



450-0072024-002

Agenda Item **No. 5(b)**
Meeting of July 2, 2024

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Workshop on proposed amendments to the 1) Bayview Hunters Point Redevelopment Plan, 2) Hunters Point Shipyard Redevelopment Plan, 3) Candlestick Point Design for Development, 4) Disposition and Development Agreement, and the 5) Tax Increment Allocation Pledge Agreement for Candlestick Point and Phase 2 of the Hunters Point Shipyard Project; Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas

EXECUTIVE SUMMARY

London N. Breed
MAYOR

Thor Kaslofsky
EXECUTIVE DIRECTOR

Bivett Brackett
CHAIR

Dr. Carolyn Ransom-Scott
Vanessa Aquino
Tamsen Drew
Kent Lim
COMMISSIONERS

📍 One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

📞 415 749 2400

🏠 www.sfocii.org

The Candlestick Point and Hunters Point Shipyard Phase 2 project (“Project” or “CP-HPS2 Project”) is an approximately 693-acre redevelopment project governed by the Bayview Hunters Point Redevelopment Plan (“BVHP Plan”) and the Hunters Point Shipyard Redevelopment Plan (“HPS Plan”). The Project is located within Zone 1 of Project Area B of the BVHP Plan (referred to as “Candlestick Site” or “Candlestick Point” or “BVHP Project Area”) and Phase 2 of the HPS Plan Project Area (referred to as “Shipyard Site” or “HPS2” or “HPS2 Project Area”). The Project was approved in 2010 with plans to bring 10,672 new homes, approximately 32% of which will be affordable, millions of square feet of commercial uses, over 300 acres of parks and open space, and significant jobs and community benefits to the surrounding communities.

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (“SFRA”), now known as the Office of Community Investment and Infrastructure (“Successor Agency” or “OCII”) and CP Development Co. LLC, the master developer of the Project (“Developer”) are parties to that certain Candlestick Point and Phase 2 of the Hunters Point Shipyard (“CP-HPS2”) Disposition and Development Agreement (“DDA”). The first phase of the HPS Plan (“HPS Phase 1”) consists of 1,428 units and 9,000 commercial square feet and is being developed under a separate DDA.

As originally approved, the Project was intended to be developed in a cohesive manner where phases of development within portions of the Candlestick Site and the Shipyard Site would occur simultaneously. While the Project has progressed since 2010, there have been challenges that have impeded the timely implementation of the Project. Since 2010, the clean-up of the Shipyard Site has faced unprecedented delays due to the ongoing investigation, re-testing, and litigation related to fraudulent work performed by the U.S Department of the Navy’s (“Navy”) contractor. Also, the Project’s initial development program included a new stadium at the Shipyard Site for the National Football League team, the San Francisco 49ers (“49ers”). In 2011, the 49ers announced that they would build a new football stadium in Santa Clara and left the Candlestick Site in 2014. The newly vacant 49ers stadium building needed to be removed and demolition was completed by the end of 2015. The State of California dissolved SFRA in 2012 and created great uncertainty about the future of the Project. These unique challenges impeded the timely implementation of the Project, and as a result of the extraordinary delays, Candlestick Point and the Shipyard Site can no longer be developed in concert as originally conceived.

In response, the Developer is proposing changes to the Project to transfer 2,050,000 square feet of Research and Development (“R&D”) land uses from HPS2 to Candlestick Site since the area is available for development. To facilitate development in the current market, the proposal includes additional commercial and a more flexible mix of land uses at Candlestick Point that allows for the potential for an R&D Innovation District (“Innovation District”) with buildings having different design criteria than typical commercial buildings and being reviewed in a streamlined development process.

The proposed changes also include, but are not limited to, updates to the Schedule of Performance, extension of redevelopment plan time limits to address project development delays and corresponding revisions to the Tax Allocation Pledge Agreement (“Pledge Agreement”) and bonded indebtedness, updates to land use and design controls, and a streamlined horizontal and vertical permitting process to expedite construction. These proposed amendments are being recommended to accelerate the Project’s vision of bringing significant housing, jobs, and community benefits to the Bayview Hunters Point community and San Francisco as a whole.

The Developer is working with staff from OCII, Public Works, the Municipal Transportation Agency, the Public Utilities Commission, and other City agencies to develop appropriate changes relative to transportation, infrastructure and utility improvements.

The Developer held three community workshops (in-person/hybrid) on the proposed Project changes, with over 150 people in attendance at the workshops. The Developer also presented to, and met with, the Hunters Point Shipyard Citizens Advisory Committee (“HPSCAC”) Business & Employment, Housing, and Planning Subcommittees, and the Bayview Hill Neighborhood Association. Other meetings with community groups are in progress.

OCII and the Developer staff will present an overview of these proposed changes at an informational workshop at the Commission meeting on July 2, 2024. Staff will return to the Commission soon thereafter to seek approval for Redevelopment Plan Amendments, a Fourth Amendment to the CP-HPS2 DDA, and a revised Candlestick Point Design for Development (“CP D for D”). After Commission approval, the Developer would then seek the necessary approval actions from the Planning Commission for the CP D for D, the Board of Supervisors for the Redevelopment Plan Amendments and the Pledge Agreement, and the Oversight Board, and the California Department of Finance for the CP-HPS2 DDA. See Attachment I for Approval Process Bodies.

BACKGROUND AND PROJECT STATUS

Current Project Status

Following the Project’s approval in 2010, the State of California enacted legislation in 2011 that dissolved all of the redevelopment agencies in the State, including SFRA. The Redevelopment Dissolution Law ultimately became effective on February 1, 2012, and created great uncertainty about the future of the Project and other redevelopment activities. In December 2012, the California Department of Finance determined, however, that the CP-HPS2 DDA and other Project agreements were enforceable obligations that had survived redevelopment dissolution.

