

LONG-RANGE PROPERTY MANAGEMENT PLAN REPLACEMENT HOUSING PROPERTIES

EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) submits its Long-Range Property Management Plan (“PMP”) for the disposition of two affordable housing properties that are related to the Successor Agency’s enforceable obligation to replace affordable housing units that it previously destroyed and did not replace. These “Replacement Housing Properties” are: (1) an approximately 9,997-square-foot parcel with a vacant building slated for demolition at the northwest corner of 6th Street and Howard Street that will be developed into 66 units of very low-income family rental housing (the “200 6th Street Family Housing Site”), and (2) a, 11,875 square-foot parcel located on Natoma Street between 5th and 6th Streets that is currently nearing completion of the construction of 60 units of low- and very low-income family rental housing (the “474 Natoma Family Housing Street Site”). The former San Francisco Redevelopment Agency (“SFRA”) acquired the Replacement Housing Properties using funding from the Low and Moderate Income Housing Fund (“LMIHF”) for the purpose of developing these parcels into affordable housing serving low- and very-low income households.

The Replacement Housing Properties are being developed in fulfillment of the Successor Agency’s obligation to replace 6,709 units destroyed and never replaced by the RDA prior to 1976 (“Replacement Housing Obligation”). The State Legislature enacted special legislation in 2000 acknowledging that SFRA had an unfulfilled replacement housing obligation resulting from its destruction of housing that had been occupied by lower income persons. This legislation is Senate Bill No. 2113, Statutes 2000, Chapter 661 § 1 and is codified at California Health & Safety Code § 33333.7 (“SB 2113”). (All future statutory references are to the California Health and Safety Code.) Pursuant to SB 2113, SFRA has collected tax increment from designated redevelopment project areas (“SB 2113 Funding”) for the purpose of creating affordable housing units to offset the Replacement Housing Obligation. A Final and Conclusive Determination Request regarding the Successor Agency’s Replacement Housing Obligation was submitted to the Department of Finance (“DOF”) on October 21, 2013.¹ The 200 6th Street Family Housing and 474 Natoma Family Housing projects utilize SB 2113 funding and the completion of those projects results in replacement units that go toward fulfilling the Successor Agency’s Replacement Housing Obligation.

The Successor Agency intends to provide the selected affordable housing developer with a ground lease to provide them access to the site to build the affordable housing and to impose

¹ The Replacement Housing Obligation is also the subject of Oversight Board Resolution No. 5-2012 (April 10, 2012) (finding that the Successor Agency had assumed the “former SFRA’s enforceable obligations . . . [to] develop approximately 6700 affordable housing units . . . to replace affordable housing units that the SFRA previously destroyed and did not replace as part of an obligation imposed by state law under Sections 33413 (a), 33333.8 and 33333.7 of the California Health and Safety Codes.”), and particular expenditures on previous ROPS that DOF has approved, *see e.g.* Line 146 of ROPS III.

long term affordability restrictions, and then upon completion of the project, transfer the property, the ground lease, and any related loan agreements to the City and County of San Francisco (the “City”), as Housing Successor under California Health and Safety Code Section 34181(c). The Housing Successor will then perform long term asset management duties in compliance with Section 34176(b)(3)(c).

The disposition plan for these properties is as follows:

200 6th Street Family Housing Site: Retain the property to fulfill the enforceable obligation to fund and complete the project, and provide the affordable housing developer, Mercy Housing California, with a ground lease to provide site access to construct 66 units of family rental housing available to very low-income households, as well as provide long term affordability restrictions to the project. Upon completion of the project, currently estimated in 2016, the Successor Agency will transfer the fee interest in the land, the ground lease, and the related loan agreement to the City as Housing Successor under Section 34181(c).

474 Natoma Family Housing Site: Retain the property to fulfill the enforceable obligation to fund and complete the project. Upon completion of the project, which is comprised of 60 units of family rental housing available to low- and very low-income households, and is scheduled for early 2014, the Successor Agency will transfer the fee interest in the land, the existing ground lease (dated April 19, 2011 between SFRA and the affordable housing developer, 474 Natoma LLC, a BRIDGE Housing company), and the related loan agreement to the Housing Successor Agency under Section 34181(c).

BACKGROUND

200 6th Street Family Housing Site: The 200 6th Street Family Housing Site is the site of the former Hugo Hotel, a single room occupancy hotel that had been left vacant for over 20 years. At the urging of the community, which expressed a desire to see this severely distressed site developed into affordable housing, SFRA acquired the site through an eminent domain action that concluded in 2009, using LMIHF tax-exempt bond proceeds.

