



450-2842017-002

Agenda Item **No. 5(f)**
Meeting of November 7, 2017

INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Executive Director 

SUBJECT: Transmittal of correspondence from Lennar regarding Hunters Point Shipyard Phase 1 Affordable Housing Disclosures; Hunters Point Shipyard Project Area

Attached is a copy of Lennar's response to concerns raised by the Commissioners and members of the public regarding the Request for Proposals to develop and operate up to approximately 100 units of affordable family housing on Blocks 52 and 54 in the Hunters Point Shipyard Redevelopment Project area. This transmittal was included in the Commissioners' packet for the October 3, 2017 Commission meeting.

Attachment 1: Correspondence from Robert Smylie, re: Lennar regarding Hunters Point Shipyard Phase 1 Affordable Housing Disclosures (September 28, 2017)

Edwin M. Lee
MAYOR

Nadia Sesay
EXECUTIVE DIRECTOR

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MATTER NO

2165.609

September 28, 2017

Members of the Commission on Community
 Investment and Infrastructure ("OCII")
 a/k/a, Successor Agency To The
 Redevelopment Agency Of
 The City And County Of San Francisco
 One South Van Ness Avenue
 San Francisco, CA 94103

Re: Hunters Point Shipyard Phase One Affordable Housing Disclosures

Ladies and Gentlemen:

This is in response to your request for a summary of the disclosures regarding proposed affordable housing to be included in the Hunters Point Shipyard Phase One, Hillside and Hilltop ("Community") contained in sales materials provided to buyers by the seller entities affiliated with Lennar Homes of California, Inc., a California corporation. Various buyers of condominium units in the Community have complained to you, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("Agency") that they were not adequately informed of the proposed locations of affordable housing in the Community. The two lots being complained of are shown on Final Map No. 4231 as Lots 33 and 41 (at the corner of Hudson Avenue and Friedell Street), and Lots 71 and 79 (at the corner of Kirkwood Avenue and Friedell Street).

In addition to all the City and Agency publicly available maps, reports, advertising and other materials describing the redevelopment of Bayview Hunters Point and the proposed Shipyard development, there are three (3) very significant documents provided to each and every buyer that contain detailed disclosures regarding the affordable housing within and adjacent to the Community. These are: (a) the Final Subdivision Public Report issued by the California Bureau of Real Estate ("BRE"). (b) the recorded Master Declaration of Covenants, Conditions and Restrictions and Grant and Reservation of Easements of Hunters Point Shipyard Phase One [Hillside and Hilltop], and (c) the Hunters Point Shipyard Phase One Master Disclosure Statement. Two of those documents refer specifically to the lot numbers of the Agency lots within the Community that will contain multi-family affordable rental housing buildings. The following is a brief description of the disclosures and references to the applicable documents, with relevant pages attached hereto as Exhibits.

1. The Final Subdivision Public Reports. Pages from the Conditional and Public Report for Olympia Phase 1 issued by the BRE are attached hereto as Exhibit "A". The relevant disclosures are on Pages 4 and 19 thereof. The Final Subdivision Public Reports for all phases of the Community contain these same disclosures.

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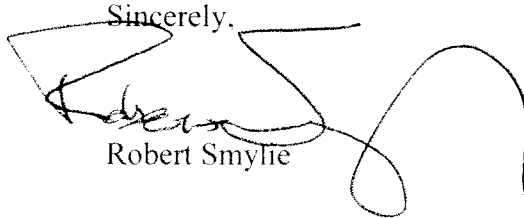
Successor Agency To The
Redevelopment Agency Of
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2. The Recorded Master Declaration. This document includes several provisions regarding the "Agency Housing Parcel," the fact that they are for affordable housing projects, and voting and assessment provisions and restrictions regarding affordable housing facilities. Attached hereto as Exhibit "B" are the relevant provisions of the Master Declaration, including the definition of "Agency Housing Parcel" and the Exhibit B to the Master Declaration containing the legal descriptions of those "Agency Housing Parcels" and the "Open Space and Parks" parcels. The numbered lots, including Lots 33, 41, 71 and 79 referenced above, are the "Agency Housing Parcels," and the lettered lots are the "Open Space and Parks" parcels.

3. Master Disclosure Statement. There are numerous provisions in is document describing the affordable housing within and adjacent to the Community. Excerpts from Pages 2, 3, 7, 23 and 24 thereof are attached, with emphasis added for the significant disclosures.

I believe that these materials will refute any claims that there was insufficient disclosures regarding the affordable housing elements in the Community and adjacent to it. If you should have any questions in this regard, please feel free to call me or Mr. Ryan Hauck of Lennar Homes of California, Inc., to discuss the matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Smylie', with a large, stylized flourish extending to the right.

