



# Memorandum

**Date:** 06.11.14 **RE:** Plans and Programs Committee  
June 17, 2014

**To:** Plans and Programs Committee: Commissioners Mar (Chair), Kim (Vice Chair), Breed, Campos, Yee and Avalos (Ex Officio)

**From:** Maria Lombardo – Chief Deputy for Policy and Programming *mel*  
David Uniman – Deputy Director for Planning *D+ll.*

**Through:** Tilly Chang – Executive Director *TC*

**Subject:** **ACTION** – Recommend Commitment of \$2,000,000 in Fiscal Year 2015/16 Prop K Funds, with Conditions, to the Bayshore Caltrain Pedestrian Connections Project

## Summary

The Schlage Lock site is a vacant former factory in Visitacion Valley near the border between San Francisco and San Mateo Counties. It is located adjacent to the existing Bayshore Caltrain Station, but there are currently few direct pedestrian connections to the station. A private developer, through a community process that began in 2001, has proposed building housing, commercial facilities, and community uses on the site. The Transportation Authority's Bi-County Transportation Study, adopted in March 2013, identified a direct connection to the Bayshore Caltrain Station as one of the highest community priorities as the site is developed. Working with the Mayor's Office and the San Francisco Municipal Transportation Agency (SFMTA), we have identified a way to expedite the construction of an interim pedestrian connection through the development site as the overall project is constructed, which could save Caltrain users more than half a mile walk around the current closed Schlage Lock site and provide access as soon as Fiscal Year 2016/17. Residents could otherwise have to wait until the horizontal elements of the project are completed, no earlier than 2023. The Mayor's Office is asking the Transportation Authority to commit \$2,000,000 in Prop K funds now, in order to support anticipated approval of the Development Agreement by the Board of Supervisor in July. SFMTA would be the project sponsor for the Prop K allocation, working with the developer to implement the project. We are recommending that the Prop K funding commitment be conditioned upon approval of the Development Agreement and upon agreement (to be memorialized in the Development Agreement) that as neighborhood impact fees are received, the SFMTA and the Transportation Authority will jointly determine which Bi-County priorities (e.g. Geneva-Harvey Bus Rapid Transit) will be funded (see Attachment 4). This is consistent with the intent to leverage private developer investment in our local infrastructure, as outlined in the Bi-County Transportation Study. The Mayor's Office and SFMTA agree with these conditions. **We are seeking a recommendation to commit \$2,000,000 in Fiscal Year 2015/16 Prop K funds, with conditions, to the Bayshore Caltrain Pedestrian Connections Project.**

## BACKGROUND

The Visitacion Valley / Schlage Lock site is a vacant former factory site in the southeastern part of San Francisco near the border with San Mateo County (see Attachment 1 for the project site diagram). Its location adjacent to the existing Bayshore Caltrain Station gives it high importance to transportation connectivity in the area. A private developer, the Visitacion Development, LLC (a division of Universal Paragon Corporation) through a community process began in 2001, has proposed building 1,679 units of housing, 46,700 square feet of retail facilities and other community uses and amenities on the site over the next 15 years. A summary of the Schlage Lock Development Agreement is included in Attachment 2 and the full Development Agreement is included as an enclosure to this memorandum.

Acknowledging the importance of the Schlage Lock site and other development activities in the

Southeast portion of the City and nearby San Mateo County cities of Brisbane and Daly City, the corresponding upgrades needed to the transportation system, the Transportation Authority conducted the Bi-County Transportation Study. Adopted in March 2013, that study identified a set of transportation investments to support the proposed land use growth on both sides of the San Mateo-San Francisco border, including the Schlage Lock site. It also identified how multiple private and public stakeholders could share the costs associated with the highest priority projects.

While the Bi-County Study recommended an extensive set of priority projects, given the recent economic and regulatory conditions – including the loss of redevelopment as a financing tool – the Bi-County partner agencies developed an interim package of improvements focused on providing the highest priority benefits to the area before full land development build-out. Improved pedestrian connections to the existing Bayshore Caltrain station were prioritized as near-term improvements.

