Hunters Point Shipyard
Redevelopment Plan Amendment

Report on the Plan Amendment

San Francisco Redevelopment Agency
May 2010
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Hunters Point Shipyard Redevelopment Plan Amendment
Report on the Plan Amendment

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Executive Summary of the Report on the Plan Amendment

The Executive Summary provides a synopsis of the Report on the proposed Plan Amendment to the Hunters Point Shipyard Redevelopment Plan (Plan Amendment). The Report describes the reasons for amending the Hunters Point Shipyard Redevelopment Plan, documents adverse conditions within the Hunters Point Shipyard Project Area (Project Area), and presents the Redevelopment Program of the Redevelopment Agency (Agency) of the City and County of San Francisco (City). It assesses the financing methods and economic feasibility of the Agency’s Redevelopment Program, and demonstrates why the Plan Amendment is necessary to eliminate blight in the Project Area. The Report also documents the Agency’s adherence to the legal requirements for the Plan Amendment.

Plan Amendment to Facilitate Achievement of City Goals

The Plan Amendment will achieve several of the goals and objectives of the City in the Project Area including creating new affordable and market-rate housing; furthering economic development through local job creation; providing open space; fostering cultural, educational, and training development; improving the physical environment; and facilitating development of commercial uses and infrastructure. The Agency is preparing the Plan Amendment for consideration by the San Francisco Redevelopment Commission and the Board of Supervisors of the City and County of San Francisco (Board of Supervisors) in the summer of 2010.

Background

The revitalization of the Project Area and the redevelopment of the Candlestick Point area, located in the Bayview Hunters Point Redevelopment Project Area, have progressed on parallel, though largely separate, paths. Recently, the City and the Agency have revisited the plans for revitalization of these two areas and partnered with HPS Development Co., LP and CP Development Co., LP (the Developer) to advance the integrated development of these two areas. The Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project) constitutes a cohesive planning effort that would transform both areas while simultaneously achieving the goals and objectives of the City and the Agency and of the land use policies and concepts embodied in voter-approved Proposition G. This coordinated endeavor will ensure a consistent framework for development across the CP–HPS 2 Project as a whole.

Plan Amendment Purpose

The Plan Amendment will provide the tax increment revenue necessary to implement the Agency’s Redevelopment Program, which is designed to alleviate blight and foster economic and housing development in the Project Area. The Plan Amendment will ensure the financial feasibility of the revitalization of the Project Area by increasing the limit on tax increment collection from $881 million to $4.2 billion and the limit on outstanding bonded indebtedness from $221 million to $900 million.

Additionally, the Plan Amendment revises the land use provisions outlined in the Redevelopment Plan to be consistent with voter-approved land use policies and concepts that will serve as the foundation for the CP–HPS 2 Project. The Plan Amendment would also incorporate a technical amendment to the Redevelopment Plan to clarify time limits.
Physical and Economic Conditions in the Project Area

The 1,117-acre Project Area is located in the southeast portion of San Francisco within the former Hunters Point Naval Shipyard (as shown in Figure I-1). Originally adopted by the Board on July 14, 1997, the Project Area consists primarily of abandoned land and buildings that have not been in use since the U.S. Department of the Navy (Navy) ceased operations at the facility in 1974. The Project Area suffers from adverse physical and economic conditions that need to be addressed if the area is to realize its full economic potential. Conditions found in the Project Area, which meet six of the seven categories of blight for base reuse defined in the California Redevelopment Law (CRL), include the following:

- Buildings in which it is unsafe or unhealthy for persons to live or work.
- Factors that prevent or substantially hinder the economically viable reuse or capacity of buildings or areas, including substandard design, obsolete or deteriorated buildings, and buildings that will have to be demolished.
- Buildings on land that, when subdivided, or when infrastructure is installed, will not comply with community subdivision, zoning, or planning regulations.
- Properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards.
- Buildings that, when built, did not conform to the then effective building, plumbing, mechanical, or electrical codes adopted by the community.
- Land that contains materials or facilities that will have to be removed to allow development.

Agency's Redevelopment Program and Blight Alleviation

The Agency’s Redevelopment Program will alleviate blighting conditions that hinder the revitalization of the Project Area by improving physical and economic conditions, stimulating private development and meeting the Agency’s affordable housing obligation. Integrating the redevelopment efforts in Hunters Point Shipyard Phase 2 with those in Candlestick Point will create synergies for both Project Areas. The Agency’s Redevelopment Program draws on the planning guidelines adopted by the Hunters Point Shipyard Citizens Advisory Committee, which support the development and reintegration of the Project Area into the Bayview neighborhood. It emphasizes dynamic land uses, diverse business opportunities, and a balanced, mixed-income population of residents. The Agency’s Redevelopment Program will be conducted in partnership with the private sector to produce new housing; commercial development including retail, maritime, and research and development uses; and new recreational spaces.

The Agency’s Redevelopment Program consists of two broad program categories, the Non-Housing Program and the Affordable Housing Program. The former includes activities and projects related to economic revitalization, community outreach, public infrastructure and facilities, circulation, and public open space. One major non-housing project in the Project Area is the opportunity to prepare a site for an NFL stadium for the San Francisco 49ers and related dual-purpose fields to be used for game day parking and recreation. In addition, the Agency will assist community efforts to train citizens for construction-related and permanent employment created by the revitalization of the Project Area and will facilitate the development of “green” office and research uses and neighborhood-serving retail space. The Agency’s Non-Housing Program also involves community outreach; improvements to public infrastructure and facilities, including a community facilities site; and the creation of the pedestrian and road network. It will also focus on the provision of public open space through such activities as the creation of new
public parks and open space as well as connection to the regional Bay Trail. The Agency’s Affordable Housing Program will promote the development of a wide variety of affordable housing types including mixed-use development, rental and ownership units, and workforce housing.

**Tax Increment Financing and Other Funding Sources**

Tax increment financing and Mello-Roos Community Facilities Districts (CFDs) will provide key public funding for the revitalization of the Project Area. Additionally, the Navy has allocated significant public resources that have been and will continue to be used for environmental remediation of the Shipyard. The Developer will also contribute private capital for the horizontal development (infrastructure) of the parcels as well as community benefits agreed upon under the CP–HPS 2 Project. These sources will provide most of the financial resources for the Redevelopment Program.

Funding for the Plan Amendment may come from federal, regional, state and local sources, including, but not limited to, the CALReUSE Brownfield Remediation Program, federal Economic Development Assistance Programs, and federal transportation grant programs under the 2005 Safe, Accountable, Flexible and Efficient Transportation Equality Act: a Legacy for Users (SAFETEA-LU).

**Need for Tax Increment Financing**

The remaining blighting conditions in the Project Area are substantial, and a significant amount of capital investment is required to alleviate them. Without tax increment funding, neither the private sector or public sector working alone, nor the private and public sectors working together, will be able to financially support the substantial costs of revitalizing the Project Area. Tax increment financing is needed to provide funding for the Agency’s projects and activities, which are critical to the elimination of blight and the revitalization of the Project Area.

**Pass-Through Payments to Affected Taxing Entities**

The CRL requires that the Agency make pass-through payments to each taxing entity deriving property tax revenue from the Project Area. These are annual payments designed to mitigate any financial burden of a redevelopment plan on taxing entities. The CRL specifies formulas for the calculation of pass-through payments. Each entity will receive payments from tax increment generated by the Project Area in proportion to its property tax levy within the Project Area. Taxing entities that currently collect property tax revenue from the Project Area include the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Regional Transit (BART) District, and the Bay Area Air Quality Management District. Under the CRL, the City can elect to receive its share of the first tier pass-through payment.

**Affordable Housing and Housing Set-Aside Funds**

The CRL requires 20 percent of all tax increment revenue collected by a redevelopment agency to be used for increasing, improving and preserving a community’s supply of affordable housing. The Agency will focus its funds on affordable housing development in the Project Area to ensure that at least 15 percent of the new housing in the Project Area is affordable to, and occupied by, households of extremely low, very low, low and moderate income, as required by the CRL. In addition, the Developer will contribute $70,000 towards each Agency affordable unit.
Tax Increment Projections
The Project Area is projected to generate $3.5 billion in nominal dollars in tax increment revenues over the 45-year tax increment collection period ($726 million in constant FY 2009/10 dollars). After the Agency meets its legal obligation to make payments to affected taxing entities, approximately $2.8 billion in nominal dollars, or $590 million in constant FY 2009/10 dollars, will be available to accomplish the Agency’s Redevelopment Program.

Redevelopment Plan Time Limits
A provision in the CRL specific to military bases modifies the date used for setting the redevelopment plan time limits. The Agency can collect tax increment for 45 years from the date that the County Auditor certifies as the final day of the fiscal year when the Agency first received $100,000 or more in tax increment revenues (County Auditor certification date). It is projected that the Agency will receive more than $100,000 in tax increment in FY 2011/12. Therefore, June 30, 2012 is projected to be the County Auditor certification date, and tax increment collection is projected to continue through FY 2056/57. The County Auditor certification date is also used to set the time limits for debt incurrence and redevelopment plan effectiveness.

Financial Feasibility
The Agency’s Redevelopment Program costs are estimated to be approximately $2.8 billion in nominal dollars ($590 million in constant FY 2009/10 dollars). Although the Agency’s Redevelopment Program costs and available revenues will vary over time from those set forth in the estimates and projections presented in this Report, it is reasonable to conclude that the Agency’s Redevelopment Program is financially feasible over the 45-year tax increment collection period. The Agency will continue to prepare Implementation Plans every five years to ensure that the Agency’s Redevelopment Program is financially feasible.

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1 “Nominal dollars” refers to the face value of tax increment revenues at the time they are generated. “Constant FY 2009/10 dollars” refers to the value of the same revenue as discounted to reflect its worth in FY 2009/10. Revenue generated in the future has less purchasing power than revenue generated this year because of inflation and the cost of borrowing.
I. Introduction

Over the past decade, the redevelopment of Hunters Point Shipyard Redevelopment Project Area (Project Area) and the Candlestick Point Activity Node area (Candlestick Point) in Bayview Hunters Point Project Area B have proceeded on parallel though largely separate paths. Recent opportunities have afforded the City and County of San Francisco (City) and the San Francisco Redevelopment Agency (Agency) the chance to revisit the planning for these two areas and to partner with HPS Development Co., LP and CP Development Co., LP (the Developer) to advance the development of these two areas. The Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project) provides for the integrated development of Candlestick Point and a portion of the Hunters Point Shipyard into vibrant mixed-use areas. This transformation will achieve a number of the goals and objectives for the Bayview Hunters Point community, the Agency and the City including tangible economic and public benefits such as much needed parks, open space, business, employment, and housing opportunities affordable to Bayview Hunters Point residents. In addition, it will bring other tangible economic benefits for the Bayview Hunters Point community in particular and the City as a whole. Moreover, pursuing the redevelopment of these two project areas in concert further allows for a more coherent overall development plan and expedites the revitalization of both areas.

The Redevelopment Plans for the Bayview Hunters Point and Hunters Point Shipyard Redevelopment Projects must be amended in order to facilitate the CP–HPS 2 Project’s development and to ensure the financial and economic feasibility of the CP–HPS 2 Project. The Agency is preparing amendments to these Redevelopment Plans for consideration by the City and County of San Francisco Board of Supervisors (Board of Supervisors) in the summer of 2010. The purpose of the Hunters Point Shipyard Plan Amendment (Plan Amendment) is to ensure the financial feasibility of the CP–HPS 2 Project by increasing the Project Area’s limits on tax increment collection and outstanding bonded indebtedness, and by revising the Redevelopment Plan so that the voter-approved land use principles and guidelines for the CP–HPS 2 Project can be implemented.

A. Overview of the Report on the Plan Amendment

This document serves as the Report on the Plan Amendment, as required by Section 33352 of the California Community Redevelopment Law (CRL), a part of the California Health and Safety Code.1 The Report on the Plan Amendment is an integral step in the process to consider the Plan Amendment and is a public document designed to provide comprehensive information, analyses and evidence the Board of Supervisors must consider when determining whether or not to adopt the Plan Amendment. The Agency’s redevelopment projects and activities and their associated costs, as presented in Chapters IV and V, serve to illustrate the range of projects the Agency may undertake through this Plan Amendment.

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1 The CRL is contained in Part I of Division 24, Community Development and Housing, of the Health and Safety Code, beginning at Section 33000. All further statutory references are to the Health and Safety Code unless otherwise noted.
1. Report Organization

As required by the CRL, the Report on the Plan Amendment (Report) describes the reasons for the Plan Amendment, documents adverse conditions remaining in the Project Area and describes the Agency’s Redevelopment Program, which is comprised of the projects and activities proposed to meet the objectives of the CRL and of the Redevelopment Plan. The goals of the redevelopment process include alleviating adverse conditions in the Project Area and increasing, improving and preserving the supply of affordable housing in San Francisco. This Report also provides an assessment of financing methods and financial feasibility of the Plan Amendment, and is organized as follows.

Chapter I presents a general overview and background of the Plan Amendment and the Project Area, describes the goals of the Plan Amendment, outlines CRL requirements, and presents the process for the Plan Amendment. It includes the following sections:

A. Overview of the Report on the Plan Amendment
B. Summary of the Plan Amendment
C. Background Information on the Project Area
D. Summary Description of CP–HPS 2 Project
E. Summary of Agency’s Redevelopment Program
F. Conformity with the General Plan
G. Report on the Plan Amendment Requirements
H. Overview of the Plan Amendment Process and Public Agency Actions

Chapter II describes the reasons for the Plan Amendment.

Chapter III describes the conditions in the Project Area at the time of the 1997 Redevelopment Plan adoption, summarizes the Agency’s redevelopment efforts to date, and documents the remaining adverse conditions in the Project Area.

Chapter IV presents the Agency’s Redevelopment Program and the goals and objectives for the Project Area. The Agency’s Redevelopment Program consists of projects and activities to be undertaken or funded by the Agency. The Agency’s Redevelopment Program consists of two broad program categories, the Non-Housing Program and the Affordable Housing Program. The Chapter also describes how the Agency’s Redevelopment Program will alleviate the adverse conditions described in Chapter III and summarizes the anticipated cost of the Redevelopment Program.

Chapter V analyzes the financial feasibility of the Plan Amendment. It describes the funding resources available to the Agency to accomplish its Redevelopment Program, details tax increment financing, and presents projections of the tax increment revenue that will be generated in the Project Area. It also demonstrates the need for the increased limits on tax increment collection and bonded indebtedness proposed in the Plan Amendment.

Chapter VI discusses the Implementation Plan requirement, and refers to the updated Project Area Implementation Plan, which is included in Appendix F. The Implementation Plan outlines statutory requirements for non-housing as well as affordable housing activities. It sets forth the Agency’s goals, objectives, programs, and expenditures for the Agency’s five year
Implementation Plan period, including program priorities and expenditure estimates over the five year period.

Chapter VII describes the requirement for a plan for relocation of persons who may be displaced due to redevelopment activities.

Chapter VIII provides an analysis of the Preliminary Plan requirement.

Chapter IX discusses the Planning Commission report and recommendations on the Plan Amendment.

