

LONG-RANGE PROPERTY MANAGEMENT PLAN 345 WILLIAMS AVENUE

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 Block 5423A, Lot 009, commonly known as 345 Williams Avenue (the “Site”). The Site is a 92,209-square-foot lot improved with surface parking and a 29,000-square-foot Foodsco supermarket leased to and operated by The Kroger Company (“Kroger”), potentially until 2031. The former San Francisco Redevelopment Agency (“SFRA”) acquired the Site with federal Community Development Block Grant (“CDBG”) funds in 1990 specifically for the development of a full-service supermarket in Bayview Hunters Point, an under-served neighborhood.

The lease is an enforceable obligation that could remain in effect until 2031 if Kroger, in its sole discretion, chooses to exercise each of its remaining lease options. The Successor Agency proposes to transfer the Site to the City and County of San Francisco (the “City”) so the City can assume the obligation of managing the property and the lease. A transfer to the City would ensure that the original economic development purpose for acquiring the Site – that is, to develop a full-service supermarket in an underserved neighborhood – continues to be met, particularly in the event that Kroger does not exercise its remaining options.

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 the Site. This property is also shown on Attachment A (Map of 345 Williams Avenue) and Attachment B (DOF Tracking Sheet for Other Properties), as No. 3.

Date of Acquisition

Pursuant to Resolution No. 249-90, adopted September 18, 1990, the SFRA acquired the Site on September 27, 1990 for the stated purpose of developing a full-service supermarket.

Value of Property at Time of Acquisition

The SFRA acquired the Site for \$4,000,000 pursuant to Resolution No. 249-90, which authorized the purchase of the Site for a full-service supermarket and allocated the expenditure of funds from the SFRA’s Economic Development budget. The SFRA’s Economic Development budget included \$4,000,000 in federal CDBG funds allocated by the San Francisco Board of Supervisors for fiscal year 1990-1991 specifically for acquisition of the Site.

Estimate of the Current Value

The estimated current value of the Site is \$3,800,000, as determined by a January 4, 2011 appraisal of the SFRA's leased fee interest in the Site by Hamilton, Ricci & Associates, Inc.

Purpose for which the Property was Acquired

Safeway operated a supermarket at 345 Williams Avenue until its closure in 1988. At that time, Safeway was the only supermarket serving the 30,000 residents of Bayview Hunters Point. After closure of Safeway, residents were cut off from easy access to nutritious, competitively priced food. Residents instead had to patronize smaller, independent inner-city stores with poorer selection, and prices as much as 40% higher. Bayview Hunters Point residents identified a supermarket as the area's highest priority, and requested that the SFRA assist in its development. With assistance from the Mayor's Office of Business and Economic Development, the SFRA assessed multiple locations, and determined that the Site, which already contained a vacant supermarket building, would allow a new supermarket to be developed in the most cost effective way.

Address/Location

The Site is located at 345 Williams Street in Bayview Hunters Point and the former Bayview Hunters Point Redevelopment Survey Area and includes one parcel: Block 5423A, Lot 009. A map of the Site is attached as Attachment A.

Lot Size

The Site is a 92,209-square-foot lot improved with a 29,000-square-foot supermarket structure and surface parking.

Current Zoning

Pursuant to the San Francisco Planning Code, the Site is located in the Neighborhood Commercial, Shopping Center (NC-S) zoning district and the 65-J Height and Bulk District. NC-S districts are intended to serve as small shopping centers or supermarket sites which provide retail goods and services for primarily car-oriented shoppers.

Estimate of the Current Value (Including Appraisal Information)

The estimated current value of the Site is \$3,800,000, as determined by a January 4, 2011 appraisal of the SFRA's leased fee interest in the Site by Hamilton, Ricci & Associates, Inc.

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

In 1991, pursuant to Resolution No. 95-91, the SFRA entered into a lease with Cala Foods, Inc. (now Kroger) to develop and operate a full-service supermarket on the Site. The lease

commenced on October 29, 1991 with an initial term of ten years, with six renewable option periods of five years each. The lease is now in its third option period, which expires in 2016. Lease payments are comprised of (i) base rent and (ii) percentage rent of 1.25 percent of annual gross sales less offsets for the base rent, insurances and taxes. Per the appraisal by Hamilton, Ricci & Associates, the percentage rent collected under the lease is approximately 50% of market rents. In 2012, the base rent was \$308,312 and the percentage rent was \$7,988, for a total rent of \$316,300. The lease payments are CDBG program income, and can only be used for CDBG eligible purposes.

