

# APPROVED LONG-RANGE PROPERTY MANAGEMENT PLAN 345 WILLIAMS AVENUE

## EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) submits its Long-Range Property Management Plan (“PMP”) for the disposition of Block 5423A, Lot 009, commonly known as 345 Williams Avenue (the “Site”). The Site is a 92,209-square-foot lot improved with surface parking and a 29,000-square-foot Foodsco supermarket leased to and operated by The Kroger Company (“Kroger”), potentially until 2031. The former San Francisco Redevelopment Agency (“SFRA”) acquired the Site with federal Community Development Block Grant (“CDBG”) funds in 1990 specifically for the development of a full-service supermarket in Bayview Hunters Point (“BVHP”), an under-served neighborhood.

The lease is an enforceable obligation that could remain in effect until 2031 if Kroger, in its sole discretion, chooses to exercise each of its remaining lease options. The Successor Agency proposes to transfer the Site to the City and County of San Francisco (the “City”) for future redevelopment pursuant to Section 34191.5(c)(2)(A)(i)-(ii) of the California Health and Safety Code. A transfer to the City would ensure that the original economic development purpose for acquiring the Site – that is, to develop a full-service supermarket in an underserved neighborhood – continues to be met, particularly in the event that Kroger does not exercise its remaining options.

## LONG-RANGE PROPERTY MANAGEMENT PLAN

The following presents the information requested pursuant to Section 34191.5 of the California Health and Safety Code for the Site. This property is also shown on Attachment A (Map of 345 Williams Avenue) and Attachment B (DOF Tracking Sheet for Other Properties), as No. 3.

### Date of Acquisition

Pursuant to Resolution No. 249-90, adopted September 18, 1990, the SFRA acquired the Site on September 27, 1990 for the stated purpose of developing a full-service supermarket.

### Value of Property at Time of Acquisition

The SFRA acquired the Site for \$4,000,000 pursuant to Resolution No. 249-90, which authorized the purchase of the Site for a full-service supermarket and allocated the expenditure of funds from the SFRA’s Economic Development budget. The SFRA’s Economic Development budget included \$4,000,000 in federal CDBG funds allocated by the San Francisco Board of Supervisors for fiscal year 1990-1991 specifically for acquisition of the Site.

## **Estimate of the Current Value**

The estimated current value of the Site is \$3,800,000, as determined by a January 4, 2011 appraisal of the SFRA's leased fee interest in the Site by Hamilton, Ricci & Associates, Inc.

## **Purpose for which the Property was Acquired**

Safeway operated a supermarket at 345 Williams Avenue until its closure in 1988. At that time, Safeway was the only supermarket serving the 30,000 BVHP residents. After closure of Safeway, residents were cut off from easy access to nutritious, competitively priced food. Residents instead had to patronize smaller, independent inner-city stores with poorer selection, and prices as much as 40% higher. BVHP residents identified a supermarket as the area's highest priority, and requested that the SFRA assist in its development. With assistance from the Mayor's Office of Business and Economic Development, the SFRA assessed multiple locations, and determined that the Site, which already contained a vacant supermarket building, would allow a new supermarket to be developed in the most cost effective way.

## **Address/Location**

The Site is located at 345 Williams Street in the BVHP and the former Bayview Hunters Point Redevelopment Survey Area and includes one parcel: Block 5423A, Lot 009. A map of the Site is attached as Attachment A.

## **Lot Size**

The Site is a 92,209-square-foot lot improved with a 29,000-square-foot supermarket structure and surface parking.

## **Current Zoning**

Pursuant to the San Francisco Planning Code, the Site is located in the Neighborhood Commercial, Shopping Center (NC-S) zoning district and the 65-J Height and Bulk District. NC-S districts are intended to serve as small shopping centers or supermarket sites which provide retail goods and services for primarily car-oriented shoppers.

