

## MEMORANDUM

September 17, 2015

**TO:** MEMBERS, PORT COMMISSION  
Hon. Leslie Katz, President  
Hon. Willie Adams, Vice President  
Hon. Kimberly Brandon  
Hon. Doreen Woo Ho

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request approval of a resolution endorsing a Request for Proposals by the San Francisco Mayor's Office of Housing and Community Development to solicit a developer for the development of affordable housing on Seawall Lot 322-1, located at Broadway and Front Streets

**Director's Recommendation:** Approved Attached Resolution

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### EXECUTIVE SUMMARY

Port staff seeks approval of a resolution endorsing a Request for Proposals ("RFP") by the San Francisco Mayor's Office of Housing and Community Development (the "Housing Office") to solicit a developer for development of affordable housing (the "Development") on Seawall Lot 322-1, located at Broadway and Front Streets (the "Site"). The Housing Office anticipates issuing the RFP by October 2015 based on the project timeline included in the Memorandum of Understanding between the Port and the Housing Office (the "MOU"). The Port Commission approved the MOU on March 11, 2014 when it adopted Resolution No. 14-16<sup>1</sup> and the Port and Housing Office executed the MOU on April 30, 2014. The MOU sets forth the terms and conditions under which the Port will allow the Housing Office to solicit a developer to enter into a lease with the Port for the Development.

Since the MOU approval, the Housing Office, with assistance from Port staff, has conducted extensive community outreach through multiple community meetings, and written communications. It hired a joint venture team of Mark Cavagnero Architects and Cary Bernstein Architects to conduct site design analysis and a community design workshop held on July 21, 2015, where design criteria were discussed with the public for the Site, and an adjacent parking lot site owned by San Francisco Department

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<sup>1</sup> <http://www.sfport.com/modules/showdocument.aspx?documentid=7738>: March 6, 2012 Staff Reported

Public Works (“SFDPW”) that fronts on Davis Street. It is in discussions with SFDPW to negotiate development of additional affordable housing on the SFDPW site, which is not included in the MOU. The community workshop, comments and feedback were positive and productive, building a community-based consensus on the goals/objectives to include in the proposed RFP.

The RFP key elements are:

- (a) Goals/Objectives that include design/development guidelines for the development to fit into the neighborhood; housing program criteria including housing tenure, income-targets, and occupancy preferences;
- (b) Development Program which provides for family and senior rental housing; community benefit space, such as a child day care; ground level commercial uses with preference for neighborhood serving retail such as a café, small market, hardware store, etc.; and public parking to the extent feasible;
- (c) Developer Selection Process begins with the establishment of evaluation criteria, then the type of developer team which must include a San Francisco-based nonprofit housing developer with requisite qualifications, experience, and capacity, an architect, a property manager, and a supportive services provider, and these next two steps:
  - (i) Creation of a Selection Panel composed of persons with expertise in area of development and a representative of Northeast Waterfront Advisory Group (“NEWAG”) to review, evaluate and rank proposals received; and
  - (ii) Final Selection Decision which lies with the Housing Office Director.

The design and development guidelines reviewed in the July 21, 2015 community workshop provide design direction for:

- Building up to the allowable 65 foot height;
- Sculpted building height and massing that steps down towards adjacent lower buildings;
- Mid-block alley public space;
- Building ground floor treatments that is visually interesting and pedestrian-friendly;
- Setbacks from the street to promote active street use, and breaking up the Front Street building facade;
- Compliance with Secretary of Interior Historic Preservation Standards for compatibility within the Northeast Waterfront Historic District; and
- Minimizing parking

Port staff recommends endorsement of the proposed RFP.

## **BACKGROUND**

### *Site description and Allowed Use*

The Site (SWL 322-1) is bounded by Broadway, Front and Vallejo Streets and buildings to the east as shown in the attached Exhibit "A." The Site is a paved, flat, rectangular land parcel, approximately 37,810 square feet in area; and it is currently being used as surface parking under lease to Priority Parking. Current zoning for the Site is C-2 (Community Business), which allows residential as a permitted use. Ground floor retail and podium or underground parking may be appropriate companion uses subject to being found feasible during the entitlement process. The Site is in the City's Northeast Waterfront Historic District and a 65-foot height limit applies to the Site. Currently the Site generates about \$585,600 annually or \$48,800 per month in rental revenue to the Port.