History of Environmental Contamination, Studies, Remediation Efforts

The Site has no known history of environmental contamination. However, the Site is located within the Bayview Hunters Point area, which has historically been the industrial center of the City of San Francisco. Bayview Hunters Point is home to the Southeast Water Pollution Control Plant that treats 80 percent of the City's sewage. The PG&E Hunters Point Power Plant was also located within the Bayview Hunters Point community until its recent closure. The area is also subject to heavy traffic, with the adjacent Interstate 280 and US 101 routing the main flow of traffic from the south of the Bay along the area's eastern boundary. The site of the former Hunters Point Naval Shipyard, also located in Bayview Hunters Point, has areas of heavy contamination and has been designated a Superfund site by the United States Environmental Protection Agency. Remediation efforts at the Shipyard are ongoing.

Potential for Transit-Oriented Development; Advancement of Planning Objectives

The Site is about six blocks (.35 miles) west of Third Street, a commercial thoroughfare served by light rail. The Site is directly served by one bus route, and an additional eight bus routes are located within .5 miles of the Site.

History of Previous Development and Leasing Proposals

Safeway operated a supermarket at 345 Williams Avenue until its closure in 1988. At that time, Safeway was the only supermarket serving the 30,000 residents of Bayview Hunters Point. Working with the Mayor's Office of Business and Economic Development and the Bayview Hunters Point community, the SFRA purchased the Site on September 27, 1990 for the stated purpose of developing of a full-service supermarket.

In 1991, the SFRA entered into the lease with Cala Foods (now Kroger) that included improvements to the existing building and premises. The lease commenced on October 29, 1991 with an initial ten-year term and six, five-year options. The lease is now in its third option period, which expires in 2016. If Kroger decides, in its sole discretion, to exercise each of its remaining options, the lease would remain in effect until 2031.

Disposition of the Property

As discussed above, the lease is an enforceable obligation that could remain in effect until 2031 if Kroger exercises each of its remaining options. The Successor Agency could attempt to sell

the Site at fair market value, with the lease in place. It is very unlikely, however, that there would be interest in the Site given that it is encumbered, potentially until 2031, with a below-market lease. If a buyer was found, the proceeds from the sale would be considered CDBG program income because the land was purchased with CDBG funds, and would not be distributable to the taxing entities.

Given these restrictions, the Successor Agency has a property management function that preserves the community development purposes for the Site, a function that the City could assume as the administrator of the CDBG program. Accordingly, the Successor Agency proposes transferring the Site to the City so the City can assume the obligation of managing the property and the lease. Transferring the Site to the City would also ensure that the original economic development purpose for acquiring the Site – that is, to develop a full-service supermarket in an underserved neighborhood – continues to be met, particularly in the event that Kroger does not exercise its remaining options. Preservation of the supermarket on the Site remains critical and a high priority for the City.¹ Even with Foodsco in operation on the Site, portions of the Bayview Hunters Point neighborhood still have very limited access to fresh, healthy and affordable food. Approximately half of the neighborhood has been designated as a “food desert” by the U.S. Department of Agriculture (“USDA”).² Similarly, the City’s Department of Public Health gave the Bayview Hunters Point neighborhood a Food Market Score of only 33 out of 100, one of the lowest in the City.³

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

See section above.

- Attachment A: Map of 345 Williams Avenue
- Attachment B: DOF Tracking Sheet for Other Properties

¹ In September 2013, the San Francisco Board of Supervisors adopted the Health Food Retailer Ordinance, the goal of which is to protect “public health by ensuring that healthy, fresh, sustainable, and affordable food is accessible to all residents of the City, particularly those living in neighborhoods with high rates of obesity, poverty and chronic disease, a high concentration of seniors and families with children, and/or a relative lack of public transit.”

²Food Deserts are defined by the USDA as “as urban neighborhoods and rural towns without ready access to fresh, healthy, and affordable food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that offer few healthy, affordable food options.” <http://apps.ams.usda.gov/fooddeserts/foodDeserts.aspx>.

³ The Food Market Score is a combined measure of the quality, quantity, and proximity of all retail food resources near any one point. A high Food Market Score indicates that a neighborhood is geographically close to a range of different food store types. http://www.sustainablecommunitiesindex.org/city_indicators/view/45

Attachment B
DOF Tracking Sheet – Other Properties

(See Tab L)