



Edwin M. Lee, Mayor  
Philip A. Ginsburg, General Manager

**Date:** June 4, 2014

**To:** Recreation and Park Commission  
Capital Committee

**Through:** Philip A. Ginsburg, General Manager  
Dawn Kamalanathan, Director of Capital & Planning

**From:** Stacy Bradley, Planner, Capital & Planning Division

**Subject:** Francisco Reservoir Jurisdictional Transfer

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## Agenda Wording

**Francisco Reservoir -- Property Acquisition.** Presentation and discussion only on an Interdepartmental Transfer of Real Property from the San Francisco Public Utilities Commission to the Recreation and Park Department for the site known as " Francisco Reservoir" at 2445 Hyde Street (Block/Lot: 0047/0001) for a fair market value purchase price of \$9,900,000, to be paid for from the Open Space Acquisition Fund over a period of 12 years with interest tied to the Controller's Pooled Funds.

## Background

The Francisco Street Reservoir, a 3.29 acre site that is currently owned by the San Francisco Public Utilities Commission (PUC), is located at 2445 Hyde Street (Block 0047, Lot 0001) in the Russian Hill neighborhood. The site contains a brick and concrete-lined reservoir that was closed in 1940. A portion of the space functions as public open space today and is adjacent to an existing RPD park, the Russian Hill Open Space. Acquisition of the Francisco Street Reservoir would expand the existing 0.96-acre park to over 4 acres of public open space.

The Francisco Park Project, a group of neighborhood residents, has been actively working with Supervisor Mark Farrell's office and RPD for the past two years to move the acquisition process forward, and has committed to raising funds for the development and maintenance of the park. The group held a series of community meetings and developed a financing strategy based on potential cost estimates to develop and maintain a future park.





Operation of the Francisco Street Reservoir dates back to the 1860s, originally by the Spring Valley Water Company and later the San Francisco Municipal Water Department. The reservoir was closed in 1940 when the Lombard Street Reservoir opened. The SFPUC currently holds jurisdiction of the reservoir and the adjacent open space to the north of the reservoir. The SFPUC removed the roof in 2012. In 2013, the City commissioned an appraisal and a Phase I environmental assessment for the property. RPD staff has had substantive discussions with Supervisor Farrell’s office, the PUC, and the City Attorney’s office regarding a jurisdictional transfer of the Francisco Street Reservoir property from PUC to RPD.

### **Acquisition Policy Analysis**

RPD has an official Acquisition Policy, which provides direction on how to identify, evaluate, and acquire real property for the Recreation and Park Department using Open Space Acquisition funds. The Acquisition Policy defines three distinct policy goals:

1. Acquire properties that are found within or serve a High Needs Area<sup>1</sup> and/or an open space deficient area
2. Acquire properties that have identified funding for the purchase, development, and maintenance of the property

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<sup>1</sup> The Recreation and Open Space Element of the San Francisco General Plan defines “High Needs Areas” as those areas of the city that have (a) high population density, (b) a high percentage of children and/or seniors, (c) a high percentage of low-income households, and (d) low access to open space, and areas with high growth projections between 2014 and 2040.

3. Acquire properties that encourage a variety of recreational and open space uses.

The Francisco Reservoir is located in an area with a mid-range of need and is in close proximity to, and could potentially serve, areas that are designated as Greater High Needs, such as the Chinatown. Surrounding parks include Fay Park, Alice Marble Tennis Courts, Michelangelo Playground, Joe DiMaggio Playground, and the adjoining, but closed to public use, Russian Hill Open Space. See Attachment A, High Needs Map. By adding a children's play area here, this site would fill a Playground Distribution Deficiency, defined as an area that does not have a children's playground within a ¼ mile radius. See Attachment B, Surrounding Parks Context Map.

The Francisco Park Project has raised pledges of \$9 million to date with a goal of \$11 million to cover the development and maintenance of the site. They estimate \$8.5 million to cover park development and a \$2.5 million endowment as a dedicated funding stream for maintenance. The group's long-term goal is to raise \$25 million for a fully developed park. This site is an opportunity to provide permanent open space adjacent to existing open space while leveraging a substantial funding commitment.

The Francisco Reservoir site has the potential to accommodate both passive recreation (such as seating, sunbathing and picnicking) and active recreation (such as walking, bicycling, and sports courts). It provides a number of special attributes, most notably its incredible vistas of the San Francisco Bay, Alcatraz, Angel Island, Marin County, and portions of the Golden Gate Bridge.

