



**SOUTH OF MARKET PROJECT AREA COMMITTEE**

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*Advisory body to the San Francisco Redevelopment Agency*

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**HOUSING SUBCOMMITTEE**

**Monday November 5, 2007**

**6:00 PM**

**Presiding Chair (6:02 PM)**

Raymon Smith

**Chairs Report (6:02 PM)**

**Mr. Smith** referred to the Housing subcommittee and announced that he would like to thank all of the members for their attendance this year.

**Determination of Quorum (6:03 PM)**

Present: Raymon Smith, Antoinetta Stadlman, John Markham, John Melone/SAN, Ingrid Aquino (/6:06 PM) and Charles Range/SOM Health Center

Absent: Henry Karnilowicz, Dipak Patel and Mark Swenson

Staff: Marcia Ban and Karen Nolan

Agency: Mike Grisso, Jeff White and Lucia Tallchief Mele

Guests: Alex Torres/Bindlestiff Studio, Stephen Best/SOMPAC, Tracy Everwine/Urban Solutions, Brian Wallace, Mike Veimoen/Pontiac Hotel, SOMA Neighbors

**Approval of minutes (6:04 PM)**

**Motion:** *"To approve the October 2007 Housing Subcommittee minutes as is."*

**Vote:**            **Yes: 5**            **No: 0**            **Abstain: 0**            **Motion Passes**

**Agenda order (6:05 PM)**

1,2,3,4,5,6,7,8,9,10,11,12

**Motion:** *"To approve the Housing Subcommittee agenda as is."*

**Vote:**            **Yes: 5**            **No: 0**            **Abstain: 0**            **Motion Passes**

**Announcement of Next Housing Subcommittee Meeting**

**Mr. Smith** announced that the next Housing Subcommittee would meet on Monday December 3rd, at 6:00 PM.

**Agenda Item 6. Westbrook Plaza Update by Agency Staff (6:07 PM)**

**Mr. Grisso** announced that the Agency would present the pre-development grant agreement to the PAC early next year for the Westbrook Plaza project. He has nothing else to report at this time. **Mr. Smith** requested documents be provided in advance in order to review before the presentation.

**Agenda Item 7. Seneca Hotel Update by Agency Staff (6:08 PM)**

**Mr. White** announced that the elevator work at the Seneca Hotel should be complete by January 2008. There is nothing else to report at this time.

**Agenda Item 8. 474 Natoma Street Update by Agency Staff (6:09 PM)**

**Mr. Grisso** announced that the pre-development work for the 474 Natoma Street project is ongoing. He stated that they will be meeting with the Planning Department tomorrow to go over the plans.

**Agenda Item 9. Status Update on the Sharon, Shree Ganeshai & Alder Hotel SRO Improvement by Agency Staff (6:10 PM)**

**Mr. White** announced that he does not expect to have an update for the Sharon, Shree Ganeshai or the Alder Hotels until after the deadline of December 17<sup>th</sup>. He should have an update for the Housing subcommittee in January 2008.

**Agenda Item 10. Recommending that the Redevelopment Agency begin the process of purchasing the Hugo Hotel at 200-214 Sixth Street for fair market value through the use of eminent domain, pursuant to the South of Market Redevelopment Plan by Mike Grisso (6:11 PM)**

**Mr. White** stated that the owners of the Hugo were notified of this meeting however, they are not present. **Mr. White** announced that the Hugo Hotel has been vacant since 1988. It is a four story building that was gutted by fire and is uninhabitable. The Hugo Hotel qualifies as blight according to redevelopment law.

The South of Market Amended Plan of 2005 gave the Redevelopment Agency limited powers of eminent domain and greatly restricted the conditions by which a property could be purchased under the power of eminent domain. The Hugo meets more than one of these conditions as they have been cited repeatedly for order of abatements. The conditions a property must meet to qualify for eminent domain are:

SRO Hotel out of compliance with the building codes  
SRO Hotel with an order of abatement  
Property on 6<sup>th</sup> Street and vacant/abandoned/unsafe  
Property on 6<sup>th</sup> Street with blighted conditions according to redevelopment law

In March 2006 the PAC recommended implementing the Plan and forcing the redevelopment of the Hugo Hotel. The Agency believes it would be best if the owner sells to a developer that would develop the property, or develop the property themselves, or sell to the Agency so that the Agency can develop the property.

