[Urging the San Francisco Housing Authority to Evaluate Options for Affordable Housing Units]

Resolution urging the San Francisco Housing Authority, in consultation with McCormack Baron Salazar (MBS) to evaluate, as an alternative to the plans currently being proposed by MBS, rehabilitation and redevelopment options that result in 100% of the units onsite as affordable housing, including but not limited to an alternative proposal that incorporates Faircloth-to-RAD conversion.

WHEREAS, Plaza East was built in 1956, with high-rise tower style apartments to provide affordable housing to families in the Western Addition, a predominantly black neighborhood; and

WHEREAS, At the time the housing was owned and managed by public entities; and

WHEREAS, McCormack Baron Salazar (MBS), a St. Louis-based developer, rebuilt Plaza East Apartments in 2001 due to a lack of sufficient federal funding to maintain the property, MBS rebuilt Plaza East in 2001 and agreed to maintain it in good condition; and

WHEREAS, The Plaza East Property is owned by a partnership of the San Francisco Housing Authority (SFHA) and MBS; and

WHEREAS, The SFHA owns the land that includes Plaza East Apartments; and

WHEREAS, The SFHA is the managing General Partner and MBS is Administrative General Partner; and

WHEREAS, When Plaza East was demolished and rebuilt by MBS in 2001, under HOPE VI, there was a 30% reduction in units, from 276 to 193, disproportionately impacting Black families; and

WHEREAS, Only 57% of former Plaza East residents moved back after the rebuild; and
WHEREAS, Many residents who opted to take Section 8 Vouchers (subsidies to live in private market rental housing) for ‘temporary’ relocation left San Francisco or could not be located once the renovations were complete; and

WHEREAS, Since the 2001 redevelopment, Plaza East has fallen into disrepair, SFHA and MBS have known about these extreme issues for years, and despite SFHA and MBS’s knowledge, residents have continued to face substandard conditions in their units; and

WHEREAS, In 2018, MBS asked and received a $100,000 grant from the Housing Authority for repairs with no repayment obligations; and

WHEREAS, On November 18, 2020, Mayor London N. Breed submitted a letter of support to Ms. Jane Hornstein of the U.S. Department of Housing and Urban Development, Special Applications Center to express support for the Inventory Removal Application submitted by the San Francisco Housing Authority for the Plaza East public housing development pursuant to Section 18 of the Housing Act of 1937; and

WHEREAS, On November 19, 2020, the Housing Authority’s Board of Commissioners authorized the Housing Authority’s Acting Executive Director to submit an inventory removal application to HUD for Plaza East allowing the agency to take the first step in the demolition process by signing off on McCormack Baron Salazar’s plan to tear down and rebuild the site, after a mere 20 years since the prior demolition; and

WHEREAS, On January 9, 2021, the SFHA submitted a demolition application to the U.S. Department of Housing and Urban Development (HUD) for review; and

WHEREAS, The demolition would have been the second time in just twenty years that HUD would have given approval to McCormack Baron Salazar to tear down and rebuild Plaza East; and

WHEREAS, If HUD had approved of the demolition of Plaza East in 2021, it would have been the first HOPE VI site in the nation to be torn down; and
WHEREAS, The U.S. Department of Housing and Urban Development on March 30, 2021, denied MBS’s application to raze and rebuild Plaza East Apartments, a 20-year-old public housing complex in the Western Addition; and

WHEREAS, HUD requires that the cost of repairs exceeds over 57.14% of the cost to rebuild, and HUD found that MBS had not met that threshold and HUD determined that repair costs would be only 39.6% of total development cost; and

WHEREAS, HUD’s decision came three months after the San Francisco Housing Authority submitted a demolition application; and

WHEREAS, On April 6, 2021, after over 30 residents submitted a petition raising concerns regarding the habitability and the future of Plaza East, Supervisor Dean Preston called for a hearing on the investigation of complaints of substandard living conditions at Plaza East and discussions of proposed plans for the property, and requesting the Department of Building Inspection, Mayor’s Office of Housing and Community Development, Housing Authority, and Office of the City Attorney to report; and

WHEREAS, On April 16, 2021, the city approved a $2.7 million Emergency Repair Funding loan to MBS for Plaza East, of which $2.5M was for repair work and $198K for resident engagement and services; and

WHEREAS, Emergency repairs were scheduled to be completed by May 2022; and

WHEREAS, On April 22, 2021, the San Francisco Housing Authority approved a Resolution to pull the HUD demolition application; and

WHEREAS, On May 6, 2021, Supervisor Preston held a hearing on the investigation of complaints of substandard living conditions at Plaza East and discussions of proposed plans for the property at the Government Audit and Oversight Committee of the San Francisco Board of Supervisors; and
WHEREAS, At the initial hearing, the Chief Development Officer at MBS asserted that
“there are no current plans to demolish some or all of Plaza East” and that “no matter what we
represent to the feds to unlock additional money, the future of Plaza East is in their [the
residents’] hands;” and

WHEREAS, On June 1, 2021, facing extensive and ongoing complaints about
conditions and management, The John Stewart Company replaced McCormack Baron
Salazar as the property manager, and MBS stayed on as the developer; and

WHEREAS, In meetings with residents and the District 5 office in the year since the
hearing, MBS has continued to promote a “mixed income” model, and claimed there is
resident support for a “mixed income model;” without providing details to residents or the
District 5 office of what that meant by “mixed income,” what income brackets were targeted,
and whether the income mix would include market rate housing on this public housing site;
and

