PARKMERCED

Planning Commission Informational Presentation January 13, 2011

Hearing Schedule

Previously:

- **Nov 4** Plan and Development Agreement Overview
- Nov 18 Urban Design & Open Space
- Dec 9 Hearing at SFSU
- **Dec 16** Transportation & Housing
- Today:(1) Economic Analysis
 - (2) Miscellaneous Follow-up Topics
 - (a) Phasing
 - (b) Housing/Rent Control Update
 - (c) Parking ratio recap
 - (d) Renewable Energy Agreement

(3) Initiation:

Amendments to Planning Code, Zoning Map, & General Plan for hearing on or after February 3



Economic Analysis In General

- 1. Draft Pro Forma Review & Public Benefits Analysis
- 2. Draft Fiscal & Economic Impact Analysis
- Independent 3rd party professional review commissioned by OEWD; reviewed by Controller with input from Budget Office.
- Based on 20-year development projections in Draft EIR, including 4 "Illustrative Development Phases."
- Assumptions in Pro Forma review inform Fiscal & Economic Impact analysis.
- Represent best professional estimates of likely market conditions & build-out.
- Market conditions are dynamic—conclusions are general projections not specific predictions.

GOALS:

- Provide City decision-makers with an informed & independent 3rd-party perspective.
- Verification of economic feasibility of proposed project to assist City in DA negotiations.
- Quantification of "greater public benefits than what could be achieved through application of existing ordinances and regulations" per state law mandate.
- Assess the risks resulting from altering the negotiated public benefit package or changed market conditions.
- Understand the proposed project's short- & long-term impacts on the **City's fiscal health**.

KEY FINDINGS:

- Under current market conditions, the pro forma generates an IRR of 17.8%, slightly below the market threshold normally required to attract equity.
- But "interim income" from 3,221 existing units partially mitigates risk & may lower market IRR needed to attract investment.
- Proposed public benefits = \$516M (in addition to existing impact fees, including \$229M in-lieu fees & 271 on-site BMR).
 - \$360M in capital improvements (\$172M Community Benefits; \$28.7M Stormwater Management Improvements; \$159M effective rent subsidies).
 - \$156M in operations & maintenance (Present value of \$6.7M annually at build-out).

CAVEATS:

- CBRE reviewed & tested developer's pro forma assumptions & inputs during a series of "working sessions."
- CBRE conducted its own market research with respect to key revenue-generating variables, including projected rents, vacancy rates & sales prices.
- CBRE concluded that some of Developer's revenue assumptions were **aggressive**.
- Analysis is CBRE's **best estimate of future market conditions**.

SENSTIVITY TESTING:

Changes in Market Conditions

Scenario	Assumption Change	Result
CBRE's Best Estimate of Market Conditions	N/App.	17.8%
Higher Construction Costs	Increase cost contingency to 10%	15.9%
Weak Housing Market Recovery & Higher Construction Costs	Revenue growth lowered to 2.0% in 2011, 3.5% in 2012 and thereafter (and increase cost contingency to 10%)	13.2%
Strong Housing Market Recovery	Revenue growth increased to 5.0% in 2012, 10.0% in 2013	23.9%

SENSTIVITY TESTING:

Changes in Public Benefits Package

Scenario	Assumption Change	Result
Eliminate Community Improvements	Development Costs down by \$203 million; Apartment operating costs reduced by \$1,780/unit/year	22.4%
Eliminate Rent Controlled Replacement Unit requirement	1,583 units roll to market rents but with on-site BMR requirements	19.1%
Eliminate Community Improvements & Rent Controlled Replacement Units	Both changes described above	23.6%
Community Improvements cost increase 10%	Development Costs up \$20 million	17.5%
Community Improvements cost increase 20%	Development Costs up \$40 million	17.2%

FINAL CONSIDERATIONS:

- Pro forma sensitive to modest changes in revenue growth.
- Public benefits package places substantial strain the project, driving it below the market standard 20% IRR.
- City's goal is to seek maximum public benefits without jeopardizing economic feasibility.

Economic Analysis Draft Fiscal & Economic Impact Analysis

KEY FINDINGS:

- Fiscal Benefits for General Fund & SFMTA:
 - ✓ \$17.5M annual net fiscal surplus at full build-out.
 - ✓ \$13-\$16M one-time annual revenues over 20-yr build-out.
 - Net positive fiscal impact on SFMTA operations (ranging from \$3.1M to \$1.2M annually).
- Economic Impacts for the City at Large:
 - ✓ \$6.3B hard & soft costs (\$5.1B local economic impacts)
 - ✓ \$7.1B total construction activity supporting 35,000 jobs
 - ✓ \$309M permanent annual activity supporting 1,600 jobs

Economic Analysis Draft Fiscal & Economic Impact Analysis

KEY ASSUMPTIONS:

- Same 20-year build-out projections from Pro Forma & DEIR.
- GF costs derived from est. service population comprised of total resident population plus 50% of employee population.
- 2 primary sources for estimating GF costs: Final EPS Shipyard Candlestick analysis & the 2010/11 City Budget.
- GF cost methodology reviewed by Budget Office for accuracy; to be conservative **a 20% additional contingency** was added.



Phasing Review: Basic Principles

- No public land or funds at risk, so no schedules or predetermined physical development phases.
- Until private development commences, Developer is not required to provide any public benefits.
- When private development proceeds, it must comply with Proportionality, Priority & Proximity Requirements ("3Ps") for delivery of all public benefits.
- Development must conform to Parkmerced Plans, including the Design Standards & Guidelines Document.
- Emergency public health & safety exceptions?
- Many ways to enforce compliance once development starts.