The Project’s initial development program included a new stadium at the Shipyard Site for the San Francisco 49ers. In 2014, the 49ers moved to a new stadium in the City of Santa Clara and the Developer proceeded with the Project under the Project’s Non-Stadium Alternative. In 2015, the Developer completed the demolition of the Candlestick Park stadium, and the city transferred the land to the Developer for inclusion in the Project. Throughout 2014 to 2016, the Developer performed groundwork and utility work around the center of Candlestick to facilitate additional development within the area including demolition of the vacant stadium structure. By then on the Phase 1 portion of the HPS Site, some development had been completed including, housing units, construction of a commercial kitchen, and various parks and infrastructure. In 2019, the Developer delivered infrastructure related to the development of 337 units as part of the Alice Griffith Replacement Project, including 226 Alice Griffith Replacement Units, 107 Agency Affordable Units and 4 managers’ units. Pursuant to the terms of the DDA, the Developer also provided a vertical subsidy of approximately \$41,801,769 to contribute to the gap financing for those units. To date, the Developer has funded over \$116 million of community benefits and investment associated with the development program, which includes contributions to the Southeast Health Center, scholarship funds, housing downpayment assistance, and infrastructure and housing investments for the new Alice Griffith development.

Commencing in May 2018, the Excusable Delay provisions of the DDA became applicable to all dates in the Schedule of Performance for the Shipyard Site because of ongoing Navy parcel transfer delays that were not in the control of the Developer. As a result, all dates in the Schedule of Performance for the Shipyard Site are no longer applicable given the severity of the ongoing Navy delays. Although OCII reviewed and approved development proposals for the Candlestick Site, the Developer ultimately requested relief from the Schedule of Performance, which resulted in extensive negotiations with OCII about amendments to the CP-HPS2 DDA that are the subject of the actions before the Commission.

Recognizing the need to preserve the Project's significant affordable housing, jobs, and community benefits, the State Legislature passed, and the Governor signed into law on September 13, 2023, Senate Bill 143 (*codified at* Section 34177.7 (j) of the California Health and Safety Code) ("SB 143"). SB 143 amends the Redevelopment Dissolution Law and provides that the Project agreements may be amended to include new time limits for establishing loans, advances, and indebtedness, the effectiveness of the redevelopment plans, the repayment of indebtedness and receipt of tax revenue, subject to review and approval by the Oversight Board of the City and County of San Francisco (the "City"), and the Department of Finance. SB 143 further clarifies that Redevelopment Dissolution Law does not limit the receipt and use of property tax revenues generated from the Shipyard Site and Candlestick Site in connection with the Project. The proposed changes to the Redevelopment Plans and the CP-HPS2 DDA are in furtherance of this legislation.

REDEVELOPMENT PLAN

BACKGROUND

HPS Plan:

On July 14, 1997, the Board of Supervisors adopted the HPS Plan by Ordinance No. 285-97 and amended the HPS Plan on August 3, 2010, by Ordinance No. 211-10 and on June 22, 2017, by Ordinance No. 122-17. The HPS Plan calls for the redevelopment of Navy lands constituting the former Hunters Point Naval Shipyard, proceeding on a multi-phased timeframe determined by the Navy's environmental remediation and ultimate transfer of remediated land to SFRA. The HPS Plan consists of Phase 1 and Phase 2 of HPS. The proposed amendments to Project documents only impact Phase 2 of HPS.

BVHP Plan:

On May 23, 2006, the Board of Supervisors approved the BVHP Plan, by Ordinance No. 113-06, and on August 3, 2010, the Board of Supervisors approved, an amendment to the BVHP Plan, by Ordinance No. 210-10, to create two zones, Zone 1 or Candlestick Point and Zone 2 in the BVHP Project Area. The BVHP Plan established land use controls for development in the BVHP Project Area. OCII retains land use authority within Zone 1 and the BVHP Plan supersedes the Planning Code for Zone 1 unless otherwise provided. The San Francisco Planning Department retains jurisdiction over Zone 2, which is subject to the San Francisco Planning Code.

Overall, the CP-HPS2 Project will provide up to 10,672 new homes, approximately 32% of which will be affordable, millions of square feet of commercial uses, over 300 acres of parks and open space, and significant jobs and community benefits.

OCII is amending both the BVHP Plan and HPS Plan ("Plan Amendments") to facilitate the development of the CP-HPS2 Project and to ensure the financial and economic feasibility of the CP-HPS2 Project and deliver the significant amounts of affordable housing, jobs, and community benefits of the Project. The purpose of the Plan Amendments is to advance the development of the CP-HPS2 Project by:

- 1) Authorizing the transfer of approximately 2,050,000 square feet of commercial uses from Phase 2 of the HPS Project Area to commercially-zoned areas of Zone 1 of the BVHP Project Area with a corresponding reduction in those uses at Phase 2 of the HPS Project Area.

- 2) Clarifying that certain commercial uses currently authorized within the HPS Project Area are also allowed within Zone 1 of the BVHP Project Area.
- 3) Extending the limitations relating to time for establishing loans, advances, and indebtedness, the effectiveness of the BVHP Plan, and the time to repay indebtedness and receive property taxes, in connection with Zone 1 of the BVHP Project Area.
- 4) Authorizing property tax increment revenues from Phase 2 of the HPS Project Area and Zone 1 of the BVHP Project Area to be combined to fund costs under the Project agreements in furtherance of SB 143.
- 5) Adjusting the limit on the amount of bonded indebtedness that can be outstanding at one time by establishing a single limit on the amount of bonded indebtedness applicable to both Zone 1 of the BVHP Plan and Phase 2 of the HPS Project Area.

2024 REDEVELOPMENT PLAN AMENDMENTS

Land Use and Development Program Modifications to the BVHP Plan:

- Allow the transfer of up to 2,050,000 square feet of research and development and office space from Phase 2 of the HPS Project Area to commercially zoned areas of Zone 1 of the BVHP Project Area, subject to Commission approval and any necessary environmental review. There would be a corresponding reduction in those uses at Phase 2 of the HPS Project Area.
- Clarify that certain commercial uses and their definitions currently authorized within the HPS Project Area are also allowed within Zone 1 of BVHP Project Area.

