



**COW HOLLOW ASSOCIATION**  
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June 8, 2010

Mayor Gavin Newsom  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**Re: King Edward II Inn's Conversion to Transitional Age Youth Housing**

Dear Mayor Gavin Newsom:

The Cow Hollow Association (CHA) represents the interests of approximately 1,800 residents in forty-eight blocks demarcated by Lyon, Pierce, Greenwich, and Pacific Streets. We write to express our concerns about the proposed project to convert the Edward II Inn (located at 3155 Scott at Lombard) to Transitional-Age Youth (TAY) housing and request that you refrain from signing the loan pledge pending further investigation into the viability of the project, and allow additional opportunities for public comment. We also request a meeting with you to state our concerns in person.

The Mayor's Office of Housing, in conjunction with CHP and LSYS, is proposing a change-of-use from a tourist hotel to a low income, group housing facility to accommodate 24 at-risk young adults between the ages of 18 and 24 who are transitioning out of foster care, alcohol/drug abuse, juvenile delinquency, neglect or homelessness.

We have received numerous emails and phone calls from residents and merchants in the area with concerns about this project. All the impacted residential (Cow Hollow and Marina) and merchant (Chestnut and Union Street) associations oppose this project in its current form. Over 125 residents and merchants attended a June 1 public meeting to hear about the proposed plans from Community Housing Partnership (CHP), Larkin Street Youth Services (LSYS) and Mayor's Office of Housing (MOH). Some members of the public expressed support for the project, but the overwhelming majority were strongly opposed.

We recognize that transitional-age youth need and deserve special living accommodations and understand that a small, well-managed and appropriately-located housing facility can help ensure success in transitioning out of foster care and other difficult circumstances. We believe that any transitional-age youth housing project must meet the highest standards from initial funding and planning through execution in order to ensure that the target population is appropriately served and the community is not unduly impacted. Rest assured, the neighborhood will support a facility that meets all of the appropriate statutory guidelines, but we will not accept a poorly-planned project that fails to address basic questions related to crime, density, or economic and neighborhood impact.

We are open to discussing alternative options for TAY housing in our area, but as it stands today, our analysis of the Citywide Affordable Housing Loan Committee staff evaluation (“Evaluation”) and preliminary research have raised a number of serious questions regarding the project. We therefore oppose this project in its current form for the following reasons (more fully discussed below):

- The Evaluation and project sponsor failed to adequately address the project’s impact on the character of the neighborhood and its environs;
- Creating a Special Use District (Spot Zoning) sets a bad precedent for future development projects and will irreparably alter the character of the neighborhood;
- There has been inadequate analysis of the project’s impact on the economic health of the local business community;
- The proposed loan terms are based upon unsubstantiated and undocumented assumptions;
- The potential impact of the project’s questionable plan for compliance with American with Disabilities Act (ADA) requirements on the availability of federal funding for the project are not properly addressed in the Evaluation;
- There has been inadequate due diligence related to the project sponsor’s financial solvency;
- The Notice of Funding Availability (NOFA) bidding process lacks transparency;
- Federal NEPA standards are virtually ignored;
- There has been inadequate public disclosure and public participation.

Unfortunately, our analysis does not give us confidence that the current proposal for Edward II Inn is the appropriate venue for this project for the following reasons.

**1. Neighborhood Character Considerations Must Be Addressed**

The Evaluation should be revised to better reflect the project's potential impacts on neighborhood character, as well as the economic consequences that the conversion of a tourist hotel will have on local businesses, prior to any funding determination.

**a. Evaluation Of Impact On Neighborhood Character Incomplete**

Section 3.2.2 of the Evaluation (Adjacent Uses and Neighborhood Amenities) indicates that concerns related to the impact of the project on the neighborhood were raised by "a number of neighbors" who "expressed concerns about the management" of similar housing projects. Specifically, a concerned resident was directed by CHP and LSYS to view a similar TAY situation at 864 Ellis Street. He visited the site and spoke with neighbors and merchants on the same side of the street to determine their feelings. He was told it was the worst thing to ever happen to the block. The neighbors described the situation as kids who are often very loud, smoking cigarettes and pot on the sidewalk, disrespectful, congregating in large groups, public urination, drunken, fights, etc. Also, a local police officer raised this issue at the June 1 public meeting, stating that a similar project near Stonestown Mall resulted in an increase of crime of at least 50% over average. However, CHP seems to deny that crime is a problem, despite ample empirical evidence to the contrary. As a consequence, we believe that the project, as slated, is too big and lacks adequate security and supervisory measures.