WHEREAS, Despite dozens of requests for clarity regarding MBS’s intentions with
regard to market rate housing, if any, on this site, MBS provided its first details regarding such
plans in a PowerPoint presentation to residents at a meeting on February 22, 2022, and then
upon inquiry from the District 5 office, confirmed for the first time on February 25, 2022, that
the development plans would include hundreds of units of market rate housing at Plaza East,
and that MBS would bring on a private developer for those units; and

WHEREAS, The District 5 Supervisor has for over a year requested that the Housing
Authority and MBS consider, evaluate, and share an analysis of plans for Plaza East that do
not rely on private market rate development at the site, including identifying existing programs
to fund such plans and identifying any funding gaps or subsidy needs to make such
alternatives pencil out; and
WHEREAS, After over a year plus of requests from the District 5 office for alternate development plans, including requests submitted prior to and at the May 6 and July 15, 2021 hearings at the Board of Supervisors, and requests in meetings over the last year, at no time has MBS or the SFHA provided such plans or an evaluation or estimate of the funding needs and sources to make such a project feasible; and

WHEREAS, On May 25, 2022, MBS held a meeting with residents to introduce them to the new private market rate developer, Strada, and to cover next steps in the development process with residents; and

WHEREAS, Plaza East was reduced from 276 to 193 units through the 2001 demolition, and the District 5 office has specifically requested that any plan for Plaza East include not just the replacement of the 193 units of public housing, but the addition of a minimum of 83 deeply affordable units (tenants pay no more than 30% of their income in rent) to address the prior loss of units, a request to which SFHA’s director has indicated an agreement in principle if feasible, but MBS has failed to agree to; and

WHEREAS, There is an incredible need for affordable housing in the Western Addition neighborhood particularly for extremely low income families who would benefit from deeply subsidized affordable housing; and

WHEREAS, HUD’s Office of Recapitalization on April 12, 2021, announced their “Faircloth-to-RAD” program for public housing agencies to create affordable homes in order to address the lack of public housing units being developed; and

WHEREAS, The Faircloth-to-RAD program is designed to establish a long-term rental subsidy contract for new housing units that will enable public housing agencies and associated partners to finance the development of new properties; and

WHEREAS, According to HUD, in a Faircloth-to-RAD transaction, Public Housing Assessment System (PHAs) will develop public housing units using HUD’s public housing
mixed-finance program with pre-approval to convert the property to a long-term Section 8 contract following acquisition or rehabilitation/construction; and

WHEREAS, With early-stage RAD conversion approvals, lenders and investors will have the revenue certainty through familiar Section 8 contracts to underwrite these projects; and

WHEREAS, According to HUD, SFHA has the authority to build up to 2,471 new units with this conversion method; and

WHEREAS, Despite the newly announced Faircloth to RAD process, SFHA and MBS have not commenced discussions with HUD to evaluate possible application to Plaza East, despite the request of the District 5 Office to explore this potential funding opportunity, and have dismissed suggestions from the District 5 Office and residents that this avenue be explored as a vehicle to fund public housing onsite without relying on private market rate development; now, therefore, be it

RESOLVED, The Board of Supervisors urges that any redevelopment plan for Plaza East center the residents of Plaza East and that any such plan be developed in a transparent way with the leadership and meaningful involvement of residents, and include an absolute right of return for residents; and, be it

FURTHER RESOLVED, The Board of Supervisors urges the San Francisco Housing Authority, in consultation with McCormack Baron Salazar (MBS), the Mayor’s Office of Housing and Community Development, the Planning Department, the Office of Economic and Workforce Development, and the United States Department of Housing and Urban Development (HUD), to evaluate, as an alternative to the plans currently being proposed by MBS, rehabilitation and redevelopment options that result in 100% of the units onsite as affordable housing, including but not limited to an alternative proposal that incorporates Faircloth-to-RAD conversion; and, be it
FURTHER RESOLVED, The Board of Supervisors urges that any redevelopment proposal that increases the number of units at Plaza East should include replacement of not just the 193 units currently at Plaza East, but also, at a minimum, the 83 units that were removed and not replaced resulting in the displacement of many Black residents from the neighborhood in the last redevelopment, bringing the total number of replaced public housing units from 193 to a minimum of 276, regardless of the number of other units, if any, built on this site; and, be it

FURTHER RESOLVED, That the Housing Authority provide a written report to the Board of Supervisors within 60 days on alternative development options in which all of the units are below market rate to target low-income and working class neighborhood residents, along with any funding, financing, or feasibility obstacles to such plans; and, be it

FURTHER RESOLVED, That the Clerk of the Board shall transmit a copy of this Resolution to the Housing Authority, Office of Economic Workforce Development and the Mayor's Office of Housing and Community Development.
Resolution urging the San Francisco Housing Authority, in consultation with McCormack Baron Salazar (MBS) to evaluate, as an alternative to the plans currently being proposed by MBS, rehabilitation and redevelopment options that result in 100% of the units onsite as affordable housing, including but not limited to an alternative proposal that incorporates Faircloth-to-RAD conversion.

June 28, 2022 Board of Supervisors - ADOPTED
Ayes: 10 - Dorsey, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton
Excused: 1 - Chan

I hereby certify that the foregoing Resolution was ADOPTED on 6/28/2022 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board