CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 29, 2020 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item 1 Files 20-0766	Department: Mayor's Office of Housing & Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve a loan amount not to exceed $31,780,000 for the acquisition, rehabilitation, or permanent financing of 270 Turk Street and (2) affirm the Planning Department's determination that this project is consistent with the General Plan. The purpose of the loan is to provide permanent financing for the acquisition and rehabilitation loan for 270 Turk Street, an 86 unit multi-family residential rental housing building, and maintain its affordability for low- to moderate-income households.

Key Points

- 270 Turk GP, LLC, an affiliate of Tenderloin Neighborhood Development Corporation (TNDC), purchased 270 Turk Street for $19,000,000 through San Francisco Housing Accelerator Fund financing. The proposed loan to 270 Turk GP, LLC would be used to repay the Housing Accelerator Fund and pay other costs.
- Sources of funds for the proposed loan are (1) the Preservation and Seismic Safety Program, and (2) either the Small Sites Program or Downtown Neighborhoods Preservation Fund.
- The mix of tenants and household income depends on finalizing a contract between TNDC and the Department of Homelessness and Supportive Housing for Step Up Program funds to provide supportive services.

Fiscal Impact

- The Draft Loan Agreement provides for a loan amount not-to-exceed $31,870,000, which is more than estimated loan amounts ranging from $28,782,204 to $28,710,327. MOHCD is requesting loan authorization exceeding the actual loan amount because the project budget is still being finalized and additional flexibility in the total amount is needed.

Policy Consideration

- While the Small Sites and Downtown Neighborhoods Preservation Programs provide for nonprofit housing developers to acquire the sites to facilitate acquisition in the private market, the City has acquired properties from nonprofit housing developers after the initial purchase and should consider requesting that be the case in this agreement.

Recommendations

- Amend the proposed resolution to state that the correct amount of the requested loan is $31,870,000.
- Amend the proposed resolution to request the MOHCD Executive Director to provide the option for the City to purchase 270 Turk Street at a future date.
- Approval of the proposed resolution as amended is a policy consideration for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Tenderloin Neighborhood Development Corporation sponsored an application to the Mayor's Office of Housing and Community Development (MOHCD) for financing to cover the acquisition and rehabilitation of 270 Turk Street, an 86 unit multi-family rental housing building. According to the MOHCD Loan Committee Evaluation Report, 270 Turk Street was purchased by 270 Turk GP, LLC on March 19, 2019 for $19,000,000.[1] The property was purchased through San Francisco Housing Accelerator Fund financing, allowing the purchaser to quickly acquire the building and take it off the market with the goal of preventing displacement of the building's low-income residents. The Tenderloin Neighborhood Development Corporation's request for MOHCD financing is to (a) repay the Housing Accelerator Fund loan and accrued interest, (b) reimburse the Tenderloin Neighborhood Development Corporation for its working capital contribution, (c) cover the costs associated with executing permanent financing, (d) capitalize reserves and (e) pay the developer fee.

270 Turk Street Overview

270 Turk Street, built in 1927, is located between Leavenworth and Jones Street in the Tenderloin neighborhood. Table 1 provides an overview of the building's features.

Table 1. 270 Turk Street Building Characteristics

Square Feet	Approximately 47,000 square feet
Floors	10
Units	86 studio units
Current Tenant Area Median Income (AMI)	Ranges from 15% to 134% AMI
Rehabilitation Prior to Purchase	2017: Elevator upgrade; partial exterior painting 2018: Roof replacement; rehabilitation of 22 units

Source: MOHCD

Following acquisition in 2019 by 270 Turk GP, LLC, the Project Team determined that priority areas for additional rehabilitation included: 1) Addressing extensive mold issues in a majority of the residential units; 2) Updating the fire alarm system to meet SF Fire Department 2021 Code and expanding the fire sprinkler system to all building areas; 3) Addressing issues in 5 units

[1] 270 Turk GP, LLC is solely owned by O'Farrell Senior Housing, Inc. an affiliate of Tenderloin Neighborhood Development Corporation.

deemed uninhabitable through kitchen, bathroom, and flooring replacements; 4) Spot replacement of windows, paint, and flooring, and miscellaneous repairs to units as they became vacant and issues were identified.

According to the rehabilitation timeline provided by MOHCD, the construction on the property is estimated to be completed by the end of July 2020.

Project Selection

MOHCD provides financing through rolling applications to the 2019 Small Sites Notice of Funding Availability (NOFA) and 2018 Downtown Neighborhoods Preservation Fund NOFA. Loans provided through these programs help with acquisition and rehabilitation of multi-family rental housing to maintain its affordability for low- to moderate-income tenants.

According to Ms. Caroline McCormack, Project Manager for MOHCD, 270 Turk Street was submitted for consideration under the Downtown Neighborhoods Preservation Fund program NOFA in November 2018 by the Tenderloin Neighborhood Development Corporation. This project met threshold eligibility requirements and was therefore determined to be an eligible project. MOHCD received one other application for this program which was also funded. Ms. McCormack notes that while the project was submitted under the Downtown Neighborhoods Preservation Fund program NOFA, it also meets the eligibility requirements for the Small Sites Program and could therefore receive funding through either the Small Sites Program or Downtown Neighborhoods Preservation Fund.

Funding Sources

MOHCD proposes using a variety of city funding sources for the permanent financing of 270 Turk Street. The project will receive funding through the Preservation and Seismic Safety and the Small Sites Program or Downtown Neighborhood Preservation Fund. According to Ms. McCormack, MOHCD needs flexibility as to whether it uses the Small Sites Program or Downtown Neighborhoods Preservation Fund to assist in funding this loan. The original source of funding for the project was intended to be the Downtown Neighborhood Preservation Fund. However, MOHCD is waiting on the sale of the Oceanwide Center and collection of related fees to fund the Downtown Neighborhood Preservation Fund to support for this project. The sale is currently stalled and if it does not go through MOHCD will utilize funds from the Small Sites Program, which is supported by Education Revenue Augmentation Fund (ERAF) funds.

Below is a description of the funding sources that MOHCD may utilize for financing loans for this project.

Preservation and Seismic Safety Program

The Preservation and Seismic Safety Program authorizes the City, through MOHCD, to utilize a portion of the proceeds from the 2016 General Obligation Bond (Series 2019A) for the preservation of affordable housing. Loan funds distributed under this program carry the following affordability restrictions: restrict all units to households earning no more than 120 percent of AMI at turnover and require that the project's combined average household incomes are no higher than 80 percent of AMI. The proposed loan agreement utilizes a mix of Preservation and

Seismic Safety Market Rate, Below Market Rate, and Deferred loans. The Below Market Rate and Deferred Loans, which have an interest rate that is at least one-third of the true interest cost, require that the affordability restrictions be permanent.