In addition, the Bridge Motel housing project located a block away from the Edward II Inn has been the source of serious concern for some time as it has been a hotbed of illegal activity and was recently declared a "public nuisance" by the City Attorney. While the CHP/LSYS's project would undoubtedly be better run and supervised than the Bridge Motel, the neighborhood deserves some assurances as to how their project will safeguard against the similar problems raised by the Bridge Motel.

In the June 1 public meeting, CHP staff admitted that no drug testing will be required as a condition of occupancy, and that the occupants will be allowed a guests up to 14 nights per month (potentially doubling the number of transitional-age youth occupying the facility). Despite such revelations, CHP does not commit to any changes in staffing or supervision, or to address how it will deal with criminal activity by the residents.

CHA cannot support this project unless and until neighborhood character and potential crime issues are adequately addressed. We need to see a complete plan for how the facility will be managed and what measures will be in place to prevent criminal activity by the residents. It is possible that a smaller facility with twenty-four (24) hour staffing would be acceptable; however, absent such additional crime prevention and staffing measures, this facility *as proposed* poses a credible concern to the residents of the Marina and Cow Hollow districts that cannot be ignored by CHP.

### **b. “Spot Zoning” Sets Bad Precedent For Neighborhood**

This project, as proposed, exceeds current zoning laws, which would limit the project to 16 units (as opposed to the 24 proposed). However, the Evaluation’s Section 4.1 (Zoning) states that “[t]he sponsor [...] will pursue the creation of an affordable housing Special Use District (SUD)” to bypass the current density controls. We believe that changing the zoning requirements for this particular parcel sets a bad precedent for future development projects and will irreparably alter the character of the neighborhood. The rationale for the proposed change in density is, per CHP, that operating a facility smaller than 24 units is “inefficient”. But a developer’s financial considerations should not alone warrant the creation of a SUD, especially when the increased density will impact the neighborhood. Moreover, we believe that the proposed “spot zoning” may be unconstitutional and subject to legal challenge.

### **c. Economic Impact Ignored In Evaluation**

The Evaluation does not provide for any consideration of the potential economic impact of the conversion of a tourist hotel to permanent supportive housing beyond a cursory statement in Section 4.4 (Community Support) that “[a] number of neighbors are concerned [...] about the proposed change from use as a tourist hotel.” But several local merchants, the Union Street Merchant Association, the Marina Merchants Association and the Marina Cow Hollow Neighbors and Merchants, all oppose the project based upon their experience that the motels and hotels on Lombard Street send needed clientele to both Union and Chestnut Street businesses and that the project will take away those customers.

It is important for the decision makers to understand that the Marina and Cow Hollow Districts have been hard-hit by the recession, and any further potential weakening of the economic base deserves careful attention and consideration. The Evaluation should be revised to address these issues in much greater detail with the participation of the potentially-impacted businesses.

## **2. Major Funding Questions Unaddressed**

There are a number of questions raised by the Evaluation related to potential funding challenges that need to be resolved before the City allocates millions of dollars to purchase property for a project that ultimately may not be financially feasible or prudent. This matters to CHA because failed or deficient financing portends a failed or deficient operation.

**a. Loan Terms Premised On Unsubstantiated Assumptions**

Perhaps most concerning of all issues raised by the Evaluation is the unsubstantiated assumption that CHP will be able to obtain private funding to repay “all MOH funds [...] at the time permanent financing is closed.” See Section 1 (Summary). No basis for this statement is given in the Evaluation, nor is there any indication of the terms or likelihood of such funding.

