

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 11-2017

AUTHORIZING A PERMANENT LOAN WITH ALICE GRIFFITH PHASE 4, L.P. IN AN AMOUNT NOT TO EXCEED \$12,986,033, FOR THE DEVELOPMENT OF PHASE 4 OF APPROXIMATELY 31 UNITS OF LOW-INCOME FAMILY RENTAL HOUSING; ALICE GRIFFITH PUBLIC HOUSING SITE, 2800 ARELIOS WALKER DRIVE; AND AN UPDATED REPLACEMENT HOUSING PLAN; AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; BAYVIEW HUNTERS POINT REDEVELOPMENT PROJECT AREA

WHEREAS, Under Chapter 5, Statutes of 2011, Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session), and Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12, Regular Session) (collectively, the “Dissolution Law”), the San Francisco Redevelopment Agency (“SFRA”) was dissolved and the non-housing assets and obligations of SFRA were transferred to the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (“Successor Agency”), now known as the Office of Community Investment and Infrastructure or “OCII,” by operation of law; and,

WHEREAS, As required by the Dissolution Law, the oversight board for OCII was established (the “Oversight Board”) to oversee certain fiscal matters of OCII. The Oversight Board has been meeting since March 2012 to perform its duties under the Dissolution Law; and,

WHEREAS, On October 2, 2012, the Board of Supervisors in its capacity as the legislative body of the Successor Agency adopted Ordinance No. 215-12, acknowledging that OCII is a separate legal entity as a result of AB 1484, creating the Community Investment and Infrastructure Commission (the “Commission”) as the policy body of OCII, and delegating to the Commission the authority to act in place of the SFRA to among other matters, implement, modify, enforce and complete the SFRA’s enforceable obligations, approve all contracts and actions related to the assets transferred to or retained by the Commission, including, without limitation, the authority to exercise land use, development, and design approval, consistent with the applicable enforceable obligations, and take any action that the Dissolution Law requires or authorizes on behalf of the Successor Agency; and,

WHEREAS, The Board of Supervisors’ delegation to the Commission, includes the authority to grant approvals under specified land use controls for the Candlestick Point and Phase 2 of the Hunters Point Shipyard Project (the “Project”); and,

WHEREAS, In connection with the Project, the Board of Supervisors on August 3, 2010, approved amendments to the Hunters Point Shipyard Redevelopment Plan and the Bayview Hunters Point Redevelopment Plan by ordinances 210-10 and 211-10,

respectively (the “Redevelopment Plans”), the SFRA approved the Candlestick Point Design for Development and the Hunters Point Shipyard Phase 2 Design for Development (the “Design for Development Documents”) by Resolution 62-2010 and the SFRA and CP Development Co., LP (“Master Developer”) entered into a Disposition and Development Agreement (Candlestick Point and Hunters Point Shipyard Phase 2), dated June 3, 2010 (the “DDA”) by Resolution 69-2010. The DDA was amended on December 18, 2012, by a First Amendment to the DDA, pursuant to OCII Resolution No. 3-2012; and,

WHEREAS, The DDA establishes the Master Developer’s rights to develop within the parameters of the Redevelopment Plans and Design for Development Documents and incorporates through exhibits and attachments various Project documents including the Design Review and Document Approval Procedure (“DRDAP”), Below Market-Rate (“BMR”) Housing Plan, Transportation Plan, Infrastructure Plan, Community Benefits Plan, Design for Development Documents, Open Space Plan and Sustainability Plan and other documents (together, “Project Documents”); and,

WHEREAS, The BMR Housing Plan stipulates that 31.36% or 3,345 units of 10,500 units be below-market rate units, including a one-for-one replacement of the existing Alice Griffith public housing units (“Alice Griffith Replacement Units”), OCII affordable units, inclusionary units and workforce units in accordance with the City’s HOPE SF initiative. Three primary groups of providers will develop the BMR units: (1) the OCII and qualified housing developers selected by OCII will develop the 1,140 OCII Affordable Units on the OCII Lots; (2) the developer of the Alice Griffith Replacement Units will develop 256 Alice Griffith Replacement Units and 248 OCII Affordable Units on the Alice Griffith lots (“AG”); and (3) vertical developers, including Master Developer and its affiliates, will develop 809 Inclusionary Units and 892 Workforce Units in accordance with the BMR Housing Plan; and,