Chapter X summarizes opportunities for public review of and comment on the Plan Amendment.

Chapter XI contains, by reference, the Environmental Impact Report (EIR) prepared in accordance with the California Environmental Quality Act (CEQA) for the Plan Amendment.

Chapter XII includes the analysis of the requirement for the Report of the County Fiscal Officer.

Chapter XIII includes a summary of the consultations with affected taxing agencies.

Chapter XIV provides an analysis of the requirement for the Neighborhood Impact Report.

Chapter XV summarizes the blight findings and establishes the necessity of the Plan Amendment, including the revisions to land uses as well as the increased limits on tax increment collection and bonded indebtedness. It also explains why private enterprise and governmental action, working alone or together, cannot reasonably be expected to reverse existing blighting conditions without the Plan Amendment.

The appendices provide supporting documentation and background information on the Plan Amendment.

Appendix A provides a list of sources used to prepare this Report.

Appendix B contains photographic documentation of the adverse conditions presented in Chapter III.

Appendix C summarizes the primary, secondary and complementary funding sources that may be available to finance the Agency’s Redevelopment Program.

Appendix D includes tax increment revenue projections.

Appendix E contains the calculations used to determine the amended limit on outstanding bonded indebtedness.

Appendix F contains the updated Implementation Plan.

Appendix G presents the community participation documentation.

Appendix H includes the Notice of Preparation for the environmental documentation.

Appendix I contains documentation of consultations with the affected taxing entities.

Appendix J provides documentation of submittal of the report required by CRL Section 33451.5(c).
2. Definitions

For clarity throughout the document, the following terminology will be used to define the various distinct but overlapping geographic areas referred to in this Report:

- **Bayview Hunters Point or Bayview** is the broad community planning area also known as South Bayshore.

- **Hunters Point Shipyard Project Area (Project Area)** is the Project Area of approximately 1,117 acres that the Agency established in 1997.

- **Hunters Point Shipyard Phase 1 Development Project (HPS Phase 1)**, located on 63 acres, is underway. The HPS Phase 1 development will include up to 10,000 square feet of commercial space, 26 acres of open space, a 1.2-acre site for community facilities, and up to 1,600 residential units on Parcels A and A-1.

- **Hunters Point Shipyard Phase 2 Development Project (HPS Phase 2)** will be located on Parcel A3 and Parcels B through G.

- **Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project)** refers to the joint development project being undertaken by the Developer that includes the Candlestick Point Activity Node of the Bayview Hunters Point Project Area B and the HPS Phase 2 portion of the Project Area.

- **Candlestick Point Activity Node (Candlestick Point)**, located to the south of the Shipyard and across Yosemite Slough, is the southernmost activity node in the Bayview Hunters Point Project Area B. Along with the Shipyard, Candlestick Point is part of the CP–HPS 2 Project. As part of this revitalization, Alice Griffith Housing Development, a property within Candlestick Point owned by the San Francisco Housing Authority, is slated for one-for-one replacement of its 256 units.

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2 Refer to the May 2010 Report on the Plan Amendment for the Bayview Hunters Point Redevelopment Plan Amendment, San Francisco Redevelopment Agency for information on the CP–HPS 2 Project development proposed for the Candlestick Point Activity Node and the Bayview Hunters Point Plan Amendment.
B. Summary of the Plan Amendment

The primary purpose of the Plan Amendment is to further the revitalization of the Project Area by providing financial and other support for the HPS Phase 2 Development Project. This objective is consistent with the reasons presented at the time of Redevelopment Plan adoption in 1997; however, the strategy for the revitalization of the Project Area has evolved over time. The Plan Amendment is needed to support this evolution in strategy.

The Plan Amendment will provide the Agency with the necessary financial and legal resources and tools to complete the needed program of redevelopment in the Project Area in order to:

- Eliminate the significant blight in the Project Area;
- Facilitate the economic development of the Project Area and provide additional job opportunities for local residents;
- Provide quality affordable housing for residents of the Bayview and the entire community; and
- Implement the objectives of voter-approved Proposition G.

Specifically, the Plan Amendment would, if adopted:

- Increase the Project Area limit on the tax increment revenue collection from $881 million to $4.2 billion to provide the Agency with the tax increment capacity necessary to ensure financial feasibility of the HPS Phase 2 Project, which will alleviate blight;
- Increase the Project Area limit on the principal amount of bonded indebtedness secured by tax increment revenue that may be outstanding at any time from $221 million to $900 million to provide the Agency with the bonding capacity necessary to ensure financial feasibility of the HPS Phase 2 Project, which will alleviate blight;
- Revise the land use provisions outlined in the Redevelopment Plan to be consistent with voter-approved land use planning policies and concepts that will serve as the foundation for the CP–HPS 2 Project; and
- Incorporate a technical amendment to the Redevelopment Plan to clarify time limits as follows:
  - The time limit for debt incurrence will be 20 years after the date that the County Auditor certifies as the final day of the fiscal year when the Agency first received $100,000 or more in tax increment revenues (County Auditor certification date). It is projected that the Agency will receive more than $100,000 in tax increment in FY 2011/12. Thus, June 30, 2012 is projected to be the County Auditor certification date.
  - The time limit for Redevelopment Plan effectiveness will be 30 years after the County Auditor certification date.
  - The time limit for tax increment collection will be 45 years after the County Auditor certification date.

Table I-1 summarizes the current and proposed time and fiscal limits.
Table I-1
Summary of Existing and Proposed Time and Fiscal Limits
Hunters Point Shipyard Redevelopment Project Area

<table>
<thead>
<tr>
<th>Background Information</th>
<th>Current</th>
<th>Under the Plan Amendment</th>
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<td>Acres</td>
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<td></td>
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<tr>
<td>Date of Adoption</td>
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<tr>
<td>Ordinance No.</td>
<td>285-97</td>
<td></td>
</tr>
<tr>
<td>Base Year (FY 1997/98) Assessed Valuea</td>
<td>$5,259,490</td>
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<tr>
<td>County Auditor Certification Dateb</td>
<td>Last day of first fiscal year in which Agency is anticipated to collect $100,000</td>
<td></td>
</tr>
<tr>
<td>Pass-Through Paymentsc</td>
<td>Calculated from County Auditor certification date rather than first year that the agency receives tax increment revenueb</td>
<td></td>
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<tr>
<td>Eminent Domain</td>
<td>12 years</td>
<td>Expired</td>
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<td>Incurring Debt</td>
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<td>20 years from County Auditor certification dateb</td>
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<td>Plan Effectiveness (Project Activities)</td>
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<td>30 years from County Auditor certification dateb</td>
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<th>Fiscal Limits</th>
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<td>Tax Increment Cap</td>
<td>$881 million</td>
<td>$4.2 billion</td>
</tr>
<tr>
<td>Bond Limit</td>
<td>$221 million</td>
<td>$900 million</td>
</tr>
</tbody>
</table>

b. Per CRL Sections 33492.9. The first year when tax increment collection is projected to exceed $100,000 is FY 2011/12. Thus, County Auditor certification date is expected to be June 30, 2012.
c. Per CRL 33492.15. Tier One payments anticipated to begin in FY 2012/13, Tier Two pass-through payments in FY 2022/23, and Tier Three pass-through payments in FY 2042/43.
Source: San Francisco Redevelopment Agency.

C. Background Information on the Project Area

1. Project Area Location

The Project Area occupies approximately 1,117 acres entirely within the former Hunters Point Naval Shipyard in the Bayview Hunters Point neighborhood of the City and County of San Francisco. Figure I-1 shows the location of the Project Area in relation to the City and the Bayview Hunters Point Project Area. Figure I-2 shows the boundary of the Project Area. The former Shipyard is a regional landmark on the City’s southeast waterfront. The Project Area is

3 The Bayview Hunters Point area has also been known as South Bayshore. Many residents call the community the Bayview.
bordered by the San Francisco Bay to the north, south, and east, and by the Bayview Hunters Point Project Area to the west. Candlestick Point in the Bayview Hunters Point Project Area is located to the southwest of the Shipyard, while the Port of San Francisco and the Mission Bay Redevelopment Project Area are to the northwest. As noted above, the Bayview Hunters Point Redevelopment Project Area is undergoing a concurrent redevelopment plan amendment process.

2. **Project Area Description**

Opened as a dry-dock in 1867, Hunters Point Shipyard saw its most active use as a United States Department of the Navy (Navy) ship repair facility during World War II. The Shipyard was a major center of employment for the community, providing logistics support and construction and maintenance services for the Navy beginning in World War II. At its peak, the Shipyard employed 17,000 civilian and military personnel, many of whom lived in the adjacent neighborhood. Naval operations ceased at the Shipyard in 1974. Since that time, portions of the property have been leased to various tenants, but most of the Project Area has remained abandoned and underutilized.

The Base Realignment and Closure Act of 1991 provided for the closure of many military bases, including the Hunters Point Shipyard. Due to the presence of significant hazardous materials in the Shipyard resulting from the activities of the Navy and its contractors and tenants, the United States Environmental Protection Agency (EPA) designated the Shipyard as a Superfund site and placed it on the National Priorities List created under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Pursuant to CERCLA, the Navy, the EPA and the State of California executed a Federal Facilities Agreement in 1992 (FFA) that requires the Navy to investigate and remediate hazardous materials at the Shipyard according to a specified process and schedule. The Navy divided the Shipyard into six primary parcels (Parcels A through F) for the purpose of determining the extent of contamination and the required procedures for hazardous materials remediation.

In 1993, the City and Agency designated the Shipyard as a Redevelopment Survey Area. With the passage of AB 2736 in 1996, the California legislature created uniform military base redevelopment law for California. Congress then authorized the Department of Defense to transfer the Shipyard to the City under special terms. On July 14, 1997, following an extensive community-led planning effort, the Board of Supervisors adopted the Hunters Point Shipyard Redevelopment Plan (Ordinance No. 285-97).

The majority of the buildings in the Project Area are extensively deteriorated or dilapidated. The Project Area continues to be hindered by unsafe and unhealthy buildings, factors inhibiting the economically viable reuse of the area, buildings not in compliance with community regulation, substandard infrastructure, buildings not built to code, and materials and facilities that need to be removed. Chapter III documents the remaining blighting conditions in the Project Area.

The Developer is redeveloping the Project Area in partnership with the Agency and the City. The Shipyard development program is planned for two phases, both of which will be led by the Developer. The HPS Phase 1 Project, which addresses Parcels A and A-1, is underway. It is

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4 The Candlestick Point Activity Node is described further in the Report on the Plan Amendment for the Bayview Hunters Point Redevelopment Plan, May 2010.
described in the HPS Phase 1 Disposition and Development Agreement (DDA) and its related documents. It features the development of approximately 1,498 residential units, 10,000 square feet of neighborhood-serving commercial space, and 26 acres of open space and park improvements. The development of HPS Phase 2 is discussed in the following section.

D. Summary Description of CP–HPS 2 Project

Since its adoption in 1997, the primary purpose of the Redevelopment Plan has been, and continues to be, the revitalization of the Project Area through economic development activities, community enhancement projects, and the production of affordable housing. Over time the strategy for the revitalization of the Project Area has evolved, as described in Chapter II. The Plan Amendment is needed to support this evolution in strategy.

In May 2007, the Board of Supervisors and the Mayor approved a resolution endorsing a Conceptual Framework for the integrated planning of the CP–HPS 2 Project. The Conceptual Framework was the result of a long planning process undertaken by the City, acting by and through the Office of Economic and Workforce Development, the Agency, and the Developer. In June 2008, the San Francisco voters approved the Bayview Jobs, Parks, and Housing Initiative (Proposition G). The initiative identified several important objectives for development of the CP–HPS 2 Project. (Refer to Table I-2 for a listing of the objectives.) The overarching goal for the CP–HPS 2 Project is to revitalize the Bayview community by providing increased business and employment opportunities; expanded housing options at a range of affordability levels; improved public recreation and open space amenities; an integrated transportation, transit, and infrastructure plan; and other economic and public benefits.

The CP–HPS 2 Project will include a Below-Market Rate Housing Plan designed to provide new housing opportunities for households of diverse income, ages, lifestyles and family size. Of the up to 10,500 homes to be developed as part of the CP-HPS 2 Project, 31.86 percent will be below-market rate units, including Alice Griffith replacement units, Agency affordable units, inclusionary units, and workforce units. The balance of 68.14 percent of the units will be market rate units, including a variety of unit types and sizes.

1. HPS Phase 2 Development

The CP–HPS 2 Project includes Candlestick Point and HPS Phase 2, as indicated in Figure I-3. The development proposed for HPS Phase 2 includes up to 2,650 residential units, 125,000 square feet of neighborhood retail, 50,000 square feet dedicated to community uses, and approximately 2.5 million square feet of “green” office, research and development space. In addition, 255,000 square feet of new and renovated space will be created for the existing

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5 The Fifth Amendment to the Phase 1 DDA proposes that up to 1,498 residential units be developed and obligates the Developer to construct infrastructure necessary to support the vertical development program. Of the 1,498 units proposed in the Fifth Amendment to the DDA, at least 218 are proposed to be Agency-sponsored affordable housing units, and at least 15 percent of the developer units would be affordable. In calculating projections of how many units are reasonably anticipated to be developed in HPS Phase 1, the tax increment projections in this Report conservatively assume that a total of 1,358 residential units will be developed.

Shipyard artists and related arts uses. HPS Phase 2 also includes 140 acres of new parks, 91.6 acres of new dual-use sports fields/multi-use lawn/stadium parking and waterfront recreation area; a 300-slip marina; and the opportunity for a new 69,000-seat NFL stadium for the San Francisco 49ers. The Plan Amendment provides that in the event the stadium is not built in the Project Area, up to 1,625 additional residential units (transferred from the CP–HPS 2 development proposed for Candlestick Point) and additional R&D and office space (between 500,000 and 2,500,000 additional square feet, depending upon whether residential units are transferred to the Project Area) may be developed in the Project Area. Planning for HPS Phase 2 is ongoing, and the Navy is scheduled to convey approximately 100 acres of additional land to the Agency as early as June 2011.

2. Agency’s Contribution to CP–HPS 2 Project

The total cost of the CP–HPS 2 Project is estimated to be $2.2 billion in constant FY 2009/10 dollars. The Agency will contribute an estimated $470 million in constant FY 2009/10 dollars of tax increment revenues generated within the HPS Phase 2 and an estimated $500 million in constant FY 2009/10 dollars in tax increment revenues generated from parcels in Candlestick Point to ensure the financial feasibility of the CP–HPS 2 Project. As discussed in Chapter V, the Agency’s significant contributions of tax increment revenues will be combined with additional funding from the Developer, Mello-Roos Community Facilities Districts (CFDs), the Navy, and other public and private sources.

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7 Estimates are based on maximum potential buildout analyzed in the Candlestick Point–Hunters Point Shipyard Phase II Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency (Draft EIR published November 12, 2009). The tax increment projections assume the development of 2,650 residential units (EIR buildout). The non-residential development assumptions used to project tax increment are slightly more conservative than the EIR buildout. (Refer to Chapter V, Section D.) The financial assumptions related to the development program are subject to minor change as plans are finalized.