In April 2006 the Agency made the initial contact with the owner and in September 2006 the Agency ordered an independent appraisal of the Hugo. Between April and September 2006 the Agency and owners had several meetings by phone and the Agency's consistent preference has been for others to acquire and improve the property. In April 2007 the Agency made an offer to purchase the property for \$3.2 million based on appraisals with a 90-day deadline for response. As of July 2007 there has been no response from the owners. In August 2007 the Agency gave the owners an offer for an Owner Participation Agreement (OPA). Response to this offer was due by September 27<sup>th</sup>; there has been no response from the owners.

**Mr. White** stated that if the Agency were to acquire the Hugo Hotel it would not be developed as SRO housing because the replacement numbers for SRO housing have been met. At this time the Agency is seeking a recommendation from the Housing Subcommittee to acquire the Hugo

Hotel through the process of eminent domain. **Mr. White** reminded everyone that if the Agency begins this process it would in no way stop any ongoing negotiations for the Hugo owners from moving forward.

**Mr. Grisso** stated that he would like to emphasize to this PAC that the previous PAC spent a great deal of time crafting the language for eminent domain with a large amount of public input. The power of eminent domain is very limited for this project area. The Hugo is a special case and has been vacant for over 20 years. The eminent domain powers are very limited because the Agency does not want to enforce these powers all over the Project Area. If the Housing Subcommittee approves this, it would go to the full PAC on the 19<sup>th</sup> of this month. There would then be a 30-day notice to the public and then it would go before the Redevelopment Commission for approval in December.

**Ms. Stadlman** stated that before the PAC there was the South of Market Problem Solving Council. In 1993 the artist who put all of the furniture on the building came to SOMPSC wanting to put the art on the building for three years. **Ms. Stadlman** remembers at the time there was concern of allowing this for three years due to concerns of the building being sold. Now here we are many years later and the building is still sitting vacant.

**Ms. Aquino** wanted to know if the owners decide to take action and develop the property themselves, would it have to be low-income housing or at least have inclusionary units. **Mr. Grisso** stated that if the owners decide to develop the site, they could build whatever they want, but they would have to meet the inclusionary housing requirements of 15 percent affordable units.

**Mr. Melone** stated that all of the community groups in the area over the years have wanted the building addressed. If the owners have not responded to the Agency offer then we should move forward with the process of eminent domain. **Mr. Melone** stated that he considers the Hugo Hotel an eyesore and a health hazard. He is not a proponent of eminent domain, but he would rather not have tour buses come down 6<sup>th</sup> Street to see the Hugo in its current state. **Mr. Melone** believes this is an insult to the neighborhood. If the owners have done nothing in 20 years then it is time for the Agency to act.

**Mr. Markham** stated that he is all for eminent domain of the Hugo Hotel.

**Mr. Range** stated that he made the original motion long ago to address this property once the Plan Amendment was approved. He stated that the owners keep implying that they are going to do something with the Hugo, yet they haven't. At one time they even stated that they were going to have their own appraisal done, but they have not submitted one. **Mr. Range** pointed out that eminent domain is very restrictive and he does not want property owners to think if the Agency begins the process of eminent domain for the Hugo Hotel that it means they will go after other properties in the area. This is not the case. Many developers have tried to purchase the Hugo to no avail. At one time the Hugo was on the market for sale, but the owners wanted such an astronomical amount of money that no one would purchase the property. **Mr. Range** supports moving forward on the Hugo Hotel.

**Mr. Range** referred to the appraisal and stated that the concluded price was based on the dollar value by square foot with a range of 312 to 346 per square foot. The appraiser valued the property at the upper end of the range at 340 per square foot. **Mr. Range** would question why it was valued at the higher end of the range. He referred to the comparables being given a lower unit value and stated that you could not quantify the value on something that you want to remove. **Mr. Range** stated that we must ask intelligent questions on the record so that we do not appear to be acting emotionally. **Mr. Grisso** stated that members received only sections of the appraisal, but the entire appraisal delves into the attributes of the property. Being appraised

on the higher end is a benefit to the property owners. **Mr. Grisso** reminded everyone that we are not voting on a price for the Hugo tonight, we are voting on the process to begin negotiations. He referred to a private buyer paying a premium price and stated that a private buyer could pay whatever they wanted to for the property. The Agency can only pay what the property is worth. **Mr. Grisso** referred to the appraisal and stated that if you look at the comparables you will see that the appraisal is very generous.