### *Key-Provisions of the MOU*

Assembly Bill 2649 (2012, Tom Ammiano) ("AB 2649") permits lifting public trust use restrictions from SWL 322-1 and allows it to be developed for affordable housing. The Board of Supervisors ("Board") adopted Ordinance No. 232-12 authorizing the Port to enter into below-market leases with the Housing Office for affordable housing development on seawall lots that are not subject to trust land use restrictions, including the Site. These two pieces of legislation created the authority to develop affordable housing on Seawall Lot 322-1 through the Housing Office and for the Port to receive the Site's fair market rental value through the combination of rent payments and Jobs/Housing credits. The Port and the Housing Office entered into the MOU, which among other things, provides for the Housing Office to manage a solicitation process to secure an affordable housing developer and lead development negotiations with the selected developer and for the Port to lease the Site to the developer selected by the Housing Office for the development of affordable housing on the Site; and for Port to receive Jobs/Housing credits equal to the difference between the actual rental rate and the fair market rental value of the Site.

During the negotiation period with the selected developer, Port staff will work with the Housing Office and the developer to test the feasibility of including public parking in the project. The Housing Office and the selected developer are responsible for funding the project's predevelopment, construction, and operation phases, except for the public parking garage incremental construction cost if Port determines, at its sole discretion, that the garage is feasible. Ground floor retail is anticipated as a design solution to screen parking and activate the street. Architectural design is subject to the review process applicable to the Site (review by City Planning Department, Waterfront Design Advisory Committee, Historic Preservation Commission, Office of Historic Preservation, and State Lands Commission).

### *Housing Office's Role and Responsibilities*

The MOU provides for the Housing Office to solicit and select the affordable housing developer; address the project's overall financing needs, and its potential funding sources; cover developer solicitation cost; negotiate development transaction documents; and plan and manage project delivery, including the project timeline for attaining performance benchmarks. It is to lead public outreach and follow the Port's

and City's public offering process that typically requires competitive bidding, ample public notice to make the public aware of the offering opportunity, local business participation requirements, public hearings, etc.

#### *Port's Role and Responsibilities*

The Port will assist the Housing Office in its negotiations with the developer regarding the garage and lease terms and in seeking stakeholders' support and State Lands Commission's approval. Even though the Port is delegating its required solicitation obligation to the Housing Office, it will assist the Housing Office in the developer solicitation process to ensure compliance with all applicable Port's Policies. Pursuant to the terms of the MOU, the Port will not select the affordable housing developer. The Housing Office will select the developer given its affordable housing production, management and preservation mandate and also as provided in the MOU. The Port will not pay any cost of the Development, except for the Site appraisal cost and the incremental cost of public parking if such parking is deemed feasible at the Port's sole discretion.

#### *Developer solicitation process:*

To promote community participation and to ensure openness and transparency in the development process, the MOU requires the Port and Housing Office to consult with NEWAG and other neighborhood groups in the planning of the development, including forming a working group to review and comment on the proposed RFP's goals and objectives. The RFP selection process allows one voting-member from the working group to be part of the selection panel that will help review, evaluate, and rank proposals from respondents to the RFP. The Housing Office will make the final decision on selection of a non-profit developer.

#### *Project Timeline*

The MOU provides for one-year to complete the developer solicitation process and two years for feasibility testing including entitlement. The Housing Office had planned to issue the RFP in April 2015 as specified in the MOU; but, because additional time was needed to further address stakeholders' comments about design issues and income targeting, working with Supervisor Julie Christensen, the Port's Executive Director granted a six-month extension that the Housing Office had requested. The extension moved the deadline for issuing the RFP from April 2015 to October 31, 2015.

### **HIGHLIGHTS OF THE PROPOSED RFP**

#### **RFP Development Program**

Housing: Approximately 150 to 190 rental housing units for families and seniors, assuming the SFDPW site can be included in the Development. The Development will have supportive services and occupancy preferences will be established for Certificate of Preference Holders, San Francisco residents, and non-San Francisco residents coupled with income-targeting to maintain affordability.

Community Benefit: To the extent feasible, community-oriented amenities would be provided, such as a child care facility open to non-resident children, an after-school

program open to older non-resident children or a senior center open to non-resident seniors.

