

July 15, 2016

Hon. London Breed, President
San Francisco Board of Supervisors
City Hall Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: 901 16th Street/1200 17th Street (Board File No. 160683)
Appeal of Certification of Final EIR
Real Party in Interest (Project Sponsor's) Submittal
Hearing Date: July 26, 2016 at 3:00 p.m.

Dear President Breed and Supervisors:

I am writing on behalf of Potrero Partners and its principal Josh Smith, the real party in interest/project sponsor of the 901 16th Street/1200 17th Street project (the "Project") located in lower Potrero Hill at 16th and Mississippi Streets (in District 10). On May 12, 2016, the Planning Commission certified the Project's Final EIR by a vote of 7-0 and then approved an Eastern Neighborhoods Large Project Authorization (LPA), including CEQA Findings, by a vote of 6-1¹. No party appealed the LPA authorization and attached CEQA Findings to the Board of Appeals and as such, it is now final and no longer subject to appeal. However, an appeal of the Commission's certification of the EIR was filed with this Board on June 10, 2016, by Save the Hill (Rod Minott) and Grow Potrero Responsibly (Alison Heath). No long-established neighborhood organizations, such as the Potrero Boosters Neighborhood Association or the Potrero Dogpatch Merchants Association, opposed the Project or appealed the EIR.

The Final EIR is complete and adequate as an informational document and fully advised the Planning Commission of the potential environmental impacts of the Project, proposed mitigation measures and presented a range of alternatives. The Final EIR comprises a 70-page CPE Checklist, a 246-page Draft EIR, and a 216-page Responses to Comments. It painstakingly meets all CEQA requirements to disclose and analyze the Project's potential environmental impacts, and we urge you to uphold its adequacy. We incorporate by reference the detailed response to the appeal being prepared by the Planning Department.

The appellants also seek to appeal to this Board the Planning Commission's CEQA Findings. However, the City Attorney has confirmed that any appeal of the CEQA Findings

¹ Commissioner Moore voted against the LPA authorization on the basis of her stated opposition to the approved parking ratio (0.85 space per unit). She was in agreement with all other aspects of the Project, but favored a parking ratio of 0.75 space per unit.

must be filed with the Board of Appeals as an appeal of the Commission's LPA approval. Accordingly, this Board should reject any appeal of the Commission's CEQA Findings because any such appeal must be heard at the Board of Appeals and no appeal to the Board of Appeals was filed.

Project Description. The Project site is ~3.5 acres in size and comprises the eastern 2/3 of the large block bound by 16th Street, Mississippi Street, 17th Street and Missouri Street within the Showplace Square/Potrero Hill subarea of the 2009 Eastern Neighborhoods Plan. To encourage mixed-use development with heightened inclusionary housing requirements, the Eastern Neighborhoods Plan rezoned the site from an M-1 district to the UMU (Urban Mixed Use) district, with height limits of 68 feet along 16th Street and 48 feet along 17th Street. The just completed Potrero 1010 project (also 68 feet in height) and its associated Daggett Park (opening next month) is directly across 16th Street.

The Project has been in the entitlement pipeline since 2012. It includes the rehabilitation of an historic brick office building, demolition of two non-historic metal shed warehouses and a modular office building previously occupied by Cor-O-Van moving and storage, and construction of a one 68-foot tall building on 16th Street and one 48-foot tall building on 17th Street together containing 395 dwelling units, including inclusionary affordable units, and nearly 25,000 square feet of ground floor neighborhood serving retail space. Throughout the entitlement process, the sponsor has been actively engaged with Potrero Hill community organizations and neighbors and has incorporated the input of those neighbors, groups and the Planning Department staff into the project program and design. Attached as Exhibit A is a summary of the 10+ years of outreach conducted by Josh Smith and copies of numerous letters of support for the Project from his neighbors.

For the four-story 17th Street building designed by Christiani Johnson Architects, the design centers around the historic brick office building that will be retained and repurposed as a restaurant/retail space. The new construction is set back from the brick building so that it retains its historic integrity, and the materials for the new work pays homage to the site's industrial past, including board formed concrete, metal siding, and sawtooth roofs. The Architectural Review Committee of the Historic Preservation Commission was complimentary of the design and concurred that the treatment of the brick building conforms to the Secretary of the Interior's Standards for Rehabilitation.

For the six-story 16th Street building, BAR Architects took design cues from several industrial buildings in Potrero Hill, Showplace Square, and Dogpatch, and designed each of the four facades in a distinctive manner. The 17-foot tall retail ground floor is clearly demarcated; a large horizontal mass reduction marks the residential lobby fronting 16th Street; and ground floor stoop units open onto the mid-block pedestrian alley and the private mews running between the two buildings.

The Project open spaces are varied and generous. A 30-foot wide heavily landscaped pedestrian alley open the public 24/7 runs along the western property line, separating the project from the rear yards of the two live/work buildings adjacent to the site that front Missouri Street. Another public plaza is located along Mississippi Street adjacent to the 17th Street building's

“bike lobby.” A mews incorporating a secure family and children’s play area runs between the Mississippi Street plaza and the pedestrian alley. In addition, each of the two buildings has two residential courtyards and one or more common roof decks. In all, the project includes 44,437 square feet of public and private open space, far in excess of the 28,172 square feet required by the Planning Code. A site plan and renderings of the Project are attached as Exhibit B.

The Project includes 455 Class 1 and 52 Class 2 bicycle parking spaces, 10 car share parking spaces, and significantly less than 1:1 residential parking.

Environmental Review. The Project site is within the Eastern Neighborhoods Plan Area, for which the City prepared and certified a Plan Area EIR in 2008 (the “PEIR”). CEQA Guidelines Section 15183 exempts from further environmental review projects that are consistent with existing zoning and area plans for which a Plan EIR was certified, except for project-specific effects which are peculiar to the proposed project or its site. Pursuant to this Guideline, the Project was initially evaluated under a Community Plan Exemption (CPE) Checklist (published on February 11, 2015). The CPE Checklist determined that the Project is consistent with the development density, zoning and heights established by the Showplace Square/Potrero Area Plan, the UMU zoning and the 48-X and 68-X height and bulk districts. The CPE Checklist then determined that the Project would not result in new, project-specific environmental impacts than were not previously analyzed and disclosed in the Eastern Neighborhoods PEIR for all issue topics except transportation/circulation and historic resources, for which a focused EIR would be required.

On August 12, 2015, the Department published the Draft EIR focused on Transportation/Circulation, Historic Resources and Alternatives. The Draft EIR disclosed that the project would cause significant level of service (LOS) traffic impacts at four study intersections. Potrero Partners is contributing to the signalization of one of the impacted intersections (Mariposa and Pennsylvania), and the City determined mitigation for the other three intersections is not feasible, such that the impacts are unavoidable.

The Draft EIR also determined that the brick office building and metal shed warehouses now on the site were associated with the historically significant Pacific Rolling Mill Company during a period of significance extending from 1906 to 1928, but that only the brick office building retains sufficient integrity to be an historic resource. The warehouses were mainly open air sheds during the period of significance but underwent major alterations when they were transformed into fully enclosed warehouses after Pacific Rolling Mill vacated the site in 1946. Based on reports by VerPlanck Historic Preservation Consulting, Page & Turnbull and a prior determination by the Historic Preservation Commission, the Draft EIR concluded that the corrugated metal warehouses do not retain sufficient integrity to qualify as historic resources. Photographs of the brick office building and metal shed warehouses are located at pages IV.B.6 to IV.B.11 of the Draft EIR. The Draft EIR also concluded that plans for the rehabilitation of the historic brick office building and adjacent new construction are consistent with the Secretary of the Interior’s Standards, such that the Project will not adversely impact the historic brick building.

The DEIR also disclosed that demolition of the metal warehouses would contribute to the cumulative loss of PDR space as expected, analyzed and overridden in the Eastern Neighborhoods EIR.

The Draft EIR included two alternatives: the Reduced Density Alternative that would reduce but not eliminate intersection LOS impacts, and the Metal Shed Reuse Alternative that would reduce the cumulative PDR loss impact. The EIR also contains photomontages demonstrating that the project will have no significant effects on public (or almost all private) views from Potrero Hill, especially since completion of the 68-foot high Potrero 1010 project directly across 16th Street, which is the same height as the 16th Street building and 20 feet taller than the 17th Street building.

The Planning Commission held a public hearing to take comments on the Draft EIR on October 1, 2015, and the written comment period expired on October 5, 2015. In March 2016, the City discontinued use of intersection LOS as a measure of environmental impacts and adopted vehicle miles traveled (VMT) as the traffic metric for environmental review. On April 28, 2016, the Planning Department published Responses to Comments on the Draft EIR (the "RTC"). The RTC responded to every oral and written comment on the Draft EIR in a 216-page narrative, reported on new traffic counts collected in November 2015 that confirmed the Draft EIR's traffic analysis, and concluded that the Draft EIR analysis was adequate for all topic areas. The RTC also included an analysis of Project VMT and determined that the Project would not have any significant Transportation/Circulation impacts under the new VMT metric. Since LOS was the only significant impact requiring preparation of an EIR, had VMT been in effect earlier, a CPE alone, rather than a focused EIR, would have been adequate. The Draft EIR and the RTC together comprise the Final EIR. As noted above, the Planning Commission unanimously certified the Final EIR as adequate and complete as an informational document on May 12, 2016.

Community Benefits. In addition to its compliance with the policies of the Eastern Neighborhoods Plan, the project proposes the following community benefits, which have been developed in consultation with Supervisor Cohen and community members, including the Potrero Hill Boosters Neighborhood Association and former Mayor Art Agnos, a long time resident and community leader in Potrero Hill:

- Pursuant to Planning Code Section 419.5, the inclusionary housing requirements are high in the UMU district. The project will satisfy those requirements by providing 42 on-site BMR units in the 16th Street building (16% of that building's dwelling units) and the payment of approximately \$9,709,727 to the Affordable Housing Fund for the 17th Street building, representing a 23% in lieu/off-site contribution.
- The project's total of 395 units will make a significant contribution to addressing San Francisco's housing shortage, including housing for families. During design development, the sponsor agreed with community members to increase the number of three-bedroom/2 full bath units from 14 units to 22 units. The current plans also include 146 two-bedroom/2 full bath units, and the mezzanine between the two buildings has a secure area set aside for a children's play area.

- The project provides a landscaped 30-foot wide mid-block pedestrian alley connecting 16th and 17th Street along the western property line. The alley will be ungated, contain public seating, be privately maintained in perpetuity and be publicly accessible 24/7.
- Potrero Partners will make a voluntary \$1,000,000 donation to Friends of Jackson Playground to support the renovation of this large neighborhood park, situated within 2 blocks of the project site.
- Potrero Partners will pay approximately \$2,889,776 to the Eastern Neighborhoods Infrastructure Fund to support other neighborhood open space, streetscape and transit improvements and is not seeking any reduction in that payment through an in-kind agreement. The Final EIR describes how improvements in the Eastern Neighborhoods, including Daggett Park and the 16th Street transit improvement project to be completed in 2019, are utilizing these fees to support the infrastructure required to support new development in the immediate vicinity. The project is also subject to and will pay the Transportation Sustainability Fee (approximately \$2,087,273) and the Child Care Fee (approximately \$802,786). Potrero Partners (along with the 1601 Mariposa Street and the 1010 Potrero project) has also agreed to fund a portion of the cost to signalize the intersection of Mariposa Street and Pennsylvania Street, which is currently difficult for pedestrians to cross.
- The Project will provide nearly 25,000 square feet of ground floor neighborhood serving retail space along both 16th and 17th Streets, including a space at the corner of 16th and Mississippi Streets that is of sufficient size to accommodate a neighborhood market or pharmacy.
- The ground floor of the 17th Street building that is located diagonally across the street from Bottom of the Hill nightclub has been repurposed from dwelling units to a fitness room and resident lobby and lounge in order to avoid conflicts with the club, and the units above will be heavily soundproofed.
- Six ground floor units further to the east along 17th Street have been redesigned as “flex units” to allow residents to operate a business, PDR or arts activity from their home.

Infeasibility of EIR Alternatives. The non-historic metal warehouses on the site that were formerly occupied by Cor-O-Van Moving and Storage and are currently leased to short term tenants. Only a small number of people are employed at the 3.5 acre site, and all current tenants are planning to relocate when their leases expire later this year or in 2017. When the City rezoned the site from M-1 to UMU, it made findings that the loss of PDR space that would be associated with the rezoning was overridden by the benefits associated with the Eastern Neighborhoods Plan, primarily in the creation of a significant amount of new housing, and that new PDR zoning districts (such as the area north of 16th Street) would be reserved exclusively for PDR uses.

The Final EIR evaluated a “Metal Shed Reuse Alternative,” and the project sponsor retained Seifel Consulting to evaluate its feasibility (a copy of Seifel’s feasibility study is

attached hereto as Exhibit C). Seifel's report concludes that reuse of the sheds is financially infeasible due to the high cost to rehabilitate them for modern PDR or residential occupancy and the significant reduction in dwelling units in the reuse alternative (from 395 units to 177 units). Seifel determined that the EIR's 273-unit "Reduced Density Alternative" was also financially infeasible. Jacob Bintliff from the Planning Department staff reviewed the Seifel report (his memo is also at Exhibit C) and concluded: "The Planning Department has reviewed the financial feasibility analysis, and find that its methodology and approach are appropriate and consistent with professional standards, that all key development assumptions and sources for these assumptions are well-documented and reasonable, and concurs in the conclusion that neither of the low density alternatives are financially feasible under current market conditions."

The Planning Commission rejected both alternatives as infeasible in its LPA approval CEQA Findings. The CEQA Findings (Exhibit D) rejected the alternatives as infeasible for a variety of reasons in addition to their financial infeasibility, including their failure to address the City's housing shortage and affordable housing needs as well as the Project does.

Large Project Authorization. Dense housing is principally permitted in the UMU district, provided 40% of the units are 2-bedroom or larger and the district's heightened inclusionary housing requirements are met. The Project meets that standard and after finding the EIR Alternatives infeasible, the Commission approved the LPA. As noted above, no party appealed the LPA approval and CEQA Findings to the Board of Appeals, and as such, the LPA approval and CEQA Findings are final.

Response to EIR Appeal. This letter must be submitted at the same time as appellants' brief, such that we will rely on the Planning Department to prepare a detailed response to the issues raised by the appellants in their brief. As will be explained in the Department's response, the appellants cannot establish that the EIR does not provide a complete and adequate analysis and disclosure of the Project's potential impacts. We can respond to the two-page letter appellants' attorney submitted when the appeal was filed, and do so below.

Appellants appear to have two principal issues. Appellant Save the Hill has long advocated for a lower height and density project. Its founder, Rod Minott, who lives one block up the hill on Mariposa Street and whose views will be slightly impacted, opposed enactment of the Eastern Neighborhoods Plan and the height limits established for the Project site in 2008, and has never accepted this Board's decision dating from that time. Throughout the Project's entitlement, he insisted that the site's 68-foot height limit was mistakenly enacted by this Board. Save the Hill developed a reuse alternative that included no demolition and no new construction on the site, preserving existing views. At Save the Hill's request, the Planning Department included the Metal Sheds Reuse Alternative (which also includes no demolition but one new 58-foot tall building on the site of the current parking lot) in the EIR and analyzed its impacts relative to the Project's impacts.

Save the Hill opposes the Planning Commission's rejection of the Metal Shed Reuse Alternative as infeasible and less beneficial to the public than the Project. However, as noted above, that action was an element of the LPA approval which was never appealed to the Board of Appeals. Moreover, the Planning Commission's determination was supported by substantial

evidence in the form of the Seifel Consulting financial feasibility report and on the failure of the alternative to meet the objectives of the Showplace Square/Potrero Area Plan to maximize housing production on sites zoned for mixed use development. CEQA requires only that an EIR disclose the impacts of the Project and present a reasonable range of alternatives, both of which this EIR did, but CEQA does not require the City to adopt any particular alternative.

Appellant Grow Potrero Responsibly is dissatisfied with the City's implementation of infrastructure improvements associated with growth under the Eastern Neighborhood Plan. Alison Heath has appeared at nearly every Planning Commission hearing for projects on Potrero Hill to argue that the Plan EIR is stale and should not be relied upon to support any further actions. Yet, the facts indicate that infrastructure is keeping pace with new development and that the growth anticipated in the Eastern Neighborhoods Plan EIR has not yet been exceeded. In lower Potrero Hill alone, the City has already upgraded service on the 10 Townsend bus line and has approved and fully funding the relocation and upgrade of the 22 Fillmore route along 16th Street (scheduled for completion in 2019), with the 55 16th Street bus line in operation between the BART Station and UCSF hospitals as an interim measure since February of 2015. Daggett Park is under construction directly across the street from the Project, funded by Eastern Neighborhood impact fees. In Mission Bay within two blocks of the Project site, Mariposa Park will open next month and the Owens Street extension, which will divert I-280 bound traffic off of Potrero Hill, is complete and is scheduled to open this October. At the same time, the only major project in the area to be completed is the Potrero 1010 project, such that infrastructure is being developed along with new developments, as contemplated by the Plan.

As the RTC documents explains in detail, the Eastern Neighborhoods EIR is not stale, the growth that has occurred has been planned for, and the effects of that growth were anticipated and analyzed in the Eastern Neighborhoods PEIR. For the Showplace Square/Potrero Hill subarea, the RTC explains on page RTC.55:

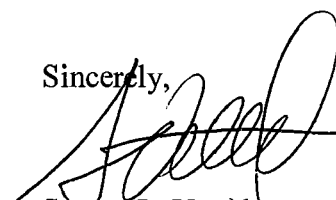
[W]ithin the Showplace Square/Potrero Hill subarea, the Eastern Neighborhoods PEIR estimated that implementation of the Eastern Neighborhoods Plan could result in an increase of approximately 2,300 to 3,900 dwelling units and 1,500,000 to 1,700,000 square feet of non-residential space (excluding PDR loss) through the year 2025. This level of development corresponds to an overall population increase of approximately 9,130 to 9,890 persons. As of February 23, 2016, projects containing approximately 3,315 dwelling units and 1,138,920 square feet of non-residential space (excluding PDR loss) have completed or are planned to complete environmental review within the Showplace Square/Potrero Hill subarea. This level of development corresponds to an overall population increase of approximately 6,910 to 7,760 persons. These estimates include projects that have completed environmental review (2,379 dwelling units and 635,553 square feet of non-residential space) and planned projects that are undergoing environmental review, including the proposed project (936 additional dwelling units and 503,367 square feet of non-residential space). Of the 3,315 dwelling units that are under review or have completed environmental review, building permits have been issued for 1,530 dwelling units, or approximately 46 percent of those units. Therefore, anticipated growth from the Eastern Neighborhoods Rezoning and Area Plans is within the Eastern Neighborhoods PEIR growth projections.

The consequences for the City of this Board rejecting reliance on the Eastern Neighborhoods PEIR for projects going forward in the plan area would be severe. In 2016 alone, 18 CPEs and one focused EIR have been issued in reliance on the PEIR, including for 100% affordable developments and other beneficial commercial and mixed-income residential projects. Were each of those projects unable to tier off of the cumulative analyses in the PEIR, the Planning process would slow even further and stall the implementation of many projects consistent with and implementing the objectives of the Eastern Neighborhoods Plan approved by this Board in 2008. The Eastern Neighborhoods PEIR is only 8 years old and, particularly given the absence of any development during the 2008-2011 recession, is not out of date in its cumulative development projections.

Conclusion. The City's EIR is adequate and complete and discloses all potential environmental impacts of the Project. The Planning Commission was fully apprised of the Project's impacts and benefits when it made its decision to approve. Appellants disagree with the Planning Commission's certification of the EIR and approval of the Project's LPA, but to date have not articulated any valid reason why even more analysis is needed to further inform the City's decision-makers. Appellants' real disagreement is with the Commission's LPA approval, but no appeal of the LPA was filed at the Board of Appeals, the body with appellant jurisdiction over the LPA. What is before this Board is the adequacy of the EIR. As the Planning Department's response will explain in detail, the EIR is more than adequate to inform decision-makers of the impacts of the Project, and we urge you to reject this appeal.

Please contact me prior to the July 26 hearing if we can provide any additional information.

Sincerely,



Steven L. Vettel

cc: Rachel Mansfield-Howlett, Counsel for Appellants
Christopher Thomas, Planner
Andrea Ruiz-Esquide, Deputy City Attorney
Josh Smith, Potrero Partners

EXHIBIT A

April 28, 2016

Hon. Rodney Fong, President
San Francisco Planning Commission
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Re: **Summary of Community Outreach Re: Proposed Project at
901 16th Street/1200 17th Street, San Francisco
Case No. 2011.1300X (Large Project Authorization)
Hearing Date: May 12, 2016**

Dear President Fong and Commissioners:

For the past 11 years, we have been consistently and frequently involved in and engaged with the Potrero Hill community.

