

BOARD of SUPERVISORS



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MEMORANDUM

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Budget and Finance Committee

FROM: Linda Wong, Assistant Clerk

DATE: December 10, 2018

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, December 11, 2018

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, December 11, 2018, at 2:00 p.m. This item was acted upon at the Committee Meeting on Thursday, December 6, 2018, at 10:00 a.m., by the votes indicated.

Item No. 58 File No. 181161

Resolution approving the jurisdictional transfer of City property at 211-291 Putnam Street, Assessor's Parcel Block No. 5731, Lot No. 002, from the Real Estate Division to the Mayor's Office of Housing and Community Development; approving the transfer price of \$0; making findings of consistency with the California Environmental Quality Act, the General Plan, and the eight priority policies of Planning Code, Section 101.1; and authorizing other actions in furtherance of this Resolution, as defined herein.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Sandra Lee Fewer - Aye
Supervisor Catherine Stefani - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. 181161

Committee Item No. 17
Board Item No. 58

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date December 6, 2018

Board of Supervisors Meeting

Date December 11, 2018

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
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| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date November 30, 2018
Completed by: Linda Wong Date December 10, 2018

1 [Jurisdictional Transfer of City Property - Real Estate Division - Mayor's Office of Housing and
2 Community Development - 211-291 Putnam Street - \$0]

3 **Resolution approving the jurisdictional transfer of City property at 211-291 Putnam**
4 **Street, Assessor's Parcel Block No. 5731, Lot No. 002, from the Real Estate Division to**
5 **the Mayor's Office of Housing and Community Development; approving the transfer**
6 **price of \$0; making findings of consistency with the California Environmental Quality**
7 **Act, the General Plan, and the eight priority policies of Planning Code, Section 101.1;**
8 **and authorizing other actions in furtherance of this Resolution, as defined herein.**

9
10 WHEREAS, The City and County of San Francisco owns certain real property located
11 at 211-291 Putnam Street and known as Assessor's Parcel Block No. 5731, Lot No. 002 ("the
12 "Property"); and

13 WHEREAS, Real Estate Division ("RED") has jurisdiction of the Property despite
14 that the Property has been improved with a 100% affordable housing project through
15 the Mayor's office of Housing and Community Development ("MOHCD"); and

16 WHEREAS, RED is not an Enterprise Department as defined in Administrative
17 Code, Section 23A.4; and

18 WHEREAS, The Appraisal requirement in Section 23.14 of the Administrative
19 Code is not applicable to any jurisdictional transfers from a non-Enterprise Department
20 to MOHCD for 100% affordable housing under Administrative Code, Chapter 23A; and

21 WHEREAS, To further the production of quality affordable housing in San
22 Francisco, RED is willing to transfer jurisdiction of the Property to MOHCD, and
23 MOHCD is willing to accept jurisdiction of the Property, without monetary payment; and
24
25

1 WHEREAS, In accordance with Section 23.14 of the Administrative Code, the
2 Director of Property determines and reports to the Mayor that the Property could be
3 used more advantageously by MOHCD for affordable housing, as defined in
4 Administrative Code, Section 23A.4; and

5 WHEREAS, In accordance with Section 23.15 of the Administrative Code, the Mayor
6 believes and agrees the Property can be used more advantageously by MOHCD and
7 recommends that the Board of Supervisors approve the jurisdictional transfer of the Property
8 to MOHCD for 100% affordable housing; and

9 WHEREAS, By letter dated November 9, 2018 (the "Planning Letter"), the Department
10 of City Planning found the transfer between RED and MOHCD to be consistent with the City's
11 General Plan, and with the eight priority policies under Planning Code, Section 101.1; now,
12 therefore, be it

13 RESOLVED, That the Board of Supervisors hereby adopts the findings
14 contained in the Planning Letter, from the Department of City Planning regarding the
15 California Environmental Quality Act, and hereby incorporates such findings by
16 reference as though fully set forth in this Resolution; and, be it