Figure I-2
Project Area Boundary Map
Hunters Point Shipyard Redevelopment Plan Amendment

San Francisco Bay

0 500 1,000 Feet

- Project Area Boundary
- Phase 1
- Phase 2

San Francisco Redevelopment Agency
Hunters Point Shipyard Redevelopment Plan Amendment
Report on the Plan Amendment
May 2010
Figure I-3
Candlestick Point–Hunters Point Shipyard Phase 2 Development Project
Hunters Point Shipyard Redevelopment Plan Amendment

San Francisco Bay

Project Area B

Candlestick Point

Hunters Point Shipyard Phase 2

CP–HPS 2 Project
HPS Phase 1
Project Area B Boundary
E. Summary of Agency’s Redevelopment Program

The Agency’s Redevelopment Program emphasizes partnership with the private sector to produce new market rate and affordable housing, retail and office space, and new and improved park land as set forth by Proposition G. The objectives of Proposition G and planned Agency actions to meet them in the Project Area are presented in Table I-2. The Agency is pursuing redevelopment activities that will foster a community composed of a range of land uses, diverse business interests and a balanced, mixed-income population.

The Agency will continue to undertake a variety of projects and activities to alleviate adverse conditions in the Project Area. HPS Phase 1 redevelopment activities continue to be guided by the existing Redevelopment Program. HPS Phase 2 redevelopment activities reflect extensive consultations with the Hunters Point Shipyard Citizens Advisory Committee (CAC), a variety of community planning efforts and partnerships with the private sector. These efforts are captured in the planning documents described in Chapter II. The work culminated in the passage of Proposition G in 2008, which provided guidance for the development of HPS Phase 2. In this Report, the Agency’s Redevelopment Program presents the development of HPS Phases 1 and 2 together, as the Agency will undertake coordinated activities in the coming years to advance the development of HPS Phases 1 and 2.

The Agency will continue to work towards achieving the objectives of its Redevelopment Program through the implementation of two broad program components: the Non-Housing Program and the Affordable Housing Program. The Non-Housing Program emphasizes the Agency’s role in coordinating economic revitalization and improvements to public infrastructure and facilities, circulation and public open space. The Affordable Housing Program includes the production of affordable housing through inclusionary requirements and direct Agency assistance.

The Agency’s Redevelopment Program is further detailed in Chapter IV.

F. Conformity with the General Plan

Section 33331 of the CRL requires all redevelopment plans and plan amendments to be consistent with a jurisdiction’s General Plan, and Section 33367(d)(4) of the CRL requires that the ordinance adopting the Plan Amendment contain a finding that the Plan Amendment is consistent with the General Plan.

As documented in the 1997 Report on the Plan Amendment, the Redevelopment Plan was found to be in conformance with the Land Use Alternatives and Proposed Draft Plan, which was endorsed by the San Francisco Redevelopment Agency Commission (Agency Commission) on February 28, 1995, the Planning Commission of the City and County of San Francisco (Planning Commission) on March 2, 1995, and the Board of Supervisors on March 6, 1995.
### Table I-2

**Proposition G Project Objectives**

**Candlestick Point–Hunters Point Shipyard Phase 2 Development Project**

<table>
<thead>
<tr>
<th>1. <strong>The integrated development should produce tangible community benefits for the Bayview and the City.</strong></th>
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<tbody>
<tr>
<td>• Improve the Candlestick Point State Recreation Area to enhance public access to the waterfront and enjoyment of the Bay.</td>
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<tr>
<td>• Create new public recreational and public open spaces in the Candlestick Point–Hunters Point Shipyard Development Plan (CP–HPS Development Plan).</td>
</tr>
<tr>
<td>• Preserve the shoreline of the CP–HPS Development Plan site primarily for public park and public open space uses, including an extension of the Bay Trail along the waterfront.</td>
</tr>
<tr>
<td>• Create a range of job and economic development opportunities for local, economically disadvantaged individuals and business enterprises, particularly for residents and businesses located in the Bayview.</td>
</tr>
<tr>
<td>• Provide neighborhood-serving retail.</td>
</tr>
<tr>
<td>• Subsidize the creation of permanent space in the Shipyard for the existing artists.</td>
</tr>
<tr>
<td>• Transform the contaminated portions of Shipyard property into economically productive uses or public open space, as appropriate.</td>
</tr>
<tr>
<td>• Implement the CP–HPS Development Plan with public benefits, whether or not the 49ers decide to remain in San Francisco, including developing alternate uses for the stadium site on the Shipyard property that are consistent with the overall CP–HPS Development Plan objectives.</td>
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<tr>
<th>2. <strong>The integrated development should re-connect Candlestick Point and the Hunters Point Shipyard site with the larger Bayview neighborhood and should maintain the character of the Bayview for its existing residents.</strong></th>
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<tr>
<td>• Foster the creation of strong commercial, institutional, cultural and urban design ties between the development on Candlestick Point and the Hunters Point Shipyard and the Bayview in particular and the City in general.</td>
</tr>
<tr>
<td>• Provide automobile, public transportation, and pedestrian connections between the Shipyard, Candlestick Point, and the larger Bayview neighborhood.</td>
</tr>
<tr>
<td>• Create substantial affordable housing, jobs and commercial opportunities for existing Bayview residents and businesses.</td>
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<tr>
<th>3. <strong>The integrated development should include substantial new housing in a mix of rental and for-sale units, both affordable and market-rate, and encourage the rebuilding of Alice Griffith Housing.</strong></th>
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<tbody>
<tr>
<td>• Provide subsidies for the development of affordable rental housing. Provide new affordable housing that is targeted to the lower income levels of the Bayview population, including new units that are suitable for families, seniors and young adults.</td>
</tr>
<tr>
<td>• Support affordable homeownership. Include housing at levels dense enough to create a distinctive urban form and at levels sufficient to make the CP–HPS Development Plan financially viable; attract and sustain neighborhood retail services and cultural amenities; create an appealing walkable urban environment served by transit; help pay for transportation and other infrastructure improvements; and achieve economic and public benefits for the Bayview in particular and the City generally.</td>
</tr>
<tr>
<td>• Upon consultation with Alice Griffith housing residents and the receipt of all required governmental approvals, rebuild Alice Griffith housing development to provide one-for-one replacement units targeted to the same income levels as those of the existing residents and ensure that eligible Alice Griffith residents have the opportunity to move to the new, upgraded units directly from their existing Alice Griffith units without having to relocate to any other area.</td>
</tr>
<tr>
<td>• Include a mix of stacked flats, attached townhomes and—in appropriately selected locations—low-rise, mid-rise, and high-rise towers, to help assure the economic feasibility of the development and provide a varied urban form.</td>
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<th>4. <strong>The integrated development should incorporate environmental sustainability concepts and practices.</strong></th>
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<tr>
<td>• Apply sustainability principles in the design and development of public open spaces, recreation facilities, and infrastructure including wastewater, stormwater, utility, and transportation systems.</td>
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<tr>
<td>• Incorporate green building construction practices.</td>
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<tr>
<td>• Include energy efficiency and the use of renewable energy.</td>
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<tr>
<td>• Encourage green development projects, such as green office, research and development, or industrial projects, including a green technology, biotechnology, or digital media campus.</td>
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<tr>
<th>5. <strong>The integrated development should encourage the 49ers—an important source of civic pride—to remain in San Francisco by providing a world-class site for a new waterfront stadium and necessary infrastructure.</strong></th>
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<tbody>
<tr>
<td>• Provide the parking necessary to operate the stadium.</td>
</tr>
<tr>
<td>• Provide the necessary transportation infrastructure, including automobile, public transit and pedestrian connections between Candlestick Point, Hunters Point Shipyard, and the larger BVHP neighborhood, to facilitate the efficient handling of game day traffic.</td>
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<tr>
<th>6. <strong>The integrated development should be fiscally prudent, with or without a new stadium.</strong></th>
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<tbody>
<tr>
<td>• Minimize any adverse impact on the General Fund relating to the development of the Project Site by relying to the extent feasible on the development to be self-sufficient.</td>
</tr>
<tr>
<td>• Encourage substantial private capital investment.</td>
</tr>
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</table>

Source: Candlestick Point–Hunters Point Shipyard Phase 2 Draft Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency, November 12, 2009.
The Plan Amendment will be in conformance with the General Plan of the City and County of San Francisco, as it is proposed to be amended. The Draft Plan Amendment states:

*This Plan conforms with the General Plan of the City insofar as said General Plan applies to the Project.*

In addition, the Plan Amendment will assist in the implementation of various goals, objectives, and policies of the General Plan regarding the provision of affordable housing and public infrastructure and the economic revitalization of the Project Area. The Agency has requested that, prior to the Board of Supervisors’ consideration of the Plan Amendment, the Planning Commission provide a report regarding the conformance of the Plan Amendment with the General Plan as it is proposed to be amended. This report will be included in a supplement to this Report.

G. Report on the Plan Amendment Requirements

This Report has been prepared to comply with CRL Sections 33352 and 33457.1, which are as follows:

*Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing all of the following: (a)…* [Section 33352. See below for Section 33352 subsections (a) through (n).]

*To the extent warranted by a proposed amendment to a redevelopment plan, (1) the ordinance adopting an amendment to a redevelopment plan shall contain the findings required by Section 33367 and (2) the reports and information required by Section 33352 shall be prepared and made available to the public prior to the hearing on such amendment.* [Section 33457.1]

1. Requirements for the Report on the Plan Amendment

Pursuant to CRL Sections 33352 and 33457.1, the report to the legislative body must demonstrate to the extent warranted how the proposed Plan Amendment meets several requirements. These legal requirements and a description of how this Report is organized to meet these requirements follow. (Excerpts from the CRL are referenced and italicized.)

a. Reasons for the Plan Amendment

*The reasons for the selection of the project area.* [Section 33352(a)]

Because the Project Area was previously selected and established, and because the Plan Amendment does not propose the addition of any new territory to the Project Area, this element of the Report on the Plan Amendment is focused on setting forth the reasons for adopting the Plan Amendment. The reasons for the Plan Amendment are summarized in Section B above and detailed in Chapters II, V and XV.

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b. Physical and Economic Conditions in the Project Area

A description of the physical and economic conditions specified in Section 33031 that exist in the area that cause the project area to be blighted. The description shall include a list of the physical and economic conditions described in Section 33031 that exist within the project area and a map showing where in the project the conditions exist. The description shall contain specific, quantifiable evidence that documents both of the following: (1) The physical and economic conditions specified in Section 33031. (2) That the described physical and economic conditions are so prevalent and substantial that, collectively, they seriously harm the entire project area. [Section 33352(b)]

Chapter III and Appendix B provide a description and documentation of adverse conditions in the Project Area. The evidence presented in this Report demonstrates that significant blight remains within the Project Area. Pursuant to Section 33352, this Report is required to contain specific quantifiable evidence of blight in addition to a map showing where the conditions exist. The maps and documentation of blighting conditions in Chapter III meet Section 33352(b) requirements.10

As discussed in more detail below, the CRL requires certain blight findings for plan amendments that increase the tax increment collection limit. The blight documented in Chapter III of this Report provides evidence for the blight findings required for the amendment discussed below.

Amendment to Increase Tax Increment Collection Limit

When an agency proposes to increase the limitation on the number of dollars to be allocated to the redevelopment agency, it shall describe and identify, in the report required by Section 33352, the remaining blight within the project area, identify the portion, if any, that is no longer blighted, ... [Section 33354.6(b)]

Chapter III of this Report describes and documents the remaining blight in the Project Area and includes a map of the Project Area identifying areas no longer blighted and areas with remaining blight.

c. Proposed Projects and Blight Alleviation

A description of the specific project or projects then proposed by the agency, a description of how the project or projects to be pursued by the agency in the project area will improve or alleviate the conditions described in subdivision (b). [Section 33352(a)].

Chapter IV of this Report provides descriptions and updated cost estimates of the projects and activities to be undertaken by the Agency as a means to alleviate the adverse conditions within the Project Area if the Plan Amendment is adopted. Chapter IV links the specific components of the Agency’s Redevelopment Program with the identified adverse conditions in Chapter III of this Report.

10 For any project area adopted or amended pursuant to CRL Chapter 4.5 governing military base redevelopment, the definition of blight specific to military bases may be used in lieu of the CRL Section 33031 blight definitions. CRL Sections 33492.10 and 33492.11 specify the definition of a blighted area in a closed or realigned military base, and accordingly these definitions of blight are used throughout this Report.
d. Proposed Method of Financing

An explanation of why the elimination of blight and the redevelopment of the project area cannot reasonably be expected to be accomplished by private enterprise acting alone or by the legislative body’s use of financing alternatives other than tax increment financing.
[Section 33352(d)]

The proposed method of financing the redevelopment of the project area in sufficient detail so that the legislative body may determine the economic feasibility of the plan.
[Section 33352(e)]

Chapter V of this Report describes the proposed methods of financing the potential projects and activities in the Project Area if the Plan Amendment is adopted. It demonstrates the financial feasibility of the Agency’s Redevelopment Program by comparing available funding sources with projected costs of the Agency’s Redevelopment Program. It also demonstrates the need for the increased tax increment and bonded indebtedness fiscal limits proposed in the Plan Amendment, in order to fund the Agency’s Redevelopment Program described in Chapter IV and alleviate the remaining adverse conditions in the Project Area as documented in Chapter III.

e. Implementation Plan

An implementation plan that describes specific goals and objectives of the agency, specific projects then proposed by the agency, including a program of actions and expenditures proposed to be made within the first five years of the plan, and a description of how these projects will improve or alleviate the conditions described in Section 33031.
[Section 33352(c)]

Chapter VI refers to the updated Five Year Implementation Plan, which is included as Appendix F. The non-housing and housing program priorities and expenditures for the Implementation Plan period are included in the Implementation Plan. The Agency adopted its 2008 through 2012 Five Year Implementation Plan on February 3, 2009 by Resolution No. 15-2009.

Through the Plan Amendment process, the Implementation Plan is being updated to include a program of authorized public improvements.

For the purposes of this Report, the 2008 through 2012 Five Year Implementation Plan and the update address the requirements for the Plan Amendment.

f. Method or Plan for Relocation

A method or plan for the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the project area, which method or plan shall include the provision required by Section 33411.1 that no persons or families of low and moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by the displaced person or family at rents comparable to those at the time of their displacement. [Section 33352(f)]

Chapter VII sets forth the Agency’s relocation plan.
g. **Analysis of the Preliminary Plan Requirement**

An analysis of the preliminary plan. [Section 33352(g)]

Chapter VIII describes the Preliminary Plan requirement and explains why a Preliminary Plan is not required for the Plan Amendment.

h. **Planning Commission Actions**

The report and recommendations of the planning commission. [Section 33352(h)]

The report required by Section 65402 of the Government Code. [Section 33352(j)]

Chapter IX discusses the Planning Commission requirements and actions. The Planning Commission expects to review the Plan Amendment for its conformance with the General Plan and make its report and recommendations on June 3, 2010.

i. **Summary of Public Review of the Plan Amendment**

The summary referred to in Section 33387. [Section 33352(i)]

A summary of the public review of the Plan Amendment is contained in Chapter X. This chapter also discusses the Agency’s outreach efforts to community groups to keep them advised of the progress of the Plan Amendment, and contains information on the CAC meetings and public hearings on the Plan Amendment.