Downtown Neighborhoods Preservation Fund

Downtown Neighborhoods Preservation Fund, established by the Board of Supervisors on June 26, 2016 through Ordinance 137-16, authorized up to $40 million in funding from fees paid through the Jobs-Housing Linkage Program (Section 413) and the Inclusionary Affordable Housing Program (Section 415) of the San Francisco Planning Code to be used for the acquisition and rehabilitation of existing housing. The program requires that the housing be within a one-mile radius of the Oceanwide Center at 50 First Street. Funds dispersed under this program target low- and moderate-income tenants and may serve tenants with household income up to a maximum of 120 percent AMI as long as the building-wide average does not exceed 80 percent AMI. This funding streams places a maximum $250,000 City subsidy per unit.

Small Sites Program

The Small Sites Program, established on July 18, 2014 by the Citywide Affordable Housing Loan Committee for the purpose of stabilizing San Francisco's existing rental housing stock of buildings occupied by low- to moderate-income tenants who are vulnerable to displacement. This program is intended to provide funding for buildings with 5-25 units; however, according to Ms. McCormack, the program does not exclude buildings with more than 25 units. Over the lifetime of the project, a building should maintain affordability through an average of tenants with household income at no more than 80 percent of AMI. This funding stream also places a maximum $300,000 City subsidy per unit for buildings with 10-25 units. According to program guidelines this may be evaluated on a case-by-case basis.

Education Revenue Augmentation Fund (ERAF)

Excess ERAF revenues received by the City are appropriated to the Affordable Housing Production and Preservation Fund, which was established by the Board of Supervisors on June 21, 2019 through Ordinance 112-19. The ERAF Affordable Housing Production and Preservation Fund funds the land acquisition and production of new 100 percent affordable housing projects along with acquisition and preservation of existing housing to make that housing permanently affordable.

Ground Lease

To preserve affordability long term, the City typically ground leases a City-owned property to a non-profit entity to develop, maintain, and manage the site. Under the Small Sites and Downtown Neighborhoods Preservation Fund Programs, the City provides permanent financing for the acquisition and rehabilitation of sites that are not owned by the City. According to Ms. McCormack, the Small Sites and Downtown Neighborhoods Programs must compete with profit-motivated developers to remove properties from the speculative real estate market, so the City uses a public-private partnership model designed to execute transactions quickly.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a loan amount not to exceed $31,780,000 for the acquisition, rehabilitation, or permanent financing of 270 Turk Street and (2) affirm the Planning Department's determination that this project is consistent with the General Plan. The purpose of the loan is to provide permanent financing for the acquisition and rehabilitation loan for 270 Turk Street, an 86 unit multi-family residential rental housing building, and maintain its affordability for low- to moderate-income households.

By approving the proposed resolution, the Board of Supervisors is approving the (1) the Planning Department's determination that the proposed loan is not a project under the California Environmental Quality Act (CEQA), (2) the loan documents, including the Draft Loan Agreement and related documents, and (3) future actions by the City to protect the City's financial investment and retain affordability of the housing, which could include purchase or deed acceptance in lieu of foreclosure.

According to the Draft Loan Agreement between MOHCD and 270 Turk GP, LLC, the sources of loan funds up to $31,870,000 are:

Preservation and Seismic Safety	
Below Market Rate	$4,407,346
Market Rate	6,820,024
Deferred	716,640
Subtotal Preservation and Seismic Safety	11,944,010
Small Sites Acquisition/ Downtown Preservation	19,870,000
Total	$31,814,010

According to the proposed resolution, the loans will be funded through a combination of funds that include the Small Sites Program (ERAF funds) or The Downtown Neighborhoods Preservation Fund and Preservation and Seismic Safety Program loans.

Tenant Income Restrictions

According to the Draft Loan Agreement, the project proposes imposing two possible scenarios – A and B, presented below — for maintaining affordability of the building for tenants who are low- to moderate-income. After the agreement date, rent for the units that are vacant shall be set to achieve a mix of tenants at the following AMIs.

Scenario A

Scenario A includes 24 units that are set aside for a Step Up Housing Program for individuals who are formerly homeless and receive subsidies through the Department of Homelessness and Supportive Housing. According to Ms. McCormack, MOHCD and the Department of Homelessness and Supportive Housing prefer Scenario A but are waiting on the execution of a program contract between the Department of Homelessness and Supportive Housing and Tenderloin Neighborhood Development Corporation.

Number of Units	Median Income (Percentage)
24	30%
26	50%
10	60%
10	72%
15	80%

If the Department of Homelessness and Supportive Housing subsidies are reduced or no longer available for the units with household income at 30 percent AMI, rent for these units can be increased as needed to make the Project financially feasible (as approved by MOHCD) for households with income up to 120 percent AMI, which is in line with the current Small Sites underwriting guidelines regarding income restrictions.

Scenario B

Under this scenario, rents will be set for vacant units in order to bring the combined average for rent across all units as close as possible to the amount calculated for households with income from 30 percent to 80 percent AMI and no more than 120 percent AMI; this is consistent with the standard Small Sites Program income restrictions.

FISCAL IMPACT

Table 2 below summarizes the sources and uses of the proposed funding for the permanent financing of the acquisition and rehabilitation loan for 270 Turk Street. Similar to the two scenarios presented above for tenant income restrictions, there are two corresponding scenarios for the total cost of the loan, A and B. Scenario A, which includes Department of Homelessness and Supportive Housing subsidies, is slightly higher because of higher operating reserve costs, which are associated with higher costs for operating the building with supportive services.

In scenario A, because of the operating subsidy provided by the Department of Homelessness and Supportive Housing, the project supports more Preservation and Seismic Safety Program permanent debt, which is why less Small Sites or Downtown Neighborhoods subsidy is required. In scenario B, the project supports less Preservation and Seismic Safety Program debt and therefore requires more subsidy.

Table 2. Sources and Uses of Funds for Proposed Permanent Financing for 270 Turk Street

SOURCES	Scenario A	Scenario A Cost per Unit	Scenario B	Scenario B Cost per Unit
MOHCD – SSP or DNPF	$16,838,204	$195,793	$19,870,327	$231,050
MOHCD – PASS*	$11,944,000	$138,884	$8,840,000	$102,791
Subtotal City Sources	$28,782,204	$334,677	$28,710,327	$333,841
Tenant Income during Operations	$238,551	$2,774	$238,551	$2,774
Total All Sources	$29,020,755	$337,451	$28,948,878	$336,615

USES	Scenario A	Scenario A Cost per Unit	Scenario B	Scenario B Cost per Unit
Acquisition Costs**	$26,597,851	$309,277	$26,651,940	$309,906
Soft Costs***	$725,862	$8,440	$740,075	$8,606
Reserves	$757,042	$8,803	$616,864	$7,173
Developer Costs	$940,000	$10,930	$940,000	$10,930
Total Uses	$29,020,755	$337,451	$28,948,878	$336,615

Source: MOHCD
*This includes all three Preservation and Seismic Safety (PASS) Program Loans at Market Rate, Below Market Rate, and Deferred.
**Acquisition Costs include the costs of acquisition, rehabilitation, and interest accrued.
***Soft costs include engineering and environmental studies, financing costs, legal costs, and soft cost contingency.