Initially the Shipyard Site had approximately 6 million square feet of non-residential uses as part of HPS' "Innovation District." However, there is currently no opportunity to build at the Shipyard Site until the Navy has completed their remediation. Current estimates of transfers of Shipyard parcels range between 4-15 years and are over 20 years delayed from the 2010 Navy schedules and are subject to additional change. Since the Shipyard Site remains delayed, there is an opportunity to transfer 2 million square feet to the Candlestick Site and create an Innovation District and potentially attract a large life science or R&D business there. The Innovation District is approximately 22+ acres bounded by Ingerson Avenue, Arelious Walker Drive and Harney Way. The land uses allow for a wide range of mixed-uses in the Candlestick Center which includes housing, hotel, retail, office, research & lab space and entertainment uses.

Redevelopment Plan Time Limits

Current Status:

The BVHP and HPS Plans currently establishes the following time limits: 1) a 20-year time limit on establishing loans, advances and indebtedness; 2) a 30-year time limit on the effectiveness of the both Plans and 3) a 45-year time limit to repay indebtedness. The CP-HPS2 DDA and Pledge Agreement, both enforceable obligations, specifically refer to and implement these time limits. As shown in Table 1 and Table 2 below, these time limits are quickly approaching for both Redevelopment Plans.

Since 2010, the clean-up of the Shipyard Site has faced unprecedented delays due to the ongoing investigation, re-testing, and litigation related to the fraudulent work by the Navy's contractor. This challenge has impeded the timely implementation of the CP-HPS2 Project, adversely impacting the Developer's redevelopment activities and substantially delaying the overall CP-HPS2 Project. The statutory time limits described above means that the amount of tax increment financing that OCII can receive will be impacted and would impede OCII's ability to produce the Project's affordable housing as well as the Project's parks and the overall viability and financial feasibility of the CP-HPS2 Project.

The Developer and Successor Agency would not be able to complete all project activities within Zone 1 the BVHP by June 1, 2036. Without extending the time limit on establishing loans, advances, and indebtedness for the Successor Agency to access tax increment financing and associated bonding capacity, the cost of the CP-HPS2 Project's infrastructure, park and open space development, and community benefits will far exceed projected revenues. The extension of the time limits as proposed below are therefore critical to ensuring there are adequate funding sources to finance the construction of public infrastructure, parks and open space, and other community benefits contemplated by the CP-HPS2 Project.

PROPOSED PLAN AMENDMENTS

- A.** The proposed Plan Amendments re-establish the starting point for BVHP and HPS Plans due to the continuing significant delays to the Project and Navy remediation actions. Further the Redevelopment Plan Amendments and the corresponding CP-HPS2 DDA amendments described later in this memo will allow for tax increment from BVHP Project Area to be used to help finance development of the Shipyard Site.
- B.** Due to delays at HPS2, the timing of development at CP will precede that at HPS2. Additionally, the proposed development at CP is projected to generate tax increment, which in combination with Mello Roos Community Facilities District ("CFD") financing, is projected to cover the Project's Qualified Project Costs. At HPS2, budgeted Qualified Project Costs are anticipated to be significantly higher than at CP. Thus, provisions in the Financing Plan and the Pledge Agreement allowing tax increment generated at CP to be used to reimburse Qualified Project Costs at HPS2 will facilitate development at HPS2 in a timely manner. This cross-funding will make the Project more feasible and help maintain the pace of development at HPS2, supporting the fulfillment of the Project's intended public amenities and benefits.

C. Effectiveness of the Plan:

BVHP Plan: Establish that the time limit for the effectiveness of the BVHP Plan for Zone 1 shall be 30 years from the 2024 Plan Amendment Date. The Plan Amendment further provides that solely for the purpose of using property tax revenues generated from Zone 1 of the BVHP Project Area to fund Qualified Project Costs in Phase 2 of the HPS Project Area, the time limit for the effectiveness of the BVHP Plan shall be automatically extended, without further amendment to the BVHP Plan, for a period equal to the time between 2024 Plan Amendment Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area required for the development of the CP-HPS2 Project, excluding Parcel F, to the Developer; provided that such automatic extension period shall not exceed a period of fifteen (15) years. The maximum extension period of 15 years

used for the BVHP Plan effectiveness and other BVHP and HPS Plan provisions described below is based on an estimated schedule for Navy clean up and conveyance of Phase 2.

HPS Plan: Establish the time limit for the effectiveness of the HPS plan to 30 years from the conveyance to the Developer all Shipyard Phase 2 parcel(s) required for the completion of development of the first Major Phase located within Phase 2 (“Initial HPS Transfer Date”). This time limit shall be extended without further amendment to the HPS Plan, for a period equal to the time between Initial HPS Transfer Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area, excluding Parcel F, to the Developer, provided that such automatic extension period shall not exceed a period of fifteen (15) years.

D. Time Limit to Incur Debt.

BVHP Plan: Establish that the new time limit for establishing loans, advances, and indebtedness in connection with Zone 1 of the BVHP Project Area shall be 30 years from the 2024 Plan Amendment Date. The Plan Amendment further provides that solely for the purpose of using property tax revenues generated from Zone 1 of the BVHP Project Area to fund Qualified Project Costs in Phase 2 of the HPS Project Area, the time limit for establishing loans, advances, and indebtedness shall be automatically extended, without further amendment to the BVHP Plan, for a period equal to the time between 2024 Plan Amendment Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area, excluding Parcel F, to the Developer; provided, however, that such automatic extension period shall not exceed a period of fifteen (15) years.

HPS Plan: The current debt period ends 20 years after the first \$100,000 in increment is received and is set to expire in 2033. The Navy’s parcel transfer schedule shows completion by 2038, 5 years after the debt period has expired. Further, the Navy historically has experienced significant delays and so we do not have certainty on the exact dates of transfer of all the Navy parcels or for the first Major Phase of development at Shipyard. The proposed amendment to the debt period will establish the indebtedness period 30 years from the Initial HPS Transfer Date. This time limit shall be extended without further amendment to the HPS Plan, for a period equal to the time between Initial HPS Transfer Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area, excluding Parcel F, to the Developer, provided that such automatic extension period shall not exceed a period of fifteen (15) years.