Since the Bi-County Transportation Study was not adopted until 2013, the recommended interim projects, including the pedestrian connections project, are not currently programmed in the existing New and Upgraded Streets Prop K 5-Year Prioritization Program (5YPP) (which includes the Bi-County category), which was adopted in 2009. The Mayor's Office has requested a formal commitment of \$2,000,000 in Fiscal Year 2015/16 Prop K funds for the Bayshore Caltrain Pedestrian Connections Project this June to support anticipated July approval of the Development Agreement.

The purpose of this memorandum is to present the Mayor's Office's request for a commitment of \$2,000,000 in Fiscal Year 2015/16 Prop K funds to complete the Bayshore Caltrain Pedestrian Connections Project, as specified in the proposed Development Agreement, and to seek a recommendation to commit the requested funds to the project, with conditions.

## DISCUSSION

**Bayshore Caltrain Pedestrian Connections Project:** A direct pedestrian connection to the Bayshore Caltrain Station is one of the highest community priorities identified by the Bi-County Transportation Study. Because the Schlage site has been vacant and therefore closed to public access, the neighborhoods to the west of the Bayshore Caltrain Station have not had a direct route to the station. Instead, Caltrain riders currently must detour around the entire Schlage Lock site, along Bayshore Boulevard, Blanken Avenue, and Tunnel Avenue, adding half a mile or more to their walk. The planned development will eventually provide a wealth of pedestrian access paths and other amenities, but not for almost a decade. The Bayshore Caltrain Pedestrian Connections Project will kick off the first phase of these pedestrian amenities and, more importantly, provide a near-term direct connection for pedestrians and bicyclists between the current Bayshore Caltrain Station platforms and the neighborhoods west of the station. Per the Development Agreement, the pedestrian connection would remain open throughout the construction of the development parcels on the Schlage Lock site allowing safe and secure access, including sufficient lighting, for pedestrians and bicyclists while the more permanent pedestrian and roadway network is constructed.

Attachment 2 shows a map detailing the proposed interim access routes, expected to open in Fiscal Year 2016/17. It also shows the full proposed street grid network once the development is built out, expected by 2023. During construction, pedestrian access to the station would be provided via Visitacion Avenue and Leland Avenue, and access would expand as the permanent infrastructure is implemented, including the permanent sidewalks through the site. Portions of the route scheduled for later development will still require an interim pathway which will constitute a fenced 6-foot wide asphalt pathway within a temporary easement, adjacent to the Peninsula Corridor Joint Powers Board (Caltrain) right of way, pending coordination and approval by Caltrain. This asphalt path will lead to an existing

gate on the western platform of the Bayshore Station. During certain phases of the construction adjacent to the pathway, it may need to be relocated to Sunnydale Avenue, but regardless of the route, access will be provided throughout the construction of the overall development.

The Bayshore Caltrain Pedestrian Connections Project, scheduled to be completed by Fiscal Year 2016/17, would leverage both public and developer funds, similar to all Bi-County Transportation Study projects. Approving \$2,000,000 in Prop K funds for this specific project would provide the first stage of permanent pedestrian infrastructure and an interim pedestrian and bicyclist connection to the Bayshore Caltrain Station more than seven years before the anticipated completion of the development's build-out in 2023 at the earliest.

**Schlage Lock Development Agreement:** Attachment 3 contains the summary of the proposed Development Agreement. The latest full draft of the Development Agreement is available through the San Francisco Planning Department's website (<http://www.sf-planning.org/index.aspx?page=1682>).

All of the proposed improvements (e.g. for transportation these include new streets, sidewalks, lighting, etc.) will comply with the Schlage Lock Open Space and Streetscape Master Plan, in addition to all applicable City standards. The Schlage Lock developer will supplement these improvements with off-site intersection improvements with pedestrian safety benefits and in addition to these in-kind contributions it expects to contribute an additional approximately \$7 million to support other transportation improvements, including neighborhood transit and streetscape improvements, the Geneva-Harney Bus Rapid Transit Project, and other priority projects from the Bi-County Transportation Study.