WHEREAS, The BMR Housing Plan also stipulates that the Master Developer provide a per unit subsidy to the AG vertical equal to \$90,000 per Public Housing Replacement Unit, and \$70,000 per Additional Affordable Unit (“Master Developer Subsidy”). The BMR Housing Plan also requires that OCII provide a base subsidy of \$62,017,200 in tax increment gap financing to be divided among the five phases based on development needs per phase. For each phase of AG, OCII and the Master Developer will provide the proportion of the contributions described above that is proportionate to that phase. If, after maximizing all available and appropriate sources other than the Master Developer and OCII, the total development cost (“TDC”) for any phase exceeds the TDC initially projected in the DDA, then the excess of the TDC will be considered a cost overrun (“Cost Overrun”). If there are Cost Overruns in any phase, then the Master Developer must cover the proportion of Cost Overruns attributable to the Public Housing Replacement Units and OCII must cover the cost overruns attributable to the Additional Affordable Units. OCII is responsible for funding any gaps in projected tax credit equity and/or Affordable Housing Program funds below what was projected at the time the DDA was executed. Conversely, additional funding sources unanticipated at the time of the

DDA reduces OCII's obligation (e.g., the portion of HUD's CNI Grant described in Recital I for housing development at AG). Therefore, OCII's base subsidy, once the CNI funds are incorporated into the development budget, is \$40,667,200. The respective OCII and Master Developer subsidies must be provided at or prior to the close of construction financing of each phase, pursuant to Section 5.4 (a) and (c) of the BMR Housing Plan; and,

WHEREAS, McCormack Baron Salazar ("MBS") has been selected by the Master Developer to act as the developer for the Alice Griffith Replacement Units; and,

WHEREAS, On August 31, 2011, MBS and the San Francisco Housing Authority ("SFHA") were awarded a \$30,500,000 Choice Neighborhoods Implementation ("CNI") Grant for the redevelopment of Alice Griffith public housing and the associated transformation of the Eastern Bayview neighborhood; and,

WHEREAS, All of the 256 Alice Griffith Replacement Units will be replaced and integrated into newly constructed buildings developed by MBS that will also include 248 new affordable units. The first three phases of new homes will be built on vacant land adjacent to the existing Alice Griffith public housing site currently owned by OCII and SFHA, providing existing residents with the opportunity to move directly from their existing homes into new homes without leaving their community or risking displacement; and,

WHEREAS, The DDA is an enforceable obligation under the Dissolution Law and shown on line HPSY 30 of the Recognized Obligation Payment Schedule (the "ROPS") for January to June 2014, which was approved by the Oversight Board and the California Department of Finance ("DOF"). Accordingly, on December 14, 2012, DOF issued a final and conclusive determination under California Health and Safety Code § 34177.5 (i), that the Phase 1 DDA and the Phase 2 DDA are enforceable obligations that survived the dissolution of the SFRA; and,

WHEREAS, On September 28, 2015 under Resolution No. 12-2015, the Oversight Board approved an expenditure of up to \$9,625,000 for funding for the development including the Alice Griffith Replacement Project through Item No. 161 of the Recognized Obligation Payment Schedule for the period of January 1, 2016 through June 30, 2016 ("ROPS 15-16B"). The reserves for Item 161 consist of funds approved by DOF to be retained through the Low and Moderate Income Housing Funds Due Diligence Reserve for the Alice Griffith Replacement Project. The DOF provided final approval of the expenditure for Item No. 239 through its letter dated December 17, 2013; and

WHEREAS, Under multiple resolutions, the Commission has approved predevelopment loans, permanent loans, and schematic designs for the first three phases of development at Alice Griffith and those three phases are currently under construction; and,

WHEREAS, MBS has partnered with Tabernacle Community Development Corporation (together, the "Developer") for Phase 4 of the redevelopment of Alice Griffith ("Phase 4") and on May 20, 2016 the HOPE SF Loan Committee approved a

predevelopment loan in the amount of \$2,162,000 for predevelopment activities; and,

WHEREAS, Under Resolution 26-2016, on June 21, 2016, the Commission approved a predevelopment loan in the amount of \$2,162,000 for predevelopment activities related to Phase 4; and,

WHEREAS, Under Resolution No. 27-2016, on June 21, 2016, the Commission approved Alice Griffith Block 5 (Phase 4) Schematic Designs (“Alice Griffith Designs”); and,