Appendix G includes a list of CAC members and documentation of community participation throughout the process.

j. **Environmental Review**

The report required by Section 21151 of the Public Resources Code. [Section 33352(k)]

Chapter XI discusses the environmental review requirements that apply to the Plan Amendment and incorporates by reference the EIR into this Report. The Notice of Preparation for the environmental documents is included in Appendix H.

k. **Analysis of the Report of the County Fiscal Officer Requirement**

The report of the county fiscal officer as required by Section 33328. [Section 33352(l)]

An analysis by the agency of the report submitted by the county as required by Section 33328... [Section 33352(m)]

Chapter XII explains why a County Fiscal Officer’s Report is not required for the Plan Amendment.

l. **Summary of Consultations with Taxing Entities**

...a summary of the consultation of the agency, or attempts to consult by the agency, with each of the affected taxing entities as required by Section 33328. If any of the affected taxing entities have expressed written objections or concerns with the proposed project area as part of these consultations, the agency shall include a response to these concerns, additional
information if any, and, at the discretion of the agency, proposed or adopted mitigation measures. [Section 33352(n)]

A summary of consultations with affected taxing entities is contained in Chapter XIII. Appendix I includes copies of correspondence between the Agency and affected taxing entities concerning the Plan Amendment.

m. Neighborhood Impact Report

If the project area contains low- or moderate-income housing, a neighborhood impact report which describes in detail the impact of the project upon the residents of project area and the surrounding areas, in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood…. [Section 33352(m)]

Chapter XIV of this Report provides an analysis of the requirement for the Neighborhood Impact Report and explains why a neighborhood impact report is not required for the Plan Amendment.

n. Necessity for Plan Amendment

Chapter XV of this Report summarizes why the Plan Amendment is necessary.

2. Specific Requirements for the Report to the Legislative Body for Redevelopment Plan Amending the Tax Increment Cap

When an agency proposes to increase the limitation on the number of dollars to be allocated to the redevelopment agency, it shall describe and identify, in the report required by Section 33352, the remaining blight within the project area, identify the portion, if any, that is no longer blighted, the projects that are required to be completed to eradicate the remaining blight and the relationship between the costs of those projects and the amount of increase in the limitation on the number of dollars to be allocated to the agency. [Section 33354.6(b)]

Chapter III of this Report documents the remaining blight within the Project Area and identifies the areas that are no longer blighted. Chapter IV of this Report summarizes the projects that will be undertaken and costs incurred by the Agency to alleviate the remaining blight in the Project Area. Chapter IV and V establish the relationship between the costs of the projects and the amount of tax increment allowed to be collected under this Plan Amendment.

Taken together, these sections of this Report fulfill the requirements of CRL Section 33354.6(b).

3. Supplementary Information Required in Report

A supplement to this report will be provided. It will include documentation of the report and recommendations of the Planning Commission on the Amendment and any other CRL-required documentation of actions to be taken after the publication of this report.
H. Overview of the Plan Amendment Process and Public Agency Actions

The Plan Amendment requires an adoption process that parallels the adoption of a new redevelopment plan (Section 33354.6). This process includes the preparation of the Preliminary Report and the report to the legislative body (this Report on the Plan Amendment). In addition, pursuant to the recent addition of Section 33451.5(c) to the CRL, the Agency must also submit the Report to State Departments to the State Department of Finance (DOF) and Department of Housing and Community Development (HCD).

Amending a redevelopment plan involves a complex statutorily-mandated process designed to provide a community’s legislative body with the necessary analysis and input to make informed decisions about the purpose, scope and content of the Plan Amendment and, ultimately, about whether to adopt the Plan Amendment. The following summary briefly describes steps in the process, the required reports and the major public agency actions that have occurred to date or are anticipated during this process:

• **Statement of Plan Preparation**
  While not legally required for the proposed Plan Amendment because the Agency is not proposing to add territory through the Plan Amendment, a courtesy “Statement of Preparation” was transmitted on November 10, 2009 by Agency staff to the affected taxing entities. Appendix I includes a copy of the courtesy letter.

• **Preliminary Report**
  The Preliminary Report is the first major background document required in the process to approve the Plan Amendment. It must be prepared and sent to affected taxing entities to inform them of the purpose and impact of the proposed Plan Amendment. The Preliminary Report also provides members of the Board of Supervisors, other governmental bodies, community leaders, and interested citizens with an early statement of comprehensive background information on the proposed Plan Amendment. The Preliminary Report must be transmitted to the governing board of each affected taxing entity no later than 90 days prior to the Board of Supervisors’ public hearing on the Plan Amendment.
  The Preliminary Report was transmitted to the Agency Commission, CAC, Board of Supervisors, and the affected taxing entities on February 12, 2010.

• **Environmental Review**
  The adoption of the Plan Amendment requires California Environmental Quality Act (CEQA) compliance. An Environmental Impact Report has been prepared on the Plan Amendment. The Agency and Planning Department prepared a Draft Environmental Impact Report (Draft EIR) for the Plan Amendment. Agency and Planning Department staff published and notified affected taxing entities of the Notice of Preparation on August 31, 2007. A copy of the Notice of Preparation is included in Appendix H. The Draft EIR was published November 12, 2009. In November 2009, the Notice of Availability of the Draft EIR was transmitted to the State Clearinghouse and circulated to taxing entities and concerned agencies and individuals that requested this notice, as required by CEQA. On January 12, 2010, the comment period on the Draft EIR came to a close after a two week extension. On May 13, 2010, the Planning Commission and Agency Commission were sent the Final EIR.
The Planning Commission and Agency Commission are scheduled to meet to consider certifying the Final EIR on June 3, 2010.

- Redevelopment Plan Amendment
  The Redevelopment Plan including the Plan Amendment will become the legal document setting forth the basic goals, powers and limitations under which the Agency must conduct its activities over the life of the Project Area. Toward the conclusion of the processes of consultation with taxing entities, environmental review and community participation, the Agency must submit the proposed Plan Amendment to the Planning Commission, the CAC and the Board of Supervisors in preparation for the public hearing and consideration of the Plan Amendment.

  A draft version of the Plan Amendment was transmitted to the CAC in March 2010. The final draft was transmitted on May 6, 2010 to the Planning Commission and on May 11, 2010 to the PAC. It will be transmitted to the Board of Supervisors in June 2010.

- Community Consultation
  The adoption of the Plan Amendment requires consultation with the community.
  The CAC includes a broad section of Bayview residents, business owners, local community stakeholders and City stakeholders selected by the Mayor. The CAC provides the Agency and the City with community review, input and recommendations on the redevelopment of the Project Area. Established in 1991, the CAC holds a monthly public meeting in the Bayview district. The CAC was critical in establishing the planning guidelines for the Project Area, which are integrated into the Redevelopment Plan. The Agency will continue to work closely with the CAC and the community throughout the Plan Amendment process.

  It is anticipated that the CAC will review the Plan Amendment and make its report to the Board of Supervisors at its May 24, 2010 meeting. A summary of the consultations with the community is contained in Chapter X and Appendix G of this Report.

- Taxing Entity Consultation
  The adoption of the Plan Amendment requires consultation with the affected taxing entities. Agency staff has consulted with affected taxing entities. In addition to the Statement of Plan Preparation described above, the Agency mailed copies of the Preliminary Report to the affected entities on February 12, 2010. The Agency met with representatives of taxing entities on February 23, 2010. As required by the CRL, the Agency sent copies of the public hearing notice to the taxing entities by certified mail with return receipt requested.

- Report to State Departments
  A report on the Plan Amendment, containing information similar to the Preliminary Report plus specified additional information, must be submitted by the Agency to DOF and HCD (Report to State Departments). The report must be submitted no later than 45 days prior to the Agency Commission public hearing on the Plan Amendment.

  The Agency transmitted the Report to State Departments on March 17, 2010. The cover letters that accompanied the Report to State Departments are included in Appendix J. On April 14, 2010, the Agency sent a letter to DOF and HCD notifying them of the change in the Agency’s public hearing date. This letter is also included in Appendix J.

- Report on the Plan Amendment
  The Report on the Plan Amendment is a report to the legislative body that describes the proposed Plan Amendment and presents the updated information from the Preliminary
Report, the updated Five Year Implementation Plan and additional chapters addressing specific requirements of the CRL.
This document constitutes the Report on the Plan Amendment.

**General Plan Conformity**
The Planning Commission must evaluate the Plan Amendment for its conformance with the General Plan and make a recommendation on approval and adoption of the Plan Amendment.
On June 3, 2010, the Planning Commission is scheduled to hold a joint public hearing with the Agency Commission. The Planning Commission will consider adoption of General Plan amendments after certifying the Final EIR. The General Plan amendments will ensure consistency between the Plan Amendment and the General Plan. After considering the General Plan amendments, the Planning Commission is expected to consider and make its report on the Plan Amendment’s conformity with the General Plan. (Please refer to Chapter IX of this Report.)

**Agency Commission Hearing, Approval and Transmittal**
The Agency Commission is required to hold a public hearing on the Plan Amendment. After the public hearing, the Agency will consider a recommendation to the Board of Supervisors to approve the Plan Amendment and transmittal of the Plan Amendment with the Report on the Plan Amendment to the Board of Supervisors.
The Agency Commission expects to conduct a duly noticed joint public hearing with the Planning Commission on the Plan Amendment on June 3, 2010. The Agency will consider the documents described above and hear public testimony. The Agency is expected to consider its recommendation for approval and transmittal of the documents to the Board of Supervisors.

**Board of Supervisor Hearing/Consider Ordinance Adoption**
The Board of Supervisors is required to hold a public hearing on the Plan Amendment. Following this hearing on the Plan Amendment, the Board of Supervisors is required to adopt an ordinance making CRL-required findings and amending the Redevelopment Plan.
The Board of Supervisors is expected to conduct a duly noticed public hearing on the Plan Amendment in June 2010. Following the public hearing, the Board of Supervisors will consider the Plan Amendment, Final EIR, any recommendations of the Planning Commission, written objections, and public testimony. It is anticipated that the Board of Supervisors will consider a resolution making CEQA findings on the Final EIR along with an ordinance making CRL-required findings and adopting the Plan Amendment. The consideration of the Plan Amendment by the Board of Supervisors is expected in the summer of 2010.
II. Reasons for the Plan Amendment

A. Introduction

CRL Sections 33352(a) and 33457.1 require that to the extent necessary the Report on the Plan Amendment include the reasons for selecting a redevelopment project area. As the Project Area was previously selected and established, and the Plan Amendment does not propose to add new territory, this chapter of the Report summarizes the reasons the Project Area was established and describes the reasons for the Plan Amendment. The redevelopment of the Project Area is vital to the reuse of the former Shipyard, and its revitalization could allow the Project Area to once again act as an economic engine for the Bayview community and provide economic benefits to the City and Bay Area. Additionally, its redevelopment would integrate the Project Area into the community by creating a destination for recreation, housing and business.

1. Background

The Project Area lies entirely within the former Hunters Point Naval Shipyard in the South Bayshore planning area of the City and County of San Francisco. It is a regional landmark located on the City’s southeast waterfront and is bordered by San Francisco Bay to the north, south, and east, and by the Bayview Hunters Point Project Area to the west. The former Shipyard occupies the entire Project Area, which totals 1,117 acres.¹

Historically, the Project Area’s earliest use was as a site for cattle grazing. In 1867 the California Dry Dock Company purchased Hunters Point Shipyard, which had an existing pier and docking facilities, and a large dry dock was built. Hunters Point Shipyard was then established as a location for ship repair and related activities. In the late 1800s and early 1900s, commercial activities adjacent to the drydock area included fishing camps, packinghouses and a coal-gasification plant.

Three large drydocks—built in 1868, 1903 and 1918—repaired large vessels calling at the San Francisco Bay. The Navy purchased the site in 1939 and leased it to the Bethlehem Steel Company until late 1941. The Navy took possession of the Shipyard for military purposes in 1941, but it was not officially designated a U.S. Naval Shipyard until November 30, 1945. During the years of World War II, the Navy transformed the Project Area and the surrounding area both economically and physically. The Shipyard was an economic hub employing 17,000 people at its peak. The Shipyard was used primarily as a Navy industrial operation for the modification, maintenance and repair of ships. The purpose of the Shipyard was to perform construction, conversion, overhaul, repair, alteration, drydocking, and outfitting of assigned ships and service crafts. The Navy physically transformed the Project Area by filling hundreds of acres of marsh and bay between 1940 and 1945 in order to create much of the land present today as well as by constructing many of the buildings still present in the Project Area.

By the early 1970s the number of employees had declined significantly to about 6,000, and the Shipyard was officially closed in 1974. In 1976, the Navy leased most of Hunters Point to

Triple A Machine Shop (Triple A), which in turn subleased many buildings to small business, artisans, and others. Triple A contributed to the problems with hazardous waste at the site and was convicted of improperly disposing of hazardous wastes. Triple A controlled most of the property until 1986 when the Navy reclaimed the Shipyard. From 1986 to 1990, the Navy docked and repaired several Navy ships at the Shipyard. In 1989, the Shipyard was placed on the National Priorities List (NPL), commonly known as the Superfund list, which indicates the level of complexity of the contamination at the site.  

a. **Hunters Point Shipyard Restoration Advisory Board (RAB) (1993)**

The Hunters Point Shipyard Restoration Advisory Board (RAB), facilitated by the Navy, was created in 1993 as a mechanism for community input into the clean-up process. The RAB was composed of neighborhood residents, tenants, environmental groups and other interested parties, as well as the environmental regulators overseeing the clean-up efforts. In 2009, the RAB was disbanded. Since that time, the Navy has conducted workshops and meetings directly with the community.

b. **Establishment of Citizens Advisory Committee (1991)**

In 1991, the Hunters Point Shipyard Citizens Advisory Committee (CAC)—a group of Bayview residents, business owners, local community stakeholders, and city stakeholders selected by the Mayor—was established to provide the Agency with community review, input, and recommendations on the redevelopment of the Shipyard. The CAC was charged with advising the Agency and the City on the redevelopment of Hunters Point Shipyard and holds monthly public meetings in the Bayview. The CAC was critical in establishing the planning guidelines for the Shipyard, which were ultimately integrated into the Redevelopment Plan, and are listed below:

1. Create jobs for economic vitality;
2. Support existing businesses and an artist’s community;
3. Create an appropriate mix of new businesses;
4. Balance development and environmental conservation;
5. Facilitate appropriate immediate access;
6. Integrate land use; and
7. Acknowledge history.

The CAC has been actively involved in the planning to revitalize the Shipyard.

2. **Adoption of Hunters Point Shipyard Project Area (1997)**

After its closure in 1974, the Shipyard and the surrounding neighborhood declined. Most of the buildings were abandoned, vacated, or not maintained, and have deteriorated significantly. The Project Area lacked basic infrastructure such as paved roadways, gutters, sidewalks, street

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lighting, and lacked adequate utility systems necessary for development. Additionally, several of the buildings and parcels were contaminated with hazardous materials such as lead paint, asbestos, radiation, and other contaminants.