Attachment 4 contains excerpts from the proposed Development Agreement that most directly pertain to the requested Prop K commitment and Transportation Authority interests. Section 4.7 of the Development Agreement specifies that as community impact fees are received, "SFMTA and SFCTA will jointly determine which Bi-County priorities will be funded." Section 6.4 outlines the required community participation process, including yearly public meetings, and Section 7.5 specifically details the logistics and requirements of the \$2,000,000 Prop K commitment. As the developer is unable to apply directly for Prop K funds, SFMTA has agreed to serve as fiscal sponsor for the allocation request. When SFMTA submits the formal allocation request in Fiscal Year 2015/16, it will include a full scope, schedule, and budget for the proposed Bayshore Caltrain Pedestrian Connections Project.

**Special Conditions:** The subject \$2,000,000 Prop K commitment would only be binding if the Board of Supervisors and other required City agencies approve the Schlage Lock Development Agreement. We are also recommending that the Prop K commitment be conditioned upon agreement that as neighborhood impact fees are received, the SFMTA and SFCTA will jointly determine which Bi-County priorities (e.g. Geneva-Harvey Bus Rapid Transit) will be funded. This is consistent with the intent to leverage private developer investment in our local infrastructure, as outlined in the Bi-County Transportation Study. Proposed language for the Development Agreement that we have jointly prepared with the Mayor's Office and SFMTA is shown in Attachment 4. Assuming the Development Agreement is approved, the Bayshore Caltrain Pedestrian Connections Projects will be incorporated into the 2014 New and Upgraded Streets Prop K 5YPP when adopted by the Transportation Authority Board this summer.

A representative from the Mayor's Office will attend the Plans and Programs Committee's June meeting to answer any questions.

**We are seeking a recommendation to commit \$2,000,000 in Fiscal Year 2015/16 Prop K funds to the Caltrain Pedestrian Connections Project, with conditions.**

## **ALTERNATIVES**

1. Recommend commitment of \$2,000,000 in Fiscal Year 2015/16 Prop K funds, with conditions, to the Caltrain Pedestrian Connections Project, as requested.
2. Recommend commitment of \$2,000,000 in Fiscal Year 2015/16 Prop K funds, with conditions, to the Bayshore Caltrain Pedestrian Connections Project, with modifications.
3. Defer action, pending additional information or further staff analysis.

## **CAC POSITION**

The CAC was briefed on this item at its May 28 meeting, and unanimously adopted a motion of support for the staff recommendation.

## **FINANCIAL IMPACTS**

This action would commit \$2,000,000 in Fiscal Year 2015/16 Prop K funds for the Bayshore Caltrain Pedestrian Connections Project. The allocation, when approved by the Board, would be subject to the Fiscal Year Cash Flow Distribution Schedules contained in the Allocation Request Form. Based on the project schedule, funds would need to be included in the Fiscal Year 2015/16 budget to accommodate the recommendation action.

## **RECOMMENDATION**

Recommend commitment of \$2,000,000 in Fiscal Year 2015/16 Prop K funds, with conditions, to the Bayshore Caltrain Pedestrian Connections Project.

Attachments (4):

1. Project Site Diagram
2. Caltrain Station Access Map
3. Schlage Lock Development Project Development Agreement Summary
4. Excerpts from the Schlage Lock Development Agreement – Sections 4.7 (Impact Fee), 6.4 (Community Participation in Allocation of Impact Fees), and 7.5, Commitment of Transportation Funds

