



MEMORANDUM

January 8, 2021

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation providing updates on the mixed-use development nearing completion on Seawall Lot 322-1 (the "Site") located at Broadway and Front Streets, which development consists of 125 affordable housing units and ancillary ground level uses; sponsored by the Mayor's Office of Housing and Community Development and undertaken by BRIDGE Housing and the John Stewart Company as Co-Developers

Director's Recommendation: Information Only – No Action Required

EXECUTIVE SUMMARY

This staff report provides information to the Port Commission and the public that substantial progress have been made on the Development, now called **Broadway Cove**, that its construction is nearing completion, and that rental applications are being taken to select eligible tenants to live in the Development's affordable housing units. The Mayor's Office of Housing and Community Development ("MOHCD" or the "Housing Office") and BRIDGE Housing and John Stewart Company (the "Co-Developers") of the development, have begun taking applications to rent 93 of the 124 affordable housing units. The remaining 31 units are reported to be reserved for pre-authorized tenants (project-based Section 8 operating subsidy tenants) from San Francisco Housing Authority HOPE SF properties. The time to submit rental applications for the units expected to be available in April 2021 began December 17, 2020 and will run through January 13, 2021. Households earning from 30% to 120% of the Area Median Income ("AMI"), published by the Housing Office, will be eligible to rent

the units subject to being selected through a lottery process and meeting other eligibility requirements set for the affordable units.

Making this Development a reality began in earnest with the passage of State Legislation, Senate Bill 815 (2007, Migden) (“SB 815”)¹ and Assembly Bill 2649 (2012, Ammiano) (“AB 2649”)², that provided the basis for the Port Commission and the Board of Supervisors’ approval in July 2018 of the 75-year lease required for the Development. Construction commenced on the Development in May 2019, and was expected to be completed in Spring or by no later than August 2021. The development involves cooperation among three primary parties: the Port advanced required State legislation and is the landlord for the 75-year lease required; the Housing Office works with the Co-Developers to provide primary financing leveraged to bring in Federal, State, and private funds and to pay Port the upfront land price required; and the Co-Developers’ development entity, 88 Broadway Family LP (the “Developer”), undertakes project development and management, including obtaining low-income housing tax-credits from the California Tax Credit Allocation Committee.

The adjacent land parcel owned by the City and County of San Francisco (the “City Parcel” or “735 Davis Street”) is being co-developed with the Port Site for 53 affordable housing units for seniors 62 years old and above. A map showing Port Site and City Parcel is attached as **Exhibit “A,” Site Map**. Construction completion on this Senior housing, now called “**735 Davis**,” is essentially completed as of December 2020 and rental applications are being taken on an ongoing basis.

Residents selected for **Broadway Cove** units are expected to be allowed to move in as soon as March or April when the Development is anticipated to achieve the appropriate certification to commence occupancy following substantial construction completion. This is a unique opportunity for those that qualify to rent these units to apply through the Housing Office’s website – DAHLIA San Francisco Housing Portal or housing.sfgov.org, or by contacting BRIDGE Housing or John Stewart Company.

BACKGROUND

State Assembly Bill 2649 (2012, Ammiano), as amended (by State Assembly Bill 2797, 2016, Chui³), permits the lifting of public trust use restrictions from Seawall Lot 322-1 to allow development of affordable housing under a lease with term of up to 75 years, subject to State Lands Commission’s concurrence that the Site is no longer necessary for public trust or Burton Act purposes and that lifting the use requirements of the public trust, Burton Act and transfer agreement until January 1, 2105 is in the best interest of the people of the State of California. On March 11, 2014, by Resolution No. 14-16⁴, the Port Commission approved a Memorandum of Understanding (the “Predevelopment

