

London N. Breed
MAYOR



Miguel Bustos
CHAIR

Mara Rosales
VICE-CHAIR

Bivett Brackett
Efrem Bycer
Dr. Carolyn Ransom-Scott
COMMISSIONERS

Sally Oerth
INTERIM EXECUTIVE DIRECTOR

**MINUTES OF A REGULAR MEETING OF THE
COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE
OF THE CITY AND COUNTY OF SAN FRANCISCO HELD ON THE
15th DAY OF JUNE 2021**

The members of the Commission on Community Investment and Infrastructure of the City and County of San Francisco met in a regular meeting via teleconference at 1:00 p.m. on the 15th day of June 2021. The public was invited to watch the meeting live on SFGOVTV: <https://sfgovtv.org/ccii>

PUBLIC COMMENT CALL-IN: 1-415-655-0001 **ACCESS CODE:** 146 743 8863

In accordance with Governor Gavin Newsom's statewide order for all residents to "Stay at Home" - and the numerous preceding local and state proclamations, orders and supplemental directions - aggressive directives were issued to slow down and reduce the spread of the COVID-19 virus. Individuals were encouraged to participate in the meetings remotely by calling in during the public comment section of the meeting.

REGULAR MEETING AGENDA

1. Recognition of a Quorum

Meeting was called to order at 1:00 p.m. by Chair Bustos. Roll call was taken.

Commissioner Brackett - present
Commissioner Bycer - present
Commissioner Scott - present
Vice-Chair Rosales - present
Chair Bustos - present

All Commissioners were present.

2. Announcements

- a) The next regularly scheduled Commission meeting will be held remotely on Tuesday, July 6, 2021 at 1:00 pm.
- b) Announcement of Time Allotment for Public Comments from participants dialing in: Please be advised a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Commission adopts a shorter period on any item. Please note that during the public comment period, all dial-in participants from the public will be instructed to call a toll-free number and use their touch-tone phones to register any desire for public comment. Comments will be taken in the order that it was received. Audio prompts will signal to dial-in participants when their audio input has been enabled for commenting.

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Secretary Cruz read instructions for the public to call in.

3. Report on actions taken at previous Closed Session meeting - None

4. Matters of Unfinished Business - None

5. Matters of New Business:

CONSENT AGENDA

a) Approval of Minutes: Regular Meeting of May 18, 2021

PUBLIC COMMENT - None

Commissioner Scott motioned to move Item 5(a) and Commissioner Bycer seconded that motion.

Secretary Cruz called for a voice vote on Item 5(a).

Commissioner Brackett - yes

Commissioner Bycer - yes

Commissioner Scott - yes

Vice-Chair Rosales - yes

Chair Bustos - yes

ADOPTION: IT WAS VOTED UNANIMOUSLY BY FIVE COMMISSIONERS THAT APPROVAL OF MINUTES FOR REGULAR MEETING OF MAY 18, 2021, BE ADOPTED.

REGULAR AGENDA

b) Authorizing a Personal Services Contract with Fieldman Rolapp and Associates, Inc. for financial advisory services related to debt administration support for a term of three years in an amount not to exceed \$120,000 (Discussion and Action) (Resolution No. 22-2021)

Presenters: Sally Oerth, Interim Executive Director; John Daigle, Debt Manager, OCII; Anna Sarabian, Fieldman Rolapp & Associates, Inc.

PUBLIC COMMENT - None

Commissioner Scott motioned to move Item 5(b) and Vice-Chair Rosales seconded that motion.

Secretary Cruz called for a voice vote on Item 5(b).

Commissioner Brackett - yes

Commissioner Bycer - yes

Commissioner Scott - yes

Vice-Chair Rosales - yes

Chair Bustos – yes

ADOPTION: IT WAS VOTED UNANIMOUSLY BY FIVE COMMISSIONERS THAT RESOLUTION NO. 22-2021, AUTHORIZING A PERSONAL SERVICES CONTRACT WITH FIELDMAN ROLAPP AND ASSOCIATES, INC. FOR FINANCIAL ADVISORY SERVICES RELATED TO DEBT ADMINISTRATION SUPPORT FOR A TERM OF THREE YEARS IN AN AMOUNT NOT TO EXCEED \$120,000, BE ADOPTED.

c) Authorizing a Third Amendment to the Option Agreement with F4 Transbay Partners LLC, a Delaware Limited Liability Company, for the purchase of Transbay Block 4; Transbay Redevelopment Project Area (Discussion and Action) (Resolution No. 23-2021)

Presenters: Sally Oerth, Interim Executive Director; Kim Obstfeld, Senior Development Specialist, OCII; Doug Shoemaker, Mercy Housing; Dan Esdorn, Hines

PUBLIC COMMENT – None

Commissioner Bycer asked for clarification regarding the competitiveness of this project for California Debt Limit Allocation Committee (CDLAC) funds; inquired about whether the funding was necessary in order to move this project forward. He indicated that he was new to the Commission since the last discussion of this item but asserted that he wanted every unit of affordable housing built that they could get built. Mr. Bycer stated that he was inclined to approve this because of his trust in staff and in Mercy, but was disappointed to see such a decrease in total housing units and even more disappointed to see a decrease in affordable housing units because they needed every possible unit they could get. He reported that this represented a significant downgrade from the initial discussions in 2016 and the initial analysis in 2018 and he affirmed that the 49% was the number they wanted to attain. Despite the pandemic and the funding in Zone 2 that would have necessitated a 49% affordable attainability, Mr. Bycer inquired about what had changed materially that would have created this reduction in total units and in particular the reduction of affordable units in this project.

