

# APPROVED LONG-RANGE PROPERTY MANAGEMENT PLAN 5800 3<sup>RD</sup>/CARROLL AVENUE SENIOR HOUSING SITE

## 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 an approximately 64,360 square foot unimproved parcel on Carroll Avenue at 3<sup>rd</sup> Street that will be developed into 121 units of very low-income senior rental housing (the “5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site”). The former San Francisco Redevelopment Agency (“SFRA”) acquired the site using funding from the Low and Moderate Income Housing Fund (“LMIHF”) for the purpose of developing it into affordable housing serving low- and very-low income households.

The development the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site fulfills the Successor Agency’s obligations under the Hunters Point Shipyard Phase II/Candlestick Point Development and Disposition Agreement (“HPSY Phase 2 DDA”), which includes the procurement of outside funds, along with a pledge of tax increment, to fulfill the obligation to replace the severely distressed Alice Griffith Public Housing development (“Alice Griffith Replacement Projects”). SFRA, along with the San Francisco Housing Authority and McCormack Baron Salazar (“MBS”), the developer of the Alice Griffith Replacement Projects sought and received outside funding from the U.S. Department of Housing and Urban Development’s (“HUD”) Choice Neighborhood Initiatives Grant (“CNI Grant”). HUD designated the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing project as the first phase of the revitalization plan under the CNI Grant, and the project must be completed to meet CNI Grant requirements and fulfill the HPSY Phase 2 DDA.

The Successor Agency intends to provide the selected affordable housing developer with a ground lease to provide it with access to the site to build the affordable housing and to impose 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 the Housing Successor under California Health and Safety Code Section 34181(c) (All future statutory references are to the California Health and Safety Code unless otherwise noted.) The Housing Successor Agency will then perform long term asset management duties in compliance with Section 34176(b)(3)(c).

**Disposition Plan.** Retain the property to fulfill the enforceable obligation to fund and complete the project, and provide the affordable housing developer, Carroll Avenue Senior Homes, LP, with a ground lease to provide site access to construct 121 units of senior rental housing available to very low-income households over the age of 62 years, as well as provide long term affordability restrictions to the project. Upon completion of the project, currently estimated in February 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).

## BACKGROUND

The 5800 3<sup>rd</sup> St/Carroll Ave Senior Housing Site is Lot 3 of a parcel located at 5800 3<sup>rd</sup> Street, located at the intersection of Carroll Avenue. Once the project is completed the final address of Lot 3 will be 1751 Carroll Avenue (see the tentative final map, Attachment A). However, since this project has appeared on all of the Successor Agency's prior ROPS as "5800 3<sup>rd</sup> Street, Carroll Avenue Senior Construction Funding" (see e.g. Item Numbers 165 and 166 in ROPS 13-14A), the PMP uses the "5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site" designation to be consistent with the ROPS name.

The Department of Finance ("DOF") selected this project for review during ROPS III (then known as Item Number 123.04 in the previous ROPS numbering system), initially determining that the Successor Agency lacked the authority to amend this existing loan agreement to add more funding. Through the Meet and Confer process, the Successor Agency submitted information describing the nature of the Successor Agency's enforceable obligation, which is summarized below. The documents referenced below were included in the Meet and Confer Request, but can be provided again to DOF if needed.

Specifically, the HPSY Phase 2 DDA obligates the Successor Agency to rebuild the severely distressed Alice Griffith Public Housing project ("Alice Griffith Replacement Projects"). The HPSY Phase 2 DDA and its Tax Increment Allocation Pledge Agreement ("Pledge Agreement") commit the Successor Agency to use property tax revenue for the Successor Agency's housing obligation, pursuant to Sections 3.1 (c) and 3.2 (c) of Pledge Agreement. The Phase 2 DDA also contemplates that the Successor Agency will seek other sources of funding to fulfill its housing obligation, including "federal, state or other local funds," (Exhibit F to HPSY Phase 2 DDA, Section 5.4 (d) at p. F-35), and further requires that the Successor Agency and Developer "will work together to seek appropriate Project Grants for the Project." (Exhibit H to HPSY Phase 2 DDA, Section 4.3 at p. H-35). To the extent that the Successor Agency obtains sources of funds other than property tax revenue, it will reduce reliance on the Redevelopment Property Tax Trust Fund and expedite completion of the project.