¹ See https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=200720080SB815

² See http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB2649

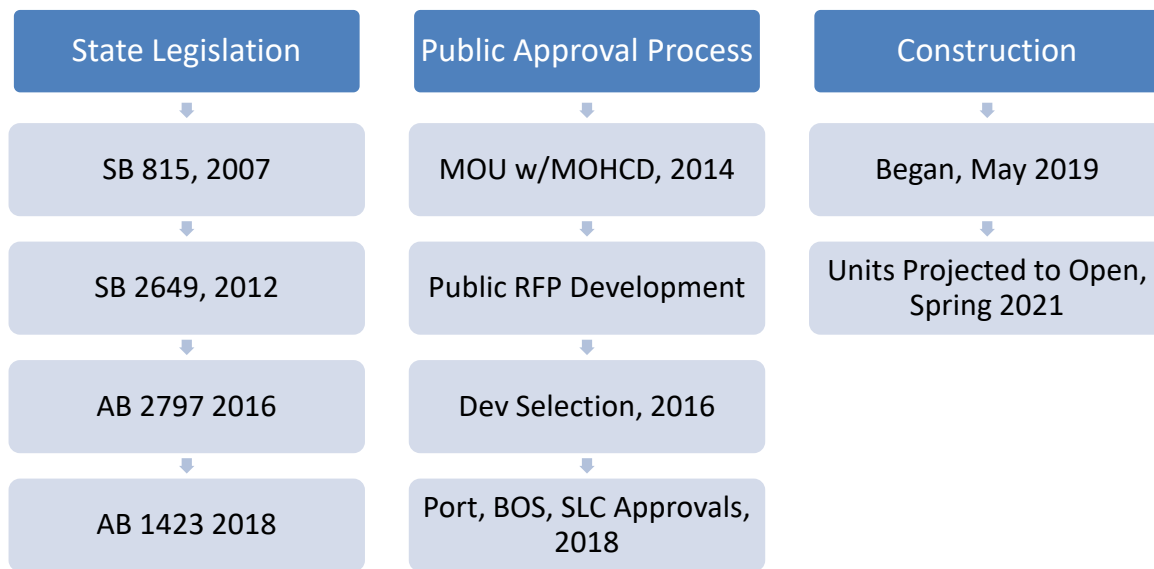
³ See https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AB2797

⁴ See <http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/modules/Item%2011C%20SWL%20322-1%20MOU-documentid=7738.pdf>

MOU”) between the Port and the Housing Office to explore the feasibility of developing the Site with affordable housing.

In August 2016, the Housing Office selected the Co-Developers through a competitive solicitation process to develop this project. Thereafter, the Port, Housing Office, and the Co-Developers conducted extensive community outreach to gather input and keep community members informed; and the Co-Developers formed 88 Broadway Family LP (the “Developer”) who procured land use entitlements including completion of the required California Environmental Quality Act (“CEQA”) evaluation for the Development. The Port Commission and the Board of Supervisors approved the project in July 2018 and the Developer commenced construction in May 2019. The Co-Developers formed 88 Broadway Family LP, a California limited liability company, (the “Developer”) who proposed to develop the Port Site along with the adjacent City Parcel for affordable housing for seniors. Figure 1 below summarizes the various steps preceding project completion.

Figure 1. Project Timeline – Key Milestones



A summary of the two projects, **Broadway Cove** and **735 Davis**, including uses and sources of funds, is provided in the table on the next page.

Broadway Cove and **735 Davis** project information are summarized in the table below.

Table 1. Broadway Cove and 735 Davis Project Information Table 2. Broadway Cove and 735 Davis Project Information

Development Summary			
	88 Broadway Family Project	735 Davis Senior Project	Total
Location	SWL 322-1	SFDPW Site	
Housing Units	125	53	178 Units
Affordability	30% to 120% AMI	20% to 70% AMI	
Other Uses	<u>Incidental/Ancillary Uses</u> Restaurant: 4,300 nsf Childcare: 3,900 nsf Community Room: 1,500 nsf Café: 1,100 nsf Community Room: 700 nsf		
Public Parking	None	None	None
Uses of Funds			
Residential/Childcare	\$97,440,847	\$40,550,868	\$137,991,715
Retail	\$ 1,993,592	\$ 561,635	\$ 2,555,227
Total Development Cost	\$99,434,439	\$41,112,503	\$140,546,942
Funding Sources			
Developer			
LIHTC Proceeds	\$36,602,735	\$16,995,267	\$53,598,002
Private Lenders	\$22,000,000	\$0	\$22,000,000
AHP	\$ 1,140,000	\$1,000,000	\$ 2,140,000
GP Equity/Deferred Fee	\$ 8,778,535	\$4,029,642	\$12,808,177
Housing Office	\$30,913,170	\$19,087,594	\$50,000,764
Port	\$0	\$0	\$0
Total Sources	\$99,434,439	\$41,112,503	\$140,546,942

The key goals of this Development for the Port are: (a) the leasing of the Site, which is no longer needed for trust purposes, for development of affordable housing and using the funds generated from its leasing to address a portion of the Port's capital funding

needs and (b) contributing to City and State affordable housing objectives. More details about the two projects and Port's terms and conditions included in the transaction documents involved are in the July 5, 2018, Port staff report⁵ to the Port Commission requesting development approval for the Port Site. A summary of (A) the Port three **key transaction documents** implementing the Development and (B) a summary description of two projects as follow.