Overall, the site follows the guidance provided in the Acquisition Policy and has been on the roster since the policy was codified in 2011.

*Payment Terms*

While the exact details are still being identified, the anticipated agreement includes the purchase price of \$9.9 million, fair market value as appraised by Clifford Advisory LLC in September 2013, to be paid to the PUC over a span of 12 years at the Controller's Pooled Interest Rate. RPD would purchase the property using the Open Space Acquisition Fund. As of May 2014, the Acquisition Fund balance was \$9.1 million, and the annual set-aside for acquisition of new open space currently generates approximately \$2.1 to \$2.2 million dollars a year. The Acquisition Fund receives annual interest based of the Controller's Pooled Interest Rate. Thus, the outgoing interest expense will be the same percentage as the incoming interest accrual. See Attachment C for an Open Space Acquisition Fund Analysis with projected payments for Francisco Reservoir and 900 Innes.

The Controller's Pooled Interest Rate is the interest that the City receives on its holding and is based on a two- to three-year maturity schedule. It fluctuates over the year and is reported annually as the average interest earned throughout the year. Over the past ten years, the interest rate hit a high of 5.19% in 2007 and has steadily decreased to a low of 0.95% in 2013.

The payment schedule to the PUC has taken into account RPD's known acquisition policy priorities, such as 900 Innes, and projected incoming deposits into the fund. The payments from

Years 1 to 6 will be approximately \$200,000 to \$500,000 or approximately 10-25% of the deposits coming into the Open Space Acquisition Fund. Years 7 through 11 will pay a larger portion of the annual deposit and may vary based on the fluctuating interest rate. At today's interest rate, the larger payments will be between \$1m and \$1.7 m or approximately 40-60% of projected incoming deposits. Year 12 will pay the remainder. At today's interest rate, the remainder would be approximately \$1.8m and 65% of projected incoming deposits. See Attachment D for Francisco Reservoir Payment Schedule.

Once the first payment is received by PUC, RPD will begin maintaining the existing property and will have the ability to work on designing and developing the whole site as one unified park. As mentioned above, the Francisco Park Project has pledged to support designing and developing the park as well as maintaining the park. RPD will work with the Francisco Park Project on a community-driven process to develop the park.

### *Environmental Review*

The San Francisco Planning Department has determined that, per CEQA Guidelines Section 15060(c)(2), the proposed acquisition of Francisco Reservoir is not considered a project as defined by CEQA, since it is an activity that "will not result in a direct or reasonably foreseeable indirect physical change on the environment." At such time that improvements for the site are proposed, these improvements will be subject to separate environmental review pursuant to CEQA.

### **Staff Recommendation**

Staff recommends that the Recreation and Park Commission direct staff to continue negotiations and finalize an Interdepartmental Transfer of Real Property from the San Francisco Public Utilities Commission to the Recreation and Park Department for Francisco Reservoir.

### **Supported By:**

Supervisor Farrell  
Francisco Park Project  
Sierra Club  
San Francisco Parks Alliance  
SF Beautiful