E. Repayment of Debt/Receive Property Taxes:

BVHP Plan: Establish that the time limit to repay indebtedness and receive property taxes for Zone 1 of Project Area B shall be 45 years from the 2024 Plan Amendment Date. The Plan Amendment further provides that solely for the purpose of using property tax revenues generated from Zone 1 of the BVHP Project Area to fund Qualified Project Costs in Phase 2 of the HPS Project Area, the time limit to repay indebtedness and receive property taxes shall be automatically extended, without further amendment to the BVHP Plan, for a period equal to the time between 2024 Plan Amendment Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area required for the development of the CP-HPS2 Project, excluding Parcel F, to the Developer; provided that such automatic extension period shall not exceed a period of fifteen (15) years.

HPS Plan: Establish the time limit to repay indebtedness and receive property taxes shall be 45 years from the Initial HPS Transfer Date. This time limit shall be extended without further amendment to the HPS Plan, for a period equal to the time between Initial HPS Transfer Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area, excluding Parcel F, to the Developer, provided that such automatic extension period shall not exceed a period of fifteen (15) years.

F. Increase in Indebtedness Limit (BVHP and HPS Plans)

In 2010, the limit on bonded indebtedness was \$1.7 billion, divided between \$800 million at Candlestick Point and \$900 million at HPS2. The current estimate is \$5.9 billion, divided between \$3.3 billion at Candlestick Point and \$2.6 billion at HPS2. The bonded indebtedness limit calculations are based on estimates of future tax increment, which are in turn based on estimates of future property values.

During the previous Plan amendments, OCII did not adjust the bonded indebtedness limit. As a result, it has been 14 years since the bonded indebtedness limit was set. During those intervening 14 years, the costs of construction of residential and commercial property have significantly increased. Nonetheless, assessed values have generally increased and will continue to increase over the long run to provide the tax increment necessary to secure the higher indebtedness. There is also more planned development square footage due to the change in the development program in 2018 increasing the generation of tax increment in Zone 1. Finally, due to delays in the Navy land transfer process, the development timeframe for the Project is about 20 years longer than what was estimated in 2010. These three factors assessed value appreciation since 2010, additional development, and a longer timeframe for tax increment growth, all result in a substantially higher bonded indebtedness limit than that in 2010.

The proposed Plan Amendment establishes that the aggregate total amount of bonded indebtedness of OCII to be repaid from the allocation of taxes to OCII for both Zone 1 of the BVHP Project Area and Phase 2 of the HPS Project Area that can be outstanding at one time may not exceed \$5.9 billion.

In furtherance of SB 143's authorization for tax increment revenues to be used on either Phase 2 of the HPS Project Area or Zone 1 of the BVHP Project Area, the Plan Amendments also adjusts the limit on the amount of bonded indebtedness that can be outstanding at one time by establishing a single limit on the combined amount of bonded indebtedness applicable to both Zone 1 of the BVHP Plan and Phase 2 of the HPS Project Area.

Table 1
Summary of Existing and Proposed Time and Fiscal Limits
Bayview Hunters Point Redevelopment Project Area

	Zone 1- Candlestick Point	
	Current	Proposed
Time Limits (Zone 1 of Project Area B)		
Incurring Debt	6/1/2026	30 years from the 2024 Plan Amendment Date. For the sole purpose of using property tax revenues generated from Zone 1 of the BVHP Project Area to fund Qualified Project Costs and affordable housing costs in Phase 2 of the HPS Project Area, such time limit shall be automatically extended for a period equal to the time between 2024 Plan Amendment date and the date that the Navy transfers all portions of Phase 2 of the HPS Project Area (excluding Parcel F) to the Developer, provided the automatic extension period does not exceed fifteen (15) years.
Plan Effectiveness	6/1/2036	30 years from the 2024 Plan Amendment Date. For the sole purpose of using property tax revenues generated from Zone 1 of the BVHP Project Area to fund Qualified Project Costs and affordable housing costs in Phase 2 of the HPS Project Area, such time limit shall be automatically extended for a period equal to the time between the 2024 Plan Amendment Date and the date that the Navy transfers all portions of Phase 2 of the HPS Project Area (excluding Parcel F) to the Developer, provided the automatic extension period does not exceed fifteen (15) years.
Repay Indebtedness and Receive Property Taxes	6/1/2051	45 years from the 2024 Plan Amendment Date. For the sole purpose of using property tax revenues generated from Zone 1 of the BVHP Project Area to fund Qualified Project Costs and affordable housing costs in Phase 2 of the HPS Project Area, such time limit shall be automatically extended for a period equal to the time between the 2024 Plan Amendment Date and the date that the Navy transfers all portions of Phase 2 of the HPS Project Area (excluding Parcel F) to the Developer, provided the

		automatic extension period does not exceed fifteen (15) years.
Fiscal Limit for Both HPS2 and CP		
Limit on Bonded Indebtedness	\$800 million and \$900 million	\$5.9 billion (combined limit on bonded indebtedness for Zone 1 of the BVHP Project Area and Phase 2 of HPS Project Area)

Table 2
Summary of Existing and Proposed Time and Fiscal Limits
Hunters Point Shipyard Redevelopment Project Area

	Phase 2 Hunters Point Shipyard	
	Current	Proposed
Time Limits (Phase 2 of HPS Project Area)		
Incurring Debt	20 years after the first \$100,000 in increment received (2033)	30 years from the date of conveyance to the Developer all Phase 2 parcel(s) required for the completion of development of the Initial HPS Transfer Date
Plan Effectiveness	30 years after the first \$100,000 in increment received (2043)	30 years from Initial HPS Transfer Date
Repay Indebtedness and Receive Property Taxes	45 years after first \$100,000 increment received (2058)	45 years from the Initial HPS Transfer Date
Time Extension	Through Commission and Board of Supervisor approval	Automatic extension for the above time limits without further amendment to the HPS Plan, for a period equal to the time between Initial HPS Transfer Date and the date that the Navy completes the conveyance of all portions of Phase 2 of the HPS Project Area, excluding Parcel F, provided that such automatic extension period shall not exceed a period of fifteen (15) years. Any further extension, through Commission and Board of Supervisor approval

Fourth Amendment to DDA – Description of Changes

The CP-HPS2 DDA was executed between SFRA and the Developer on June 3, 2010, and sets forth the Developer's and OCII's rights and obligations regarding the construction of infrastructure, certain vertical construction obligations such as those related to the Alice Griffith Public Housing Revitalization and the Artists' Complex, parks, community facilities, and the provision of robust community benefits and below market rate housing program.