Port Key Transaction Documents

Option to Lease Agreement (the "Option Agreement") is between the Port and the Developer. Its purpose is to provide the Developer with evidence of site control to support its application for an allocation of tax credits from the California Credit Allocation Committee ("TCAC"). This agreement provides, among other things: (i) the preconditions the Developer must meet to exercise the option to lease and (ii) the form ground lease governing use of the premises. The preconditions are detailed under the discussion section of July 5, 2018 staff report. The option was exercised and was effective for the time required to complete a list of tasks the Developer must complete before the Option Agreement is replaced by the ground lease. It has been replaced with the ground lease and it has no further effects.

Ground Lease (the "Lease"), is between the Port and the Developer. Its key terms include: (a) a 57-year initial term with an 18-year extension option; (b) rent to include (i) \$1 per year for the residential portion, in recognition of that fact that the Port received a prepayment of the Site's fair market value; (ii) 20% of the annual residual receipts collected by the Developer for the proposed restaurant sublease; (iii) 50% of excess rent from other subleases; and (iv) a mechanism for the Port to participate in the increase in market value over the life of the Lease, and (c) Port's standard lease provisions, including insurance, indemnity, sea level rise and flooding provisions, and prior consent for transfers and assignments, among others. The lease was approved by the Port Commission, City's Board of Supervisors ("Board of Supervisors") and SLC as to provisions regarding rent payments and provisions required in order to lift the trust restrictions. In addition, because of its role in administering the Lease, the Lease includes the Housing Office's obligations to Port regarding the financing and management of the Development.

Development MOU is between the Port and the Housing Office. It documents Port's and Housing Office's respective roles and responsibilities in the Development implementation, management, and operation. The key terms include the Housing Office prepaying Port for the Site's FMV, and rights of the Housing Office to cure a Developer default protect the City affordable housing funds invested in the Development. The Housing Office has paid Port \$15 million in August 2019 as required under the MOU.

⁵ <https://sfport.com/sites/default/files/Documents/Item%2012A%20SWL%20322-1%20Action%20Memorandum%20with%20PC%20Resolution.pdf>

Summary of the Two Projects:

The Development includes 125 affordable, rental family housing units with ground level spaces for retail, commercial, other ancillary uses, and two mid-block open spaces on benefit from the development as well, the Housing Office sought and received City’s consent to add the adjacent City property located at 735 Davis Street (“City Parcel”) 53 senior housing units – **735 Davis**. These two Development are connected by open mid-block passageways as shown on the attached **Exhibit “B,” Development Schematic Design**.

Broadway Cove

It includes 125 affordable units totaling approximately 137,100 gross square feet (gsf) of residential dwelling space and approximately 8,700 gsf of nonresidential space. Residents would have access to a common, community room on the ground floor, an open podium courtyard on the second floor, two open decks on the fifth and sixth floors, and a rooftop terrace and community garden. Ancillary ground-level uses could include retail/commercial, a childcare center with an outdoor play area, and a childcare arcade. State Assembly Bill 1423 (2018, Chui)⁶ revised the definition of “affordable housing” to mean, specifically for Seawall Lot 322-1, a structure that provides housing for persons and families of very low, low-, or moderate-income households and that affordable housing may include other uses in the structure if those uses are incidental or ancillary to the primary purpose of providing affordable housing. The childcare center is considered an ancillary use.

Unit Type	Studio	1 Bedroom	2 Bedroom	3 Bedroom	Manager Unit	Total
No. of Units	16	37	48	23	1	125
Square Footage	430	590	900	1,240	1,240	

735 Davis

It includes 53 affordable units totaling approximately 44,136 gsf of residential dwelling space and approximately 1,260 gsf of non-residential space. Seniors will have access to a community room, an open courtyard on the first floor, and a roof deck on the fifth floor. Ground-level uses would include retail/commercial, and a community room.