Soon after the approval of the HPSY Phase 2 DDA, the San Francisco Housing Authority ("SFHA") and McCormack Baron Salazar ("MBS"), the affordable housing developer of the Alice Griffith project, submitted in October 2010 an application to the U.S. Department of Housing and Urban Development ("HUD") for Choice Neighborhoods Initiative ("CNI") Grant funding for the Alice Griffith Replacement Projects. As part of the application, SFRA entered into a Partnership Memorandum of Understanding with the HPSY Phase 2 DDA developer and others ("Partnership MOU") whereby the SFRA agreed to be a Principal Team Member for the purpose of "taking full responsibility for implementing the Neighborhood component of the Transformation Plan." (Partnership MOU at p. 3, Oct. 26, 2010).

In March 2011, HUD selected SFRA's revitalization plan for the Alice Griffith Replacement Projects as a finalist for funding. Subsequently SFRA, in collaboration with other parties to the Partnership MOU, submitted an application for the second round. In the second round, the Agency certified its funding of the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Project as a commitment to, and implementation of, the Transformation Plan required under the CNI Grant

application. On May 26, 2011, SFRA entered into the Choice Neighborhood Implementation Agreement with MBS, SFHA and other parties identified in the Partnership MOU (“Implementation Agreement”). SFRA agreed to “be responsible for the implementation of the Neighborhood Component of the Transformation Plan in order to improve the Alice Griffith/East Bayview neighborhood.” Implementation Agreement, Section IV. A at p. 6. It also agreed to “work with the Lead Applicant and Principal Team Members to seek development projects and social services that meet the need of Alice Griffith/ East Bayview. Specifically, Redevelopment Agency will . . . [i]mplement projects that will be leveraged by the redevelopment of the target neighborhood, including . . . [a]dditional Affordable Housing.” Implementation Agreement, Section IV (B) at p. 7-8.

On August 31, 2011, HUD awarded a \$30,500,000 grant to fund the Alice Griffith Replacement Projects. In March 2012, HUD executed the FY2010 Choice Neighborhoods Implementation Grant Agreement with MBS and the San Francisco Housing Authority as the Grantees for the implementation of the Transformation Plan identified in the Grant Agreement. On April 12, 2012, HUD confirmed that the 5800 Third Street senior housing project constitutes the first phase of the Alice Griffith revitalization, and as such, serves as a required deliverable of the Choice Neighborhoods Implementation Grant. Under section III.D.5 of the Choice Neighborhoods Grant Agreement, rehabilitation or construction of the first phase of replacement housing must begin within 18 months of the Grant Agreement execution date. HUD requires this adherence to this schedule as a condition of the Choice Neighborhoods grant in order to ensure timely completion of the Transformation Plan activities. (Letter, Dominique Blom, Deputy Assistant Secretary, HUD, to Yusef Freeman, V. President, MBS (April 12, 2012).)

In April 2013 HUD extended the deadline to start construction on the project until December 31, 2013 and MBS requested, and received, approval for an additional extension to May 2014. This additional extension allowed the project to successfully close its construction financing on April 23, 2014. Construction started on May 4, 2014, and is expected to be completed in February 2016.

## **LONG-RANGE PROPERTY MANAGEMENT PLAN**

The following presents the information requested pursuant to Section 34191.5 of the California Health and Safety Code for the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site. This property is also shown on Attachment A (Map of 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site) and Attachment B (DOF Tracking Sheet for Other Affordable Housing Properties).