Ms. Obstfeld responded that this did not reflect a flaw in the design of this project, but that it had become a larger and more ambitious project. She explained that CDLAC used to tap payer tax-exempt bonds with low-income housing tax credits, which used to be an over-the-counter situation whereby projects that applied would get the funding. However, given the demand statewide, this has changed, and it is a competitive situation which has become a bottle-neck in funding affordability across the state. Ms. Obstfeld reported that the current regulations disadvantage the higher costs of larger projects that would eat up larger pieces of allocation. She deferred to Mr. Shoemaker for more detail.

Mr. Shoemaker responded that Ms. Obstfeld had correctly described the challenge facing them. He explained that it had become worse for projects requesting tax-exempt bonds because to get a tax-exempt bond, one had to apply for 50% of the project costs; so the larger and more expensive the project, the more bond cap would be required. He reported that currently the Bay Area only had \$350MM in bond cap available through its region on an annual basis and a project like this would have a bond cap request of \$80-\$100MM range. Mr. Shoemaker commented that two things that could help change were 1) efforts in Washington DC to change the rules of how tax-exempt bonds were allocated to states so that one would not have to apply for 50% of project costs but only 25% and this would double the number of bonds made available through that program, and 2) the proposal that the Governor had put through for about \$1.75 billion to fund projects that would have wanted bonds outside of that program. He explained that this would alleviate some of the demand. However, he stressed that right now the demand was overwhelming. Given the timeline, it was possible that they would be in a different place by the time this project needed to get financed because of the changes anticipated in bond availability, but there was no guarantee. However, he added that it was reasonable that this project could get funded when the time was necessary to do so. To the next question, he responded that funding was not necessary at this moment. Most of this

project was funded with the 4% tax credit and a 9% tax credit allocation would be too small for this project so they would need the 4% tax credit. In the interim period if something new arose that enabled them to forego that revenue and fund the project differently, they might be able to substitute something else for this program but right now it was the tool that was most available to them.

Mr. Esdorn responded that they had been working with staff for years to address these challenges. He indicated that one of the things that Mr. Shoemaker had not mentioned were construction costs which, since 2018, had escalated over 15% and over 30% since 2016. Mr. Esdorn also pointed out the acute impact of the pandemic during which vacancy rates had tripled, rents were down 20-30% and condo prices were down, especially in Transbay. Looking at the housing pipeline, he added that the number of projects moving forward had decreased over the past few years, which reflected the current challenges. Regarding Block 4, Mr. Esdorn stated he was thankful to staff and their collaboration with his team for addressing these issues and trying to get to a feasible solution. The proposal most recently delivered and which they intended to work through with staff in further detail would balance the district requirement as referenced and would deliver a significant increase in the overall number of housing units as compared to the initial number in 2016, which they were very happy about, as well as the delivery of community benefits to the City of San Francisco. They were committed to working through these issues and be back as soon as possible with the best project possible given the current constraints.

Commissioner Bycer stated that he appreciated the increase in construction costs over this period of time; however, he was confident the City would bounce back strongly and he was sure they would not have a problem selling these units in the future. Mr. Bycer indicated that he was okay with a 90-day extension, but there were a few things Commissioners would have to see when they returned in August or September. One was more of an explanation for the decrease in the percentage of housing from 49% to 40% as well as an explanation regarding what had changed so substantially to require this difference. He underscored that they were talking about downtown real estate, which would garner top dollar in the near future. Also, Mr. Bycer indicated he wanted assurances that they were obtaining the maximum number of affordable and total units as well as validation of the assumptions that this team was making and whether those assumptions were correct and truthful and whether they were the boundaries upon which OCII should base these changes. Mr. Bycer also requested to see some options in the housing programs, such as whether they could get more affordable units from condos versus rentals, and if so, he recommended changing up the unit types. Lastly, he stressed that turning 2-bedroom units to studios to make more units would not fix this problem because they needed a significant mix of unit sizes to support the types of families that would need this housing.

Commissioner Scott echoed the feelings of Commissioner Bycer and was disappointed in the decrease in units. However, she was pleased about their commitment to work this out over the next few months and she looked forward to hearing about what more they could do and how they would be doing it. Dr. Scott also expressed concern about changing the unit sizes, which she stated would not fix anything because families needed larger units. She agreed with the 90-day extension and looked forward to their findings upon their return.