17 RESOLVED, That in accordance with the recommendation of the RED, Director
18 of MOHCD, and Director of Property, the Board of Supervisors hereby declares that the
19 public interest and necessity will not be inconvenienced by the jurisdictional transfer of
20 the Property; and, be it

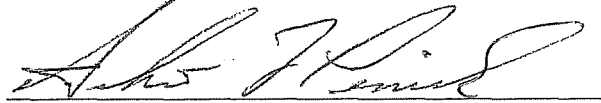
21 FURTHER RESOLVED, The Board of Supervisors finds that the actions
22 contemplated in this Resolution are consistent with the City's General Plan and with
23 Planning Code, Section 101.1(b) for the reasons set forth in the Planning Letter; and,
24 be it

1 FURTHER RESOLVED, That the Board of Supervisors determines the Property
2 is no longer advantageous for RED and can be used more advantageously by MOHCD
3 and approves the transfer of jurisdiction of the Property from the RED to MOHCD in
4 accordance with the terms and conditions of their agreement; and, be it

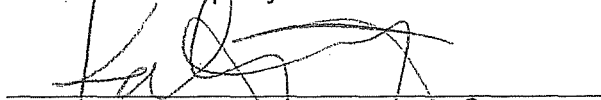
5 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes and
6 directs the Director of Property to transfer jurisdiction of the City Property to MOHCD
7 and that said transfer of jurisdiction be effective upon the Board of Supervisors' and
8 Mayor approval; and, be it

9 FURTHER RESOLVED, That the Mayor, the Clerk of the Board of Supervisors,
10 the Director of Property and the Director of MOHCD are each authorized and directed
11 to enter into any and all documents and take any and all actions which such party, in
12 consultation with the City Attorney, determines are in the best interest of the City, are
13 necessary or advisable to consummate the performance of the purposes and intent of
14 this Resolution and comply with all applicable laws, including the City's Charter, and
15 including but not limited to any agreement entered into between the departments, and
16 any modifications or amendments thereto.

17 RECOMMENDED:

18 

19 Andrico Q. Penick,
20 Director of Property

21 

22 Kate Hartley, Director,
23 Mayor's Office of Housing and Community Development

24 n:\legana\as2018\1900221\01319007.docx

<p>Items 16 and 17 Files 18-1160 and 18-1161</p>	<p>Department: Real Estate Division Mayor’s Office of Housing and Community Development</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- File 18-1161 is a resolution approving the jurisdictional transfer of City-owned property at 211-291 Putnam Street from the City’s Real Estate Division to the Mayor’s Office of Housing and Community Development (MOHCD) for a \$0 transfer price.
- File 18-1160 is a resolution approving the ground lease between the City and Market Heights 2, LP for 211-291 Putnam Street for up to 99 years in order to rehabilitate a 46-unit multi-family affordable rental housing development.

Key Points

- 211-291 Putnam Street is City-owned land adjacent to the Alemany Farmer’s Market. The Real Estate Division entered into a 99-year ground lease with Boomerang Housing Corporation in 1993, who sublet to Boomerang Housing Associates LP, a nonprofit housing developer, to construct a 46-unit apartment building (Market Heights Apartments) with rental units affordable to households with income up to 60 percent of the Area Median Income. The City owns the land and Boomerang Housing Associates LP owns the building. The Real Estate Division has retained administration of the ground lease with Boomerang Housing Associates LP since its inception in 1993. File 18-1161 transfers jurisdiction of 211-291 Putnam Street from the Real Estate Division to MOHCD.
- The Market Heights Apartments are slated for rehabilitation. The Market Heights Apartments project is estimated to cost \$35.2 million, which includes the purchase of the existing apartment building by Market Heights 2, LP, a single purpose limited partnership, from Boomerang Housing Associates LP, and rehabilitation of the units. The housing units consist of 45 rental units affordable to households with income up to 50 percent and 60 percent of the Area Median Income, and one manager’s unit.
- The proposed ground lease between MOHCD and Market Heights 2, LP for 211-291 Putnam Street replaces the existing ground lease between the City and Boomerang Housing Associates LP. The initial lease term is for 75 years through approximately 2094, with one 24-year option to extend, for a total term of 99 years