Sources of Funds

- *<u>Small Sites Program / Downtown Neighborhood Preservation Fund</u>:* This funding source is estimated to be approximately $16.8 to $19.9 million depending on the Scenario. This will be a 40-year loan accruing 3 percent interest annually. Payments on the loan are due annually in an amount equal to two-thirds of the residual receipts. The remaining balance on the loan with all accrued and unpaid interest and unpaid costs and fees will be due at 40 years. 270 Turk GP, LLC's obligation to pay interest annually is contingent on availability of residual receipts; any interest not paid as of each payment date due to lack of residual receipts will be forgiven and will not accrue.
- *<u>Preservation and Seismic Safety Program</u>:* Funding through this program will account for approximately $8.8 to $11.9 million depending on the Scenario. This source is comprised of three different loans a) Market Rate with an interest rate of 5.16725 percent per year, b) Below Market Rate with an interest rate of 1.38908 percent per year and c) Deferred with an interest rate of 1.38908 percent per year. Each of these loans is over 40 years. The Market Rate and Below Market Rate loans are to be paid in monthly installments; the remaining balance, with all accrued and unpaid interest and unpaid fees and costs incurred will be due at 40 years. The Deferred loan is due in full including all interest and unpaid fees and costs incurred at 40 years.
- *<u>Tenant Income</u>:* A small amount of funding, estimated at $238,551, will come from tenant income from current operations.

Uses of Funds

Acquisition costs noted in Table 2 above range from $26,597,851 (Scenario A) to $26,651,940 (Scenario B), including:

- $19,000,000 for the March 2019 purchase by Turk 270 GP, LLC, funded by a loan from the Housing Accelerator Fund. According to an appraisal obtained by the Housing Accelerator Fund in June 2020, the purchase price of $19,000,000 is at or below the current market price.

- Approximately $3,501,607 in soft costs including accrued interest on the Housing Accelerator Fund loan, project due diligence costs, and other transaction costs associated with the acquisition and rehabilitation of the Project.
- Approximately $4,841,688 for the rehabilitation completed between March 2019 and July 2020, including mold removal, updating the fire system, rehabilitating five units, and performing spot updates to windows, floors, and paint.

Total City Subsidy per Housing Unit

The total per housing unit City subsidy is estimated at $334,677 for funding in Scenario A and $333,841 in Scenario B, as shown in Table 3 below.

Table 3: City Subsidy for Affordable Housing Units

	Scenario A	*Scenario B*
Number of units	86	86
Total Residential Area (Sq. Ft.)	47,000	47,000
Total City Cost	$28,782,204	$28,710,327
City Cost per Unit	$334,677	$333,841
City Subsidy per Sq. Ft.	$612	$611

Source: MOHCD

Operating Revenues and Expenses

According to the 20-year cash flow analysis for 270 Turk Street, the project will have sufficient revenues to cover operating expenses, operating reserves, hard debt, management fees, and payments to the proposed MOHCD loans. Project revenues consist of tenant rents and in the case of Scenario A revenue includes supportive services income.

POLICY CONSIDERATION

Not to Exceed Cost

The Draft Loan Agreement provides for a loan amount not-to-exceed $31,870,000, which is $3,087,796 to $3,159,673 more than estimated loan amounts under Scenario A ($28,782,204) and Scenario B ($28,710,327) shown in Table 2 above. According to Ms. McCormack, MOHCD is requesting loan authorization exceeding the actual loan amount because the project budget is still being finalized and additional flexibility in the total amount is needed.

Option to Purchase

The current City financing proposal for 270 Turk Street does not provide an option for the City to purchase the land at a future date. As noted above, financing under the Small Sites and Downtown Neighborhoods Preservation Fund Programs does not include purchase options for the City. MOHCD's general practice to own the land and enter into long-term ground leases with the affordable housing sponsor ensures the long-term affordability of the project and allows the City to retain an asset in exchange for providing financing to the project. While the Small Sites and Downtown Neighborhoods Preservation Programs provide for nonprofit housing developers to acquire the sites to facilitate acquisition in the private market, the City has acquired properties from nonprofit housing developers after the initial purchase.[2] Therefore, the Budget and Legislative Analyst recommends amending the proposed resolution to request the MOHCD Executive Director to provide the option for the City to purchase 270 Turk Street at a future date.

Loan Sources and Amounts

The Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors because (1) the use of the Small Sites or Downtown Neighborhoods Preservation Program funds have not been finally determined as a source of funds for the proposed loan; and (2) the Department of Homelessness and Supportive Housing has not entered into a program contract with the Tenderloin Neighborhood Development Corporation, as noted above, which would change the actual loan amount.

RECOMMENDATIONS

- Amend the proposed resolution to state that the correct amount of the requested loan is $31,870,000.
- Amend the proposed resolution to request the MOHCD Executive Director to provide the option for the City to purchase 270 Turk Street at a future date.
- Approval of the proposed resolution as amended is a policy consideration for the Board of Supervisors.

[2] The Board of Supervisors approved the purchase of 500 Turk Street from Tenderloin Neighborhood Development Corporation (TNDC) in January 2020 (File 19-1265). TNDC had originally purchased the property using a private loan from the Enterprise Community Loan Fund; MOHCD subsequently provided a loan to TNDC to pay off the Enterprise Community Loan Fund loan and for other costs. File 19-1265 provided for TNDC to convey 500 Turk Street to the City for a purchase price of $12.25 million, which was credited against the outstanding balance of the prior loan made by MOHCD to TNDC.

Item 4 **File 20-0423**	**Department:** Office of Economic and Workforce Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance approves a Development Agreement between the City and Reservoir Community Partners, LLC (“Reservoir Community Partners”) for the Balboa Reservoir Project. The proposed Agreement provides for various public benefits, including 50 percent affordable housing and approximately four acres of open space.

Key Points

- The 25-year Development Agreement would allow Reservoir Community Partners (a private joint venture partnership) to develop the Balboa Reservoir site into an 1100-unit mixed-income housing project with open spaces, infrastructure improvements, and other community amenities. Fifty percent of the units (550 of 1,100 housing units) will be affordable housing for low- and moderate-income residents, of which 150 would be prioritized for San Francisco Unified School District and City College educators.
- The Developer is responsible to finance two-thirds, and the City is responsible to provide gap financing to one-third of the 550 affordable housing units. In order to ensure the completion of community benefits occurs alongside completion of market-rate buildings, the Agreement requires the Developer to complete equal numbers of market rate and affordable housing units prior to issuing the Certificate of Occupancy.
- The project is still in an early phase and sources of funding for the horizontal infrastructure development and affordable housing have not been fully identified. A vertical developer for the townhome parcels has also not yet been identified.

