

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 25-2022

AUTHORIZING A FIRST AMENDED EXCLUSIVE NEGOTIATIONS AGREEMENT, AN AMENDED AND RESTATED OPTION TO GROUND LEASE, A GROUND LEASE, AND AN AMENDED AND RESTATED LOAN AGREEMENT FOR A TOTAL AGGREGATE LOAN AMOUNT OF \$36,253,013 WITH HUNTERS POINT BLOCK 56, L.P., A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF A 73-UNIT AFFORDABLE RENTAL HOUSING PROJECT (INCLUDING ONE MANAGER’S UNIT) AT 11 INNES COURT (HUNTERS POINT SHIPYARD PHASE 1 BLOCK 56), AND PROVIDING NOTICE THAT THIS APPROVAL IS WITHIN THE SCOPE OF THE HUNTERS POINT SHIPYARD PHASE 1 REUSE FINAL ENVIRONMENTAL IMPACT REPORT (“PHASE 1 EIR”), A PROGRAM EIR, AND IS ADEQUATELY DESCRIBED IN THE PHASE 1 EIR FOR THE PURPOSES OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (“CEQA”); AND, ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO CEQA; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 *et seq.* the “CRL”), the Redevelopment Agency of the City and County of San Francisco (“Former Agency”) undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco (“City”), including within the Hunters Point Shipyard (“HPS”) Redevelopment Project Area; and,

WHEREAS, In accordance with the CRL, the City and County of San Francisco (“City”) acting through its Board of Supervisors approved, by Ordinance No. 285-97 (July 14, 1997), a Redevelopment Plan for the HPS Redevelopment Project Area and subsequently amended it on several occasions (as currently amended, the “Redevelopment Plan”); and,

WHEREAS, On December 2, 2003, the Former Agency Commission authorized, by Resolution No. 03-179, the execution of a Disposition and Development Agreement for Hunters Point Shipyard Phase 1 with Lennar/BVHP, LLC (succeeded by HPS Development Co, LP, the “Master Developer”), which as amended by the First through Seventh Amendments thereto is referred to herein as the “Phase 1 DDA”). The Phase 1 DDA together with the related binding agreements attached to or referenced in the text therein establish a comprehensive set of contractual obligations that collectively govern the implementation of the first phase of redevelopment under the Redevelopment Plan, referred to as “HPS Phase 1”; and,

WHEREAS, Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the “Redevelopment Dissolution Law”) and San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission (“Commission”) and delegating to it state authority under the Redevelopment Dissolution Law), the

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly referred to as the Office of Community Investment and Infrastructure, or “OCII”) is responsible for implementing the HPS Redevelopment Plan and fulfilling the enforceable obligations under the Phase 1 DDA; and,

WHEREAS, On December 14, 2012, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5, that the Phase 1 DDA is an enforceable obligation that survived the dissolution of the Former Agency; and,

WHEREAS, The Phase 1 DDA requires the Master Developer to undertake development of infrastructure in HPS Phase 1 to support 1,600 residential units and 26 acres of open space and parks, and to deliver “finished lots” (i.e., subdivided land improved with streets, sidewalks, parks, open space and utilities) to be sold to Vertical Developers for residential or commercial use, or retained by OCII for the development of affordable housing. At least 10.5 percent of the residential units constructed by vertical developers must be affordable at 80 percent of Area Median Income (“AMI”); and,

WHEREAS, In addition to vertical developers’ affordable housing obligation, OCII intends to provide financing to assist in the construction of at least 218 affordable housing units within Phase 1 (“Agency Affordable Housing Units”), bringing the overall percentage of all of the affordable housing within HPS Phase 1 to a minimum of 27 percent; and,

