

<http://online.wsj.com/article/SB10000872396390443931404577551080228271666.html?>

The Wall Street Journal
SAN FRANCISCO BAY AREA

August 1, 2012, 2:23 p.m. ET

Dashed Hopes in Visitacion Valley
Improvement Project for the Distressed San Francisco
Neighborhood Is on Hold Indefinitely, Disappointing Residents

BY BEN WORTHEN

The main commercial drag in San Francisco's Visitacion Valley is largely empty, with the street dead-ending at a fenced-off toxic-cleanup site. There had been high hopes for an improvement project, but it has been put on hold indefinitely, disappointing a neighborhood that is one of the poorest in the city.

The vacant lot "is like a cancer in the middle of the neighborhood," says Fran Martin, a local activist and resident. Without the redevelopment project, she says, "we're in deep trouble."

Many Bay Area cities—from Milpitas to Hercules—are feeling the effects of the state's closure of redevelopment agencies, which took on debt and used the cash to turn around blighted areas.



Jason Henry for The Wall Street Journal
The former redevelopment site in Visitacion Valley.

When California dissolved the agencies earlier this year—rerouting their tax revenue to public safety and schools—the state allowed projects that had progressed to a certain point to continue. In San Francisco, this included every effort except for the one in Visitacion Valley. The reason: An unexpected court ruling halted negotiations on the project just before it reached the threshold to carry on after the dissolution of the agencies.

The Visitacion Valley redevelopment project, which would have transformed a 20-acre former factory into retail space, three parks and 1,250 homes, was one that "everyone was in support of," says John Rahaim, San Francisco's director of planning.

The effort to fix up Visitacion Valley began shortly after the Schlage Lock factory there closed in 1999. In the past decade, the city approved a series of plans to convert the site into homes and parks. In 2008, developer Universal Paragon Corp. acquired the land and the obligation to clean up the pollution that came from decades of metal work.

San Francisco's Board of Supervisors in 2009 unanimously approved a plan that called for Universal Paragon to spend about \$500 million on the site and for the city to chip in millions more to extend streets, help pay for parks and subsidize affordable housing. An additional 26 acres in the vicinity of Leland Avenue, the neighborhood's main commercial street, and Bayshore Boulevard were included in the redevelopment zone.

But the project hit a snag during the recession that year. The city committed less money to the project and specific terms had to be renegotiated. Still, Universal Paragon was so confident a new deal would be completed that it spent more than \$20 million to clean up the site and demolish the factory.

A new deal was in the works when Democratic Gov. Jerry Brown announced his plan in late 2010 to do away with redevelopment agencies. The plan hit resistance in the legislature, but a version ultimately passed in mid-June 2011. The agencies sued in July 2011 in an attempt to invalidate the law. In response, the California Supreme Court temporarily

blocked the state from dissolving the agencies but prohibited the agencies from continuing project negotiations. When the court ruled in December that the full law could go into effect, the Visitacion Valley project wasn't far enough along to be allowed to proceed.

"If someone had told us you have a year to get this done before redevelopment goes away, we would have gotten it done," says Tom Evans, who managed the project for the San Francisco Redevelopment Agency.

"It would have been a done deal," agrees Jonathan Scharfman, general manager of Universal Paragon.



Jason Henry for The Wall Street Journal

The Visitacion Valley project is a casualty of the closure of California's redevelopment agencies.

Residents say the halted project is another case of hard luck for their neighborhood. "People who live here think that the city tends to forget [the neighborhood] is here," says Chris Barnett, who has lived in Visitacion Valley for 13 years. He says the Schlage Lock redevelopment would have brought needed housing density to the neighborhood, which in turn would have led to more retail businesses staying open longer hours. That would have drawn more people onto the streets and made the community feel safer and nicer. "There's such tremendous potential," he says. "It's a shame."

Visitacion Valley has one of the city's lowest median annual household incomes—at \$44,373 versus the median \$70,117—and highest unemployment rates at 11%, compared with the city's 7%, according to a city report. The neighborhood, the southeastern-most in the city, doesn't have a grocery store, and on the side opposite the Schlage Lock site is Sunnydale, the city's largest public-housing development.

Despite the halt to the redevelopment project, other plans are being discussed for Visitacion Valley. Sunnydale is set to be transformed as part of a city-sponsored plan to improve some low-income housing projects. The goal is to replace the 700 or so units there now with 1,700 new ones catering to people across income brackets.

More than 600 acres abutting the Schlage site but just over the San Francisco border in the city of Brisbane are designated for development as an office park and housing. San Francisco has also drawn up plans to build a major transportation hub near the Schlage site that would include extending a major road in the area, extending the Third Street Muni line to the Bay View Cal Train station and connecting it by shuttle to BART. All of these projects are currently confined to paper.

Mr. Scharfman says Universal Paragon is now revising its plan for the Schlage site in hopes of starting the project in phases. The new plan won't rely on public funding and will minimize parkland, low-income housing and infrastructure improvements.

"Just bringing in a grocery anchor and housing stock is something that the neighborhood would really like to see," he says.

Meanwhile, the neighborhood is pushing forward on its own. In June, Renee Hatfield, who lives nearby, opened a cafe on Leland Avenue a stone's throw from the Schlage site.

"We heard that they were trying to build up the neighborhood," she says. "Everybody who comes in here says we really needed this."