Phasing Review: 4 Levels of Approvals in DA

- **1. Basic**: (1) GP Amendment; (2) Parkmerced SUD; (3) Zoning Map Amendments; and (4) DA and all Plan Documents
- 2. Development Phase: Programmatic approval of sub-areas within the Project Site consistent with Basic Approvals.
- **3. Design Review**: Project-level approval of individual buildings or Community Improvements <u>within</u> a Development Phase.
- **4. Implementing**: Agency approval of standard permits necessary for a project that has received Design Review Approval.

Phasing Review: Basic Process

- Public benefits must be phased-in over build-out of the Project, whether in 10 or 30 years.
- Developer provided flexibility with order & timing & amount of development in each Development Phase Application.
- City retains discretionary review of each Development Phase Application to ensure that Phasing Plan is enforced.
- If an affected City Agency objects, it must state what it believes should be changed to bring the Application into compliance.

Phasing

Review: Contents of Development Phase Applications

- Site plan with parcels subject to development
- Order of construction
- Amount of new residential units & commercial sq-ft
- Existing Rent-Controlled units & To-Be-Replaced Bldgs
- Number of BMR & Replacement Units to be completed.
- Description of land to be dedicated or vacated for public uses
- Description of Community Improvements & Mitigation Measures & calculations showing how 3P is satisfied
- Description of stormwater management system

Phasing New Items in DA

- **2,500 new units maximum size** for each Development Phase (no less than 3 phases over 30 years).
- Negotiating a **minimum size** for each Development Phase.
- Negotiating the "Fourth P": Peace during construction.



Rent-Control Replacement Units

Rent-Control Replacement Units Updates

- Monday, Jan 24 Supervisor Elsbernd & Commissioner Olague convene meeting with Tenant advocates, City Attorney & OEWD to review remaining concerns & identify solutions.
- On-going revisions based on feedback from Rent Board staff:
 - ✓ Simplification of notification & relocation process.
 - ✓ Clarifying definition of Existing Tenant.
 - ✓ Ensuring relocation benefits for Existing Tenants.
- New draft DA will be posted by Jan 20 to allow tenant advocates to review updates prior to meeting.



OFF-STEET PARKING: SPECTRUM OF CONTROLS: Dwelling units

(per unit)

-	District	Max Permitted w/o Commission Approval	Max Permitted w/CU, 309, etc.
	C-3, NCT, EN MU	0.25	0.5 – 0.75 0.5 - 1 (2bd+)
entre	DTR	0.5	1
d Ce	RTO	0.75	1
L L	UMU	0.75 1 (2bd+)	1
rient	Ocean Ave NCT	1	N/A
it-0	Parkmerced	1	N/A
Trans	Hunter's Point	1	N/A
More			



	District	Max Permitted (1 space per <i>x</i> square feet)
putral	C-3	4,500
	NCT, EN MU	1,500
ind Ce	Parkmerced	750
ansit-Oriented a	EN MU (>1/4-mile from Mission, 3 rd , 4 th Streets)	500
	Hunter's Point	333
More Tra		



Sustainability: Carbon Footprint, Energy & Water

SB 375 & AB 32

- AB32 mandates statewide reduction of greenhouse gas emissions
- SB 375 requires integrated land-use and transportation planning to mitigate greenhouse gases from passenger vehicles by reducing Vehicle Miles Travelled (VMT)
- Regional growth *will* occur... but must be directed to urban areas where per capita impact is comparatively less than outlying suburban and rural areas

Bay Area Carbon Footprint



Source: BAAQMD, 2008





Transportation Measures

- Land Use program increased density & complete neighborhood
- Transit Improvements (e.g. light rail)
- Pedestrian and Bicycle Improvements
- Shuttles
- Transit Pass Subsidies
- Parking Pricing Management
- Bike Share
- Limits on Parking Supply
- Car Share and Bicycle Parking (existing req's)

CARBON – Long-term Benefits of New Construction



TIME

Sustainability Plan

- Metrics and Implementation Commitments for each topic area
- Monitoring reports required by DA to evaluate performance in achieving metrics



Water

- Reduce Potable Water Use
- Reduce Combined Sewer Flow
- Improve Local Watershed





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Recycled Water

- All new buildings required to be dual plumbed for recycled water use
- Project will construct distribution piping for recycled water
 - 100% of irrigation
 - 60% of household demand (e.g. toilets)





Marginal Increase In Potable Water Consumption



while adding 5,665 additional units

POTABLE WATER USAGE

Existing PM SF Avg (2000) Full Build-Out PM 189 gallons/unit/day144 gallons/unit/day69 gallons/unit/day



2% Increase in Waste Water



while adding 5,665 additional units



Renewable Energy Summary of DA Provisions

- Separate Renewable Energy Agreement in DA clarifies commitments in Sustainability Plan.
- Baseline Requirements at full build-out:
 - 1. Provide renewable energy generation systems with production capacity of 10% of Project's estimated total annual energy consumption.
 - 2. Generate 10% of Project's estimated total annual electricity consumption from through an on-site cogeneration system.
- Negotiating additional commitments & process for monitoring & incentivizing the Project's goal of achieving "net zero" nonrenewable energy consumption for the entire site.

Conservation Summary of DA Provisions

- New residential building envelopes to perform a minimum of 15% more efficiently than current Title 24 (2008) standards.
- All other buildings to perform a **minimum of 10% more** efficiently than Title 24 (2008) standards.
- Renovations of existing buildings to meet or exceed Title 24 (2008) standards.
- All new infrastructure installed to perform a **minimum of 10% more efficiently** than Title 24 (2008) standards.
- In each new dwelling unit, install one vampire outlet per room controlled by one master switch near the front door to the unit.
- Install Tier 1 or better rated appliances in all new dwelling units..