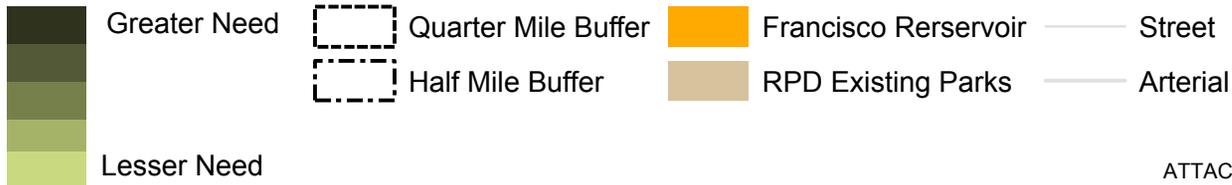
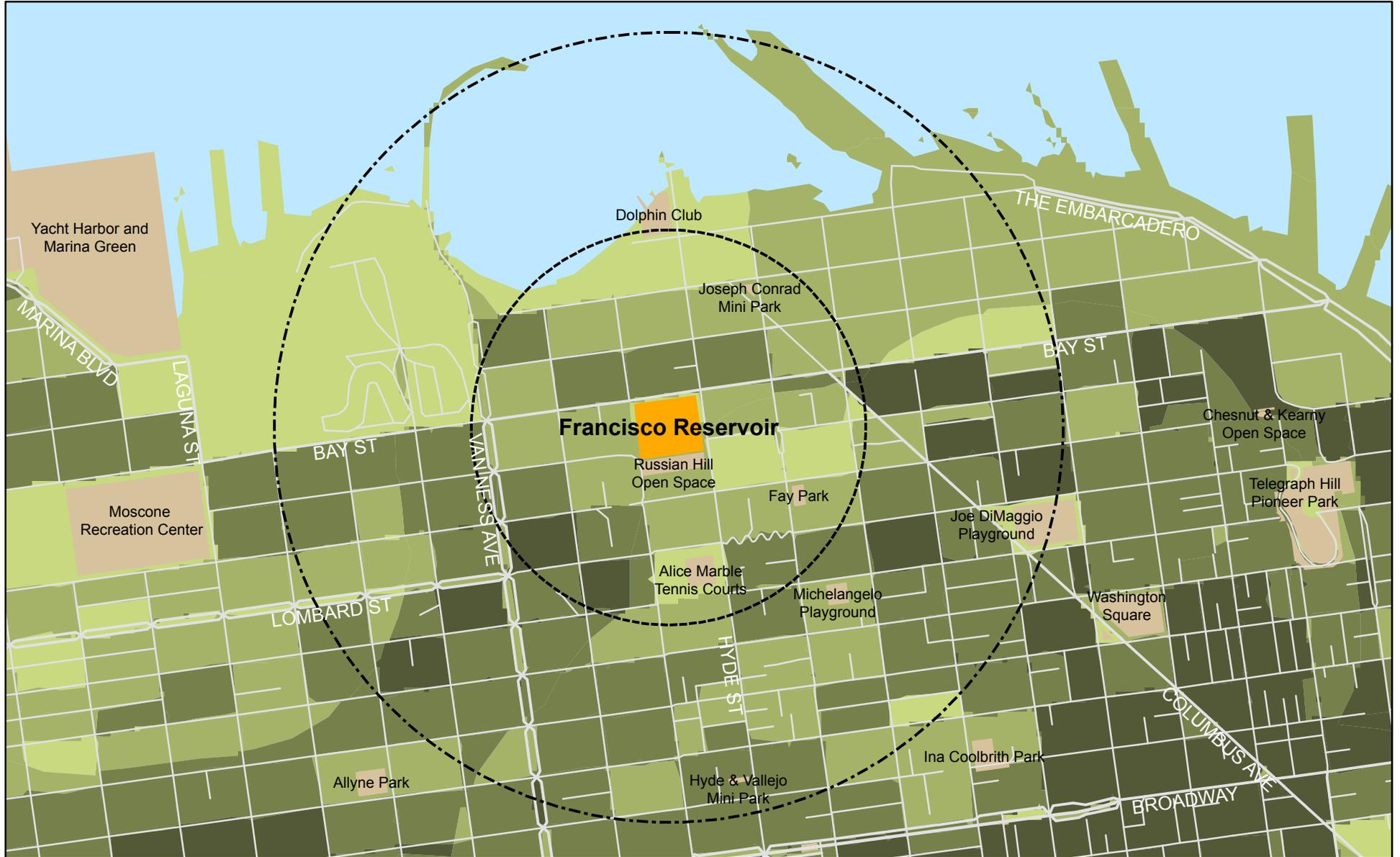
### **Opposed By:**

None known

### **Attachments:**

Attachment A – High Needs Map  
Attachment B – Surrounding Parks Context Map  
Attachment C – Open Space Acquisition Analysis – 2013/14 to 2030/31  
Attachment D – Francisco Reservoir Payment Schedule

# Quarter and Half Mile High Needs Buffers for Francisco Reservoir Park





# RPD PARKS AND CHILDREN'S PLAY AREAS IN THE VICINITY OF THE FRANCISCO RESERVOIR SITE

-  1/4 mile buffer around existing RPD children's play areas
-  1/4 mile buffer around Francisco Street Reservoir Site
-  RPD park