Currently the CP-HPS2 DDA provides for the delivery of these obligations through a series of Major Phases and Sub-Phases pursuant to the land use controls established in the Redevelopment Plans. The CP-HPS2 DDA includes a Schedule of Performance, as amended from time to time, that reflects the Phasing Plan and provides "Outside Dates" by which the Developer must submit Major Phase and Sub-Phase applications and complete infrastructure improvements, parks, and other community benefits.

The CP-HPS2 DDA has been amended three times previously in 2013, 2014, and 2018. This proposed Fourth Amendment to the DDA establishes the updated development program for Candlestick Point and streamlines the planning review process (Major Phase and Sub-Phase processes) applicable to the Project.

No changes to the Community Benefits Plan of the DDA are being proposed and the developer has met all the funding contribution milestones for the following: 1. Scholarship Fund 2. Education Improvement Fund 3. Health and Wellness Contributions 4. Construction Assistance Program, and 5. Credit Support Program.

The Fourth Amendment proposes the following:

- Sets forth the updated development program reflecting the transfer of 2,050,000 square feet of research and development and office space from the Shipyard Site to Candlestick Point;
- To streamline the development process, the Sub-Phase Application process will be removed from the DDA. The Sub-Phase was deemed to be largely duplicative of the Major Phase Application process and its removal will expedite vertical and horizontal review.
- Implements SB 143 by establishing the time limit for the effectiveness of the BVHP and HPS Plans, which are coterminous with the Term of the DDA;
- Focuses the Schedule of Performance on the most critical dates of construction commencement and completion for infrastructure and removes ancillary dates for submitting Major Phase Applications (describe further below) as the commencement and completion Outside Dates establish meaningful parameters for the submittal of Major Phase Applications, which is required prior to the commencement of construction.
- Establishes a framework for the Agency and Developer to identify the amount of tax increment required for the completion of the parks and open spaces in the last Major Phase on the Shipyard Site in the event Developer elects not to provide Adequate Security for the parks and open spaces in the Major Phase on the Shipyard Site.

The changes described here are those contained in the Fourth Amendment itself. Changes to the various DDA exhibits, such as the Candlestick Point Design for Development, Design Review and Document Approval Procedure ("DRDAP"), Below Market Rate Housing Plan ("BMR"), Financing Plan, Transportation Plan, and Infrastructure Plan, are separately described below.

Candlestick Point Design for Development Amendment

The CP D for D guides the development of the Candlestick Point Zone 1 of the BVHP Plan by applying development standards and guidelines to the area, comparable to the zoning code. This document was approved by the Commission and the Planning Commission in 2010 and was amended by both Commissions in 2016 and 2019 to allow for the development of the 2019 vision for Candlestick Center. The CP D for D provides development standards for vertical development and other improvements for the entire Candlestick Point area and contains neighborhood development standards and guidelines specific to Candlestick Point's four neighborhoods: 1) Alice Griffith, 2) Candlestick North, 3) Candlestick Center, and 4) Candlestick South.

The 2024 proposed amendment to the CP D for D is necessary to allow the development of the proposed Candlestick Center Innovation District, as envisioned. The proposed amendment to the CP D for D establishes a supplementary chapter – Chapter A5.3 Candlestick Center Innovation District – that includes standards and guidelines for the development of Candlestick Center as an Innovation District. The CP D for D Amendment does not remove the 2019 Candlestick Center neighborhood chapter, rather, it provides the 2024 Candlestick Center neighborhood chapter as an alternative, which is currently FivePoint's preferred R&D alternative. (See Attachment C for 2019-2024 Land Use Comparison Map)

The proposed Candlestick Center Innovation District chapter modifies the development controls and heights to accommodate the potential increase in square footage of commercial and R&D buildings. There is an increase of building heights from 120 feet to 180 feet along the new Arelious Walker Drive to accommodate buildings designed for R&D; and establish building articulation standards appropriate for such buildings. (See Attachments D and E for 2019-2024 Building Height Comparison and Maximum Heights at Candlestick Point)

Research and development buildings have unique design criteria that require larger floor plates with specified service areas, requiring different building volumes than traditional office buildings. The overall height limits proposed in the CP D for D are intended to be a range between 85 feet to 180 feet and would utilize natural grade differences to step down toward and accentuate the natural beauty of the San Francisco Bay, orienting the longer side of buildings perpendicular to Arelious Walker Drive in order to maximize porosity and visibility through the site from higher elevations, maximize sunlight, create wind protection, and incorporate human scale elements and activation required at street level.

Another main urban design proposal is the introduction of a large pedestrian and greenway promenade that would extend from the intersection of Harney Way and Ingerson Avenue through the entire Candlestick Center site terminating at Arelious Walker Drive, across from the proposed Jamestown Hillside Community Park creating a strong pedestrian connection to the waterfront from the Bayview Hill area. The new chapter allows for a flexible approach to development, to respond to future development types and land uses of the Candlestick Point area as it evolves. The fixed framework of the design includes a maximum build envelope; a defined street, paseo and public realm layout; and ground floor activation standards to ensure the development provides the community with a safe and enjoyable pedestrian environment. More detailed building massing, architecture, building type, final land use, and other detailed will be subject to OCII staff and Commission approval in future Major Phase and Schematic Design applications.