Fiscal Impact

- Rent to be paid by Market Heights 2, LP, under the proposed ground lease is consistent with MOHCD policy and other affordable housing ground leases previously approved by the Board of Supervisors. The base rent to be paid to MOHCD is \$15,000 per year. In addition to the base rent, Market Heights 2, LP, pays residual rent of \$315,000 per year to MOHCD if net operating revenues are sufficient to pay residual rent. Residual rent of \$315,000 and base rent of \$15,000, totaling \$330,000 equals 10 percent of the appraised land value of \$3,300,000.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten or more years including options to extend, or that has anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

City Administrative Code Section 23.30 states that leases of City-owned property can be for less than market rent if the lease is for a proper public purpose.

BACKGROUND

The Board of Supervisors approved a disposition and development agreement in 1991 between the City and the Bernal Heights Community Foundation for construction of affordable housing on the City-owned property at 211-291 Putnam Street, adjacent to the Alemany Farmer's Market. Bernal Heights Community Foundation assigned its interest in the disposition and development agreement to Bernal Heights Housing Corporation¹, who subsequently assigned its interest to Boomerang Housing Corporation, a nonprofit housing developer.

The Real Estate Division entered into a 99-year ground lease with Boomerang Housing Corporation in 1993 for City-owned property at 211-291 Putnam Street. Under this ground lease, Boomerang Housing Corporation sublet the property to Boomerang Housing Associates LP, a single purpose limited partnership.²

Boomerang Housing Associates LP constructed and operated a 46-unit apartment building, including 45 affordable housing units and one manager's unit on the property. The ground lease restricted the housing units, with the exception of the manager's unit, to households with income up to 60 percent of the Area Median Income³.

Boomerang Housing Associates LP continued to own the apartment building and the City owned the land. The Real Estate Division has retained administration of the ground lease with Boomerang Housing Associates LP since its inception in 1993.

DETAILS OF PROPOSED LEGISLATION

File 18-1161 is a resolution (1) approving the jurisdictional transfer of City-owned property at 211-291 Putnam Street from the City's Real Estate Division to the Mayor's Office of Housing and Community Development (MOHCD) for a \$0 transfer price; (2) making a finding of consistency with the California Environmental Quality Act (CEQA), the City's General Plan, and the priority policies of Planning Code Section 101.1; and (3) authorizing other actions in furtherance of the resolution.

¹ Bernal Heights Community Foundation, which was an affiliate of the nonprofit Bernal Heights Neighborhood Center, no longer exists. Bernal Heights Housing Corporation is a housing affiliate of the Bernal Heights Neighborhood Center.

² The limited partnership consisted of AFLCIO/NEF, which exited the limited partnership in year 15; and Boomerang Housing Corporation.

³ The income restrictions were based on income upon initial occupancy.

File 18-1160 is a resolution (1) approving the ground lease between the City and Market Heights 2, LP with a term of up to 99 years for 211-291 Putnam Street in order to rehabilitate a 46-unit multi-family affordable rental housing development; (2) making a finding of consistency with the California Environmental Quality Act (CEQA), the City's General Plan, and the priority policies of Planning Code Section 101.1; and (3) authorizing other actions in furtherance of the resolution.

Jurisdictional Transfer and Rehabilitation of Affordable Housing

File 18-1161 approves the transfer of City-owned property at 211-291 Putnam Street from the Real Estate Division to MOHCD for a \$0 transfer price. Because the property transfer is for affordable housing, the transfer does not require an independent appraisal in accordance with Administrative Code Section 23.14.

As noted above, while the City owns the land at 211-291 Putnam Street, the 46-unit apartment building located at 211-291 Putnam Street (known as the Market Heights Apartments) continued to be owned by Boomerang Housing Associates, LP.

