

Mayor's Office of Housing and Community Development
City and County of San Francisco



Daniel Lurie
Mayor

Dan Adams
Director

MEMORANDUM

To: Jeremy Pollock, Local Area Formation Commission Executive Director
Khalid Samarrae, Local Area Formation Commission Executive Policy Analyst

From: Daniel Adams, Mayor's Office of Housing and Community Development Director

Re: Midtown Park Apartments: Community Vision Report

Date: January 14, 2025

Thank you for inviting the Mayor's Office of Housing and Community Development ("MOHCD") to review the Midtown Park Apartments Community Vision Report. We appreciate your work and thoughtful approach and care the consultant team shown toward the Midtown Park residents' vision.

In response to your request for comment, we would like to point out several factual inaccuracies in the report, and make certain clarifications.

In the Property Management and Operations discussion during Workshop #1 (pages 8-9), "*. . . residents felt that it was the City's responsibility to support ongoing operating costs, not just the renovations, and that the City should guarantee operational costs for next 30-50 years, since they already do that for their portfolio of Master Leased buildings.*" The source of funding for the City's Master Lease program (administered by the Department of Homelessness and Supportive Housing) is authorized by the Board of Supervisors exclusively for Permanent Supportive Housing (PSH), which is housing for formerly homeless households. Similarly, the source of funding for both the City's Local Operating Subsidy Program (LOSP) and Senior Operating Subsidy (SOS) are, by statute, to be used to subsidize PSH or extremely low-income seniors, respectively. There are no subsidy programs suitable for Midtown Park Apartments, and as such, any such program would need to be created through legislation approved by the Board, and that legislation would need to identify an ongoing funding source to support the subsidies.

In the Building Renovation discussion during Workshop #2 (page 10), *“Residents were particularly surprised to hear from MOHCD staff that renovations were being delayed by a new interpretation of the Administrative Code which requires on-site construction, even at housing sites, to be carried out by the Department of Public Works, and would likely be much more expensive than if done under MOHCD.”* On site construction requirements did not arise out of a new interpretation of the Administrative Code. Rather, MOHCD had previously planned Midtown Park Apartments’ substantial rehabilitation and improvements to be managed by Mercy Housing, an affordable housing developer who would own and operate Midtown while the City held a ground lease. This structure is typical of MOHCD’s affordable housing developments, and the intent was for Mercy Housing to undertake construction of new buildings and/or substantial rehabilitation of existing buildings under the terms of such a lease. Mercy Housing implemented repairs to Midtown Park Apartments under this structure while undertaking predevelopment activities for a new building and substantial rehabilitation of existing buildings. However, on December 31, 2019, Mercy ended its agreement to be the developer, owner, and property manager of Midtown Park Apartments. On January 1, 2020, Kalco Properties, Inc. took over property management services only and will not be developing Midtown Park Apartments related to any substantial reconstruction or new construction of housing. Since the City is the owner of Midtown Park Apartments and does not have a lease with an affordable housing developer, the San Francisco Administrative Code requires Midtown Park Apartments to be maintained and improved through the Department of Public Works, unless a waiver is approved by the Board of Supervisors.

In the Resident Control – The Midtown Park Corporation discussion during Workshop #2 (page 11), *“The City of San Francisco, through the Board of Supervisors, was still the owner of the property, and was the only entity that had the power to allow rent increases – and vetoed several requests for resident-approved rent increases to deal with repairs and improvements.”* To our knowledge, MOHCD has never blocked any proposed rent increases proposed by residents. When the City became owner of the Midtown Park Apartments, the City allowed the Midtown Park Corporation to continue to operate the property until 2012. During that period, Midtown Park Corporation raised rents based on the San Francisco Rent Board allowable rent increases, believing that Midtown Park Apartments was under the San Francisco Rent Board’s jurisdiction.

In the Guiding Principles and Goals Section, the 1 – Prevent displacement discussion (page 19) states, *“Tenants must have a guaranteed right to return to their units, as has now been codified for public housing tenants and even for many of the HUD coops.”* While Public Housing tenants do have a codified right to return, that right is not specific to their former units. Rather, Public Housing tenants have a right to return to the property and lease a unit that is sized appropriately for their household.

In addition to the clarifications above, we would like to remind the Midtown residents of certain key principles that guide MOHCD’s resident engagement and financial support of the property.

First, we remain committed to maintaining the property as a safe place to live, and to addressing immediate needs as expeditiously as possible, with the funds we have available.

Second, it is essential that Midtown Park Apartments become economically self-sustaining. In the future, rental income will need to be sufficient to cover operating expenses.

Third, to create a plan that will lead to sustainable operations, it is important to bring on a new development partner who can help to craft that plan and execute on needed upgrades and renovations.

Finally, funds in the near term are limited, and as such, investment that addresses immediate needs and code-required repairs will be prioritized. A larger scale rehabilitation that includes major accessibility upgrades (for example) will need to be included as part of an overall development plan that, again, should result in sustainable operations for the property over the long term.