### **Date of Acquisition**

September 21, 2010

### **Value of Property at Time of Acquisition**

\$8,380,733

## **Estimate of the Current Value**

\$5,810,000

The Estimated Current Value is based on a May 15, 2013 appraisal of the property performed by John R. Kaeuper, MAI 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 parcel was acquired for the purpose of developing senior rental housing serving households over the age of 62 that is affordable to households earning up to 50% of Area Median Income, including an on-site senior community center. The project was designated as the first phase of the Alice Griffith public housing revitalization under the Federal CNI Grant.

## **Address/Location**

A map of the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site is attached as Attachment A. The final address upon completion of the project will be 1751 Carroll Avenue. See Attachment B for further information.

## **Lot Size**

A map of the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site is attached as Attachment A. See Attachment B for the lot size for 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site.

## **Current Zoning**

The 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site is zoned M-1 (Light Industrial), which allows industrial, retail, office and residential. The height limit is 65 feet.

## **Estimate of the Current Value (Including Appraisal Information)**

See above section.

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

The 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site is currently vacant and is generating no revenue.

## **History of Environmental Contamination, Studies, Remediation Efforts**

A 2005 Treadwell and Rollo Geotechnical Report of the entire site stated that soils at the site consisted of 4-5.5 feet of fill over clayey marsh deposits underlain by medium dense to very dense sand and some clay. Deeper soils consist of weathered shale bedrock.

A Phase I Site Assessment was completed in January 2010. The Assessment revealed no evidence of recognized environmental conditions in connection with the site. However, naturally-occurring asbestos in the soil was noted, but is not a recognized environmental condition as defined by the American Society of Testing and Materials (“ASTM”) methodology.

Naturally-occurring asbestos and cadmium are present in the soil within the site. However a letter dated September 17, 2009, from the Department of Public Health, Occupational and Environmental Health Division states: “cadmium and arsenic levels were acceptable as background concentrations and that the deed restriction (requiring building foundations, clean fill and paved areas to act as a cap to health exposure) was rescinded.” Additionally, the letter states that no further action is required at the site prior to development as a residential use. (Pg. 29, SCA Environmental Site Assessment-January 2010). Dust control mitigation measures must be followed during the construction phase of development.

A Phase II Site Assessment was completed on May 17, 2012. A Soil, Groundwater, and Soil Gas Report was completed on May 29, 2012. No odors or discolorations were noted in any of the borings for: soil, soil adjacent to the railroad, elevator pit sampling; or underground storage tank areas. Soil analysis indicates that all detected metals came in at levels below acceptable levels, with the exception of arsenic and vanadium. The higher arsenic and vanadium levels are most likely representative of background concentrations of metals at the target area and the San Francisco Bay Area. “The distribution of arsenic and vanadium appears to be random and concentrations observed in the soil samples are within similar magnitudes of concentrations suggesting that the reported concentrations are likely due to natural occurring metals.” Soils slated for excavation and removal during construction should be disposed of as non-hazardous waste, at a Class II landfill. No current or anticipated beneficial use of groundwater.

Recommendations include ensuring any future soils sampling and/or geologic evaluations include sampling of soils at various depths for naturally occurring asbestos. A dust control plan and site specific safety and health plan are required in accordance with Article 22B of the City and County of San Francisco Municipal Code prior to construction. Draft Dust Control and Site Mitigation Plans have been submitted to the Department of Public Health for their review and approval.

### **Potential for Transit-Oriented Development; Advancement of Planning Objectives**

The 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site is well-served by public transit, with both local and regional service provided nearby. Local service is provided by the Third Street – T-Line (Muni Metro line), which runs in the median of Third Street, and can be used to access more regional transit. Service to and from the East Bay is provided by BART, AC Transit, and ferries; service to and from the North Bay is provided by Golden Gate Transit buses and ferries; service to and from the Peninsula and South Bay is provided by Caltrain, SamTrans, and BART.

Third Street is the neighborhood’s primary route. The Third Street corridor is developed with various industrial/commercial buildings, retail, service-retail, wholesale, multi-family, and some

single family homes. The front portion of 5800 Third Street, has been developed into market rate condominiums and a ground floor retail space.

