



Mark Farrell, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

MEMORANDUM

DATE: April 11, 2018
TO: Honorable Mayor Farrell & Clerk of the Board Angela Calvillo
FROM: John Updike, Director of Real Estate, on behalf of Naomi Kelly, City Administrator

SUBJECT: Hearing on 2018 Surplus Property Report under Administrative Code Section 23A

For the purpose of the 2018 Surplus Property Report (and subsequent hearing TBD), to determine if any property should be transferred to the Mayor's Office of Housing and Community Development, please see the attached list of those parcels deemed surplus by the departments that meet code requirements of 10,890 square feet or larger (individually or assembled with adjacent parcels) (Section 23A.4 of the Administrative Code).

The Surplus Property Report (4.10.18) includes three parcels, located at 155/165 Grove Street and 240 Van Ness Avenue, that when assembled together meet the above requirements. The Mayor's Office of Housing and Community Development (MOHCD) has analyzed these parcels (attachment B), and have deemed them not suitable for their affordable housing needs.

For these three parcels, next steps in accordance with the Surplus Public Lands Ordinance is to notify governmental agencies about these properties to see if they could utilize these properties and if no agency determines that they can use them, then the San Francisco Board of Supervisors may discuss whether or not it is appropriate to sell these three surplus properties under the requirements of Administrative Code Section 23.3 and other applicable laws and to designate use of the net proceeds of such sales for the purpose of financing Affordable Housing in San Francisco.

Additionally, MOHCD has analyzed one other parcel, located at 2300 Third Street, (attachment C) and this property has also been deemed not suitable for their affordable housing needs. The property at 2300 Third Street, which is under the San Francisco Police Department's (SFPD) jurisdiction, has recently been reviewed by SFPD and they have decided to pursue a repurposing of the property to suit their operation needs and therefore the parcel is no longer considered surplus property.

cc: Honorable Board of Supervisors
Kate Hartley, Director of MOHCD

Property Name	Address	Jurisdiction (Land)	No. of Lots	Land Area(sf)	Bldg Area	Bldg Use	Zoning	District	Vacant	Surplus	Block-Lot	Comments/Status	Adjacent City Parcels?
FORMER STORAGE	240 VAN NESS	Real Estate	1	5449	10898	Vacant	C-3-G	6	TRUE	TRUE	0811-019	Vacant/Abandoned Notice on file -- MOHCD reviewed & rejected	165 Grove
ARTS COMM VISUAL/AUDIO DISPLAY ONLY	155 GROVE STREET	Arts Comm	1	4186		Vacant	P	6	FALSE	TRUE	0811-016	UMB -- MOHCD reviewed & rejected	165 Grove, 101 Grove
PLEASE TOUCH GARDEN	165 GROVE STREET	Real Estate	1	4116			P	6	TRUE	TRUE	0811-021	Community Garden -- MOHCD reviewed and rejected	240 Van Ness

Address: 155 Grove Street, 165 Grove Street, 240 Van Ness
Neighborhood: Civic Center

SITE SUITABILITY ASSESSMENT

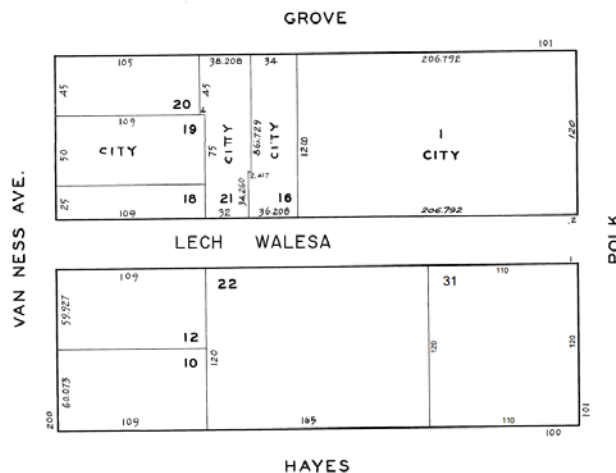
Executive Summary: MOHCD reviewed the 155 Grove, 165 Grove and 240 Van Ness Avenue properties, their historic and current use, zoning, current condition and development potential as affordable housing. MOHCD conducted a physical and financial feasibility analysis to determine both the number of residential units that could be developed on all 3 parcels, as well as how much financial assistance from MOHCD would be required. A description of that analysis is included in this assessment. Given the site’s physical constraints and amount of funding required of MOHCD to develop the parcels in to affordable housing, MOHCD believes it is would be difficult for it to pursue development as affordable housing due to building inefficiencies generated by sites’ odd configuration as well as the amount of capital and operating subsidies required of the City to support the development. MOHCD recommends that it be transferred to another City department for community-serving purposes or potentially sold to the two adjacent property owners for development of all 5 parcels as a single development.