Phasing Plan and Schedule of Performance Changes

The HPS2-CP Project is currently divided into large Major Phase areas and smaller Sub-Phases areas comprised of four to six blocks of development, as shown in the 2019 phasing plan attached to the HPS2-CP DDA, as amended from time to time (“Phasing Plan”). The current Phasing Plan identifies the geographic location and boundaries of a Major Phase and Sub-Phases. The CP-HPS2 DDA also have companion documents in the Phasing Plan, a Schedule of Performance, as amended from time to time that provides “Outside Dates” by which the Developer must submit Major Phase and Sub-Phase applications and complete infrastructure improvements, parks, and other community benefits. (See Attachment F to a 2019-2024 Phasing Plan comparison and Attachment G for Phasing duration)

The updated Schedule of Performance and Phasing Plan for Candlestick Point provides adjusted Dates for the Commencement and Completion of Infrastructure and the Completion of Associated Public Benefits. The Sub-Phase Application content was determined to be largely duplicative of the Major Phase Application. Also, the Developer is proposing smaller Major Phases which lessened the need for Sub-Phases. With the new phasing the Sub-Phase Application served little purpose. Elimination of the Sub-Phases and also Major Phase Application dates from the Schedule of Performance are proposed to further streamline the development application process.

- The number of Major Phases on Candlestick Point has increased from three (3) to seven (7). The addition of smaller Major Phases provide sequencing through organization around ground improvements, more efficient staging and site management, and construction of major backbone streets that would continue to connect existing development; the sequencing avoids creation of isolated new developments, adds new neighbors within proximity of existing neighbors, and seeks to implement mixed use in each phase.
- The order of development phases remains broadly intact except that there are smaller Major Phases and the areas covered by the 2010 Major Phase 3 is now sooner and the areas covered by the 2010 Major Phase 2 are sequenced for after.
- The boundaries of Major Phases and sequence of development have been adjusted. The Phasing Plan reflects the development of Alice Griffith (referred to as CP-01 in other Project documents) has been completed and is referred to as Major Phase 1.
- Candlestick Center will be developed over two different Major Phases.

Below Market Rate Housing Plan Amendments

The BMR Housing Plan describes the process and requirements for the development of approximately 10,672 homes on the Project Site and is designed to provide new housing opportunities for households of diverse income, ages, lifestyles and family size. Approximately Thirty-two percent (31.86%) of the Total Units (or 3,345 of 10,500 Units), will be Below-Market Rate Units, including Alice Griffith Replacement Units, Agency Affordable Units, Inclusionary Units and Workforce Units. The BMR Housing Plan requires the Developer to pay a subsidy for each affordable unit on an Agency Lot. The subsidy is \$90,000 per Alice Griffith public housing replacement unit (the “Alice Griffith Subsidy”) and \$70,000 for all additional affordable units (the “Agency Subsidy”) on Agency Lots. For the Alice Griffith public housing revitalization,

the Developer is also responsible for “cost overruns” beyond the original estimated budget (from 2010). These “cost overruns are funded proportionately by the Developer and OCII with the Developer funding the “cost overruns” attributable to the public housing replacement units and OCII funding the “cost overruns” attributable to new affordable units. The BMR Housing Plan is amended as follows:

- Adjust the dates in the Cumulative Agency Subsidy schedule, which establishes a timeline for delivery of the Agency Subsidy pursuant to the overall Schedule of Performance, to reflect the updated Schedule of Performance. These changes will not affect the timing or delivery of Agency Affordable Units on Agency Lots as OCII will provide the full gap subsidy for any Agency Lot developed prior to the due date for the Agency Subsidy as outlined in the Cumulative Agency Subsidy schedule and the Developer will repay OCII for the portion that is attributable to the Agency Subsidy; and,
- As part of the advancement of development of more residential units in connection with the portion of Alice Griffith within the boundaries of Major Phase 4, the Developer is proposing to delay the payment of the Alice Griffith Subsidy and associated “cost overruns” for the remaining thirty (30) Alice Griffith public housing replacement units and the Agency Subsidy associated with the remaining associated (137) new affordable units from at the close of construction financing (just prior to the start of construction) to at the completion of the each project. This subsidy timing shift will not delay the delivery of these units. OCII will provide the full gap subsidy at the close of construction financing for the remaining units and the Developer will repay OCII for the portion that is attributable to the Agency Subsidy and the Alice Griffith Subsidy; and,
- Also, as part of the advancement of development of more residential units in connection with the portion of Alice Griffith within the boundaries of Major Phase 4, the Developer is proposing to amend the BMR Housing Map to swap the location of AG 11, a Stand-Alone Workforce Lot with AG 17, a Market-Rate Lot. The number of Workforce Units will remain the same. The BMR Housing Plan (Section 2.2(b). 2) allows Stand-Alone Workforce Lots to be moved with the OCII Executive Director approval so long as the plan does not reduce the obligation to deliver Workforce Units. (See Attachment H to see 2019-2024 BMR Housing Map Comparison)

Infrastructure Plan Amendments

The amendment to the Candlestick Point portion of the Infrastructure Plan (“Infrastructure Plan Amendment”), establishes the design and construction standards, performance criteria and specifications regarding the Developer’s responsibility for public infrastructure within the Project, including site grading, street layouts and improvements, wet utilities (separated sanitary sewer, separated storm drainage, auxiliary water supply system, low pressure water system and recycled water systems), dry utility layouts, sea level rise improvements, location and improvements for parks and open space, and storm drainage.

The proposed Infrastructure Plan Amendment includes:

- Subject to additional design and OCII and City approval, adds an additional consideration for an alternative infrastructure design if certain private parcels are not acquired;

- Updates and clarifies the 100-year tide and Sea Level Rise (“SLR”) strategies:
 - Changed elevations based on new 100-year tide elevations.
 - Incorporates 100-year flood risk (i.e., flood that has 1% chance to occur in any given year) guidance from the Oceanic Pacific Council and Federal Emergency Management Agency.
- Replacing the former Sub-Phase triggers identified related to street intersection improvements with the appropriate corresponding Major Phase trigger.
- Identification of alternative alignment of one of the outfalls (discharge point) that serves Candlestick Point.

