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Mayor Edwin Lee
City Hall, Room 200
1 Carlton B. Goodlett Place
San Francisco, CA 94102

April 8, 2014

Ref: SFPUC's Vacant Francisco Reservoir

Dear Mayor Lee,

I am writing on behalf of the Project Review Committee of the San Francisco Housing Action Coalition (SFHAC) to offer our enthusiastic support for a proposal made to us by Mr. John Stewart on March 12th. Mr. Stewart is the founder and Chairman of the John Stewart Company, one of the City's preeminent affordable housing builders, and a member of SFHAC.

As you may be aware, the 5.3-acre Francisco Reservoir, located on the northern flank of Russian Hill, has apparently not been used for water storage by the San Francisco Water Department since about 1940. The reasons for this are not clear, but it is not the only unused reservoir in the City. We suspect that, if Francisco Reservoir played an important role for the SFPUC's water storage and delivery plans, they would have said so by now.

Mr. Stewart's proposal to us was simple and immediately compelling: Given our current housing affordability crisis, it makes far more sense to use this vacant public land in a way that contributes to both improving housing affordability and extracting the land's significant intrinsic value for public benefits that also include open space. Mr. Stewart's proposal is described in more detail in a column he wrote that ran in the SF Business Times on February 7th.

This being San Francisco, it is not surprising that there might be other competing demands for this land. In particular, we have heard that a group of Russian Hill neighbors would like this land to become a public recreational space. We understand that they are engaged in fundraising for site acquisition and have taken a proposal to their district supervisor

It is not SFHAC's intent or practice to block consideration of other potentially worthy uses of inactive public facilities, and a recreational space might certainly qualify as one.

That said, however, we are not convinced of the feasibility or advisability of re-purposing Francisco Reservoir solely as a public park given the other challenges the City

faces, especially the critical lack of middle-income housing. We believe the following factors make housing *plus* open space on this site a far better use of the land.

Costs An estimate of the site's acquisition cost ranges from about \$15M to \$20M and the costs of building a park at perhaps another \$10M. We question whether even a wealthy neighborhood like Russian Hill could privately raise this level of funding. If it cannot, should the City subsidize the remaining costs?

Public Open Space The evidence in Mr. Stewart's presentation documents that this area of the City is already well served by some of the most pleasant parks and open space in San Francisco. While parks are a desirable urban goal, we question whether there are not other neighborhoods with far less public open space that would fairly have a higher claim on scarce City resources.

Opportunity Costs Making the Francisco Reservoir into a public park instead of using it to add housing could cost the City significant future streams of property taxes and transfer fees. A public park would also not contribute to the City's affordable housing needs.

The SFHAC is persuaded that the Francisco Reservoir would best be used in a way that provides housing *and* public open space. We would obviously favor a middle-income housing project, though we know this would likely require a significant subsidy to become economically feasible. The amount of this subsidy could be reduced if a market-rate housing component was added. Given the commanding views from this location, it's evident that the land contains significant value in this regard.

We do not minimize the obstacles to building middle-income housing, even at this vacant location. There might be vocal neighborhood opposition to new housing. We suspect that there might also be strenuous opposition on the grounds that it is equivalent to building 'the new Fontana Towers', an argument easily dismissed by Mr. Stewart's simple site analysis. Finally, proposing a residential development with a public park would require agreement among various agencies such as SFPUC, Department of Recreation and Parks and the Mayor's Office of Housing.

Nevertheless, the SFHAC believes that opportunities to put vacant land such as Francisco Reservoir into higher productive use are unfortunately rare and must not be missed. The severe housing affordability problems we face demand that we look at the use of under-utilized public land in innovative ways. We wholeheartedly agree that Mr. Stewart's argument for housing, especially for the middle-income, is persuasive and deserves your support for a formal analysis.

Sincerely yours,
Tim Colen

Cc: Mark Farrell
Olson Lee
Harlan Kelly

Phil Ginsburg
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