## **Estimate of the Current Value (Including Appraisal Information)**

The estimated current value of the Site is \$3,800,000, as determined by a January 4, 2011 appraisal of the SFRA's leased fee interest in the Site by Hamilton, Ricci & Associates, Inc.

## **Estimate of Revenues Generated (Including Contractual Requirements for Use of Funds)**

In 1991, pursuant to Resolution No. 95-91, the SFRA entered into a lease with Cala Foods, Inc. (now Kroger) to develop and operate a full-service supermarket on the Site. The lease commenced on October 29, 1991 with an initial term of ten years, with six renewable option periods of five years each. The lease is now in its third option period, which expires in 2016.

Lease payments are comprised of (i) base rent and (ii) percentage rent of 1.25 percent of annual gross sales less offsets for the base rent, insurances and taxes. Per the appraisal by Hamilton, Ricci & Associates, the percentage rent collected under the lease is approximately 50% of market rents. In 2012, the base rent was \$308,312 and the percentage rent was \$7,988, for a total rent of \$316,300. The lease payments are CDBG program income, and can only be used for CDBG eligible purposes.

### **History of Environmental Contamination, Studies, Remediation Efforts**

The Site has no known history of environmental contamination. However, the Site is located within the BVHP area, which has historically been the industrial center of the City of San Francisco. BVHP is home to the Southeast Water Pollution Control Plant that treats 80 percent of the City's sewage. The PG&E Hunters Point Power Plant was also located within the BVHP community until its recent closure. The area is also subject to heavy traffic, with the adjacent Interstate 280 and US 101 routing the main flow of traffic from the south of the Bay along the area's eastern boundary. The site of the former Hunters Point Naval Shipyard, also located in the BVHP, has areas of heavy contamination and has been designated a Superfund site by the United States Environmental Protection Agency. Remediation efforts at the Shipyard are ongoing.

### **Potential for Transit-Oriented Development; Advancement of Planning Objectives**

The Site is about six blocks (.35 miles) west of Third Street, a commercial thoroughfare served by light rail. The Site is directly served by one bus route, and an additional eight bus routes are located within .5 miles of the Site.

### **History of Previous Development and Leasing Proposals**

Safeway operated a supermarket at 345 Williams Avenue until its closure in 1988. At that time, Safeway was the only supermarket serving the 30,000 BVHP residents. Working with the Mayor's Office of Business and Economic Development and the BVHP community, the SFRA purchased the Site on September 27, 1990 for the stated purpose of developing of a full-service supermarket.

In 1991, the SFRA entered into the lease with Cala Foods (now Kroger) that included improvements to the existing building and premises. The lease commenced on October 29, 1991 with an initial ten-year term and six, five-year options. The lease is now in its third option period, which expires in 2016. If Kroger decides, in its sole discretion, to exercise each of its remaining options, the lease would remain in effect until 2031.

### **Disposition of the Property**

As discussed above, the lease is an enforceable obligation that could remain in effect until 2031 if Kroger exercises each of its remaining options. The Successor Agency could attempt to sell the Site at fair market value, with the lease in place. It is very unlikely, however, that there would be interest in the Site given that it is encumbered, potentially until 2031, with a below-market lease. If a buyer was found, the proceeds from the sale would be considered CDBG

program income because the land was purchased with CDBG funds, and would not be distributable to the taxing entities.

Accordingly, the Successor Agency proposes transferring the Site to the City for future redevelopment pursuant to Section 34191.5(c)(2)(A)(i)-(ii) of the California Health and Safety Code. Transferring the Site to the City would ensure that the original economic development purpose for acquiring the Site – that is, to develop a full-service supermarket in an underserved neighborhood – continues to be met, particularly in the event that Kroger does not exercise its remaining options. Preservation of the supermarket on the Site remains critical and a high priority for the City.<sup>1</sup> Even with Foodsco in operation on the Site, portions of the BVHP neighborhood still have very limited access to fresh, healthy and affordable food. Approximately half of the neighborhood has been designated as a “food desert” by the U.S. Department of Agriculture (“USDA”).<sup>2</sup> Similarly, the City’s Department of Public Health gave the BVHP neighborhood a Food Market Score of only 33 out of 100, one of the lowest in the City.<sup>3</sup> In addition, the City’s 2014-2015 Action Plan<sup>4</sup> (1) identifies “improved access to healthy food options” as a persistent need in the BVHP neighborhood and (2) sets a five-year goal of stimulating the development of a new grocery store in the BVHP.