Attachment 1

Exhibit A  
Project Site Diagram




figure 47: caltrain station access

Attachment 2



LEGEND

-  route 1
-  route 2
-  point of entry
-  Caltrain Station



## Attachment 3

ECONOMIC AND WORKFORCE DEVELOPMENT  
TODD RUFO, DIRECTOR



CITY AND COUNTY OF SAN FRANCISCO  
EDWIN M. LEE, MAYOR

### **Schlage Lock Development Project Development Agreement Summary**

**May 2, 2014**

#### ***Background***

The proposed development agreement between the City and County of San Francisco and Visitation Development, LLC (a division of Universal Paragon Corporation) will allow for the transformation the 20-acre Schlage Lock site, a formerly industrial property, into a vibrant extension of the Visitacion Valley community. This development agreement will require Visitation Development, LLC (the "Developer") to adhere to strictly-defined design and development controls and to deliver a predetermined set of community benefits, including parks, development impact fees, and a grocery store. In exchange for making these commitments in advance, the Developer will be granted the vested right to develop 1,679 units of housing and 46,700 square feet of retail at the Schlage Lock site (the "Site"), as well as certain fee waivers and public investment in the development .

This development agreement and its accompanying design controls represent the culmination of a community planning process that has lasted over a decade. Until 2011, the Project was expected to become a Redevelopment Area and gain access to approximately \$50 million in tax increment funding, which would have substantially offset the costs of soil and groundwater remediation and the development of new roads, utilities, parks, pedestrian infrastructure, and affordable housing. After Redevelopment was dissolved, the City reopened the Schlage Lock community planning process to come up with a development plan that was financially feasible without Redevelopment funds, while still maximizing public amenities.

Today's development agreement achieves this goal by increasing the amount of housing allowed and pledging much more limited public subsidy to the project's community benefits, which have been re-envisioned based on priorities set by the local community.

#### ***Key Provisions of the Development Agreement***

##### **VESTED DEVELOPMENT PROGRAM**

The development agreement ("DA") has a 15-year term, during which time the Developer will have a vested right to develop the Site. Vested elements include locations and numbers of buildings; land uses and height and bulk limits, including unit count, intensity, and gross square footages; parking ratios; development impact fees; and provision for construction and maintenance of public improvements. Specifically, the Developer may develop up to 1,679 new residential units, 46,700 square feet of new commercial and retail use, renovation of the Historic Office Building, and off-street parking at maximum ratios of one space per residential unit and one space per 333 square feet of commercial space.

##### **DESIGN AND DEVELOPMENT CONTROLS**

The DA is part of a larger regulatory approvals package that also includes the rezoning of the project site to permit mixed use development, a Planning Code text amendment creating a special use district for the project site, and a General Plan amendment to remove references to the former Visitacion Valley/Schlage Lock Redevelopment Area. A Design for Development document and an Open Space and Streetscape Master Plan will be incorporated by reference into both the DA and the revised special use district language. The project will be subject to phase approvals, through which the Planning Director will make sure that each

### Attachment 3

phase of development is designed to provide all of the required infrastructure and public benefits, and building and park design review approvals, through which the Planning Director will make sure that all architecture and park design is consistent with the project's design and open space controls. Opportunities for community participation in these phase and design review milestones are spelled out in the DA and in complimentary changes to the Visitacion Valley Schlage Lock Special Use District portion of the Planning Code. So long as the Planning Director, with feedback from the community, determines that a proposed phase or design complies with the design controls and all other applicable DA provisions, the Planning Director is obligated to grant the corresponding phase or design approval.

#### **PUBLIC AND COMMUNITY IMPROVEMENTS**

The Developer will be responsible for designing, developing and installing all "Public Improvements" (including roadways, sidewalks, utilities, bicycle infrastructure, off-site intersection improvements) and "Community Improvements" (public benefits including parks and the historic office building). The City agrees to accept the Project's completed Public Improvements, so long as those improvements have been designed and built to conform with all applicable City standards and the Project's design controls. The Developer or its successors will be responsible for the maintenance and operation of Public and Community Improvements not dedicated or transferred to the City, as well as all parks and sidewalks, regardless of whether they are transferred to the City.