1. Existing Use

	155 Grove	165 Grove	240 Van Ness
Historical Use	SF Arts Commission Window Installation Gallery	Please Touch Community Garden fiscally sponsored by Intersection for the Arts	Vacant storage building
Community support for continued historical use	Possibly	Possibly	No
Community support for conversion to affordable housing	Unknown	Unknown	Unknown

2. Lot Size and Configuration

	155 Grove	165 Grove	240 Van Ness
Block No.	0811	0811	0811
Lot No.	016	021	019
Area Dimensions	~34’x120’ (4,186 sf)	~34’x120’(4,116 sf)	~50’x109’(5,449sf)
Configuration	Rectilinear	Rectilinear	Rectilinear



Assessor-Recorder’s parcel map of 155 Grove, 165 Grove and 240 Van Ness parcels (lots 16, 19, 21)

3. Zoning of Site

	155 Grove	165 Grove	240 Van Ness
Zoning	C-3-G (Downtown-General Commercial)	C-3-G (Downtown-General Commercial)	C-3-G (Downtown-General Commercial)
Height Limit	70-X	70-X	70-X
Density limit	None; density regulated by permitted height & bulk and required setbacks, exposure and open space of each development lot	None; density regulated by permitted height & bulk and required setbacks, exposure and open space of each development lot	None; density regulated by permitted height & bulk and required setbacks, exposure and open space of each development lot
Housing permitted	Yes	Yes	Yes
Surrounding use zoning	C-3-G (234 Van Ness & 250 Van Ness); P-Public (101 Grove)	C-3-G (234 Van Ness & 250 Van Ness); P-Public (101 Grove)	C-3-G (234 Van Ness & 250 Van Ness); P-Public (101 Grove)
In commercial district	No	No	No
Parking requirement	None required, up to 1 car for every 2 dwelling units	None required, up to 1 car for every 2 dwelling units	None required, up to 1 car for every 2 dwelling units
Other Considerations	In Civic Center Historic District; 155 Grove St. building is listed as “Noncontributory”; any replacement building must adhere to Civic Center Urban Design Guidelines. Located in the Civic Center Community Benefit District	In Civic Center Historic District; any replacement building must adhere to Civic Center Urban Design Guidelines. Located in the Civic Center Community Benefit District	In Civic Center Historic District; 240 Van Ness building is listed as “Noncontributory”; any replacement building must adhere to Civic Center Urban Design Guidelines. Located in the Civic Center Community Benefit District

4. Site Conditions

	155 Grove	165 Grove	240 Van Ness
Physical Condition	Existing building in need of seismic retrofitting	Garden below grade; currently maintained by volunteers	Vacant building
Topography	N/A	Below grade	N/A
Accessibility	Unknown	Can be made accessible	Unknown
Environmental conditions	Unknown	Unknown; currently used as community garden	Unknown
Surrounding Uses	City Hall, Dept. of Public Health offices	City Hall, Dept. of Public Health offices	City Hall, Dept. of Public Health offices

Neighborhood Amenities	Walking distance to Main Public Library, weekly Civic Center farmer's market, restaurants, pharmacies, school	Walking distance to Main Public Library, weekly Civic Center farmer's market, restaurants, pharmacies, school	Walking distance to Main Public Library, weekly Civic Center farmer's market, restaurants, pharmacies, school
Access to Transit	On and near major transit lines	On and near major transit lines	On and near major transit lines
Other Considerations			