The City recognized the need for significant investment in the former Shipyard in order to again make it a viable center for the community. In February 1993 the Board of Supervisors designated the Shipyard as a Redevelopment Survey Area. The Hunters Point Shipyard Redevelopment Plan was adopted on July 14, 1997 by Ordinance No. 285-97 in recognition of the multitude of adverse conditions present that could not be remedied by the public or private sector, acting separately or together, without additional redevelopment assistance.

3. Selection of Primary Developer (1999) and Activities Underway

In March 1999, the Agency, after an extensive competitive process, selected Lennar-BVHP, LLC. as the primary developer of the Shipyard and subsequently entered into an exclusive negotiations agreement (ENA) with Lennar-BVHP, LLC. on June 1, 1999. The HPS Phase 1 development program, as amended in November 2009 and memorialized in the Phase 1 Disposition and Development Agreement and related documents (Phase 1 DDA), provides for the development of Parcel A with construction of up to 1,600 residential units, approximately 10,000 square feet of commercial space, 26 acres of open space and park improvements, and a 1.2 acre site for community facilities.

Activities to date for HPS Phase 1 began with the conveyance of 88 acres from the Navy to the Agency, which then conveyed most of the property to the Developer. Demolition and infrastructure development has commenced on a portion of the site that will become the Hunters Point Hill Residential District. Site grading and demolition of existing structures are complete, infrastructure installation is underway, and the subdivision of Parcel A is complete. Plans for the timing and development of open space and infrastructure in HPS Phase 1 were approved in November 2009. The Developer has also obtained design approval and permitting for Blocks 50, 51, 53 and 54, which represent the first housing development of HPS Phase 1. Infrastructure installation is underway and housing construction will begin in late 2010.

B. Impetus for the Plan Amendment

The process leading to the proposal to amend the Hunter Point Shipyard Redevelopment Plan has involved numerous planning efforts, engaging community members and leaders, the Agency, the Office of Economic and Workforce Development (OEWD), the San Francisco Planning Department, and other public entities.

1. CAC Involvement

The CAC has been actively involved in planning to amend the Redevelopment Plan. The CAC has held numerous joint meetings with the Bayview Hunters Point Project Area Committee (PAC). In addition, it reviewed and approved the Conceptual Framework, Financing Plan and Urban Design Plan (see below for further detail). Currently, the CAC is reviewing the Plan Amendment and the Below Market Rate Housing Plan, as well as monitoring the Design for Development Plan and the provision of community benefits. Through its active role, the CAC
continues to work together and with the Agency towards the redevelopment of the Project Area and Candlestick Point into vibrant mixed-use areas.

The Plan Amendments for the Hunters Point Shipyard Project Area as well as Bayview Hunters Point Project Area have been reviewed by the CAC in a series of meetings and workshops held in spring 2010. The CAC will review the Plan Amendment at its May 24, 2010 meeting.

2. **Propositions D and F (1997)**

The residents of San Francisco have a vested interest in the future of the Project Area and Candlestick Point as they are two of the few large areas left in the City with significant development potential. Accordingly, San Francisco voters have voted on several measures that involve these areas.

In June 1997, voters adopted two measures that approved the development of a new stadium for the San Francisco 49ers football team as well as an entertainment/retail shopping center at Candlestick Point, known as Propositions D and F. Proposition F amended the General Plan, Planning Code and Zoning Map, and established the Candlestick Point Special Use District in order to facilitate the development of the stadium and associated entertainment and retail uses. Proposition D empowered the City to use lease financing to borrow up to $100 million toward the construction of a new stadium at Candlestick Point.


Following the passage of Propositions D and F, the San Francisco 49ers determined the proposed stadium did not meet their needs and a new site for the stadium was identified at the Shipyard in 2006. In February 2007, the Board of Supervisors approved a resolution urging the Agency to work with the City to amend its ENA with the Developer in order to combine the Shipyard and Candlestick Point projects, and accordingly, the ENA was revised to create a coordinated project. In May 2007, the Board of Supervisors and the Mayor endorsed a Conceptual Framework for the planning and development of the CP–HPS 2 Project site, which included options for an opportunity to construct an NFL stadium site at the Shipyard or Candlestick Point.³

The Conceptual Framework set forth the principles that would guide the City, OEWD, the Agency, and the Developer with the integrated redevelopment of Hunters Point Shipyard and Candlestick Point. The Conceptual Framework has four main elements:⁴

- Set forth goals and principles to guide the Project;
- Propose a preliminary plan for integrated development, serving as the basis for a Board of Supervisors finding that the plan is likely to be fiscally feasible and is likely to deliver the intended public benefits, such that the City would be able to begin environmental review of the Project under CEQA consistent with Administrative Code Chapter 29;

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Outline the parameters for the City and the Agency, in cooperation with the Developer and in consultation with other government agencies with jurisdiction over the Project, to begin an extensive community and public review process of the preliminary proposal, including consideration by the CAC and PAC, as that proposal may be modified and updated during the public review and planning process; and

Anticipate expanding the exclusive negotiations agreement between the Agency and the Developer for HPS Phase 2 to cover the planning and development of the Project as a whole, including Candlestick Point, subject to certain conditions.

The Conceptual Framework also expressly contemplated a measure that would be submitted to the voters as part of the public review of the Project.

Combining the planning and redevelopment of these two areas presents the opportunity for a more coherent overall plan for the Bayview neighborhood and allows the City and the Agency to expedite the revitalization of both areas. The Conceptual Framework provided a strategy for the integrated development of both areas, and a foundation for Proposition G and the eventual Financing Plan, which are discussed below.

4. **Proposition G (2008)**

On June 3, 2008, San Francisco voters approved Proposition G, also called the Bayview Jobs, Parks, and Housing Initiative, which repealed Propositions D and F. Proposition G proposed that a new land use program be established along with new zoning, and provided guidance on an appropriate financing plan. Proposition G also established City policy to encourage the timely development of Candlestick Point and the Shipyard with a mixed-use project including retail, research and development, and office space; market rate and affordable housing; and the opportunity for an NFL stadium. Additionally, it provided alternative land use policy in the event that the stadium would not be built. Proposition G has helped to shape the Agency’s strategy for these critical areas of the City. (The project objectives of Proposition G can be found in Chapter I.)


In December 2008, the CAC, the Mayor, the Board of Supervisors and the Agency endorsed the Plan for Financing and Transaction Structure for the integrated CP–HPS 2 Project. The purpose of the Plan for Financing and Transaction Structure is to describe the project funding necessary for public amenities and infrastructure, to evaluate the financial feasibility of the project, to describe the basic transaction structure among the City, the Agency and the Developer, and to describe the financial principles and transaction structure that would govern the NFL stadium development. The Plan for Financing and Transaction Structure serves as the basis for negotiating the financial terms of a comprehensive Disposition and Development Agreement (DDA) with the Developer, which sets forth the final development plan and program and the Developer’s obligations pursuant to an agreed upon schedule.


In January 2009, the CAC and the PAC endorsed the Urban Design Plan. The Urban Design Plan provides policy direction and guiding principles for the development of the urban form and proposed land use program, which includes both stadium and non-stadium development plan
alternatives. The Urban Design Plan serves as the basis for the City’s development control documents (Design for Development, and Open Space and Streetscape Master Plans), which will be used by the City to implement the CP–HPS 2 Project as it develops, and will provide the basis for amending the City’s General Plan and amending the Shipyard and Bayview Hunters Point Redevelopment Plans.

7. **Transportation Plan (2009)**

To upgrade the transportation networks in this area to the level of the best-served San Francisco neighborhoods, the City has worked with the Developer, San Francisco Municipal Transportation Agency (SFMTA) and other key transportation providers, to ensure that the CP–HPS 2 Project includes these and other key improvements:

- A Bus Rapid Transit (BRT) network operating on transit-exclusive lanes designed for potential conversion to light rail, which will connect to Caltrain, Bay Area Rapid Transit (BART), the T-Third light rail and numerous Muni bus lines.
- The Yosemite Slough Bridge connecting Candlestick Point and Hunters Point including permanent, dedicated BRT lanes and pedestrian and bicycle paths. On game days, the bridge accommodates four lanes of auto traffic to and from the proposed 49ers Stadium. During the rest of the year, these lanes will serve as additional pedestrian and bicycle paths.
- Extensions of Muni trolley and motorcoach lines to directly serve every quadrant of San Francisco from the CP–HPS 2 Project and nearby neighborhoods, two new express bus routes linking Candlestick Point and Hunters Point directly to Downtown, and two transit transfer hubs in the CP–HPS 2 Project with a major Caltrain/light-rail/bus/BRT hub at Bayshore Station.
- Key off-site traffic management investments to improve flow and reduce congestion in surrounding neighborhoods and improve access to Interstate-280 and US Highway 101.
- Extensive, continuous bicycle network connecting with existing city bicycle paths, lanes and routes, as well as the Bay Trail and the Blue Greenway network, and pedestrian improvements along main corridors between the CP–HPS 2 Project and surrounding neighborhoods.
- On-site Traffic Demand Management program for the entire CP–HPS 2 Project to ensure that transit, carpool and other options remain viable and attractive. This includes parking management, resident and employee transit passes, and carsharing and bikesharing facilities.

8. **Community Benefits Plan (2010)**

In May 2008, a Core Community Benefits Agreement was reached between the Developer and a collection of community organizations. Since that time, the Agency has continued to work with the Developer to refine the community benefits package in a new document known as the Community Benefits Plan. The Community Benefits Plan represents the Developer’s commitment to job creation, economic development, community facilities and improvements to residents’ quality of life. The Developer will oversee the implementation of the Community Benefits Plan and will receive feedback from the PAC and CAC.

The CP–HPS 2 Project is anticipated to generate a range of community benefits, with job creation among the most significant. It is anticipated to generate on average 1,500 construction jobs per year across a wide range of building trades for a period of 15 or more years. The CP–HPS 2
Project will also create approximately 10,700 permanent jobs across a wide range of income and skill levels. These opportunities will be subject to the Agency’s Employment and Contracting Program, which includes goals and requirements to maximize employment for local residents.

In addition, the CP–HPS 2 Project provides a range programs designed to create opportunities for small and local businesses, including:

- The CP–HPS 2 Project requires the Developer to pay $8.9 million to fund workforce training and placement programs for local residents to ensure that they are prepared to realize the opportunities available. The OEWD will match these funds with compatible programs. For construction jobs, “City Build”, the City’s construction workforce training and placement program, will play a central role in this process.
- A community builder program designed to support the participation of local builders in the construction of both market-rate and affordable housing, and a $1.0 million contribution towards the Agency’s surety bond program designed to assist local contractors in obtaining insurance and credit support.
- $2.5 million for construction assistance programs designed to provide technical assistance and contractor workshops in conjunction with local hiring, disadvantaged business and other workforce development programs.
- A community realtor program designed to provide specific opportunities for licensed brokers and salespersons in the area.
- The Project Agreements will require any hotel or restaurant project constructed in the CP–HPS 2 Project to comply with the Agency’s Card Check Policy.

In addition to jobs, parks, affordable housing and other public benefits, the CP–HPS 2 Project will generate a number of additional community benefits, including the following:

- $3.5 million for an education scholarship fund for local residents and $10.0 million for an education improvement fund to improve or construct new educational facilities in the area.
- $2.0 million for community health facilities, potentially including a pediatric wellness center.
- 4.8 acres of improved land for community facilities as determined by a local community development process including 65,000 square feet of built space for additional community facilities, including an indoor African marketplace and library reading rooms.
- New and renovated space for the Shipyard’s artists at affordable rates and improved land for a possible Arts Center.
- The funding of a Community Benefits Fund through the payment of 0.5 percent of the initial sales price of all completed market rate homes.

9. **Below Market Housing Plan (2010)**

The Below Market Housing Plan for the CP–HPS 2 Project (Below Market Housing Plan) describes the process and requirements for the development of approximately 10,500 homes on the CP–HPS 2 Project site, and it is designed to provide new housing opportunities for households of diverse income, ages, lifestyles and family size. The Below Market Housing Plan

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5 Candlestick Point and Phase 2 of the Hunters Point Shipyard Community Benefits Plan, (January 13, 2010 Draft), as presented to a joint session of PAC and CAC in January 2010.
calls for 31.86 percent of the total, or approximately 3,345 units, to be below-market rate housing, including Agency affordable units, inclusionary units, the Alice Griffith replacement units, and workforce units. While not eligible to meet affordable housing production requirements under the CRL, 892 income-restricted workforce units are anticipated to target households earning between 121 and 160 percent of area median income (AMI). The Below Market Housing Plan is attached to—and a part of—the CP–HPS 2 Project’s DDA, which will be considered by the Agency Commission alongside the Plan Amendment.6

C.  Reason for the Plan Amendment in 2010

Although some progress has been made in alleviating blight and revitalizing a portion of the Project Area, most of the Project Area continues to exhibit blighting conditions that burden the community. Many of the blighting conditions identified in the Project Area at the time of adoption remain. As discussed in Chapter I, recent opportunities have afforded the City and the Agency the chance to revisit the planning for a large portion of the Hunters Point Shipyard. The Agency has partnered with the Developer on the CP–HPS 2 Project, which provides for the integrated development of Candlestick Point and the HPS Phase 2 into vibrant mixed-use areas. The adoption of the Plan Amendment is a critical step to implementing the community’s vision for revitalization of the Project Area.

In order for the CP–HPS 2 Project to be financially and economically feasible and to implement voter-approved planning and policy concepts, the Redevelopment Plans for the Hunters Point Shipyard and Bayview Hunters Point Projects must be amended.

The Plan Amendment would modify fiscal limits and land use provisions, as well as make a technical amendment to the time limits as described below.

1.  Amendment to Fiscal Limits

The Plan Amendment would increase the limits on tax increment collection and outstanding bonded indebtedness for the Project Area. Without the Plan Amendment, the redevelopment activities proposed for the HPS Phase 2 portion of the Project Area could not be funded under the existing tax increment collection and bonded indebtedness financial limits. The Plan Amendment would increase these limits so that the Agency can capitalize on the expected future income stream from HPS Phase 2 development and provide the resources necessary for the Agency to implement the Redevelopment Program.

The limit on the tax increment revenue collection would be increased to $4.2 billion and the limit on the principal amount of bonded indebtedness secured by tax increment revenue that may be outstanding at any time would be increased to $900 million. (Refer to Chapter V for further detail.)

2.  Amendment to Land Use Policies and Development Controls

The Plan Amendment makes changes to the Land Use Plan component of the Redevelopment Plan in accordance with the planning and policy concepts approved by San Francisco voters in

2008 and to support the development of the CP–HPS 2 Project. These changes affect the development controls, land use categories, permitted uses, standards for development, plans for building retention and rehabilitation, and street plan contained in the 1997 Redevelopment Plan.

