

US EPA ARCHIVE DOCUMENT

EPA Region 9 Brownfields Program RLF Success Stories

Third St, San Francisco, CA



Project Description

Property Address:	2235 Third Street San Francisco, CA 94107
Property Size:	50,000 square feet
Former Uses:	Two existing commercial buildings and a 40,000-square foot lot
Contaminants Found:	Lead
Current Use:	Mixed-use residential project under construction
Planned Use:	Mixed-use residential commercial project
Current Owner:	Potrero Launch Affordable, LP

Property History

Located on the central waterfront of the San Francisco Bay, the 50,000-square foot mid-block project site consists of two existing historic buildings surrounded by vacant, undeveloped land. One building at 2235 Third Street is a vacant 34-foot tall, three-story-above-basement masonry and heavy timber building that last contained approximately 14,400 square feet of commercial office space. The other building located at 2235 Third Street is an 18-foot tall, one-story-above-basement masonry and heavy timber building with 8,400 square feet that was used for commercial office space. The remainder of the property (approximately 39,000 square feet) has been vacant and undeveloped, including the entire eastern half of the property fronting Illinois Street. A sub-grade railroad spur originally located on the property was removed in 2002. The topography generally rises from San Francisco Bay on the east to Potrero Hill on the west.

The property is contaminated with lead as a result of receiving lead-contaminated topsoil which was generated by the 1906 earthquake and imported to the site shortly thereafter. The assessment concluded that the lead-contaminated soil would need to be removed and/or capped in order to reuse the site.

Drivers for Redevelopment

The City of San Francisco Planning Department determined that the highest and best use for the property is a mixed-use residential and commercial project that would serve the surrounding community. In April 2008, the city published the *Central Waterfront Area Plan: An Area Plan for the General Plan of the City and County of San Francisco*, which laid out a vision

RLF Assistance

After receiving an EPA Revolving Loan Fund (RLF) grant in 2006, California's Department of Toxic Substances Control (DTSC) made three loans and ten subgrants to local governments, community development corporations, and school districts to address a range of petroleum and hazardous substance contamination issues. DTSC's RLF Program plays a critical role in moving cleanup forward by providing gap financing for cleanup activities, while leveraging other funding for project construction. With this funding, once troubled properties are successfully being reused for affordable housing and greenspace opportunities, education and community centers, community-serving retail, and civic uses in disadvantaged communities.



2235 Third Street before renovation



Artist's rendering of 2235 Third Street after renovation

for the area. As described in the Plan, at one time, land zoned for industrial uses covered almost the entire eastern bay front of San Francisco. As the city's economy transformed from traditional manufacturing industry toward tourism, service and "knowledge-based" functions, the city's industrial lands have shrunk steadily. The related Eastern Neighborhoods Plan was developed over several years, with the participation of thousands of community members and other stakeholders. The plan embodies a series of strategies for responding to the need to preserve some industrial land in the city while also providing increased levels of affordable housing. The following Key Principles inform all the objectives and policies contained in the neighborhood plan: encourage new housing at appropriate locations and make it as affordable as possible to a range of city residents; and plan for transportation, open space, community facilities and other critical elements of complete neighborhoods. After extensive outreach and community input, the San Francisco Planning Commission, designated the site as "Urban Mixed Use" in August 2008 and this project was developed around the neighborhood plan.

The current owner is Potrero Launch Affordable, LP. This entity was created to serve the market rate and affordable residential units, as well as the important retail and commercial uses along transit-rich Third Street. The redevelopment of the site will address the need for a high-density residential development in an important transit corridor. The transformation of this formerly industrial brownfield into a vibrant mixed-use project directly addresses the intent of the Eastern Neighborhoods Plan developed by the city and community.

Project Results

Lead-contaminated soil was removed from the site and disposed in designated state and federal storage facilities; over 15,000 tons of contaminated soil were removed from October to December 2009 and sent to a disposal site as non-Resource Conservation and Recovery Act (RCRA) waste. In addition to this treated soil, approximately 1,365 tons of brick, concrete, serpentine bedrock, metal and debris were also transported and properly disposed as non-RCRA material. Any presumed contaminated soil under the existing two buildings was capped by a concrete base. The project is creating approximately 200 new construction jobs over two years. By removing the lead-contaminated soil from the site, the property will better serve the community by providing housing and retail uses on this former industrial brownfield.

Funding for the site cleanup came from state funding from a

Project Partners

- Environmental Protection Agency, Region 9
- California Department of Toxic Substances Control
- Potrero Launch Affordable, LP
- City of San Francisco
- Ian Birchall Associates, Architects
- HKS Architects
- Nibbi Brothers, Contractors
- Citibank, Lender
- Freddie Mac, Credit Enhancement

Meeting the Diverse Needs of Modern Times

The Third Street project is a successful embodiment of a large community working together to create long-term development strategies and seeing those goals come to fruition. Transforming an industrial waterfront into a modern mixed-use economy that focuses on tourism, service and knowledge-based functions required cooperation among government agencies, community groups and private developers. Further, the extensive lead contamination was a significant challenge. Because the site was receiving lead-contaminated topsoil which was generated by the 1906 earthquake and imported to the site shortly thereafter, one of the biggest challenges was the amount of environmental contamination of lead and metals in the soil. This contamination was an obstacle to development in this economically important waterfront property. The owner along with their consultants, state, local and federal agencies successfully put together various financing sources, including state and federal grants and a construction and permanent loan, which is leading to the ultimate construction of the mixed-use project. Project partners were able to restore and maintain the historically significant existing buildings onsite while also bringing the community a mixed-use project on a transit line that serves the intent of the neighborhood planning process.

California Recycle Underutilized Sites (CALReUSE) loan for \$2 million in December 2008, as well as stimulus money contained in the American Recovery and Reinvestment Act (ARRA). In October 2009, the project received a DTSC Revolving Loan Fund (RLF) grant from EPA with ARRA funds totaling \$1.675 million; the funding was to conduct environmental remediation at the site. This crucial financing piece allowed the remediation project to move forward and assisted greatly in securing other funding needed for the project construction, including a California Housing and Community Development (HCD) Infill Infrastructure Grant for approximately \$7 million, a Citibank-Freddie Mac Credit Enhanced loan for \$55 million in November 2010, and a TCAC ARRA Gap Financing LIHTC for \$584,917 in December 2010. Upon receiving the construction loan from Citibank in November 2010, project construction began and is expected to be complete by July 2012. Once complete, the project will offer more than 196 new rental housing units (39 designated as affordable), underground parking, and onsite subsidized day care. Other planned features include restaurants and retail, easy access to public transportation, and several pocket plazas along the Third Street corridor.



Illinois Street before renovation



Artist's rendering of Illinois Street after renovation

Project Timeline

- Aug 2002 Phase I Environmental Site Assessment (ESA)
- Aug 2008 San Francisco Planning Commission approves project for a mixed-use residential project
- Dec 2008 CALReUse loan awarded for \$2 million
- May 2009 DTSC commitment letter for ARRA funds
- Oct 2009 \$1.675 DTSC RLF approved to perform cleanup
- Dec 2010 Potrero Launch Affordable, LP becomes owner of property
- Dec 2010 Citibank construction loan approved for \$55 million
- Dec 2010 TCAC ARRA Gap Financing for \$584,917
- Dec 2010 Construction begins
- July 2012 Construction expected to be complete

For additional information, please contact:

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