

BOARD of SUPERVISORS




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MEMORANDUM

Date: July 22, 2022

To: Tonia Lediju, Acting Executive Director, Housing Authority
Kate Sofis, Director, Office of Economic and Workforce Development
Eric D. Shaw, Director, Mayor's Office of Housing and Community Development

From:  Angela Calvillo, Clerk of the Board of Supervisors

Subject: Urging the San Francisco Housing Authority to Evaluate Options for Affordable Housing Units (File No. 220740)

On June 28, 2022, the Board of Supervisors adopted Resolution No. 311-22, sponsored by Supervisor Dean Preston (File No. 220740, Urging the San Francisco Housing Authority to Evaluate Options for Affordable Housing Units); enacted on July 8, 2022.

Please find the attached courtesy copy of the Resolution for your department's information and consideration, which is being sent as directed by the Resolution.

If you have any questions or concerns, please contact the Office of the Clerk of the Board at (415) 554-5184.

c: Members of the Board of Supervisors; Supervisors Dean Preston, Shamann Walton
Tom Paulino, Liaison to the Board of Supervisors, Mayor's Office
Andres Power, Mayor's Policy Director
Susanna Conine-Nakano, Mayor's Office
Nancy Rodriguez, Housing Authority
Linda Martin-Mason, Housing Authority
J'Wel Vaughan, Office of Economic and Workforce Development
Anne Taupier, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Lydia Ely, Mayor's Office of Housing and Community Development
Brian Cheu, Mayor's Office of Housing and Community Development
Maria Benjamin, Mayor's Office of Housing and Community Development
Sheila Nickolopoulos, Mayor's Office of Housing and Community Development

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1 [Urging the San Francisco Housing Authority to Evaluate Options for Affordable Housing
2 Units]

3 **Resolution urging the San Francisco Housing Authority, in consultation with**
4 **McCormack Baron Salazar (MBS) to evaluate, as an alternative to the plans currently**
5 **being proposed by MBS, rehabilitation and redevelopment options that result in 100%**
6 **of the units onsite as affordable housing, including but not limited to an alternative**
7 **proposal that incorporates Faircloth-to-RAD conversion.**

8
9 WHEREAS, Plaza East was built in 1956, with high-rise tower style apartments to
10 provide affordable housing to families in the Western Addition, a predominantly black
11 neighborhood; and

12 WHEREAS, At the time the housing was owned and managed by public entities; and

13 WHEREAS, McCormack Baron Salazar (MBS), a St. Louis-based developer, rebuilt
14 Plaza East Apartments in 2001 due to a lack of sufficient federal funding to maintain the
15 property, MBS rebuilt Plaza East in 2001 and agreed to maintain it in good condition; and

16 WHEREAS, The Plaza East Property is owned by a partnership of the San Francisco
17 Housing Authority (SFHA) and MBS; and

18 WHEREAS, The SFHA owns the land that includes Plaza East Apartments; and

19 WHEREAS, The SFHA is the managing General Partner and MBS is Administrative
20 General Partner; and

21 WHEREAS, When Plaza East was demolished and rebuilt by MBS in 2001, under
22 HOPE VI, there was a 30% reduction in units, from 276 to 193, disproportionately impacting
23 Black families; and

24 WHEREAS, Only 57% of former Plaza East residents moved back after the rebuild;
25 and

1 WHEREAS, Many residents who opted to take Section 8 Vouchers (subsidies to live in
2 private market rental housing) for 'temporary' relocation left San Francisco or could not be
3 located once the renovations were complete; and

4 WHEREAS, Since the 2001 redevelopment, Plaza East has fallen into disrepair, SFHA
5 and MBS have known about these extreme issues for years, and despite SFHA and MBS's
6 knowledge, residents have continued to face substandard conditions in their units; and

7 WHEREAS, In 2018, MBS asked and received a \$100,000 grant from the Housing
8 Authority for repairs with no repayment obligations; and

9 WHEREAS, On November 18, 2020, Mayor London N. Breed submitted a letter of
10 support to Ms. Jane Hornstein of the U.S. Department of Housing and Urban Development,
11 Special Applications Center to express support for the Inventory Removal Application
12 submitted by the San Francisco Housing Authority for the Plaza East public housing
13 development pursuant to Section 18 of the Housing Act of 1937; and

14 WHEREAS, On November 19, 2020, the Housing Authority's Board of Commissioners
15 authorized the Housing Authority's Acting Executive Director to submit an inventory removal
16 application to HUD for Plaza East allowing the agency to take the first step in the demolition
17 process by signing off on McCormack Baron Salazar's plan to tear down and rebuild the site,
18 after a mere 20 years since the prior demolition; and

