INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Workshop on the 2016 First and Second Quarter Community Benefits Report for the Hunters Point Shipyard Phase 1 and Candlestick Point/Hunters Point Shipyard Phase 2 Disposition and Development Agreements, Hunters Point Shipyard and Bayview Hunters Point Redevelopment Project Areas

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure ("OCII") oversees the implementation of development at Candlestick Point and Hunters Point Shipyard. The development is governed by two separate Disposition and Development Agreements (the "DDAs") entered into between OCII and two affiliated developers. The Hunters Point Shipyard Phase 1 DDA ("Phase 1 DDA") with HPS Development Co., LP ("Phase 1 Developer") governs the project known as Phase 1 of the Hunters Point Shipyard ("Phase 1"), which includes development of up to 1,600 homes and 26 acres of parks and open space on the Hilltop and Hillside sites. The Candlestick Point and Hunters Point Shipyard Phase 2 DDA ("Phase 2 DDA" and together with Phase 1 DDA, the "DDAs") with CP Development Co., LP ("Phase 2 Developer" and together with Phase 1 Developer, the "Developer"), governs the project known as Candlestick Point and Phase 2 of the Hunters Point Shipyard (collectively, "Phase 2"), which includes development of up to 10,500 homes, 3 million square feet of research and development/office space, 635,000 square feet of regional-serving retail, 250,000 square feet of neighborhood-serving retail, and approximately 325 acres of parks and open space on the remainder of the Hunters Point Shipyard site as well as Candlestick Point. Together, the development of Phase 1 and Phase 2 will be referred to as the "Project."

Pursuant to the Phase 1 DDA, Phase 1 Developer entered into a Community Benefits Agreement (the "Phase 1 CBA"). The Phase 2 DDA includes a Community Benefits Plan (the "Phase 2 CBA" and together with the Phase 1 CBA, the "CBAs").
The CBAs are intended to ensure that the local Bayview Hunters Point ("BVHP") community has the opportunity to participate in, and benefit from, the Project. On November 17, 2015, at the request of the Commission, OCII staff presented a full Community Benefits Workshop and provided a comprehensive memorandum and table detailing the status of each community benefits commitment contained in both the DDAs. For your reference, the November 17th memo is included as Exhibit C.

To comply with requirements of the Phase 1 CBA, the Phase 1 Developer must provide quarterly written reports on the status of compliance with community benefits commitments. Attached to this memorandum as Exhibit A is the 2016 Quarter 1 and Quarter 2 compliance update provided by the Developer on September 23, 2016.

Background

The Hunters Point Shipyard and Candlestick Point areas are comprised of approximately 780 acres along the southeast waterfront of San Francisco. This land will be developed and transformed into productive areas for jobs, parks, and housing, including affordable housing, through the public-private partnerships between OCII and the Developer established under the DDAs.

The Phase 1 project is entitled for up to 1,600 homes, of which at least 27 percent, and up to 40 percent, will be affordable. Phase 1 is also entitled for 26 acres of parks and open space on the Hilltop and Hillside sites. The Phase 2 project is entitled for up to 10,500 homes, of which approximately 32% of which will be below-market rate housing units, including the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and approximately 352 acres of new and renovated parks. In total, the Project will generate over $6 billion of new economic activity to the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, and new transit infrastructure, and will provide more than $90 million in payments for community benefits.

Hunters Point Shipyard & Candlestick Point Public Benefits

The Phase 1 and Phase 2 DDAs require the Developer to provide public benefits that are in addition to the Phase 1 and Phase 2 CBAs. These benefits include providing affordable housing, the creation and rehabilitation of parks and open space, local hire for construction and end-use jobs, and small business participation. These significant benefits are briefly described below.

Affordable Housing

Hunters Point Shipyard - Phase 1 (Hilltop and Hillside)

The Phase 1 development program includes construction of infrastructure and up to 1,600 housing units, of which a minimum of 27% and a maximum of 40% are planned to be affordable. Phase 1 is divided into two areas: the Hilltop and Hillside.