Commercial Uses: Ground floor active commercial uses along all four street frontages (assuming the SFDPW site is included) are to be included with preference for neighborhood serving retail such as a cafe, small market, community room, hardware store, or bookstore.

Public Parking: To the extent feasible, public parking would be included which would be Port financed and separately leased to a Port-selected parking operator to generate revenue to support Port operations.

### **Financing Plan and Project Cost**

Respondents to the RFP are required to submit a financing plan for the Development's family and senior housing components. Any commercial space and non-housing parking are to be separately financed since they are not eligible for affordable housing funds. Port staff anticipates that the projected total cost for parking spaces available for Port's public parking purposes, will depend on the number of such spaces. At projected cost per parking space of between \$30,000 and \$55,000, total development cost of public parking is estimated at between \$1,200,000 and \$6,000,000 for 40 to 110 parking spaces, respectively. Port staff is researching options for funding the public parking, and the options will be part of the feasibility analysis that the Port will consider in its sole discretion in deciding whether to include public parking in the Development. The next major step in determining the public parking feasibility is Spring 2016 when respondents' submittals that include architectural schematic drawings will be evaluated.

### **Selection Process**

The Housing Office's developer selection process is similar to the Port's and consists of the following steps:

Establishment of Selection/Evaluation Criteria: The RFP requires each respondent to be a team consisting of a San Francisco based non-profit developer or qualified San Francisco based for-profit developer working in partnership with a San Francisco based non-profit developer, their architects, property manager and a supportive services provider. The following are the key minimum qualifications and capacity required of the applicable team member:

The Developer:

- A minimum of five years of experience in new affordable housing development entitlement, construction and ownership in San Francisco, project funding with low income tax credits ("LIHTC"), and housing targeted for very low and low-income families and seniors.
- Demonstrated capacity of having completed a new multifamily housing construction of at least 75 units in size and at least partially Type I construction type.

- 10 years of experience with development of new affordable housing for low income seniors and families.
- Experienced in using low income housing tax credits to finance the projects

Lead Architect:

- Lead-architect must have designed and completed construction or entitlement of at least two large mixed-use residential/commercial projects with a minimum of 75 units for family and senior housing.
- 10 years of experience with at least one Type I construction in San Francisco and one project that involved Historic Preservation for which a Certificated of Appropriateness was obtained.

Property Manager:

- Proposed property manager for the family housing must have managed at least three affordable family rental projects including at least one in San Francisco with at least a minimum of 75 units each for over two years.
- Proposed property manager for the senior housing must have managed at least three affordable senior rental projects including at least one in San Francisco with at least a minimum of 50 units each for over two years.

Property Supportive Services Provider:

- Proposed supportive services provider for the non-homeless units must have at least three years of experience providing supportive services to low-income families and seniors in San Francisco preferably in the general vicinity of the Site.
- Proposed supportive services provider must have three years of experience of linking clients to the City's safety net of services and support their efforts to access those services). It must also have at least three years of experience of providing case management and comprehensive services for formerly homeless families and formerly homeless seniors.

Other Key Evaluation Criteria, including Submission of:

- A proposed development concept showing possible reconfiguration of the Site and SFDPW for a more efficient layout of the family and senior housing developments
- Proposed financing plans that covers sources and uses of funds and a request for predevelopment funding by the Housing Office
- Proposed Cost control and innovation measures cost efficiency and time savings, and
- Proposed support services plan.

Request for Proposals: Housing Office staff is preparing to issue next month the RFP requiring submittal of qualifications, development proposal, and a financial proposal.

Evaluation of Proposals: A Selection Panel appointed by the Housing Office Director and composed of persons with expertise in the areas of development, affordable housing financing, architecture, property management and resident supportive services, (at least one of which will represent the NEWAG) will review, evaluate, and rank respondents and their proposals for responsiveness to the RFP. Respondents may be required to make a presentation to the Housing Office or its committee at a meeting or at a community meeting, or both. The Housing Office plans to allow one voting-member from NEWAG or the working group to be part of the Selection Panel. It will make the final decision selecting a non-profit developer. It may choose to use an exclusive negotiation agreement (“ENA”) or a predevelopment loan agreement to set the terms and conditions for its exclusive negotiations with the developer selected. No “term sheet” is required for Housing Office developments.