Since 2005, we have attended nearly every meeting of the Potrero Boosters Neighborhood Association (the "Boosters"), the Potrero Dogpatch Merchant's Association (the "PDMA"), and the Dogpatch Neighborhood Association (the "DNA").

A few years ago, the Boosters gave us an award for "Outstanding Community Outreach" at their annual dinner.

We have also attended almost every meeting of the Eastern Neighborhoods Citizens Advisory Committee ("ENCAC") since it was formed in 2009.

As Keith Goldstein, who is President of the Potrero Dogpatch Merchant's Association and a member of the Executive Committee of the Potrero Boosters Neighborhood Association stated in his letter of support for the proposed project:

I have seen the developer, Walden Development, engage with our community like no other over the past 10 years (or more). He may have even attended more community meetings than any one of my neighbors. He has been quick to respond to concerns raised by the community and has offered his support to numerous local groups. I believe his heart is truly set on the improvement and quality of life of our neighborhood.

Over the past 11 years, we have had hundreds of conversations, meetings, open houses, and presentations re: the various iterations of the proposed project. This extensive level of consultation with the community has led to us incorporate into the project numerous suggestions we received from our neighbors, including the following:

- In response to the request that the project’s architecture acknowledge and celebrate Potrero Hill’s industrial past, both buildings (901 16th Street by BAR Architecture as well as 1200 17th Street by Christiani Johnson Architects) incorporate an industrial architectural vocabulary. Authentic materials (such as brick, steel, board formed concrete, and corrugated metal) are used extensively;
- In addition to the above, a new metal shed retail building at the corner of 17th Street & Mississippi Street is designed to be reminiscent of the corrugated metal shed that currently exists at that corner. The retail use that will be located at that corner will activate 17th Street and create a vibrant street scape where members of the community can meet and socialize;
- In response to the request that the brick building at the corner of 17th Street & Texas Street be prominently featured and “celebrated”, the brick building will be restored and repurposed as a retail use (such as a restaurant or bar) and as such, will be open to the public during normal business hours. Prior iterations of the project contemplated the brick building being used as a lobby, which would not have been open to the public;
- In response to the request that the project contain a mix of uses:
 - The proposed project includes approximately 25,000 square feet of ground floor, neighborhood serving retail space that will activate both 16th Street and 17th Street; and
 - Six (6) units that are located on the ground floor facing 17th Street between the brick building and the metal shed retail building (both mentioned above) are designated as “flex” units, and as such, may be used for commercial uses, including PDR activities and artist work spaces;
- In response to the request that the project be “family friendly”:
 - the unit mix has been modified to be very “family friendly”: there will be twenty two (22) 3 bedroom/2 full bath units as well as one hundred forty six (146) 2 bedroom/2 full bath units;
 - the specific transportation needs of families have been taken into account as all 168 of the “family friendly” units referenced above are parked at a ratio of 1 parking space per family friendly unit (vs. the normal ratio of only .75 parking space per unit); and
 - the area between the two buildings will be programmed to be a kid friendly play area where residents will be able to watch their kids play and socialize in a gated family friendly recreation area.
- In response to the request that the Pedestrian Promenade connecting 17th Street to 16th Street be inviting as well as pedestrian and family friendly, the

width of the Pedestrian Promenade at grade has been voluntarily increased from the required width of 20' to a width that varies between 26' to 32'. Additionally the hardscape within the pedestrian promenade gently slopes between 16th Street and 17th Street without any stairs so that it is "baby stroller and bicycle friendly".

Our extensive and frequent outreach efforts with the local community include:

Potrero Hill Boosters Neighborhood Association ("The Boosters"):

- We have made several presentations re: the proposed project to the Boosters at their general meeting;
- We have made several presentations re: the proposed project to the members of the Executive Committee of the Boosters;
- We made a presentation to the recently formed Potrero Boosters Neighborhood Association Development Committee;
- We have had several hundred in person meetings and telephone conversations with individual members of the Boosters about virtually every aspect of the proposed project;

Potrero Dogpatch Merchant's Association ("PDMA"):

- We made several presentations re: the proposed project to the PDMA their general meeting;
- We have had dozens of in person meetings and phone conversations with individual members of the PDMA about virtually every aspect of the proposed project;

Dogpatch Neighborhood Association ("DNA"):

- We have made several presentations re: the proposed project to the DNA at their general meeting;
- We have two presentations to the members of the Executive Committee of the DNA;
- We have had well over one hundred in person meetings and telephone conversations with individual members of the DNA about virtually every aspect of the proposed project;

Friends of Jackson Park :

- We have met with Jude Deckenback and have also had several subsequent conversations (both in person and via phone) with Jude about the potential improvements to Jackson Park that are currently being contemplated; and

The Loop:

- We have met with Jean Bogiages several times about the potential improvements and modifications to the area underneath and adjacent to U.S. Highway 101 near 16th Street and 17th Street on Potrero Hill.

Neighboring Property Owners:

- 999 16th Street: We have made several presentations to the HOA of this 20-unit live-work building that is located just west of the proposed project and we have also had several follow up telephone conversations with representatives of the president of 999 16th Street's HOA;
- 49 Missouri Street: We have made several presentations to the HOA of this 12-unit live work building that is located just west of the proposed project and we have also had several follow up telephone conversations with some of the residents of the building;
- 1240-1250 17th Street: We have met with the owners of this property that is located just west of the proposed project and we have also had dozens of telephone conversations with them about the proposed project;
- 100 Texas Street (Vacant Lot at SWC of 17th Street & Texas Street): We have met with the owners of this property several times and have had dozens of telephone conversations with them;
- Bottom of the Hill Nightclub (1233 17th Street): We have met with all four (4) owners of The Bottom of the Hill and as a result of their concerns about the proposed project, the ground floor of the 17th Street building that is located diagonally across the street from Bottom of the Hill nightclub has been repurposed from dwelling units to a fitness room and resident lobby & lounge in order to avoid conflicts with the club, and the units above will be heavily soundproofed;
- 1111 17th Street: We have met with the owners of this property several times and have had dozens of the telephone conversations with them.

Numerous Individuals (partial list):

Additionally, we have had dozens of meetings and phone calls with many individuals who live and/or work on or near Potrero Hill including (partial list):

- Mayor Art Agnos
- Stacey Bartlett
- Joe Boss
- Janet Carpinelli
- Philip De Andrade
- John DeCastro
- J.R. Eppler
- Susan Eslick
- Frank Gilson
- Keith Goldstein
- Kayren Hudiburgh
- Bruce Huie
- Edward Hatter
- Tony Kelly
- Ron Miguel
- Dick Millet
- Steve Moss
- Lisa Schiller-Tehrani
- Lester Zeidman

Save the Hill:

We have had several meetings with “Save The Hill”, which is a group that is opposed the proposed project and has opposed all of the previous iterations of the proposed project.

At their request, we have met with representatives of Save the Hill on:

- September 5, 2012 at a private residence on Mariposa Street
- October 18, 2012 at a private residence on Texas Street
- September 25, 2013 at a private residence on Texas Street
- October 18, 2013 at a private residence on Missouri Street
- December 11, 2013 at Farley’s on 18th Street
- February 15, 2014 at Live Oak School
- January 29, 2016 at California College of the Arts
- March 18, 2016 at California College of the Arts

In addition to the eight (8) meetings listed above that we have had with representatives from Save the Hill, we have also had numerous telephone conversations with several of their members over the past five (5) years.

Respectfully,



Josh Smith
Potrero Partners/Walden Development

From: Art Agnos artagnos@yahoo.com
Subject: Draft EIR: 901 16th St Case No. 2011.1300 E
Date: September 9, 2015 at 10:36 AM
To: Commissions.Secretary@sfgov.org

Mr. Ionin...this email letter was sent to your Commissioners and this is your copy for the file. Thanks, Art Agnos

Mr. Rodney Fong, President
San Francisco Planning Commission

September 9, 2015

**Re: Draft Environmental Impact Report
901 16th Street and 1200 17th Street Project in San Francisco, CA
San Francisco Planning Department Case No. 2011.1300E**

Dear Rod,

As you know, I don't do this very often, but as a long time resident of Potrero Hill and a former mayor, I am writing to you regarding the Draft Environmental Impact Report for the proposed 901 16th Street and 1200 17th Street Project. It is time to do something about this blighted corner of Potrero Hill.

The Draft Environmental Impact Report appears to be comprehensive and accurate and concludes that, other than contributing traffic to a few intersections, the project has no significant environmental impacts.

That is why I am writing to express my strong support of the proposed project. In addition to creating badly needed new housing that will help to alleviate the San Francisco's housing shortage, including family sized 2- and 3-bedroom units, the project includes approximately 25,000 square feet of ground floor neighborhood-serving retail space. This will be a vast improvement over the blank walls of rusting corrugated metal that now deface the street and diminish the neighborhood.

I respectfully encourage you to certify this EIR and support and approve the proposed project. The developer has worked diligently and successfully with the neighborhood to offer this progressive design.

Sincerely,
Art Agnos

RON MIGUEL

600 De Haro St., San Francisco, CA 94107
T-415.285.0808 F-415.641.8621 E-rm@well.com C-415.601.0708

25 April 2016

San Francisco Planning Commission

**1650 Mission St., 4th Floor
San Francisco, CA 94103**

RE: 901-16th St. / 1200-17th St.

Commissioners:

I fully and enthusiastically support this project. It exemplifies the concepts imbedded in the Eastern Neighborhoods Plan as presented to me when I served on the Commission.

I have viewed plans for this important site starting well over five years ago. The current program of two residential/mixed use structures is by far the best I have seen. In fact, it may be the best designed project in this area of our city where I've lived for 40 years. As you know, I have worked with architects and developers in an effort to enhance the architecture and viability of projects in the area – Walden Development gets it. The two designs work both individually and back-to-back.

These proposed buildings take full advantage of the most important corridor linking Mission Bay/ UCSF/Kaiser and other developments at the eastern end of the major transportation corridor – 16th St. – with the vitality and transit-rich areas centering on the 16th St. BART station.

These projects employ obvious enhancements which have been missing from many of the Dogpatch/ Potrero Hill buildings you have seen: it is family-ready with a larger number of 3-bedroom units; a unique and inovative use of material from the replaced industrial structures of the site; restoration of the historic brick building at 17th & Texas; the addition of true retail spaces which can be configured for a variety of tenants; and six flex units to enhance the PDR concept embedded in the UMU zoning. In addition there is a public Pedestrian Promenade which aligns with the new Daggett Park as well as the more private family-friendly mews between the two buildings.

I have attended many meetings of both the Dogpatch Neighborhood Association and the Potrero Boosters where the evolving plans were presented by Walden Development. I have also met personally with the developer and architect as well as toured the site. The projects have improved by Walden's careful attention to detail and taking into consideration the neighborhoods' concerns and suggestions.

Please move this project forward.

Thanks,

Ron Miguel

April 12, 2016

San Francisco Planning Department
Re: 901 16th Street and 1200 17th Street

To Whom It May Concern,

I wish to express my support for the pending project at 16th Street and 1200 17th Street. Having been involved in the community meetings to develop the Eastern Neighborhoods Plan and as a neighborhood resident and business owner who has attended numerous developer presentations over the past 10-12 years, I can state that this project is probably the most sensitive to the neighborhood in many respects:

It will provide family friendly housing with a generous mix of 2 bedroom and 3 bedroom units; this is at a time of great need for such housing.

This is easily the best-designed multi-unit building that has been presented to the neighborhood since the EN Plan was instituted. The design fits the industrial past of the area; it has thoughtful set-backs and it is varied and interesting to view.

I make my living as a Restoration contractor, having worked on numerous historic buildings in the City, including many "listed" buildings. For me, the existing structure has very little value - it is rusted-out, ugly, with panels of uninteresting, corrugated metal. Should we maintain such a structure because it was built with rivets?? It provides no value to the neighborhood.

The proposed development will activate ground floor spaces on 16th and 17th Streets with retail spaces and a pedestrian promenade.

I have seen the developer, Walden Development, engage with our community like no other over the past 10 years (or more). He may have even attended more community meetings than any one of my neighbors. He has been quick to respond to concerns raised by the community and has offered his support to numerous local groups. I believe his heart is truly set on the improvement and quality of life of our neighborhood.

I urge you to approve this development.

Sincerely,



Keith Goldstein
President, Potrero Dogpatch Merchants Association
Member EN CAC
Board Member, Potrero Boosters
Co Chair -Potrero Hill Festival
Everest Waterproofing & Restoration, Inc, President

May 2, 2016

To whom it may concern:

I am pleased, that after many years of planning and development in the Potrero Hill, Showplace square area there has emerged a developer who has genuinely taken the community's needs and concerns into consideration.

Over the past 5 years Walden Development has painstakingly held design and historical reviews meetings, where they gather and implemented community recommend design changes. Walden Development has also taken existing commercial operations into consideration as they planned pedestrian and traffic access to their project, while including passive community amenity.

Walden Development has been, and I am sure will continue to be an excellent neighbor in the Potrero Hill/ Showplace Square communities.

Sincerely,

Edward Hatter,
Executive Director
Potrero Hill Neighborhood House
Co-Chair of the Potrero Festival

the bookkeeper

April 25, 2016

San Francisco Planning Department
1650 Mission Street, Suite 400
San Francisco, CA 94103

RE: 901 16th Street & 1200 17th Street

To whom it May Concern,

Please use this letter as my enthusiastic support for the proposed project at 16th Street & 1200 17th Street from Walden Development.

I have attended each and every presentation from the project sponsor over the past 10 years. The developer has listened to community feedback and concerns throughout the design process like no other developer I have worked with. This final design utilizes two San Francisco based architects that have designed buildings that are unique, architecturally extremely attractive, and incorporate several design references that acknowledge and pay homage to Potrero Hill's industrial past. Additionally, the project preserves, restores and repurposes the historic brick office building at the corner of 17th Street & Texas Street into a very engaging and sophisticated retail space, probably for a restaurant and or bar.

One of the things I really appreciate about this project is that it creates a retail space at the corner of 17th Street and Mississippi Street that will activate this important corner which is currently a blank wall of rusting corrugated metal into a vibrant pedestrian friendly space where neighbors and co-workers can meet and socialize. In an effort to acknowledge the industrial past of this site, the retail space at this corner is designed to resemble the existing corrugated metal shed.

This project also provides a new 30 foot wide Pedestrian Promenade along the westerly property line that is aligned with the new Daggett Park which should be completed by this July. This will provide the needed connectivity between 16th Street and 17th Street instead of the blank walls of the rusting corrugated metal that currently exists.

The current structure provides absolutely no benefit or value to the neighborhood. It is a rusted, patched together corrugated metal mess.

Please support this project as designed and give us the architectural design, housing, and retail services we greatly need at this location.

Sincerely



Susan Eslick
Board Member and Treasurer, The Dogpatch & NW Potrero Hill Green Benefit District (GBD)
Formation Member, Dogpatch Arts Plaza (DAP)
the bookkeeper

CC: Josh Smith, Walden Development
Supervisor Malia Cohen

susan eslick

1121 tarbesco street
san francisco ca 94117
eslickdesigns@mindupring.com
415.257.1111

From: Bruce K Huie brucehuie@sbcglobal.net
Subject: Walden Development - Letter of support 901 16th Street & 1200 17th Street
Date: April 26, 2016 at 7:29 PM
To: Malia Cohen malia.cohen@sfgov.org
Cc: Andrea Bruss andrea.bruss@sfgov.org, Josh Smith jsmith@waldendevlopment.com, Susan Eslick susan.thebookkeeper@gmail.com

Supervisor Cohen -

I support this project.

Josh Smith of Walden Development represents the "platinum" standard every developer should achieve when working with neighbors.

Project helps San Francisco by ...

1. Utilizing two San Francisco-based architects (BAR Architects and Christiani Johnson Architects) that are unique, architecturally attractive, and incorporate design references that acknowledge and pay homage to Potrero's Hill's industrial past
2. Offering "family-friendly" attributes
 - a. twenty two (22) 3-bedroom/2 full bath units as well as one hundred forty six (146) 2-bedroom/2 full bath units,
 - b. gated, family friendly recreation area in the mews area that is located between the two buildings; and
 - c. on-site parking, which many families value.
3. Preserves, restores and reuses the historic brick office building at the corner of 17th Street & Texas Street.

For your consideration, please join me in supporting this project as it sets the bar high for what we need to expect from all projects in and around Dogpatch and Potrero Hill neighborhoods and the city at large.

Thanks in advance for you consideration.

Bruce Kin Huie
Dogpatch Resident
President - DNA
EN CAC - Vice Chair
UCSF CAG member

POTRERO CHIROPRACTORS & ACUPUNCTURE

NECK, BACK, & HEADACHE PAIN RELIEF CENTER

FRANK GILSON, D.C. | BRENDA HATLEY, L.AC.

October 1, 2015

Planning Department Case No. 2011.1300E

RE: Walden Development Project at Coravan Building

Dear Planning Use Committee,

My name is Dr. Frank Gilson, Vice President of the Potrero Dogpatch Merchant Association. As an active member of my local business community, I fully endorse this project.

The sponsor has done a tremendous effort of reaching out to our community for years. He has made his priority to listen to and hear the neighbors' and businesses' concerns, and he has been above-duty in addressing them.

Here are the facts:

- Draft EIR is accurate and adequate
- Project is well designed and addresses the community's concerns
- It will activate what is currently a blank streetscape
- The sponsor is very community-oriented and has donated to numerous non-profit causes like Daniel Webster Public School and the Potrero Hill Festival
- This project will help small businesses all over the southeastern neighborhoods like South Beach, Dogpatch, and Potrero Hill
- This project is exactly what the city wants; housing, which is what we all know we desperately need in San Francisco, and that which is close to mass transit. The light rail and numerous Muni lines are within a short walking distance.

It is because of these reasons that I urge you to endorse this project.

Thank you for your time.

Sincerely,

Frank Gilson, D.C.

April 25, 2016

To: San Francisco Planning artment

Re: 901 16th Street and 1200 17th St. Proposed development project

To whom it may concern:

I support the above referenced proposed project because it will:

1. Provide family-friendly housing in a neighborhood that really needs it (twenty two (22) 3-bedroom/2 bath units and one hundred forty six (146) 2-bedroom/2 bath units with an enclosed family recreation area on-site.
2. Provide on-site parking which this neighborhood needs as our public transportation is abysmal.
3. Preserves and repurposes, with public access, the small historic brick office building at the corner of 17th and Texas streets.
4. Provides a new 30' wide landscaped pedestrian alley along the western property line, which will be aligned with the soon to be completed Daggett Park, thus providing a pedestrian friendly connection between 16th and 17th streets in an area with a dearth of public open space.
5. Unlike many new large projects in the UMU district in Potrero and Dogpatch, this project creates approximately 25,000 sf of ground floor neighborhood-serving retail space along 16th and 17th streets and a retail space at the corner of 17th and Mississippi streets that will activate this neighborhood corner.
6. The project is designed by two local architectural firms, resulting in two distinct designs.

Thank you,



Janet Carpinelli
Member Potrero Boosters Neighboerhood Assoc.
Member, Dogpatch Neighborhood Assoc.

April 26, 2016

San Francisco Planning Department via email to: chris.townes@sfgov.org
Walden Development via email to: jsmith@waldendevlopment.com,

Re: Case No. 2011.1300EX
901 16th Street and 1200 17th Street

To Whom It May Concern,

I wish to express my support for approval of the Large Project Authorization and Adoption of CEQA findings for the pending project at 16th Street and 1200 17th Street.

This project reflects extensive community engagement. It incorporates several design references that acknowledge Potrero Hill's industrial past, and fits with the current mixed use development in the area. It has thoughtful set-backs, particularly the plaza at 16th and Mississippi Street, and it is varied and interesting to view.

It will provide much needed housing with a generous mix of 2 bedroom and 3 bedroom units. It preserves, restores and repurposes the historic brick office building at the corner of 17th Street & Texas Street into a retail space.

The proposed development will activate the pedestrian environment with approximately 25,000 s.f. of neighborhood-serving ground floor retail along both 16th Street and 17th Street. This will be a vast improvement over the rusting corrugated metal sheds that now form blank walls along both 16th Street & 17th Street. The project provides a new 30' wide pedestrian promenade along the westerly property line that is aligned with the new Daggett Park. The pedestrian promenade will provide connectivity between 16th Street and 17th Street. My one concern is that the pedestrian connections across 16th Street between this project and Daggett Park and across Mississippi Street be coordinated with SFMTA for pedestrian and traffic safety.

I have followed the evolution of this project for many years, and worked with the developer on several issues of mutual concern. Walden Development has actively engaged with the community, and has been quick to respond to concerns, for the benefit of all our neighborhoods.

I urge you to approve this development.

Sincerely,

Corinne Woods
300 Channel Street, Box 10
San Francisco, CA 94158-1520

April 24, 2016

To: The San Francisco Planning Commission and
The San Francisco Planning Department

Re: Support for the Proposed Project at 901 16th Street and 1200 17th Street,
San Francisco, CA 94017

To Whom It May Concern:

I am the owner of property that is located at 1240-50 17th Street, which is immediately adjacent to the proposed project referenced above, and I am writing to offer my enthusiastic and wholehearted support for the proposed project.