Under Section 34191.5(c)(2)(A)(i)-(iii) of the California Health and Safety Code, the Oversight Board or the Department of Finance may require approval of a compensation agreement, as described in Section 34180(f), prior to the transfer of property that the City retains for future redevelopment activities. The compensation agreement requires the City and other taxing entities to reach agreement on payments proportionate to their share of base property taxes for the value of the property retained. In this case, the Successor Agency is recommending that the payments under the compensation agreement consist of covenants and conditions on the Site restricting its use and any future disposition to purposes consistent with the CDBG program and with the original economic and community development objectives for the Site, namely the development of a full-service supermarket in an underserved neighborhood. In light of the existing restrictions on the Site and the long-standing community interest in access to a

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<sup>1</sup> In September 2013, the San Francisco Board of Supervisors adopted the Healthy Food Retailer Ordinance, the goal of which is to protect “public health by ensuring that healthy, fresh, sustainable, and affordable food is accessible to all residents of the City, particularly those living in neighborhoods with high rates of obesity, poverty and chronic disease, a high concentration of seniors and families with children, and/or a relative lack of public transit.”

<sup>2</sup> Food Deserts are defined by the USDA as “as urban neighborhoods and rural towns without ready access to fresh, healthy, and affordable food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that offer few healthy, affordable food options.” <http://apps.ams.usda.gov/fooddeserts/foodDeserts.aspx>.

<sup>3</sup> The Food Market Score is a combined measure of the quality, quantity, and proximity of all retail food resources near any one point. A high Food Market Score indicates that a neighborhood is geographically close to a range of different food store types. [http://www.sustainablecommunitiesindex.org/city\\_indicators/view/45](http://www.sustainablecommunitiesindex.org/city_indicators/view/45)

<sup>4</sup> See City and County of San Francisco, 2014-2015 Action Plan, page 38, available at <http://sf-moh.org/modules/showdocument.aspx?documentid=8555> (identifying specific programs and projects that have been recommended for funding for the 2014-2015 program year with CDBG and other federal funds). The Action Plan is submitted to the United States Department of Housing and Urban Development annually and constitutes an application for funds under the four federal funding sources.

supermarket, these conditions and covenants constitute a significant value in lieu of the payment of money.

**Properties Dedicated to Governmental Use Purposes and Properties Retained for Purposes of Fulfilling an Enforceable Obligation**

See section above.

Attachment A: Map of 345 Williams Avenue  
Attachment B: DOF Tracking Sheet for Other Properties



**Attachment B**  
**DOF Tracking Sheet – Other Properties**

**Attachment B  
DOF Tracking Sheet - Other Properties**

Successor Agency: **San Francisco**  
 County: **San Francisco**  
 Successor Agency to the Redevelopment Agency of the City and County of San Francisco