### **Approval Process**

The Housing Office staff will lead the negotiation with the selected developer and Port staff will assist in the negotiation of the proposed lease between the Developer and the Port. The selected developer will enter into a 75-year lease with the Port to build the project. The lease will include the delegation of day-to-day lease management regarding the affordable housing aspects to the Housing Office to enable monitoring of compliance with applicable affordable housing regulatory requirements. Housing Office development projects are exempt from making findings of fiscal responsibility and feasibility. The selected developer will be responsible for securing all regulatory approvals for the project. While the Port will support the environmental review and entitlements process, the responsibility and cost of obtaining these approvals will be borne by the developer. Upon completion of any required environmental review and finalization of negotiations by Port Staff, the Port Commission will consider the lease and related documents for approval. The lease will also be subject to approval by the San Francisco Board of Supervisors.

Issuance of the RFP does not commit the Port Commission to approve any project, enter into a lease with a selected developer or take any other action. The Port will not take any discretionary actions in connection with this project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

### **Projected RFP Schedule and Next Steps**

Housing Office staff is planning to issue the RFP in October 2015. Some of the key expected dates in moving forward the proposed development are as follows:

|   |                        |
|---|------------------------|
| RFP issued by the Housing Office                      | October 2015           |
| Submittal deadline                                    | Jan. 2016              |
| Evaluation of proposals and Developer Selection       | February to March 2016 |
| Presentation to Port Commission of Selected Developer | April 2016             |
| Completion of Lease Negotiations                      | Spring of 2017         |
| Port Commission approval                              | Summer of 2017         |

The above schedule is an estimate and may vary. Port staff will provide updates to the Port Commission during the predevelopment period on as needed basis. If there is substantial deviation from the current timeline of two years to complete entitlements, Port staff will apprise the Port Commission accordingly.

## **COMMUNITY OUTREACH**

The Housing Office, with assistance from Port staff, has conducted extensive community outreach through multiple community meetings, written communications, and a community design charrette to solicit comments and feedback from stakeholders towards forming general consensus on the proposed RFP goals/objectives. We have made presentations about the proposed project design guidelines to the Northeast Waterfront Advisory Group ("NEWAG"), and held 11 working sessions, averaging two-hours per session, for the working group formed specifically to assist in developing the design guidelines to include in the RFP. The working group includes representatives of the Barbary Coast Neighborhood Association, the Telegraph Hill Dwellers, and the Southern Telegraph Hill Neighborhood Association. All of these outreach efforts culminated in a community design charrette which helped evolve consensus on urban design issues, including the above-noted guidelines for building massing, active ground level uses, transparency and design features compatible with the historic district. The Housing Office staff presented the proposed design guidelines to NEWAG at its September 9, 2015 meeting and NEWAG was supportive of the guidelines.

The key design and development guidelines with community consensus proposed for the RFP is presented in the Executive Summary section of this staff report.

## **RECOMMENDATION**

Port staff recommends that the Port Commission approve the attached Resolution endorsing a Request for Proposals for the Housing Office to solicit a developer for development of affordable housing on Seawall Lot 322-1, located at Broadway and Front Streets.

