

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Government Audit and Oversight Committee
FROM: Budget and Legislative Analyst 
SUBJECT: October 20, 2016 Government Audit and Oversight Committee Meeting

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<p>Item 1 File 16-0558</p>	<p>Departments: Mayor’s Office of Housing and Community Development (MOHCD) San Francisco Municipal Transportation Agency (MTA)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed resolution would authorize the Mayor’s Office of Housing and Community Development (MOHCD) to execute a grant agreement with Broadway Sansome Associates in which the San Francisco Municipal Transportation Agency (SFMTA) would pay rental assistance to Broadway Sansome Associates on behalf of 12 low-income households that were permanently displaced as a result of the construction for the future Chinatown Subway Station of the Central Subway Project.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The SFMTA purchased property at 933-949 Stockton Street in January 2012 for the site of the future Chinatown Subway Station of the Central Subway Project. As a result of construction of the station, 18 housing units, which included 19 total households, were demolished. • The SFMTA created a Relocation Plan for the displaced residential households, and determined each household was entitled to relocation assistance and either: (1) 42 months of subsidized rent, or (2) a lump sum payment. • Additionally, SFMTA agreed to provide 30 years of rental assistance for 12 of the 14 displaced households with incomes less than 50 percent of the area median income (AMI) that did not elect the lump sum payment at a 100 percent affordable housing development, Broadway Sansome Apartments. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed grant agreement, SFMTA will pay annual rental assistance to 12 displaced residential households in an amount not-to-exceed \$39,744 per year or \$1,192,320 over 30 years. The SFMTA operating budget is the source of funds for the \$1,192,320. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that has a term of more than ten years is subject to Board of Supervisors approval.

BACKGROUND

The Board of Supervisors authorized the San Francisco Municipal Transportation Agency (SFMTA) in 2010 to purchase real properties by eminent domain to construct the Central Subway Project. The Federal Transit Agency (FTA), which awarded funding to SFMTA to construct the Central Subway Project, required SFMTA to develop a plan to minimize adverse impacts on commercial and residential occupants of the properties purchased by SFMTA through eminent domain. The SFMTA developed the *Central Subway Project Real Estate Acquisition and Management Plan*, and *Relocation Impact Study and Last Resort Housing Plan* (“*SFMTA Relocation Plan*”) in 2010 for the Central Subway Project, which were approved by the FTA, the SFMTA Board of Directors and the Board of Supervisors (File 10-1219).

The SFMTA purchased property at 933-949 Stockton Street in January 2012 for the site of the future Chinatown Subway Station. As a result of construction of the Chinatown Subway Station, 18 housing units, which included 19 total households, were demolished.

Relocation Plan

The *SFMTA Relocation Plan* recommended that SFMTA develop a long-term housing replacement plan with respect to the displaced residential occupants as a result of construction of the future Chinatown Subway Station of the Central Subway Project. Displaced households were each entitled to relocation assistance and either: (1) 42 months of subsidized rent, or (2) a lump sum payment. The Mayor’s Office of Housing and Community Development (MOHCD) suggested that the SFMTA develop a long-term housing plan for displaced households with incomes less than 50 percent of the area median income (AMI). Five of the 19 displaced residential households elected to receive a lump sum payment, which ranged from \$53,211 to \$91,053. The remaining 14 households were eligible to receive rental and relocation assistance for up to 42 months.

Twelve of the households that did not select a lump sum payment have incomes less than 50 percent of the AMI and therefore qualify for long-term housing assistance.¹ SFMTA proposed setting aside housing units at a new 75-unit 100 percent affordable housing development, the Broadway Sansome Apartments, located at 255 Broadway Street in the Financial District, as long-term housing for income-qualified households. The Broadway Sansome Apartments are under the jurisdiction of the Mayor’s Office of Housing and Community Development (MOHCD) and ground-leased to a non-profit developer, Chinatown Community Development Center. The twelve income-eligible displaced households began leasing units at the Broadway Sansome Apartments in March 2015.