Specifically, the Plan Amendment provides for land use and development consistent with the conceptual framework for the CP–HPS 2 Project as expressed in the proposed General Plan Area Plan, and described in more detail in the Design for Development for the HPS Phase 2. In general, the existing Redevelopment Plan does not allow for the opportunity for a stadium site at the Shipyard, and lacks sufficient land use flexibility to support the vibrant mixed-used development proposed by the CP–HPS 2 Project.

a. **Mixed Land Use Districts**

The proposed Plan Amendment introduces new mixed-use Land Use Districts and a revised Land Use Map that includes residential, retail, recreational, research and development, art related uses and football stadium site uses. The Plan Amendment describes each district in terms of land use objectives and district character, including principal and secondary land uses. The Plan Amendment also replaces the Maritime Industrial uses permitted under the existing Redevelopment Plan with recreational, research and development, office, light industrial uses along with the provision for a football stadium and the potential for increased residential and commercial development if the stadium is not built. The six Land Use Districts are shown in Figure II-1. The Plan Amendment describes the six Land Use Districts as follows:

**Hunters Point Hill Residential District:** This District will accommodate residential uses with lower densities than the surrounding portion of the Project Area, given its hilltop and hillside position. Complementary neighborhood-serving commercial uses will be allowed, but are expected to be less prevalent than in the flatter Shipyard North Residential District, which sits below this District. This District will include Hillpoint Park, a regional park that will be impressed with the Public Trust and will include recreational and sports uses, special view areas with framed views of the Shipyard and the Bay beyond, public art, terraced sitting areas that take advantage of hilltop and hillside topography and stunning views of the bay, and public access for visitors, residents, and employees in surrounding Districts.

The HPS Phase 1 development will be located in the Hunters Point Hill Residential District.

**Shipyard North Residential District:** This District will accommodate a waterfront-oriented residential neighborhood with higher densities and a greater range of housing types than those on the adjacent hillside. The principal land use is residential dwelling units ranging from townhomes to multi-family high-rise residential apartment or condominium towers. Related uses also include local-serving businesses, family child care services, small professional offices, and recreation facilities. Public parks in this District may include a range of uses such as basketball, volleyball, tennis courts, children’s playgrounds, restrooms, and concessionaires. They may also include picnic/barbecue areas, pathways, and shade shelters. The parks in this District may also include open air marketplace uses.

**Shipyard Village Center Cultural District:** This District will accommodate a mixed-use community with a range of housing types, retail uses, and cultural and educational facilities

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designed to comprise a village that will serve the community in the surrounding Districts. Neighborhood-serving retail uses are proposed to be located on the ground floors along major commercial streets of the area with residential uses or office uses on the upper floors. This District will provide space dedicated for artists and arts-related uses as well as community-serving retail, business, service, and office uses. The arts-related, recreational, and grocery store uses in this District are intended to attract visitors from areas beyond the Project Area.

**Shipyard Research and Development District**: This District will provide a diverse array of commercial and institutional operations for new research and development firms in a dynamic urban campus. This District will allow an integration of various uses suitable for an innovative business or institutional environment ranging from office to laboratory activities including light industrial and manufacturing operations. It will also support neighborhood-commercial and community uses to complement the research and development uses...Residential Uses in this District shall not exceed 440 units and shall be allowed in the blocks of the District that are adjacent to either Fisher Avenue or Drydock 4.

**Shipyard South Multi-Use District**: This District will provide a space for a state of the art professional sports stadium, related uses, and regional-serving athletic facilities. This District will also include research and development, office, and light industrial uses similar in scale and character to those in the adjacent Shipyard Research & Development District. If the stadium is developed, retail uses would complement the stadium use and could include stadium-related and community-serving commercial and retail uses. If the stadium is not developed, this District would include a mix of uses including neighborhood-serving retail, business, and office uses comparable in scale and intensity to, and complementary of, those in the adjacent Hunters Point Shipyard Research & Development District and potentially residential units at densities similar to those planned in the Shipyard North Residential District, subject to [environmental restrictions].

**Shipyard Shoreline Open Space District**: This District will provide public recreation access to the San Francisco Bay waterfront along the eastern and southern waterfront of the Shipyard, consistent with the Public Trust, including regional serving open spaces, viewing area of the water and historic Shipyard facilities, the San Francisco Bay Trail, and restorative habitat areas. Recreational sports facilities will be limited to areas not subject to the Public Trust. Only Principal Uses will be permitted in this District.
Figure II-1
Proposed Land Use Districts
Hunters Point Shipyard Redevelopment Plan Amendment

Project Area Boundary
HPS Phase 1

HPS Phase 2:
- Shipyard North Residential
- Shipyard South Multi-Use District
- Shipyard Village Center Cultural
- Shipyard Research and Development
- Shipyard Research and Development - Residential Permitted
- Shoreline Open Space

San Francisco Bay
b. **Development Controls and Fees**

The proposed Plan Amendment revises the development controls included in the Redevelopment Plan to allow for greater building heights and increased residential development in the Project Area, as well as for the provision of land use flexibility to allow for football stadium development or for development of alternative uses if a stadium is not built. The proposed Plan Amendment allows for building height, bulk, setback, parking, and open space requirements to be governed by the development controls included in the Design for Development documents, and that no building will exceed 370 feet in height. The existing Redevelopment Plan limits building heights to between 32 and 60 feet.

The proposed Plan Amendment would also alter the development fees and exactions currently in place. If adopted, development fees will include:

- A School Facilities Impact Fee that will apply for the duration of the Plan, and be increased for the duration of the Plan in accordance with State law.
- An Art Requirement, by which any new office building in excess of 25,000 square feet constructed within the Project Area under the annual cap on office development permitted in the City include one-half of one percent (0.5%) of the hard costs of initial construction (excluding costs of infrastructure and tenant improvements) for the installation and maintenance of works of art in the public realm within the Project Area.
- A Child-Care Requirement by which all commercial developments over 50,000 square feet will either construct child care facilities or pay an in-lieu fee.

c. **Building Retention**

The proposed Plan Amendment also makes changes to the plans for building retention and renovation. The Plan Amendment names Buildings 101, 140, 204, 205, 207, 208 and 813 and Dry Docks 2, 3 and 4 as historic structures proposed for retention, rehabilitation or adaptive reuse. Four additional historic buildings—Buildings 211, 224, 231 and 253—will be further evaluated for retention, preservation and reuse.

d. **Street Plans**

The Plan Amendment replaces the hierarchy of four street categories in the existing plan with a new set of street categories including Primary Arterial, Retail Street, Boulevard Park Street, and Local Street, which is consistent with the proposed Transportation Plan for the CP–HPS 2 Project. Furthermore, the street pattern shown in Maps 4A, 4B and 4C in the Plan Amendment contributes to the establishment of its fundamental land use patterns, and in doing so, becomes an...
integral element of the overall urban design of the Project Area.\textsuperscript{11} The Plan Amendment recognizes that the need for some adaptability and flexibility in locating and configuring some of the Project Area’s local streets and alleys at the time of actual physical development. Accordingly, the alignment and classification of these streets are subject to adjustment by the Agency and the City at the time of detailed engineering studies.\textsuperscript{12}

e. \textbf{Other}

The Plan Amendment does not substantially revise the allowed land uses, development rights, circulation or infrastructure plans for HPS Phase 1 of the redevelopment project, but instead updates and restates the Agency’s Redevelopment Program for HPS Phase 1.

3. \textbf{Amendment to Clarify Time Limits}

The Plan Amendment would also incorporate a technical amendment to the Redevelopment Plan to clarify the time limits as follows:

- The time limit for debt incurrence will be 20 years after the first fiscal year in which the Agency collects $100,000 or more in tax increment.
- The time limit for Redevelopment Plan effectiveness will be 30 years after the first fiscal year in which the Agency collects $100,000 or more in tax increment.
- The time limit on tax increment collection will be 45 years after the first fiscal year in which the Agency collects $100,000 or more in tax increment.

This portion of the Plan Amendment will clarify the Redevelopment Plan’s conformance with CRL Section 33492.9.

In summary, resources made available by the Plan Amendment would alleviate remaining blight in the Project Area, provide the legal and financial tools to develop the Project Area, promote economic development throughout the Bayview community, and encourage mixed-use infill development as approved by the City’s voters that will create housing and economic opportunities for residents of all income levels.

\textsuperscript{11} The maps referenced above can also be found in the 2010 Hunters Point Shipyard Design for Development, Section 2.1 (Illustrative Plan, Figures 2.1, 2.1a and 2.1b).

\textsuperscript{12} Draft Plan Amendment, Redevelopment Plan for the Hunters Point Shipyard Project Area, San Francisco Redevelopment Agency, May 6, 2010, Section II.G.
III. Remaining Adverse Conditions

A. Introduction

The CRL requires findings that adverse conditions ("blight") are so prevalent and substantial that they constitute a serious physical and economic burden on the community. This chapter presents documentation of the remaining adverse conditions in the Hunters Point Shipyard Project Area (Project Area) as evidence of the necessity of the Plan Amendment and the continuing need for redevelopment. The Project Area and its parcel designations are illustrated in Figure III-1. The text, tables and figures included in this chapter and the appendices, including the photographs contained in Appendix B, demonstrate that blighting conditions in the Project Area continue to be substantial and prevalent.

1. Chapter Organization

This chapter is organized into the following sections:

A. Introduction
B. Conditions at Time of Plan Adoption and Activities to Date in the Project Area
C. Remaining Adverse Conditions in the Project Area
D. Conclusion for Remaining Adverse Conditions in the Project Area

2. Relevant Provisions of the CRL

As the proposed Plan Amendment for the Hunters Point Shipyard Project Area is a major redevelopment plan amendment, the Agency must follow the same procedures as those for a new plan adoption, including documentation of blight. The Hunters Point Shipyard Redevelopment Plan was adopted under Chapter 4.5 of the CRL, which addresses redevelopment areas established at former military bases. The following subsections address the specific CRL provisions for this Plan Amendment related to the description of blight (excerpts from the CRL are italicized).
Figure III-1
Project Area Boundary with Parcel Designations
Hunters Point Shipyard Redevelopment Plan Amendment

San Francisco Bay

Project Area Boundary
a. CRL Definitions of a Blighted Area within a Military Base

CRL Section 33352(b) requires that the report to the legislative body include a description of the physical and economic conditions that exist in the area that cause the project area to be blighted. For any project area adopted or amended pursuant to CRL Chapter 4.5 governing military base redevelopment, the definition of blight specific to military bases may be used in lieu of the CRL Section 33031 blight definitions. CRL Sections 33492.10 and 33492.11 specify the definition of a blighted area in a closed or realigned military base. CRL Section 33492.10 describes a blighted area as follows:

(a) For purposes of this chapter, a blighted area within the boundaries of a military base is an area in which the combination of two or more conditions set forth in 33492.11 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.

CRL Section 33492.11 defines seven conditions that cause blight:

Unsafe or Unhealthy Buildings

(1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate infrastructure, or other similar factors.

Factors Preventing Economically Viable Reuse

(2) Factors that prevent or substantially hinder the economically viable reuse or capacity of buildings or areas. This condition can be caused by conditions including, but not limited to, all of the following: a substandard design; buildings that are too large or too small, given present standards and market conditions; age, obsolescence, deterioration, dilapidation, or other physical conditions, that could prevent the highest and best uses of the property. This condition can also be caused by buildings that will have to be demolished, or buildings or areas that have a lack of adequate parking.

Incompatible Uses

(3) Adjacent or nearby uses that are incompatible with each other and that prevent the economic development of those parcels or other portions of the project area.

Buildings Not in Compliance

(4) Buildings on land that, when subdivided, or when infrastructure is installed, will not comply with community subdivision, zoning, or planning regulations.

Substandard Infrastructure

(5) Properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards.
Buildings Not Built to Code

(6) Buildings that, when built, did not conform to the then effective building, plumbing, mechanical, or electrical codes adopted by the community where the project area is located.

Materials or Facilities that Need to be Removed

(7) Land that contains materials or facilities, including, but not limited to, materials for aircraft landing pads and runways, that will have to be removed to allow development.

As cited above, Section 33492.10 requires that findings of blight in the Project Area show evidence of two or more types of these blighting factors. Six of the seven blighting conditions are prevalent and substantial in the Project Area: unsafe or unhealthy buildings; factors preventing economically viable reuse; buildings not in compliance; substandard infrastructure; buildings not built to code; and materials or facilities that need to be removed. Section C of this chapter describes the continued presence of these six factors.

b. CRL Requirement for Identification of Conditions

As stated in Chapter I, CRL Section 33354.6(b) states that plan amendments pursued for the purpose of increasing the limit on the number of dollars to be allocated to the redevelopment agency must identify areas of remaining blight and areas no longer blighted:

(b) When an agency proposes to increase the limitation on the number of dollars to be allocated to the redevelopment agency, it shall describe and identify, in the report required by Section 33352, the remaining blight within the project area, identify the portion, if any, that is no longer blighted...

Section C includes a description and a map of the remaining blight in the Project Area that address this CRL requirement. The entire Project Area continues to suffer from remaining blight.

Similarly, CRL Section 33451.5(c)(1) requires that plan amendments pursued for the purpose of increasing the limit on the number of dollars to be allocated to the redevelopment agency must identify the blighted areas within the Project Area; the areas that are no longer blighted, if any; and any unblighted parcels that are necessary and essential to the elimination of blight in the Project Area:

(1) A map of the project area that identifies the portion, if any, of the project area that is no longer blighted, the portion of the project area that is blighted, and the portion of the project area that contains necessary and essential parcels for the elimination of the remaining blight.

Site grading and infrastructure work have been undertaken on a portion of the Project Area known as Parcels A and A-1; however, none of the area can be deemed “no longer blighted,” as adverse conditions persist and improvements are still underway. Figure III-2 illustrates the improvements underway in the Project Area.

The Project Area does not include any unblighted parcels that are necessary and essential for the elimination of remaining blight.
Figure III-2
Areas with Improvements Underway
Hunters Point Shipyard Redevelopment Plan Amendment

San Francisco Bay

Project Area Boundary

Improvements Underway

San Francisco Redevelopment Agency
Hunters Point Shipyard Redevelopment Plan Amendment

Seifel Consulting Inc.

Report on the Plan Amendment
May 2010
c. **CRL Requirements for Urbanization**

One difference between military base project areas and other project areas is that military base project areas are not required to be predominantly urbanized. CRL Section 33492.3 provides that land within former military bases may be included in a redevelopment project area, regardless of the percentage of the base that is urbanized (as defined in CRL Section 33320.1). Therefore, there is no need for a determination that the Project Area is predominately urbanized.

3. **Map of Blighting Conditions**

As required by CRL Section 33352(b), this Report must include a map indicating where the blighting conditions exist. Pursuant to this requirement, the figures throughout this chapter and its appendices summarize and locate (or map) blighting conditions present in the Project Area. The map of blighting conditions has been broken into separate figures for ease of reading and reference. Taken together, the individual figures demonstrate that blighting conditions are so substantial and prevalent throughout the Project Area that collectively these conditions continue to seriously harm the entire Project Area.

Photographs taken in March 2009 are presented in Appendix B and document substantial and pervasive adverse conditions in the Project Area. As shown in the photograph location map (Figure B-1), nearly 150 examples of blighting conditions were photographically documented in the Project Area. The maps indicate that these blighting conditions are widely distributed throughout the Project Area.