Prepared by: Ricky Tijani, Manager  
Planning & Development

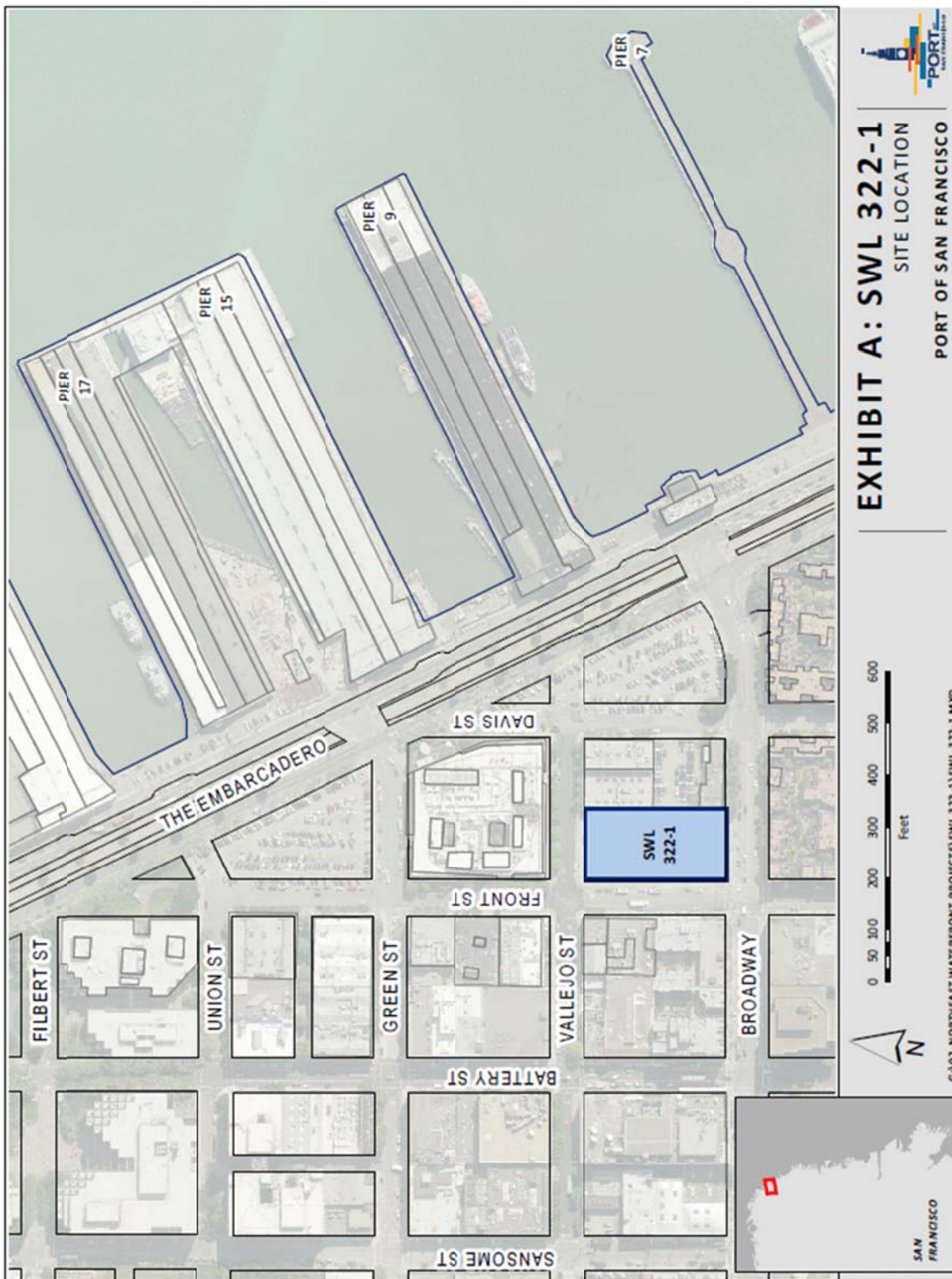
Through: Diane Oshima, Assistant Deputy Director  
Waterfront Planning

For: Byron Rhett, Deputy Director  
Planning and Development

Attachments: Exhibit "A" Site Map



Exhibit "A" Site Map



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 15-34**

- WHEREAS, Charter Section B3.581 empowers the Port Commission (the “Port”) of the City and County of San Francisco (the “City”) with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction subject to the common law public trust for commerce, navigation, and fisheries and the Burton Act trust; and
- WHEREAS, Senate Bill 815 (2007, Carole Migden) (“SB 815”) authorizes, among other things, the Port to lease certain designated seawall lots for non-trust purposes, for of up to 75 years at fair market value to generate revenues for preservation of the Port’s historic structures, construction and maintenance of waterfront plazas and open space required by the San Francisco Waterfront Special Area Plan of the Bay Conservation and Development Commission, and other trust-consistent uses; and
- WHEREAS, Assembly Bill 2649 (2012, Tom Ammiano) (AB “2649”) adds Seawall Lot 322-1, an approximately 37,810 square foot land parcel bounded by Broadway, Front, and Vallejo Streets and buildings to the east, Assessor’s Parcel No. 0140-007 (the “Site”), to SB 815 to the designated seawall lots that may be leased for nontrust uses under SB 815; and
- WHEREAS, AB 2649 authorizes the Port to provide a rent credit or other waiver or deferral of rent in connection with the nontrust lease of Seawall Lot 322-1 for an affordable housing development at an effective rent that is below fair market value if the State Lands Commission (“SLC”) finds that: (1) the nontrust lease is for affordable housing and, if the affordable housing is within a mixed-use project, no part of the rent credit, waiver, or deferral is applied to the rent for the other uses; and (2) the Port is entitled to apply the value of the rent credit, waiver, or deferral that it provides for the nontrust lease of Seawall Lot 322-1 as an offset against fees or other exactions or obligations that would otherwise be levied or imposed on development projects at Pier 70; and
- WHEREAS, The San Francisco Mayor’s Office of Housing and Community Development (“Housing Office”) is responsible for the production and management of affordable housing citywide and the City’s Housing Trust Fund under the Jobs-Housing Linkage Program (“JHLP”); and