¹ One household had an income over 50 percent AMI, and therefore was not able to participate in the long-term housing replacement option at the Broadway Sansome Apartments. However, this household did receive 42 months of relocation assistance. The member of the last displaced household died during the interim period.

SFMTA & MOHCD Displacement and Relocation Expenses to Date

SFMTA has paid a total of \$9,268,307 to date for (a) one-time lump sum payment of \$352,427 to five households, (b) 42 months of rental and relocation assistance (\$915,880) to 14 households, and (c) a one-time payment of \$8,000,000 toward construction of the Broadway Sansome Apartments. MOHCD paid an additional \$83,461 in rental assistance to 12 households for the period between the expiration of the 42-month rental assistance and relocation payments by SFMTA and the move-in date of March 2015 to the Broadway Sansome Apartments. The total subsidies paid by the SFMTA and MOHCD are \$9,351,768, as shown in Table 1 below.

Table 1: Subsidies Paid By SFMTA & MOHCD to Displaced Households

Subsidy	Amount	# of Households
SFMTA		
One-time lump sum payments	\$352,427	5
42 months of rental and relocation assistance	\$915,880	14
Broadway Sansome construction costs contribution	\$8,000,000	12
SFMTA Subtotal	\$9,268,307	
MOHCD		
Rental assistance paid by MOHCD for period between 42 months and permanent move-in in March 2015	\$83,461	12
Total Paid by SFMTA & MOHCD	\$9,351,768	

Source: SFMTA & MOHCD

According to Ms. Kerstin Magary, Senior Manager of SFMTA Strategic Real Estate, SFMTA has not had other projects partially funded by the FTA that required relocation of residential or commercial tenants, and therefore SFMTA has not previously paid rental assistance and relocation costs to displaced tenants.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Mayor's Office of Housing and Community Development to execute a grant agreement with Broadway Sansome Associates in which SFMTA would pay rental assistance to Broadway Sansome Associates on behalf of 12 low-income households that were permanently displaced as a result of the construction for the future Chinatown Subway Station of the Central Subway Project. The grant agreement is for a 30-year period to commence following Board of Supervisors approval, through approximately July 2046, in an amount not to exceed \$1,192,320.

Although the displaced households moved into the Broadway Sansome Apartments in March 2015, according to Ms. Joan McNamara, MOHCD Senior Project Manager, MOHCD did not finalize the grant agreement with Broadway Sansome Associates and submit this resolution to

the Board of Supervisors until May 2016 because MOHCD had to first complete other agreements regarding capital and operating funds for the Broadway Sansome Apartments.²

FISCAL IMPACT

In accordance with the requirements of the FTA and the *SFMTA Relocation Plan*, under the proposed grant agreement, SFMTA will pay annual rental assistance to 12 displaced residential households in an amount not-to-exceed \$39,744 per year or \$1,192,320 over 30 years, as shown in Table 2 below. The SFMTA operating budget is the source of funds for the \$1,192,320.

Table 2: SFMTA Rental Assistance for Displaced Households at Broadway Sansome Apartments

	Total Rent for 12 Housing Units*	Rent Paid by Tenants (30% household income)	SFMTA Rental Assistance (Rent less amount paid by households)
Monthly	\$10,146	\$6,834	\$3,312
Annually	\$121,752	\$82,008	\$39,744
30-Year Total	\$3,652,560	\$2,460,240	\$1,192,320

Source: MOHCD

*The monthly rent for units at Broadway Sansome Apartments range from \$581 per month for one bedroom to \$1,220 per month for three bedrooms.

As noted above, MOHCD paid rental and relocation assistance to the 12 households between the expiration after 42 months of the original rental and relocation assistance provided by SFMTA and March 2015, when the 12 households moved into the Broadway Sansome Apartments. Since March 2015, the rental reserve for the Broadway Sansome Apartments has been used to pay rental assistance for the 12 displaced households. According to Ms. McNamara, the rental reserve is now depleted and owed \$11,000, which will be reimbursed by the SFMTA funds.

RECOMMENDATION

Approve the proposed resolution.

² These agreements included the Local Operating Subsidy Program agreement with the Human Services Agency, and the debt-financing agreement with the State.