The Hilltop consists of Blocks 1 and Blocks 49 to 57. To date, "Major Phase Approvals," which provide for the development of one or more blocks and include a schedule of performance, housing data tables, basic concept/schematic designs, and a Vertical Disposition and Development Agreement, have been granted to
vertical developers for each of the private development blocks, except for Block 1, for a total of 898 units of housing. So far, 208 units (of the 898 units) on Blocks 49, 50, 51, 53, and 54, have been completed. Construction recently finished on Block 49, Pacific Point, a 60 unit BMR multi-family rental development for low income families. Block 49 fulfills the Phase 1 Developer’s obligation to construct units at 50% of Area Median Income (“AMI”). Of the completed market-rate developments (Blocks 50, 51, 53, and 54), there are 15 Inclusionary BMR units at 80% AMI. Site permits, which allow construction activities to start, have been issued for an additional 353 units of housing on the Hilltop of which 30 are BMR units at 80% AMI. OCII has three stand-alone rental housing sites on Hilltop: Blocks 52, 54 and 56. Upon completion, these three blocks will provide, at a minimum, 143 additional BMR units at up to 60% AMI. Predevelopment funding for OCII Blocks 52 and 54, which will accommodate 100 BMR units, was included in OCII’s FY 16-17 budget.

The Hillside consists of Block 48 and will be developed in 6 phases. To date, vertical developers have received Major Phase Approvals for all private development blocks on the Hillside: a total of 404 housing units, 56 of which will be BMR units at 80-120% AMI. Site permits have been issued for 97 units, of which 10 are Inclusionary BMR units at 80% AMI and 2 are at 120% AMI. OCII has two stand-alone affordable housing sites on the Hillside. These two sites will accommodate up to 85 BMR units and will be developed after OCII’s affordable housing sites on the Hilltop are complete.

**Hunters Point Shipyard Phase 2 & Candlestick Point**

The Phase 2 DDA between OCII and Phase 2 Developer is a separate agreement from the Phase 1 DDA between OCII and Phase 1 Developer. The Phase 2 DDA provides for an additional 10,500 housing units, 32% of which will be BMR units, and includes the rebuilding of the Alice Griffith Public Housing Development (the “Alice Griffith Project”). The Alice Griffith Project, consists of 504 public housing replacement and new affordable units, and is being developed through five phases. OCII will also develop an additional 1,140 units on 10 stand-alone sites on the remainder of the Shipyard and Candlestick. In March 2015, the first two phases of the Alice Griffith Project broke ground. These first two phases include 184 units of replacement and new affordable housing. Both phases are scheduled for completion in early 2017. February 2016 marked the start of construction on the third phase of the Alice Griffith Project. This most recent phase will include 122 units of replacement and affordable housing, and is scheduled to be completed in November of 2017. In total, the Developer will contribute approximately $70 million towards the Alice Griffith Project. To date, the Developer has committed $26.6 million. In addition, the Developer is responsible for delivering buildable sites for all affordable housing projects, including the Alice Griffith Project, at no cost to OCII, in developable condition with all of the requisite infrastructure. The Developer is on schedule to complete the surrounding infrastructure for the first two phases of Alice Griffith. Efforts to coordinate construction logistics with the vertical developer, MBS, are continuing, to ensure that the opening of Alice Griffith will meet the target deadline.

The first Major Phase of development for Candlestick Point proposes 2,214 units of housing, of which 42% are planned to be BMR units, including construction of the Alice Griffith Project described above. The next three “Sub-Phases” of development in Candlestick Point, “Sub-Phases CP-02, 03, and 04,” will include a total of 1,710 units, 348 of which are planned to be BMR units. There are four Major Phases for both Candlestick Point and Hunters Point Shipyard. Each Major Phase is divided into Sub-Phases, smaller geographic areas within a major phase. The land that is covered by Sub-Phases CP-02-03-04 includes development blocks in the site of the former
stadium and surrounding development and are bounded by Arelious Walker Drive, the mid-block break between Harney Way and C Street, and the mid-block break between Ingerson Avenue and Gilman Avenue. The BMR housing units will be scattered throughout the site. OCII has two stand-alone housing sites on Candlestick within Sub-Phases CP-02, 03, and 04 (Parcels CPN 10a and CPS 11a) which are located directly across from the new mixed-use, mixed-income retail center in the center of the new Candlestick Point development and will provide an additional 290 BMR units. OCII has selected non-profit development partners for these sites and will seeking Commission approval of pre-development funding for both sites later this year.