Fiscal Impact

- Total estimated development costs, including land purchase, are $944.8 million over the 11-year period from 2017 to 2028.
- The Agreement commits the City to $43.8 million in gap funding (or $239,000 per unit for 183 units).
- The Developer is required to pay the Transportation Sustainability Fee with an estimated value of $10 million, but will make in-kind contributions in lieu of the Balboa Park, Child Care, and affordable housing impact fees.

Recommendations

- Amend the proposed resolution to request the MOHCD Executive Director to include an option for the City to purchase the Affordable Housing properties on the Balboa Reservoir site in the future financing of the affordable housing development set out in the Agreement.
- Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

Administrative Code Chapter 56 provides for the City to enter into development agreements with private developers for housing and mixed-use developments to reduce the risk of large developments for the developer while requiring public benefits as part of the development that exceed those required by existing ordinances and regulations. Section 56.14 provides for Board of Supervisors approval of such development agreements.

BACKGROUND

The Balboa Reservoir project site is a surplus land parcel currently owned by the San Francisco Public Utilities Commission (SFPUC), located west of City College's Ocean Campus, east of the Westwood Park neighborhood, and north of Ocean Avenue, near the Balboa Park BART station. The site is currently used as parking by City College under a no-fee revocable license with the SFPUC. The site was initially acquired in 1957 by SFPUC's predecessor to use as a reservoir but was never used for this purpose. Neighborhood planning efforts between 2000 and 2009 led to the initial identification of the site as a potential for mixed-used housing. Since 2014, SFPUC has worked with the Planning Department, the Office of Economic and Workforce Development (OEWD), the Mayor's Office of Housing and Community Development (MOHCD), and the Balboa Reservoir Community Advisory Committee (from 2015) to declare the site as surplus land and develop a mixed-income housing project. Following a Request for Proposals in 2016, Reservoir Community Partners, LLC, a private joint venture made up of non-profit BRIDGE Housing and Avalon Bay Communities, were selected to lead the development of a master plan for the site. As part of the community input process following this, a goal of achieving 50 percent affordable housing on the project site was identified.

In March 2018, the Board of Supervisors found the initial project proposal to be "fiscally feasible and responsible," allowing development of the master plan and completion of required environmental reviews. The Final Environmental Impact Report for the project was certified by the Planning Commission on May 28, 2020, and forwarded to the Board for review. Exhibit 1 below sets out a brief history of the Balboa Reservoir site and project development.

Exhibit 1: Balboa Reservoir Site History

Date	*Action*
1957	Site acquired by SFPUC predecessor for Balboa Reservoir.
2009	Balboa Park Station Area Plan, adopted by Planning Commission, identifies Balboa Reservoir as potential site for mixed-housing development.
2014	Site identified as part of City's Public Land for Housing Program aimed at increasing housing by using surplus public land.
2014 (Nov)	Voters pass Proposition K setting goal of building 30,000 housing units by 2020, with 33% of all housing units to be affordable to low-income households.
2015	Balboa Reservoir Community Advisory Committee created by the Board of Supervisors to provide community input in the development process.

Date	*Action*
2016-2017	City and SFPUC issue Request for Proposals to develop Balboa Reservoir site. Balboa Reservoir Partners, LLC, (RCP) a partnership between Avalon Bay Communities and BRIDGE Housing, selected to develop master plan proposal for site. SFPUC enters into Exclusive Negotiating Agreement with RCP.
2018 (March)	Board of Supervisors approves findings of fiscal feasibility and responsibility for project based on initial development plan (See File 18-0163).
2018-2020	Development of draft master plan and environmental impact review process.
2020	Project approvals by Planning Commission, SFPUC Commission and MTA Board.

Source: SF Planning Department, OEWD, and SFPUC

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance approves a Development Agreement between the City and Reservoir Community Partners, LLC ("Reservoir Community Partners") for the Balboa Reservoir Project. The proposed Agreement provides for various public benefits, including 50 percent affordable housing and approximately four acres of publicly accessible parks and open space. The proposed ordinance also (i) makes findings under the California Environmental Quality Act (CEQA), findings of conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b), and findings of public convenience, necessity, and welfare under Planning Code, Section 302; (ii) approves development impact fees and waives any conflicting provision in Planning Code, Article 4, or Administrative Code, Article 10; (iii) confirms compliance with or waives certain provisions of Administrative Code, Section 6.22 and Chapters 14B, 23, 41B, 56, 82, and 83, Planning Code, Sections 169, 138.1, 414A, 415, and 422, Public Works Code, Section 806(d), Subdivision Code, Section 1348, and Health Code, Article 12C; and (iii) ratifies certain actions taken in connection with the Agreement.

Summary of Development Agreement

The Development Agreement would allow Reservoir Community Partners (a private joint venture partnership) to develop the Balboa Reservoir site west of City College's Ocean Campus into an 1100-unit mixed-income housing project with open spaces, infrastructure improvements, and other community amenities. The project would consist of four multi-family affordable apartment buildings, three multi-family market-rate apartment buildings and 100 townhomes.[1] Half of all housing units (550) would be affordable housing for low- and moderate-income, of which 150 units would prioritized for moderate-income SFUSD and City College educators, with a first preference to City College faculty and staff. A diagram of the site plan is set out in Appendix A (see Exhibit A1).

The Agreement provides the Developer with the right to develop the Project as specified in the Agreement, certain exemptions from requirements in the Planning code for the project site, waiver of specified development impact fees, and certainty around entitlement of the developed

[1] According to OEWD, around 20 affordable housing units will be built by Habitat for Humanity but the type and design of these units has not yet been finalized.

parcels. In exchange, the Developer is required to complete certain public community benefits which are intended to exceed those required by existing ordinances and regulations. In a related action, the City (through SFPUC) also agrees to sell the 16.4 acre Balboa Reservoir development site to the Developer at fair market value (after factoring in entitlement costs and affordable housing development costs not offset by future expected revenues).[2] The SFPUC will also lease a 1.2 acre "Retained Fee Parcel" to the Developer for a 20-year term to use as open space.

In order to ensure the completion of community benefits occurs alongside completion and entitlement of market-rate buildings, the Agreement links entitlement for the market-rate buildings to completion of specific community benefits in a two-phase development plan. The details of the linkage and phasing plan are discussed below.

The Agreement term is 25 years from the date of signing, unless extended or terminated early. The developer can only terminate the agreement early with respect to specific parcels if the building and community benefits tied to that building have been completed (i.e. open space, affordable housing, etc.).