## Open Space Acquisition Fund Analysis

2013/14 to 2030/31

	Estimated Deposits	Projected Balance (start of FY)	Francisco ( <i>Projected</i> )	900 Innes ( <i>Estimated</i> )	Remaining Funds (end of FY)	Balance with no acquisitions
13-14		9.149	0.208	3.890	5.051	9.149
14-15	2.149	7.200	0.295		6.905	11.298
15-16	2.246	9.151	0.293		8.858	13.544
16-17	2.342	11.200	0.519		10.681	15.886
17-18	2.435	13.116	0.544		12.572	18.320
18-19	2.508	15.079	0.540		14.540	20.828
19-20	2.583	17.123	1.030		16.093	23.411
20-21	2.660	18.753	1.050		17.703	26.071
21-22	2.740	20.443	1.100		19.343	28.812
22-23	2.822	22.166	1.614		20.552	31.634
23-24	2.907	23.459	1.668		21.791	34.541
24-25	2.994	24.785	1.810		22.976	37.535
25-26	3.084	26.060			26.060	40.619
26-27	3.177	29.236			29.236	43.796
27-28	3.272	32.508			32.508	47.068
28-29	3.370	35.878			35.878	50.438
29-30	3.471	39.350			39.350	53.909
30-31	3.575	<b>42.925</b>			<b>42.925</b>	57.485
<b>Totals</b>	<b>48.336</b>		<b>10.670</b>	<b>3.890</b>		

Francisco Reservoir Payment Schedule

Sale to SF Rec Park

Sale Date: 9/30/2014

Price: \$ 9,900,000.00

Rate: Floating

Year	Principal				Floating Interest (Note 1)		Total Pmt (Note 2)	
	Beg Balance	Pmt Rate	Pmt	End Balance	Rate	Pmt	P & I	Date
1	\$ 9,900,000.00	2.1%	\$ 207,900.00	\$ 9,692,100.00		\$ -	\$ 207,900.00	9/30/2014
2	\$ 9,692,100.00	2.0%	\$ 198,000.00	\$ 9,494,100.00	1.00%	\$ 96,921.00	\$ 294,921.00	9/30/2015
3	\$ 9,494,100.00	2.0%	\$ 198,000.00	\$ 9,296,100.00	1.00%	\$ 94,941.00	\$ 292,941.00	9/30/2016
4	\$ 9,296,100.00	4.3%	\$ 425,700.00	\$ 8,870,400.00	1.00%	\$ 92,961.00	\$ 518,661.00	9/30/2017
5	\$ 8,870,400.00	4.6%	\$ 455,400.00	\$ 8,415,000.00	1.00%	\$ 88,704.00	\$ 544,104.00	9/30/2018
6	\$ 8,415,000.00	4.6%	\$ 455,400.00	\$ 7,959,600.00	1.00%	\$ 84,150.00	\$ 539,550.00	9/30/2019
7	\$ 7,959,600.00	9.6%	\$ 950,400.00	\$ 7,009,200.00	1.00%	\$ 79,596.00	\$ 1,029,996.00	9/30/2020
8	\$ 7,009,200.00	9.9%	\$ 980,100.00	\$ 6,029,100.00	1.00%	\$ 70,092.00	\$ 1,050,192.00	9/30/2021
9	\$ 6,029,100.00	10.5%	\$ 1,039,500.00	\$ 4,989,600.00	1.00%	\$ 60,291.00	\$ 1,099,791.00	9/30/2022
10	\$ 4,989,600.00	15.8%	\$ 1,564,200.00	\$ 3,425,400.00	1.00%	\$ 49,896.00	\$ 1,614,096.00	9/30/2023
11	\$ 3,425,400.00	16.5%	\$ 1,633,500.00	\$ 1,791,900.00	1.00%	\$ 34,254.00	\$ 1,667,754.00	9/30/2024
12	\$ 1,791,900.00	18.1%	\$ 1,791,900.00	\$ -	1.00%	\$ 17,919.00	\$ 1,809,819.00	9/30/2025
Totals		Principal	\$ 9,900,000.00		Interest	\$ 769,725.00	\$ 10,669,725.00	

Notes:

(1) Simple interest is calculated annually based on the Controller's average FY Pooled Investment Fund rate.

**For illustrative purposes 1% is used in this analysis. The actual rate each year will differ.**

(2) Principal and interest are paid at the beginning of each period. The first payment is due at sale.

(3) Payment scheduled drafted by SFPUC staff with SFRPD input.