In consultation with the South of Market Redevelopment Project Area Committee, SFRA issued a Request for Proposals (“RFP”) in 2010 and selected Mercy Housing California to develop the site into 66 units of family rental housing affordable to households earning up to 50% of area median income. In January 2011 SFRA provided a loan for predevelopment activities using SB 2113 Funds, and has requested additional SB 2113 Funds through ROPS 13-14B to provide construction funding. Upon completion of the project, approximately 48% of SFRA/Successor Agency funding will be SB 2113 Funds, therefore 48% of the units, or 32 units, will be designated as replacement housing units that fulfill a portion of the Successor Agency’s Replacement Housing Obligation. The project is scheduled to apply to CDLAC in Spring of 2014 and would start construction in mid- to late-2014.

474 Natoma Family Housing Site: The 474 Natoma Street Family Housing Site is the site of warehouse of Goodwill Industries that was damaged in the 1989 Loma Prieta earthquake. In

2000 SFRA acquired the then vacant site using LMIHF funds for the purpose of developing the parcel into affordable housing for first-time homeowners. SFRA selected a developer through an RFP and entered into Disposition Development Agreement (“DDA”) in 2001, but the selected developer failed to comply with terms of the DDA; SFRA terminated the DDA in December 2002. The site was then used for construction staging for another, adjacent SFRA funded affordable housing site (the Plaza Apartments). In 2006 SFRA issued a second RFP, this time to develop the site as affordable rental housing and selected BRIDGE Housing. SFRA provided predevelopment and construction loans using primarily SB 2113 funds, such that 96% of the units will be designated as replacement housing units upon completion, and in April of 2011 entered into a ground lease to 474 Natoma LLC, a BRIDGE Housing development entity, to provide the developer with site control in preparation for an application to CDLAC. The developer closed all financing and commenced construction in March of 2012, and is very near full project completion. Construction completion and lease up of the units to eligible households is estimated to be complete by early 2014. Upon final completion, the Successor Agency intends to transfer to the land, ground lease, and related loan agreement to the City as Housing Successor

LONG-RANGE PROPERTY MANAGEMENT PLAN (“PMP”)

The following presents the information requested pursuant to Section 34191.5 of the California Health and Safety Code for these two properties. These properties are also shown on Attachment A-1 and A-2 and Attachment B (DOF Tracking Sheet for Other Properties).

Date of Acquisition

November 12, 2009 (200 6th Street) and August 1, 2000 (474 Natoma Street).

Value of Property at Time of Acquisition

\$4,600,000 (200 6th Street) and \$1,365,625 (474 Natoma Street).

Estimate of the Current Value

\$4,600,000 (200 6th Street) and \$3,300,000 (474 Natoma Street).

The Estimated Current Value for 200 6th Street is based on the acquisition price, however there is no actual value under Dissolution Law due to long term affordability restrictions and the future transfer of the property to the City as Housing Successor.

The Estimated Current Value for 474 Natoma Street is based on the May 31, 2011 appraisal performed by Mansbach Associates that was completed for ground lease purposes, however there is no actual value under Dissolution Law due to long term affordability restrictions and the future transfer of the property to the City as Housing Successor.

Purpose for which the Property was Acquired

The 200 6th Street Family Housing Site includes a vacant building that has been vacant and abandoned for over twenty years and was acquired by SFRA through an eminent domain action that concluded in 2009. The site was acquired with funds from the LMIHF for the purpose of developing family rental housing affordable to very low-income households. Furthermore, the acquisition of the Site allowed SFRA, and will allow the Successor Agency, to make progress in fulfilling its Replacement Housing Obligation.

The 474 Natoma Street Family Housing Site was acquired with funding from the LMIHF for the purpose of developing affordable housing. The Site was originally offered through a Request for Proposals (“RFP”) issued in 2000 to develop the site as affordable first-time homeownership housing, but the selected developer did not comply with the development agreement. SFRA issued a second RFP in 2006 to develop the site in to affordable family rental housing, and selected BRIDGE Housing to develop the site. Construction is completing now, with lease up to eligible families and final project completion anticipated in early 2014.

Address/Location

The first site is located at 200 6th Street. A map of 200 6th Street Family Housing Site is attached as Attachment A-1. See Attachment B for further information.

The second site is located at 474 Natoma Street. A map of the 474 Natoma Family Housing Site is attached as Attachment A-2. See Attachment B for further information.

Lot Size

A map of the 200 6th Street Family Housing Site is attached as Attachment A-1. See Attachment B for the lot size for the site. See Attachment B for the lot size for the 474 Natoma Family Housing Site. A map is attached as Attachment A-2.