My family has owned the property at the northeast corner of 17th Street and Missouri Street for several decades, and we believe that the proposed project will greatly improve and enhance this portion of Potrero Hill.

The existing rusting corrugated metal sheds are a source of blight and present nothing but blank walls to the street. The proposed project will replace those ugly rusting corrugated metal sheds with an attractive and well designed mixed use project that will activate 17th Street and 16th Street as well as provide needed housing.

Josh Smith, the project sponsor, has reached out to me dozens of times to keep me updated about the project. The design of this project is new and innovative and again an enhancement to the neighborhood.

I respectfully encourage you to certify the EIR and support and approve the proposed project.

Sincerely,

A handwritten signature in cursive script that reads "Roberta Gordon". The signature is written in black ink and is positioned above the printed name.

Roberta Gordon

From: Natalie natalieinsf@yahoo.com
Subject: Residential project between 16th Street and 17th Street at 7th Street
Date: April 25, 2016 at 11:52 PM
To: Josh Smith jsmith@waldenddevelopment.com

Hi Josh,

Thank you for contacting me the other day. I am glad to hear that things are once again moving forward for the residential project you are proposing next door. As a neighbor of the proposed project, I appreciate that you have reached out to me and the other occupants of my condominium building. I am very excited at the prospect of having a new building with street-level retail space and a pedestrian promenade within a stone's throw of my home. I also appreciate that you have been cooperative in addressing our concerns regarding noise, landscaping, lighting and security.

I would like to express my support of your project and I hope to make it to the hearing on May 12, but if I am unable to, please share my email with the Planning Commission.

Sincerely,
Natalie Young
999 16th Street, Unit #21

April 25, 2016

To: The San Francisco Planning Commission and
The San Francisco Planning Department

Re: Support for the Proposed Project at 901 16th Street and 1200 17th Street,
San Francisco, CA 94017

Dear Members of the Planning Commission:

We own the property at 1111 17th Street, which is directly across 17th Street from the proposed project referenced above.

I am writing to offer my enthusiastic support for the proposed project.

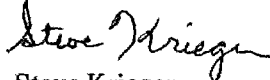
My family has owned the property at the southwest corner of 17th Street and Mississippi Street for many years, and we believe that the proposed project referenced above will significantly improve and enhance this portion of Potrero Hill.

The existing rusting corrugated metal sheds are a source of blight and present nothing but blank walls to the street. The proposed project will replace those ugly rusting corrugated metal sheds with an attractive and well designed mixed use project that will activate 17th Street and 16th Street as well as provide badly needed housing that will help to alleviate our City's housing crises.

Josh Smith, the project sponsor, has reached out to me many times in order to keep me updated about the project and answer any questions I may have about the project.

I respectfully encourage you to certify the EIR and support and approve the proposed project.

Sincerely,



Steve Krieger



333 Third St, Suite 210
San Francisco, CA 94107

EquityApartments.com

April 25, 2016

Hon. Rodney Fong, President
San Francisco Planning Commission
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Re: Letter of Support for the Proposed Project at
901 16th Street and 1200 17th Street
San Francisco, CA 94017
Case No. 2011.1300X

Dear President Fong and Commissioners:

We own the apartment community at 1010 16th Street, which is directly across 16th Street from the proposed project referenced above.

I am writing to offer our enthusiastic support for the proposed project.

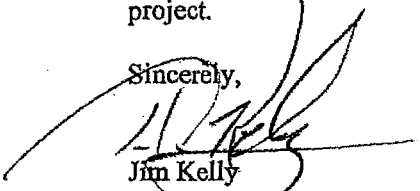
We believe that the proposed project referenced above will significantly improve and enhance this portion of Potrero Hill and will help to create a complete neighborhood, where residents can live, shop and socialize with their neighbors.

The existing rusting corrugated metal sheds that are located at the site of the proposed project are a source of blight and present nothing but blank walls to the street. The proposed project will replace those ugly rusting corrugated metal sheds with an attractive and well-designed mixed use project that will activate 16th Street and 17th Street and provide additional housing.

Josh Smith, the project sponsor, has reached out to me many times in order to keep me updated about the project and answer any questions I may have about the project.

I respectfully encourage you to certify the EIR and support and approve the proposed project.

Sincerely,



Jim Kelly
First Vice President – Development
Equity Residential

April 12, 2016

San Francisco Planning Commission

Proposed Development to Redevelop Corovan Site @ 16th and 17th Street

To Whom It May Concern,

I wish to express my support for this proposed project, having been very involved in development and the Eastern Neighborhoods Plan and as a neighborhood resident and real estate consultant for the past 30 years. In my opinion, this project is the most responsive to the Potrero neighborhood as well as the City. It will provide family friendly housing with a generous mix of 2 bedroom and 3 bedroom units, as well as open space for the residents and neighbors.

I truly believe that by utilizing the work of two of the most sensitive architectural firms in San Francisco the proposed project respects the history of the original uses and replaces an obsolete structure and helps to transition the past industrial area to a residential and retail neighborhood.

This is easily one of the best multi-unit building that has been presented to the neighborhood since the EN Plan, as well as the design guidelines were adopted. The design fits the industrial past of the area and has considerate set-backs.

The developer, Walden Development, has connected with the community selflessly over the past 15 years, attending most community meetings.

I urge your support for this project.

Sincerely,

Joe Boss

Board Member, Potrero Boosters, ENCAC, Dogpatch Neighborhood Association
(for identification only)

From: Thomas Rogers
To: Townes, Chris (CPC)
Subject: 901 16th Street and 1200 17th Street - SUPPORT
Date: Tuesday, May 03, 2016 4:56:12 PM

Chris,

Please include this email with the 5/12 PC staff report for the 901 16th Street and 1200 17th Street proposal. I would like to relay my SUPPORT of the project, which would be located just a block down the hill from where I live. It would actually affect the views from my apartment, but that would be a selfish reason to oppose a new project that conforms to all the key development standards. In particular, I'd like to note:

- **The 395 new housing units at this underutilized site would help to address the City's housing shortage.** A primary objective of the Eastern Neighborhoods Plan is to increase housing locally through the build out of the plan area. The project would develop the project site in a manner envisioned by the Plan in its density and design.
- **This, like other parts of Potrero Hill/Showplace Square, is a great location for car-free/car-light living.** It seems like every day brings more bad news about climate change (today's entry is about a Louisiana island town that needs to relocate inland: <http://nyti.ms/23kzyiz>), but the good news is that projects like this enable people to get around via transit/bicycling/walking, helping to reduce per-capita greenhouse gases. *If anything, I'd encourage you to make sure the parking at this project is as limited as it can be. I'm not sure if the applicant is still asking for an exception to exceed the off-street parking maximum- if they are, please note that you do not have to grant that!*
- **The design is varied and context-sensitive, and would improve the character of the area.** For such a large site, the buildings feel modulated and non-monolithic, especially on the 17th Street side. The incorporation of the brick office building and the corner shed form that evokes the non-historic shed structures really help break up the design. All of the structures have features relating to existing neighboring buildings and land uses, and I think you won't have a problem saying the Potrero Interim Controls are addressed. Also, although I think the pedestrian promenade between 16th and 17th Streets is a requirement of the Eastern Neighborhoods Plan, that's still a great feature.
- **The environmental review has been complete and careful.** In particular, I think the EIR has conclusively addressed the historic resources topic, establishing that the brick building is the only structure with historic integrity. The traffic analysis used the very conservative Level of Service (LOS) analysis, which is in the process of being replaced by the more progressive Vehicle Miles Traveled (VMT) analysis. If the latter had been in effect for this project, I suspect there wouldn't even be any transportation impacts found.

Thanks for your consideration,
Thomas Rogers
Mariposa Street



July 14, 2016

San Francisco Planning Department
Re: 901 16th Street and 1200 17th Street

To whom it may concern:

I'm sending this letter of support for final approval of the residential/retail project at the former Corovan warehouse site at 901 16th Street and 1200 17th Street proposed by Walden Development. I am a homeowner/resident, business owner/operator and community leader in the Potrero/Dogpatch neighborhood, and I have attended many of the community outreach meetings related to this project. The Walden Development team has been thoughtful in their approach and responsive to feedback from the surrounding community. This project has been thoroughly vetted and is widely supported in its final form. I urge you to approve this project for construction.

If I can be of any further assistance, please feel free to contact me.

All the best,

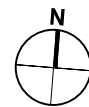
Mark Dwight
Founder/Owner, Rickshaw Bagworks
Founder, Dogpatch Business Association
Founder, SFMade.org
President/Commissioner, SF Small Business Commission
Member, Board of Directors, SF Chamber of Commerce
mark@rickshawbags.com
(415) 846-2962

EXHIBIT B

COMBINED PROJECT DATA	
RESIDENTIAL UNITS	
STUDIOS	53
1 BEDROOM / 1 BATH	174
2 BEDROOM / 2 BATH	146
3 BEDROOM / 2 BATH	22
TOTAL UNITS	395
RETAIL	
Retail Area	24,468 sf
PARKING	
RESIDENTIAL PARKING	336 SPACES
RETAIL PARKING	47 SPACES
CAR SHARE PARKING	10 SPACES
TOTAL PARKING	393 SPACES
OPEN SPACE	
PUBLIC OPEN SPACE	12,219 sf
COMMON OPEN SPACE	27,268 sf
PRIVATE OPEN SPACE	4,950 sf
TOTAL OPEN SPACE	44,437 sf



1200 17TH STREET
POTRERO PARTNERS, LLC



Scale: NTS
 Date: 05.12.2016
 Sheet Title: **SITE PLAN**





VIEW FROM MISSISSIPPI STREET
BICYCLE LOBBY ADJACENT TO PLAZA. WITH TWO STORY RETAIL BUILDING BEYOND



CHRISTIANI JOHNSON ARCHITECTS, INC.
665 Third Street, Suite 350
San Francisco, CA 94107
415.243.9484
cjarchs.com

1200 17TH STREET

POTRERO PARTNERS, LLC

Scale	Date
NA	12.09.2015
Sheet Title	
RENDERING	
MISSISSIPPI STREET	



17TH STREET AT MISSISSIPPI
VARIED HEIGHTS, SETBACKS, MATERIALS, AND ROOF FORMS. BUILDING IS SET BACK ABOVE SECOND LEVEL.



CHRISTIANI JOHNSON ARCHITECTS, INC.
665 Third Street, Suite 350
San Francisco, CA 94107
415.243.9484
cjarchs.com

1200 17TH STREET

POTRERO PARTNERS, LLC

Scale	Date
NA	12.09.2015
Sheet Title	
RENDERING	
17TH STREET	



RETAIL SPACE AT 17TH AND MISSISSIPPI
RESIDENTIAL STOOPS ALONG 17TH STREET, BALCONY SETBACK ABOVE SECOND LEVEL



BRICK BUILDING SHOWING SETBACKS TO NEW CONSTRUCTION



CHRISTIANI JOHNSON ARCHITECTS, INC.
665 Third Street, Suite 350
San Francisco, CA 94107
415.243.9484
cjarchs.com

1200 17TH STREET
POTRERO PARTNERS, LLC

Scale	Date
NA	12.09.2015
Sheet Title	
RENDERING	
VIEW FROM 17TH	



PEDESTRIAN PROMENADE AT 17TH STREET.
 FITNESS, LOUNGE, AND RETAIL USES AT GROUND LEVEL



BUILDING SETBACK ABOVE SECOND LEVEL RELATES TO EXISTING BRICK BUILDING



RESIDENTIAL ENTRANCE SEPARATES NEW AND EXISTING BUILDINGS AND ALLOWS VIEW THROUGH COURTYARD



VIEW FROM 16TH ST. LOOKING SOUTH THROUGH PEDESTRIAN PROMENADE & CORNER RETAIL
- RETAIL CORNER AT PEDESTRIAN PROMENADE WITH OUTDOOR SEATING



VIEW FROM 16TH ST. LOOKING SOUTH THROUGH PEDESTRIAN PROMENADE
- MASSING BREAK AT RESIDENTIAL LOBBY WITH UPPER FLOORS RECESSED



VIEW FROM 16TH ST. LOOKING SOUTH AT RETAIL CORNER ON MISSISSIPPI ST.
- TWO LEVEL RETAIL BASE EXPRESSION WITH RECESSED CORNER TO ALLOW FOR A LARGER OUTDOOR ENTRY PLAZA



VIEW OF 16TH ST. LOOKING WEST
- TWO LEVEL RETAIL BASE EXPRESSION AND CORNER MURAL FEATURE



VIEW OF MISSISSIPPI ST. LOOKING NORTH
- EXPRESSION OF VERTICAL BAY WINDOWS ON EAST FACADE AND BALCONIES ON SOUTH FACADE AT MEWS

EXHIBIT C



SAN FRANCISCO PLANNING DEPARTMENT

MEMO

DATE: May 6, 2016

TO: Chris Townes, Planning Department, Current Planning Division;
Chris Thomas, Planning Department, Environmental Planning Division

FROM: Jacob Bintliff, Planning Department, Citywide Planning Division

RE: Review of Financial Feasibility Analysis of 901 16th Street and 1200 17th Street

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Potrero Partners LLC (Project Sponsor) retained Seifel Consulting Inc. (Seifel) to provide a financial feasibility analysis of the Project Sponsor's proposed development and two lower density alternatives included in the Draft Environmental Impact Report. Seifel conducted an independent review of the development assumptions and financial feasibility analysis of all three development scenarios, as well as two additional scenarios that modeled the lower density alternatives as condominium projects. As documented in Seifel's April 12, 2016 memorandum, Seifel concluded that "neither of the EIR Alternatives are financially feasible because many of the development costs are fixed, and neither of the Alternatives would generate sufficient revenues to cover the development costs and provide a sufficient developer return in order for the Alternatives to be financially feasible."

The Planning Department has reviewed the financial feasibility analysis, and finds that its methodology and approach are appropriate and consistent with professional standards, that all key development assumptions and sources for these assumptions are well-documented and reasonable, and concurs in the conclusion that neither of the low density alternative are financially feasible under current market conditions.

This concurrence is supported by the following findings by the Planning Department upon review of the financial feasibility analysis provided:

Methodology and Approach: Seifel Consulting Inc is a qualified real estate advisory consulting firm that has been retained by the San Francisco Planning Department and other City agencies in the past to conduct financial feasibility analysis similar to that provided in this case. Seifel conducted a static pro forma feasibility analysis to determine financial feasibility. This methodology is an industry standard for financial feasibility analysis and the Planning Department as well as other City agencies and other jurisdictions routinely commission and accept feasibility findings developed using this approach. Seifel's memorandum of findings clearly documents all key assumptions, applies these assumption consistently and reasonably to each development scenario without undue variation, and provides the pro formas used in the analysis for review. The Planning Department finds the methodology and approach used in this analysis to be adequate and sufficient to support the feasibility conclusions.

Development Assumptions: The financial feasibility analysis provided rests on three categories of assumptions, which are applied to each development program scenario under analysis. These assumptions include development costs (land acquisition cost, hard construction costs,

soft costs including legal and architectural fees, City permit and impact fees, sales costs and taxes), construction financing costs (interest rate, loan to cost ratio, drawdown factor, construction loan fee, construction period and loan term), and revenues (rental or sale revenue for residential and commercial components). The Seifel memorandum clearly documents the values assumed for each of these inputs for all scenarios tested. Seifel considered both the cost and revenue assumptions provided by the Project Sponsor as well as values observed by Seifel through recent pertinent market research and interviews with members of the local real estate community, and exercised professional judgement to arrive at reasonable assumptions that were used to conduct the feasibility analysis. The Planning Department compared these assumptions to cost and revenue values observed in recent consultant reports and market study findings provided to the City and also considered professional experience in reviewing pro formas to evaluate assumptions. The Planning Department finds that all development cost, financing cost, and revenue assumptions are consistent with the range of values observed in San Francisco for similar projects under current market conditions.

Financial Feasibility Findings: Under the methodology used in this analysis, financial feasibility is defined as a project that yields a sufficient developer margin after comparing development and financing costs to projected revenues. Developer margin is expressed by two metrics, margin on cost and yield on cost (YOC). Margin on cost expresses the ratio of developer profit (total revenue net of total development cost) to total development cost; margin on cost is a standard feasibility metric for for-sale projects. Yield on cost expresses the ratio of a project's net operating income (NOI) to total development cost; YOC is a standard feasibility metric for rental projects. Seifel used a target return (i.e. the return below which a developer will not be likely to proceed with the project) of between 18% and 25% for margin on cost, and between 5.5% and 6.0% for YOC. These target ranges are consistent with the return thresholds observed by the Planning Department through recent consultant analyses, market research, and engagement with the real estate community and is deemed an appropriate threshold for determining feasibility findings.



Jacob Bintliff

Citywide Planning Division

San Francisco Planning Department

jacob.bintliff@sfgov.org



Memorandum

Date: April 12, 2016
To: Josh Smith of Potrero Partners LLC, Steven Vettel of Farella Braun + Martel LLP
From: Seifel Consulting Inc.
Subject: Financial Feasibility Analysis of 901 16th Street and 1200 17th Street Project

Potrero Partners LLC (Project Sponsor) retained Seifel Consulting Inc. (Seifel) to provide real estate advisory services in connection with the environmental review process for the Project Sponsor's proposed mixed-use development located on 16th and 17th Streets in the Potrero Hill neighborhood of San Francisco. Seifel performed an independent review of development assumptions and the financial feasibility for the proposed 395-unit project (Proposed Project) and both of the Draft Environmental Impact Report's lower density alternatives that would result in fewer residential units being developed on the site.

This memorandum summarizes the findings of our financial analysis, and is organized as follows:

- A. Description of Proposed Project (901 16th Street and 1200 17th Street Project)
- B. Description of EIR Alternatives
- C. Review of Pro Forma Assumptions and Methodology
- D. Financial Feasibility Findings
- E. Conclusion
- F. Appendix - EIR Alternatives Modeled as Condominiums

The financial analysis presented in this memorandum clearly indicates that neither of the EIR Alternatives is financially feasible because many of the development costs are fixed, and neither of the Alternatives would generate sufficient revenues to cover the development costs and provide a sufficient developer margin in order for the Alternatives to be financially feasible.

A. Description of Proposed Project (901 16th Street and 1200 17th Street Project)

Potrero Partners proposes to develop residential and ground-floor commercial uses on an approximately 3.5-acre site located at 901 16th Street and 1200 17th Street in the lower Potrero Hill neighborhood.¹ The site is located within the Showplace Square/Potrero Subarea of the Eastern Neighborhoods Rezoning and Area Plan (Eastern Neighborhoods Plan).²

The project sponsor proposes to construct two new buildings on the site:

- The 16th Street Building would consist of a new, 6-story, 68-foot tall building (excluding rooftop projections of up to 82 feet), with 260 dwelling units and about 20,000 Gross Square Feet (GSF) of retail on the northern lot.
- The 17th Street Building would consist of a new, 4-story, 48-foot tall building (excluding rooftop projections of up to 52 feet), with 135 dwelling units and about 5,000 GSF of retail on the southern lot.

The proposed development would contain the following components:

- 395 dwelling units
- About 24,000 square feet of leasable retail space
- 389 vehicular parking spaces
- 455 off-street bicycle parking spaces
- About 51,000 square feet of open space, including a courtyard terrace of about 25,000 square feet and about 15,000 square feet of public open space.
- A new, publicly accessible pedestrian promenade (i.e. alley) along the entirety of the Proposed Project's western property line.

Approximately 16% of the residential units in the 16th Street building (or 42 units) and 14.4% of the residential units in the 17th Street building (or 19 units) would be designated as affordable, below-market rate (BMR) rental units³ that would provide homes for households earning 55% of Areawide Median Income (AMI), or \$44,850 per year for a two-person household.

¹ The approximately 3.5-acre project site is bounded by 16th Street to the north, Mississippi Street to the east, 17th Street to the south and residential and industrial buildings to the west. The project site currently contains two metal shed industrial warehouse buildings, a brick office building, a modular office structure and surface parking lots. The proposed project would merge the four lots into two, demolish the two warehouses and the modular office structure, preserve the brick office building and retain some materials from the steel sheds for reuse within the proposed project.

² Proposed and EIR Alternative project descriptions are taken from both the August 2015 Draft Environmental Impact Report (http://sfmea.sfplanning.org/2011.1300E_DEIR_Part1.pdf) and information provided by the Project Sponsor.

³ Position of the properties within the Eastern Neighborhoods Rezoning and Area Plan places different levels of BMR unit requirements on different portions of the property, with a higher BMR unit requirement on the 16th Street property location.