19 WHEREAS, On January 9, 2021, the SFHA submitted a demolition application to the
20 U.S. Department of Housing and Urban Development (HUD) for review; and

21 WHEREAS, The demolition would have been the second time in just twenty years that
22 HUD would have given approval to McCormack Baron Salazar to tear down and rebuild Plaza
23 East; and

24 WHEREAS, If HUD had approved of the demolition of Plaza East in 2021, it would
25 have been the first HOPE VI site in the nation to be torn down; and

1 WHEREAS, The U.S. Department of Housing and Urban Development on March 30,
2 2021, denied MBS's application to raze and rebuild Plaza East Apartments, a 20-year-old
3 public housing complex in the Western Addition; and

4 WHEREAS, HUD requires that the cost of repairs exceeds over 57.14% of the cost to
5 rebuild, and HUD found that MBS had not met that threshold and HUD determined that repair
6 costs would be only 39.6% of total development cost; and

7 WHEREAS, HUD's decision came three months after the San Francisco Housing
8 Authority submitted a demolition application; and

9 WHEREAS, On April 6, 2021, after over 30 residents submitted a petition raising
10 concerns regarding the habitability and the future of Plaza East, Supervisor Dean Preston
11 called for a hearing on the investigation of complaints of substandard living conditions at
12 Plaza East and discussions of proposed plans for the property, and requesting the
13 Department of Building Inspection, Mayor's Office of Housing and Community Development,
14 Housing Authority, and Office of the City Attorney to report; and

15 WHEREAS, On April 16, 2021, the city approved a \$2.7 million Emergency Repair
16 Funding loan to MBS for Plaza East, of which \$2.5M was for repair work and \$198K for
17 resident engagement and services; and

18 WHEREAS, Emergency repairs were scheduled to be completed by May 2022; and

19 WHEREAS, On April 22, 2021, the San Francisco Housing Authority approved a
20 Resolution to pull the HUD demolition application; and

21 WHEREAS, On May 6, 2021, Supervisor Preston held a hearing on the investigation of
22 complaints of substandard living conditions at Plaza East and discussions of proposed plans
23 for the property at the Government Audit and Oversight Committee of the San Francisco
24 Board of Supervisors; and
25

1 WHEREAS, At the initial hearing, the Chief Development Officer at MBS asserted that
2 “there are no current plans to demolish some or all of Plaza East” and that “no matter what we
3 represent to the feds to unlock additional money, the future of Plaza East is in their [the
4 residents’] hands;” and

5 WHEREAS, On June 1, 2021, facing extensive and ongoing complaints about
6 conditions and management, The John Stewart Company replaced McCormack Baron
7 Salazar as the property manager, and MBS stayed on as the developer; and

8 WHEREAS, In meetings with residents and the District 5 office in the year since the
9 hearing, MBS has continued to promote a “mixed income” model, and claimed there is
10 resident support for a “mixed income model,” without providing details to residents or the
11 District 5 office of what that meant by “mixed income,” what income brackets were targeted,
12 and whether the income mix would include market rate housing on this public housing site;
13 and

14 WHEREAS, Despite dozens of requests for clarity regarding MBS’s intentions with
15 regard to market rate housing, if any, on this site, MBS provided its first details regarding such
16 plans in a PowerPoint presentation to residents at a meeting on February 22, 2022, and then
17 upon inquiry from the District 5 office, confirmed for the first time on February 25, 2022, that
18 the development plans would include hundreds of units of market rate housing at Plaza East,
19 and that MBS would bring on a private developer for those units; and

20 WHEREAS, The District 5 Supervisor has for over a year requested that the Housing
21 Authority and MBS consider, evaluate, and share an analysis of plans for Plaza East that do
22 not rely on private market rate development at the site, including identifying existing programs
23 to fund such plans and identifying any funding gaps or subsidy needs to make such
24 alternatives pencil out; and

1 WHEREAS, After over a year plus of requests from the District 5 office for alternate
2 development plans, including requests submitted prior to and at the May 6 and July 15, 2021.
3 hearings at the Board of Supervisors, and requests in meetings over the last year, at no time
4 has MBS or the SFHA provided such plans or an evaluation or estimate of the funding needs
5 and sources to make such a project feasible; and

6 WHEREAS, On May 25, 2022, MBS held a meeting with residents to introduce them to
7 the new private market rate developer, Strada, and to cover next steps in the development
8 process with residents; and

9 WHEREAS, Plaza East was reduced from 276 to 193 units through the 2001
10 demolition, and the District 5 office has specifically requested that any plan for Plaza East
11 include not just the replacement of the 193 units of public housing, but the addition of a
12 minimum of 83 deeply affordable units (tenants pay no more than 30% of their income in rent)
13 to address the prior loss of units, a request to which SFHA's director has indicated an
14 agreement in principle if feasible, but MBS has failed to agree to; and

