Date: September 10, 2015

Subject: 33 Gough Street Proposed Ground Lease Presentation

Item No.: 150910-IV

At the August 27, 2015 Board meeting, the Board discussed the proposed ground lease of the 33 Gough Street property. Many questions were posed by the Board and members of the public. At the September 10, 2015 meeting, this conversation will continue. There will be a thorough analysis and discussion of the issues related to this proposal.

At the September 10 meeting, the Board will be provided with a detailed explanation of the steps leading up to this point, including the original decision by the Board of Trustees to begin the process of leasing the 33 Gough property, how the proposed developer was identified, and the potential next steps. The Board will receive information on the relationship between District revenues and the level of affordable housing included in the project. In addition, the Board will receive answers to various questions posed at the last meeting. Finally, the Board will have an opportunity to meet representatives from Equity Community Builders and Integral Urban, the development group that was identified by the college committee as the group best able to meet the District’s objectives and complete the project.

After allowing time for public comment, the Board will go to a closed session to receive information and provide guidance to staff on specific terms and conditions of the proposed Exclusive Negotiating Agreement with the proposed development group. No Board action is anticipated.
FINANCIAL ANALYSIS

Based on 320 Total Units

<table>
<thead>
<tr>
<th>Affordability</th>
<th>Est Revenue</th>
<th>Revenue Reduction (Nom.)</th>
<th>Revenue Reduction (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>$1,059,195,323</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>33%</td>
<td>$794,396,492</td>
<td>$264,798,831</td>
<td>33%</td>
</tr>
<tr>
<td>50%</td>
<td>$510,614,239</td>
<td>$283,782,253</td>
<td>36%</td>
</tr>
</tbody>
</table>

Impact of Affordability Changes - at 4.59% rent growth

Based on 320 Total Units

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<th>Revenue Reduction (Nom.)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>$413,440,565</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>33%</td>
<td>$310,080,424</td>
<td>$103,360,141</td>
<td>25%</td>
</tr>
<tr>
<td>50%</td>
<td>$201,434,214</td>
<td>$108,646,210</td>
<td>35%</td>
</tr>
</tbody>
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Question:
SFUSD project at Mission and 16th was 100% affordable, why not this one too?
Answer:
• SFUSD and the Mayor’s Office of Housing and Community Development (MOH) have both been officially offered the opportunity to ground lease the property
• **Background and facts:**
  • SFUSD sold the Mission and 16th St. property in 2014 to the MOH
  • MOH sold to Bridge Housing in August 2015

Question:
Will there be any amenities disparity (different doors, nicer gyms, etc.) for market rate vs. BMR?
Answer:
• No. Illegal, unethical and the checks and balances in San Francisco will prevent it
• Proposed project has NO in lieu fee, so all affordable units will be built on-site and in the same building with shared amenities

Question:
Is it possible to run a co-op purchase model similar to St. Francis in Lower Haight?
Answer:
• Yes. Difficulties include:
  • Limited financing options (for the end-user) and smaller market of buyers.
  • Values drop precipitously as the ground lease expiration approaches

Question:
Can this be condo/for sale or only rental housing?
Answer:
• Yes. Difficulties include:
  • Values drop precipitously as the ground lease expiration approaches
  • Significantly lower return to CCSF

Question:
Can faculty and students get a Right of First Offer (ROFO) on housing?
Answer:
• Yes. However, it would likely need to be at a market rate.

Question:
What is plan B for the property if housing cannot be built or developer “walks away”?
Answer:
• Very unlikely that anything other than housing will be built
  • Market and Octavia plan, the entitlement process, location and dire need for housing almost ensure this will be housing
  • Structure of the deal is such that CCSF will receive a large up-front non-refundable payment and ground lease payments regardless of what is or is not built. Plan B is not ideal and market timing is imperative.

Question:
Area Median Income (AMI) affordability blend, is it being considered?
Answer:
Yes. This can and will be negotiated between ground lessee/developer and the City of San Francisco (Mayor, Planning, Supervisors, etc.) during entitlement phase and the intent is that this will be negotiated.

**Question:**
Can there exist dedicated affordable housing for CCSF faculty and students?

**Total BMR Units (33%)**

- **NO.** This portion cannot be set aside for students or faculty. This portion must be run by the Mayor’s Office of Housing and Community Development and its lottery system. Furthermore, dependents do not qualify for affordable housing.

- **HIGHLY UNLIKELY.** This would require a negotiation with the City (Mayor’s office, Supervisors, Planning) and it is unlikely that they will accept a different process than the lottery system. CCSF would also need to administer and manage the process of selecting who qualifies for and receives housing.

- **YES.** There will exist a dollar for dollar cost to CCSF if the ground lessor/developer must set aside units for students and faculty. This would come out of the ground lease payments.

**Additional BMR Units (21%)**

**Mandatory BMR Units (12%)**

**Market Rate Units (67%)**