#### **INCLUSIONARY HOUSING PROGRAM REQUIREMENT**

The Project has a 15% inclusionary housing requirement, which may be satisfied through a combination of:

- a) On-site Below Market Rate (BMR) units located within mixed-income buildings;
- b) On-site BMR units located within a building of up to 100% affordable units, provided that the Project may include only one such building;
- c) Off-site affordable units, built by Developer, at a rate of 23%;
- d) Payment of the Affordable Housing fee, at a rate of 20%;
- e) Dedication to the City of a development-ready parcel, subject to terms to be negotiated with the Mayor's Office of Housing at the time of dedication.

At least 2/3 of the Inclusionary Housing Program Requirement must be satisfied with on-site BMR units delivered through options (a) and/or (b) above.

#### **TRANSPORTATION FEE**

The Developer will pay a fee equivalent to the TIDF for all uses on the Site (including residential development, which is not currently subject to the TIDF) This transportation fee will be calculated as follows: the Transit Impact Development Fee ("TIDF") will apply to all product types currently covered by the TIDF. Since the TIDF does not apply to residential development, the project's residential development will be subject to an impact fee rate that is consistent with the February, 2011, nexus study entitled "The San Francisco Transit Impact Development Fee Update." These baseline fees will then be modified as follows:

- a) For each new building constructed, the transportation fee obligation will be reduced by an amount equivalent to 28% of that building's Visitacion Valley Fee, in consideration for the fact that 28% of the Visitacion Valley Fee is automatically earmarked for local transportation improvements.
- b) The first \$3 million owed will be waived in consideration of (1) off-site intersection mitigations and (2) additional transportation improvements delivered by the Project to create pedestrian access to the Bayshore Caltrain Station.

#### **NEIGHBORHOOD IMPACT FEE**

The Project will be subject to the Visitacion Valley Community Facilities and Infrastructure Fee ("Visitacion Valley Fee") based on the formula in the corresponding fee ordinance, reduced by 33% in consideration of in-kind public benefits provided by the Project, including the rehabilitation of the Historic Office Building and the provision of two new neighborhood-serving parks.



## Attachment 3

### GROCERY AND RETAIL

Parcel 1 of the Project must include a full service grocery store of at least 15,000 square feet and a total retail area of 20,000 square feet.

### WORKFORCE

The Developer will participate in the City's First Source Hiring program for all construction jobs and end use commercial jobs. Developer will also pay prevailing wages in connection with all Public Improvements (including streets, sidewalks, utilities, bicycle infrastructure, off-site intersection improvements) and Community Improvements (including pedestrian paths, parks and open spaces).

### HISTORIC OFFICE BUILDING

The historic office building must be first stabilized and later fully rehabilitated according to the Department of the Interior standards. Twenty-five percent (25%) of the historic office building's net leasable floor area must house community-serving uses, which may include but not be limited to health clinics, classrooms, childcare, non-profit offices, community meeting room.

### PHASING PLAN

The DA includes a phasing plan that ensures that the project's public benefits will be completed at a pace that is commensurate with the new housing development, as follows:

- **Grocery Store:** A grocery store must be included in Phase 1 of the development, unless the Developer can demonstrate to the Planning Commission that one is not feasible and the Commission takes action to remove this obligation. No development beyond Phase 1 may commence until the Grocery store has been completed or the Commission has waived the requirement.
- **Transportation and Infrastructure Improvements:** New streets/sidewalks and corresponding infrastructure and utilities must be constructed in tandem with, or in advance of, the parcel(s) that those road/utility segments serve.
- **Parks:** Either Leland Park or Visitacion Park must be completed before the 600th unit of housing can be occupied. The remaining park must be completed before the 975th housing unit may be occupied. Leland Park must be delivered before or concurrently with the development of Parcels 3 and 4, even if those parcels do not include the 600th or 975th housing unit.
- **Historic Office Building:** The Developer will be required to stabilize and secure the Historic Office Building, as well as restore its façade to an attractive condition, as part of Phase 1's Community Improvement requirement. The Historic Office Building must then be fully rehabilitated in conjunction with the development of Parcel 11 and Parcel 12.