**Workforce and Contracting**

The Project is anticipated to generate more than 12,000 permanent jobs, in addition to hundreds of new construction jobs each year. To ensure that BVHP residents have access to these opportunities, OCII's Contract Compliance staff works closely with contractors, and partners with the Office of Economic & Workforce Development's CityBuild program to remove barriers, foster job creation, and to improve opportunities for small and locally, minority, and women owned businesses to participate on OCII projects. OCII's Small Business Enterprise ("SBE") and Construction Workforce policies are aggressive and have established an overall 50% goal for SBE participation and local construction workforce hiring, with first consideration for Project Area residents, in all contracts that OCII oversees. The Bayview Hunters Point Employment and Contracting Policy ("BVHP ECP") is the umbrella employment and contracting policy for the Project. The policy calls out specific construction hiring goals, permanent and temporary workforce goals, and trainee goals. The ECP specifies that "Agency Action Projects" are subject to agency policies, including the SBE Policy and prevailing wage requirement. A project is considered an "Agency Action Project" when land is developed pursuant to a DDA. Pursuant to the BVHP ECP, a permeant and temporary workforce agreement must be negotiated with the Developer. Such an agreement effectively complies with the City's First Source Hiring Policy. The Developer will work with the CityBuild Sector Academies and community based organizations ("CBOs") to maximize access to professional development opportunities.

**Workforce**

In the July 2016 Workforce Update (Exhibit G), OCII staff separately identified work hours performed in the Hunters Point Shipyard/Candlestick Point Project Area, by individuals residing in the BVHP area (i.e., ZIP codes 94124, 94107, and 94134). Since work began on the Project, contractors have logged approximately 1.3 million work hours, of which approximately 304,000 hours (or 23% of the total) were performed by Project Area residents and approximately 520,000 hours were performed by San Francisco residents (39%, inclusive of BVHP residents). These are the highest levels of local workforce participation of any projects within OCII's purview. This information is further detailed in Exhibit G, the July 2016 Small Business Enterprise and Local Hiring Report Memo. Per the BVHP ECP, OCII and the Developer are currently negotiating the specific terms of the agreement that will govern the permanent workforce hiring policy for Candlestick Retail Center. This agreement will be approved and executed by the Developer and the OCII Executive Director. An update on the Permanent Workforce Agreement will be presented to the Commission in December 2016, in association with the Schematic Designs for Candlestick Retail Center.
Small Business Contracting

To date, the Developer has released $319 million in contracts for professional services and construction contracting. As with past performance and trends, the Developer's SBE engagement in the field of design and other professional services exceeds OCII's overall 50% goal, reaching 65.5% during the past reporting period (January – June 2016). During the same period, SBE participation in construction and supplies in the Hunters Point Shipyard project area reached 49.5%. The field of construction remains a challenge for SBE participation largely because of the magnitude and nature of work, however, OCII and the Developer continue to work together to ensure that resources and opportunities for small contractors remain accessible.

Parks and Open Space

Phase 1 includes construction of 26 acres of new parks: Hillpoint Park, Innes Court Park and various pocket parks and open space. OCII is working with the Phase 1 Developer as construction of Hillpoint Park, a regional park which includes five OCII commissioned art pieces, nears completion. Innes Court Park and several pocket parks on the Hilltop are also substantially complete.

The Phase 2 plan includes over 325 acres of parks and open space, including a complete renovation of the Candlestick Point State Recreation area. Development on Candlestick requires acquisition of property currently owned by either State Parks or State Lands Commission for development of future housing. In total, the Developer will contribute $50 million to State Parks for site acquisition, of which $10 million is designated for operations and maintenance and $40 million will go towards capital improvements. To date, the Developer has contributed $3.4 million to State Parks. The second contribution of $19.4 million will occur next year.