**LONG RANGE PROPERTY MANAGEMENT PLAN (PART 2): PROPERTY INVENTORY DATA - OTHER PROPERTIES**

No.	Property Name	Property Type	HSC 34191.5 (c)(2)		HSC 34191.5 (c)(1)(A)		Value Basis	Date of Estimated Current Value	SALE OF PROPERTY		Purpose for which property was acquired	HSC 34191.5 (c)(1)(C)			Estimate of Current Parcel Value	Estimate of Income/Revenue	Contractual requirements for use of income/revenue	History of environmental contamination, studies, and/or remediation, and designation as a brownfield site	Description of property's potential for transit oriented development	Advancement of planning objectives of the successor agency	History of previous development proposals and activity	
			Permissible Use	Permissible Use Detail	Acquisition Date	Value at Time of Purchase			Estimated Current Value	Proposed Sale Value		Proposed Sale Date	Address	APN #								Lot Size
<b>NON HOUSING PROPERTIES</b>																						
1	Garage Parcel -- Fillmore Heritage Center	Parking Lot/Structure	Governmental Use	See narrative	Between 4/12/1967 and 4/22/1969	\$939,450	\$2,200,000	Appraised	8/1/2012	\$0	2016	See narrative	1310 Fillmore Street	0732-32	54,000	Moderate Scale Neighborhood Commercial (NC-3)	\$2,200,000	See narrative	See narrative	See narrative	See narrative	See narrative
2	Commercial Air Rights Parcel -- Fillmore Heritage Center	Commercial	Future Development	See narrative	Between 4/12/1967 and 4/22/1969	(Included in acquisition price for Garage Parcel)	\$9,000,000	Appraised	Nov. 2013	\$0	2016	See narrative	1310 Fillmore Street	0732-33	50,000	Moderate Scale Neighborhood Commercial (NC-3)	\$9,000,000	See narrative	See narrative	See narrative	See narrative	See narrative
3	Land Leased to Kroger's (Foodsco)	Commercial	Future Development	See narrative	9/27/1990	\$4,000,000	\$3,800,000	Appraised	1/4/2011	\$0	2016/2017	See narrative	345 Williams Avenue	5423A-009	92,209	Neighborhood Commercial Shopping (NCS)	\$3,800,000	See narrative	See narrative	See narrative	See narrative	See narrative
4	Burke Avenue Cul de sac	Roadway/Walkway	Governmental Use	See narrative	8/14/1974	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	0 Burke Avenue	5203-037	11,400	Core Production Distribution and Repair (PDR-2)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
5	Burke Avenue (portion)	Roadway/Walkway	Governmental Use	See narrative	8/14/1974	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	N/A	5203-044	500	Core Production Distribution and Repair (PDR-2)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
6	Sidewalk fronting Cargo Way (portion)	Roadway/Walkway	Governmental Use	See narrative	12/10/1970 - 10/4/1972	\$523	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	N/A	4570-020	108	Core Production Distribution and Repair (PDR-2)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
7	Sidewalk fronting Cargo Way (portion)	Roadway/Walkway	Governmental Use	See narrative	12/10/1970 - 10/4/1972	\$20,531	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	N/A	4570-021	4,242	Core Production Distribution and Repair (PDR-2)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
8	Sidewalk fronting Cargo Way (portion)	Roadway/Walkway	Governmental Use	See narrative	12/10/1970 - 10/4/1972	\$4,196	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	100 Jennings Street	4570-028	867	Core Production Distribution and Repair (PDR-2)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
9	Sidewalks fronting Bonifacio Street	Roadway/Walkway	Governmental Use	See narrative	2/1/1968 - 3/2/1970	\$15,771	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	N/A	3751-167	1,600	Mixed Use-Residential (MUR)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
10	Sidewalks fronting Rizal Street	Roadway/Walkway	Governmental Use	See narrative	8/9/1966 - 10/6/1970	\$22,854	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	N/A	3751-168	2,240	Mixed Use-Residential (MUR)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
11	Remainder senior housing parcel (Eugene Coleman)	Roadway/Walkway	Sale of Property	See narrative	8/7/1967	\$2,694	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	N/A	3733-096	116	Residential - Commercial, High Density (RC-4)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