**Public Comment:**

A member of the public stated that he is a property owner on Tehama Street and walks past the Hugo Hotel every day on his way to and from work. He stated that he is not rich, nor low-income, but he supports the Agency's efforts to take this property and develop it.

A member of the public stated that he was here when they originally put the art on the Hugo hotel. In the beginning it was very nice, but soon became an eyesore. He would like to see the property developed.

A member of the public stated that he represents 12 property owners on Tehama Street. They would encourage the Agency to take the Hugo Hotel by eminent domain, but would caution the Agency to make sure they do it by the book so as to avoid any future legal battles.

A member of the public stated that he lives on Russ Street and thinks that the Hugo Hotel is a beautiful piece of artwork. Even though the owner is a slum lord, he would like to see an adequate public record of where this property has been labeled a public hazard as far as rodent infestation, mosquito larvae, etc. He considers the Hugo a unique part of the neighborhood and before taking away the owners rights and the aesthetic value of the building he would point out that the Agency developed the property across the street and we are still waiting for the credit union to move in after over one year.

**Mr. Smith** thanked the public for their comments.

**Mr. Range** stated that we have had a great deal of public input on the Hugo Hotel over many years. Since 1997 we have been told that something must be done about this property. The Hugo meets all of the legal requirements with regard to the criteria for blight. Historically we have received massive amounts of information on this property and the community overwhelmingly wants to see something done.

**Ms. Stadlman** referred to previous offers to purchase the Hugo and stated that she remembers a time when the property appraised at \$1.8 million and the owners wanted \$8 million. When the artwork originally went up it was fairly nice, but now it is a mess. **Mr. Melone** stated that the property was vacated in 1988 due to 5,000 violations of fire, health and safety codes. **Ms. Stadlman** made a motion and **Ms. Aquino** seconded the motion.

**Motion:** *"The Housing Subcommittee recommends to the full PAC that the Redevelopment Agency begin the process of purchasing the Hugo Hotel at 200-214 Sixth Street for fair market value through the use of eminent domain, pursuant to the South of Market Redevelopment Plan."*

**Mr. Smith** called for a roll call vote.

**Those voting Yes: Raymon Smith, Ingrid Aquino, John Markham, John Melone/SAN, Charles Range/SOM Health Center and Antoinetta Stadlman**

**Those voting No: 0**

**Those Abstaining: 0**

**Vote:            Yes: 6                    No: 0                    Abstain: 0                    Motion Passes**

**Ms. Aquino** stated that the Hugo Hotel has been sitting vacant for over 19 years and has been used by drug addicts as a shooting gallery. She stated that the artist is no longer involved in the upkeep of the art and for this property to sit in this condition for this long is a travesty.

**Agenda Item 11. Bindlestiff Studio Update on Lease Negotiations by Alex Torres (6:54 PM)**

**Mr. Torres** announced that he has good news in that Bindlestiff Studio met with **Mr. Grisso** and **Mr. Blackwell** last week and they are very close in the lease negotiations. He stated that at this time he thinks any issues can be resolved and it is not necessary for the PAC to become involved.

**Mr. Torres** stated that Bindlestiff Studio received a grant from the Ford Foundation in the amount of \$450,000 over three years.

**Agenda Item 12. Committee Member Announcements (6:56 PM)**

**Ms. Aquino** announced that the HS & HS subcommittee would meet tomorrow at noon and she urged everyone to attend.

**Public Comment (6:57 PM)**

**Mr. Ibarra** introduced himself from the Public Affairs office of the Redevelopment Agency. He stated that he is putting together a list of people that would like to speak on ideas for the development of the Hugo Hotel. He provided a sign up sheet for anyone interested.

**Meeting Ended (6:59 PM)**

**Raymon Smith  
Chair**