B. Description of EIR Alternatives

The California Environmental Quality Act (CEQA) Guidelines require that an EIR describe a reasonable range of potentially feasible alternatives to the proposed project that could attain most of the basic project objectives while reducing the adverse impacts caused by the proposed project. The project EIR considered three alternatives:

- No Project Alternative
- Reduced Density Alternative
- Metal Shed Reuse Alternative

1. Reduced Density Alternative

The EIR concluded that the Reduced Density Alternative would be an environmentally superior alternative to the proposed Project under a level of service (LOS) analysis for traffic-related impacts because it would meet the project sponsor's basic objectives to some extent, while avoiding some of the significant, unavoidable with mitigation traffic-related impacts of the proposed Project.⁴ The Reduced Density Alternative would alternatively develop the site with the following uses:

- 273 residential units, which are larger than the units in the Proposed Project
- About 17,000 square feet of leasable retail space
- About 57,000 square feet of open space, including a courtyard terrace of about 34,000 square feet.
- 275 vehicular parking spaces within a below-grade garage and associated improvements.

The building heights would be 6 stories (68 feet, excluding rooftop projections of up to 82 feet) along 16th Street and 4 stories (48 feet, excluding rooftop projections of up to 52 feet) along 17th Street. As with the proposed project, the Reduced Density Alternative is proposed to provide rental housing, including 42 units made available at BMR⁵ rents affordable to households at 55% of AMI.⁶

2. Metal Shed Reuse Alternative

The EIR concluded that the Metal Shed Reuse Alternative would be an environmentally superior alternative to the proposed Project because it would meet the project sponsor's basic objectives to some extent, while reducing impacts related to the cumulative loss of PDR (production, distribution and repair) space in the Eastern Neighborhood. The Metal Shed Reuse Alternative would build a new, 5-story building (58 feet, excluding rooftop projections of up to 72 feet) along 16th Street and would retain and reuse the warehouse buildings along 17th Street with building heights up to 4 stories (48 feet, excluding rooftop projections of up to 62 feet) along 17th Street. This alternative would consist of a mix of residential units, commercial space, and artist workspace and exhibition space as follows:

- 177 residential units, which are larger than the units in the Proposed Project
- About 20,000 square feet of leasable retail space

⁴ This impact reduction would be achieved because this alternative would have fewer residential units and commercial space at the site compared to the proposed project, and therefore have associated reductions in vehicle traffic compared to the proposed project.

⁵ As with the Proposed Project, the BMR requirements differ by building. The 16th Street building requires 16% (or 28 units), and the 17th Street building requires 14.4% (or 14 units), for a total of 42 BMR units.

⁶ The Reduced Density Alternative was also modeled as a for-sale condominium project, with 42 BMR units affordable at 90% AMI. That analysis is contained in the Appendix.

- About 55,000 square feet of artist workspace and exhibition space
- About 36,000 square feet of open space, including a courtyard terrace of about 25,000 square feet.
- 126 vehicular parking spaces within a below-grade garage and associated improvements.

As with the Proposed Project and the Reduced Density Alternative, the Metal Shed Reuse Alternative is proposed to provide rental housing, including 27 units made available at BMR⁷ rents affordable to households at 55% of AMI.⁸

C. Review of Pro Forma Assumptions and Methodology

The financial analysis is based on information from the Project Sponsor, and builds upon Seifel’s recent work for San Francisco’s Planning Department, Mayor’s Office of Housing and Community Development and Municipal Transportation Agency to analyze the financial feasibility of similar mixed-use developments. During the performance of these assignments for the City of San Francisco, Seifel interviewed City staff and members of the real estate community (including developers, contractors, residential and commercial market specialists and architects) to obtain current development revenue, cost and financial performance data and assumptions. Seifel also reviewed a broad range of development pro formas for projects recently constructed or in the development pipeline in San Francisco.

This section describes the project assumptions, development costs, revenues, expenses and return metrics used in the financial analysis. Except where noted, the same assumptions apply to both EIR Alternatives and the Proposed Project for this financial evaluation.

1. Development Program Assumptions

The residential units in the Proposed Project and EIR Alternatives include a mix of studios to three-bedroom apartments, ranging from 480 to 1,350 square feet. For this financial analysis, Seifel assumes an average size of 865-square-foot residences for the Proposed Project, which is consistent with the average unit mix of comparable new apartment buildings in San Francisco. The Reduced Density Alternative analysis assumes larger, 989-square-foot residences, and includes no studios, to reflect the fact that a developer would likely increase unit sizes to maximize the revenue from the project. The Metal Shed Reuse Alternative assumes 958-square-foot residences.⁹

As described above, the Project Sponsor intends to provide required affordable BMR rental units on site, and the analysis assumes that 14.4% to 16% of units, depending on the building requirements, are BMR units.

As described above, the Proposed Project includes 395 units, the Reduced Density Alternative 273 units, and the Metal Shed Reuse Alternative 177 units. See Table 1 for a summary of the development programs for each, including Retail/Restaurant and other space.

⁷ As with the Proposed Project, the BMR requirements differ by building. The Metal Shed Reuse Alternative requires different positioning of the residential buildings on the site, such that Building 1 spans the BMR zoning requirement between 14.4% and 16%, so an average 15.2% (or 14 units) was modeled for Building 1. Building 2 requires 16% BMR (or 13 units), for a total of 27 BMR units.

⁸ The Metal Shed Reuse Alternative was also modeled as a for-sale condominium project, with 27 BMR units affordable at 90% AMI. That analysis is contained in the Appendix.

⁹ The Reduced Density and Metal Shed Reuse Alternatives are less efficient than the proposed project, as a higher proportion of the buildings must be dedicated to common area to accommodate the greater number of dead-end corridors and larger proportion of stairs. Due to the deep warehouse footprint for the Metal Shed Reuse alternative, a large amount of common area is dedicated to bicycles and other non-revenue producing uses because of the lack of exterior frontage.

Table 1
Summary of Development Programs
901 16th Street and 1200 17th Street Project

	Proposed Project			Reduced Density Alternative			Metal Shed Reuse Alternative			
	16th Street Building	17th Street Building	Project Total	16th Street Building	17th Street Building	Project Total	Metal Shed Commercial Public Use	Metal Shed Building 1	Building 2	Project Total
Total Building Area (GSF)	616,452			561,625			369,907			
Residential										
Total Residential Units	260	135	395	177	96	273	0	95	82	177
Below Market Rate Units	42	19	61	28	14	42	0	14	13	27
Very Low (55% AMI)	42	19	61	0	0	0	0	0	0	0
Moderate (90% AMI)	0	0	0	28	14	42	0	14	13	27
Total Residential Gross SF (GSF)	278,150	160,531	438,681	252,192	148,436	400,628	0	139,963	105,555	245,518
Total Residential Net SF (NSF)	222,410	119,267	341,677	174,655	95,430	270,085	0	79,850	89,695	169,545
Average Unit Size (NSF)	855	883	865	987	994	989	0	944	974	958
PDR (GSF)	0	0	0	0	0	0	47,728	0	0	47,728
PDR (LSF)	0	0	0	0	0	0	46,957	0	0	46,957
Public Arts Activity Space (GSF)	0	0	0	0	0	0	9,524	0	0	9,524
Public Arts Activity Space (LSF)	0	0	0	0	0	0	8,366	0	0	8,366
Retail (GSF)	20,318	4,650	24,968	18,379	2,200	20,579	0	14,484	7,265	21,749
Retail (LSF)	19,302	4,418	23,720	15,300	1,580	16,880	0	13,200	7,000	20,200
Parking Structure (GSF)	104,475	48,328	152,803	95,103	45,315	140,418	0	0	45,388	45,388
Residential Parking Spaces			338			233				121
Car Share Spaces			5			3				2
Commercial/ Loading Spaces			46			39				3
Total Parking			389			275				126
Courtyard/Terrace Area (GSF)	25,220			33,900			25,212			

Source: City of San Francisco, Potrero Partners, Christiani Johnson Architects.

2. Development Costs

Development costs consist of the following key categories: land, hard construction costs, site improvements, government fees, financing and other soft costs (such as development costs from project design). Some of these development costs are driven primarily by the size of the development (such as hard construction costs) while others have a significant fixed-cost component (such as land costs). Total apartment development costs are approximately \$280 million for the Proposed Project and \$260 million and \$190 million for the Reduced Density and Metal Shed Reuse Alternatives, respectively.

a. Land Cost

Total land costs are estimated at \$38 million, or approximately \$250 per square foot, and are the same for the Proposed Project and both Alternatives.¹⁰

b. Hard Construction Costs

Hard construction costs include direct construction costs related to building, parking and site work (including general contractor overhead, profit and general conditions). The hard construction costs for new construction are based on typical building construction costs for wood frame construction over below-grade parking for projects with residential heights of 48-68 feet, and are calculated based on the gross square feet (GSF) of building area for the applicable use: \$295/GSF for Residential, \$190/GSF for Retail, PDR and Arts space, and \$200/GSF for below-grade parking. Given the additional complexity associated with constructing a new building within existing structures and the need to retrofit the metal shed buildings to comply with current structural, life safety and energy efficiency requirements, the hard

¹⁰ This is based on historical sales for similar properties in the Potrero and South of Market neighborhoods, adjusted to reflect the specific characteristics of the property.

construction costs for the metal shed buildings in the Metal Shed Reuse alternative are estimated to be 12% higher than new construction.¹¹

c. Demolition and Site Improvements

Site improvement costs consist of all of the costs needed to ready the site for development, including the demolition of existing structures, completion of the environmental remediation work and the provision of public and private pathways and landscaped areas of the project. As indicated in the project descriptions, the Proposed Project and Reduced Density Alternative include demolition of existing buildings and preparation of the site for development, estimated at \$4.7 million. The Metal Shed Reuse Alternative cost is lower (\$2.9 million) because the metal sheds would not be demolished. Courtyard/terrace area development and improvements are estimated at \$114/square foot.¹²

d. Permits and Development Fees

The Project Sponsor will be required to pay City permits and development impact fees, including the Eastern Neighborhoods Infrastructure Impact Fee, Transportation Sustainability Fee, Child Care fees, water and wastewater capacity fees, school fees, building permit fees, large project authorization permit, and planning fees. The Project Sponsor and Seifel prepared a current cost estimate for permits and development fees based on the City’s published fee schedules. Table 2 summarizes the estimates of the fees for each alternative.

**Table 2
Supporting Calculations for Permit and Development Fees
901 16th Street and 1200 17th Street Project**

	Proposed Project	Reduced Project	Reuse Alternative
Residential SF	438,681	400,628	245,518
Total Units	395	273	177
Non-Residential SF	24,968	20,579	79,001
Development Fees	\$0	\$0	\$0
Jobs Housing Linkage	\$149,059	\$122,857	\$129,842
Eastern Neighborhood	\$2,889,776	\$2,630,612	\$1,647,031
Childcare	\$802,786	\$733,149	\$449,298
TSP	\$2,087,273	\$1,863,726	\$1,200,428
Water	\$482,470	\$482,470	\$536,078
Wastewater	\$1,641,643	\$1,641,643	\$1,824,047
School fee	\$1,482,607	\$1,353,230	\$832,466
Subtotal	\$9,535,614	\$8,827,687	\$6,619,189
Planning/Permit Fees	\$1,265,115	\$1,105,115	\$1,265,115
Total Fees (2016)	\$10,800,729	\$9,932,802	\$7,884,304

¹¹ These hard construction cost estimates were developed in consultation with Webcor and the development team and are consistent with cost assumptions used by Seifel in recent work for the City of San Francisco for new construction projects that have significant excavation and foundation costs. The costs for new construction represent a blend of Type III and Type V construction based on the varying building heights. Webcor performed a site inspection of the metal shed buildings and indicated that hard construction costs for the buildings’ reuse and redevelopment would be 12% to 15% higher per gross building square foot than new construction, given the additional construction complexity.

¹² The site improvement cost estimates were developed in consultation with Webcor.

e. Construction Financing

Construction financing typically represents the major source of capital that pays for development costs during construction. The construction financing assumptions used in this analysis are based on discussions with construction lenders, and are intended to be generally representative of construction financing terms for similar projects over the near term.

The construction interest rate is assumed at 5.0% with a loan fee of 1% for all projects. The loan amount is based on a 60% loan to total development value at an average outstanding balance of 60% of development cost.¹³

The term of the construction loan is directly related to project timing, as the construction loan is the primary source of capital during the construction of the project. The Proposed Project is anticipated to have a 24-month construction period until the permanent equity financing will be in place. The same construction duration is also assumed for the Reduced Density and Metal Shed Reuse Alternatives. The absorption periods for all scenarios are based on an average absorption rate of 20 apartment units per month until the units are occupied, with a 6-month overlap with construction, as units could begin leasing ahead of construction completion.¹⁴ The absorption time periods were used to estimate operating costs that must be capitalized until rental revenues begin.

f. Other Soft Costs

Other soft costs include predevelopment land carry and other project costs, as well as all other indirect construction costs, such as architectural design, engineering, legal fees, marketing and other professional fees paid by the developer (excluding sales expenses for the City's transfer tax and brokerage fees for buyer representation and other transaction-related expenses, which are considered separately).

These other soft costs are calculated as a percentage of hard construction costs based on a review of pro formas and interviews with developers and real estate professionals. Other soft costs are assumed at 18% of hard construction costs.¹⁵

3. Revenues

Revenues for the project come primarily from rental of the residential units, parking spaces and the commercial spaces, all of which vary between the Proposed Project and EIR Alternatives.

- Residential market rate units are assumed at an average rent of approximately \$4,760 per month for an 865-square-foot unit, inclusive of all other revenues that a landlord might receive, such as income from the use of laundry facilities and other apartment services.¹⁶
- Between 14.4% and 16% of the residential units are designated for rental at below-market rates as described above. Rents for BMR units are assumed at approximately \$1,200 per month for 55% AMI

¹³ These terms are typical for a construction loan for development of this scale.

¹⁴ The Proposed Project and Alternatives assume an absorption rate of 20 units/month for rental units and 15 units/month for condominiums, which is typical for rental or condominium projects of this size. The overlap period allows rentals or sales to begin, although move-in would not take place until completion of construction. A 6-month overlap period shortens the net absorption period for Alternatives, respectively.

¹⁵ Based on recent work for the City of San Francisco, other soft costs for rental developments are typically 18% of hard construction costs, inclusive of predevelopment expenses.

¹⁶ Based on \$66 per net square foot annually or about \$5.50 per net square foot per month. The monthly rental rate for the Alternatives is calculated based on their respective average unit sizes multiplied by this rental rate per square foot, which likely overstates rental income in the EIR Alternatives because developments with larger average unit sizes typically generate lower rents on a per square foot basis given renters' sensitivity to overall monthly rents, particularly for two- and three-bedroom units.

affordable units, which represent the average rents affordable to households at these income levels according to the City of San Francisco.¹⁷

- Monthly residential parking rates for market rate units are assumed to be \$350 per space, and parking rates for BMR units and commercial spaces are assumed at \$175 per space, consistent with comparable developments in the Eastern Neighborhoods. No revenue is assumed from car sharing spaces.
- The monthly rental rate for storage units is \$75.
- Retail space rental is assumed at a rate of \$5.25 per square foot per month (or \$63 per square foot annually) reflecting its visible location and design, and PDR and Public Arts spaces at \$2.50 per square foot per month (or \$30 per square foot annually), both on a triple net basis.

Revenues from residential units assume a 5% vacancy rate, while an 8% vacancy rate is assumed for commercial and PDR space rental given the project's location near UCSF and public transit.

4. Sales Value and Expenses

The potential value of the property is determined by applying a capitalization rate to the net annual income from the property using a 4.5% capitalization rate for residential, 5.5% capitalization for retail (reflecting its location and design) and 6% for other non-residential uses.¹⁸

Sales expenses include brokerage fees and City transfer taxes that are in addition to the marketing and sales costs included within soft costs. These expenses are deducted from the rental revenue proceeds in order to generate net development revenues for the financial analysis.

The analysis assumes sales expenses equal to 3.0% of sales price, representing an allowance of 0.5% for brokerage fees (reflecting the large size and value of the development) and 2.5% for San Francisco's transfer tax. Transfer taxes are based on the City's transfer tax schedule, which is calculated according to building value, and are assumed to be paid by the developer.

5. Return Metrics

Developers, lenders and investors evaluate and measure returns in several ways. Based on input from real estate developers, equity investors and lenders, development returns are based on two key measures typically used by the real estate community.

a. Developer Margin and Margin on Cost

Developer margin is equal to the difference between net development value and total development costs (before consideration of developer return or profit).¹⁹ A developer will not proceed to build a project unless the project generates sufficient developer margin to warrant the risk and private investment needed to undertake the project.

Developers and investors use different target margin on cost thresholds depending on the level of complexity of the project, construction types, construction schedule, sales/rental absorption timeline and

¹⁷ The BMR rents are based on the affordable rents, including utilities, published by the 2016 City of San Francisco Mayor's Office of Housing and Community Development for households at these income levels and assuming an average of BMR rents for one- and two-bedroom units.

¹⁸ Capitalization rate assumptions are based on discussions with real estate professionals regarding current valuation assumptions for similar projects in San Francisco and on the capitalization rate survey by Integra Realty Resources (Viewpoint, 2015 Real Estate Value Trends).

¹⁹ Net development value equals gross development value less transaction expenses.

potential equity sources. Projects with a greater number of units and longer timelines have higher risk and as a result require a higher margin on cost. This type and size of apartment development (wood frame construction averaging around 40 to 70 feet) would likely have a margin on cost threshold that ranges between 18 and 25%, as measured by developer margin divided by development cost.²⁰

b. Yield on Cost

Yield on cost (YOC) is used to evaluate development feasibility for apartment buildings.²¹ YOC is measured based on Net Operating Income (NOI) divided by development costs.²² NOI is equal to projected rental revenues less vacancy allowance less operating expenses.

The target yield on cost for apartments in San Francisco over the past decade has ranged from 5% to 7% based on a review of project pro formas and discussions with developers and equity investors. Currently, developers and investors are using a 5.5% to 6% threshold in San Francisco, which is considered to be a very desirable rental market, with 5.5% considered a minimum threshold.²³

D. Financial Feasibility Findings

The financial analysis compares the anticipated development costs with the potential revenues that could be generated by the Proposed Project and EIR Alternatives in order to test the overall financial feasibility using typical return measures of developer margin, margin on cost and yield on cost (YOC).

The summary financial pro forma analysis shown in Table 3A is based on the development assumptions previously described in Section C, and it compares the financial feasibility of the Proposed Project and EIR Alternatives. (Please refer to Appendix Table 1A for the development pro forma that was used to prepare the summary financial comparison.)

²⁰ This is equivalent to a return on cost threshold range of 15% to 20% when measured by return on net revenues.

²¹ Also referred to as Return on Cost by real estate developers, lenders and investors.

²² These return metrics are considered the typical “back of the envelope” way of determining real estate feasibility and are typically based on current rent and cost assumptions (not trended upward to reflect potential future increases).

²³ These YOC thresholds are consistent with the return thresholds used in the financial analysis on housing development performed for the San Francisco Mayor’s Office of Housing and Community Development. These are based on input from a Technical Advisory Committee and City staff, interviews with developers and real estate professionals and key assumptions from more than 40 development pro formas for projects constructed or in the development pipeline over the past decade.

Table 3A
Summary Financial Comparison
901 16th Street and 1200 17th Street Project

	Proposed Project	Reduced Density Alternative	Metal Shed Reuse Alternative
<i>Proposed Project Type</i>	<i>Rental</i>	<i>Rental</i>	<i>Rental</i>
Mixed Use Development Program			
Residential Units	395	273	177
<i>Below Market Rate Units</i>	61	42	27
PDR (LSF)	0	0	46,957
Retail (LSF)	23,720	16,880	20,200
Public Arts (LSF)	0	0	8,366
Parking Spaces	389	275	126
Total Development Value	\$327,870,000	\$254,123,000	\$190,090,000
Less: Development Cost	\$278,687,000	\$257,532,000	\$190,553,000
Return (Net Developer Margin)	\$49,183,000	(\$3,409,000)	(\$463,000)
<i>As Percent of Total Development Cost</i>	18%	-1%	0%
Target Return on Total Development Cost	18% to 25%		
Return (Yield on Cost)	5.5%	4.6%	4.9%
Target Return (Yield on Cost)	5.5% to 6%		

Note: Refer to supporting tables for assumptions and calculations. Dollar values rounded to nearest \$1,000.

Source: City of San Francisco, Potrero Partners, Seifel Consulting Inc.

Based on the projected development revenues and costs described earlier, the apartment development financial analysis indicates that the Proposed Project is financially feasible while neither of the EIR Alternatives is financially feasible:

- The Proposed Project yields an 18% return (net developer margin) and a Yield on Cost of 5.5%, which is within the range of feasibility.
- The Reduced Density Alternative does not generate sufficient return or Yield on Cost, as total development costs exceed development value, resulting in a negative return, and the Yield on Cost is 4.6%—well below the target threshold.
- The Metal Shed Reuse Alternative also does not generate sufficient return or Yield on Cost, as total development costs exceed development value, resulting in a negative return and a Yield on Cost of 4.9%—well below the target threshold.²⁴

As an additional check on the feasibility of the EIR Alternatives, both alternatives were modeled as for-sale, condominium developments with the same number of onsite affordable housing requirements. The condominium alternative analysis did not achieve a sufficient developer margin, well below the 18% to 25% target for margin on development costs.

