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To: Recreation and Park Commission
Capital Committee

Through: Philip A. Ginsburg, General Manager
Dawn Kamalanathan, Director of Capital & Planning

From: Holly Pearson, Planner, Capital & Planning Division

Subject: Schlage Lock Parks – Future Property Acquisition

Agenda Wording

Schlage Lock Parks – Future Property Acquisition. Presentation and discussion only on potential future acquisition by the Recreation and Park Department of Real Property (Block/Lot: 5087/003A, known as “Leland Greenway;” and Blocks/Lots: 5100/010, 5101/006, 5099/014, known as “Visitation Park”) after the construction of public parks on these parcels by Universal Paragon Corporation as part of the Schlage Lock development project.

Background

In 1999, the Schlage Lock Company closed its factory in the Visitation Valley area. Since early 2002 the current land owner, Universal Paragon Corporation, has been working with various City agencies and residents of Visitation Valley to develop a plan for the reuse of this important 20-acre site, which is bounded by Bayshore Boulevard, Blanken Avenue, Tunnel Avenue, and the San Francisco County-San Mateo County border.

Several years of planning work and extensive community involvement resulted in the adoption of a Redevelopment Plan and master plan for the site, which included new housing, retail, community facilities, City services and open space. However, when the Redevelopment Agency was dissolved in early 2012, the subsequent loss of public funding for redevelopment of the site required that the City look for new ways to help make the project financially feasible. Since that time, the City’s Office of Economic and Workforce Development (OEWD) has been working with Universal Paragon Corporation (developer) to reassess the project’s feasibility and to look at potential ways to help move the project forward.

The Schlage Lock project has been modified during the past two years, and the development as currently proposed includes nearly 1,700 new housing units (15% of which will be affordable), up to 46,000 square feet of retail space, and over 2 acres of public open space. The project will also



provide new roads, utilities, sidewalks, bicycle infrastructure, pedestrian pathways. For further details on the proposed Schlage Lock project, see the Development Agreement Summary (Attachment A).

Potential RPD Acquisition of Schlage Lock Parks

OEWD approached RPD in the spring of 2012 to explore the possibility of RPD purchasing the parks that are proposed as part of the master plan for the site's development. RPD is currently considering acquisition of one or two of the three parks that are included in the Schlage Lock project: a "linear" park of approximately 33,000 square feet known as "Leland Greenway"; and a larger square park of about 40,000 square feet, known as "Visitacion Park" (see Attachment B).

Under the current draft agreement, the developer would construct the parks and would fund maintenance for a specified period of time, and RPD would purchase and operate the completed parks. The developer is offering to sell the land at a significantly discounted value in exchange for RPD's commitment at the time of the Development Agreement to purchase the sites.

While the developer will prepare a specific project schedule after the Development Agreement has been approved, the development phasing plan establishes that Phase I will include a fully built pedestrian network through the project site, from Bayshore Boulevard to the Bayshore Caltrain Station. This network will include well-lit pedestrian paths along Leland Avenue and Visitacion Avenue which will be extended and accessible to this route. These pathways will bring neighbors in Visitacion Valley through the new development alongside both park sites.

RPD staff is currently in negotiations with the developer and OEWD staff on the terms for the park acquisition that will be incorporated into the Development Agreement for the Schlage Lock project. While many of the specific details are still being worked out, the highlights of the proposed terms to date include the following:

Modifications to / Approval of Park Designs

- RPD will work with Planning Department staff and the developer to finalize the designs for the two park sites, using the current park designs and previous community input related to parks and open space as a starting point.
- RPD will convene a Community Advisory Panel, with representation from the Visitacion Valley Citizens Advisory Committee, to provide additional input and oversight for the park designs and to ensure that high design standards are met for the park sites.
- The Recreation and Park Commission will approve the final park designs.

Construction of Parks

- The developer will be responsible for cost and management of park construction, subject to agreed-upon cost caps.

Operations and Maintenance of Parks

- The developer will be responsible for the maintenance costs of the parks for a specified time period.
- RPD will be responsible for actual operations and maintenance of the parks.

Acquisition – Purchase Price and Funding Source

- The purchase price for park sites is yet to be determined.
- Property appraisals for the two sites were completed in April. The developer has agreed to sell the sites to RPD at a significantly discounted cost.
- The purchase of the parks will be paid from the Open Space Acquisition Fund. (see Attachment C for an analysis of estimated deposits to and expenditures from the Open Space Acquisition Fund between Fiscal Years 2013-14 to 2030-31).

Acquisition – Timing of Transfer and Payment

- The property transfer and payment for each site will occur upon final acceptance by the City of the completed park.
- The specific timing of property transfers and payments depends on the developer's schedule for delivery of the parks, as set forth in the Project Phasing Plan.