The phasing plan places strict performance standards on the first phase of development to ensure that the project begins in a timely manner and prioritizes the public benefits that are most important to the local community. Thus, the first phase of development ("Phase 1") must include housing and full-service grocery store on Parcels 1 and 2, which will define an extension of the Leland Avenue commercial corridor across Bayshore Boulevard. The phasing plan permits Phase 1 to also include up to two additional parcels (with Parcels 3 and 4 together and Parcels 5 and 6 together each counting as a single parcel for purposes of defining Phase 1). The DA requires that the Developer take steps to begin Phase 1 within a commercially reasonable timeframe.

## Attachment 3

### CITY FUNDING COMMITMENTS

- **Proposition K Funds:** The Project will receive \$2 million of Proposition K sales tax funds to help support transportation improvements that serve the larger community through improved pedestrian safety and pedestrian access to the Bayshore Caltrain Station.
- **Additional Transportation Funds:** The Project will receive \$1.5 million of SFMTA funds to help support transportation improvements that serve the larger community through off-site intersection improvements and improved pedestrian safety and pedestrian access to the Bayshore Caltrain Station.
- **Possible Park Subsidy:** The City is considering acquiring one of the Project's parks. Under this scenario, Park development and maintenance would remain privately funded by developer. The park purchase price is still under discussion. It is expected that the City would make this up-front commitment to future park acquisition in exchange for Developer's commitment to a negotiated, below-market price.
- **Tax Credits:** Should New Market Tax Credits and/or Historic Tax Credits be available for the Project, the City will cooperate with the Developer in their efforts to obtain those tax credits for the Project. The City will not be obligated to grant either type of tax credit to the Project nor to prioritize this Project over any other project seeking those tax credits.
- **Mello Roos Community Facilities District (CFD):** The City will cooperate with the Developer to set up one or more CFD's to fund capital improvements and/or ongoing maintenance as permitted by State law.
- **Other Grants and Subsidies:** The Project includes a number of costs that may be eligible for various grant and subsidy programs administered by various City, State or Federal agencies. The City will cooperate with the Developer in their efforts to obtain those subsidies.

## ATTACHMENT 4

### Development Agreement by and Between the City and County of San Francisco and Visitacion Development, LLC, a subsidiary of the Universal Paragon Corporation Relative to the Development Known as the Schlage Lock Development Project

May 16, 2014 Version

#### EXCERPTS – TRANSPORTATION AUTHORITY-RELATED PROVISIONS

4.7 Impact Fee. The Project will be subject to the Visitacion Valley Fee based on the formula in the corresponding fee ordinance. An amount equal to 33 percent of the Project's Visitacion Valley Fee obligation will be waived in consideration of in-kind community benefits provided by the Project's obligation to build new parks, rehabilitate the Historic Office Building, and provide certain publicly-accessible transportation improvements. All eligible development will pay 67% of the Visitacion Valley fee, per Section 420.1(d) of the Planning Code, 28% of Visitacion Valley Fee revenue collected by the Planning Department and then transferred to the applicable implementing City Agency (e.g., SFMTA and/or DPW), according to the standard practices of IPIC (the Interagency Plan Coordination Committee) and will be used to fund local transportation improvements. This proportion of the Schlage Lock Project's total Visitacion Valley Fee obligation (calculated before any reductions in consideration for in-kind benefits) will be used to fund transportation improvements identified as priorities in the Bi-County Study (e.g., the Geneva Avenue bus rapid transit system and pedestrian safety projects). To maximize flexibility, as the funds are received, SFMTA, and SFCTA will jointly determine which Bi-County priorities will be funded.

[...]

6.4 Community Participation in Allocation of Impact Fees. The Planning Department and the SFMTA shall conduct a minimum of one public meeting per year in Visitacion Valley to inform and consult with the public in the prioritization the community improvement projects to be funded by the Visitacion Valley Community Facilities and Infrastructure Fee and Fund and the Transportation Fee Obligation. At this meeting, the Developer shall present a progress report on the Project, including but not limited to the status of parks and Community Improvements, number of units built, BMR units, and status of the Historic Office building. Such progress report may use information from, or be the same as, the Annual Review as required by \_\_\_\_\_.