WHEREAS, On February 3, 2016, the HOPE SF Loan Committee recommended approval of a permanent loan amount not to exceed \$12,986,033 for Phase 4 (the “Permanent Loan Amount” or “Permanent Loan Agreement”) for activities related to Phase 4; and,

WHEREAS, The Permanent Loan Amount consists of OCII funds and Master Developer Subsidy per the requirements of the BMR Housing Plan. It is anticipated that the Project will receive a larger allocation of Section 8 project-based vouchers than was initially anticipated. If the Borrower secures an allocation of 19 Section 8 project-based vouchers the Permanent Loan Amount will be reduced. Both scenarios are shown in the following tables:

Scenario 1

	OCII	Master Developer Subsidy (“MDS”)	Total Funds Approved/Requested
Predevelopment (approved June 21, 2016)	\$2,162,000	\$0	\$2,162,000
Gap (approved March 7, 2017)	\$3,158,447	\$7,665,586	\$10,824,033
Total	\$5,320,447	\$7,665,586	\$12,986,033

Scenario 2 (19 Section 8 Project-Based Vouchers)

	OCII	Master Developer Subsidy (“MDS”)	Total Funds Approved
Predevelopment (approved June 21, 2016)	\$2,162,000	\$0	\$2,162,000
Gap (approved March 7, 2017)	\$1,756,901	\$5,446,472	\$7,203,373
Total	\$3,918,901	\$5,446,472	\$9,365,373

WHEREAS, The portion of the OCII and Master Developer subsidies that are a part of the base contribution and the portion attributable to Cost Overruns as required by the BMR Housing Plan for the Project is shown in the following table:

Scenario 1

OCII Permanent Sources	
OCII Funding Base	\$2,089,550
OCII Funding "Cost Overruns"	\$3,230,897
Total OCII Funding	\$5,320,447
CP DEV CO Funding Base	\$2,550,000
CP DEV CO Funding "Cost Overruns"	\$5,115,586
Total Master Developer Subsidy	\$7,665,586
Total Loan Amount	\$12,986,033

Scenario 2 (19 Section 8 Project-Based Vouchers)

OCII Permanent Sources	
OCII Funding Base	\$2,089,550
OCII Funding "Cost Overruns"	\$1,829,351
Total OCII Funding	\$3,918,901
CP DEV CO Funding Base	\$2,550,000
CP DEV CO Funding "Cost Overruns"	\$2,896,472
Total Master Developer Subsidy	\$5,446,472
Total Loan Amount	\$9,365,373

WHEREAS, The OCII Executive Director and the Mayor's Office of Housing and Community Development of the City and County of San Francisco Director may approve decreases to the Phase 4 Permanent Funding Amount as a part of the Final Financial Plan; and,

WHEREAS, In furtherance of the redevelopment of AG, staff now seeks Commission approval of the Updated Alice Griffith Phase 1-6 Replacement Housing Plan (the "Updated Plan"). A Replacement Housing Plan is required pursuant to Section 33413.5 of the California Health and Safety Code whenever low- or moderate-income units are demolished as part of a redevelopment project that includes Redevelopment Agency funding; and,

WHEREAS, Under Ordinance 215-12 and the Dissolution Law, OCII has the obligation and authority to provide the funds for the Project; and,

WHEREAS, On June 3, 2010, the SFRA Commission by Resolution No. 58-2010 and the San Francisco Planning Commission by Motion No. 18096, certified the Final Environmental Impact Report ("FEIR") for the Candlestick Point-Hunters Point Shipyard Phase II Project, a program environmental impact report that analyzed the Project, the DDA, the Project Documents, and the Redevelopment Plans, and made findings determining the FEIR to be adequate, accurate, and objective and in compliance with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.) ("CEQA") and the CEQA Guidelines (14 California Code of Regulations Sections 15000 et seq.); the Board of Supervisors affirmed the Planning Commission's certification of the FEIR by Motion No. 10-110 on July 14, 2010; and,