²⁴ In reviewing the differences in costs and revenues on the Proposed Project vs. EIR Alternatives, Appendix Table 1A illustrates how revenues drop in direct proportion to the size of the development, while costs on a per unit basis increase in the EIR Alternatives.

A summary of the results of this financial comparison for potential condominium development of the EIR Alternatives is shown in Table 3B. (Please refer to the Appendix for a description of the financial analysis performed on these condominium alternatives. The Appendix summarizes the financial model assumptions that differ from those described in Section C above and presents the financial results.)

In comparison, the Proposed Project is feasible as it yields a positive developer margin, and its returns (as measured by margin on cost and YOC) are within the target return thresholds for development feasibility.

Table 3B
Summary Financial Comparison
901 16th Street and 1200 17th Street Project

	Proposed Project	Reduced Density Alternative	Metal Shed Reuse Alternative
<i>Proposed Project Type</i>	<i>Rental</i>	<i>Condominium</i>	<i>Condominium</i>
Mixed Use Development Program			
Residential Units	395	273	177
<i>Below Market Rate Units</i>	61	42	27
PDR (LSF)	0	0	46,957
Retail (LSF)	23,720	16,880	20,200
Public Arts (LSF)	0	0	8,366
Parking Spaces	389	275	126
Total Development Value	\$327,870,000	\$294,794,000	\$217,676,000
Less: Development Cost	\$278,687,000	\$278,186,000	\$204,009,000
Return (Net Developer Margin)	\$49,183,000	\$16,608,000	\$13,667,000
<i>As Percent of Total Development Cost</i>	18%	6%	7%
Target Return on Total Development Cost	18% to 25%		
Return (Yield on Cost)	5.5%	N/A	N/A
Target Return (Yield on Cost)	5.5% to 6%		

Note: Refer to supporting tables for assumptions and calculations. Dollar values rounded to nearest \$1,000.

Source: City of San Francisco, Potrero Partners, Seifel Consulting Inc.

E. Conclusion

This memorandum summarizes the results of an independent review of development assumptions and financial feasibility for both the Reduced Density Alternative and the Metal Shed Reuse Alternative as well as the Proposed Project, based on data provided by the Project Sponsor and on Seifel's recent work in San Francisco.

As this analysis clearly demonstrates, neither of the EIR Alternatives is a financially feasible alternative to the Proposed Project.²⁵ The development costs for the EIR Alternatives significantly exceed potential revenues as apartments, resulting in a negative developer margin or return. In addition, the EIR Alternatives do not meet either of the return thresholds as measured by either Yield on Cost or Margin on Cost. Furthermore, even if the EIR Alternatives were developed as condominiums, they still do not meet sufficient return thresholds in order to be financially feasible.

²⁵ Even when modeled as condominium projects, the EIR Alternatives do not achieve financial feasibility.

Appendix Table 1A
Proforma - Rental
Financial Feasibility Analysis
901 16th Street and 1200 17th Street Project

Proposed Project Type	Proposed Project		Reduced Density Alternative		Metal Shed Reuse Alternative	
	Rental		Rental		Rental	
	Total	Per Res. Unit	Total	Per Res. Unit	Total	Per Res. Unit
Development Value						
Residential - Rental						
Annual MR Rent Revenue	\$19,068,000		\$15,083,000		\$9,483,000	
Annual BMR Rent Revenue	\$872,000		\$600,000		\$386,000	
Other Revenue (Parking, Storage, etc.)	\$1,713,000		\$1,195,000		\$631,000	
Less Vacancy	(\$1,083,000)		(\$844,000)		(\$525,000)	
<u>Less Operating Expenses</u>	<u>(\$6,496,000)</u>		<u>(\$5,063,000)</u>		<u>(\$3,150,000)</u>	
Net Revenues (NOI)	\$14,074,000		\$10,971,000		\$6,825,000	
Sales Value	\$312,756,000		\$243,800,000		\$151,667,000	
<u>Less Marketing Expense</u>	<u>(\$9,383,000)</u>		<u>(\$7,314,000)</u>		<u>(\$4,550,000)</u>	
Net Proceeds	\$303,373,000	\$768,000	\$236,486,000	\$866,000	\$147,117,000	\$831,000
PDR						
Annual Rent Revenue	\$0		\$0		\$1,409,000	
Less Vacancy	\$0		\$0		(\$113,000)	
<u>Less Operating Expenses</u>	<u>\$0</u>		<u>\$0</u>		<u>(\$70,000)</u>	
Net Revenues (NOI)	\$0		\$0		\$1,226,000	
Sales Value	\$0		\$0		\$20,433,000	
<u>Less Marketing Expense</u>	<u>\$0</u>		<u>\$0</u>		<u>(\$613,000)</u>	
Net Proceeds	\$0		\$0		\$19,820,000	
Retail						
Annual Rent Revenue	\$1,494,000		\$1,063,000		\$1,273,000	
Annual Commercial Parking Revenue	\$97,000		\$82,000		\$6,000	
Less Vacancy	(\$127,000)		(\$92,000)		(\$102,000)	
<u>Less Operating Expenses</u>	<u>(\$75,000)</u>		<u>(\$53,000)</u>		<u>(\$64,000)</u>	
Net Revenues (NOI)	\$1,389,000		\$1,000,000		\$1,113,000	
Sales Value	\$25,255,000		\$18,182,000		\$20,236,000	
<u>Less Marketing Expense</u>	<u>(\$758,000)</u>		<u>(\$545,000)</u>		<u>(\$607,000)</u>	
Net Proceeds	\$24,497,000		\$17,637,000		\$19,629,000	
Arts Space						
Annual Rent Revenue	\$0		\$0		\$251,000	
Less Vacancy	\$0		\$0		(\$20,000)	
<u>Less Operating Expenses</u>	<u>\$0</u>		<u>\$0</u>		<u>(\$13,000)</u>	
Net Revenues (NOI)	\$0		\$0		\$218,000	
Sales Value	\$0		\$0		\$3,633,000	
<u>Less Marketing Expense</u>	<u>\$0</u>		<u>\$0</u>		<u>(\$109,000)</u>	
Net Proceeds	\$0		\$0		\$3,524,000	
Total Value	\$327,870,000	\$830,000	\$254,123,000	\$931,000	\$190,090,000	\$1,074,000
Development Cost						
Land Value	\$38,000,000	\$96,000	\$38,000,000	\$139,000	\$38,000,000	\$215,000
Hard Construction Costs						
Site Improvements ^a	\$7,587,000		\$8,577,000		\$4,428,000	
Residential	\$129,411,000		\$118,185,000		\$77,327,000	
PDR	\$0		\$0		\$10,166,000	
Retail	\$4,744,000		\$3,910,000		\$4,459,000	
Arts Space	\$0		\$0		\$2,029,000	
Structured Parking	\$30,561,000		\$28,084,000		\$9,078,000	
Hard Cost Contingency	\$8,615,000		\$7,938,000		\$5,374,000	
Subtotal: Hard Construction Costs	\$180,918,000	\$458,000	\$166,694,000	\$611,000	\$112,861,000	\$638,000
Tenant Improvements						
PDR	\$0		\$0		\$2,348,000	
Retail	\$1,898,000		\$1,350,000		\$1,616,000	
Subtotal: Tenant Improvement Costs	\$1,898,000	\$5,000	\$1,350,000	\$5,000	\$3,964,000	\$22,000
Subtotal: Land and Direct Construction Costs	\$220,816,000	\$559,000	\$206,044,000	\$755,000	\$154,825,000	\$875,000
Development Soft Costs						
Permit and Development Fees	\$10,801,000		\$9,933,000		\$7,884,000	
Construction Financing Costs	\$14,505,000		\$11,550,000		\$7,529,000	
Other Soft Costs	\$32,565,000		\$30,005,000		\$20,315,000	
Subtotal: Soft Costs	\$57,871,000	\$147,000	\$51,488,000	\$189,000	\$35,728,000	\$202,000
Total Development Cost / Per Res Unit	\$278,687,000	\$706,000	\$257,532,000	\$943,000	\$190,553,000	\$1,077,000
Developer Margin / Per Res Unit	\$49,183,000	\$125,000	(\$3,409,000)	(\$12,000)	(\$463,000)	(\$3,000)
As Percent of Total Development Cost	18%		-1%		0%	
Target Return on Total Development Cost	18% to 25%				18% to 25%	

Note: Values rounded to nearest 1,000

a. Includes costs of site work, demolition of existing buildings (if applicable), environmental remediation, pathways and landscaping of open spaces.

Source: City of San Francisco, Potrero Partners, Seifel Consulting Inc.

Appendix: EIR Alternatives Modeled as Condominiums

As an additional check for financial feasibility of the lower-density EIR Alternatives, both were modeled as for-sale condominium developments, with BMR units modeled as for-sale units affordable to households at 90% AMI. These Condominium Alternatives do achieve sufficient developer margins and the margin on cost is well below the 18% to 25% target for return on development cost. The following describes the model assumptions that differ from those described in Section C above, and compares the results to the Proposed Project and EIR Alternatives.

a. Development Program Assumptions

This scenario assumes the baseline required on-site affordable housing percentage of BMR units (42 units for Reduced Density and 27 units for Metal Shed Reuse) according to the requirements for this Eastern Neighborhoods Plan subarea. As a condominium for-sale project, these BMR units would be required to be affordable to households at 90% of AMI, and this is what is modeled. The gross square feet of both commercial and parking uses are unchanged from those shown in Table 1.

b. Development Costs

Hard Construction Costs

Hard construction cost assumptions remain the same for the Condominium Alternative, except that \$20,000 per unit was added to reflect the cost of enhanced finish work that is generally needed on condominium properties in this size range.²⁶

Construction Financing

The construction financing assumptions do not change from those described in Section C above. The same construction periods are also assumed, despite the potential additional time needed to complete condominium finishes. As condominiums take much longer to sell than apartments take to lease, a slower absorption rate (15 units per month) is assumed (typical of comparable new condominium buildings), overlapping construction for 6 months, for a net period (post-construction) of 18 months for the Reduced Density Alternative and 12 months for the Metal Shed Reuse Alternative to be fully sold.

Other Soft Costs

Other Soft Costs were increased for the Condominium Alternative by 7% (to a total of 25%) of Hard Construction Costs to account for the additional soft costs related to condominium insurance and for the substantial marketing and sales costs associated with condominiums.²⁷

c. Revenues

Revenues for the project come primarily from sale of the residential units, along with rental income from parking and the retail space. A price of \$1,200 per net square foot was assumed for the sale of market rate units, based on recent sales rates in the Potrero/Dogpatch neighborhood.²⁸ A price of approximately \$285,000 was used for BMR units sold.²⁹

²⁶ Based on interviews with contractors, condominium finish costs are at least \$15,000 to \$20,000 higher per unit as compared to rental units.

²⁷ Based on recent work for the City of San Francisco, other soft costs for condominium developments are typically 25% of hard construction costs, inclusive of predevelopment expenses.

²⁸ Polaris Pacific Report, San Francisco, January 2016 San Francisco Report Download

²⁹ Per City of San Francisco MOH, affordable purchase price for 3-person household at 90% AMI (\$82,550), with 33% of income spent on housing expenses. Assumes an average of one- and two-bedroom units.

All other rental income remains the same as in the rental alternatives.

d. Sales Value and Expenses

For the sales value of the Condominium Alternative, the Sales/Marketing Expense rate was increased to 5.5% to reflect the additional cost of sales related to the broker costs for individual condominiums and for the property transfer tax, consistent with standard assumptions for San Francisco projects of this type.³⁰

e. Return Metrics

Developer Margin and Margin on Cost

As described in Section C.5, developers and investors use different target margin on cost thresholds depending on the level of complexity of the project, construction types, construction schedule, sales/rental absorption timeline and potential equity sources. Projects with longer timelines have higher risk and as a result require a higher margin on cost. This type of condominium development (wood frame construction averaging 55 feet) would likely have a margin on cost threshold between 18% and 25% on development costs (developer margin/development cost) or 15% and 20% on net sales revenues (developer margin/net sales revenues).

Yield on Cost

Yield on cost (YOC) is used to evaluate development feasibility for apartment buildings, and not applicable to condominium projects.

2. Financial Feasibility Findings

Appendix Table 1B presents financial pro forma of the EIR Alternatives modeled as for-sale condominiums. Despite the higher development value of the EIR Alternatives as condominiums, both Alternatives still do not yield sufficient Developer Margin, and Margin on Cost (as measured by developer margin on total development cost) is well below the target return threshold of 18% to 25% required to be financially feasible.³¹

In conclusion, this analysis demonstrates that neither the Reduced Density nor Metal Shed Reuse EIR Alternative is feasible as either an apartment or condominium development.

³⁰ Based on information gathered by Seifel Consulting from developers and real estate professionals during Seifel's work for the City of San Francisco, as described in Section C.

³¹ In addition, the Margin on Net Sales Revenue is also significantly below a developer threshold of 15% to 20%. It is also likely that for a relatively complex condominium project, with a long timeframe from predevelopment through to occupancy, the threshold could be 20% or higher.

Appendix Table 1B
Proforma - Condominium
Financial Feasibility Analysis
901 16th Street and 1200 17th Street Project

	Reduced Density Alternative		Metal Shed Reuse Alternative	
<i>Proposed Project Type</i>	<i>Condominium</i>		<i>Condominium</i>	
Development Value	Total	Per Res. Unit	Total	Per Res. Unit
Residential - For Sale				
MR Sales Proceeds	\$274,240,000		\$172,419,000	
AH Sales Proceeds	\$11,958,000		\$7,687,000	
Total Sales Proceeds	\$286,198,000		\$180,106,000	
Less Sales Expense	(\$8,586,000)		(\$5,403,000)	
Net Proceeds	\$277,612,000	\$1,017,000	\$174,703,000	\$987,000
PDR				
Annual Rent Revenue	\$0		\$1,409,000	
Less Vacancy	\$0		(\$113,000)	
Less Operating Expenses	\$0		(\$70,000)	
Net Revenues (NOI)	\$0		\$1,226,000	
Sales Value	\$0		\$20,433,000	
Less Marketing Expense	\$0		(\$613,000)	
Net Proceeds	\$0		\$19,820,000	
Retail				
Annual Rent Revenue	\$1,063,000		\$1,273,000	
Annual Commercial Parking Revenue	\$82,000		\$6,000	
Less Vacancy	(\$92,000)		(\$102,000)	
Less Operating Expenses	(\$53,000)		(\$64,000)	
Net Revenues (NOI)	\$1,000,000		\$1,113,000	
Sales Value	\$18,182,000		\$20,236,000	
Less Marketing Expense	(\$1,000,000)		(\$607,000)	
Net Proceeds	\$17,182,000		\$19,629,000	
Arts Space				
Annual Rent Revenue	\$0		\$251,000	
Less Vacancy	\$0		(\$20,000)	
Less Operating Expenses	\$0		(\$13,000)	
Net Revenues (NOI)	\$0		\$218,000	
Sales Value	\$0		\$3,633,000	
Less Marketing Expense	\$0		(\$109,000)	
Net Proceeds	\$0		\$3,524,000	
Total Value	\$294,794,000	\$1,080,000	\$217,676,000	\$1,230,000
Development Cost				
Land Value	\$38,000,000	\$139,000	\$38,000,000	\$215,000
Hard Construction Costs				
Site Improvements ^a	\$8,577,000		\$4,428,000	
Residential	\$123,645,000		\$80,867,000	
PDR	\$0		\$10,166,000	
Retail	\$3,910,000		\$4,459,000	
Arts Space	\$0		\$2,029,000	
Structured Parking	\$28,084,000		\$9,078,000	
Hard Cost Contingency	\$8,211,000		\$5,551,000	
Subtotal: Hard Construction Costs	\$172,427,000	\$632,000	\$116,578,000	\$659,000
Tenant Improvements				
PDR	\$0		\$2,348,000	
Retail	\$1,350,000		\$1,616,000	
Subtotal: Tenant Improvement Costs	\$1,350,000	\$5,000	\$3,964,000	\$22,000
Subtotal: Land and Direct Construction Costs	\$211,777,000	\$776,000	\$158,542,000	\$896,000
Development Soft Costs				
Permit and Development Fees	\$9,933,000		\$7,884,000	
Construction Financing Costs	\$13,369,000		\$8,438,000	
Other Soft Costs	\$43,107,000		\$29,145,000	
Subtotal: Soft Costs	\$66,409,000	\$243,000	\$45,467,000	\$257,000
Total Development Cost / Per Res Unit	\$278,186,000	\$1,019,000	\$204,009,000	\$1,153,000
Developer Margin / Per Res Unit	\$16,608,000	\$61,000	\$13,667,000	\$77,000
As Percent of Total Development Cost	6%		7%	
Target Return on Total Development Cost			18% to 25%	

Note: Values rounded to nearest 1,000

a. Includes costs of site work, demolition of existing buildings (if applicable), environmental remediation, pathways and landscaping of open spaces.

Source: City of San Francisco, Potrero Partners, Seifel Consulting Inc.

EXHIBIT D



SAN FRANCISCO PLANNING DEPARTMENT

Planning Commission Motion NO. 19644

HEARING DATE: May 12, 2016

Case No.: 2011.1300EX
Project Address: 901 16th Street and 1200 17th Street
Zoning: UMU (Urban Mixed Use) Use District
48-X (southern portion of project site) and 68-X (northern portion of project site) Height and Bulk District
Showplace Square/Potrero Subarea of the Eastern Neighborhoods
Rezoning and Area Plan
Block/Lot: Block 3949/Lots: 001, 001A, 002, and Block 3950/Lots 001
Project Sponsor: Josh Smith for Potrero Partners, LLC – (650) 348-3232
jsmith@waldendevlopment.com
Staff Contact: Chris Townes – (415) 575-9195
christopher.townes@sfgov.org

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ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, INCLUDING FINDINGS OF FACT, FINDINGS REGARDING SIGNIFICANT IMPACTS AND SIGNIFICANT AND UNAVOIDABLE IMPACTS, EVALUATION OF MITIGATION MEASURES AND ALTERNATIVES, AND A STATEMENT OF OVERRIDING CONSIDERATIONS RELATED TO APPROVALS FOR THE PROJECT, LOCATED AT 901 16TH STREET AND 1200 17TH STREET, TO MERGE FOUR LOTS INTO TWO LOTS, DEMOLISH TWO WAREHOUSES AND A MODULAR OFFICE STRUCTURE, PRESERVE THE BRICK OFFICE BUILDING, AND CONSTRUCT TWO NEW MIXED USE BUILDINGS ON SITE. THE "16TH STREET BUILDING" AT 901 16TH STREET WOULD CONSIST OF A NEW SIX-STORY, APPROXIMATELY 402,943 GROSS SQUARE FOOT RESIDENTIAL MIXED USE BUILDING WITH 260 DWELLING UNITS AND 20,138 GROSS SQUARE FEET OF RETAIL ON THE NORTHERN LOT. THE "17TH STREET BUILDING" AT 1200 17TH STREET WOULD CONSIST OF A NEW FOUR-STORY, APPROXIMATELY 213,509 GROSS SQUARE FEET RESIDENTIAL MIXED USE BUILDING WITH 135 DWELLING UNITS AND 4,650 GROSS SQUARE FEET ON THE SOUTHERN LOT. THE HISTORIC BRICK OFFICE BUILDING WOULD BE REHABILITATED FOR RETAIL OR RESTAURANT USE. COMBINED, THE TWO NEW BUILDINGS WOULD CONTAIN A TOTAL OF 395 DWELLING UNITS AND APPROXIMATELY 24,968 GROSS SQUARE FEET OF RETAIL SPACE, WITH A TOTAL OF 389 VEHICULAR PARKING SPACES, 455 OFF-STREET BICYCLE PARKING SPACES, AND APPROXIMATELY 14,669 SQUARE FEET OF PUBLIC OPEN SPACE, 33,149 SQUARE FEET OF COMMON OPEN SPACE SHARED BY PROJECT OCCUPANTS, AND 3,114 SQUARE FEET OF OPEN SPACE PRIVATE TO UNITS.

PREAMBLE

On June 17, 2014, Potrero Partners, LLC (Attn: Josh Smith) (hereinafter "Project Sponsor"), filed Application No. 2011.1300EX (hereinafter "Application") with the Planning Department (hereinafter "Department") for a Large Project Authorization to construct one six-story building

and one four-story building, referred to as the "16th Street" and "17th Street" Buildings (approximately 616,452 gross square feet and 395 dwelling units total) with ground floor retail and open space at 901 16th Street and 1200 17th Street (Block 3949/Lots: 001, 001A, 002, and Block 3950/Lots 001) in San Francisco, California.

