



THE ACADEMY OF ART UNIVERSITY

RESOLVING VIOLATIONS & LITIGATION



Photo: Caroline Culler

The Academy of Art University is a private, for-profit school that has occupied as many as 40 properties within the City. Most of these properties have been occupied or altered without required permits. Following years of enforcement and litigation, the City and the Academy have reached a tentative settlement that requires the Academy to bring all Academy properties into compliance with the Planning Code and make significant payments to the City to support affordable housing.

Background

The Planning Department began enforcement against the Academy in 2007 for a range of unpermitted work, including interior and exterior alterations, changes of use, installation of signage, and a variety of alterations to historic buildings. In 2016, the City Attorney's Office sued the Academy for violations of the City's Administrative, Planning and Building Codes, as well as the State Unfair Competition Law. Court-supervised settlement discussions led to a Term Sheet for Global Resolution, which provided a basis and processes to resolve the violations. The Term Sheet was supplemented in July 2019, at which time a corresponding Institutional Master Plan was also accepted by the Planning Commission. Subsequent negotiations have resulted in an agreement regarding the precise mechanisms and terms for the Academy to address all outstanding violations.

What approvals are required?

The Historic Preservation Commission, Planning Commission, and Board of Supervisors are scheduled to review and take action on the various approvals necessary to finalize the tentative agreement during Fall 2019 and Winter 2020. These approvals include a Settlement Agreement to resolve the lawsuit, a Consent Judgment and Stipulated Injunction to streamline judicial enforcement of the Academy's commitments, a Guaranty to ensure that the Academy meets its long-term financial obligations under the Settlement, a Development Agreement to bind the City and Academy to the agreed-upon terms, Planning Code Amendments to facilitate the approvals process, a Conditional Use Authorization to approve land-use changes, and a Permit to Alter and Certificate of Appropriateness to authorize work on historic buildings.

Terms

The tentative agreement calls for a range of actions, requiring that the Academy:

Vacate nine properties;

Bring 34 remaining properties into compliance with City codes, including performing detailed restoration work at 12 historic buildings;

Convert 39 tourist hotel rooms at 860 Sutter Street to residential Single Room Occupancy ("SRO") rooms and eliminate the SRO designation for 31 rooms in two other Academy properties, for a net increase of 8 SRO rooms;

Pay \$58 million to the City, as follows:

- \$37.6 million for affordable housing, particularly creating and preserving SRO units in the northeast portion of the City, where the Academy had unlawfully converted SRO buildings to student housing;
- \$8.2M for the City's Small Sites Program for housing acquisition and preservation;
- \$8.3M for enforcement costs and penalties;
- \$3.8M for impact fees.