240 Van Ness Avenue building – sandwiched between 2 corner buildings



155 Grove and 165 Grove Street parcels – existing building used by SF Arts Commission for rotating art exhibits and vacant lot used as a Touch Garden



Please Touch Garden on 165 Grove Street parcel – view from Dr. Tom Waddell Place



155 Grove and 165 Grove Street parcels – view from Grove Street



Please Touch Community Garden sign on 165 Grove Street fence

5. Development Potential

Number of potential units: 88 units based on preliminary feasibility study completed by MOHCD construction management staff. Feasibility study assumed going up to 8 stories up to 85-feet in height by utilizing the Affordable Housing Bonus Program’s allowance to increase a building’s height by 3 stories. MOHCD would not seek to go above 85-feet in order to stay below the high rise building typology and its associated life safety requirements and costs.

Sufficient space for supportive services: Yes, if supportive services space is included on the ground floor.

Space for commercial uses: Potentially space to include space on Grove or Van Ness if no parking is included on the ground floor of the building. Potentially could put parking below grade given the current below grade elevation of the 165 Grove site. However, MOHCD prefers to minimize residential parking in developments well-served by public transit in order to minimize development costs.

Alternative uses for site: Commercial, office or civic-serving uses given the properties’ location in the Civic Center and across from City Hall

Achievable economies of scale: To some degree. At 88 units, the project is somewhat financially feasible to operate so long operating expenses do not exceed operating income. A project with 100 or more units would be more financially feasible to operate in order to spread some operating expenses that are fixed and not based on a per-unit cost, such as insurance or the cost for on-site property management staff, can be spread across more units. MOHCD use an average operating expense per unit based on its existing housing portfolio.

Ability to leverage non-City capital sources: Yes, if developer uses 4% Low Income Housing Tax Credits, tax-exempt bonds, a Federal Home Loan Bank Affordable Housing Program (AHP) loan, and a 30-year mortgage. Use of Low Income Housing Tax Credits and the Federal Home Loan Bank's AHP funds would require a certain level of affordability for a minimum of 55 years. Furthermore the building must generate sufficient operating income to pay debt service on a 30-year mortgage. This would require at least 40% of the units to serve households earning up to 60% of area median income (currently \$64,600/year for a family of 4). The assumed terms of the 30-year mortgage are a \$3.1 million mortgage for 30 years at 5.5% interest.

MOHCD capital subsidy per unit required: Based on an initial financial model of 88 affordable units, MOHCD would be required to contribute over \$24.6 million (approximately \$280,500/unit) in capital subsidy to construct the project. MOHCD's subsidy would pay for initial predevelopment expenses and a portion of the construction costs. This financial model assumes 20% of the units (18 units) are serving formerly homeless households and therefore are subsidized with the Local Operating Subsidy Program (LOSP) and cannot support any conventional debt. The remainder of the units would need to be a 40% at 50% AMI and 40% at 60% AMI in order to generate sufficient operating income to support a 30-year mortgage. Bear in mind that the \$24.6 million from MOHCD excludes any ongoing operating subsidies from the City to support the 18 units for homeless households. MOHCD estimates the City would need to contribute an additional \$6.4 million in ongoing LOSP funding over a 30-year period.

6. Recommendation

MOHCD could potentially develop the 3 parcels into an affordable housing development; however, it would require over \$24 million of City capital subsidy and an additional \$6.4 million of operating subsidy to support the homeless units, neither of which MOHCD or the Department of Homeless and Supportive Housing have currently programmed in their long-range budgets. Because the that amount of funding is not currently available in MOHCD's housing budget and MOHCD is constantly receiving many other demands of its capital funds to support its existing housing pipeline, MOHCD is not interested in pursuing development of these 3 parcels and recommends it be used for another purpose. Ultimately it is the Board of Supervisor's discretion as to what should be done with the 3 City-owned parcels.