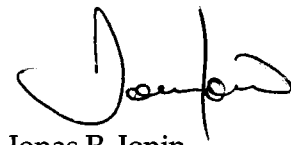
On August 12, 2015, the Department published a Draft Environmental Impact Report ("DEIR") for the Project for public review (Case No. 2011.1300E). The DEIR was available for public comment until October 5, 2015. On October 1, 2015, the Commission conducted a duly noticed public hearing at a regularly scheduled meeting to solicit comments regarding the DEIR. On April 28, 2016, the Department published a Comments and Responses document, responding to comments made regarding the DEIR for the Project.

On May 12, 2016, the Commission certified the FEIR for the Project as adequate, accurate and complete.

On May 12, 2016, at a duly noticed public hearing at a regularly scheduled meeting, the Commission adopted findings, including a statement of overriding considerations and a Mitigation, Monitoring and Reporting Program.

MOVED, that the Commission hereby adopts the Project findings required by the California Environmental Quality Act, attached hereto as Attachment A including a statement of overriding considerations and adopts the Mitigation, Monitoring and Reporting Program, included as Exhibit 1 to Attachment A.

I hereby certify that the foregoing Motion was ADOPTED by the Planning Commission at its regular meeting of May 12, 2016.



Jonas P. Ionin
Commission Secretary

AYES: Fong, Richards, Antonini, Johnson, Hillis, Wu
NAYES: Moore
ABSENT: None
ADOPTED: May 12, 2016

Attachment A

California Environmental Quality Act Findings

PREAMBLE

In determining to approve the project described in Section I, below, (the "Project"), the San Francisco Planning Commission (the "Commission") makes and adopts the following findings of fact and decisions regarding the Project description and objectives, significant impacts, significant and unavoidable impacts, mitigation measures and alternatives, and a statement of overriding considerations, based on substantial evidence in the whole record of this proceeding and pursuant to the California Environmental Quality Act, California Public Resources Code Section 21000 et seq. ("CEQA"), particularly Section 21081 and 21081.5, the Guidelines for Implementation of CEQA, 14 California Code of Regulations Section 15000 et seq. ("CEQA Guidelines"), Section 15091 through 15093, and Chapter 31 of the San Francisco Administrative Code ("Chapter 31"). The Commission adopts these findings in conjunction with the Approval Actions described in Section I(c), below, as required by CEQA.

These findings are organized as follows:

Section I provides a description of the proposed project at 901 16th Street / 1200 17th Street, the environmental review process for the Project, the City approval actions to be taken, and the location and custodian of the record.

Section II lists the Project's less-than-significant impacts that do not require mitigation.

Section III identifies potentially significant impacts that can be avoided or reduced to less-than-significant levels through mitigation and describes the disposition of the mitigation measures.

Section IV identifies significant project-specific or cumulative impacts that would not be eliminated or reduced to a less-than-significant level and describes any applicable mitigation measures as well as the disposition of the mitigation measures. The Final EIR identified mitigation measures to address these impacts, but implementation of the mitigation measures will not reduce the impacts to a less than significant level.

Sections III and IV set forth findings as to the mitigation measures proposed in the Final EIR. (The Draft EIR and the Comments and Responses document together comprise the Final EIR, or "FEIR.") Attachment B to the Planning Commission Motion contains the Mitigation Monitoring and Reporting Program ("MMRP"), which provides a table setting forth each mitigation measure listed in the Final Environmental Impact Report that is required to reduce a significant adverse impact.

Section V identifies the project alternatives that were analyzed in the EIR and discusses the reasons for their rejection.

Section VI sets forth the Planning Commission's Statement of Overriding Considerations pursuant to CEQA Guidelines Section 15093.

The MMRP for the mitigation measures that have been proposed for adoption is attached with these findings as **Attachment B** to this Motion. The MMRP is required by CEQA Section 21081.6 and CEQA Guidelines Section 15091. Attachment B provides a table setting forth each mitigation measure listed in the FEIR that is required to reduce a significant adverse impact. Attachment B also specifies the agency responsible for implementation of each measure and establishes monitoring actions and a monitoring schedule. The full text of the mitigation measures is set forth in Attachment B.

These findings are based upon substantial evidence in the entire record before the Commission. The references set forth in these findings to certain pages or sections of the Draft Environmental Impact Report ("Draft EIR" or "DEIR") or the Comments and Responses document ("C&R") in the Final EIR are for ease of reference and are not intended to provide an exhaustive list of the evidence relied upon for these findings.

I. PROJECT DESCRIPTION AND PROCEDURAL BACKGROUND

A. Project Description

The Project Site consists of four adjacent lots in the lower Potrero Hill neighborhood (Assessor's block/lot: 3949/001, 001A, 002, and 3950/001). The approximately 3.5-acre Project Site is bounded by 16th Street to the north, Mississippi Street to the east, 17th Street to the south, and residential and industrial buildings to the west. The Project Site currently contains four existing buildings: two metal shed industrial warehouse buildings, a vacant brick office building, and a modular office structure. The vacant brick building was originally constructed by the Pacific Rolling Mill Co. in 1926 to house the office functions of the company's steel fabricating operation at the site, while the modular office structure is currently occupied by Cor-O-Van Moving and Storage Company. In total, the four existing buildings on the Project Site amount to approximately 109,500 gsf of building space. Surrounding the modular office structure is an open surface parking lot which is also used for access to the University of California, San Francisco (UCSF) storage and for fleet storage of the Cor-O-Van trucks and moving vans. The Project Site is within the Urban Mixed-Use (UMU) Zoning District. Per the San Francisco General Plan (General Plan), UMU is a land use designation intended to promote a vibrant mix of uses while maintaining the characteristics of this formerly industrial-zoned area. The site is located within the Showplace Square/Potrero Plan Area of the Eastern Neighborhoods Rezoning and Area Plan.

The proposed Project would merge the four lots into two lots, demolish the two warehouses and the modular office structure, and preserve the brick office building. Two new buildings would be constructed on site. The "16th Street Building" at 901 16th Street would consist of a new six-story, 68-foot tall (excluding rooftop projections of up to 82 feet), approximately 402,943 gross square foot (gsf) residential mixed use building with 260 dwelling units and 20,318 gsf of retail on the northern lot. The "17th Street Building" at 1200 17th Street would consist of a new four-story 48-foot tall (excluding rooftop projections of up to 52 feet), approximately 213,509 gsf residential mixed use building with 135 dwelling units and 4,650 gsf of retail on the southern lot.

Additionally, the historic brick office building would be rehabilitated for retail or restaurant use, which would generally involve retaining and rehabilitating the outer walls and features and renovating the

interior non-historic improvements. The proposed Project would also construct a new publicly accessible pedestrian alley along the entirety of its western property line.

Combined, the two new buildings would contain a total of 395 dwelling units and 24,968 gsf of retail space, in addition to a total of 389 vehicular parking spaces and 455 off-street bicycle parking spaces. The proposed Project would include 14,669 square feet of public open space, 33,149 square feet of common open space shared by Project occupants, and 3,114 square feet of open space private to units.

B. Project Objectives

The Project Sponsor has developed the following objectives for the proposed Project:

- ▶ Redevelop a large underutilized site into a development with a mix of ground floor retail uses along 16th Street and 17th Street, residential dwelling units, and substantial open space amenities.
- ▶ Create a mixed-use project consistent with the Urban Mixed Use (UMU) zoning and the Showplace Square/Potrero Area Plan's policies that encourage a mix of land uses by providing both residential uses and community-serving retail uses on the site.
- ▶ Build a substantial number of residential dwelling units on the site to contribute to the City's General Plan Housing Element goals and ABAG's Regional Housing Needs Allocation for the City and County of San Francisco.
- ▶ Create a project that is consistent with the site's 48-X and 68-X height and bulk districts and is compatible with existing and contemplated development in the immediate vicinity.
- ▶ Incorporate open space for the use of project residents in an amount equal to or greater than required by the UMU zoning.
- ▶ Preserve and integrate the historic brick office building into the development, while removing the obsolete metal shed warehouses.
- ▶ Develop a financially feasible project capable of providing a market-based return on investment and sufficient to satisfy both equity capital investment and debt financing providers.

C. Project Approvals

The Project requires the following Planning Commission approvals:

- ▶ Planning Commission Certification of the EIR
- ▶ Findings of General Plan and Priority Policies consistency
- ▶ Large Project Authorization, which includes exceptions to the following Planning Code standards:
 - Planning Code Section 134 for the required rear yard
 - Planning Code Section 152.1 for the required loading zones

- Planning Code Section 151.1 for the off-street parking
- Planning Code Section 145.1 for the parking/loading entrance width
- Planning Code Section 136 for the projecting bay dimension

Actions by Other City Departments and State Agencies

- ▶ Demolition, grading, building and occupancy permits (Department of Building Inspection)
- ▶ Approval of Color Curb Program for all proposed changes in curb cuts, parking and loading zones, and Class 2 bicycle parking, as well as all crosswalk markings and pedestrian signage required (San Francisco Municipal Transportation Agency)
- ▶ Approval of Lot Merger and Condominium Map to merge and re-subdivide the separate lots that comprise the Project Site and the sidewalk widening plans (San Francisco Department of Public Works)
- ▶ Approval of Site Mitigation Plan and Enhanced Ventilation Plan, as well as Soil Management Plan, Air Monitoring Plan, and Dust Control Plan for construction-period activities (San Francisco Department of Public Health)
- ▶ Issuance of permits for installation and operation of emergency generator (Bay Area Air Quality Management District)

D. Environmental Review

The Project is within the Eastern Neighborhoods Area Plan area, the environmental impacts of which were examined in the Eastern Neighborhoods Program EIR (Eastern Neighborhoods PEIR). The Planning Commission (hereafter referred to as "Commission") certified the Eastern Neighborhoods PEIR on August 7, 2008.

Section 15183 of the CEQA Guidelines provides an exemption from environmental review for projects that are consistent with the development density established by existing zoning, community plan, or general plan policies for which an EIR has been certified, except as may be necessary to examine whether an Project-specific effects are peculiar to the Project or Project Site. Under this exemption, examination of environmental effects shall be limited to those effects that: a) are peculiar to the Project or parcel on which the Project would be located; b) were not analyzed as significant effects in the prior EIR for the underlying zoning or plan; c) are potentially significant off-site or cumulative impacts that were not discussed in the underlying EIR; or d) were previously identified as significant effects in the underlying EIR, but that have been determined to have a more severe adverse impact than that discussed in the underlying EIR.

Because this Project is within the Showplace Square/Potrero Plan Area, a community plan exemption ("CPE") Checklist was prepared for the Project to analyze whether it would result in peculiar, Project-specific environmental effects that were not sufficiently examined in the Eastern Neighborhoods PEIR. The CPE Checklist (Appendix A to the Draft EIR) concluded that, with the exception of transportation and circulation and historic architectural resources the proposed Project would not result in any new

significant environmental impacts or impacts of greater severity than were analyzed in the Eastern Neighborhoods PEIR.

Thus, the Department determined that a focused Environmental Impact Report (hereinafter "EIR") should be prepared and published a NOP with a CPE Checklist under the Eastern Neighborhoods PEIR on February 11, 2015. Topics analyzed in the EIR were Transportation and Circulation and Historic Architectural Resources.

On August 12, 2015, the Department published the Draft Environmental Impact Report (hereinafter "DEIR") and provided public notice in a newspaper of general circulation of the availability of the DEIR for public review and comment and of the date and time of the Planning Commission public hearing on the DEIR; this notice was mailed to the Department's list of persons requesting such notice.

Notices of availability of the DEIR and of the date and time of the public hearing were posted near the Project Site by the Project Sponsor on August 12, 2015.

On August 12, 2015, copies of the DEIR were mailed or otherwise delivered to a list of persons requesting it, to those noted on the distribution list in the DEIR, to adjacent property owners, and to government agencies, the latter both directly and through the State Clearinghouse.

Notice of Completion was filed with the State Secretary of Resources via the State Clearinghouse on August 12, 2015.

The Commission held a duly advertised public hearing on the DEIR on September 17, 2015, at which opportunity for public comment was given, and public comment was received on the DEIR. The period for commenting on the EIR ended on September 28, 2015.

The Department prepared responses to comments on environmental issues received during the 45 day public review period for the DEIR, prepared revisions to the text of the DEIR in response to comments received or based on additional information that became available during the public review period, and corrected clerical errors in the DEIR. This material was presented in a Responses to Comments document, published on April 28, 2016, distributed to the Commission and all parties who commented on the DEIR, and made available to others upon request at the Department.

A Final Environmental Impact Report (hereinafter "FEIR") has been prepared by the Department, consisting of the DEIR, any consultations and comments received during the review process, any additional information that became available, and the Responses to Comments document all as required by law. The CPE Checklist is included as Appendix A to the DEIR and is incorporated by reference thereto.

Project EIR files have been made available for review by the Commission and the public. These files are available for public review at the Department at 1650 Mission Street, Suite 400, and are part of the record before the Commission.

On May 12, 2016, the Commission reviewed and considered the FEIR and found that the contents of said report and the procedures through which the FEIR was prepared, publicized, and reviewed comply with the provisions of CEQA, the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code. The FEIR was certified by the Commission on May 12, 2016 by adoption of its Motion No. XXXXX.

E. Content and Location of Record

The record upon which all findings and determinations related to the adoption of the proposed Project are based include the following:

- The FEIR, and all documents referenced in or relied upon by the FEIR, including the CPE Checklist prepared under the Eastern Neighborhoods FEIR;
- All information (including written evidence and testimony) provided by City staff to the Planning Commission relating to the FEIR, the proposed approvals and entitlements, the Project, and the alternatives set forth in the FEIR;
- All information (including written evidence and testimony) presented to the Planning Commission by the environmental consultant and subconsultants who prepared the FEIR, or incorporated into reports presented to the Planning Commission;
- All information (including written evidence and testimony) presented to the City from other public agencies relating to the project or the FEIR;
- All applications, letters, testimony, and presentations presented to the City by the Project Sponsor and its consultants in connection with the Project;
- All information (including written evidence and testimony) presented at any public hearing or workshop related to the Project and the EIR;
- The MMRP; and,
- All other documents comprising the record pursuant to Public Resources Code Section 21167.6(e).

The public hearing transcripts and audio files, a copy of all letters regarding the FEIR received during the public review period, the administrative record, and background documentation for the FEIR are located at the Planning Department, 1650 Mission Street, 4th Floor, San Francisco. The Planning Department, Jonas P. Ionin, is the custodian of these documents and materials.

F. Findings about Environmental Impacts and Mitigation Measures

The following Sections II, III and IV set forth the Commission's findings about the FEIR's determinations regarding significant environmental impacts and the mitigation measures proposed to address them. These findings provide the written analysis and conclusions of the Commission regarding the environmental impacts of the Project and the mitigation measures included as part of the FEIR and adopted by the Commission as part of the Project. These findings do not attempt to describe the full analysis of each environmental impact contained in the FEIR. Instead, a full explanation of these environmental findings and conclusions can be found in the FEIR, and these findings hereby incorporate by reference the discussion and analysis in the FEIR supporting the determination regarding the project impact and mitigation measures designed to address those impacts. In making these findings, the Commission ratifies, adopts and incorporates in these findings the determinations and conclusions of the FEIR relating to environmental impacts and mitigation measures, except to the extent any such

determinations and conclusions are specifically and expressly modified by these findings, and relies upon them as substantial evidence supporting these findings.

In making these findings, the Commission has considered the opinions of staff and experts, other agencies, and members of the public. The Commission finds that (i) the determination of significance thresholds is a judgment decision within the discretion of the City and County of San Francisco; (ii) the significance thresholds used in the FEIR are supported by substantial evidence in the record, including the expert opinion of the FEIR preparers and City staff; and (iii) the significance thresholds used in the FEIR provide reasonable and appropriate means of assessing the significance of the adverse environmental effects of the Project. Thus, although, as a legal matter, the Commission is not bound by the significance determinations in the FEIR (see Public Resources Code, Section 21082.2, subdivision (e)), the Commission finds them persuasive and hereby adopts them as its own.

As set forth below, the Commission adopts and incorporates the applicable mitigation measures found in the Eastern Neighborhoods PEIR and all of the mitigation measures set forth in the Project FEIR, which are set forth in the attached MMRP, to reduce the significant and unavoidable impacts of the Project. The Commission intends to adopt the mitigation measures proposed in the FEIR as well as the applicable mitigation measures proposed in the Eastern Neighborhoods PEIR. Accordingly, in the event a mitigation measure recommended in the FEIR or Eastern Neighborhoods PEIR has inadvertently been omitted in these findings or the MMRP, such mitigation measure is hereby adopted and incorporated in the findings below by reference. In addition, in the event the language describing a mitigation measure set forth in these findings or the MMRP fails to accurately reflect the mitigation measures in the FEIR or Eastern Neighborhoods PEIR due to a clerical error, the language of the policies and implementation measures as set forth in the FEIR or Eastern Neighborhoods PEIR shall control. The impact numbers and mitigation measure numbers used in these findings reflect the information contained in the FEIR and Eastern Neighborhoods PEIR.

In Sections II, III and IV below, the same findings are made for a category of environmental impacts and mitigation measures. Rather than repeat the identical finding to address each and every significant effect and mitigation measure, the initial finding obviates the need for such repetition because in no instance is the Commission rejecting the conclusions of the FEIR or the Eastern Neighborhoods PEIR or the mitigation measures recommended in the FEIR or in the Eastern Neighborhoods PEIR for the Project.

These findings are based upon substantial evidence in the entire record before the Planning Commission. The references set forth in these findings to certain pages or sections of the EIR or responses to comments in the Final EIR are for ease of reference and are not intended to provide an exhaustive list of the evidence relied upon for these findings.

II. LESS-THAN-SIGNIFICANT IMPACTS

The CPE Checklist (Appendix A to the DEIR) and/or the Final EIR found that implementation of the Project would result in less-than-significant impacts in the following environmental topic areas: Land Use and Land Use Planning (with the exception of significant and unavoidable impacts due to the cumulative loss of PDR (Production, Distribution, and Repair), as further discussed in Section IV herein); Aesthetics; Population and Housing; Cultural Resources; Greenhouse Gas Emissions; Wind and Shadow; Recreation; Utilities and Service Systems; Public Services; Biological Resources; Geology and Soils; Hydrology and Water Quality; Mineral and Energy Resources; Agriculture and Forest Resources.

Note: Senate Bill (SB) 743 became effective on January 1, 2014. Among other things, SB 743 added § 21099 to the Public Resources Code and eliminated the requirement to analyze aesthetics and parking impacts for certain urban infill projects under CEQA. The proposed Project meets the definition of a mixed-use residential project on an infill site within a transit priority area as specified by Public Resources Code § 21099. Accordingly, the FEIR did not discuss the topic of Aesthetics, which are no longer considered in determining the significance of the proposed Project's physical environmental effects under CEQA. The FEIR nonetheless provided visual simulations for informational purposes. Similarly, the FEIR included a discussion of parking for informational purposes. This information, however, did not relate to the significance determinations in the FEIR.

III. FINDINGS OF SIGNIFICANT IMPACTS THAT CAN BE AVOIDED OR REDUCED TO A LESS-THAN-SIGNIFICANT LEVEL THROUGH MITIGATION AND THE DISPOSITION OF THE MITIGATION MEASURES

CEQA requires agencies to adopt mitigation measures that would avoid or substantially lessen a project's identified significant impacts or potential significant impacts if such measures are feasible. The findings in this section concern four potential impacts and mitigation measures proposed in the Eastern Neighborhoods PEIR and the CPE Checklist for this Project and four potential impacts and mitigation measures proposed in the FEIR. These mitigation measures are included in the MMRP. A copy of the MMRP is included as Attachment B to the Planning Commission Motion adopting these findings. The CPE Checklist found that one mitigation measure proposed in the Eastern Neighborhoods PEIR would be required for this Project to avoid any potential adverse effect from the proposed Project on accidentally discovered buried or submerged historical resources as defined in CEQA Guidelines Section 15064.5(a)(c). The CPE Checklist also found that four mitigation measures identified in the Eastern Neighborhoods PEIR would be required for this Project to eliminate or reduce to a less-than-significant level potential noise impacts, as set forth below. The CPE Checklist also found that two mitigation measures identified in the Eastern Neighborhoods PEIR would be required for this Project to eliminate or reduce to a less-than-significant level potential air quality impacts, as set forth below. The CPE Checklist also found that one mitigation measure identified in the Eastern Neighborhoods PEIR would be required for this Project to eliminate or reduce to a less-than-significant level potential hazardous materials impacts, as set forth below.

