

3333-3700 CALIFORNIA STREET PROJECTS

Board of Supervisors

Budget & Finance
Committee

October 30, 2024



SAN FRANCISCO
OFFICE OF ECONOMIC &
WORKFORCE DEVELOPMENT



City Policy Goals

Accelerating the Housing Pipeline

- ❑ Entitled large projects in the pipeline are our best and fastest opportunity to add significant housing supply.
- ❑ Yet these projects are financially challenged by development economics and high infrastructure costs that are inhibiting their progress.
- ❑ City has partnered with Prado Group to develop proposed modifications to the 3333 California Street Development Agreement and form the 3333-3700 California EIFD to bring the projects closer to feasibility and adjust requirements to be consistent with today's standards.
- ❑ These changes will allow the project to commence construction sooner in the City's economic recovery so the City will receive new public assets faster and unlock an expansion of our housing supply.

3333 & 3700 California Project Locations

- **3700 California** is located on a 4.9-acre site that encompasses 14 parcels. The site was previously occupied by Sutter Health's CPMC Hospital - all buildings are currently vacant.

- **3333 California** is located on a 10.25-acre site at the intersection of Laurel Heights and Presidio Heights. The site was previously occupied by UCSF's Laurel Heights Campus and is now vacant.



EIFD Policy Approach

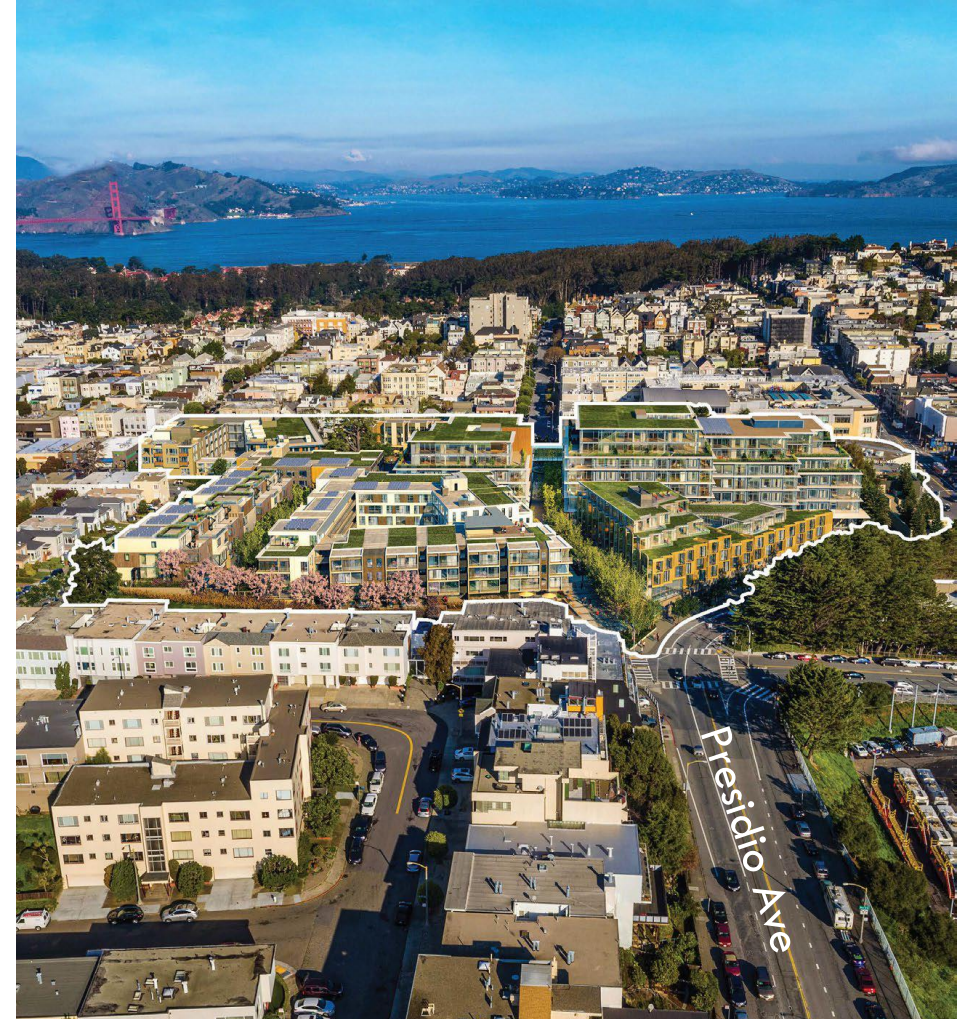
- ❑ In 2023 City updated IFD guidelines with new guardrails and guidance to allow EIFD financing to be deployed across large pipeline projects. To date: Power Station (formed), Stonestown (initiated).
- ❑ The projects in the 3333-3700 California EIFD district will provide over 1,300 units of affordable and market rate housing benefits in San Francisco and District 2 (a high-resource, infill, supply-constrained District that has not seen development of any scale in over half a century).
- ❑ EIFD harnesses net new tax revenue generated by the project to support the project's cost of infrastructure, which is otherwise difficult to finance.
- ❑ EIFD improves the project's economics by providing a reliable stream of funding over time to reimburse the developer for the cost of eligible uses in the project.
- ❑ This tool brings the project much closer to feasibility and will allow it to commence construction of much needed housing and associated community benefits sooner into the City's economic recovery.
- ❑ EIFD is a win-win for housing production and a net positive impact on the City's finances.