Robert Smylie

RS:ppv

cc: Joan Mayer (Joan.Mayer@lennar.com)

Ryan Hauck (Ryan.N.Hauck@lennar.com)

EXHIBIT "A"

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AFFORDABLE HOUSING PROGRAM. AS A CONDITION OF APPROVAL FOR THE DEVELOPMENT OF HILLTOP COMMUNITIES, THE SUBDIVIDER AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO (THE "AGENCY") ENTERED INTO THAT CERTAIN "AFFORDABLE HOUSING AGREEMENT". IN ACCORDANCE WITH THE AFFORDABLE HOUSING AGREEMENT, THE REDEVELOPMENT PLAN REQUIRES THE SUBDIVIDER TO PROVIDE UNITS OF FOR SALE AFFORDABLE HOUSING IN THE CONDOMINIUM COMMUNITIES. APPROXIMATELY 10% OF THE CONDOMINIUMS IN THESE COMMUNITIES WILL BE OFFERED FOR SALE TO PERSONS WHO QUALIFY AS HAVING INCOMES NOT EXCEEDING 80% OF AREA MEDIAN INCOME ("AMI") BUYERS AND ARE REQUIRED TO BE OFFERED FOR SALE, SOLD TO, OWNED BY AND OCCUPIED THROUGHOUT THE ENTIRE NINETY (90) YEAR "AFFORDABILITY PERIOD" BY AMI HOMEBUYERS (AS FURTHER PROVIDED AND AS SUCH TERMS ARE DEFINED IN THE AFFORDABLE HOUSING AGREEMENT). IN ADDITION, THERE ARE APARTMENT BUILDINGS IN THE COMMUNITY REQUIRED TO BE OCCUPIED ONLY BY TENANTS QUALIFYING AS HAVING INCOME OF NOT MORE THAN 50% OF AREA MEDIAN INCOME. THE AGENCY WILL QUALIFY ALL AMI BUYERS FOR BOTH INITIAL SALES AND FOR RESALE'S DURING THE AFFORDABILITY PERIOD. THERE ARE INCLUSIONARY UNITS PROVIDED FOR BUYERS THAT MEET THE FAMILY INCOME STANDARD OF NOT MORE THAN 80% OF AREA MEDIAN INCOME ("80% AMI") IN VARIOUS PORTIONS OF THE COMMUNITY. THOSE 80% AMI UNITS ARE SUBJECT TO LIMITATIONS IN REGARD TO THE AMOUNT BY WHICH THE COMBINED ASSESSMENTS OF THE MASTER ASSOCIATION AND THE SUB-ASSOCIATION CAN BE INCREASED ANNUALLY, AS PROVIDED IN SECTION 7.6 OF THE DECLARATION, AND AS PROVIDED IN SECTION 6.8 OF THE MASTER DECLARATION, THE COMBINED ASSESSMENTS FOR 80% AMI UNITS SHALL NOT INCREASE IN ANY SINGLE YEAR, BY AN AMOUNT WHICH EXCEEDS THE INCREASE IN AMI, AS DEFINED UNDER THE AFFORDABLE HOUSING PROGRAM. IN THE EVENT THAT THE COMBINED ASSESSMENTS IN THE BUDGET FOR ANY YEAR SHOULD EXCEED THAT LIMIT: (1) THE PAYMENT OF MASTER ASSOCIATION ASSESSMENTS WOULD HAVE PRIORITY AND WOULD BE PAID IN FULL, AND THE SUB-ASSOCIATION ASSESSMENTS FOR THE INCLUSIONARY UNITS WOULD BE CAPPED BY THE LIMITATION; AND (2) THE SHORTFALL IN SUB-ASSOCIATION ASSESSMENTS RESULTING FROM LIMITATION WOULD HAVE TO BE SPREAD TO AND PAID BY THE OWNERS OF OTHER UNITS IN THE COMMUNITY THAT ARE NOT SUBJECT TO THE LIMITATION.

AFFORDABLE HOUSING RESALE RESTRICTION APPLICABLE TO THE AFFORDABLE UNITS. IN ALL CASES, EACH AFFORDABLE UNIT SHALL BE SUBJECT TO THE AFFORDABLE HOUSING RESALE RESTRICTION AND THE "DECLARATION OF RESTRICTIONS FOR FOR-SALE AFFORDABLE HOUSING UNITS AND OPTION TO PURCHASE AGREEMENT" THAT IS RECORDED ON TITLE TO EACH 80% AMI UNIT. AS MORE FULLY SET FORTH IN THE AFFORDABLE HOUSING RESALE RESTRICTIONS AND SUCH RECORDED DOCUMENTS, THE OWNER OF AN AFFORDABLE UNIT COVENANTS AND AGREES, AMONG OTHER THINGS, THAT DURING THE AFFORDABILITY PERIOD EACH SUBSEQUENT RESALE OF THE PROPERTY BY THE THEN-OWNER THEREOF SHALL BE TO A PERSON WHO QUALIFIES UNDER THE AREA MEDIAN INCOME RESTRICTIONS, AT AN AFFORDABLE HOUSING COST, AND THAT THE AFFORDABLE UNIT SHALL NOT BE CONVEYED BY ANY "TRANSFER" (AS DEFINED THEREIN) EXCEPT WITH THE EXPRESS WRITTEN CONSENT OF THE AGENCY, WHICH CONSENT SHALL BE GIVEN ONLY IF THE TRANSFER IS IN ACCORDANCE WITH THE PROVISIONS OF THE AFFORDABLE HOUSING RESALE RESTRICTION. EACH OWNER OF AN AFFORDABLE UNIT COVENANTS AND AGREES TO COMPLY WITH THE AFFORDABLE HOUSING RESALE RESTRICTION.