The Project Sponsor has agreed to implement the following mitigation measures to address the potential archeological resource, noise, air quality, hazardous materials impacts identified in the CPE Checklist and FEIR. As authorized by CEQA Section 21081 and CEQA Guidelines Section 15091, 15092, and 15093, based on substantial evidence in the whole record of this proceeding, the Planning Commission finds that, unless otherwise stated, the Project will be required to incorporate mitigation measures identified in the FEIR and the Eastern Neighborhoods PEIR into the Project to mitigate or to avoid significant or potentially significant environmental impacts. Except as otherwise noted, these mitigation measures will reduce or avoid the potentially significant impacts described in the Final EIR, and the Commission finds that these mitigation measures are feasible to implement and are within the responsibility and jurisdiction of the City and County of San Francisco to implement or enforce.

Additionally, the required mitigation measures are fully enforceable and are included as conditions of approval in the Planning Commission's Large Project Authorization under Planning Code Section 329 and also will be enforced through conditions of approval in any building permits issued for the Project by the San Francisco Department of Building Inspection. With the required mitigation measures, these

Project impacts would be avoided or reduced to a less-than-significant level. The Planning Commission finds that the mitigation measures presented in the MMRP are feasible and shall be adopted as conditions of project approval.

The following mitigation measures would be required to reduce cultural, paleontological and archeological impacts, noise impacts, air quality impacts, and hazards and hazardous materials impacts identified in the Eastern Neighborhoods PEIR and FEIR to a less-than-significant level:

Impacts to Archeological Resources (Impact CPE-1) (FEIR, Appendix A, CPE Checklist, pp. 28-30)

The proposed Project would include demolition of existing site buildings, excavation and soil disturbance, and construction activities, which has the potential to impact archeological resources that may be present within the Project site. Project Mitigation Measure M-CP-1 / Eastern Neighborhoods PEIR Mitigation Measure J-2 (Archeological Resources Testing) requires retention of an archaeological consultant, implementation of an Archeological Testing Program, and other measures to protect archeological resources. With implementation of Project Mitigation Measure M-CP-1 / Eastern Neighborhood PEIR Mitigation Measure J-2, Impact CPE-1 is reduced to a less than significant level.

Impacts Associated with Construction Noise, Pile-Driving (Impact CPE-2) (FEIR, Appendix A, CPE Checklist, pp. 31-32)

The proposed Project would include demolition, excavation and construction activities that are likely to include pile-driving activities and other particularly noisy construction procedures. Project Mitigation Measure M-NO-1 / Eastern Neighborhoods PEIR Mitigation Measure F-1 (Construction Noise, Pile-Driving) requires the use of drilled piles only (not pile-driving) unless pile-driving is absolutely necessary. With implementation of Project Mitigation Measure M-NO-1 / Eastern Neighborhood PEIR Mitigation Measure F-1, Impact CPE-2 is reduced to a less than significant level.

Impacts Associated with Construction Noise (Impact CPE-3) (FEIR, Appendix A, CPE Checklist, pp. 31-32)

The proposed Project would include demolition, excavation and construction activities that involve potentially noisy construction procedures in proximity to sensitive land uses. Project Mitigation Measure M-NO-2 / Eastern Neighborhoods PEIR Mitigation Measure F-2 (Construction Noise) requires the submittal of site-specific noise attenuation measures prior to commencing construction. With implementation of Project Mitigation Measure M-NO-2 / Eastern Neighborhood PEIR Mitigation Measure F-2, Impact CPE-3 is reduced to a less than significant level.

Impacts Associated with Operation-Period Noise Impacts to Sensitive Uses (Impact CPE-4) (FEIR, Appendix A, CPE Checklist, pp. 32-35)

The proposed Project would introduce sensitive residential land uses to existing noise-generating uses in the vicinity. Project Mitigation Measure M-NO-3 / Eastern Neighborhoods PEIR Mitigation Measure F-4 (Siting of Noise-Sensitive Uses) addresses the exposure of noise-sensitive uses to existing noise-generating uses in the vicinity. With implementation of Project Mitigation Measure M-NO-3 / Eastern Neighborhood PEIR Mitigation Measure F-4, Impact CPE-4 is reduced to a less than significant level.

Impacts Associated with Generation of Operation-Period Noise Impacts to Sensitive Uses (Impact CPE-5) (FEIR, Appendix A, CPE Checklist, pp. 34-35)

The proposed Project would include a backup diesel generator that is considered a noise-generating source. Project Mitigation Measure M-NO-4 / Eastern Neighborhoods PEIR Mitigation Measure F-5 (Siting of Noise-Generating Uses) addresses the potential impacts to sensitive uses associated with the generation of operation-period noise. With implementation of Project Mitigation Measure M-NO-4 / Eastern Neighborhood PEIR Mitigation Measure F-5, Impact CPE-5 is reduced to a less than significant level.

Impacts Associated with Machinery Use During Construction Activities (Impact CPE-6) (FEIR, Appendix A, CPE Checklist, pp. 35-41)

The proposed Project would include demolition, excavation and construction activities that are likely to require off- and on-road equipment that will increase emissions exhaust and air pollutants. Project Mitigation Measure M-AQ-1 / Eastern Neighborhoods PEIR Mitigation Measure G-1 (Construction Air Quality) requires engines to meet higher emissions standards on certain types of construction equipment, thereby reducing NOx emissions. With implementation of Project Mitigation Measure M-AQ-1 / Eastern Neighborhood PEIR Mitigation Measure G-1, Impact CPE-6 is reduced to a less than significant level.

Impacts Associated with Potential Release of Hazardous Materials During Demolition (Impact HZ-1) (FEIR, Appendix A, CPE Checklist, pp. 57-58)

The proposed Project would include demolition of existing site buildings that may contain hazardous building materials which could result in a public health risk. Project Mitigation Measure M-HZ-1 / Eastern Neighborhoods PEIR Mitigation Measure L-1 (Hazardous Building Materials) addresses the removal and disposition of potentially hazardous materials. With implementation of Project Mitigation Measure M-HZ-1 / Eastern Neighborhood PEIR Mitigation Measure L-1, Impact CPE-HZ-1 is reduced to a less than significant level.

IV. SIGNIFICANT IMPACTS THAT CANNOT BE AVOIDED OR REDUCED TO A LESS-THAN-SIGNIFICANT LEVEL

Based on substantial evidence in the whole record of these proceedings, the Planning Commission finds that there are significant project-specific and cumulative impacts that would not be eliminated or reduced to an insignificant level by the mitigation measures listed in the MMRP. The FEIR identifies two significant and unavoidable impacts on transportation and circulation, and one significant and unavoidable impact on land use and land use planning with respect to cumulative loss of PDR.

The Planning Commission further finds based on the analysis contained within the FEIR, other considerations in the record, and the significance criteria identified in the FEIR, that feasible mitigation measures are not available to reduce the significant Project impacts to less-than-significant levels, and thus those impacts remain significant and unavoidable. The Commission also finds that, although measures were considered in the FEIR that could reduce some significant impacts, certain measures, as described in this Section IV below, are infeasible for reasons set forth below, and therefore those impacts remain significant and unavoidable or potentially significant and unavoidable.

Thus, the following significant impacts on the environment, as reflected in the FEIR, are unavoidable. But, as more fully explained in Section VI, below, under Public Resources Code Section 21081(a)(3) and (b), and CEQA Guidelines 15091(a)(3), 15092(b)(2)(B), and 15093, the Planning Commission finds that these impacts are acceptable for the legal, environmental, economic, social, technological and other benefits of the Project. This finding is supported by substantial evidence in the record of this proceeding.

Additionally, on September 27, 2013, Governor Brown signed SB 743, which became effective on January 1, 2014. As noted in the Draft EIR on page IV.2, Public Resources Code Section 21099 requires that the State Office of Planning and Research (OPR) develop revisions to the CEQA Guidelines establishing criteria for determining the significance of transportation impacts of projects within transit priority areas that promote the "reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses." The statute provides that, upon certification and adoption of the revised CEQA Guidelines by the Secretary of the Natural Resources Agency, "automobile delay, as described solely by level of service (LOS) or similar measures of vehicular capacity or traffic congestion shall not be considered a significant impact on the environment." In other words, LOS or any other automobile delay metric more generally shall not be used as a significance threshold under CEQA.

Since publication of the DEIR for this Project on August 12, 2015, the California Office of Planning and Research (OPR) published for public review and comment a *Revised Proposal on Updates to the CEQA Guidelines on Evaluating Transportation Impacts in CEQA* ("proposed transportation impact guidelines") in January 2016. OPR's proposed transportation impact guidelines recommends that transportation impacts can be best measured using an alternative metric known as vehicle miles traveled (VMT). VMT measures the amount and distance that a project might cause people to drive, accounting for the number of passengers within a vehicle.

OPR's proposed transportation impact guidelines provides substantial evidence that VMT is an appropriate standard to use in analyzing transportation impacts to protect environmental quality and a better indicator of greenhouse gas, air quality, and energy impacts than automobile delay. Acknowledging this, San Francisco Planning Commission Resolution 19579, adopted on March 3, 2016:

- Found that automobile delay, as described solely by LOS or similar measures of vehicular capacity or traffic congestion, shall no longer be considered a significant impact on the environment pursuant to CEQA, because it does not measure environmental impacts and therefore it does not protect environmental quality.
- Directed the Environmental Review Officer to remove automobile delay as a factor in determining significant impacts pursuant to CEQA for all guidelines, criteria, and list of exemptions, and to update the Transportation Impact Analysis Guidelines for Environmental Review and Categorical Exemptions from CEQA to reflect this change.
- Directed the Environmental Planning Division and Environmental Review Officer to replace automobile delay with VMT criteria which promote the reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses; and consistent with proposed and forthcoming changes to the CEQA Guidelines by OPR.

Planning Commission Resolution 19579, adopted on March 3, 2016, became effective immediately for all projects that have not received a CEQA determination and all projects that have previously received CEQA determinations, but require additional environmental analysis.

Under the VMT metric required by Planning Commission Resolution 19579, the Transportation and Circulation impacts would shift from significant to less-than-significant. As no Final CEQA determination for this Project was in place at the time Planning Commission Resolution 19579 went into effect, it would be permissible to rely only on the VMT metric in analyzing impacts of the Project. However, in recognition of the DEIR that had previously been circulated for comment, the newness of the VMT rather than LOS metric, and the fact that the public and decision-makers nonetheless may be interested in information pertaining to the automobile delay effects of this proposed Project and may desire that such information be provided as part of the environmental review process, the FEIR will continue to identify significant and unavoidable impacts to transportation and circulation based on automobile delay or traffic congestion.

Therefore, under Existing Plus Project conditions, the Project would contribute to the existing unacceptable operating conditions at three intersections (17th Street and Mississippi Street, Mariposa Street and Pennsylvania Street, and Mariposa Street and Mississippi Street). In addition, the Project (combined with past, present, and reasonably foreseeable future projects) would result in a considerable contribution to significant cumulative traffic impacts at four intersections (Mariposa Street and Mississippi Street, Mariposa Street and Pennsylvania Street, 17th Street and Mississippi Street, and 7th/16th/Mississippi Street). These impacts have been identified as significant, and no feasible mitigation measures have been identified to reduce these impacts to a less than significant level.

The FEIR identifies the following impacts for which no feasible mitigation measures were identified that would reduce these impacts to a less than significant level:

Transportation and Circulation Impacts Associated with Level of Service at Three Study Intersections (Impact TR-2) (FEIR, IV.A.41-45)

The proposed Project would cause a substantial increase in traffic that would substantially affect traffic operations at three of the 14 study intersections: 17th Street and Mississippi Street, Mariposa Street and Pennsylvania Street, and Mariposa Street and Mississippi Street. No feasible mitigation measures were identified that would reduce this impact to a less than significant level after consideration of several potential mitigation measures. The Project Sponsor has agreed to implement two mitigation measures, however the feasibility of each is not assured or assumed. The following mitigation measures were considered:

- **Mitigation Measure M-TR-2a (17th Street and Mississippi Street Signalization) (FEIR, IV.A.42-43):** This mitigation measure was evaluated to mitigate the poor operating conditions at the intersection of 17th Street and Mississippi Street. Under this mitigation measure, the Project Sponsor would be required to pay their fair share for the cost of design and of signalization or other similar mitigation to improve automobile delay at this intersection, as determined by the SFMTA. However, full funding of this measure has not been identified, so feasibility of implementation is not assured or assumed. Therefore, Impact TR-2 will remain significant and unavoidable with mitigation.

- **Mitigation Measure M-TR-2b (Mariposa Street and Pennsylvania Street Signalization) (FEIR, IV.A.43-44):** This mitigation measure was evaluated to mitigate the poor operating conditions at the intersection of Mariposa Street and Pennsylvania Street, and the Project Sponsor has agreed to pay their fair share for the cost of design and of signalization or other similar mitigation to improve automobile delay at this intersection, as determined by the SFMTA. However, full funding of this measure has not been identified, so feasibility of implementation is not assured or assumed. Therefore, Impact TR-2 will remain significant and unavoidable with mitigation.
- **Mitigation Measure M-TR-2c (Implement a Transportation Demand Management Plan) (FEIR, IV.A.44-45):** This mitigation measure was evaluated to mitigate the overall transportation and circulation impacts of the Project. The Project Sponsor has agreed to implement this mitigation measure, which requires preparation and implementation of a Transportation Demand Management Plan. However, this mitigation measure would not reduce volumes by the 50% required to reduce the impacts at the target intersections to a less than significant level. Therefore, Impact TR-2 will remain significant and unavoidable with mitigation.

Additionally, the Project FEIR identified a mitigation measure that would reduce impacts at the Mariposa and Mississippi Street intersection. However, the mitigation measure was found infeasible because it conflicts with SFMTA's goals and policies for the area as the considered improvements would conflict with the desired operation of this intersection. (FEIR, IV.A.43). Specifically, one option considered by SFMTA staff included the installation of turn pockets, but it was rejected because it did not improve intersection LOS to an acceptable level. Another option considered by SFMTA staff was the installation of a traffic signal. With signalization, the intersection would operate at LOS C during the Existing Plus Project weekday PM peak hour conditions. After review of this potential mitigation, SFMTA concluded that the existing all-way STOP sign-controlled intersection of Mariposa and Mississippi streets is not a desirable candidate for traffic signalization because the traffic patterns at this particular intersection are more effectively served by an all-way STOP control than by a traffic signal. The existing STOP sign on westbound Mariposa Street slows traffic on westbound Mariposa Street as it approaches Mississippi Street, where the land uses change from generally commercial to mostly residential. SFMTA does not want to encourage a substantial amount of through westbound movements on Mariposa Street west of Mississippi Street, which a traffic signal could encourage. Thus no feasible mitigation was identified for this intersection, and therefore Impact TR-2 will remain significant and unavoidable.

Therefore, no feasible mitigation measures were found to reduce the proposed Project's significant impact at the intersections of 17th Street and Mississippi Street, Mariposa Street and Pennsylvania Street, and Mariposa Street and Mississippi Street to less-than-significant levels, rendering Impact TR-2 significant and unavoidable.

Transportation and Circulation Impacts Associated with Cumulative Level of Service at Four Study Intersections (Impact C-TR-2) (FEIR, IV.A.66-68)

The proposed Project, combined with past, present, and reasonably foreseeable future projects, would contribute considerably to significant cumulative traffic impacts at four of the 14 study intersections: Mariposa Street and Mississippi Street, Mariposa Street and Pennsylvania Street, 17th Street and Mississippi Street, and 7th/16th/Mississippi Street. No feasible mitigation measures were identified that would reduce this impact to a less than significant level after consideration of several potential mitigation

measures. The Project Sponsor has agreed to implement two of the mitigation measures discussed above for Impact TR-2, however as noted the feasibility of each is not assured or assumed. Additionally, SFMTA has determined no improvements would be feasible at the already signalized 7th/16th/Mississippi Street intersection as additional or reconfigured lanes would conflict with goals for pedestrian and transit usage of this intersection. Therefore, no feasible mitigation measures were found to reduce the proposed Project's contribution to significant cumulative impacts at the intersections of Mariposa Street and Mississippi Street, Mariposa Street and Pennsylvania Street, 17th Street and Mississippi Street, and 7th/16th/Mississippi Street to less-than-significant levels, rendering Impact C-TR-2 significant and unavoidable.

Land Use and Land Use Planning Impacts Associated with Loss of PDR (FEIR, S.3-4; Appendix A, CPE Checklist, pp. 25-26)

The proposed Project would also contribute to a significant and unavoidable impact identified in the *Eastern Neighborhoods PEIR*. The *Eastern Neighborhoods PEIR* determined that adoption of the Eastern Neighborhoods Area Plans would result in an unavoidable significant impact on land use due to the cumulative loss of PDR (Production, Distribution, and Repair). While land use controls in Western SoMa were identified as possible mitigation, this was determined not to be feasible and would not be applicable to the proposed project in any case, as the proposed project is not located in that area. A Statement of Overriding Considerations was adopted by the City accepting this significant impact because retention of the PDR uses would conflict with planned growth of the area. The Project's proposed loss of 109,500 square feet of existing PDR uses represents a considerable contribution to the loss of the PDR space analyzed in the *Eastern Neighborhoods PEIR*, but would not result in significant impacts that were not identified or more severe impacts than were analyzed in the *Eastern Neighborhoods PEIR*. The findings and analysis of the *Eastern Neighborhoods PEIR* with respect to loss of PDR is hereby incorporated by reference.

V. EVALUATION OF PROJECT ALTERNATIVES

A. Alternatives Analyzed in the FEIR

This section describes the alternatives analyzed in the Project FEIR and the reasons for rejecting the alternatives as infeasible. CEQA mandates that an EIR evaluate a reasonable range of alternatives to the Project or the Project location that generally reduce or avoid potentially significant impacts of the Project. CEQA requires that every EIR also evaluate a "No Project" alternative. Alternatives provide a basis of comparison to the Project in terms of their significant impacts and their ability to meet project objectives. This comparative analysis is used to consider reasonable, potentially feasible options for minimizing environmental consequences of the Project.

The Planning Department considered a range of alternatives in Chapter 6 of the FEIR. The FEIR analyzed the No Project Alternative, the Reduced Density Alternative, and the Metal Shed Reuse Alternative. Each alternative is discussed and analyzed in these findings, in addition to being analyzed in Chapter 6 of the FEIR. The Planning Commission certifies that it has independently reviewed and considered the information on the alternatives provided in the FEIR and in the record. The FEIR reflects the Planning Commission's and the City's independent judgment as to the alternatives. The Planning Commission finds that the Project provides the best balance between satisfaction of Project objectives and mitigation of environmental impacts to the extent feasible, as described and analyzed in the FEIR.

B. Reasons for Approving the Project

- ▶ To redevelop a large underutilized site into a development with a mix of ground floor retail uses along 16th Street and 17th Street, residential dwelling units, and substantial open space amenities.
- ▶ To create a mixed-use project consistent with the Urban Mixed Use (UMU) zoning and the Showplace Square/Potrero Area Plan's policies that encourage a mix of land uses by providing both residential uses and community-serving retail uses on the site.
- ▶ To build a substantial number of residential dwelling units on the site to contribute to the City's General Plan Housing Element goals and ABAC's Regional Housing Needs Allocation for the City and County of San Francisco.
- ▶ To create a project that is consistent with the site's 48-X and 68-X height and bulk districts and is compatible with existing and contemplated development in the immediate vicinity.
- ▶ To incorporate open space for the use of project residents in an amount equal to or greater than required by the UMU zoning.
- ▶ To preserve and integrate the historic brick office building into the development, while removing the obsolete metal shed warehouses.

C. Evaluation of Project Alternatives

CEQA provides that alternatives analyzed in an EIR may be rejected if "specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible . . . the project alternatives identified in the EIR." (CEQA Guidelines § 15091(a)(3).) The Commission has reviewed each of the alternatives to the Project as described in the FEIR that would reduce or avoid the impacts of the Project and finds that there is substantial evidence of specific economic, legal, social, technological and other considerations that make these Alternatives infeasible, for the reasons set forth below.

In making these determinations, the Planning Commission is aware that CEQA defines "feasibility" to mean "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, legal, and technological factors." The Commission is also aware that under CEQA case law the concept of "feasibility" encompasses (i) the question of whether a particular alternative promotes the underlying goals and objectives of a project, and (ii) the question of whether an alternative is "desirable" from a policy standpoint to the extent that desirability is based on a reasonable balancing of the relevant economic, environmental, social, legal, and technological factors.

Three alternatives were considered as part of the FEIR's overall alternatives analysis, but ultimately rejected from detailed analysis. Those alternatives are as follows:

- **Off-site Alternative.** This alternative was rejected because the Project sponsor does not have control of another site that would be of sufficient size to develop a mixed-use project with the intensities and mix of uses that would be necessary to achieve most of the basic Project objectives.