- WHEREAS, Developers of large-scale entertainment, hotel, office, research and development, and retail developments in San Francisco are required to mitigate the demand for affordable housing created by their development projects by either contributing land or money to an affordable housing developer or paying an in-lieu fee to the Housing Trust Fund; and
- WHEREAS, The Housing Office periodically publishes the rates for calculating the in-lieu fee, and proposed projects at Pier 70 and other anticipated developments on Port land will be subject to significant JHLP fees; and
- WHEREAS, The Board of Supervisors (the “Board”) adopted Ordinance No. 232-12 to implement AB 2649, which Ordinance authorizes the Port to enter into below-market leases with the Housing Office for the Port land from which trust use restrictions have been lifted for development of affordable housing; and
- WHEREAS, On March 11, 2014, the Port Commission adopted Resolution No. 14-16 authorizing a memorandum of understanding with the Housing Office (“MOU”) providing that the Housing Office would solicit and select a developer for development and lease of an affordable housing project on Seawall Lot 322-1 (the “Development”) and that Port would receive JHLP credits that it could apply to Port JHLP obligations payable for future development on Port land in an amount equal to the difference between the actual rents and the fair market rental value of SWL 322-1; and
- WHEREAS, The MOU, among other things, delegates the developer solicitation and selection process obligations to the Housing Office and provides a performance schedule for achieving certain benchmarks including issuance of a request for proposals (“RFP”) for soliciting a developer for affordable housing on the Site; and
- WHEREAS, To promote community participation and to ensure openness and transparency in the development process, the MOU requires the Port and Housing Office to consult with Northeast Waterfront Advisory Group and other neighborhood groups in the planning of the Development, including forming a working group to review and comment on the proposed RFP’s goals and objectives and for the RFP selection panel to include one voting-member from the working group; and
- WHEREAS, Since the MOU approval, the Housing Office, with assistance from Port staff, has conducted extensive community outreach through multiple community meetings, written communications, and a community design charrette to solicit comments and feedback from stakeholders towards forming general consensus on the proposed RFP goals/objectives, and it has received comments and feedback, and there is now a community-

based consensus on the goals/objectives to include in the proposed RFP; and

WHEREAS, The RFP key elements include goals/objectives, development program, the developer selection process, and the use of selection panel and are discussed in further detail in the companion staff memorandum dated September 17, 2015; and

WHEREAS, The key RFP design and development guidelines, derived from the RFP goals/objectives, include: building within the 65-foot height limit; height/massing that creates a sculpted building that steps down towards adjacent lower buildings; public access to open space or within public view; massing that avoids blank spaces and is visually interesting; setback from the street to promoted active street use; broken-up façade along Front Street; compliance with Secretary of Interior Standards for compatibility with the Northeast Waterfront Historic District; minimized parking; hardscaping of midblock alley ways to reduce loitering concerns; and compliance with all other applicable regulatory requirements; and

WHEREAS, Evaluation/developer selection criteria highlights include (i) minimum required experience and capacity are established for respondents responding to the RFP, including forming a development team consisting of a San Francisco based non-profit developer or qualified San Francisco based for-profit developer working in partnership with a San Francisco based non-profit developer, the team architects, property manager, and a supportive services provider; and (ii) other key factors that cover proposed development concept, financing plan, cost control and innovations, and support services plan; and

WHEREAS, The Housing Office has drafted an RFP that includes the foregoing goals/objectives, evaluation and selection criteria, and has requested the Port Commission endorsement so that the RFP can be issued by October 2015 (estimated); now, therefore, be it

RESOLVED, That the Port Commission endorses the RFP as described in the Port staff's memorandum dated September 17, 2015; and urges the Housing Office to take all steps needed to move expeditiously to provide much needed affordable housing at the Site.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 22, 2015.***

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Secretary