



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.