Transportation Plan Amendments

The Transportation Plan establishes the phased implementation of transit, roadway, pedestrian and bike improvements that will be constructed through the build-out of the Project. Overall, the transportation and circulation network aim to reduce car usage and encourage walking, bicycling and transit usage. The Project includes significant transit infrastructure enhancements including dedicated transit lanes and transit-priority signaling; enhancements to several existing MUNI lines; and creation of several new lines, including a Bus Rapid Transit line; and new express buses. The Project includes Transportation Demand Management (“TDM”) measures, including management of the parking supply, which encourage residents, workers, and visitors to use alternative modes of transportation.

The proposed amendments to the Transportation Plan are intended to reflect the updated development program and include the following:

- Modify the Candlestick Point office/R&D parking ratio to 2.0 spaces per 1,000 square feet for the first 1,700,000 square feet of office/R&D. Developer shall conduct a parking study once the 1,700,000 square feet of development is completed to project the remaining Candlestick Point future parking needs. The current approved parking ratio for the office/R&D use at the Shipyard Site where the use is being transferred from is 1.3 parking spaces per 1,000 square feet.
- This parking study will be subject to review and approval by SFMTA. If the parking study is either not completed or not approved, the maximum parking ratio of 1.3 parking spaces per 1,000 square feet will apply to the remaining 1,100,000 square feet of office/R&D consistent with the approved parking ratio for the office/R&D at the Shipyard Site.
- Modify the Transit Operating Plan to be consistent with the revised phasing plan;
- Incorporate changes to reflect changes in the timing for (a) advance 29-Sunset and 56 Rutland to Major Phase 2, (b) change the timing of CPX (“Candlestick Point Express Shuttle”) and (“Bus Rapid Transit”) to later phases when more development has been completed, and (c) change the frequency of service to 10 minutes (instead of 5 minutes).
- Provide alternative roadway cross-sections if existing privately owned parcels in Candlestick Point are unable to be acquired.
- Remove the Hunters Point Shipyard Phase 1 from the Candlestick Point-Hunters Point Shipyard Transportation Management Association. Hunters Point Shipyard Phase 1 will establish a separate TMA which will solely serve Phase 1 in accordance with Mitigation

Measure Requirements of the Hunters Point Shipyard Phase 1 Environmental Impact Report.

Design Review & Document Approval Procedure Amendments

The DRDAP provide standards by which OCII, working with the Planning Department and other City departments, will review all development within the Project Area, including Major Phases, consisting of the specific plan for each block, with related infrastructure and open space improvements, and individual “building improvements on lots.

Amendments to the DRDAP include the following:

- Eliminate the Sub-Phase and Design Development process to accelerate the development of housing while retaining the community and CAC process and OCII Commission review authority, and
- Clarify submittal requirements for Major Phase Applications and Vertical Applications.

Financing Plan and Tax Allocation Pledge Agreement Amendments

The Financing Plan is part of the CP-HPS2 DDA and establishes the agreement between the Developer and the OCII for the use of tax increment generated by the Project Areas to finance public improvements and other costs permitted by law. The public improvements include Infrastructure described in the Infrastructure Plan and affordable housing, described in the BMR Housing Plan. The Financing Plan also provides for the creation of CFDs under which special taxes will be levied against private property (excluding OCII affordable housing parcels), to finance public improvements and other costs permitted by law. The Candlestick Point and HPS Phase 2 Facilities and Services CFD was formed and approved in 2018.

The Pledge Agreement between the OCII and the City, authorizes and approves the allocation of property tax revenues (i.e. tax increment) to OCII for the purpose of financing public improvements and certain other costs permitted by law, as described in the Financing Plan. The Pledge Agreement is a joint community facilities agreement under the Mello-Roos Community Facilities for all the infrastructure to be financed by CFDs and owned or operated by the city.

The specific changes include the following:

Financing Plan

- Allows for tax increment generated at Candlestick Point to be used to repay Qualified Project Costs at HPS2.
- Eliminate the Major Phase Increment Allocation framework and Excess Increment concept from the Financing Plan. Major Phase Allocation Amounts is tied to an outdated Major Phase structure and is not reflective of the current financing approach of the Project.
- The Financing Plan, which contemplates that the Project will be financed by both CFD and tax increment proceeds, and that tax increment can be used from either Candlestick Point HPS2 for the Project, establishes parameters on the use and distribution of CFD and tax

increment finance proceeds that will provide for the metered flow of increment for the development of the Project.

- Proposes increases in the time period for levying special taxes for CFD bonds by 10 years, from 75 years to 85 years, subject to compliance with the state CFD law. The increase in the term for the CFD bonds increases the Project's feasibility and aligns with other comparable large San Francisco development projects (e.g., Treasure Island) and the extended bond term allows for additional time for CFD pay-go taxes.

Pledge Agreement

- Allows for tax increment generated at Candlestick Point to be used to repay Qualified Project Costs at HPS2.
- Increases the number of years allowed to incur debt from 20 years to 30 years. For Candlestick Point (Zone 1 of the BVHP Plan), the 30 years will start as of the 2024 Plan Amendment Date. For HPS2 (Phase 2 of HPS Plan), the 30 years will start as of the date of conveyance to the Developer of all of the Phase 2 parcels(s) needed to complete the first Major Phase.
- The date for repaying debt at CP is changed from June 1, 2051, to 45 years from the 2024 Plan Amendment date. For HPS2, the 45-year period starts from the Initial HPS Transfer Date.
- The limit on total bonded indebtedness is increased from \$1.7 billion to \$5.9 billion
- A new provision allows for an automatic extension of the time limits based on the delay in Navy conveyance of the Project, not to exceed 15 years.

Fiscal & Economic ("F&E") Impact Report for Candlestick Point Amendments

General Fund Net Annual Revenues: \$23.5 million

At full buildout the Candlestick Point Project is estimated to contribute gross General Fund revenues of about \$62.0 million annually, which net of General Fund expenditures equates to \$23.5 million in net annual General Fund revenue. The revenues are driven primarily by assessed value assumptions and resulting property-related taxes (e.g., property tax, property transfer tax, and property tax in lieu of vehicle license fees), which account for almost \$44 million annually, or just about 70% of total revenues at stabilization. These three annual property-related taxes are all about equal in magnitude. Business taxes contribute the next largest portion of General Fund revenues, providing \$9.4 million annually at stabilization, or 15%. All other individual General Fund revenue categories each contribute less than 4% of the total General Fund revenues. Examples of these revenue categories include sales and use tax, hotel room tax, parking tax, and license, permits, and franchises fees.