15 WHEREAS, There is an incredible need for affordable housing in the Western Addition
16 neighborhood particularly for extremely low income families who would benefit from deeply
17 subsidized affordable housing; and

18 WHEREAS, HUD's Office of Recapitalization on April 12, 2021, announced their
19 "Faircloth-to-RAD" program for public housing agencies to create affordable homes in order to
20 address the lack of public housing units being developed; and

21 WHEREAS, The Faircloth-to-RAD program is designed to establish a long-term rental
22 subsidy contract for new housing units that will enable public housing agencies and
23 associated partners to finance the development of new properties; and

24 WHEREAS, According to HUD, in a Faircloth-to-RAD transaction, Public Housing
25 Assessment System (PHAs) will develop public housing units using HUD's public housing

1 mixed-finance program with pre-approval to convert the property to a long-term Section 8
2 contract following acquisition or rehabilitation/construction; and

3 WHEREAS, With early-stage RAD conversion approvals, lenders and investors will
4 have the revenue certainty through familiar Section 8 contracts to underwrite these projects;
5 and

6 WHEREAS, According to HUD, SFHA has the authority to build up to 2,471 new units
7 with this conversion method; and

8 WHEREAS, Despite the newly announced Faircloth to RAD process, SFHA and MBS
9 have not commenced discussions with HUD to evaluate possible application to Plaza East,
10 despite the request of the District 5 Office to explore this potential funding opportunity, and
11 have dismissed suggestions from the District 5 Office and residents that this avenue be
12 explored as a vehicle to fund public housing onsite without relying on private market rate
13 development; now, therefore, be it

14 RESOLVED, The Board of Supervisors urges that any redevelopment plan for Plaza
15 East center the residents of Plaza East and that any such plan be developed in a transparent
16 way with the leadership and meaningful involvement of residents, and include an absolute
17 right of return for residents; and, be it

18 FURTHER RESOLVED, The Board of Supervisors urges the San Francisco Housing
19 Authority, in consultation with McCormack Baron Salazar (MBS), the Mayor's Office of
20 Housing and Community Development, the Planning Department, the Office of Economic and
21 Workforce Development, and the United States Department of Housing and Urban
22 Development (HUD), to evaluate, as an alternative to the plans currently being proposed by
23 MBS, rehabilitation and redevelopment options that result in 100% of the units onsite as
24 affordable housing, including but not limited to an alternative proposal that incorporates
25 Faircloth-to-RAD conversion; and, be it

1 FURTHER RESOLVED, The Board of Supervisors urges that any redevelopment
2 proposal that increases the number of units at Plaza East should include replacement of not
3 just the 193 units currently at Plaza East, but also, at a minimum, the 83 units that were
4 removed and not replaced resulting in the displacement of many Black residents from the
5 neighborhood in the last redevelopment, bringing the total number of replaced public housing
6 units from 193 to a minimum of 276, regardless of the number of other units, if any, built on
7 this site; and, be it

8 FURTHER RESOLVED, That the Housing Authority provide a written report to the
9 Board of Supervisors within 60 days on alternative development options in which all of the
10 units are below market rate to target low-income and working class neighborhood residents,
11 along with any funding, financing, or feasibility obstacles to such plans; and, be it

12 FURTHER RESOLVED, That the Clerk of the Board shall transmit a copy of this
13 Resolution to the Housing Authority, Office of Economic Workforce Development and the
14 Mayor's Office of Housing and Community Development.



City and County of San Francisco

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1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails
Resolution

File Number: 220740

Date Passed: June 28, 2022

Resolution urging the San Francisco Housing Authority, in consultation with McCormack Baron Salazar (MBS) to evaluate, as an alternative to the plans currently being proposed by MBS, rehabilitation and redevelopment options that result in 100% of the units onsite as affordable housing, including but not limited to an alternative proposal that incorporates Faircloth-to-RAD conversion.

June 28, 2022 Board of Supervisors - ADOPTED

Ayes: 10 - Dorsey, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton
Excused: 1 - Chan

File No. 220740

I hereby certify that the foregoing Resolution was ADOPTED on 6/28/2022 by the Board of Supervisors of the City and County of San Francisco.

[Handwritten signature of Angela Calvillo]
Angela Calvillo
Clerk of the Board

Unsigned
London N. Breed
Mayor

7/8/22
Date Approved

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

[Handwritten signature of Angela Calvillo]
Angela Calvillo
Clerk of the Board

7/13/2022
Date