Community Benefits

The Agreement specifies the following community benefits be provided:

1) **Affordable Housing:** 50 percent of the units (550 of 1,100 housing units) will be affordable housing for low- and moderate-income residents as shown in Exhibit 2 below of which 150 would be prioritized for moderate-income San Francisco Unified School District (SFUSD) and City College educators. The Developer would fund 363 affordable units (33 percent of 1,100 total units) and the City would fund 187 affordable units (17 percent of 1,100 total units).
2) **Open Spaces:** the Developer will construct and maintain 4 acres of public open space, in the form of a two acre park in the middle of the project site ("Reservoir Park"), and an additional two acres across several other smaller parks and passageways (including on the 1.2 acre SFPUC "Retained Fee Parcel" leased to the Developer).
3) **Child Care Facility and Community Room:** a 100-child capacity childcare facility and a 1,000 square foot community room available to the public
4) **Transportation and infrastructure improvements:** including up to 450 public parking spaces, new streets, sidewalks, sewer, power and water infrastructure (including an auxiliary water supply system), and bicycle and pedestrian pathways and facilities.
5) **Workforce requirements:** integration of local workforce requirements for project construction work from the Local Hire Policy (Ch. 82), First Source Hiring Policy (Ch. 83), Local Business Enterprise Utilization and Non-Discrimination in Contracting Ordinance (Ch. 14B), and Prevailing Wages requirements (Ch. 6.22, for public improvements).

According to OEWD and the Agreement, these community benefits meet or exceed those required by current ordinances and regulations.

[2] Approval of the sale of the Balboa Reservoir site to Reservoir Community Partners is pending before the Board of Supervisors (File 20-0740).

Affordable Housing Development and Funding

The 550 affordable housing units to be provided are a mix of low- and moderate-income units. Exhibit 2 below shows the current affordable housing income mix for the project as specified in the Development Agreement. The Agreement also specifies that at least 150 units will be reserved for moderate-income educators from City College and SFUSD (with first preference for City College educators).

Exhibit 2: Affordable Housing Income Mix

Affordable Housing Unit Type	% of AH Units	# of AH Units	Income Criteria (Rental Units)	Income Criteria (Units for Sale)
Low-Income	36%	198	30 – 80% of AMI (Average: 60% of AMI)	80% of AMI
Moderate-Income	30%	165	80 – 120% of AMI (Average: 100% of AMI)	No more than 120% of AMI
Mixed (Low- and Moderate-Income)	34%	187	30 – 120% of AMI**	
Total	**100%**	**550**		
*Moderate-Income Educator Housing**	*27%**	150	No more than 100% of AMI (avg) *SF Community College & SFUSD educators have priority (City College: 1st priority, SFUSD: 2nd)*	

Source: Draft Development Agreement, Exhibit D, Sec. B.2

Notes: *included in Moderate and Mixed categories above.

** Mix of Low and Moderate-Income at developer's discretion. Preference for very low income seniors & families with 60 – 80% of AMI

As part of the Development Agreement and pursuant to the City's request for proposals, the Developer has agreed to provide gap funding for two-thirds of the affordable housing units (367) to meet its 33 percent affordable housing commitment while the City has agreed to provide gap funding for the remaining one-third of the affordable housing units (183) to reach the 50 percent overall affordable housing commitment. The Agreement specifies that City's gap funding contribution would be capped at $239,000 per unit (adjusted annual for inflation based on the Consumer Price Index). This would commit the City to a maximum of $43.8 million in gap funding (see Fiscal Impact Section below).[3]

City Assurances for Provision of Public Benefits

The Agreement ties the completion of market rate units to the delivery of community benefits. Schedule 1 of the Agreement requires the Developer to complete equal numbers of market rate and affordable housing units prior to issuing the Certificate of Occupancy. The project phases are shown in Exhibit 3 below.

[3] This estimate is based on the language in Exhibit D, Sec. E.2. of the draft Development Agreement.

Exhibit 3: Development Agreement Phasing Plan and Linkage Schedule

Phase	*Housing Units*			Size/ Acreage/ Value
	Market Rate	Affordable Housing	Total *(% of Total)*	
Phase 1 (Apr. 2021 – Dec. 2022)				
Parcel E (Affordable)		124		
Parcel F (Affordable/ Educator)		154		
Parcels C & D (Market)	260			
Parcels TH1 & TH2 (Market)	100			
Parcel J (Reservoir Park)				2 acres
Infrastructure Improvements				$32m
Phase 1 Total (% of phase total)	**360 (56%)**	**278 (44%)**	**638 *(58%)***	
Phase 2 (Jan 2023 – Jul. 2028)				
Parcel A (Affordable)		182		
Parcel B (Affordable)		70		
Parcel G (Market)	190			
Parcel H (Affordable)		20		
SFPUC Open Space & Parcel O				1.2 acres
Gateway Landscape				.07 acres
Parcel K (Brighton Paseo)				0.23 acres
Child Care Facility				100-seat
Community Room				1,000 sf
Public Parking				450 spots
Infrastructure Improvements				$3.9m
Phase 2 Total (% of phase total)	**190 (41%)**	**272 (59%)**	**462 *(42%)***	
Project Total (%)	**550 (50%)**	**550 (50%)**	**1,100**	

Source: Draft Development Agreement, Schedule 1-A, OEWD Horizontal/ Vertical Cost Model

Development Impact Fees

The Development Agreement waives certain Development Impact Fees required by the Planning Code. The Developer is required to pay the Transportation Sustainability Fee with an estimated value of $10 million, but will make in-kind contributions in lieu of the Balboa Park, Child Care, and affordable housing impact fees, as shown in Exhibit 4 below.

Exhibit 4: Summary of Impact Fees Assessed and Waived in Development Agreement

Impact Fee	Planning Code Sec.	Fee Value	Rationale for waiving fee (if waived)
Fees Assessed			
Transportation Sustainability	411A.1 – 411A.9	$10 million	N/A
Fees Waived			
Balboa Park Impact	422.1 – 422.4	$12 million	**In-kind contribution –** 4 acres of open space to be developed and maintained by Developer. Total horizontal development "hard" costs are estimated at $35 million.
Residential Child Care	414A.1 – 414A.8	N/A	**In-kind contribution** – 100-child capacity child care facility to be built on site
Residential Affordable Housing	415.1 – 415.11	N/A	**In-kind contribution**– 50% of housing units to be affordable (greater than 33% requirement for surplus public lands and 18% otherwise)

Source: Draft Development Agreement, OEWD

FISCAL IMPACT

Total estimated development costs, including land purchase, are $944.8 million over the 11-year period from 2017 to 2028. These costs include predevelopment (planning, environmental review, entitlements), horizontal and infrastructure development, and vertical development. Estimated project sources and uses for predevelopment and horizontal and infrastructure development are shown in Exhibit 5 below.