Unit Type	Studio	1 Bedroom	Manager Unit	Total
No. of Units	23	29	5	53
Square Footage	430	590	623	

Each building is approximately 65-feet tall (with an additional 10 feet for the elevator penthouse with variations in height between four and six stories at the streetwall to

⁶ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1423

break up the massing on Front Street and “stepping down” as the projects get closer to Davis Street to the east). The first floor would provide ground floor units, commercial space, bike parking, common space, and social services for residential use, as well as property management space. Floors two through six would consist primarily of residential dwelling units, shared laundry rooms, mechanical spaces, and common spaces for residential use. A variety of open spaces is included on the roof and terrace levels. Both projects are expected to include solar panels and green roofs on the roof level. In addition, heating, ventilation, and air conditioning equipment, and an emergency back-up diesel generator are expected to be located on the rooftop of each building. Pedestrian bulb-outs are proposed on Front Street and Broadway. No off-street parking is included. Approximately 120 class 1 bicycle parking spaces and 20 class 2 bicycle parking spaces are included. Combined, both projects would contain approximately 178 affordable family and senior housing units and approximately 9,260 square feet of restaurant and childcare space resulting in an approximately 190,496-square-foot Development.

The buildings generally extend to the property line. Setbacks away from the streetwall exist at the upper levels of the buildings. Along Front Street, a substantial setback of the upper level is approximately 30 feet, making the upper floors minimally perceptible from the pedestrian’s perspective. The two six-story buildings having a contemporary architectural style are respectful of their historic context.

STRATEGIC OBJECTIVE

The Development is expected to contribute in a substantial way to meeting the *livability, sustainability, and economic vitality objectives* of the Port’s Strategic Plan.

- *Livability Objectives:* The Development will provide much needed housing in premium location to serve a wide a range of households at various affordability levels and create living wage jobs and provide business opportunities for local businesses.
- *Sustainability Objectives:* The Development is incorporating a variety of sustainable practices including environmentally sensitive construction techniques, recycling of construction waste, installation of high-efficiency building systems, storm water management, and green building standards.
- *Economic Vitality Objectives:* The Development contributed, and will continue to contribute, to the Port’s capital fund to support other projects.

To continue to achieve these strategic objectives, Port, Housing Office, and the Developer staff are continuing to collaborate in implementing the Development as documented in the Transaction Documents

DISCUSSION

The economic terms of the Development discussed in the July 5, 2018 staff report, documented in the Transaction Documents, and approved by both the Port Commission and the Board of Supervisors, are being realized as workers have been hired to work on the project, land price has paid to the Port, and now the affordable housing units are being completed for occupancy. The next phase of the Development is its post-construction management and operation with roles and responsibility for the Port, Housing Office, and the Developer, as summarized below.

Roles and Responsibilities

The Housing Office will:

- a. Monitor, administer and help enforce the terms of the Lease relating to the residential component, including affirmative marketing, tenant selection for residential unit leasing.
- b. Monitor the Tenant's compliance with applicable requirements, including affordability restrictions.
- c. Help resolve issues relating to affordable housing operation and management, including management performance and compliance with the applicable Good Neighbor Policies.
- d. Have the right to cure any monetary or non-monetary default by Tenant under the Lease, including the payment of taxes, at Housing Office's option.
- e. Work with Port regarding Tenant's plan for financing, refinancing, transfer, and sale of any portion of the Project, as applicable.

2. The Port will:

- a. Have all responsibilities as the landlord under the Lease
- b. Work with the Housing Office to address Tenant's request for consent to a proposed transfer or a lender's loan amendment or refinancing documents.
- c. Work with the Housing Office on efforts to cure Tenant's default under the Lease, if applicable.
- d. Monitor the Tenant's compliance with the Lease.

3. The developer will:

Have all responsibilities as the lessee under the Lease, including

- a. Working with the Housing Office to lease and manage the affordable units
- b. Leasing the retail spaces on the Development's ground level
- c. Paying the rents due Port
- d. Providing the required period reports to Port
- e. Abiding by the Port's Good Neighbor Policy
- f. Maintaining the required insurance coverages.