An additional issue that is under discussion is that the developer intends to use the park sites to meet the requirements for project area as a whole in terms of stormwater management and other infrastructure issues, which may affect park design.

Acquisition Policy Analysis

RPD has an official Acquisition Policy, which provides direction on how to identify, evaluate, and acquire real property for the Recreation and Park Department using Open Space Acquisition funds. The Acquisition Policy defines three distinct policy goals:

1. Acquire properties that are found within or serve a High Needs Area¹ and/or an open space deficient area
2. Acquire properties that have identified funding for the purchase, development, and maintenance of the property
3. Acquire properties that encourage a variety of recreational and open space uses.

The Schlage Lock park sites are surrounded by areas of varying degrees of need for new open space, as defined by the Recreation and Open Space Element, or ROSE (see map, Attachment D). Within ½ mile radius of the park sites, there are several blocks that fall into the “Greater Need” range as defined by the ROSE, and the proposed new parks would serve these areas. The site is not located in within an area that is deficient in open space. Nearby parks and open space include McLaren Park, Visitacion Valley Playground, Little Hollywood Park, and Kelloch & Velasco Park.

The proposed parks have identified funding sources for both development and maintenance – as stated above, the developer of the Schlage Lock project will pay for construction of the park improvements and will also fund maintenance, either directly or indirectly, for a period of time (to be determined).

¹ The Recreation and Open Space Element of the San Francisco General Plan defines “High Needs Areas” as those areas of the city that have (a) high population density, (b) a high percentage of children and/or seniors, (c) a high percentage of low-income households, and (d) low access to open space, and areas with high growth projections between 2014 and 2040.

Both of the park sites are suitable for for passive recreation in the form of picnic areas, lawns, community gardens, etc. Both sites could also accommodate active recreational uses – the larger park site (“Visitacion Park”) could include basketball courts, tennis courts, a children’s playground, etc. The smaller park site (“Leland Greenway”) could also provide a children’s playground and potentially a small sports court.

Next Steps

RPD staff is aiming to complete negotiations with the developer by mid-June and to bring the proposed terms for acquisition of the parks to the full Commission for action on June 19. If approved, the terms would then be incorporated into the Schlage Lock Development Agreement, which will move forward to the Board of Supervisors for approval on the following dates: Government Audit and Oversight Committee on June 26; Board of Supervisors first reading on July 8; Board of Supervisors second reading on July 15.

Staff Recommendation

Staff recommends that the Capital Committee provide direction and feedback on the potential acquisition of the Schlage Lock parks.

Attachments:

- A. Summary of Schlage Lock Development Agreement
- B. Schlage Lock Development – Overall Site Plan with Parks
- C. Open Space Acquisition Fund Analysis
- D. Schlage Lock Parks – High Needs Map



Schlage Lock Development Project Development Agreement Summary

May 2, 2014

Background

The proposed development agreement between the City and County of San Francisco and Visitation Development, LLC (a division of Universal Paragon Corporation) will allow for the transformation the 20-acre Schlage Lock site, a formerly industrial property, into a vibrant extension of the Visitacion Valley community. This development agreement will require Visitation Development, LLC (the "Developer") to adhere to strictly-defined design and development controls and to deliver a predetermined set of community benefits, including parks, development impact fees, and a grocery store. In exchange for making these commitments in advance, the Developer will be granted the vested right to develop 1,679 units of housing and 46,700 square feet of retail at the Schlage Lock site (the "Site"), as well as certain fee waivers and public investment in the development .

This development agreement and its accompanying design controls represent the culmination of a community planning process that has lasted over a decade. Until 2011, the Project was expected to become a Redevelopment Area and gain access to approximately \$50 million in tax increment funding, which would have substantially offset the costs of soil and groundwater remediation and the development of new roads, utilities, parks, pedestrian infrastructure, and affordable housing. After Redevelopment was dissolved, the City reopened the Schlage Lock community planning process to come up with a development plan that was financially feasible without Redevelopment funds, while still maximizing public amenities.

Today's development agreement achieves this goal by increasing the amount of housing allowed and pledging much more limited public subsidy to the project's community benefits, which have been re-envisioned based on priorities set by the local community.

Key Provisions of the Development Agreement

VESTED DEVELOPMENT PROGRAM

The development agreement ("DA") has a 15-year term, during which time the Developer will have a vested right to develop the Site. Vested elements include locations and numbers of buildings; land uses and height and bulk limits, including unit count, intensity, and gross square footages; parking ratios; development impact fees; and provision for construction and maintenance of public improvements. Specifically, the Developer may develop up to 1,679 new residential units, 46,700 square feet of new commercial and retail use, renovation of the Historic Office Building, and off-street parking at maximum ratios of one space per residential unit and one space per 333 square feet of commercial space.