Address: 2300 3rd Street
Neighborhood: Potrero Hill/Dogpatch

SITE SUITABILITY ASSESSMENT

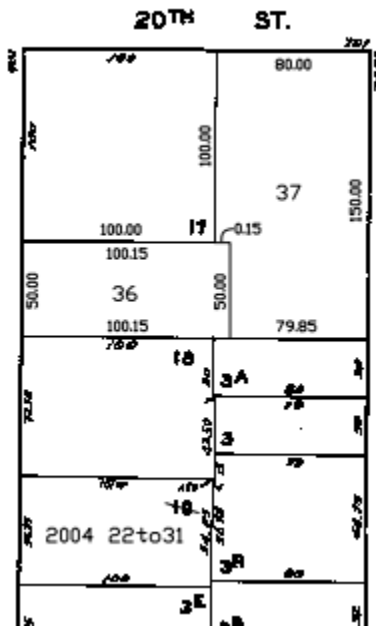
Executive Summary: MOHCD reviewed the 2300 3rd Street property, its historic use, its zoning and potential eligibility for the National Register of Historic Places, and its current condition to determine its viability for affordable housing development. MOHCD is also aware of communication Supervisor Malia Cohen received from community members expressing their desire to use the building for community-serving uses. Based on the site’s current condition and historic nature, the requirement to rezone the site for residential use, and the community’s expressed desire for it not be used for housing but for community-serving uses, MOHCD did not do an in-depth analysis for potential affordable housing development of this site. Although the site is well-served by public transit and is a decent lot size for development, MOHCD believes it is better used for community-serving purposes and recommends it be transferred to another City department for such a use.

1. Existing Use:

Historical Use: Potrero Police Station
Community support for continued historical use: Yes
Community support for conversion to affordable housing: No

2. Lot Size and Configuration:

Block: 4108
Lot: 037
Area dimensions including total square footage: 11,992 s.f.
Configuration (i.e. rectilinear or oddly-shaped): rectilinear



Assessor-Recorder’s map of 2300 3rd Street (Lot 37)

3. Zoning of Site:

Zoning designation: P-Public
Height limit: 45-X
Density limit: Not applicable.
Housing permitted: No; site must be rezoned to permit housing.
Zoning of surrounding uses: UMU - Urban Mixed Use; PDR-1-G – Production Distribution and Repair
In commercial district: No

Parking requirement: Not applicable.

4. Site Conditions:

Physical Condition: The site is improved with two adjoining buildings built circa 1915 that were once used by the San Francisco Police Department as the Potrero Police Station. The western portion of the site behind the former police station is improved with a paved lot. The existing buildings are vacant and in a state of disrepair with broken windows and boarded entrances. The building was noted as having been vacant for 16 years in 2012 as well as damaged by a fire in 2012 according to a letter from the Real Estate Division to the Planning Department when RED submitted a General Plan Referral application to Planning. Furthermore, the building is listed as appearing eligible for the National Registry of Historic Places as an individual property according to a historic survey identified on the San Francisco Planning Department's website.

Topography: Site slopes upward to the west.

Accessibility: Site is accessible from Third Street.

Environmental conditions: Unknown.

Surrounding Uses: Industrial buildings and some new residential to the northeast.

Neighborhood Amenities: Small restaurants are within a block of the site on 20th Street as well as a liquor/deli.

Access to Transit: Site is adjacent to the 20th Street transit stop for the T-Third light rail line.



2300 3rd Street looking westward across 3rd Street with the 20th Street light rail stop in the foreground



Looking at the rear of 2300 3rd Street and the paved portion of the site

5. Development Potential

Number of potential units: N/A
Sufficient space for supportive services: N/A
Space for commercial uses: N/A
Alternative uses for site: Community-serving uses.
Economies of scale achievable? N/A
Ability to leverage non-City capital sources: N/A
MOHCD capital subsidy per unit required: N/A

6. Recommendation

MOHCD recommends the property not be transferred to MOHCD for affordable housing purposes and instead be transferred to another City department for community-serving uses.