WHEREAS, In September 2018, OCII released a Request for Proposals (“RFP”) for development of Block 56 to the development community and received three responses in January 2019. Staff convened an evaluation panel in March 2019, and based on the results of the panel, OCII recommended to the Commission the selection of a team that included Mercy Housing California (“MHC”) and San Francisco Housing Development Corporation (“SFHDC”) as co-developers (collectively, the “Developer”), Mercy Housing Management as Property Manager, and Van Meter Williams Pollack as architect; and,

WHEREAS, The Developer intends to construct 73 units of affordable housing (including one unrestricted manager’s unit) restricted at 50% AMI, as defined by the San Francisco Mayor’s Office of Community Housing and Development, and community and services spaces (the “Project”); and,

WHEREAS, MHC and SFHDC have formed a wholly controlled affiliate, Hunters Point Block 56, L.P., a California limited partnership (herein the “Developer”), to act as the development entity for the Project; and,

WHEREAS, On February 7, 2020, the Citywide Affordable Housing Loan Committee (the “Loan Committee”) recommended that OCII provide a predevelopment loan in an

amount not to exceed \$3,500,000, subject to certain terms and conditions to the Developer; and,

WHEREAS, On April 7, 2020, the Commission authorized, by Resolution No. 03-2020, the OCII Executive Director to enter into an exclusive negotiations agreement and predevelopment loan agreement. OCII entered into a predevelopment loan agreement and promissory note (the “Predevelopment Loan Documents”), to provide funding in an amount not to exceed \$3,500,000 for predevelopment work associated with the construction of the Project, and an exclusive negotiations agreement (the “ENA”) and Schedule of Performance, and an associated Option to Ground Lease (“Option”). The ENA and Option included an initial term expiring October 6, 2021, with discretionary extensions for up to twelve months total. The Executive Director extended the terms of the ENA and the Option to October 6, 2022, to allow the parties to complete a cost-reduction exercise, additional soil testing and to submit funding additional applications; and,

WHEREAS, On April 20, 2021, the Commission conditionally approved, by Resolution No. 12-2021, a Basic Concept/Schematic Design for the Project and adopting environmental review findings pursuant to the California Environmental Quality Act (“CEQA”); and,

WHEREAS, Developer is now requesting to enter into an Amended and Restated Loan Agreement (“Amended Loan Agreement”) in the amount of \$36,253,013 to fund the development of the Project; and,

WHEREAS, Developer is also requesting to enter into a seventy-five (75) year ground lease (with one twenty-four (24) year extension option) in connection with its application for bond and tax credit financing from the State and the subsequent development and operation of the Project (the “Ground Lease”); and,

WHEREAS, To facilitate its state financing application, Developer is also now requesting an amendment to the ENA and Option to Ground Lease to extend the Term of both to October 6, 2023 (“First Amended ENA” and “Amended and Restated Option to Ground Lease”). The requested amendment accommodates two cycles of bond and tax credit financing awards from the State, allowing Developer to seek funding a second time if it is not successful with the upcoming application award in November 2022 (i.e., after the current Term of the ENA and Option will have expired); and,

WHEREAS, On May 20, 2022, Loan Committee recommended an additional \$32,753,013 financing request, for a total of up to \$36,253,013 in OCII funding (the “Funds”). The Funds are therefore comprised of the \$3,500,000 in Predevelopment Funds, and \$32,753,013 for construction period activities (the “Gap Funding”); and,

WHEREAS, The Amended Loan Agreement allows the MOHCD Director and OCII Executive Director to make adjustments to the Final Financial Plan (“FFP”) included in the

Loan Agreement through a FFP Confirmation Letter (both as defined in the Amended Loan Agreement), which allows them to address changes to the financial conditions of the Amended Loan Agreement after Commission approval but before loan closing; and,

WHEREAS, In 2022, the Oversight Board of the City and County of San Francisco approved an expenditure for funding including the Block 56 Project through Item No. 420 of the Recognized Obligation Payment Schedule (“ROPS”) for the period of July 1, 2022 through June 30, 2023. The California Department of Finance provided final approval of the expenditure for Item No. 420 through its letter dated April 15, 2022; and,