- WHEREAS, As part of its approval of the Project on June 3, 2010, in addition to certifying the FEIR, the SFRA Commission, by Resolution No. 59-2010 adopted findings pursuant to CEQA, regarding the alternatives, mitigation measures, and significant environmental effects analyzed in the FEIR, including a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations for the Project, which findings are incorporated into this Resolution by this reference; and,
- WHEREAS, Subsequent to the certification of the FEIR, the Planning Department, at the request of OCII, issued Addendum No. 1 to the FEIR (“Addendum No. 1”) (dated December 11, 2013) to the FEIR as part of the 2014 Major Phase 1 CP and Streetscape Plan; and,
- WHEREAS, Addendum No. 1 addressed changes to the phasing schedule for the Project and corresponding changes to the schedules for implementation of related transportation system improvements in the Transportation Plan, including the Transit Operating Plan, the Infrastructure Plan and other public benefits; and minor proposed revisions in two adopted mitigations measures, Mitigation Measure TR-16 Widen Harney Way, and Mitigation Measure UT-2 Auxiliary Water Supply System; and,
- WHEREAS, OCII as the lead agency, prepared, in consultation with the San Francisco Planning Department, Addendum No. 4 to the FEIR, (“Addendum No. 4”) which OCII staff issued on February 22, 2016. (Addenda Nos. 2 and 3 analyzed proposed changes to the Project, which are no longer being pursued.) Addendum No. 4 evaluated amendments to the Design for Development, Streetscape Plan and Major Phase 1 Application for Candlestick Point and the amendment of two adopted mitigation measures, that were, Mitigation Measure TR-16 to divide the Harney Way improvements into two phases and Mitigation Measure TR-23 to modify the cross-section design of Gilman Avenue; and,
- WHEREAS, Copies of the FEIR, addenda, and supporting documentation are on file with the Commission Secretary and are incorporated in this Resolution by this reference; and,
- WHEREAS, The approval of the Permanent Loan Agreement and the Updated Plan are undertakings pursuant to and in furtherance of the Project in conformance with CEQA Section 21166 and the CEQA Guidelines Sections 15180, 15162, 15163, and 15164; and,
- WHEREAS, The FEIR and the CEQA Findings adopted by the SFRA Commission by Resolution No. 59-2010 on June 3, 2010, reflected the independent judgment and analysis of the SFRA Commission, remain adequate, accurate and objective, and were prepared and adopted following the procedures required by CEQA, and the findings in such resolution are incorporated by this reference as applicable to the approval of the Phase 4 Predevelopment Loan Agreement; and,
- WHEREAS, OCII staff has reviewed the Permanent Loan Agreement and the Updated Plan, and finds them acceptable and recommends approval of the Permanent Loan Agreement and Updated Plan; and,

WHEREAS, A copy of the Permanent Loan Agreement and the Updated Plan are on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, The Commission has considered the FEIR, the CEQA Findings that were previously adopted by the SFRA Commission, including the statement of overriding considerations and mitigation monitoring and reporting program and the addenda, and the Commission adopts the CEQA Findings as its own, which is hereby incorporated into this Resolution by this reference.

RESOLVED, The Commission finds and determines that the Phase 4 Predevelopment Loan Agreement and Updated Plan, as recommended for approval, are consistent with the Project as analyzed in the FEIR and require no additional environmental review beyond the FEIR and addenda pursuant to CEQA Section 21166 and the CEQA Guidelines Sections 15180, 15162, 15163, and 15164; for the following reasons:

(1) Implementation of the Permanent Loan Agreement and Updated Plan do not require major revisions to the FEIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant impacts; and,

(2) No substantial changes have occurred with respect to the circumstances under which the Project analyzed in the FEIR will be undertaken that would require major revisions to the FEIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the FEIR; and,

(3) No new information of substantial importance to the project analysis in the FEIR has become available, which would indicate that (i) the Alice Griffith Designs will have significant effects not discussed in the FEIR; (ii) significant environmental effects will be substantially more severe; (iii) mitigation measures or alternatives found not feasible, which would reduce one or more significant effects, have become feasible; or (iv) mitigation measures or alternatives, which are considerably different from those in the FEIR, will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the FEIR; and, be it further

RESOLVED, That the Commission on Community Investment and Infrastructure authorizes the Executive Director to execute a Permanent Loan with Alice Griffith Phase 4, L.P. in an amount not to exceed \$12,986,033, for the development of Phase 4 of approximately 31 units of low-income family rental housing; Alice Griffith Public Housing site, 2800 Arelious Walker Drive; and an updated replacement housing plan; and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of March 7, 2017.

Interim Commission Secretary