DESIGN AND DEVELOPMENT CONTROLS

The DA is part of a larger regulatory approvals package that also includes the rezoning of the project site to permit mixed use development, a Planning Code text amendment creating a special use district for the project site, and a General Plan amendment to remove references to the former Visitacion Valley/Schlage Lock Redevelopment Area. A Design for Development document and an Open Space and Streetscape Master Plan will be incorporated by reference into both the DA and the revised special use district language. The project will be subject to phase approvals, through which the Planning Director will make sure that each

phase of development is designed to provide all of the required infrastructure and public benefits, and building and park design review approvals, through which the Planning Director will make sure that all architecture and park design is consistent with the project's design and open space controls. Opportunities for community participation in these phase and design review milestones are spelled out in the DA and in complimentary changes to the Visitacion Valley Schlage Lock Special Use District portion of the Planning Code. So long as the Planning Director, with feedback from the community, determines that a proposed phase or design complies with the design controls and all other applicable DA provisions, the Planning Director is obligated to grant the corresponding phase or design approval.

PUBLIC AND COMMUNITY IMPROVEMENTS

The Developer will be responsible for designing, developing and installing all "Public Improvements" (including roadways, sidewalks, utilities, bicycle infrastructure, off-site intersection improvements) and "Community Improvements" (public benefits including parks and the historic office building). The City agrees to accept the Project's completed Public Improvements, so long as those improvements have been designed and built to conform with all applicable City standards and the Project's design controls. The Developer or its successors will be responsible for the maintenance and operation of Public and Community Improvements not dedicated or transferred to the City, as well as all parks and sidewalks, regardless of whether they are transferred to the City.

INCLUSIONARY HOUSING PROGRAM REQUIREMENT

The Project has a 15% inclusionary housing requirement, which may be satisfied through a combination of:

- a) On-site Below Market Rate (BMR) units located within mixed-income buildings;
- b) On-site BMR units located within a building of up to 100% affordable units, provided that the Project may include only one such building;
- c) Off-site affordable units, built by Developer, at a rate of 23%;
- d) Payment of the Affordable Housing fee, at a rate of 20%;
- e) Dedication to the City of a development-ready parcel, subject to terms to be negotiated with the Mayor's Office of Housing at the time of dedication.

At least 2/3 of the Inclusionary Housing Program Requirement must be satisfied with on-site BMR units delivered through options (a) and/or (b) above.

TRANSPORTATION FEE

The Developer will pay a fee equivalent to the TIDF for all uses on the Site (including residential development, which is not currently subject to the TIDF). This transportation fee will be calculated as follows: the Transit Impact Development Fee ("TIDF") will apply to all product types currently covered by the TIDF. Since the TIDF does not apply to residential development, the project's residential development will be subject to an impact fee rate that is consistent with the February, 2011, nexus study entitled "The San Francisco Transit Impact Development Fee Update." These baseline fees will then be modified as follows:

- a) For each new building constructed, the transportation fee obligation will be reduced by an amount equivalent to 28% of that building's Visitacion Valley Fee, in consideration for the fact that 28% of the Visitacion Valley Fee is automatically earmarked for local transportation improvements.
- b) The first \$3 million owed will be waived in consideration of (1) off-site intersection mitigations and (2) additional transportation improvements delivered by the Project to create pedestrian access to the Bayshore Caltrain Station.

NEIGHBORHOOD IMPACT FEE

The Project will be subject to the Visitacion Valley Community Facilities and Infrastructure Fee ("Visitacion Valley Fee") based on the formula in the corresponding fee ordinance, reduced by 33% in consideration of in-kind public benefits provided by the Project, including the rehabilitation of the Historic Office Building and the provision of two new neighborhood-serving parks.

GROCERY AND RETAIL

Parcel 1 of the Project must include a full service grocery store of at least 15,000 square feet and a total retail area of 20,000 square feet.

WORKFORCE

The Developer will participate in the City's First Source Hiring program for all construction jobs and end use commercial jobs. Developer will also pay prevailing wages in connection with all Public Improvements (including streets, sidewalks, utilities, bicycle infrastructure, off-site intersection improvements) and Community Improvements (including pedestrian paths, parks and open spaces).

HISTORIC OFFICE BUILDING

The historic office building must be first stabilized and later fully rehabilitated according to the Department of the Interior standards. Twenty-five percent (25%) of the historic office building's net leasable floor area must house community-serving uses, which may include but not be limited to health clinics, classrooms, childcare, non-profit offices, community meeting room.