Vice-Chair Rosales stated that she was present during the initial conversations with the developer; however, she requested more clarification and transparency regarding the reasons behind the changes in these issues at the next meeting. Ms. Rosales agreed that construction and labor costs were higher but needed to understand the numbers that were cited and was willing to give more time for staff to look at this more closely to understand the underlying reasons for these changes. Regarding the COP outreach program, Ms. Rosales appreciated that the developer was in agreement with the community benefits; however, she requested a breakdown of the innovative strategies at the next meeting because this was an opportunity that they could not miss. She added that the guidance and buy-in of the Commissioners early on was very important in these issues.

Chair Bustos stated that he was happy that staff had come forward with this now because he felt the current proposal was pathetic. He underscored that this was probably the last piece of property in downtown San Francisco that could be developed and to throw up construction cost increases of 15%-30% but reducing the cost of the property by 100% was not justified. Mr. Bustos requested a more productive presentation at the next meeting, because this was not going to work and it was obvious that all the Commissioners were disappointed with this proposal. He was happy to support the extension.

Vice-Chair Rosales motioned to move Item 5(c) and Commissioner Scott seconded that motion.

Secretary Cruz called for a voice vote on Item 5(c).

Commissioner Brackett - no
Commissioner Bycer - yes
Commissioner Scott - yes
Vice-Chair Rosales - yes
Chair Bustos - yes

ADOPTION: IT WAS VOTED BY FOUR COMMISSIONERS WITH ONE NAY THAT RESOLUTION NO. 23-2021, AUTHORIZING A THIRD AMENDMENT TO THE OPTION AGREEMENT WITH F4 TRANSBAY PARTNERS LLC, A DELAWARE LIMITED LIABILITY COMPANY, FOR THE PURCHASE OF TRANSBAY BLOCK 4; TRANSBAY REDEVELOPMENT PROJECT AREA, BE ADOPTED.

d) Authorizing a Third Amendment to the Personal Services Contract with Century Urban LLC, a California limited liability company, to increase the Contract amount by \$63,000 for a total not to exceed amount of \$160,000 for financial analysis and real estate advisory services; Transbay Redevelopment Project Area (Discussion and Action) (Resolution No. 24-2021)

Presenters: Sally Oerth, Interim Executive Director; Paige Peltzer, Development Specialist, OCII

PUBLIC COMMENT - None

Commissioner Bycer agreed that OCII should have their own financial analysis done as part of this project and requested that Commissioners get to see the analysis from the consultants as part of the Commissioners' packets. He also requested that the report include responses to the assumptions made by the developer with explanations, so that those assumptions made sense and were reasonable.

Commissioner Brackett requested clarification that the original contract in 2017 was for the amount of \$45,000 and since then there had been two more amendments, raising it up to \$76,000 and \$97,000 and now \$160,000, which represented a 355% increase. Ms. Brackett requested confirmation that OCII was incurring these increases in order to get financial projections due to delays by the developer.

Ms. Peltzer agreed to the statements made by Commissioner Brackett. She added that all costs under the option agreement were reimbursable by the Block 4 developer.

Commissioner Brackett motioned to move Item 5(d) and Commissioner Bycer seconded that motion.

Secretary Cruz called for a voice vote on Item 5(d).

Commissioner Brackett - yes
Commissioner Bycer - yes
Commissioner Scott - yes
Vice-Chair Rosales - yes
Chair Bustos - yes

ADOPTION: IT WAS VOTED UNANIMOUSLY BY FIVE COMMISSIONERS THAT RESOLUTION NO. 24-2021, AUTHORIZING A THIRD AMENDMENT TO THE PERSONAL SERVICES CONTRACT WITH CENTURY URBAN LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, TO INCREASE THE CONTRACT AMOUNT BY \$63,000 FOR A TOTAL NOT TO EXCEED AMOUNT OF \$160,000 FOR FINANCIAL ANALYSIS AND REAL ESTATE ADVISORY SERVICES; TRANSBAY REDEVELOPMENT PROJECT AREA, BE ADOPTED.

6. Public Comment on Non-Agenda Items - None

7. Report of the Chair

Chair Bustos stated that he had no report.

8. Report of the Executive Director

Interim Executive Director Oerth announced that on the previous day the OCII fiscal year budget for 2021-22 had come before the Board of Supervisors Budget and Appropriations Committee and was moved forward with recommendations to the full Board for review the following week.

9. Commissioners' Questions and Matters

Chair Bustos thanked Commissioners for being so diligent and mindful of the work before them and for keeping in mind what they wanted to accomplish for the people of San Francisco.

Commissioner Bycer stated that two weeks prior, across the street from him at the Block 9 project at 410 China Basin Street in Mission Bay, he had watched cranes lifting entire studio apartments into place and announced that so far 14 modular units had been set in place. He encouraged Commissioners to witness this process, if they could, because it was such an impressive sight to see entire studio apartments being lifted by cranes into place.

10. Closed Session - None

11. Adjournment

Commissioner Brackett motioned to adjourn and Commissioner Scott seconded that motion.

Chair Bustos adjourned the meeting at 2:00 p.m.

Respectfully submitted,


Jaime Cruz
Commission Secretary