The development of the site into 121 units of affordable rental housing for low and very low income seniors fulfills the planning objectives contained in the Bayview Hunters Point Redevelopment Plan, the City's General Plan and Housing Element, the Transformation Plan of HUD's Choice Neighborhood Initiatives Grant, and the CDBG Neighborhood Strategy Revitalization Area, all of which identify a need for permanently affordable housing.

### **History of Previous Development and Leasing Proposals**

The 5800 3rd/Carroll Avenue Senior Housing Site is located on Lot 3 of the larger 5800 3rd parcel. SF Third Street Equity Partners, LLC, who was the owner of the original larger 5800 3rd parcel and developer of Lot 1, a market rate housing parcel fronting 3rd Street, entered into a Purchase and Sale Agreement in December 2008 with Bayview Hunters Point Multipurpose Senior Services ("BHPMSS"), a local nonprofit. BHPMSS selected MBS, the Alice Griffith Replacement Housing Projects developer, as their co-developer and together created Bayview Supportive Housing LLC to act as the 5800 3rd/Carroll Avenue Senior Housing Site development entity. BHPMSS assigned the Purchase and Sale Agreement to SFRA, and SFRA purchased Lot 3 in September 2010 for the purpose of developing 121 units of affordable senior rental housing. SFRA provided a loan for predevelopment activities to Bayview Supportive Housing, LLC in 2011. In April 2012, HUD designated the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing project as the first phase under the Transformation Plan of the CNI Grant. Most recently the Successor Agency provided a loan agreement for construction funds in September 2013 using funds approved on Item #166 on ROPS 13-14A.

### **Disposition of the Property**

The Successor Agency is proposing to retain the property to fulfill the enforceable obligation to develop the 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site as the first phase of the CNI Grant, thereby fulfilling the Successor Agency's obligation to the Alice Griffith Replacement Projects under the HPSY Phase 2 DDA. The Successor Agency intends to provide the affordable housing developer, Carroll Avenue Senior Homes, LP, with a ground lease to provide site access to construct 121 units of senior rental housing available to very low-income households over the age of 62 years, as well as apply long term affordability restrictions to the project. Due to the deadlines for commencing the project related to the CDLAC tax-exempt mortgage revenue bond allocation and the CNI Grant, the Successor Agency is seeking Oversight Board approval of the ground lease through a separate resolution to be submitted simultaneously with the PMP. Upon completion of the project, currently estimated in February 2016, the Successor Agency's obligation related to the development of this site will be complete, and thus the fee interest in the land, the ground lease, and the related loan agreement will be transferred 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: Map of 5800 3<sup>rd</sup>/Carroll Avenue Senior Housing Site
- Attachment B: DOF Tracking Sheet – Other Affordable Housing Properties
- Attachment C: Email, Justyn Howard, DOF to Sean Spear, CDLAC, dated 10/14/13





**Attachment B**  
**DOF Tracking Sheet – Other Properties**

## Attachment C

### Email, Justyn Howard, DOF to Sean Spear, CDLAC, dated 10/14/13

**Bohee, Tiffany**

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**From:** Howard, Justyn <Justyn.Howard@dof.ca.gov>  
**Sent:** Monday, October 14, 2013 10:07 AM  
**To:** Spear, Sean (Sean.Spear@treasurer.ca.gov)  
**Cc:** Bohee, Tiffany  
**Subject:** San Francisco

Hi Sean,

We wanted to give you a heads up that San Francisco's project related to item #166 on their ROPS 13-14A is fine with the Department of Finance. However, there will be no final and conclusive for this project, as the project is utilizing restricted bond proceeds. Nevertheless, since San Francisco has their Finding of Completion they can spend these proceeds on the purposes for which they were issued/derived. As such, we have no issues on our end. Please let me know if you have any questions.

Regards,  
Justyn Howard  
Assistant Program Budget Manager  
Department of Finance  
Local Government Unit