Proposed Rehabilitation of Affordable Housing

The Market Heights Apartments are slated for rehabilitation. In July 2018, the Board of Supervisors approved the application to the California Debt Limit Allocation Committee to allocate residential mortgage revenue bonds to the rehabilitation of the Market Heights Apartments (File 18-0691).⁴ The October 2018 California Debt Limit Allocation Committee recommended allocation of \$18 million to the Market Heights Apartment project (File 18-1159, pending before the Board of Supervisors, approves the \$18 million allocation). Other funding sources include federal low income housing tax credits, a carryback loan from Bernal Heights Housing Corporation, and a conventional first mortgage.

The Market Heights Apartments project is estimated to cost \$35.2 million, which includes the purchase of the existing 46-unit apartment building by Market Heights 2, LP⁵ from Boomerang Housing Associates LP, and rehabilitation of the 46 units. According to MOHCD, no residents will be displaced, as all existing residents have the right to return after temporary relocation. The project budget includes \$685,000 for relocation costs.

Proposed Ground Lease

The proposed ground lease between MOHCD and Market Heights 2, LP for 211-291 Putnam Street (File 18-1160) replaces the existing ground lease between the City and Boomerang Housing Associates LP.

⁴ The Internal Revenue Service Code limits the amount of tax-exempt debt that a state can issue in a calendar year. The California Debt Limit Allocation Committee (CDLAC) reviews applications and approves the allocation of tax-exempt debt (i.e., residential mortgage revenue bonds) to qualified projects.

⁵ Market Heights 2, LP, is a single purpose limited partnership formed in August 2018, consisting of RPMH, LLC, as the Managing General Partner (which is an affiliate of Boomerang Housing Corporation); Devine Bernal LLC as the Administrative General Partner (which is an affiliate of Devine & Gong, affordable housing consultants); and Enterprise Community Partners as the limited partner equity investor.

Lease Term

The initial lease term is for 75 years through approximately 2094, with one 24-year option to extend, for a total term of 99 years.

Purpose of the Lease

According to the proposed ground lease, Market Heights 2, LP, will acquire Market Heights Apartments from Boomerang Housing Associates LP to rehabilitate and operate the affordable apartment building. The housing units will be affordable to households with income up to 50 percent and 60 percent of the Area Median Income.

FISCAL IMPACT

Rent to be paid by Market Heights 2, LP, under the proposed ground lease is consistent with MOHCD policy and other affordable housing ground leases previously approved by the Board of Supervisors. The base rent to be paid to MOHCD is \$15,000 per year. In addition to the base rent, Market Heights 2, LP, pays residual rent of \$315,000 per year to MOHCD if net operating revenues are sufficient to pay residual rent. Residual rent of \$315,000 and base rent of \$15,000, totaling \$330,000 equals 10 percent of the appraised land value of \$3,300,000.⁶

RECOMMENDATION

Approve the proposed resolutions.

⁶ August 2018 report by Watts, Cohn and Partners, Inc.



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: November 9, 2018

Case No. Case No. 2018-014418GPR
Acquisition and Rehabilitation of Market Heights Apartments

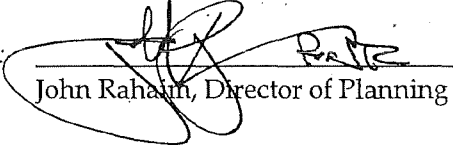
Block/Lot No.: 5731/002

Project Sponsor: Omar Cortez
Mayor's Office of Housing and Community Development
1 South Van Ness Ave. Suite 500
San Francisco, CA 94103

Applicant: Same as Above

Staff Contact: María De Alva
415.575.8729
Maria.DeAlva@sfgov.org

Recommendation: Finding the project, on balance, is in **conformity** with
the General Plan

Recommended By: 
John Rahaim, Director of Planning

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROJECT DESCRIPTION

The Project consists on the acquisition and rehabilitation of Market Heights Apartments, a 46-unit affordable multifamily housing project located at 211 & 291 Putnam Street and 1000 Tompkins Avenue in the City and County of San Francisco. The Project will require the termination of an existing Ground Lease of City-owned property from the current owner of the Project improvements (the current lessee) and the execution of a new lease with a new owner (the new lessee). This transfer will ensure the implementation of the Project which will, in turn, ensure its long-term preservation as housing affordable to very low- and low-income families. The Ground Lease will involve an inter-jurisdictional transfer from the Real Estate Division to the Mayor's Office of Housing and Community Development (MOHCD), who will own the property and be the new lessor.

