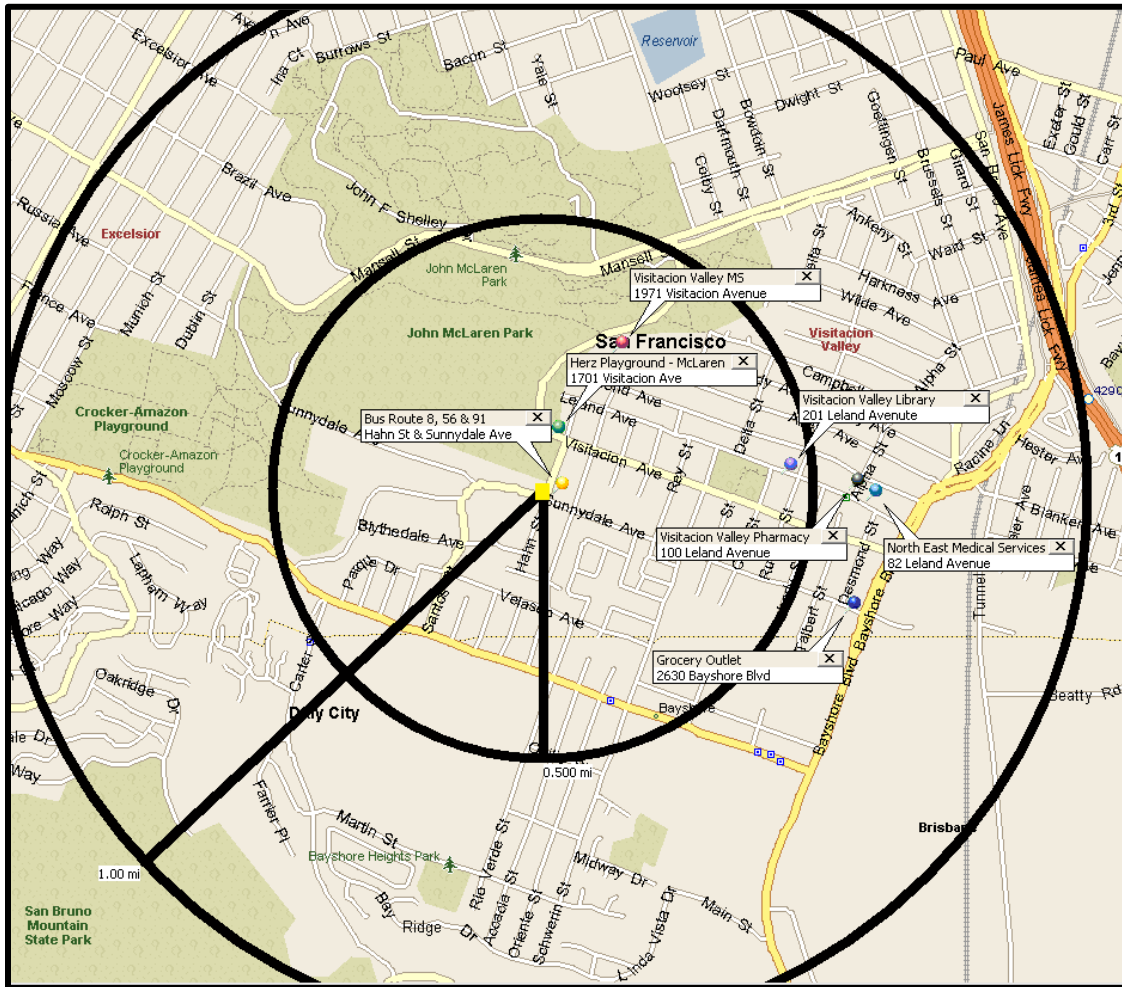
The HOPE SF Developer Fee Policy for Sunnydale HOPE SF is attached as Exhibit B to this loan evaluation. A summary of the policy is as follows:

| HOPE SF DEVELOPER FEE STRUCTURE BY FEE TYPE AND MILESTONE | |
|---|--|
| 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 |
| Infrastructure Development Fee: Disbursements Milestones Per Phase | |
| | 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% |
| DPW Determination 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

| Phase 3 Abatement Demolition | | |
|---|-----------------|-----------------|
| Task | Initiate | Complete |
| SFHA relocation of occupants out of Phase 3 units (including moving to new units at 290 Malosi) | 11/2021 | 11/30/2022 |
| SFHA security of vacant units | 11/2021 | 9/30/2022 |
| Third party security of vacant units | 10/2022 | 1//2023 |
| Utility disconnect/capping and building demolition permit applications | 6/2022 | 12/2022 |
| HazMat survey and report and biddable specs | 8/30/2022 | 10/10/2022 |
| Abatement/demolition contractor procurement (bidding) | 10/14/2022 | 11/14/2022 |
| Contractor selection and contract negotiation | 11/15/2022 | 12/9/22 |
| MOHCD NTP checklist items completed | 12/1/2022 | 12/16/2022 |
| Abatement and demolition activity under SFHA license agreement | 1/2023 | 11/2023 |