B. **Conditions at Time of Plan Adoption and Activities to Date in the Project Area**

In July 1997, the Board of Supervisors adopted the Redevelopment Plan for the Hunters Point Shipyard Project Area. A large portion of the Shipyard had remained abandoned since Naval operations ceased in 1974 and exhibited a variety of adverse conditions including outdated industrial buildings, dry docks with no current use or market value, extremely deteriorated infrastructure, and contamination by hazardous materials throughout the property. Accordingly, the Board of Supervisors found that the Project Area was blighted and required redevelopment.

The 1997 Report on the Redevelopment Plan (1997 Report) provided documentation of adverse conditions as defined in the CRL Chapter 4.5. The following subsections describe the conditions at the time of plan adoption, activities to date and areas undergoing improvement.

1. **Conditions in the Project Area at Time of Plan Adoption**

The Project Area has a long history of industrial operations as a shipyard dating back to 1868. It was owned and operated by the U.S. Naval Services (Navy) from 1930 to 1974. The Project Area is comprised of vacant land, industrial maritime warehousing, ship building and repair facilities, and housing built by the Navy during World War II. The entirety of the former shipyard was included in the 1997 adoption of the Project Area in an effort to alleviate adverse conditions, redevelop the shipyard and integrate it into the surrounding community.
The 1997 Report identified a number of blighting conditions:

**Unsafe or Unhealthy Buildings**
- Deteriorated or dilapidated buildings.
- Abandoned buildings.
- Defective design, including inadequate provision for loading and storage, substandard construction or materials, poor access or circulation, and improper building additions.
- Faulty or inadequate utilities, such as exposed wiring and aboveground plumbing.
- Lack of gas service due to the termination of gas utilities following the 1989 Loma Prieta Earthquake.

**Factors Preventing Economically Viable Reuse**
- Obsolete building configuration resulting in inefficient use of building space.
- Substandard design evidenced by exterior storage and production.
- Buildings and facilities with insufficient space for loading.
- Buildings and improvements with inadequate provision for parking, including parking on deteriorated or unimproved land.
- Lack of vehicular, pedestrian, and transit access.
- Outdated buildings that did not meet contemporary industrial needs.

**Substandard Infrastructure**
- Majority of utility services, including water, sewer, natural gas, electricity, and street lighting, required upgrading or replacement, as they were originally installed during World War II.
- Roadways and sidewalks non-existent or in need of major repair.

**Buildings Not Built to Code**
- Buildings and facilities built in accordance with the Navy code did not meet City of San Francisco building, plumbing, or electrical codes.

**Materials or Facilities that Need to be Removed**
- Presence of hazardous materials such as industrial solvents, electroplating chemicals, heavy metals, asbestos, sandblast wastes, paints, pesticides, polychlorinated biphenyls (PCBs), low-level radioactive wastes and various fuel oils.

2. **Redevelopment Plan Objectives and Redevelopment Activities from Plan Adoption to Present**

a. **Redevelopment Plan Objectives**

The following objectives were established as the basis for the Redevelopment Plan:¹

- Foster employment, business, and entrepreneurial opportunities in the rehabilitation, construction, operations, and maintenance of facilities in the Project Area.

• Stimulate and attract private investment, thereby improving the City’s economic health, tax base, and employment opportunities.
• Provide for the development of economically vibrant and environmentally sound districts for mixed-use cultural, recreation, educational, arts, research, training, and housing uses.
• Provide for the development of mixed-income housing.
• Retain, improve, and re-use historic structures as part of a program to feature the history of people, buildings, and uses in the Project Area.
• Provide for infrastructure improvements, including: streets and transportation facilities; open space and recreation areas; and utilities for water, sewer, gas, and electricity.
• Remove conditions of blight in the form of substandard buildings, site improvements, and infrastructure systems that serve as impediments to land development.
• Encourage use of the most cost-effective, energy-efficient measures feasible.
• Retain those existing viable industries and businesses currently located in the Project Area.

The redevelopment of the Project Area is a complex process that involves several stakeholders including the San Francisco Redevelopment Agency (Agency), the City and County of San Francisco (City), the Navy, several regulatory agencies, and the master developer HPS Development Co. LP and CP Development Co., LP (Developer), in addition to the local community. The environmental clean-up schedule is a major determinant of the timing and progress of projects and activities for the Project Area, and is influenced by the intended use of a parcel as well as by Navy policies and activities.

b. Redevelopment Activities from Plan Adoption to Present

Several projects and activities have been undertaken in the Project Area since the adoption of the Redevelopment Plan. Activities throughout the Project Area include the following:

• Continued monitoring of the Navy environmental clean-up process;
• Outreach to the community, including staffing the Mayor’s Hunters Point Shipyard Citizen Advisory Committee (CAC), working with the Bayview Hunters Point Project Area Committee (PAC), and the Hunters Point Shipyard Restoration Advisory Board (RAB).2

Additionally, a number of projects and activities have been advanced on Parcel A in preparation for the Phase 1 Development Program. When finished, Phase 1 development will include up to 1,600 residential units, up to 10,000 square feet of commercial development, 26 acres of open space and park improvements, and a 1.2 acre site for community facilities. Phase 1 redevelopment activities on Parcel A include the following:

• Commencement of development on approximately 63 acres of Parcel A in 2003, a portion of the site known as Parcel A-1. Site grading and demolition of existing structures was completed in September 2007.
• Conveyance of 88 acres of Parcel A from the Navy to the Agency, and then subsequently to the Developer, which was cleared for residential development in December 2004.

2 The Navy facilitated the Hunters Point Shipyard Restoration Advisory Board with a specific interest in the clean-up efforts.
• Formation of Community Facilities District (CFD) No. 7 in April 2005 to help fund the cost of public infrastructure development.

• Formation of CFD No. 8 in September 2008 to create an ongoing funding stream for the operation and maintenance of the new open space and streetscape elements developed within Parcel A, through a special assessment on the housing parcels within the Parcel.3

• Renovation of Building 101, including replacement of more than 800 windows, new entries and security upgrades; interior and exterior painting, and minor architectural and accessibility upgrades. Building 101, which currently houses studio space for 141 artists, is envisioned as the cornerstone of a planned arts and technology district in the Project Area. The renovations are funded by a federal grant from the Economic Development Administration, aimed at job creation and stimulation of industrial and commercial growth in an economically distressed area.

• Renovation of Building 813, including installation of low pressure water, recycled water and sewer systems; power, gas, and voice and data lines; a stormwater drainage network; other improvements surrounding the building such as parking, pathways, landscaping, ADA accessibility, and an access road. The total cost for the site work is estimated at $4 million, and will be shared by the Navy and the Developer. When completed, Building 813 may be used for clean technology commercial or research and development space, an emerging business incubator focusing on early-stage clean technology and/or food preparation industries, space for the United Nations Global Compact Sustainability Center, and/or studio space for the artist community in the Project Area.

• Approval of open space and infrastructure development and timelines. Approved in November 2009, the Fifth Amendment to the Disposition and Development Agreement outlines the build-out schedule for the various parks and open space planned for the Project Area.

• Approval of design and permitting for Blocks 50, 51, 53 and 54. These blocks represent the first housing development of Phase 1, and all units developed in these blocks will be affordable at below market rates. Infrastructure installation is underway and housing construction will begin in late 2010.

• The Navy will transfer Parcel B, D-2, G, UC-1, and UC-2 in 2011, and all of the remaining parcels by 2016.

As described above, the groundwork has been laid for the redevelopment of the Project Area through projects and activities supported by the Agency. The transformation of the Project Area has begun, and will ultimately lead to its integration within the urban fabric of the Bayview Hunters Point neighborhood and of the City overall.

C. Remaining Adverse Conditions in the Project Area

As required by the CRL, this section describes the blighting conditions that remain in the Project Area. Adverse conditions contributing to the presence of blight fall within six of the seven factors of blight specified in the CRL and are generally described as:

- Unsafe or Unhealthy Buildings,
- Factors Preventing Economically Viable Reuse,
- Buildings Not in Compliance,
- Substandard Infrastructure,
- Buildings Not Built to Code, and
- Materials or Facilities that Need to be Removed.

Combined, these conditions are so substantial and prevalent in the Project Area that they constitute remaining blight under the CRL throughout the Project Area as shown in Figure III-3.

Methodology

Adverse conditions were evaluated under the blight definitions contained in the CRL through the following methods:

- Field reconnaissance survey (Field Survey) of the Project Area’s existing conditions as described below;
- Photography undertaken during the Field Survey conducted in 2009 to document the prevalence of remaining adverse conditions;
- Review and analysis of technical documents and data from public and private agencies;
- Discussions with government staff and persons knowledgeable about the area; and
- Examination of aerial photographs and maps.

Appendix A contains a complete list of documents and data sources used in the blight analysis.

Field Survey and Photo Documentation

The primary purpose of the Field Survey, conducted in March 2009, was to document existing conditions in the Project Area, including areas with improvements underway and areas with remaining blighting conditions. The surveyors observed adverse conditions from automobiles, driving through each publicly accessible area within the Project Area. The photographs taken during this survey illustrate these conditions, and the photographs included in Appendix B are a representative sample of the adverse conditions in the Project Area.

The photographs taken during the Field Survey are used to illustrate the prevalence and extent of remaining adverse conditions in the Project Area and are not intended to identify individual properties for potential City or Agency action beyond informing the proposed Plan Amendment.
1. Unsafe or Unhealthy Buildings [CRL Section 33492.11(a)(1)]

Based on observations conducted during the Field Survey and analysis of available data, the majority of the buildings in the Project Area exhibit signs of long-term neglect and suffer from extensive building deficiencies. The Project Area contains a variety of building types, ages and conditions. These buildings exhibit major adverse conditions, which would likely be costly to remedy. Most buildings in the area are vulnerable to serious seismic damage or geological hazards due to their age, construction type and state of disrepair. Appendix B presents photographs illustrating these conditions.

a. Dilapidation and Deterioration

Major adverse building conditions observed in the Project Area during the Field Survey include, but are not limited to: dilapidation; dry rot or water damage; alignment or subsidence issues; informal or substandard construction; deterioration; and fire damage.

Relationship Between Building Conditions and Health and Safety Problems

A strong relationship exists between the deteriorated or dilapidated condition of buildings and health and safety problems. Adverse conditions, such as serious dilapidation from long-term neglect or abandonment, potentially hazardous structural problems (deteriorated, sagging or failing walls), poor alignment, fire damage, water damage, and dry rot result in structural vulnerability, especially in earthquakes (see discussion in subsection c. below). A singular severe problem or a combination of problems, that taken in their totality amount to a major concern, provide strong evidence of blight and the presence of health and safety hazards. Buildings exhibiting major adverse conditions, such as the ones listed above, are unsafe or unhealthy to occupy as they put residents or employees at risk of disease, earthquake, other natural disasters, and/or a combination of these factors.

Deteriorated roofs, windows and walls promote mold growth in wet conditions. Poor building conditions contribute to respiratory health issues. A study sponsored by the Centers for Disease Control and Prevention has linked indoor mold to asthma and other respiratory problems. According to the Asthma and Allergy Foundation, over half of Americans with asthma suffer from the allergic form of the disease, which is triggered by exposure to allergens such as mold.4 Mold is a result of excess water that can enter a building in many ways. Deteriorated roofing, windows and walls are just a few ways in which water can enter a building. These conditions, as well as exterior mold, were documented in the Project Area.

Other adverse building conditions observed during the Field Survey of the Project Area include: broken and boarded windows; missing, inadequate or deteriorated roofing; deteriorated or poorly repaired walls; buildings clad in asbestos or rusted metal siding; extensive deferred maintenance; and faulty wiring. In combination with each other, or paired with major adverse building conditions, these other adverse building conditions present a significant risk to the health and safety of building occupants. For example, buildings with deteriorated walls and deferred maintenance are more likely to leak and promote mold growth in wet conditions, potentially

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leading to serious illnesses including asthma and other respiratory problems. Water damage can also weaken structures and make them more structurally vulnerable to earthquakes.

**Abandoned Buildings**

Most buildings in the Project Area show signs of abandonment. Abandoned buildings are those that exhibit no sign of commercial occupancy or the presence of people, and are often in states of extensive physical disrepair with no evidence of steps taken toward abatement. Characteristics of abandoned buildings observed during the Field Survey include dilapidation, boarded doors or windows, broken windows, and extensive deferred maintenance. Dilapidated and abandoned buildings have a significant impact on public health and safety, including increased risk of accidental injury, increased incidence of high-risk behaviors and increased potential for crime-related activities.

b. **Defective Design**

Multiple occupancies, which resulted in numerous alterations, repairs and additions to the industrial and commercial buildings in the Project Area led to defective building design, which may harm building occupants.

Several buildings have improper additions, which appear to have been tacked on to an existing building to meet tenant requirements. As seen during the Field Survey, many additions and repairs are substandard, use poor quality materials, or mix incompatible building materials. Such additions can cause unsafe conditions for the occupants as inferior or mixed building materials can impact the waterproofing of the building, cause mold or mildew to develop, and damage the integrity of the materials.

c. **Seismic or Geological Hazards**

Significant earthquake hazards affect the Project Area, including nearby earthquake faults and a high probability of future earthquakes. The Project Area is susceptible to earthquake-related ground shaking that would be strong enough to damage existing buildings and infrastructure and possibly result in loss of life. The age, construction types, and current conditions of buildings in the Project Area as well as the nature of the materials underlying the buildings make them particularly vulnerable to earthquakes.

The 1997 Uniform Building Code locates San Francisco and the entire Bay Area in Seismic Risk Zone 4, an area expected to experience maximum magnitudes and damage in the event of an earthquake. According to the 2008 U.S. Geological Survey Fact Sheet, the probability of at least one major magnitude 6.7 or greater earthquake capable of causing widespread damage striking somewhere in the San Francisco Bay Area before 2037 is 63 percent. There is a 4.7 percent chance of a magnitude 7.9 earthquake on the San Andreas Fault, located 6 miles west of the Project Area, within the next 30 years, and an 11.3 percent chance of a magnitude 6.7 earthquake along the southern Hayward fault, which is 16 miles northeast of the Project Area. Other major active faults that could cause significant shaking in the Project Area are the Concord, Calaveras, Calaveras, and Calaveras faults.

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Rodgers Creek, and San Gregorio Faults. All of these faults are within 20 miles of the site. Figure III-4 shows the known earthquake faults located near the Project Area and also indicates earthquake probabilities between 2007 and 2036.

The severity of ground shaking is influenced by a number of factors, including the duration and intensity of the earthquake, the proximity of the site to the location of the earthquake, and the type of geologic materials underlying the site. According to the Association of Bay Area Governments (ABAG), a magnitude 7.8 earthquake on the San Andreas Fault (similar to the 1906 earthquake) would result in strong to violent shaking for the entire Project Area. Figure III-5 indicates this hazard zone. As further discussed below, the age, construction types and current conditions of buildings in the Project Area make them particularly susceptible to shaking of this magnitude. Settlement following the ground shaking also causes structural damage to buried utilities throughout the Project Area, as evidenced by the Loma Prieta earthquake.