PHASING PLAN

The DA includes a phasing plan that ensures that the project's public benefits will be completed at a pace that is commensurate with the new housing development, as follows:

- **Grocery Store:** A grocery store must be included in Phase 1 of the development, unless the Developer can demonstrate to the Planning Commission that one is not feasible and the Commission takes action to remove this obligation. No development beyond Phase 1 may commence until the Grocery store has been completed or the Commission has waived the requirement.
- **Transportation and Infrastructure Improvements:** New streets/sidewalks and corresponding infrastructure and utilities must be constructed in tandem with, or in advance of, the parcel(s) that those road/utility segments serve.
- **Parks:** Either Leland Park or Visitacion Park must be completed before the 600th unit of housing can be occupied. The remaining park must be completed before the 975th housing unit may be occupied. Leland Park must be delivered before or concurrently with the development of Parcels 3 and 4, even if those parcels do not include the 600th or 975th housing unit.
- **Historic Office Building:** The Developer will be required to stabilize and secure the Historic Office Building, as well as restore its façade to an attractive condition, as part of Phase 1's Community Improvement requirement. The Historic Office Building must then be fully rehabilitated in conjunction with the development of Parcel 11 and Parcel 12.

The phasing plan places strict performance standards on the first phase of development to ensure that the project begins in a timely manner and prioritizes the public benefits that are most important to the local community. Thus, the first phase of development ("Phase 1") must include housing and full-service grocery store on Parcels 1 and 2, which will define an extension of the Leland Avenue commercial corridor across Bayshore Boulevard. The phasing plan permits Phase 1 to also include up to two additional parcels (with Parcels 3 and 4 together and Parcels 5 and 6 together each counting as a single parcel for purposes of defining Phase 1). The DA requires that the Developer take steps to begin Phase 1 within a commercially reasonable timeframe.

CITY FUNDING COMMITMENTS

- **Proposition K Funds:** The Project will receive \$2 million of Proposition K sales tax funds to help support transportation improvements that serve the larger community through improved pedestrian safety and pedestrian access to the Bayshore Caltrain Station.
- **Additional Transportation Funds:** The Project will receive \$1.5 million of SFMTA funds to help support transportation improvements that serve the larger community through off-site intersection improvements and improved pedestrian safety and pedestrian access to the Bayshore Caltrain Station.
- **Possible Park Subsidy:** The City is considering acquiring one of the Project's parks. Under this scenario, Park development and maintenance would remain privately funded by developer. The park purchase price is still under discussion. It is expected that the City would make this up-front commitment to future park acquisition in exchange for Developer's commitment to a negotiated, below-market price.
- **Tax Credits:** Should New Market Tax Credits and/or Historic Tax Credits be available for the Project, the City will cooperate with the Developer in their efforts to obtain those tax credits for the Project. The City will not be obligated to grant either type of tax credit to the Project nor to prioritize this Project over any other project seeking those tax credits.
- **Mello Roos Community Facilities District (CFD):** The City will cooperate with the Developer to set up one or more CFD's to fund capital improvements and/or ongoing maintenance as permitted by State law.
- **Other Grants and Subsidies:** The Project includes a number of costs that may be eligible for various grant and subsidy programs administered by various City, State or Federal agencies. The City will cooperate with the Developer in their efforts to obtain those subsidies.



SCHLAGE LOCK PARK SITES
POTENTIAL RPD PROPERTY ACQUISITION

Open Space Acquisition Fund Analysis

2013/14 to 2030/31

	Estimated Deposits	Projected Balance (start of FY)	Francisco (<i>Projected</i>)	900 Innes (<i>Estimated</i>)	Remaining Funds (end of FY)	Balance with no acquisitions
13-14		9.149	0.208	3.890	5.051	9.149
14-15	2.149	7.200	0.295		6.905	11.298
15-16	2.246	9.151	0.293		8.858	13.544
16-17	2.342	11.200	0.519		10.681	15.886
17-18	2.435	13.116	0.544		12.572	18.320
18-19	2.508	15.079	0.540		14.540	20.828
19-20	2.583	17.123	1.030		16.093	23.411
20-21	2.660	18.753	1.050		17.703	26.071
21-22	2.740	20.443	1.100		19.343	28.812
22-23	2.822	22.166	1.614		20.552	31.634
23-24	2.907	23.459	1.668		21.791	34.541
24-25	2.994	24.785	1.810		22.976	37.535
25-26	3.084	26.060			26.060	40.619
26-27	3.177	29.236			29.236	43.796
27-28	3.272	32.508			32.508	47.068
28-29	3.370	35.878			35.878	50.438
29-30	3.471	39.350			39.350	53.909
30-31	3.575	42.925			42.925	57.485
Totals	48.336		10.670	3.890		

Quarter and Half Mile High Needs Buffers for Proposed Schlage Lock Parks