In contrast, Section 12.1 of the Evaluation (Proposed Loan/Grant Terms) indicates that the loan will be structured as a fifty five (55) year, zero percent (0%) interest loan in the event that such funding is not obtained. Under this scenario, the City will be obligated to loan the funds under highly favorable and preferential terms to CHP with no guarantee of repayment. The simple claim that CHP will be able to obtain private funding in this difficult credit market is not a sufficient basis for approval of a major development. At a minimum, the public deserves full disclosure of all terms, facts and other commitments that may impact CHP’s ability to obtain private financing before any decision is made on the loan commitment. We believe that it would be fiscally irresponsible to sign the loan pledge without fully assessing CHP’s ability to obtain private funding and/or requiring CHP to obtain a verified funding commitment from a third-party lender.

**b. Americans With Disabilities Act (“ADA”) Compliance Issues Must Be Vetted Prior To Loan Commitment**

Section 5.12 of the Evaluation (Accessibility) indicates that the upper floors of the building would not be accessible to disabled individuals, as the building reportedly cannot accommodate an elevator. As a result, only one fully-accessible unit will be created on the ground level. The Evaluation further states that “[t]his approach would require that the sponsor submit a Hardship Request to the Mayor’s Office of Disability” to excuse the lack of full accessibility to the entire building.

The concern raised by this approach is that it may jeopardize federal funding. As a general proposition, any federal grant of funds for construction of this type requires full ADA compliance. The loan should not be approved without official confirmation that the lack of full ADA compliance will not prohibit federal funding of the project.

The main reason given by CHP for lack of ADA compliance is the expensive projected cost, which is not a credible argument; this project is already running close to \$800 per square foot (more than the average cost to build a hospital facility from the ground up).

We note, furthermore, that the project, as scoped, fails to meet the accessibility requirements set forth in the NOFA (“Project sponsors will be responsible for meeting all applicable accessibility standards related to publicly-funded multifamily housing development under Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act, the Americans with Disabilities Act, and certain statutes and regulations of the City and County of San Francisco. New construction projects will be required to have at least 50% of all units adaptable and 10% of all rehabilitated units assisted with funds from this NOFAs shall be adaptable.”) The project as proposed by CHP fails to comply with the stated NOFA requirements.

### **c. CHP Solvency Requires Additional Evaluation**

Section 2.2 of the Evaluation (Borrower/Grantee Profile) indicates that CHP “owns, operates, or serves 738 units of permanent supportive housing with an additional 287 units due to open in the next three years.” The Evaluation goes on to say that CHP recently hired a new asset manager and executive director and concludes that there is adequate staff to manage the development of this project in addition to the hundreds of units already under CHP’s management.

However, the Evaluation does not address CHP’s financial picture given that many or most of the 287 units in process were undoubtedly developed and financed prior to the current economic recession. The loan committee should require that CHP provide additional information on its financial capacity to complete and manage the additional units now coming online. Any prudent investor would require the same assurances as to CHP’s financial viability before lending such a sizable amount of money; it is appropriate and necessary that the City do no less.

## **3. NOFA Process Lacking In Transparency**

The NOFA process is intended to offer the public assurances that all City contracts and grant awards are done with highest level of transparency and public scrutiny to avoid the appearance of impropriety, as well as any actual impropriety. In this case, there are a number of issues related to the adequacy and propriety of the NOFA bidding process that must be addressed prior to any decision on the loan commitment.

### **a. Availability of “Unexpected Funds” Unexplained**

Section 1 of the Evaluation (Summary) states that the initial NOFA was for an award of \$2,000,000. However, the Evaluation recommends a grant of \$4,416,508—an increase of 120% over the initial funding notice amount. There is no explanation given in the Evaluation for the difference in available funding other than to state that “Staff

recommends an additional \$2,416,509 be committed to the project *due to the unexpected availability of additional funds eligible for use on this project.*” (Emphasis added.)

The public deserves a better understanding of why such “additional funds” were made available for use on the project, as well consideration of the fact that other projects might have applied for funds if the original NOFA had disclosed the full amount of funding available. To make the additional funds available without undergoing the NOFA process is damaging to the public’s confidence in the bidding process and the city’s management of government funds.