3700 California Project Overview

- ❑ 3700 California program includes:
 - ❑ 567 total market-rate units including:
 - ❑ 335 residential units
 - ❑ 232-unit senior living community (continuum of care)
 - ❑ Sidewalk and streetscape improvements
 - ❑ Adaptive reuse of Marshal Hale hospital building



3333 California Project Overview



3333 California Project Overview

□ Program:

- 744 residential units (125 senior affordable)
- 38,094 square feet of neighborhood-serving retail space
- A 13,933 square foot childcare space (175 seats)
- 3 acres of new public open spaces
- Sidewalk and streetscape improvements
- Adaptive reuse of existing office building to residential



Key Project Amendments

General

- ❑ DA term extended to 23 years (ending in 2043)
- ❑ Deadline for affordable senior building extended to 2036
- ❑ Impact fee rates and timing adjusted to align with Housing Fee Reform Plan

Affordable Housing Plan

- ❑ Affordable senior units reduced from 185 to 125 right-sized to 17% (125 units); note: the Housing Fee Reform Plan and Technical Advisory Committee (TAC) adjusted to inclusionary 12% for pipeline projects
- ❑ 60 new market rate units in an adjacent building
- ❑ Adjustments to escrow deposit timing and AML discretion by MOHCD Director

Financing Plan and Infrastructure

- ❑ Formation of an Enhanced Infrastructure Financing District and potential Community Facilities District
- ❑ Use of incremental property tax revenue for public facilities

Public Benefits

- ❑ Housing
 - ❑ Over 1,300 units of new housing in a high-resource neighborhood with traditionally limited supply
 - ❑ 125 units of on-site affordable senior housing by Mercy Housing
 - ❑ Affordable housing fee payments
- ❑ Publicly-Accessible Open Space: 3 acres of new public open space including flowering gardens, plazas, trees, and a large park at the corner of Euclid and Laurel Streets
- ❑ Jobs: 1,500+ Construction jobs and 206 permanent jobs; LBE and First Source
- ❑ Mobility and Walkability: Public pedestrian walkways through sites to connect community, bike parking, car share, childcare pick up zones, and delivery supportive amenities
- ❑ Sustainability: Adaptive Reuse (office to residential conversion), LEED Gold +
- ❑ On-Site Childcare: Childcare space for 175 children



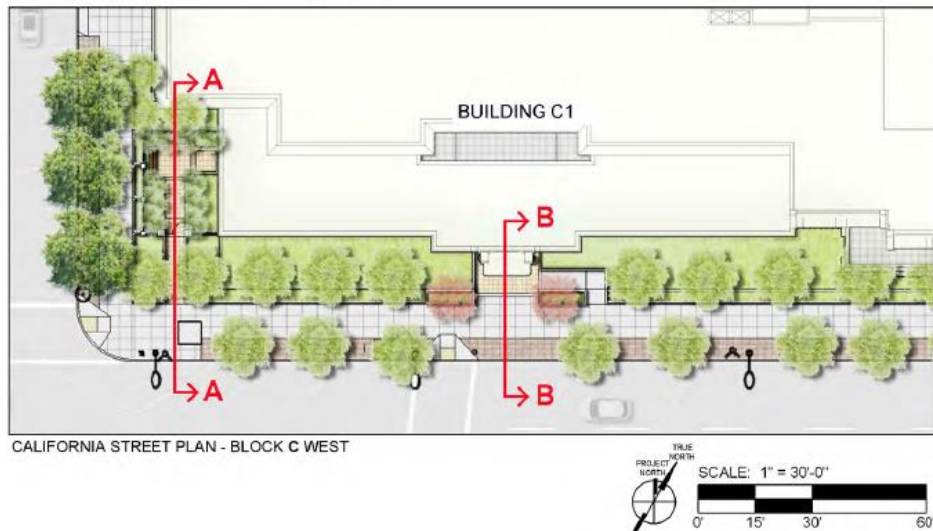
EIFD Eligible Facilities

Facilities

- ❑ Streets, sidewalks, and utilities
- ❑ Parks and Open Space
- ❑ Privately-Owned, Publicly-Accessible Community Improvements
- ❑ Affordable Housing

Other

- ❑ Bond-related expenses
- ❑ Administrative fees
- ❑ Reimbursement of costs related to the formation of the EIFD and Project Areas



Net Fiscal Benefit Analysis

- ❑ EPS has prepared a preliminary fiscal impact report to demonstrate the project's net fiscal benefit after tax increment diversion.
- ❑ The City's fiscal consultant Keyser Marston Associates has peer reviewed the analysis and confirmed that the project will generate a net fiscal benefit, assuming that the project's anticipated performance metrics are realized.

Annual Estimated Fiscal Impact at Buildout 3333 & 3700 California		Annual Estimated 3333 & 3700 California Tax Increment at Buildout	
Annual General Fund Revenues After Baseline Funding	6,479,000	Property Tax - GF Revenue	9,216,007
<u>(Less) Annual General Fund Expenditures</u>	<u>-5,191,000</u>	<u>PTILVLF - GF Revenue</u>	<u>1,521,087</u>
Net Annual Impact on General Fund	1,288,000	Total - GF Tax Increment Revenue	10,737,094
 <u>Net Impact on MTA Fund</u>	 <u>285,000</u>	Developer Share of Property Tax (58.25%)	5,368,547
Total Fiscal Benefit Estimate	1,573,000	<u>Developer Share of PTILVLF (0%)</u>	<u>0</u>
		Developer Share of Tax Increment Revenue (50%)	5,368,547
		 City Share of Tax Increment Revenue (50%)	 5,368,547

Next Steps

- ❑ Resolution of Intention to Form EIFD and other items at Budget and Finance Committee on October 30, 2024.
- ❑ Project considered by full Board of Supervisors (BoS) on November 5, 2024 for first reading and November 19, 2024 for second reading.
- ❑ Formation process, including drafting of Infrastructure Financing Plan (IFP) and hearings of the EIFD No. 1, continues into 2025.
- ❑ BoS consideration of IFP anticipated in Summer 2025.