The next phase of development on Candlestick, Sub-Phases CP-02, -03, and -04, will provide several new neighborhood and regional parks and open spaces including the Wedge Park, Alice Griffith Community Garden and Jamestown Walker Slope. Wedge Park provides neighborhood connectivity to planned improvements at Candlestick Point State Recreation Area, acting as Candlestick Point's “Central Park”, by connecting the urban core with views of Hunters Point and the Bay. The Alice Griffith Community Garden is an open space community garden that will be located at corner of Arelious Walker Drive and Ingerson Avenue. The design of the garden has been developed in partnership with Alice Griffith residents and other community stakeholders. Jamestown Walker Slope is a habitat enhancement and beautification project that will focus on native species and habitat and connect the new development at Candlestick to the existing Bayview Park.

The Developer has also started a community driven process for the design of the first park in the second phase of the Shipyard - Northside Park. Northside Park is approximately 13 acres and will include opportunities for active and passive recreation along the San Francisco Bay.
Community Benefits Agreements

For Phase 1, community benefits are principally set forth in the Phase 1 DDA, the Phase 1 Vertical Disposition and Development Agreements and the Phase 1 CBA. For Phase 2, community benefits are principally set forth in the Phase 2 DDA, including the Phase 2 CBA. The Phase 1 CBA and the Phase 2 CBA are attached to this memorandum as Exhibit D and F, respectively. Fully detailed in the November 17th memo (Exhibit C), the below is a list of the main categories under which the community benefits for the Project fall:

1) Construction Assistance Program
2) Community Builder Program
3) International African Marketplace
4) Cultural/Historic Recognition Program
5) Business Incubator Space Program
6) Home Buyers’ Assistance Program
7) Job Training and Employee Assistance Program
8) Small Business Assistance Program
9) Outreach Program
10) Community Real Estate Broker Program
11) Community Facilities Lots
12) Additional Community Facilities including Replacement Artists’ Studios and Commercial Kitchen
13) Scholarship Program
14) Education Improvement Fund
15) Community Health and Wellness Contributions
16) Community Benefits Fund
17) Community Benefits Status Reports
18) Core Community Benefits Agreement

The Legacy Foundation

In accordance with the DDAs, some community benefits are administered by the Legacy Foundation for Bayview Hunters Point (“Legacy Foundation”), an advisory body that, in collaboration with the Hunters Point Shipyards Citizen’s Advisory Committee (“CAC”), is responsible for making recommendations to the OCII Commission on the use of certain funds provided by the Developer under the CBAs to the Community Benefits Fund. The Community Benefits Fund is funded under the DDAs, for programs to benefit the BVHP area as a whole.

To date, Phase 1 Developer has provided $1 million to the Community Benefits Fund to fulfill its commitments under the Phase 1 DDA. Phase 2 Developer has provided $500,000 in partial fulfillment of the Phase 2 Scholarship Fund. The Legacy Foundation’s Board is in the final stages of completing a Strategic Plan, which will be presented to the OCII Commission in late 2016. The Strategic Plan will provide an overview of the organization’s proposed work and funding plan for the next 5 years (2016 – 2021).
Discussion

Developer’s 2016 First and Second Quarter Compliance Update

The Developer remains in substantial compliance with the community benefits commitments requirements under the CBAs, but must focus on improvements in the following areas, during the next quarter:

1) Outreach Program:
Under the Phase 1 CBA, the Phase 1 Developer is required to disseminate project information, in addition to program specific information, via website, quarterly newsletters, special mailings and similar outreach activities. The Phase 1 Developer is also required to translate communications into Chinese, Spanish and Samoan. The Phase 1 Developer has established a project specific website to disseminate information, however, in 2016 no quarterly reports, newsletters, and/or special mailings have been circulated. The Developer has translated some project information into Chinese and Spanish, but has not provided information in Samoan. The Outreach Plan additionally identifies specific BVHP community and cultural organizations which should receive Project information. OCII staff has requested information regarding outreach to these groups. The Outreach Plan requirements are attached to the memo as Exhibit E.