Current Zoning

200 6th Street. The site is zoned Neighborhood Commercial Transit (“NCT”) under the San Francisco Planning Code, but is also included in the SOMA Youth and Family Special Use District. The South of Market (SoMa) Youth and Family Special Use District is intended to expand the provision of affordable housing in the area defined below. In addition, this zoning is intended to protect and enhance the health and environment of youth and families by adopting policies that focus on certain lower density areas of this District for the expansion of affordable housing opportunities.

474 Natoma Street. The current zoning is C-3-S Downtown Support (height and bulk = 120-F) under the San Francisco Planning Code. The site is an 11,875-square-foot, irregular T-shaped lot. It is an urban infill site, with existing buildings surrounding the property. Site frontage exists on Minna and Natoma. The Minna portion of the lot is 25’ x 75’; the Natoma portion is 125’ x 80’.

Estimate of the Current Value (Including Appraisal Information)

See above section.

Estimate of Revenues Generated (Including Contractual Requirements for Use of Funds)

The 200 6th Street site is improved with a vacant and deteriorated building and does not currently generate any revenue. The 474 Natoma Street project is currently completing construction of 60 units of affordable family rental housing and does not currently generate revenue.

History of Environmental Contamination, Studies, Remediation Efforts

200 6th Street: A survey, performed by RGA Environmental on May 2, 2011, indicates the presence of lead based paint and asbestos containing materials. A remediation plan for these materials is currently being drafted. A Phase 1 Site Assessment, performed by Treadwell and Rollo, indicates that the soil conditions at the site are suitable for development. The Phase 1 did not indicate a need for a Phase 2 assessment. The phase 1 Assessment indicates the possible presence of an underground storage tank (“UST”) but one was not located. The report recommends that if a UST is discovered during construction activities, removal will need to be undertaken.

474 Natoma Street: A Phase 2 Site Assessment was completed in 2009 and had no serious environmental findings. The soil type is primarily fill, consisting of gravel and sand. Evidence of lead was found and was abated. There was an underground storage tank that was removed by the developer.

Potential for Transit-Oriented Development; Advancement of Planning Objectives

200 6th Street: The Site is situated close to several transit lines, including MUNI, BART, and SamTrans. Parking is not included in this project as part of transit oriented strategy. Instead, 29 bike parking spaces are located at the ground floor. The developer has an application pending for a \$4 million Transit Oriented Development award from the California Department of Housing and Community Development and has scored competitively given the site’s proximity to transit amenities. The development of the site into 66 units of affordable family rental housing for very low income households fulfills the planning objectives contained in the South of Market Redevelopment Plan, South of Market (SoMa) Youth and Family Special Use District, the City’s General Plan, and the Housing Element, all of which identify a need for permanently affordable housing. In addition, approximately 48% of the SFRA/Successor Agency funding that will subsidize the development of the affordable housing units is SB 2113 Funds and upon completion of the project 48% of the units, or 32 units, will be considered replacement units to offset the Successor Agency’s Replacement Housing Obligation.

474 Natoma Street: The site is situated close to several transit lines, including MUNI, BART, and SamTrans. There is neighborhood-serving retail on 6th Street and Market Street, and the Bessie Carmichael Elementary School is located on 7th Street, near Harrison. Several museums

are within 1 ½ blocks. There are two multiplex theatres within 1 to 1 ½ blocks. The development of the site into 60 units of affordable family rental housing for low- and very low-income households fulfills the planning objectives contained in the South of Market Redevelopment Plan, the City's General Plan, and the Housing Element, all of which identify a need for permanently affordable housing. The community and the Project Area Committee prioritized providing housing opportunities for more mixed incomes in the neighborhood, particularly in the near vicinity of the 6th Street corridor, where most of the housing serves people with AMI's below 25%. Setting the income range for the Project between 40%-60% AMI addressed the goal of diversifying income levels in the area and achieves the goals of the community. In addition, approximately 93% of the funding used to subsidize the development of the affordable housing units was SB 2113 Funding and upon completion of the project 93% of the units, or 56 units, will be considered replacement units to offset the Successor Agency's Replacement Housing Obligation.

History of Previous Development and Leasing Proposals

200 6th Street: The site, which includes a vacant single room occupancy hotel known as the Hugo Hotel, had been abandoned for twenty years at the time of SFRA's acquisition through an eminent domain action that concluded in 2009. In 2010 SFRA issued an RFP and selected Mercy Housing California to develop the site into 66 units of family rental housing affordable to very low-income households. In 2011 SFRA provided a loan for predevelopment activities. Mercy Housing California has requested funding for construction and the Successor Agency included a request for SB 2113 Funds through ROPS 13-14B (Item # 235)

474 Natoma Street: The site was acquired with funding from the LMIHF for the purpose of developing affordable housing. The site was originally offered through an RFP issued in 2000. SFRA selected a developer and entered into a Disposition and Development Agreement ("DDA") in 2001 to develop affordable housing for first-time homeowners, but the selected developer failed to perform. SFRA terminated the DDA in December, 2002. From 2004-2007, the site served as the staging area for the construction of an adjacent SFRA funded affordable housing development, the Plaza Apartments, located at 988 Howard Street. After consultation with the community, SFRA issued a second RFP in 2006 to develop the site as affordable family rental housing, and selected BRIDGE Housing to develop the site. SFRA provided a loan from the LMIHF using SB 2113 Funds and entered into a ground lease in April of 2011. Construction is completing now, with lease up to eligible families and final project completion anticipated in early 2014.