Exhibit 5: Predevelopment & Horizontal/Infrastructure Estimated Sources and Uses ($1,000s)[4]

	Pre-Dev	Phase I	Phase II	Total
Start Date	Jan-2017	Apr-2021	Jan-2023	Jan-2017
End Date	Mar-2021	Dec-2022	Jul-2028	Jul-2028
CFD Bond Issuance [a]	0	0	12,500	12,500
External Subsidy [b]	0	56,061	28,955	85,016
Infrastructure/ Vertical Funding	4,537	(1,342)	(28,936)	(25,741)
Total Sources	**4,537**	**54,719**	**12,518**	**71,775**
Land Acquisition	635	800	11,431	12,866
Soft Costs [c]	7,245	12,332	3,387	22,964
Hard Costs	0	32,005	3,940	35,945
Total Uses	**7,880**	**45,137**	**18,758**	**71,775**
Net Surplus/(Deficit)	**(3,343)**	**9,582**	**(6,239)**	**0.0**

Source: Office of Economic and Workforce Development

[a] The Community Facilities District (CFD) and issuance of bonds is subject to future Board of Supervisors approval.

[b] The external subsidy is shown in Exhibit 6 below.

[c] Soft costs include horizontal soft costs & financing costs, master HOA costs, master developer fee

[4] Land parcels will be sold to vertical developers. Therefore, predevelopment and horizontal/infrastructure costs, net of land acquisition are $58.9 million and vertical development costs are $885.9 million, totaling $944.8 million.

Exhibit 6: Estimated Vertical Project Sources and Uses ($1,000s)

	Phase I				Phase II				
Developer	Avalon Bay	Bridge	Bridge	Town Homes*	Avalon Bay	Mission	Bridge	Habitat	**Total**
Total Unit Count	250	154	124	100	200	70	182	20	
Affordability Level	Market Rate	Moderate Income	Low Income	Market Rate	Market Rate	Low Income	Low Income	Moderate Income	
Unit Tenure	Rental	Rental	Rental	For-Sale	Rental	Rental	Rental	For-Sale	
From Horizontal [a]		56,619	14,456			20,443	29,625		**121,142**
From City [b]			14,739			8,321	21,633		**44,693**
Tax Credit Equity			38,752			23,560	56,523		**118,835**
Developer Financing [c]	157,194	13,508	12,034		128,054	7,492	18,674		**336,958**
Permanent Loan		46,273	21,960			12,238	28,556		**109,027**
Total Sources	**157,194**	**116,400**	**101,941**	**145,000**	**128,054**	**72,054**	**155,012**		**875,655**
Soft Costs [d]	45,249	26,638	29,516		37,987	20,157	41,898	2,273	**203,719**
Vertical Hard Costs [d]	111,945	89,762	72,425		90,067	51,896	113,114	8,000	**537,209**
Total Uses	**157,194**	**116,400**	**101,941**	**145,000**	**128,054**	**72,054**	**155,012**	**10,273**	**885,928**

Source: Office of Economic and Workforce Development

Notes: Estimated sources of $875,655 are $10,273 less than estimated uses of $885,928, because sources of funds for Habitat for Humanity have not yet been identified.

* Townhome developer entity not yet selected by master developer.

[a] Includes External Subsidy from Joint Venture partners of $85.0 million noted in Exhibit 5 above.

[b] This estimate is based on OEWD proforma analysis, as noted in footnote 3, the Development Agreement specifies that the City is only responsible for an estimated $43.8 million in gap funding, based on providing funding for 183 units (not 187).

[c] Developer financing is BRIDGE or Mission General Partner equity/deferred fee for affordable parcels and Avalon Bay internal financing for market rate parcels.

[cd] Habitat and Townhome costs are projections (design not yet finalized).

Estimated City Costs

The estimated costs to the City to provide gap financing to 183 affordable units is $43.8 million, based on $239,000 per unit in 2019. According to the proposed Development Agreement, the City will finance $239,000 per unit for 33.3 percent of 550 affordable units (183 units). The City's per unit financing increases by 3 percent per year from the 2019 base year amount $239,000. According to MOHCD, sources of gap financing will be identified closer to the start of construction for the affordable units.

POLICY CONSIDERATION

Development Agreement

While the draft Development Agreement gives the Developer the right to develop the property if certain conditions are met, the Agreement also states that the Developer is not required to initiate or complete development of the project or any phase of the project, nor required to initiate or complete projects within a specified timeline, with the exception that the Developer must meet community benefit requirements when completing a project. According to the draft Development Agreement, factors not within the control of the Developer or the City, such as availability of financing or capital, and interest rate fluctuations, could impact the development.

The Development Agreement specifies that parcels C, D, and G are for market-rate development. Parcels A, B, E, F, and H are set aside for affordable housing development, as shown in Exhibit 3 above. The draft Development Agreement provides a process for subdividing the property into separate parcels and for the transfer of market-rate parcels to vertical developers. However, how the nonprofit housing developers – Bridge Housing, Mission Neighborhood Development Corporation, and Habitat for Humanity – will take ownership of the affordable housing parcels is not specified. Additionally, the Developer has not yet identified a vertical developer to build out the townhomes.

Affordable Housing Policy

The Mayor's Office of Housing and Community Development's general practice for providing gap loans to affordable housing projects is for the City to own the land and enter into a long-term ground lease with the affordable housing sponsor. This practice ensures the long-term affordability of the project and allows the City to retain an asset in exchange for providing financing to the project. Because the City is committing at $43.8 million to development of affordable housing for the Balboa Park Reservoir Project, the Budget and Legislative Analyst recommends amending the proposed ordinance to request the MOHCD Executive Director to include an option for the City to purchase the Affordable Housing properties on the Balboa Reservoir site in the future financing of the affordable housing development set out in the Agreement.