The estimated expenditures for City and County services anticipated to be required by the Project at buildout total \$38.4 million. Police Services and Fire Protection combined comprise just over \$22 million, or nearly 60% of this amount. General Fund contributions to San Francisco MTA for Muni and other MTA programs comprise yet another almost \$12 million, or just over 30% of this total. The Muni portion of this contribution, which is about half the near \$12 million total, is required to be transferred to MTA per City Charter 8A. The annual General Fund revenues less the aggregate annual expenditures total \$23.5 million in net revenues accruing to the General Fund at Project buildout.

Annual Transit Surplus: \$3.3 million

At full buildout the F&E Report estimates that the net annual Transit Surplus related to the Project will be \$3.3 million, resulting from \$21.2 million in estimated Transit Revenues and \$17.9 million in estimated Transit Expenditures. The largest components of the \$21.2 million estimated Transit Revenues include transit pass, the General Fund Transfer to Muni, Farebox Recovery, and Parking Tax. If any of these revenues are overestimated, then the net annual Transit Surplus may decline. The single largest estimated Transit Expenditure is Operations, comprising 70% of all estimated expenditures.

Job Generation:

At full buildout the F&E Report estimates that the employment-generating uses within the CP Project will provide approximately 8,250 jobs across a broad range of industries and occupations. Office R&D accounts for 6,900 of these jobs, with retail providing approximately 715 jobs. The remaining 600+ jobs are associated with other uses such as hotel, a film & arts center/performance venue, community facility space, public parking, and property management. All of these jobs are projected to generate an estimated \$1.9 billion income annually (including wages, benefits, and proprietor income), plus \$3.3 billion in economic output. In addition, the Project will create “indirect” jobs in industries that support the new businesses located at the Project, and “induced” jobs created when the new workers spend money in the community, and associated income and economic output impacts. These reflect the “multiplier effect” of new employment. Including indirect and induced impacts, the estimate for the Project’s total annual ongoing impacts includes approximately 12,670 jobs, \$2.5 billion in income, and \$4.8 billion in economic output.

Public Review and Community Outreach

The Developer has provided the following opportunities in-person and virtual/hybrid for the public to participate and comment during the Plan Amendment process. The meetings included Subcommittee and full board meetings of the HPSCAC and community-wide and neighborhood meetings. On June 17, 2024, the HPSCAC voted unanimously to support the Plan Amendments. The following outlines the various community events in connection with the Plan Amendment:

Community Meetings	Date
HPSCAC Subcommittees (Business & Employment, Housing and Planning) Meeting	May 16, 2024
Community Outreach Workshop	May 22, 2024
Community Outreach Workshop	June 1, 2024
Bayview Hill Neighborhood	June 3, 2024
HPSCAC Full Subcommittee (Approval)	June 17, 2024,
Community Outreach Workshop	June 26, 2024

CONCLUSION AND NEXT STEPS

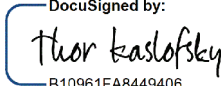
The updated land use program at Candlestick Point emphasizes the Developer's commitment to delivering jobs and housing in the near term, while providing a development program that can better respond to market conditions, increases the range of economic opportunities in the community, and remains consistent with the expectations for community benefits contemplated in the CP-HPS2 DDA. To implement the 2024 updated program, a series of actions are required to approve the changes to the Redevelopment Plans, the CP-HPS2 DDA and its Exhibits, the Pledge Agreement, and the CP D for D. (See Attachment J for a Summary Table of Proposed Changes to Project Documents)

Upon Commission approval of the requested actions, staff will proceed to seek necessary approval actions from the Planning Commission, the Oversight Board, the Board of Supervisors, and the California Department of Finance. (See Attachment I for Project Approval Bodies)

Once approved the Project's development plan will be the following:

	2024 Development Program					
	Candlestick		Shipyard		Total	
Hotel	130,000	SF	120,000	SF	250,000	SF
	220	ROOMS	175	ROOMS	395	ROOMS
R&D/Office	2,800,000	SF	2,096,500	SF	4,896,500	SF
Regional Retail	170,000	SF	100,000	SF	270,000	SF
Neighborhood Retail	134,500	SF	226,000	SF	360,500	SF
Artists' Studios/Art Center (gsf)	0	SF	255,000	SF	255,000	SF
Community Uses	50,000	SF	50,000	SF	100,000	SF
Maker Space (gsf)	0	SF	75,000	SF	75,000	SF
Institution (gsf)	0	SF	410,000	SF	410,000	SF
Performance Venue/Arena	5,000	SF	0	SF	5,000	SF
	4,400	SEATS	0	SEATS	4,400	SEATS
Film Arts Center	64,000	SF	0	SF	64,000	SF
	1,200	SEATS	0	SEATS	1,200	SEATS
NON-RESIDENTIAL LAND USE	3,353,500	SF	3,332,500	SF	6,686,000	SF
RESIDENTIAL LAND USE	7,218	UNITS	3,454	HOMES	10,672	UNITS

(Originated by Lila Hussain, Senior Project Manager)

DocuSigned by:

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 Thor Kaslofsky
 Executive Director

Attachments:

- Attachment A: BVHP Plan Land Use District Map
- Attachment B: Entitlement Table Comparison
- Attachment C: Height Map Changes
- Attachment D: Maximum Building Heights
- Attachment E: Candlestick Center Development Plan changes 2019 and 2020
- Attachment F: Phasing Plan 2019 vs. 2024
- Attachment G: Phasing Plan Duration
- Attachment H: Housing Map Comparison
- Attachment I: Project Approval Bodies
- Attachment J: Summary of Project Document Changes Table