Attachment D: Site Map with Amenities



Attachment E: Infrastructure Development Budget

| SUNNYDALE PHASE 1B 1C 3C ("Phase 3") | | Abatement & Demo Period Loan Request | + | Predevelopment Budget previously approved and proposed revision | = | Total MOHCD Loans |
|--------------------------------------|---|---|---|--|---|---------------------|
| TOTAL MOHCD LOAN | | \$ 5,975,000 | | \$ 4,000,000 | | \$ 9,975,000 |
| Acquisition | | | | | | |
| | License Agreements and Ground Leases | \$ - | | \$ - | | \$ - |
| Total Acquisition Costs | | \$ - | | \$ - | | \$ - |
| Hard Costs | | | | | | |
| | General Requirements & Conditions/Pre Con Servi | \$ 367,006 | | \$ 50,000 | | \$ 417,006 |
| | Building Demolition | \$ 1,920,105 | | \$ - | | \$ 1,920,105 |
| | Hazardous Materials Abatement | \$ 1,221,187 | | \$ - | | \$ 1,221,187 |
| | Grading & Paving | \$ 250,415 | | \$ - | | \$ 250,415 |
| | City of SF Business Tax | \$ 37,478 | | \$ - | | \$ 37,478 |
| | GC Prop. Liability & Damage Insurance | \$ 101,751 | | \$ - | | \$ 101,751 |
| | GC Overhead & Profit | \$ 135,668 | | \$ - | | \$ 135,668 |
| | GC Payment & Performance Bond | \$ 101,751 | | \$ - | | \$ 101,751 |
| | GC Construction Contingency | \$ 169,585 | | \$ - | | \$ 169,585 |
| | GC Estimating/Design Contingency | \$ 33,917 | | \$ - | | \$ 33,917 |
| | Subtotal Hard Costs | \$ 4,338,864 | | \$ 50,000 | | \$ 4,388,864 |
| | Escalation, Bid and Hard Cost Contingencies | \$ 622,564 | | \$ - | | \$ 622,564 |
| Total Hard Costs | | \$ 4,961,429 | | \$ 50,000 | | \$ 5,011,429 |
| Soft Costs | | | | | | |
| | Civil Engineer | \$ 328,131 | | \$ 423,829 | | \$ 751,960 |
| | Stormwater Mitigation Designer | \$ 168,082 | | \$ 206,348 | | \$ 374,430 |
| | Utility Design (Joint Trench) | \$ 7,904 | | \$ 321,096 | | \$ 329,000 |
| | Landscape Architect | \$ 130,779 | | \$ 382,500 | | \$ 513,279 |
| | Surveyor/Mapping/Due Diligence | \$ 40,000 | | \$ 120,000 | | \$ 160,000 |
| | Geotechnical Engineer | \$ - | | \$ 451,470 | | \$ 451,470 |
| | Environmental Consultant (Phase III) | \$ - | | \$ 111,000 | | \$ 111,000 |
| | Environmental Monitoring | \$ 177,725 | | \$ 14,550 | | \$ 192,275 |
| | HazMat Testing and Reports | \$ 113,064 | | \$ - | | \$ 113,064 |
| | Infrastructure Construction Manager | \$ - | | \$ 600,000 | | \$ 600,000 |
| | Resident Relocation Readiness Support | \$ - | | \$ - | | \$ - |
| | Business Relocation Consultant | \$ - | | \$ 30,000 | | \$ 30,000 |
| | Legal for Developer | \$ - | | \$ 255,000 | | \$ 255,000 |
| | Permit Fees & City Plan Check Fees | \$ 47,886 | | \$ 250,000 | | \$ 297,886 |
| | Insurance | \$ - | | \$ 200,000 | | \$ 200,000 |
| | Market study, Comm Eng in OS design, misc. | \$ - | | \$ 59,500 | | \$ 59,500 |
| | Subtotal Soft Costs | \$ 1,013,571 | | \$ 3,425,293 | | \$ 4,438,864 |
| | Soft Cost Contingency | \$ - | | \$ 343,344 | | \$ 343,344 |
| Total Soft Costs | | \$ 1,013,571 | | \$ 3,768,637 | | \$ 4,782,208 |
| Developer Fee | | \$ - | | \$ 181,364 | | \$ 181,364 |
| TOTAL BUDGET | | \$ 5,975,000 | | \$ 4,000,000 | | \$ 9,975,000 |

Attachment F: Infrastructure Operating Budget

Not applicable