Timing

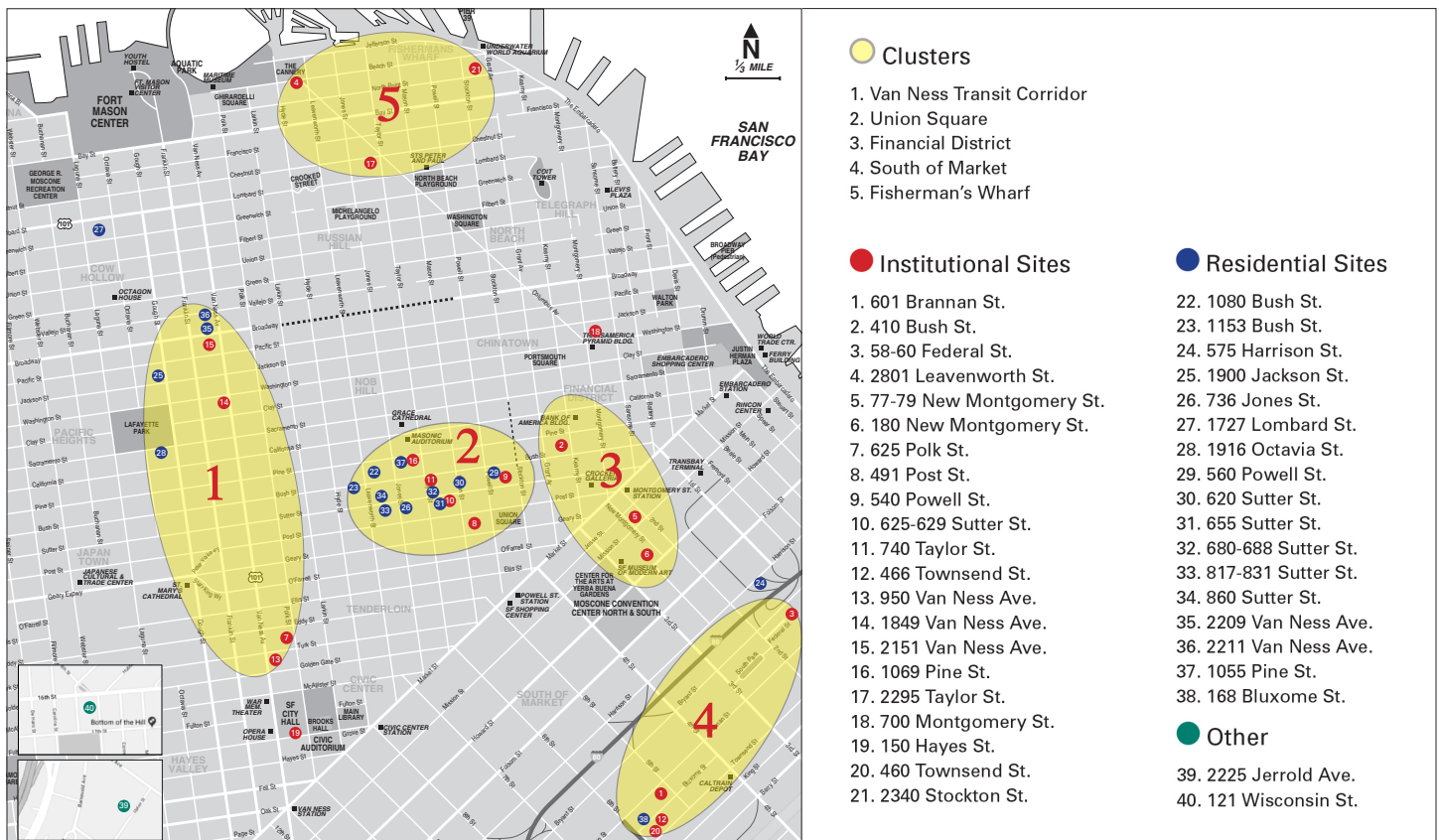
A detailed performance schedule is included with the approval package, as follows:

- **Within 1 month** of approval of the agreement, the first of 5 equal annual payments of all monies excepting the \$37.6M is due.
- **Within 6 months** of approval of agreement, the \$37.6M affordable housing payment is due.
- **Within 8 months** of approval of building permits, interior building improvements for changes of use, signage removal and replacement, and work in the public right of way must be completed.
- **Within 14 months** of building permit approval, exterior building repair and restoration and most window replacements must be completed.
- **Within 20 months** of building permit approval, repair and replacement of exterior lighting, security cameras and electrical conduit, along with all remaining window replacements and exterior repairs must be completed.

Future Obligations

The Academy will continue to be responsible for a number of matters throughout the 25-year duration of the Development Agreement. The Consent Judgment and Stipulated Injunction give the City quick access to the Court to address any failure of the Academy to comply with its obligations, including:

- Providing housing for a minimum percentage of its students through a metering formula, starting with 32% of full-time on-campus students and increasing to as much as 45% by July 2023;
- providing the City a 30-day notice for new construction, alterations, changes in use, sale, acquisition or vacation of properties, or for the use of hotel rooms to house students;
- a prohibition on converting any housing to student housing for the Academy;
- a moratorium on performing (1) any new signage work for two years following the completion of all compliance work and (2) any other work for 12 months after approval of the agreement.



This document has been drafted by Planning Department staff to provide an objective summary of the prominent features of the tentative settlement agreement and associated actions associated with the Academy of Art University. It is not a comprehensive guide to the agreement, nor does it provide any analysis or policy recommendation. For more complete materials related to this project, please visit sfplanning.org/academy.

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