

Balboa Reservoir FAQs

July 2020

What community benefits commitments has the developer made?

The Development Agreement requires the developer, Reservoir Community Partners, to provide significant community benefits as the project is built out – 50% affordable housing on-site, on-site child care, 4 acres of new public space including parks and streets, a new community meeting room, public parking, transportation investments and workforce development programs. The community benefits reflect the priorities of the Balboa Reservoir Community Advisory Committee developed over 5 years of meetings and planning collaboration.

Is the project 50% affordable?

Yes. The project will have 1,100 total units, and 550 will be on-site affordable housing. The affordable units will be constructed in 4 multi-family buildings and potentially 20 homeownership opportunities. The units will be affordable at a range between 30% of AMI and up to 120% of AMI, with the majority of units affordable to low-income households (average of 60% of AMI). Notably, 150 of the units will be affordable educator housing with an average AMI of 100%, among the first of San Francisco's dedicated educator housing. The affordable developers are BRIDGE Housing, Mission Housing, and Habitat for Humanity of San Francisco.

How will the affordable housing be funded?

The affordable housing will be funded using a typical mixture of sources such as Low-Income Housing Tax Credits, state grants, and "gap funding" provided by the developer and the City. The developer requirement for on-site affordable housing per the Planning Code would otherwise be 18%. But for this project, the developer is responsible for funding the "gap" amount for 33% affordable units (363 units) and the City will provide "gap" funding for 17% affordable units (187 units). This funding collaboration was stipulated in the City's request for proposals for the Balboa Reservoir and ensures that the SFPUC will receive fair market value for the sale of their land based on a basis of 33% affordability.

City funding will come through the Mayor's Office of Housing and Community Development (MOHCD) in the same way that the City funds the "gap" on affordable developments throughout the City. MOHCD will use funding acquired through the 2019 affordable housing bond and the affordable housing trust fund. The developer will fund their "gap" amount using funds generated from the market rate housing component of the project. The 150 educator units will be funded solely by the developer using equity and conventional debt, with no City funding or external subsidy.

What are the benefits for City College?

The project provides a number of benefits for City College. The 150 units of affordable educator housing will be offered to City College faculty and staff as a first preference to assist the College in attracting and retaining diverse faculty and staff. Currently, the project site is licensed to the College for overflow faculty/student parking. The developer will be responsible for constructing

up to 450 new public parking spaces on-site and is permitted to establish special rates for the College. In addition, the layout of the streets and open spaces have been coordinated with the College's facilities master plan to enhance College pedestrian access to the project's new open spaces. In addition, Reservoir Community Partners will provide internships for City College students.

What will the project cost?

The total development cost of the project will be approximately \$935 million in 2020 dollars. This includes approximately \$50 million in hard and soft costs for horizontal construction – streets, utilities, open spaces. Of this amount, the streets and utilities that will be constructed and dedicated at no cost to the City is estimated at over \$20 million. The cost of constructing the 550 affordable housing units is estimated at \$455 million, with a projected \$121 million gap subsidy from the developer and a \$45 million gap subsidy from the City.

Why isn't the project 100% affordable housing?

A 100% affordable project would require \$935 million in City funding and other subsidy sources, as there would be no market rate housing leverage. This would require MOHCD to direct years of affordable housing pipeline funding to just this one project, which is infeasible given the significant affordable housing project needs around the City. As currently proposed, the City will spend approximately \$45 million for this project, which will result in the overall production of 550 affordable units. The HOPE SF projects, similarly, will be developed with about 40% market rate housing to provide a funding source for their affordable and public housing components.

What is this project's impact on jobs and the economy?

The developer will participate in a number of workforce development programs that seek to train and employ local residents, such as the City's Local Hire for Construction program. The project is expected to generate over \$560 million of construction activity and approximately 2,800 construction-related job-years during development. Once complete, the project will generate a net \$2.3 million in annual revenue to the general fund in excess of estimated public service costs, in addition to \$1 million in other dedicated revenues. The creation of 1,100 units of housing will add to the City's housing stock and create affordable homes for 550 households.

Will there be transportation impacts?

The project site is a half-mile from the Balboa Park BART Station and adjacent to the Muni K Line and various bus routes. Transit use will be encouraged by the project by limiting the residential parking to .5:1 space per unit, and through various transportation demand management measures. The developer will also fund signal changes and bus boarding improvements on Ocean Ave and Frida Kahlo Way as transit mitigation measures. Consistent with Better Streets Plan design, the project includes multiple protected bike paths, wide sidewalks, and new pedestrian connections to and through the site to encourage safe travel. The project is also providing up to 450 public parking spaces to be available for City College drivers and the general public. The final number of spaces will be determined by SFMTA using then-current travel mode data at the time of construction.

What's happening with the SFPUC-owned land?

Balboa Reservoir was one of the first sites identified through Mayor Lee's Public Land for Housing Program in 2014. As landowner, the SFPUC is a partner in the program and made the determination to pursue a sale of the surplus property from the beginning of their engagement. The SFPUC and the developer will enter into a Purchase and Sale Agreement for a transaction of \$11.4 million for the parcel.

As it is developed, the parcel will be subdivided and transferred to various ownership entities: BRIDGE Housing and Mission Housing will own the 100% affordable buildings, Habitat for Humanity will develop and sell about 20 affordable ownership units, Avalon Bay Communities will own the three market rate apartment buildings, individual homeowners will occupy the approximately 100 townhouses, a master homeowner's association will own key open spaces, and the new streets and utilities will be conveyed back to the City at no cost to become public assets.

Is the SFPUC getting fair-market value for the land?

As an enterprise agency, the SFPUC has a mandate to receive fair-market value upon sale of their property. This limits the City's ability to provide the land at no or minimal cost (which would otherwise help to pay for more affordable housing in the project). The \$11.4 million purchase price is the fair market value of the property and is supported by an independent third-party highest and best use appraisal. The appraisal was prepared by a MAI appraiser, Clifford Advisory, LLC and relied on a shared financial proforma model and the appraiser's independent research.

The appraisal recognizes the requirement to include 33% of the housing as affordable (even though the project entitlements call for 50% affordable, the additional 17% of affordable housing funded by MOHCD will not impact the SFPUC residual land value). The 33% affordable housing requirement considered in the appraisal results in a higher land value for the SFPUC than would a 50% affordable housing requirement. The appraisal also recognizes the significant infrastructure costs that will be incurred to develop this site, the high costs of construction and entitlement, as well as the project's public benefits, which includes 4 acres of parks, streets, and open space, a 100-seat childcare center and a community room.

When will the project get built?

The project is expected to begin sitewide horizontal construction in late 2021, with the first phase of development beginning in 2022 and including 2 affordable buildings, 2 market rate buildings, and streets and utilities. The second of the two phases will begin in 2023 and include 2 affordable buildings, 1 market rate building, and the completion of the townhomes and open spaces.