In any case, it appears that NOFA process guidelines were not complied with by the issuing agency. As a result, it is impossible to determine whether this project represents the highest and best use of *all* the MPH-TAY funds now available. At a minimum, the loan committee should re-issue the NOFA for the full amount of funds now available to ensure that all vendors have an opportunity to fairly compete for the full amount. Absent such a step, it is likely that the City will face a legal challenge due to the City’s failure to disclose the true amount of funds available and follow established bidding processes and procedures.

If there are any other terms, options to purchase, conditions, guarantees, covenants or promises related to this project that the public has a right to know about, then we request they be disclosed.

#### **b. NEPA & Section 106 Review Must Be Conducted**

Although the project is purportedly exempt from Environmental Impact Review and potentially exempt from California Environmental Quality Act (“CEQA”) review, Section 4.2 of the Evaluation (Local/Federal Environmental Review) indicates that National Environmental Policy Act (“NEPA”) and Section 106 of the National Historic Preservation Act review will be required. However, no information on the likelihood of any issue arising as a result of such NEPA and Section 106 review was given in the Evaluation, other than to state that a “NEPA/Section 106 Consultant” has been retained.

According to the NEPA regulations, in considering whether an action may “significantly affect the quality of the human environment,” an agency must consider, among other things: “[u]nique characteristics of the geographic area such as proximity to historic or cultural resources” and “[t]he degree to which the action may adversely affect districts, sites, highways, structures, or objects listed in or eligible for listing in the National Register of Historic Places.” The NEPA regulations also require that “[t]o the fullest extent possible, agencies shall prepare draft environmental impact statements concurrently with and integrated with environmental impact analyses and related surveys and studies required by the National Historic Preservation Act.”

Consequently, CHP must provide additional information on this subject to allow the public to meaningfully participate in the process before any funding decisions are made. As you may be aware, the building was erected as part of the Pan-Pacific Exposition and is one of only three remaining structures from that event (the Palace of Fine Arts and the old Police Station on Greenwich at Pierce being the other two). The historic profile of the building requires adequate study and legal compliance that has yet to occur.

### **c. Public Participation Considerations Largely Ignored**

Section 4.4 of the Evaluation (Community Support) states that “[b]efore submitting its application under the TAY NOFA, CHP began working with Supervisor Alioto-Pier's office to identify key neighborhood and business organizations and community leaders to gain support for the project.” Such a statement is an oversimplification of the outreach necessary to obtain the kind of community and neighborhood support for a project of this nature and scope. CHP must dramatically increase its efforts to meet with key stake holders before it can claim to have gained any support among the Marina and Cow Hollow business and neighborhood leaders.

Moreover, it is impossible for neighborhood and business organizations to take a position on this project when very little information has been supplied by CHP as to the impact that the project will have on the neighborhood and its environs. Consequently, CHP must provide the additional information requested herein to all stakeholders and then engage neighborhood and business organizations in a meaningful dialogue. Until such open and free exchange of ideas information is conducted, it is inaccurate to suggest that there has been adequate public participation on the project, sufficient to allow the City to make any determination on funding.

## **4. Conclusion**

The “marketing document” submitted by the Loan Committee to obtain support for this project is incomplete and lacking in basic information about the project. We ask that you take the steps outlined here, including ensuring that NOFA bidding procedures are followed, requiring adequate financial disclosure by CHP, and obtaining sufficient community engagement prior to making any decision on the loan pledge. To do otherwise would be a disservice to the citizens of San Francisco and the residents of both the Cow Hollow and Marina Districts.

As we stated earlier, we want to work with MOH, CHP and LSYS to find an acceptable solution that serves the needs of both the at-risk youths and our community. I can be reached at 415-749-1841 to set up a meeting with you and the other neighborhood leaders.

Sincerely,



Lori Brooke

President, Cow Hollow Association

cc: Cow Hollow Association Membership  
Douglas Shoemaker, Director Mayor's Office of Housing  
Michela Alioto-Pier, District 2 Supervisor  
John Millar - President, Marina Community Association  
Patricia Vaughey - President, Marina Cow Hollow Neighbors and Merchants  
Lesley Leonhardt - President, Union Street Merchant Association  
Alexander Feldman - President, Marina Merchant Association  
Gail Gilman, Community Housing Partnership  
Chris Brahm, Larkin Street Youth Services