CONCLUSION

The Housing Office and the Developer have begun taking rental applications for affordable housing units in **Broadway Cove** and **735 Davis**. This is a unique opportunity for those that qualify to rent the units to apply through the Housing Office's website – DAHLIA San Francisco Housing Portal or housing.sfgov.org, or by contacting BRIDGE Housing or John Stewart Company.

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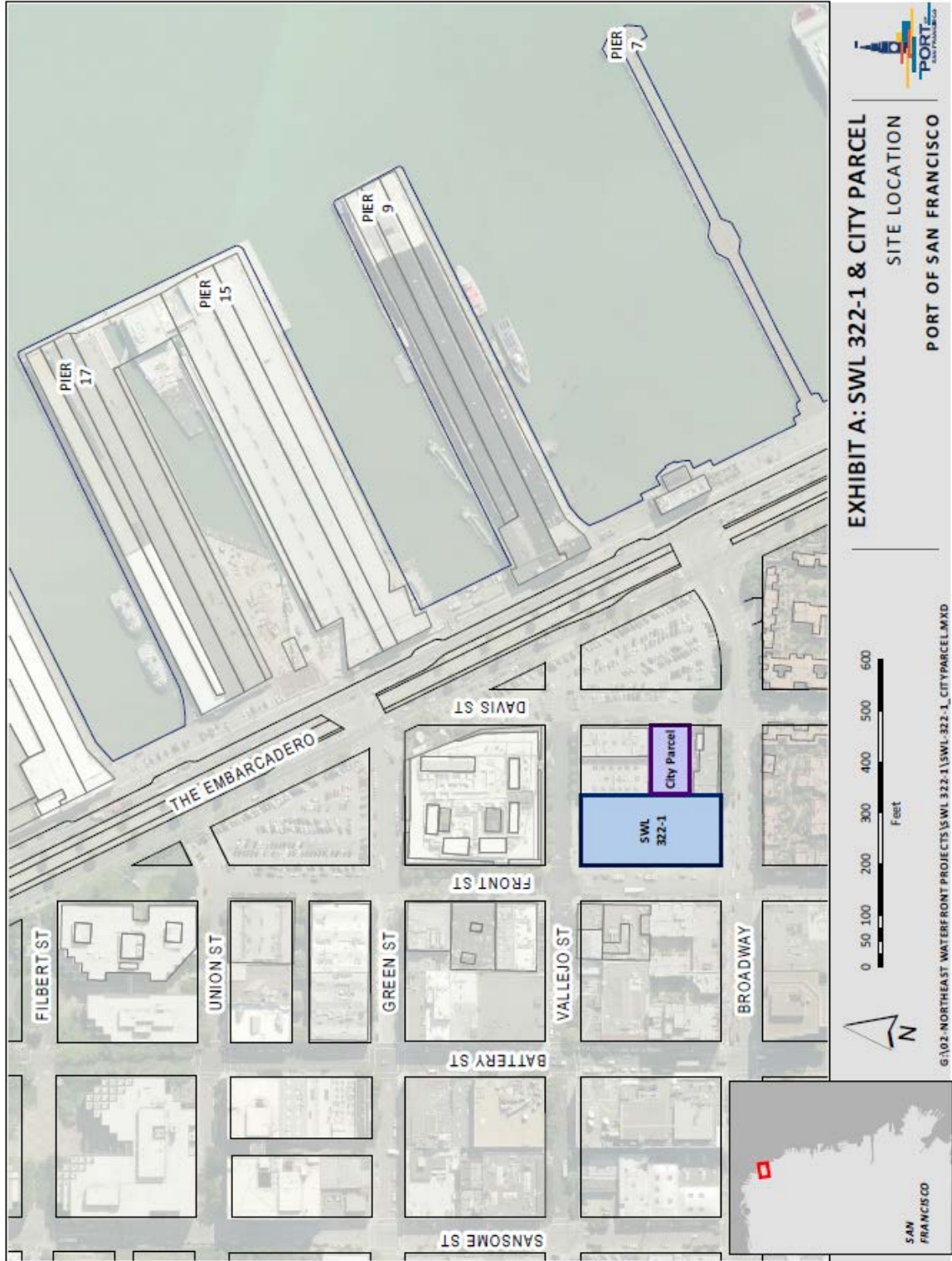
Attachments:

Exhibit "A" Site Map

Exhibit "B" Development Schematic Design

Exhibit "A"

Site Map



***Exhibit "B,"
Development Schematic Design***