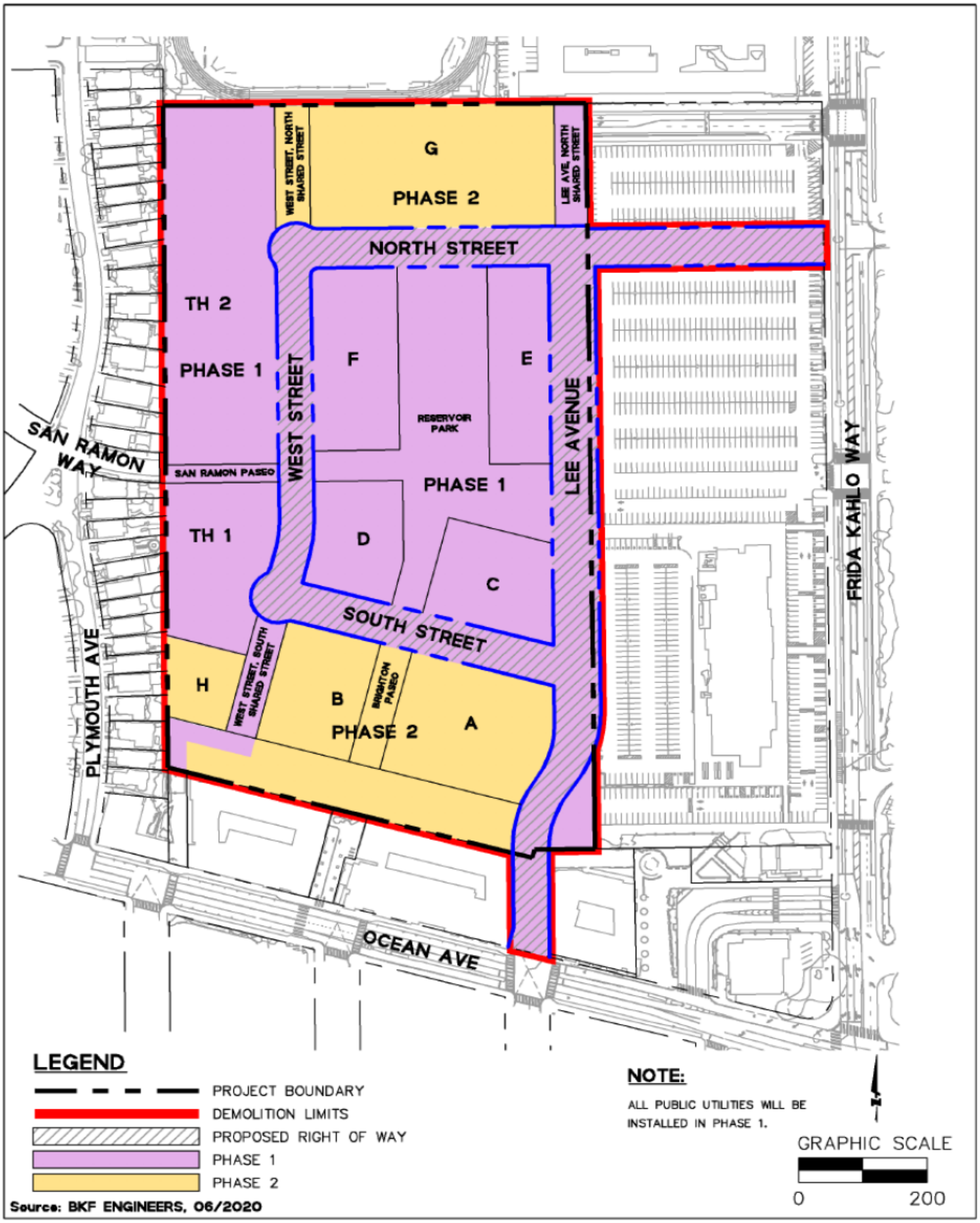
RECOMMENDATIONS

1. Amend the proposed ordinance to request the MOHCD Executive Director to include an option for the City to purchase the Affordable Housing properties on the Balboa Reservoir site in the future financing of the affordable housing development set out in the Agreement.
2. Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

Appendix A: Balboa Reservoir Project Site Plan and Project Phasing Plan

Exhibit A1: Site Plan

Exhibit A2: Project Phasing Plan



Item 5 Files 20-0740	Department: San Francisco Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the purchase and sale agreement between the San Francisco Public Utilities Commission (SFPUC) and Reservoir Community Partners, LLC ("Reservoir Community Partners") in which SFPUC will sell the Balboa Reservoir site, consisting of approximately 16.4 acres, located near Ocean Avenue and Frida Kahlo Way, for $11,400,000 and lease a 1.2 acre parcel for 20-years for $112,000 (upfront) or $388,757 (if paid in annual installments).

Key Points

- The proposed Purchase and Sale Agreement includes an as-is base sale price of $11,400,000 and requires the buyer to pay an initial payment of $500,000 to the SFPUC and then annual deposits of $400,000 until the closing date, which under the proposed Agreement is November 17, 2022 or earlier.
- The sale price is based on an independent appraisal completed in June 2020 (appraisal date is January 1, 2020). The appraisal used an "alternative development plan" with 33 percent affordable housing as the proposed development with 50 percent affordable housing was found not to be the "highest and best use" from a financial perspective. The appraisal considers expected revenues minus development costs and subsidies needed to meet the 33 percent affordable requirement in the "alternative development plan".
- The proposed Agreement provides the buyer the option for seller financing at an interest rate of 3 percent after closing. If exercised, the buyer would pay the remaining portion of the sale price ($10.1 million) in annual installments, along with larger balloon payments linked to completion of development agreement milestones with all payments due by the end of 2028. Total payments to the City would equal $13.86 million.
- The Agreement would not go into effect until the Development Agreement for the Balboa Reservoir (File 20-0423) is executed.
- If approved, the related Development Agreement would waive the Administrative Code Chapter 23 requirement for an appraisal review. The SFPUC Real Estate Director indicated that an appraisal review is not needed due to the experience of the appraiser, validation of appraisal inputs provided by third-party consultants, and self-certification by the appraiser.

Recommendation

- Approval of the proposed resolution is policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 8B.121 grants the SFPUC Commission the exclusive charge of the real property assets under the SFPUC Commission's jurisdiction, and provides that the SFPUC Commission may transfer real property interests the SFPUC Commission declares to be surplus to the needs of any utility.

City Charter Section 9.118(c) provides that any sale of real property owned by the City must be approved in advance by the Board of Supervisors.

City Administrative Code Section 23.3 provides for the Director of Real Estate to convey City-owned property, subject to approval by the Board of Supervisors, including a determination by the Board of Supervisors that the public interest or necessity demands or will not be inconvenienced by conveyance of the property. The Board of Supervisors may authorize conveyance of City-owned property by resolution without advertisement, public auction, or competitive bidding if such processes are determined to be impractical, impossible, or is otherwise not in the public interest. Section 23.3 requires a fair market appraisal of the property, and if the appraised value is greater than $200,000, an appraisal review.