WHEREAS, The Former Agency Commission and the San Francisco Planning Commission (“Planning Commission”) certified the Hunters Point Shipyard Reuse Final Environmental Impact Report (“Phase 1 FEIR”), and adopted California Environmental Quality Act (“CEQA”) findings, a mitigation monitoring and reporting program and statement of overriding considerations (collectively “CEQA Findings”) in 2000, and subsequently issued addendum to the Final EIR to address project changes (collectively, the FEIR and the CEQA Findings as updated by the addenda are referred to as the “Phase 1 EIR”). The Commission has received the Phase 1 EIR and the Phase 1 EIR was made available to the public during prior Commission meetings. Additionally, the Former Agency Commission and the Planning Commission certified the Candlestick Point/Hunters Point Shipyard Phase 2 Final Environmental Impact Report in 2010 and adopted CEQA findings, a mitigation monitoring and reporting program and statement of overriding considerations (collectively, “Phase 2 CEQA Findings”), and subsequently issued addenda, to address project changes (collectively, the FEIR and Phase 2 CEQA Findings as updated by the addenda are referred to as the “Phase 2 EIR”). The Phase 2 EIR updated the transportation analysis and transportation plan (including the transportation system management plan) for Phase 1, but the Phase 2 EIR did not identify any new significant environmental effects or an increase in the severity of significant impacts of the Phase 1 Project previously identified in the Phase 1 EIR; and,

WHEREAS, OCII staff has reviewed the Amended Loan Agreement, Ground Lease and the First Amended ENA and Amended and Restated Option to Ground Lease, and has found them to be within the scope of the project analyzed in the Phase 1 EIR and its subsequent addenda; and,

WHEREAS, Copies of the Phase 1 EIR and Phase 2 EIR and supporting documentation for each are on file with the Commission Secretary and are incorporated into this Resolution by this reference; now therefore be it

RESOLVED, That the Commission finds the Amended Loan Agreement, Ground Lease and the First Amended ENA and Amended and Restated Option to Ground Lease, are within the scope of the project analyzed in the Phase 1 EIR and Phase 2 EIR and

require no additional environmental review pursuant to CEQA Guidelines Sections 15180, 15162, 15163, and 15164 for the following reasons:

(1) implementation of the Amended Loan Agreement, Ground Lease and the First Amended ENA and Amended and Restated Option to Ground Lease, do not require major revisions to the Phase 1 EIR or the Phase 2 EIR 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 Phase 1 EIR and Phase 2 EIR will be undertaken that would require major revisions to the Phase 1 EIR or Phase 2 EIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the Phase 1 EIR or Phase 2 EIR; and,

(3) no new information of substantial importance to the project analyzed in the Phase 1 EIR and Phase 2 EIR has become available, which would indicate that (i) implementation of the Amended Loan Agreement, Ground Lease and the First Amended ENA and Amended and Restated Option to Ground Lease, will have significant effects not discussed in the Phase 1 EIR or Phase 2 EIR; (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 Phase 1 EIR or Phase 2 EIR, will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the Phase 1 EIR and Phase 2 EIR; and be it further

RESOLVED, The Commission authorizes the Executive Director to: (i) enter into the Ground Lease, with the Developer, substantially in the form of the document approved by legal counsel for OCII on file with the Commission Secretary and attached to the Commission Memorandum accompanying this Resolution, for an initial term of seventy-five (75) years, with one twenty-four (24) year option, for the development of the Project; (ii) enter into an Amended Loan Agreement with the Developer, substantially in the form of the document approved by legal counsel for OCII on file with the Commission Secretary and attached to the Commission Memorandum accompanying this Resolution, for the development of the Project; (iii) enter into the First Amended ENA and Amended and Restated Option to Ground Lease; and (iv) to enter into any and all ancillary documents or to take any additional actions necessary to consummate the transaction contemplated by this Resolution.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of August 2, 2022.

Commission Secretary