12	Remainder senior housing parcel (Clementina Towers)	Roadway/Walkway	Sale of Property	See narrative	11/2/1967	\$417	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	316 Clementine Street	3733-098	25	Residential - Commercial, High Density (RC-4)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
13	Ellis Street Driveway	Roadway/Walkway	Sale of Property	See narrative	4/6/1982	\$0	\$10,000	Appraised	9/14/2011	Fair Market Value	2016/2017	See narrative	N/A	725-026	6,875	Moderate Scale Neighborhood Commercial (NC-3)	\$10,000	See narrative	See narrative	See narrative	See narrative	See narrative
14	Westbrook Plaza - Land + Underground Garage	Parking Lot/Structure	Other	See narrative	12/19/2008	\$ 3,978,801	\$0	Market	Nov. 2013	Fair Market Value	2016	See narrative	227-255 7th Street	3731-240	46,274	South of Market Residential Enclave (RED)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
15	Westbrook Plaza - South of Market Health Center	Other	Other	See narrative	12/19/2008	\$ 1,600,000	\$4,367,542	Market	Nov. 2013	Fair Market Value	2016	See narrative	229 7th Street	3731-241	62,335	South of Market Residential Enclave (RED)	\$4,367,542	See narrative	See narrative	See narrative	See narrative	See narrative
16	Mini Park D-2	Roadway/Walkway	Sale of Property	See narrative	9/30/1969	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	Bet. McKinnon and La Salle Ave., east of Lane St.	4711-010	15,700	RH-2	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
17	Mini Park DD-4 (Shoreview Park)	Park	Governmental Use	See narrative	2/15/1972	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	Bet. Rosie Lee and Beatrice Lns, west of Lillian St.	4713-008	21,780	RH-2	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
18	Mini Park E-2	Roadway/Walkway	Sale of Property	See narrative	9/30/1969	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	South off of Commer Ct	4715-006	11,900	RH-2	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
19	Mini Park E-4	Roadway/Walkway	Sale of Property	See narrative	9/30/1969	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	Bet. Garlington Ct and Osceola Ln.	4715-010	2,400	RH-2	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
20	Mini Park F-2	Roadway/Walkway	Sale of Property	See narrative	9/30/1969	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	Bet. Ingalls St and Baldwin Ct	4714-003	43,000	RH-2	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
21	Mini Park FF-7 (Adam Rogers Park)	Park	Governmental Use	See narrative	9/30/1969	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	Off Palou St and Oakdale Ave, west of Ingalls St	4700-055	7,000	RH-1	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
22	Mini Park HH-2	Roadway/Walkway	Sale of Property	See narrative	9/30/1969	\$0	\$0	Market	Nov. 2013	\$0	2016/2017	See narrative	Bet Northridge and Kiska Rds, east of Ingalls St	4700-079	12,264	RM-1	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
23	Contemporary Jewish Museum Airspace Parcels	Commercial	Sale of Property	See narrative	4/27/1967-12/2/1971	\$445,549	0	Market	Nov. 2013	\$0	2016/2017	See narrative	736 Mission Street	3706-277 (por)	N/A	3-C-R	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
24	Block 201 Easement	Other	Governmental Use	See narrative	10/17/1963	\$0	\$0	Market	11/14/2013	\$0	2016-2017	See narrative	Former Jackson Street right of way	201 (por)	4,136	Residential - Commercial, High Density (RC-4)	\$0	See narrative	See narrative	See narrative	See narrative	See narrative
<b>HOUSING PROPERTY</b>																						
25	5800 3rd/Carroll Avenue Senior Housing	Residential	Fulfill Enforceable Obligation	See narrative	9/21/2010	\$8,380,733	\$5,810,000 <sup>1</sup>	Appraised	5/15/2013	N/A	2016	See narrative	1751 Carroll Ave	5431A-042	64,369	M-1	\$5,810,000 1	See narrative	See narrative	See narrative	See narrative	See narrative

<sup>1</sup> The Estimated Current Value of the affordable housing property is based on either a recent appraisal for ground lease purposes, or the acquisition value, however there is no actual value under Dissolution Law due to long term affordability restrictions and the future transfer of the property to the City as Housing Successor.