



Mr. George McNabb, Principal
Paragon Real Estate
1400 Van Ness Avenue
San Francisco, CA 94109

January 23, 2015

Ref: 1700 Market Street – Mixed-Use Development

Dear Mr. McNabb,

Thank you for bringing your proposed mixed-use project at 1700 Market Street to the San Francisco Housing Action Coalition's (SFHAC's) Project Review Committee on May 14, 2014. Following our member's review and a subsequent conversation with you, we believe this project has many merits and will make a significant contribution to SFHAC's mission of increasing the supply of well-designed, well-located housing in San Francisco. Since your presentation, the project has undergone some modest design changes, mainly increasing the unit count, which our members think improves the project. With these changes considered, we endorse this project without reservation.

Please review this letter, which explains how your project meets our guidelines as well as areas in which improvements are suggested. We have attached a copy of our project review guidelines and report card for your reference.

Project Description

Your proposal includes demolishing the existing structure and building a car-free, mixed-use development consisting of 48 homes above 1,400 square feet of ground-floor retail. At the time of your presentation, the project only proposed 43 homes. The SFHAC supports the added homes.

Land Use

This is an excellent site for a project of this type, particularly because of its location on a major transit and bicycle corridor, and proximity to numerous neighborhood amenities and jobs. The corner of Market, Haight and Gough Streets is a prominent intersection and we believe your proposed project will be a welcome addition to this hub.

Density

The Market Octavia Plan (the Plan) generally recommends a unit-mix ratio of at least 40 percent two-bedrooms. However, the Plan also allows exceptions for projects on irregularly shaped lots that would serve unique populations. In addition, one of the fundamental principles of the Plan is to "provide ample and diverse housing opportunities to add to the vitality of the place." For this reason, the SFHAC strongly supports your plan to build 26 studio and 22 one-bedroom homes that will likely serve the significant population of single or young adults moving to San Francisco.



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Affordability

Because the project proposes small units without parking, it is likely these homes will be more naturally affordable to San Francisco's middle-income residents, who are being increasingly squeezed out of the City. There are currently very few tools at the City's disposal to incentivize the construction of middle-income housing. But building housing that is affordable by design, as yours is, is a valid strategy. The SFHAC is very supportive of new housing products that serve this income group and encourages you to move forward with your plans.

In your presentation, you told us that your project would provide the below-market-rate (BMR) units on-site if the housing was for-sale, but would instead pay the *in-lieu* Inclusionary fee to the Mayor's Office of Housing if it became rentals. The on-site choice would result in five BMR units (12 percent). The *in-lieu* fee would be approximately two million dollars. The stated reasoning behind this choice is that the time and resources needed to manage the BMR rentals was excessive and onerous for a small firm such as yours and would be far greater than for-sale units. We believed it was important to verify this and consulted our members, who confirmed that managing BMR rentals requires significantly more effort than for-sale BMR homes.

All things being equal, the SFHAC prefers on-site BMRs, but understands there are other legal options and accepts your rationale in this case.

Parking and Alternative Transportation

Your proposed project is located in a very transit-rich neighborhood that is well served by a Muni rail line, several Muni bus lines, bike lanes and is within walking distance to the Civic Center BART station. Your development proposal is car-free, but includes three motor-scooter spaces and 45 bicycle parking spaces. The plans include a bicycle electrical charging station that will be powered by solar panels on the roof as well as a bike-fixing station. The SFHAC supports all of these measures and applauds another car-free project coming to San Francisco.

Preservation

There are no structures of significant historic or cultural merit on or near the site that would be affected.

Urban Design

Our committee was very supportive of the project's design and believes it will have a positive presence at this prominent intersection. The odd shape of the lot presents some physical constraints. But collaboration with the Planning Department has resulted in plenty of open space. The proposal includes a community room on the second floor and a rooftop garden. The ground floor includes 1,400 square feet of retail with generous 19-foot-high ceilings.

In addition, the City is making substantial improvements to the street frontages. These include widening the sidewalk in front of the building by six feet, enlarging the pedestrian island in the middle of the intersection and improving the pedestrian crossing. These changes should substantially improve the pedestrian experience at this busy intersection and support this project.

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One of the recent changes made to the project includes an additional entrance along Haight Street, which will increase activity on a street that would benefit from it.

Environmental Features

Your presentation did not include the environmental features of the proposed project. But in the Project Review Form, you stated it would meet or exceed the most current 2013 Green Point requirements. The SFHAC encourages you to implement features that enhance the sustainability of your project and improve water conservation.

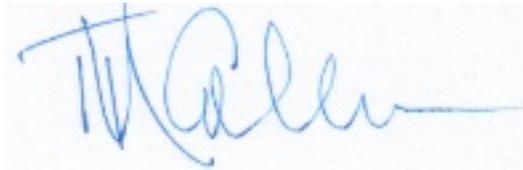
Community Input

At the time of your presentation to us, you had met with Supervisor London Breed's office and the Hayes Valley Neighborhood Association (HVNA). Since then, we understand you have worked with the San Francisco Bicycle Coalition to improve the bicycle parking in the building and had a follow-up presentation to HVNA. In response to HVNA's feedback, you altered the project from one consisting entirely of studios to one that includes 13 one-bedrooms.

The SFHAC commends you for listening to the community and incorporating their suggestions.

Thank you for bringing your project to SFHAC for review. Please keep us abreast of any changes. We are pleased to endorse this project and support it as it moves forward. Let us know how we may be of assistance in this regard.

Sincerely,



Tim Colen, Executive Director

CC: Planning Commission

SFHAC Project Review Guidelines

Land Use: Housing should be an appropriate use of the site given the context of the adjacent properties and the surrounding neighborhood and should enhance neighborhood livability.

Density: The project should take full advantage of the maximum unit density and/or building envelope, allowable under the zoning rules.

Affordability: The need for affordable housing, including middle income (120-150 of Area Median Income) housing, is a critical problem and SFHAC gives special support to projects that propose creative ways to expand or improve unit affordability beyond the legally mandated requirements.

Parking and Alternative Transportation: SFHAC expects the projects it endorses to include creative strategies to reduce the need for parking, such as ample bicycle storage, provision of space for car-share vehicles on-site or nearby, un-bundling parking cost from residential unit cost, and measures to incentivize transit use. Proximity to transit should result in less need for parking.

In districts with an as-of-right maximum and discretionary approval up to an absolute maximum, SFHAC will support parking exceeding the as-of-right maximum only to the extent the Code criteria for doing so are clearly met. In districts where the minimum parking requirement is one parking space per residential unit (1:1), the SFHAC will not, except in extraordinary circumstances, support a project with parking in excess of that amount.

Preservation: If there are structures of significant historic or cultural merit on the site, their retention and/or incorporation into the project consistent with historic preservation standards is encouraged. If such structures are to be demolished, there should be compelling reasons for doing so.

Urban Design: The project should promote principles of good urban design: Where appropriate, contextual design that is compatible with the adjacent streetscape and existing neighborhood character while at the same time utilizing allowable unit density: pleasant and functional private and/or common open space; pedestrian, bicycle and transit friendly site planning; and design treatments that protect and enhance the pedestrian realm, with curb cuts minimized and active ground floor uses provided.

Projects with a substantial number of multiple bedroom units should consider including features that will make the project friendly to families with children.

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Environmental Features: SFHAC is particularly supportive of projects that employ substantial and/or innovative measures that will enhance their sustainability and reduce their carbon footprint.

Community Input: Projects for which the developer has made a good faith effort to communicate to the community and to address legitimate neighborhood concerns, without sacrificing SFHAC's objectives, will receive more SFHAC support.