ENVIRONMENTAL REVIEW

This review is not defined as a project under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a direct or indirect physical change in the environment."

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

Housing Element

OBJECTIVE 2

RETAIN EXISTING HOUSING UNITS, AND PROMOTE SAFETY AND MAINTENANCE STANDARDS, WITHOUT JEOPARDIZING AFFORDABILITY.

POLICY 2.4

Promote improvements and continued maintenance to existing units to ensure long term habitation and safety.

The proposed Project will rehabilitate an existing 46-unit affordable multifamily housing project and preserve its long-term affordability to very low- and low-income families.

Objective 7

SECURE FUNDING AND RESOURCES FOR PERMANENTLY AFFORDABLE HOUSING, INCLUDING INNOVATIVE PROGRAMS THAT ARE NOT SOLELY RELIANT ON TRADITIONAL MECHANISMS OR CAPITAL.

POLICY 7.6

Acquire and rehabilitate existing housing to maximize effective use of affordable housing resources.

The proposed Project will acquire and rehabilitate an existing 46-unit affordable multifamily housing project and ensure its long-term preservation as housing affordable to very low- and low-income families.

OBJECTIVE 9

PRESERVE UNITS SUBSIDIZED BY THE FEDERAL, STATE OR LOCAL SOURCES.

POLICY 9.2

Continue prioritization of preservation of existing affordable housing as the most effective means of providing affordable housing.

The Ground Lease will be transferred to the Mayor's Office of Housing and Community Development in order to rehabilitate the multifamily housing project and preserve its long-term affordability to very low- and low-income families.

EIGHT PRIORITY POLICIES FINDINGS

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

There will be no change in the use of the property. The Project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

The Project will rehabilitate an existing multifamily housing project, and preserve its long-term affordability. The existing housing and neighborhood character will be conserved as such.

3. That the City's supply of affordable housing be preserved and enhanced.

The Project will ensure the rehabilitation and preservation of affordable housing for low- and very low-income families.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

The Project will have no adverse on Muni services or burden the existing supply of parking in the neighborhood.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

The Project will not displace any industrial, commercial, or service sector uses. The property will be maintained as multifamily residential.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake. The property does not exhibit a soft-story condition.

7. That landmarks and historic buildings be preserved.

The Project will not have an impact on historic resources.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

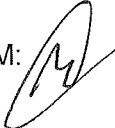
The Project would have no adverse effect on parks and open space or their access to sunlight and vista.

RECOMMENDATION:	Finding the Project, on balance, in-conformity with the General Plan
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cc: Omar Cortez, MOHCD

I:\Citywide\General Plan\General Plan Referrals\2018\2018-014418GPR




TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM:  Mawuli Tugbenyoh
RE: Jurisdictional Transfer of City Property — Real Estate Division — Mayor's
Office of Housing and Community Development — 211-291 Putnam
Street — \$0
DATE: 11/27/2018

Resolution approving the jurisdictional transfer of City property at 211-291 Putnam Street, Assessor's Parcel Block No. 5731, Lot No. 002, from Real Estate Division to the Mayor's Office of Housing and Community Development; approving the transfer price of \$0; making finding of consistency with the California Environmental Quality Act, the City's General Plan, and the priority policies of Planning Code, Section 101.1; and authorizing other actions in furtherance of this Resolution, as defined herein.

Please note that Supervisor Ronen is a co-sponsor of this legislation.

Should you have any questions, please contact Mawuli Tugbenyoh at 415-554-6298.

BY 
2018 NOV 27 PM 4:16
BOARD OF SUPERVISORS
SAN FRANCISCO