2) Home Buyer Assistance Program:
Under the Phase 1 CBA, the Phase 1 Developer is required to develop a program to provide assistance to qualified Phase 1 home buyers, including: a) Down Payment Assistance, b) First Time Buyer Financing Program, c) Homeownership Counseling. The Down Payment Assistance and First Time Buyer Financing Programs are set forth in the Vertical DDAs. The Phase 1 CBA requires the Developer to provide homeownership counseling workshops on a quarterly basis. The Developer has previously held homebuyer workshops; however, no homebuyer workshops occurred in Quarter 1 or Quarter 2 of 2016.

3) Small Business Assistance Program:
Under the Phase 1 CBA, the Phase 1 Developer is required to identify opportunities to assist small businesses in BVHP with obtaining contracts by: a) creating and bi-annually updating a directory of local small businesses; b) requiring its contractors and consultants to use their best efforts to purchase no less than 20% of the dollar value of all of their Shipyard Project related purchases from BVHP Area Small Businesses (contractors and consultants are required to provide monthly progress reports on the dollars spent with BVHP Area Small Businesses. The Phase 1 Developer is required to include language in their contracts with consultants and contractors regarding this obligation); and c) host quarterly networking workshops for BHVP Area Small Businesses. In 2015, the Phase 1 Developer did not provide language in their contracts with consultants and contractors regarding purchases. To date, the Phase 1 Developer has not included the required purchasing language in its contracts, and has not provided a plan to OCII staff for coming into compliance with this requirement.

4) Community Builder Program:
Under the Phase 1 CBA 30% of private housing development lots must be offered for development in partnership with Community Builders. Phase 1 Community Builder lots have been assigned to Community Builders. Three Community Builder agreements have been executed to date. The Phase 1 Developer is
working to finalize the remaining agreements. Staff has requested additional information from the Developer regarding the qualification of all selected and assigned Community Builders. To date OCII has not received all of the information confirming that those Phase 1 Builders selected in 2004 and 2005 remain eligible. Phase 1 Community Builders were qualified through a competitive process in 2004 and 2005.

5) **Job Training and Employee Assistance Program:**
Under the Phase 1 CBA, the Phase 1 Developer must contribute $225,000 per year to fund community based organization(s) that provide job training services. In 2015, OCII found that the Phase 1 Developer was not in compliance with this requirement and identified a $410,000 shortfall. In 2015, the Phase 1 Developer committed to accelerating payments through 2018 to address the shortfall. In the first two quarters of 2016, the Phase 1 Developer has spent approximately $58,000 for job training of the $225,000 annual obligation, and no funds have been expended to address the prior years’ shortfall. The Developer has submitted a plan to OCII to accelerate spending and comply with the CBA, expending $460,000 over the next 2 years. OCII staff is currently reviewing this proposal.

6) **Community Benefits Status Reports:**
Under the Phase 1 CBA, the Phase 1 Developer is required to provide a quarterly written status report to OCII and the CAC. Additionally, Phase 1 Developer is required to make a Status Report presentation to the CAC. The Quarter 1 Report was presented to the CAC on April 11, 2016. Quarter 2 has not been presented to the CAC. A reissued, combined, Quarter 1 and Quarter 2 report and supporting documentation was provided to OCII on September 23, 2016.

(Originated by Kashejtea McKinney, Assistant Project Manager)

Tiffany Bohner
Executive Director

Exhibit A: Developer’s 2016 First Quarter and Second Quarter Community Benefits Update
Exhibit B: OCII Community Benefit Compliance Report 2016 Quarters 1 & 2
Exhibit C: November 17, 2015 Community Benefits Memo to Commissioners and PowerPoint Presentation
Exhibit D: Phase 1 Community Benefits Agreement
Exhibit E: Phase 1 Community Benefits Agreement, Exhibit L: Outreach Program
Exhibit F: Phase 2 DDA Community Benefits Plan
Exhibit G: July 19, 2016 OCII Small Business Enterprise and Local Hiring Report Memo to Commissioners