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Billion-dollar push on public housing

TMG, Related join nonprofit builders to overhaul S.F. projects

by **J.K. Dineen**

In a potential \$1 billion investment into some of San Francisco's most downtrodden neighborhoods, developers -- including **TMG Partners** and the Related Cos. -- are teaming up with nonprofit builders to rebuild and expand three public housing projects.

The program, dubbed Hope SF, calls for replacing some 1,500 units of existing public housing at three developments: Sunnydale, Westside Court in Western Addition and Potrero Hill. In addition to replacing the existing housing, densities at the three projects would be doubled with another 1,500 market-rate condos and affordable rental units.

In the largest of the proposed redevelopments, Related of California, an affiliate of New York-based Related Cos., would team up with Mercy Housing to build 1,498 units in Visitation Valley's distressed Sunnydale development. Under the \$400 million proposal, Related and Mercy would build 1,070 public housing and affordable rental units, as well as 428 affordable and market-rate condos. In Potrero Hill, **Bridge Housing Corp.**, together with its for-profit arm Bridge Infill Land Development, would construct 805 public housing and affordable rental units, as well as 446 affordable and market-rate condos, also about a \$400 million investment. At the 136-unit Westside Court in Western Addition, EM Johnson Interest and TMG Partners are proposing to replace 136 units of public housing and add another 80 to 100.

A fourth project, **John Stewart Co.**'s \$350 million redevelopment of the Hunters View project in Hunters Point, was proposed two years ago and is currently before the Planning Commission.

Bridge Housing CEO Carol Galante said "one of these projects alone would be unprecedented, to have three at once is really unprecedented. In the case of Sunnydale and Potrero Hill, you're changing the whole landscape."

Son of Hope VI

Hope SF is San Francisco's answer to drastic cuts to the federal Hope VI program. Over the past five years the budget of Hope VI, which provided funds to rebuild public housing in North Beach, Hayes Valley and the Mission, was slashed from \$600 million to \$90 million. With the federal financing dried up, the city and development partners are looking to subsidize the public housing rebuild with a mix of revenue from market-rate condos, as well state money, city funds, tax-exempt bond financing



"Unprecedented," says Bridge's Galante.

and low-income tax credits.

In addition to providing financing, mixing market-rate units into a public housing project creates a healthier, economically diverse neighborhood. Bill Witte, president of Related's West Coast operation,

said the goal is to "create a more balanced mixed-income area while not losing any low-income housing." In Potrero Hill, Bridge is in the process of acquiring neighboring parcels to allow room for more market-rate housing, Galante said.

"Our job is to try to expand the footprint to some adjacent property so we can do more mixed income," said Galante. "You need to have some diversity there."

Starting from scratch

By razing the existing projects and starting from scratch, the developers have the opportunity to create housing that looks and feels like part of its San Francisco neighborhood, rather than drab, concrete warehousing for the poor. The public housing projects in Sunnydale, Potrero Hill, and Hunters Point are disconnected from the neighborhood street grid.

"Sunnydale is about as physically isolated from the



"The city is really in the forefront," says Gardner (right) with Chairman John Stewart.

neighborhood as you can get," said Witte. "Physically and emotionally, it's always been a bit of an orphan."

Michael Johnson, who worked on rebuilding the North Beach development with Bridge Housing and John Stewart Co., said he would work with the neighborhood and current residents to create a design that feels and looks like part of the Western Addition. Unlike the other three Hope SF projects, tenants would have to be moved out of the Westside Court while the project is being rebuilt.

"Clearly one of the goals is to have the appearance of the new housing be compatible with the surrounding buildings, (and) the Westside Court buildings do not," said Johnson. "They stand out as 50-year-old concrete block buildings."

While all the buildings involved in the program have vast experience in market rate and affordable housing, John Stewart Co. will in a sense be leading the way with the Hunters View development. This month that project is before the Planning Commission for certification of its environmental impact report.

John Stewart Co. President Jack Gardner said the approvals will allow his company to apply for \$40 million in state funds in the fall. Thus far the Mayor's Office on Housing has dedicated \$5.5 million for the Hunters View development and John Stewart Co. has raised another \$2.5 million privately. They hope to break ground on the \$350 million project by the end of 2009 using tax-exempt bond financing and low-income tax credits.

"We are tackling some of the tough issues around doing this kind of work without federal Hope VI money," said Gardner.

Mercy Housing project manager Ramie Dare said the Hope SF proposal is being closely watched in other cities.

"The city is really in the forefront, taking a leadership on how to build these projects within the federal funding constraints," she said.