[...]

#### 7.5 Commitment of Transportation Funds.

7.5.1 The San Francisco County Transportation Authority ("SFCTA") will program \$2 million of Proposition K funds to the Project through its 2014 Strategic Plan and 5-Year Prioritization Program process, anticipated to conclude by June 30, 2014. This \$2 million in Proposition K funds will be programmed for transportation improvements located within and directly adjacent to the Project Site but intended to serve the larger community through improved pedestrian safety and pedestrian access to the Bayshore Caltrain Station. The Proposition K funds will subsidize the design and/or construction of the Project's Phase 1 pedestrian network, which will provide complete pedestrian connectivity between Bayshore Boulevard and the Bayshore Caltrain Station through a combination of permanent sidewalks and temporary pathways, as described in \_\_\_\_\_ ("Funding Contingency Work"). Eligible improvements include sidewalks, temporary

pedestrian pathways, signage, and other traffic calming measures that facilitate pedestrian safety. All portions of this pedestrian network must be consistent with the Open Space and Streetscape Masterplan, attached as Exhibit \_\_\_\_.

The San Francisco Municipal Transportation Agency (“SFMTA”) has agreed to serve as the fiscal sponsor for the Project’s Proposition K allocation request(s). SFMTA will be the recipient of the Proposition K funds and will transfer the funds to the Developer on a reimbursement basis. For the Project to obtain all or any portion of this \$2 million, SFMTA, on behalf of the Project, must request the funds by completing SFCTA’s standard Proposition K request form and proceed through the SFCTA Board’s Proposition K allocation approval process; provided that the request is complete and accurate, and consistent with Proposition K policies, it will not be denied. Proposition K funds are provided on a reimbursement basis, meaning that an allocation request must be approved prior to expenditure and that SFMTA, on behalf of the project, will be reimbursed for expenditures upon the submission of eligible expenses to SFCTA. SFMTA will subsequently reimburse eligible Developer costs according to project milestone completion and receipt of support documentation for all costs incurred. Once the SFMTA certifies the applicable milestone has been completed and is acceptable and that all support documents are sufficient, SFMTA will reimburse eligible costs to the Developer within thirty (30) days. Provided that the request is complete and accurate, it will not be denied. Milestones for reimbursement are as follows:

1. At the time when the City approves the applicable improvement or improvements’ Design Review Application, ensuring that improvement is designed to conform with Open Space and Streetscape Masterplan, SFMTA will reimburse all design-related eligible expenses.
2. At the time when construction of applicable improvement(s) is substantially complete, SFMTA will reimburse all eligible construction expenses to date.
3. At the time when the City deems that all public benefits and Community Improvements within the applicable phase are complete, such that the first residential unit within the phase may receive First Certificate of Occupancy, SFMTA will provide final reimbursement for any expenses occurring after substantial completion milestone.
4. Developer will be required to provide quarterly progress reports on any Proposition K-funded design and/or development work to SFMTA within 30 days of the end of each quarter. SFMTA will subsequently submit these reports to SFCTA.
5. Additionally, documentation of compliance with City payment procedures and policies must be provided for all reimbursable expenses. (See Controller’s office website for details: <http://www.sfcontroller.org/>)

SFMTA, on behalf of the Developer, may request the Proposition K funds for a particular phase of design and/or construction work, either as a single application for \$2 million or in multiple increments adding up to \$2 million, provided that no allocation request may exceed the anticipated eligible costs of the improvement(s) for which reimbursement is being sought at that time. If a particular improvement or set of improvements requires less funding than initially anticipated, any remaining funds will be de-obligated and returned to the SFCTA. Any such return of funds will not compromise the Developer’s eligibility to utilize a cumulative total of \$2 million in Proposition K funds.