BACKGROUND

The City, through the San Francisco Public Utilities Commission (SFPUC), owns land known as the Balboa Reservoir. Despite its name, the SFPUC has never developed the site as a reservoir, a portion of which is currently licensed to City College and used as a parking lot for City College students and staff. On June 23, 2020, the SFPUC's Commission determined that this land was surplus property, after completing noticing required by State law, a process which began in 2016. After a competitive solicitation, the SFPUC approved an exclusive negotiating agreement with Reservoir Community Partners, LLC, a joint-venture consisting of AvalonBay Communities, a for-profit developer, and Bridge Housing, a non-profit developer, as master developers. Also pending before the Budget & Finance Committee is File 20-0423, which would approve a Development Agreement between the City and Reservoir Community Partners for the project. The proposed sale of this surplus land is conditioned on the approval of the Development Agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (1) authorizes the purchase and sale agreement between the San Francisco Public Utilities Commission (SFPUC) and Reservoir Community Partners, LLC ("Reservoir Community Partners") in which SFPUC will sell the Balboa Reservoir site, consisting of approximately 16.4 acres, located near Ocean Avenue and Frida Kahlo Way, for $11,400,000; (2) adopts findings under the California Environmental Quality Act (CEQA); (3) adopts findings that the conveyance is consistent with the General Plan, and the priority policies of Planning Code, Section 101.1; (4) authorizes the Director of Real Estate and/or the SFPUC's General Manager to execute the sale agreement and related documents for the sale of the property, including an Open Space License, Promissory Note, Deed of Trust, Amended and Restated Easement Agreement and Deed, Declaration of Restrictions, and Recognition Agreement; and (5) authorizes the Director of Real Estate and/or the SFPUC's General Manager to make certain modifications, as described herein, and take certain actions in furtherance of this Resolution, as described herein.

Purchase and Sale Agreement

The proposed Purchase and Sale Agreement includes an as-is base sale price of $11,400,000 and requires the buyer, Reservoir Community Partners, to pay an initial payment of $500,000 to the SFPUC within five days of the effective date of this Agreement. Reservoir Community Partners will then make annual deposits of $400,000 until the closing date, which under the proposed Agreement is November 17, 2022 or earlier. The initial payment and deposits will be deducted from the base sale price; however, the base sale price will accrue three percent interest per year starting from the effective date of the Agreement, except during any period of litigation delay. As discussed below, the Agreement allows Reservoir Community Partners the option to seek seller financing, which would spread the remaining payment for the land through calendar year 2028. Under the proposed agreement, the SFPUC would retain approximately an acre of property known as the "retained fee area" so that it can continue to access previously installed water infrastructure.

Other Terms

The City, through the SFPUC, has an existing revocable license agreement with City College for use of parking on part of the property to be sold; the buyer will become responsible for the terms of this parking license.

California Environmental Quality Act

In May 2020 the Planning Commission certified the Balboa Reservoir Final Subsequent Environmental Impact Report in accordance with the California Environmental Quality Act (CEQA) and Chapter 31 of the San Francisco Administrative Code. The proposed resolution would approve the Planning Commission's CEQA Findings, including the Final Subsequent Environmental Impact Report, a Statement of Overriding Considerations, and a Mitigation Monitoring and Reporting Program, dated May 28, 2020.

Development Agreement

The effective date of the Purchase and Sale Agreement is the day when all three conditions are met: (1) the Board of Supervisors approves proposed legislation, (2) the related Development Agreement is effective (File 20-0423), and (3) this Purchase and Sale Agreement is approved by both parties.

FISCAL IMPACT

Sale Price & Appraisal

The sale price of the property is consistent with the appraisal that was completed by Clifford Advisory in January 2020. To assess the fair market value, the appraisal is based on a land-use assumption of 33 percent affordable housing on-site, which was included in the project's Request for Proposals, not the 50 percent affordable housing on-site that is included the pending Development Agreement. The appraised value was based on the expected revenues generated from the adjusted development plan minus the cost of installing site utilities and developing the property for housing, including the subsidy cost related to the required 33 percent affordable housing units.

If approved, the pending Development Agreement would waive the Administrative Code Chapter 23 requirement to obtain an appraisal review. The SFPUC Real Estate Director indicated that an appraisal review is not necessary due to the experience of the initial appraiser, validation of appraisal inputs provided by third-party consultants, and self-certification by the appraiser.

According to the SFPUC, the land sale proceeds would be assigned to the Water Enterprise fund balance for future use, which has not yet been determined.

Seller Financing

The proposed Agreement provides Reservoir Community Partners the option for seller financing after closing. If exercised, Reservoir Community Partners would pay the remaining portion of the sale price in annual installments while accruing three percent interest. The annual installments of the seller financing would be $400,000 through December 31, 2026 and then escalate to $600,000 after a balloon payment in 2026 after completion of Phase 1 of the development, as described in the project's pending Development Agreement (File 20-0423). The Promissory Carry Back Note attached to the proposed Agreement requires that the remaining sale price and any accrued interest be completely paid by December 31, 2028. Table 1 below shows the expected payment schedule for the seller financing option.

Exhibit 1: Seller Financing Payment Schedule: Payments to SFPUC

Base sale price	**$11,400,000**
Initial payment	$500,000
Pre-closing deposits	
2021	400,000
2022	400,000
Loan payments	
2023	400,000
2024	400,000
2025	400,000
2026	400,000
Balloon payment 1	
2027	3,669,399
Loan payment	
2027	600,000
Balloon payment 2	
2028	6,693,764
Total Payments	**$13,863,163**

Source: Exhibit H to Proposed Agreement; Secured Promissory Carry Back Note

Note: Balloon payment 1 is based on a $5.7 million base balloon payment minus the payments to that plus accrued interest. Balloon payment 2 is the remaining balance of the sale price plus accrued interest.

As shown above, the total payments to the City under the seller financing option would be $13.9 million. According to the SFPUC and OEWD, the seller financing option was requested by Reservoir Community Partners and agreed to by the SFPUC in order to spread the cost of the land purchase over the course of the development. The three-percent interest rate is based on MOHCD's 2019 Underwriting Guidelines for affordable housing financing.[1]

Open Space License Fee

As noted above, the proposed Agreement includes a twenty-year Open Space License Agreement, which would require Reservoir Community Partners to pay a license fee to access land within the project area that would remain under the jurisdiction of the SFPUC (a 1.2 acre "Retained Fee Parcel"). The fee would be $112,000 if paid at closing and assigned to a nonprofit entity or a total of $388,757 if paid in annual installments, which would not begin until year eleven of the proposed license agreement. The area would be developed into open space. The fair market appraisal use value of $227,000 for use of the Retained Fee Parcel is discounted to$112,000 to reflect the SFPUC's Commission long-standing policy providing a 50 percent rental discount to qualified non-profit entity tenants.

POLICY CONSIDERATION

The proposed Development Agreement waives the Administrative Code Chapter 23 requirement that the City obtain an appraisal review for the value of the land proposed to be sold.

Because of the waiver of an appraisal review, and the possibility that Reservoir Community Partners will exercise the seller financing option during which the City will have to carry a loan for its sale of land of $10.1 million for eight years, we consider approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATION

Approval of the proposed resolution is policy matter for the Board of Supervisors.

[1] https://sfmohcd.org/sites/default/files/UGs-%20NPLH%20Edition%20Final%20June%2017%202019_0.pdf