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developed as mixed-use community, and may ultimately include twelve thousand (12,000) residences, condominiums, townhomes, single family lots, apartment and multi-family homes, (of which approximately 32% of all homes will be sold or rented as "affordable" pursuant to City-defined criteria), approximately 326 acres of parks and open space, approximately 3,150,000 square feet of office space and research and development uses, 885,000 square feet of retail space, 100,000 square feet of community facilities and a 10,000 seat performance venue.

Affordable Housing.

On-site: The Hunters Point Redevelopment Plan requires the Subdivider to provide units of both rental and for sale affordable housing throughout the Community. Approximately 10% of the condominiums and townhomes in the Community will be offered to persons who qualify as 80% of Area Median Income ("AMI") buyers pursuant to guidelines established by the United States Department of Housing and Urban Development. Purchasers who qualify will purchase their townhomes or condominiums subject to resale restrictions, as reflected in recorded covenants and agreements. Other areas in the community will be developed for rental housing and operated and managed by professional companies specializing in such housing. The Office of Community Investment and Infrastructure will oversee the Hilltop affordable housing apartment buildings that will occupy Lots within Blocks 49, adjacent to market rate homes which comprise approximately 190 homes. The homes on this affordable block are expected to be income-restricted rental apartments serving households who earn no more than 50% AMI.

Offsite: There is additional affordable housing within a one (1) mile area including the Hunters View project. Hunters View is comprised of 267 public housing units which are being transformed into a mixed-income community through the HOPE SF program. When completed, the anticipated new community will include up to 740 homes comprising a mixed-income community serving a variety of household income levels, with some exceeding 120% AMI. In addition to its residential component, the proposed development has planned improvements currently projected to include 6,400 square feet of neighborhood retail, 21,600 square feet of community serving space and 58,300 square feet of public park space. The entire development has been selected for the pilot program for Neighborhood Development (LEED-ND).

EXHIBIT "B"
RECORDED MASTER DECLARATION
Definitions of "Agency Housing Parcel" and "Open Space and Parks,
and Exhibit B legal description

2.2 **"Agency Housing Parcel"** means each lot included in the description of the Agency Property in **Exhibit "B"** attached hereto, except the Open Space and Park Lots. Each such lot shall remain an "Agency Housing Parcel" within the meaning of this Master Declaration even if later conveyed by the Redevelopment Agency to another Participating Builder, provided, however, that such lot is developed and operated as for-rental Apartments, 100% of which are held, leased and operated as Affordable Housing Units (as that term is defined in the Redevelopment Agency's Affordable Housing Program for HPS Phase One). In the event any such Property ceases to be an Apartment Property, as defined herein, or is at any time operated as other than 100% Affordable Housing Units, the Property will no longer be considered an "Agency Housing Parcel" under this Master Declaration, but shall continue to be covered by this Master Declaration as a Property hereunder.

2.43 **"Open Space and Parks"** means, for purposes of this Master Declaration, Lots A through E, inclusive, as shown on the Hillside Final Map, and Lot A, Lots C through I, inclusive, and Lots K through N, inclusive, as shown on the Hilltop Final Map, and all Improvements therein or thereon. Nothing herein shall be deemed to limit the CFD's jurisdiction over, or responsibility for, open space and park land that may otherwise be included within the boundaries of the CFD as set forth in the organizational documents of the CFD.

Exhibit "B"

Legal Description of Redevelopment Agency Property

The following described property located in the City and County of San Francisco, State of California:

Lots 2, 3, 4, 5, 33, 34, 40, 41, 71, 72, 78, 79, 137, 138, 139 and 140, and Lots A, C through I, inclusive, and K through N, inclusive, as shown on the final map entitled "FINAL MAP NO. 4231," filed for record on August 12, 2009, in Book CC of Survey Maps, at Pages 165 to 175, in the Official Records of the City and County of San Francisco, State of California; and

Lots 90 through 92, inclusive, Lots 128 through 131, inclusive, and Lots A through E, inclusive, as shown on the final map entitled "FINAL MAP NO. 5255," filed for record on August 12, 2009, in Book CC of Survey Maps, at Pages 176 to 185, in the Official Records of the City and County of San Francisco, State of California.