Disposition of the Property

200 6th Street: The Successor Agency proposes to retain the property to fulfill an enforceable obligation to fund and complete replacement housing units. The Successor Agency intends to provide the affordable housing developer, Mercy Housing California, with a ground lease to provide site access to construct 66 units of family rental housing available to very low-income households, as well as provide long term affordability restrictions to the project. The ground lease is anticipated to be needed in 2014 so that the developer has site control to qualify for CDLAC financing. Upon completion of the project, currently estimated in 2016, the Successor

Agency will transfer the fee interest in the land, the ground lease, and the related loan agreement to the Housing Successor under Section 34181(c).

474 Natoma Street: The Successor Agency proposes to retain the property to fulfill an enforceable obligation to fund and complete the replacement housing units. Upon completion of the project in early 2014, the Successor Agency will transfer the fee interest in the land, the existing ground lease dated April 19, 2011 between the Successor Agency and the affordable housing developer, 474 Natoma LLC, a BRIDGE Housing development entity, and the related loan agreements to the Housing Successor under Section 34181(c).

Properties Dedicated to Governmental Use Purposes and Properties Retained for Purposes of Fulfilling an Enforceable Obligation

See above section.

Attachment A-1:	Map of 200 6 th Street Family Housing Site
Attachment A-2:	Map of 474 Natoma Family Housing Site
Attachment B:	DOF Tracking Sheet – Other Properties

Attachment A-2
 Map of 474 Natoma Street Family Housing

474 NATOMA STREET



APR 22 1992
 474
 into lots 101 to 123 for 2002 roll
 © COPYRIGHT SAN FRANCISCO
 CITY & COUNTY ASSessor 1992

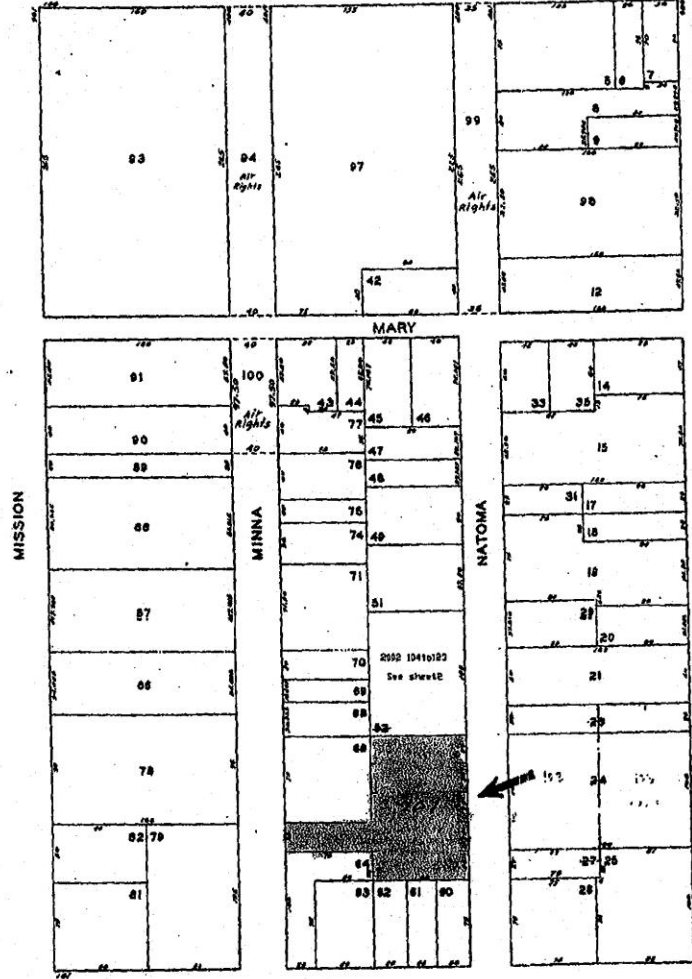
5TH



SHEET 1
 3725

100 VARA BLK 361

REVISED
 Revised 2002



6TH

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Attachment B
DOF Tracking Sheet – Other Properties

(See Tab L)