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Real Estate

Stopping redevelopment

With the demise of redevelopment agencies, a huge housing project heads toward deep freeze in San Francisco's Visitacion Valley

Premium content from San Francisco Business Times by J.K. Dineen, Reporter

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The $450 million revitalization of the long-abandoned Schlage Lock manufacturing property in San Francisco's Visitacion Valley faces what could be a fatal blow when California's redevelopment agencies are eliminated at the end of the month.

Unlike other redevelopment projects in San Francisco — Mission Bay, Hunters Point Shipyard, Treasure Island and Transbay Transit District — the city and Schlage Lock developer **Universal Paragon Corp.** had not finalized an owner-participation agreement in late December when the California Supreme Court upheld eliminating the state's redevelopment agencies. No participation agreement means no enforceable obligation, which means that the city will not be able to collect tax increment revenues to pay for the infrastructure and affordable housing that is a necessary component of the 12.3-acre Schlage redevelopment.

"We will have to look for new strategies in order to continue the affordable housing and infrastructure program that we adopted so long ago in Visitacion Valley," said San Francisco Redevelopment Agency Director Tiffany Bohee.

A decade in the works, the Schlage Lock project calls for 1,250 units of housing, 25 percent of which would be affordable. It also calls for 105,000 square feet of commercial development, including a full-service supermarket, something Visitacion Valley desperately

needs. The project had counted on tax increment financing to pay for the $12.5 million in parks and landscape improvements and $13.2 million for "backbone infrastructure," such as streets and utilities.

Construction on hold

Universal Paragon General Manager Jonathan Scharfman said his company had planned to start construction on the first block of 300 housing units by the end of this year, and that the death of redevelopment agency will likely mean at least a year delay. The company has been busy overseeing the cleanup of toxins and old structures from the property. The northern portion of the property has been cleaned up and the southern part is 85 percent remediated.

"Had first redevelopment not gone into suspension in June and subsequently been killed in December, we were looking at a late 2012 construction start," said Scharfman. "The challenges we face in 2012 are a direct result of the supreme court's decision on redevelopment."

Scharfman said his group is working closely with the mayor's office and development staff to make sure there is "an orderly transition of administration of this project" from the redevelopment agency to other city agencies. It's still unclear whether the management for former redevelopment areas will transfer to the Planning Department, the Mayor's Office of Housing, or the Mayor's Office of Economic and Workforce Development.

"Our immediate goals are to identify and secure alternatives to TIF financing for the project," Scharfman said.

Infrastructure work includes extending four streets — Sunnydale, Visitacion, Leland and Raymond — from the west to the east side of Bayshore Boulevard. It also calls for two new north-south streets and a 2.2-acre park. There is also the seismic upgrade and restoration of the original 1922 Schlage office building, which is 15,000 square feet.

Community support

In a city famous for its fierce land use battles, the proposed mixed-use redevelopment of the Schlage Lock property in Visitacion Valley is unusual for one simple reason: Seemingly everyone supports it.

"Our community fought to bring redevelopment in," said resident Fran Martin, who chairs the Visitacion Valley Planning Alliance. "Usually it's a developer or a government agency. We initiated it and we fought for it. Now we are being left out in the cold."

Straddling the Daly City border, Visitacion Valley is roughly defined by McLaren Park and Gleneagles Golf Course to the west, Mansell Boulevard to the north, Bayview Hill and Candlestick Cove to the east, and the San Mateo County line to the south.

As one of San Francisco's poorest and most isolated neighborhoods, Visitacion Valley has long been a dumping ground for uses that would not be tolerated in other parts of San Francisco.

The neighborhood boasts the largest public housing complex in the city, the dilapidated Sunnydale projects, as well as two others, Britton Courts and Heritage Homes. Greater Visitacion Valley is home to Recology's garbage transfer station, the **Kinder Morgan** tank farm, **PG&E**'s Martin substation and over 600 acres of landfill.

Over the past five years, the homicide rate within a quarter-mile of Sunnydale has been almost four times higher than the citywide rate. On a half-mile stretch of Sunnydale Avenue, there were 15 shootings in 2010, more than one a month. Average adjusted gross incomes for the area are at $38,802, compared with a citywide average of $73,798.

In a letter to Mayor Ed Lee, the Visitacion Valley Planning Alliance urged the city to immediately focus on Schlage Lock. "This a terrible blow to the hopes for revitalizing Visitacion Valley," the letter stated. "It is disconcerting that the media and those speaking on the issue do not mention Visitacion Valley as one of the project areas that will be impacted. Actually, our community will be even more severely impacted than the other SFRA projects."

Transit-oriented development

Apart from the planned Transbay Terminal at First and Mission streets, the Schlage Lock project has the best public transit of any redevelopment site in the city. The property is a quick walk from two stops on the T-Third light rail line and also has its own Caltrain station. The rich array of transit has attracted other developers to the greater Visitacion Valley area. Mercy Housing California and the Related Cos. of California are planning to rebuild the 50-acre, 785-unit Sunnydale public housing development and add 900 units of market-rate and affordable units.

In addition to Schlage Lock, UPC is planning 4,000 units of housing on the Brisbane Baylands property, just to the south of Schlage Lock.

"The Schlage Lock project would help establish the feasibility of market-rate homes in the Sunnydale Hope project," said Doug Shoemaker, president of Mercy Housing California. "We are hoping that a lot of good things happen in Visitacion Valley."

Martin said the idea of losing key redevelopment agency staffers like Lila Hussain, Kelly Kahn and Amy Neches will set the project back.

"This is not just about 'Wouldn't it be nice to help this poor developer?'" said Martin. "This is about a community that has done a lot for the rest of the city and has been historically neglected. You look on a lot of maps and you don't see the southern section of the city, yet we are supplying the majority of the housing that other people don't want in their neighborhood."

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