EXHIBIT "C"
MASTER DISCLOSURE STATEMENT
Excerpts from Pages 2, 3, 7, 23 and 24

Pg. 2 The Successor Agency to the Redevelopment Agency of the City and County of San Francisco is the owner of several of the properties that are subject to the Master Declaration, including properties that will be developed and sold as rental Apartment buildings for providing affordable housing for people who live and work in San Francisco, and has rights and obligations under the Master Declaration.

Pg. 3 If developed as presently planned, the Master Community is proposed to be developed in a series of phases over a period of years, including both Neighborhoods with detached residential lots, and Neighborhoods with buildings containing rental Apartments, Townhomes, and residential Condominium units, and may ultimately include approximately fourteen hundred (1,400) Homes in Hunters Point Shipyard Phase One, of which approximately thirty percent (30%) are planned to meet the City's affordability standards.

Pg. 3 The Master Community, together with the adjacent development of Phase 2 of Hunters Point Shipyard and Candlestick Point master planned area (the "**CP/HPS2 Project**") comprises approximately seven hundred seventy-five (775) acres to be developed as mixed-use community, and these projects are together may ultimately include up to approximately twelve thousand (12,000) Homes, including thousands of units of affordable housing, approximately 326 acres of parks and open space, approximately 3,150,000 square feet of office space and research and development uses, 885,000 square feet of retail space, 100,000 square feet of community facilities and a 10,000 seat performance venue.

Pg. 7 **Voting Rights in the Master Association.** Under the terms of the Master Declaration, there are three (3) Types of Membership established for voting purposes. All Owners of Homes, other than the Declarant under the Master Declaration, the Successor Agency and the Participating Builders, will be "Type A" Members and will be entitled to one (1) vote for each Assessment Unit allocated to such Owner's Property. (All Condominiums, Townhouses and Apartments have one (1) Assessment Unit, except affordable Apartments located on "Agency Parcels" which have one-half (1/2) Assessment Unit.)

Pg. 23 **Affordable Housing.** The Bayview Hunters Point Redevelopment Plan requires the Subdivider to provide units of both rental and for sale affordable housing throughout the Master Community. Approximately 10.5% of the condominiums and townhomes in the Master Community built by Participating Builders will be offered to persons who qualify as 80% AMI buyers pursuant to guidelines established by the United States Department of Housing and Urban Development. Purchasers who qualify will purchase their townhomes or condominiums subject to resale restrictions, as reflected in recorded covenants and agreements. Other blocks in the Master Community owned by the Successor Agency that are adjacent to market rate homes are designated for affordable rental housing that will be developed, operated and managed by professional companies selected by the Successor Agency that specialize in such housing. The Office of Community Investment and Infrastructure (aka the Successor Agency) or the Mayor's Office of Housing will oversee the Hilltop affordable housing apartment buildings developed on properties owned by the Successor Agency: on the Hilltop, these properties include Blocks 49, 52, 54, and 56 and are presently planned to comprise approximately 190 homes. Additional homes are planned for affordable housing on properties owned by the Successor Agency on the Hillside. The

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Successor Agency intends to develop these affordable homes as rental apartments for persons who qualify as 50% AMI tenants. There is no assurance the Successor Agency will develop, manage operate or oversee these affordable homes as currently proposed.

Pg. 24 There is additional affordable housing within a one (1) mile area including the Hunters View project. Hunters View is comprised of 267 public housing units which has been rebuilt through the HOPE SF program. The proposed redevelopment of this site will ultimately include up to 740 homes comprising a mixed-income community with incomes exceeding well over 120% AMI. In addition to its residential component, the proposed development has planned improvements currently projected to include 6,400 sf of neighborhood retail, 21,600 sf of community serving space and 58,300 sf of public park space. The entire development has been selected for the pilot program for Neighborhood Development (LEED-ND). Additionally, AIMCO, a national affordable housing developer, operates approximately 600 affordable rental units in its All Hallows, Bayview, LaSalle and Shoreview developments. These communities underwent a \$80 million renovation in 2008. The San Francisco Housing Authority owns and manages three adjacent developments in Hunters Point, Upper West, Lower West and East comprising 213 low- income apartments. The CP/HPS2 Project is also planned to include the redevelopment of the Alice Griffith Public Housing project located adjacent to Candlestick Park stadium. Alice Griffith currently includes approximately 256 units of public housing and is planned to be redeveloped in phases to include 256 public housing replacement units, 248 additional affordable housing units, and, adjacent to these new developments, a mix of new affordable and market rate homes. There is no assurance that any of the foregoing affordable and public housing development projects will be completed as presently planned.