- **Open Space Alternative.** An alternative which considers the development of exclusive open space on the site was not considered for further analysis as it would not meet most of the basic project objectives, the proposed Project exceeds the Planning Code open space requirements for the proposed development, the City does not own the Project site, and acquisition of the site for City open space is not within the City's open space acquisition priority list.
- **Medical Office and Residential Alternative.** The Project was originally proposed in 2011 with a medical office building along 16th Street and a mixed use residential building along 17th Street. The medical group has since moved forward with the medical office project at a different location and is no longer interested in this type of development at this site. An alternative with a medical office building would not substantially reduce Project impacts and was therefore rejected as an alternative.

The following alternatives were fully considered and compared in the FEIR:

1. No Project Alternative

Under the No Project Alternative, the Project Site would remain in its existing condition and would not be redeveloped with a mix of residential, commercial, and open space uses. No open space would be developed within the site and no changes to surrounding loading or curb space would occur. The existing warehouse and office uses totaling approximately 109,500 square feet would continue operating at the site. The existing buildings would likely continue to remain in their current condition for the foreseeable future. Baseline conditions described in detail for each environmental topic in Chapter 4, Environmental Setting, Impacts and Mitigation Measures, would remain and none of the impacts associated with the Project would occur.

The Planning Commission rejects the No Project Alternative as infeasible because it would fail to meet the Project Objectives and the City's policy objectives for the following reasons:

- 1) The No Project Alternative would not meet any of the Project Sponsor's objectives;
- 2) The No Project Alternative would be inconsistent with key goals of the Eastern Neighborhood Plan with respect to housing production. With no new housing created here and no construction, the No Project Alternative would not increase the City's housing stock of both market rate and affordable housing, would not create new job opportunities for construction workers, and would not expand the City's property tax base.
- 3) The No Project Alternative would leave the Project Site physically unchanged, and thus would not achieve any of the objectives regarding the redevelopment of a large underutilized site (primarily consisting of obsolete warehouses and a surface parking lot), creation of a mixed-use project within the UMU District, contribution to regional housing needs, provision of affordable dwelling units, provision of publicly-accessible open space, and provision of new neighborhood services.

For the foregoing reasons, the Planning Commission rejects the No Project Alternative as infeasible.

2. Reduced Density Alternative

The FEIR identified the Reduced Density Alternative as an environmentally superior alternative under the LOS analysis because it would reduce the project's significant impacts at four study intersections.

Under the Reduced Density Alternative, all existing on-site buildings (with the exception of the historic brick building) and surface pavements on the Project Site would be demolished and the site would be redeveloped with a mix of residential and commercial uses within two buildings. The configuration of the buildings would be similar to the configuration of the proposed Project, although compared to the proposed Project: 1) the courtyards would be expanded, reducing the footprint of the buildings; 2) there would be less commercial frontage, with locations toward the western end of the buildings, including the existing brick building, becoming residential amenities or lobby areas instead of commercial areas. A total of 273 residential units and 16,880 square feet of commercial uses would be developed, for a total building area of 561,625 gsf. This alternative would include 122 fewer residential units and 7,588 fewer square feet of commercial space compared to the proposed Project. Similar to the proposed Project, this alternative would feature a public pedestrian alley along the west side of the development with residences opening onto a mews and residential courtyards.

The Reduced Density Alternative would include underground residential parking garages in both the 16th Street Building and 17th Street Building with access via two driveways with 20-foot curb cuts from Mississippi Street. Class 1 bicycle parking would be included in the underground garages. Retail parking as well as additional bicycle parking would be provided at ground level in the 16th Street Building. Two off-street loading spaces would be provided with one being adjacent to the retail parking area and the other off of 17th Street (a 12-foot curb cut).

This alternative would eliminate some (but not all) of the Project-specific and cumulative traffic-related significant and unavoidable impacts of the proposed Project. Specifically, the Reduced Density Alternative would, under Existing Plus Project conditions, reduce the number of significantly-impacted intersections from three to one (at Mariposa Street and Pennsylvania Street), and under Cumulative Conditions, reduce the number of significantly-impacted intersections from four to two (7th/16th/Mississippi Street, and Mariposa Street and Pennsylvania Street).

Based on substantial evidence in the record, the Planning Commission rejects the Reduced Density Alternative as infeasible because it would fail to meet the Project Objectives and City policy objections for reasons including, but not limited to, the following:

- 1) The Reduced Density Alternative would limit the Project to 273 dwelling units; whereas the proposed Project would provide 395 units to the City's housing stock and maximize the creation of new residential units. The City's important policy objective as expressed in Policy 1.1 of the Housing Element of the General Plan and Policy 1.2.1 of the Showplace Square/Potrero Area Plan of the General Plan is to increase the housing stock whenever possible to address a shortage of housing in the City.
- 2) The Reduced Density Alternative would create a project that would not fully utilize this site for housing production, thereby not fully satisfying General Plan policies such as Housing Element Policies 1.1 and 1.4, among others. While the Reduced Density Alternative would ameliorate certain of the significant unavoidable impacts of the proposed Project, the alternative would

not create a project that is consistent with and enhances the existing scale and urban design character of the area or furthers the City's housing policies to create more housing, particularly affordable housing opportunities, and would not remove all significant unavailable impacts.

- 3) The Reduced Density Alternative would create a project with fewer housing units in an area well-served by transit, services and shopping and adjacent to employment opportunities which would then push demand for residential development to other sites in the City or the Bay Area. This would result in the Reduced Density Alternative not meeting, to the same degree as the Project, the City's *Strategies to Address Greenhouse Gas Emissions* or CEQA and the Bay Area Air Quality Management District's ("BAAQMD") requirements for GHG reductions, by not maximizing housing development in an area with abundant local and region-serving transit options.
- 4) The Reduced Density Alternative is also economically infeasible. Large development projects are capital-intensive and depend on obtaining financing from equity investors to cover a significant portion of the project's costs, obtain a construction loan for the bulk of construction costs, and provide significant costs out-of-pocket. Equity investors require a certain profit margin to finance development projects and must achieve established targets for their internal rate of return and return multiple on the investment. Because the Reduced Density Alternative would result in a project that is significantly smaller than the Project, and contains 122 fewer residential units, the total potential for generating revenue is lower while the construction cost per square foot is higher due to lower economies of scale and the impact of fixed project costs associated with development. The reduced unit count would not generate a sufficient economic return to obtain financing and allow development of the proposed Project and therefore would not be built.

The Project Sponsor provided the City a memorandum entitled "Financial Feasibility Analysis of 901 16th Street and 1200 17th Street Project" prepared by Seifel Consulting, Inc., which is included in the record. The memorandum concludes that the Reduced Density Alternative is not financially feasible because the development costs for the Reduced Density Alternative significantly exceed potential revenues, resulting in a negative developer margin or return. Specifically, implementation of the Reduced Density Alternative will result in total development costs of \$258,440,000 million and result in a total value of \$254,123,000 million, resulting in negative \$4,317,000 million net developer margin or return. In addition, the Reduced Density Alternative does not meet either of the return thresholds as measured by Yield On Cost or Return on Cost. Given the significant fixed development costs (such as property acquisition and site improvement costs), the lower number of units in the Reduced Density Alternative negatively impacts its financial viability, as there are fewer units over which these fixed development costs can be spread in comparison to the Project.

- 5) On March 3, 2016, the Planning Commission adopted Motion No. 19579 to no longer consider intersection level of service impacts as significant impacts under CEQA. Under this new policy, the Reduced Density Alternative would not avoid or reduce any significant impacts of the Proposed Project.

For the foregoing reasons, the Planning Commission rejects the Reduced Density Alternative as infeasible.

3. Metal Shed Reuse Alternative

The FEIR identified the Metal Shed Reuse Alternative as an environmentally superior alternative because it would reduce the Proposed Project's contribution to the cumulative loss of PDR space identified in the Eastern Neighborhoods PEIR.

The Metal Shed Reuse Alternative would repurpose the existing warehouse buildings on the site and redevelop the existing parking lot and modular office building as follows. The existing metal shed warehouse building at 1200/1100 17th Street would be reused to include 46,957 square feet of artists' workspaces on two floors, 13,200 square feet of restaurant and retail space, and 8,366 square feet of public arts activity space. The warehouse building at 1210 17th Street/975 16th Street would also be retained but modified with windows and cutouts for light and air access and with new construction added above to four stories encompassing a total of 95 residential units and residential lobby and amenity areas. The Cor-O-Van modular office building and parking lot at 901 16th Street (the northeast corner of the site) would be developed with underground parking and a new five story mixed-use building and courtyard above encompassing 82 residential units and related lobby and amenity areas as well as 7,000 gsf of ground-level commercial space along 16th Street, for a total of 177 dwelling units.

This alternative would include 36,291 square feet of open space. A publically-accessible pedestrian alley would be provided cutting through the warehouse turned artist workshops at 1200 17th Street and continuing between the 975 16th Street warehouse turned residential building and the new mixed-use building at 901 16th Street. Additionally, off-street parking would be provided in a single basement-level garage with 123 residential parking spaces accessed via a driveway off of Mississippi Street. The size of the parking area would be limited by areas with existing structures to remain above. Three off-street loading spaces would be provided, including one adjacent to the basement garage ramp, utilizing the same curb cut. The other two loading spaces would be accessed via two 12-foot curb cuts off of 17th Street.

Under the Metal Shed Reuse Alternative, none of the Proposed Project's significant transportation and circulation impacts would be avoided, but the Project's impacts regarding the loss of PDR would be avoided.

The Planning Commission rejects the Metal Shed Reuse Alternative as infeasible because it would not reduce any of the significant unavoidable individual impacts of the proposed Project and it would not meet the Project Objectives or City policy objectives as well as the proposed Project, for reasons including, but not limited to, the following:

- 1) The Metal Shed Reuse Alternative would limit the Project to 177 dwelling units; whereas the proposed Project would provide 395 units to the City's housing stock. The City's important policy objective as expressed in Policy 1.1 of the Housing Element of the General Plan and Policy 1.2.1 of the Showplace Square/Potrero Area Plan of the General Plan is to increase the housing stock whenever possible to address a shortage of housing in the City.
- 2) The Metal Shed Reuse Alternative would not successfully address any of the significant and unavoidable traffic-related project- and cumulative-level impacts of the proposed Project, which are the only "significant and unavoidable" individual impacts of the Project.

- 3) In adopting the Showplace Square/Potrero Plan Area, the City rezoned formerly M-1 and M-2 zoned areas to either PDR zoning districts, designed to protect and accommodate new PDR uses, or to the UMU zoning district, designed to encourage housing development and mixed use structures. In adopting the Showplace Square/Potrero Plan Area, the City adopted overriding findings that the loss of PDR space and uses within the UMU district was an unavoidable but acceptable cumulative land use impact, and the Project's contribution to that cumulative impact is within the projections of the Showplace Square/Potrero Plan Area, without the need to reuse one of the metal sheds for PDR uses.
- 4) The Metal Shed Reuse Alternative would create a project with fewer housing units and significantly less neighborhood serving retail space than the proposed Project in an area well-served by transit, services and shopping and adjacent to employment opportunities which would then push demand for residential development to other sites in the City or the Bay Area. This would result in the Metal Shed Reuse Alternative not meeting, to the same degree as the Project, the City's *Strategies to Address Greenhouse Gas Emissions* or CEQA and the Bay Area Air Quality Management District's ("BAAQMD") requirements for a GHG reductions, by not maximizing mixed use housing development in an area with abundant local and region-serving transit options. This would result in the Metal Shed Reuse Alternative not meeting, to the same degree as the Project, the City's *Strategies to Address Greenhouse Gas Emissions* or CEQA and the Bay Area Air Quality Management District's ("BAAQMD") requirements for GHG reductions, by not maximizing housing development in an area with abundant local and region-serving transit options.
- 5) The Metal Shed Alternative retains much of the blank metal façades of the existing warehouses along 17th Street and Mississippi Street and does not incorporate many of the positive urban design features of the proposed Project, including a mid-block pedestrian alley along the western property line, walk-up stoop residential units along 17th Street and the pedestrian alley, and removal of incompatible elements surrounding the historic brick office building. In addition, approximately 48 residential units in the Metal Shed Alternative would have light and air exposure only onto small courtyards along the western property line, which would provide inferior unit exposure compared to the light and air exposure provided to courtyard units in the proposed Project by the proposed Project's much larger courtyards.
- 6) The Metal Shed Reuse Alternative is also economically infeasible. Large development projects are capital-intensive and depend on obtaining financing from equity investors to cover a significant portion of the Project's costs, obtain a construction loan for the bulk of construction costs, and provide significant costs out-of-pocket. Equity investors require a certain profit margin to finance development projects and must achieve established targets for their internal rate of return and return multiple on the investment. Because the Metal Shed Reuse Alternative would result in a project that is significantly smaller than the Project, and contains 218 fewer residential units, the total potential for generating revenue is lower while the construction cost per square foot is higher due to lower economies of scale and the impact of fixed project costs associated with development. The reduced unit count would not generate a sufficient economic return to obtain financing and allow development of the proposed Project and therefore would not be built.

The Project Sponsor provided the City a memorandum entitled "Financial Feasibility Analysis of 901 16th Street and 1200 17th Street Project" prepared by Seifel Consulting, Inc., which is included in the record. The memorandum concludes that the Metal Shed Reuse Alternative is not financially feasible because the development costs for the Metal Shed Reuse Alternative significantly exceed potential revenues, resulting in a negative developer margin or return. Specifically, implementation of the Metal Shed Reuse Alternative will result in total development costs of \$185,790,000 and result in a total value of \$190,090,000, resulting in only \$4,300,000 net developer margin or return. In addition, the Metal Shed Reuse Alternative does not meet either of the return thresholds as measured by Yield On Cost or Return on Cost. Given the significant fixed development costs (such as property acquisition and site improvement costs), the lower number of units and the high cost to rehabilitate the metal sheds in the Metal Shed Reuse Alternative negatively impacts its financial viability, as there are fewer units over which these fixed development costs can be spread in comparison to the Project and estimated PDR rent levels are relatively low compared to the rehabilitation costs.

For the foregoing reasons, the Planning Commission rejects the Metal Shed Reuse Alternative as infeasible.

VI. STATEMENT OF OVERRIDING CONSIDERATIONS

The Planning Commission finds that, notwithstanding the imposition of all feasible mitigation measures, impacts related to Transportation and Circulation, when analyzed according to vehicle delay, and loss of PDR, will remain significant and unavoidable. Pursuant to CEQA section 21081 and CEQA Guidelines Section 15093, the Planning Commission hereby finds, after consideration of the Final EIR and the evidence in the record, and incorporating by reference the findings in the *Eastern Neighborhoods PEIR* regarding loss of PDR, that each of the specific overriding economic, legal, social, technological and other benefits of the Project as set forth below independently and collectively outweighs these significant and unavoidable impacts and is an overriding consideration warranting approval of the Project. Any one of the reasons for approval cited below is sufficient to justify approval of the Project. Thus, even if a court were to conclude that not every reason is supported by substantial evidence, the Commission will stand by its determination that each individual reason is sufficient. The substantial evidence supporting the various benefits can be found in the preceding findings, which are incorporated by reference into this Section, and in the documents found in the record, as defined in Section I.

On the basis of the above findings and the substantial evidence in the whole record of this proceeding, the Planning Commission specifically finds that there are significant benefits of the Project to support approval of the Project in spite of the unavoidable significant impacts, and therefore makes this Statement of Overriding Considerations. The Commission further finds that, as part of the process of obtaining Project approval, significant effects on the environment from implementation of the Project have been eliminated or substantially lessened where feasible. All mitigation measures proposed in the FEIR and MMRP are adopted as part of the Approval Actions described in Section I, above.

Additionally, the Planning Commission finds that, under a VMT analysis for transportation and circulation impacts as required by Planning Commission Resolution 19579, there would be no significant and unavoidable impacts from the Project, and all impacts would be either less-than-significant or less-than-significant with mitigation. The Commission further finds that, while the FEIR characterized the transportation and circulation impacts as significant and unavoidable, and properly analyzed the impacts

as such, the implementation of Planning Commission Resolution 19579 is one of the overriding considerations for the Commission's approval of the Project.

Furthermore, the Commission has determined that any remaining significant effects on the environment found to be unavoidable are acceptable due to the following specific overriding economic, technological, legal, social and other considerations.

The Project will have the following benefits:

1. The Project would add up to 395 dwelling units to the City's housing stock. The City's important policy objective as expressed in Policy 1.1 of the Housing Element of the General Plan and Policy 1.2.1 of the Showplace Square/Potrero Area Plan of the General Plan is to increase the housing stock whenever possible to address a shortage of housing in the City.
2. The Project would increase the stock of permanently affordable housing by creating approximately 42 units affordable to low-income households on-site and by contributing significant funds to the City's Affordable Housing Fund, as, required by the City's Affordable Inclusionary Housing Ordinance.
3. The Project Site is currently underused and the construction of up to 395 new housing units at this underutilized site will directly help to alleviate the City's housing shortage and lead to more affordable housing. A primary objective of the Eastern Neighborhood Area Plan is to increase housing locally through the build out of the plan area. The Project develops the Project Site in a manner envisioned by the Plan in its density and design.
4. The Project promotes a number of General Plan Objectives and Policies, including Housing Element Policy 1.1, which provides that "Future housing policy and planning efforts must take into account the diverse needs for housing;" and Policies 11.1, 11.3 and 11.6, which "Support and respect the diverse and distinct character of San Francisco's Neighborhoods." San Francisco's housing policies and programs should provide strategies that promote housing at each income level, and furthermore identify sub-groups, such as middle income and extremely low income households that require specific housing policy. In addition to planning for affordability, the City should plan for housing that serves a variety of household types and sizes." The Project will provide a mix of housing types at this location, including 53 studio units, 182 one-bedroom units, 146 two-bedroom units, and 14 three-bedroom units, increasing the diversity of housing types in this area of the City.
5. The Project adds nearly 25,000 gross square feet of neighborhood serving retail sales and service space in an area with a growing residential and workplace population, consistent with the site's Urban Mixed Use zoning.
6. The Project provides both publicly accessible and private open space in excess of the amounts required by the Planning Code.
7. The Project provides 455 Class 1 secure indoor bicycle parking spaces, significantly more than the minimum required by the Planning Code, and 52 Class 2 sidewalk bike racks, encouraging residents and visitors to access the site by bicycle.

8. The Project reduces the number of vehicular curb cuts around the site from eight to three, thereby minimizing conflicts between vehicles and pedestrians and bicyclists. No vehicular curb cuts are proposed along 16th Street, in conformance with the City's approved plans for a bus rapid transit line with a dedicated transit lane on 16th Street, or along 17th Street, where the City proposes to relocate Bicycle Route No. 40 with a dedicated Class II bike lane adjacent to the Project.
9. The Project will implement a Transportation Demand Management program to reduce trips by single occupant vehicles.
10. The Project meets the City's *Strategies to Address Greenhouse Gas Emissions* and the BAAQMD requirements for a GHG reductions by maximizing development on an infill site that is well-served by transit, services and shopping and is suited for dense residential development, where residents can commute and satisfy convenience needs without frequent use of a private automobile and is adjacent to employment opportunities, in an area with abundant local and region-serving transit options. The Project would leverage the site's location and proximity to transit by building a dense mixed use project that allows people to live and work close to transit sources.
11. The Project's innovative design furthers Housing Element Policy 11.1, which provides that "The City should continue to improve design review to ensure that the review process results in good design that complements existing character."
12. The Project promotes a number of Showplace Square/Potrero Area Plan Objectives and Policies, including Policies 1.2.1 and 1.2.2, which "In areas of Showplace/Potrero where housing and mixed use is encouraged, maximize development potential in keeping with neighborhood character;" Policies 2.1.1 and 2.1.3, which "Ensure that a significant percentage of new housing created in the Showplace/Potrero is affordable to people with a wide range of incomes;" and Policies 2.3.1 and 2.3.3, which "Require that a significant number of units in new developments have two or more bedrooms." As discussed in Paragraphs 2 and 4 above, the Project includes a mix of housing types, a substantial number of two-plus bedroom units, and complies with the Inclusionary Affordable Housing Program.
13. The Project would construct a development that is in keeping with the scale, massing and density of other structures in the immediate vicinity, with minimal effects on public views from uphill locations on Potrero Hill.
14. The Project rehabilitates the historic brick office building on 17th Street in a manner consistent with the Secretary of the Interior's Standards for Rehabilitation and removes and replaces the site's unsightly and obsolete non-historic metal shed warehouses.
15. The Conditions of Approval for the Project include all the mitigation and improvement measures that would mitigate the Project's potentially significant impact to insignificant levels, except for its impact on Transportation and Circulation.
16. The Project will create temporary construction jobs and permanent jobs in the retail sector. These jobs will provide employment opportunities for San Francisco residents, promote the City's role

as a commercial center, and provide additional payroll tax revenue to the City, providing direct and indirect economic benefits to the City.

17. The Project will substantially increase the assessed value of the Project Site, resulting in corresponding increases in tax revenue to the City.

Having considered the above, the Planning Commission finds that the benefits of the Project outweigh the unavoidable adverse environmental effects identified in the FEIR, and that those adverse environmental effects are therefore acceptable.