Additionally, the Project Area is susceptible to soil liquefaction, a form of ground failure that occurs when areas underlain by deposits of water-saturated unconsolidated sediments become liquefied during strong seismic shaking. In the event of an earthquake, there could be a sudden loss of soil strength, and the movement of liquefied soil to the ground surface. Landfill materials are especially susceptible to liquefaction. Figure III-6 illustrates that much of the Project Area was reclaimed from the Bay through landfill; landfilled areas can be seen extending beyond the 1859 shoreline contour. As Figure III-6 shows, most of the Project Area would likely experience a high level of liquefaction-induced movement (settlement and lateral spreading) in the event of a major earthquake unless the ground is improved. Ground improvement techniques should be based on site specific geotechnical investigation that include borings and sample collection, laboratory tests to evaluate the materials’ physical property, including engineering analyses, evaluation and recommendation.

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7 Shaking measured by the Modified Mercalli Intensity Scale. Strong shaking is defined as category VII, very strong is category VIII and violent shaking is category IX.

San Francisco Bay Region Earthquake Probability

63% probability for one or more magnitude 6.7 or greater earthquakes from 2007 to 2036. This result incorporates the probabilities of quakes on faults beyond the boundaries of the map.
Figure III-5
Earthquake Shaking Scenario
Hunters Point Shipyard Redevelopment Plan Amendment

Project Area Boundary Shaking Scenario: Repeat of 1906 Earthquake

- VI (Moderate)
- VII (Strong)
- VIII (Very Strong)
- IX (Violent)

Figure III-6
Seismic Hazard due to Adverse Soil Conditions / 1859 Shoreline
Hunters Point Shipyard Redevelopment Plan Amendment

Source: California Department of Conservation, Division of Mines and Geology

Project Area Boundary
Liquefaction Hazard
Landslide Hazard
Contour Map: 1859 Shoreline

San Francisco Bay
Building Age and Seismic Susceptibility

The design and construction of older buildings makes them more susceptible to severe earthquake damage. Buildings constructed in the early to mid-1900s are expected to incur the greatest structural damage during an earthquake. Such buildings include older poured concrete structures without adequate reinforcement, buildings constructed without permits, and poorly engineered buildings.  The relationship between these construction practices and the risk of earthquake damage is discussed in more detail below.

According to ABAG, changes in construction practices and building codes to reflect earthquake risk generally occurred after World War II. Therefore, ABAG uses 1940 as a break year to classify and analyze the seismic susceptibility of various building types, and 1940 is used in Graph III-1 to define the earliest group of Project Area buildings.

Between 1940 and 1960, seismological data collected from a series of California earthquakes helped engineers recognize the need to update building codes to reflect expected ground shaking and different building types. This work resulted in the Structural Engineers Association of California (SEAOC) producing “Recommended Lateral Force Requirements,” which were included in the Uniform Building Code (UBC) in 1961, further revised after the 1971 San Fernando earthquake, and incorporated in the 1976 edition of the UBC. The enhanced code contained higher lateral force requirements based on various factors, including the increased risks in an area prone to earthquake activity. As shown in Graph III-1, 91 percent of the buildings in the Project Area were built between 1940 and 1960, prior to the 1961 UBC. Since very few buildings (less than 10 percent) were built or retrofitted after 1961, most of the buildings in the Project Area do not benefit from these enhanced standards. As discussed above, the Project Area is prone to earthquakes from two major nearby faults and at risk for violent ground shaking and liquefaction. Therefore, almost all of Project Area buildings are highly susceptible to structural earthquake damage.

Building codes have continued to evolve since 1976, and revisions to seismic standards have occurred after each major earthquake. However, the philosophy that underlies the UBC requirements is not one of absolute, 100 percent risk-free protection, but rather the “reasonable” protection of life and property; these standards recognize the likelihood of “some structural as well as nonstructural damage.” Most recently, the 1994 Northridge quake resulted in damage to structures built according to recent design standards and thought to be earthquake resistant. Therefore, nearly all existing buildings in the Project Area are potentially unsafe in the event of a major earthquake.

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9 According to the Earthquake Engineering Research Institute (EERI).
10 Association of Bay Area Governments, “Shaken Awake,” 2003. The first construction legislation that addressed earthquake standards was the 1927 Uniform Building Code (which included a seismic appendix) and the Field and Riley Acts in 1933 (which enhanced lateral force design standards for masonry buildings). However, changes in construction practices, particularly in wood-frame housing construction, did not take place until after World War II.
12 Ibid.
13 Ibid.
14 Ibid.
Graph III-1
Seismic Susceptibility and Age of Building
Hunters Point Shipyard Redevelopment Project Area

Number of Buildings


0% 91% 5% 4%

a. Number of buildings only includes buildings on Parcels B, C, D-1 and G.
Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.
Construction Practices, Building Conditions, and Earthquake Damage

Construction practices and existing building conditions that increase the likelihood a structure will be significantly damaged in an earthquake include inadequate foundations, the quality of compaction of the underlying fill, informal and substandard construction, dry rot, fire damage, and poor design. The Field Survey revealed that a number of buildings in the Project Area exhibit these characteristics, but without internal inspection of each structure it is impossible to gauge the full extent of these problems.

Poor building maintenance and deteriorated conditions exacerbate seismic risks to existing structures. For example, dry rot weakens structural wood supports, regardless of any retrofitting to enhance lateral strength. Many Project Area buildings exhibit dry rot. Alignment and foundation problems are also strong indicators of seismic risk. Several buildings have alignment problems, and a few buildings have inadequate foundations. Informal construction also suggests that construction does not meet the safety requirements for seismic areas, and likely has not undergone proper soil testing and reinforcement. Finally, general deferred maintenance and poor conditions are also associated with seismic susceptibility. All of these conditions are documented in Appendix B.

Inadequate Utilities

Nearly all public utility systems, including stormwater, sewer, water, electrical and gas systems, were installed during World War II. Based on the age as well as the maintenance of the infrastructure, the systems require upgrading and replacement. Insufficient utilities potentially cause unsafe and unsanitary conditions for the building occupants.

Additionally, the Field Survey showed that buildings throughout the Project Area have exposed or overhead electrical wiring, substandard aboveground water pipes, and portable toilets. Both the utility and infrastructure deficiencies are discussed in further detail below in Section 4.

d. Summary of Factors that Cause Unsafe and Unhealthy Buildings in the Project Area

Based on the analyses described above, it is possible to conclude that nearly all of the buildings in the Project Area exhibit at least one of the following conditions that cause unsafe and unhealthy buildings:

• Dilapidated or significantly deteriorated structures;
• Neglected, abandoned buildings;
• Defective design resulting from ad hoc construction and poor quality construction;
• Seismically vulnerable construction; and
• Inadequate utilities.

As a result, buildings in which it is unsafe or unhealthy for persons to live or work are prevalent in the Project Area and the resulting blight is substantial and pervasive.

2. Factors Preventing Economically Viable Reuse

[CRL Section 33492.11(a)(2)]

Buildings or areas in the Project Area exhibit conditions that prevent or substantially hinder the economically viable use or capacity of those buildings or areas. These buildings, which are
primarily industrial in design and character, are substandard or obsolete given present
development standards. In addition, numerous buildings are past their useful building life or are
historic and require major rehabilitation. Several parcels contain extensive hazardous waste
contamination that requires remediation, and a substantial number of buildings will have to be
demolished in order to maximize the highest and best use of the properties. Finally, the Project
Area suffers from poor access and circulation, which necessitates transportation and infrastructure
improvements. Appendix B provides photographic evidence of these factors.

a. Substandard Design

The buildings that comprise the former Shipyard are functionally obsolete and do not meet
current industrial standards or San Francisco General Plan guidelines. As a result, the lots and
buildings within the Project Area are currently not viable for industrial or other use.

The majority of the buildings on the property were built around World War II, and do not reflect
modern development standards for industrial facilities. According to the Urban Land Institute,
some 10- and 15-year old industrial buildings are already functionally obsolete.\textsuperscript{15} Design factors
hindering viable use include:\textsuperscript{16}

- Multi-story building (rather than single story building);
- Inadequate interior height for commercial vehicles;
- Insufficient loading dock height;
- Poor flexibility of interior space for circulation and production;
- Lack of modern fire safety and telecommunication systems; and
- Unsuitable site access and circulation.

According to Navy descriptions of the use of buildings provided to the Agency, 22 buildings were
used as general warehouses or storage for bulk items. In their current state, these buildings are not
compliant with the Occupations Safety and Health Act of 1970 and do not meet industry
standards. Modern warehouses are designed to accommodate the loads of the materials to be
stored, the associated handling equipment, the receiving and shipping operations and associated
trucking, and the needs of the operating personnel. According to the Whole Building Design
Guide, building image and aesthetics, landscaping and worker safety and comfort also become
important issues in competitive real estate markets, a circumstance applicable to the San
Francisco Bay Area.\textsuperscript{17} Most warehouses in the Project Area are vacant and are in need of
substantial rehabilitation and upgrade. As an example of the extent of rehabilitation required,
Hawk Engineers estimates that site and building upgrades for Building 813, a vacant warehouse
within the Project Area, would cost $25.9 million.\textsuperscript{18}

\textsuperscript{16} Information on desirable building characteristics combined from Urban Land Institute Business Park and Industrial
Development Handbook and interviews with industrial real estate brokers.
\textsuperscript{18} Hunters Point Shipyard Draft Conceptual Cost Estimate for Upgrade of Building 813, Prepared by Hawk Engineers
Loading docks attached to these buildings are obsolete and lack design features and fortification to ensure that structural members do not interfere with the spacing of truck berths at dock spaces. Improvements such as dock heights of approximately 4’-4” above pavement grade with appropriate ramps, scissors lifts, or dock levelers at each truck berth would be necessary to safely bring the height of trucks beds in line with dock heights. Furthermore, the tops of doors would need to be high enough to accommodate full height pallet handling from the highest trucks, and docks widths and areas inside exterior doors leading to dock space would need to be reconfigured for different types of material handling equipment.19

Based on the 1994 Existing Conditions Survey (1994 Survey) conducted for the 1997 Preliminary Report, the most frequent factor of defective design involves 42 cases of inadequate provision for loading and storage. At that time, the 1994 Survey identified 30 instances of buildings with substandard construction/materials, poor access/circulation, or improper building additions. Moreover, more than 40 buildings exhibited substandard design as a result of site storage and outdoor production. Since 1994, improvements to buildings or lots have not been substantial, and the results of the survey continue to characterize the conditions in the Project Area as deteriorated, underutilized and having deferred maintenance due to neglect.

b. Age, Obsolescence, Deterioration and Dilapidation

Buildings in the Project Area exhibit a wide range of building types and conditions. Most of the buildings in the Project Area were built during the early 1940s as part of an urgent program related to World War II. Almost all of the buildings in the Project Area exhibit signs of long-term neglect that make them unsafe or unhealthy places to live or work. A significant number of buildings are deteriorated, dilapidated, and in many cases, abandoned.

As noted above, many of the older industrial buildings are incompatible with contemporary industrial needs, including loading and other facilities. Older buildings such as those found in the Project Area would require renovation and modernization in order to keep up with the evolving standards for a healthy and safe environment. In addition, older buildings would need to undergo regular maintenance to combat the effects of normal deterioration that occur over the life of a building.

A majority of buildings in the Project Area are over 50 years old, and the Field Survey revealed that a significant number of buildings are severely deteriorated, thus indicating that the buildings have not undergone modernization or been maintained to levels that adhere to current health and safety standards. As discussed previously, these buildings are at risk of serious damage during a seismic event.

Many buildings on the property have been abandoned for over 20 years, and have fallen into a state of extreme disrepair. Most of the industrial buildings have remained empty and unused since closure by the Navy in 1974. The existing dry docks, which were used for Navy ships, have no value under current market conditions.

Overall, the Project Area suffers from a lack of improvements necessary to modernize its uses, thus inhibiting its economically viable use and ability to thrive in a competitive economic climate.

c. Buildings that Have to be Demolished

Most of the facilities in the Project Area are not suited for adaptive reuse, and will be demolished or deconstructed. Over the long term, building demolition will be an enormous undertaking, as many large buildings, spread over 450 acres, need to be demolished. Representing approximately 650,000 square feet, the majority of the 34 buildings subject to abatement and demolition are unused or abandoned and are deteriorating. Their condition is not suitable for reuse in their current state, and it would be far too costly to adapt the large industrial buildings to other uses. This represents a significant development cost that does not exist at competitive sites (described in Section C.6.e.)

However, buildings to remain standing include the artist studios in Building 101, Building 813 and the buildings located in the historic district.20 (The improvements necessary to renovate these buildings are described Section C.2.e.)


d. Areas Lacking Adequate Parking

The Hunters Point Shipyard Project Area is also characterized by a lack of parking. The 1994 Survey found 31 instances of inadequate parking. In many cases, structures were built so close to roadways that there is inadequate space for loading and parking. In other cases, nearby parking is only available on unimproved land or on deteriorated and unmarked parking tarmac. Parking areas are not differentiated from other non-roadway designations through paint striping to separate parking from other paved surfaces, roadways, driveways, and sidewalks. In addition, outdoor production and support facilities, often in the form of wooden structures used for storage, are frequently located in parking areas. The lack of adequate parking remains a blighting condition confirmed by the Field Survey. Nearly all tenants make use of parking and ancillary spaces that are not designated by leasing documents.21 In sum, these conditions demonstrate substantial improvements are necessary to elevate the Project Area to viable use.

e. Other Physical Conditions Hindering Economically Viable Reuse

In addition to the factors described above hindering viable reuse of properties in the Project Area, there are additional factors inhibiting the reuse of the parcels. These factors include:

- Poor access and circulation;
- Lead paint;
- Historic buildings that need rehabilitation;
- Asbestos;
- Mold; and
- Hazardous materials.

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20 The historic district is designated as the “Hunters Point Commercial Dry Dock and Naval Shipyards Historic District” by the State of California Department of Parks and Recreation.

Poor Access and Circulation

The Project Area is characterized by extensive street deficiencies including unimproved and unpaved roads, inaccessible rights-of-way, deteriorated pavement, and potholes. Such deficiencies impede access and circulation in the Project Area and contribute to traffic and safety hazards, which increase the risk of accident, injury and damage to vehicles and property. Inadequate circulation substantially hinders the economic viability of the Project Area and poses additional significant costs to development.

The Project Area suffers from a lack of pedestrian improvements and walkways that poses significant safety hazards from vehicular traffic and from roadway impediments. As documented in the 1997 Preliminary Report and corroborated by the Field Survey, cracked and deteriorating tarmac typifies the neglected state of the Project Area’s roadways. Roadways, especially in the industrial areas, have crumbled and disappeared. Sidewalks are non-existent in many of the heavily industrial areas and are sparse throughout the Project Area as a whole. Painted white lines separating pedestrian walkways from vehicular traffic are severely faded or completely obscured and do not distinguish pedestrian routes from vehicular routes.

Additionally, the lack of circulation inhibits the integration of the Project Area into the surrounding areas of the city, and the poor access and circulation exacerbate the perception of blight in the Project Area. In recognition of these adverse conditions, the Bayview Hunters Point Area Plan of the General Plan outlines a policy to “improve and establish truck routes between industrial areas, including those in the Shipyards, and freeway exchanges.”

Lead Paint

The presence of lead in interior and exterior paint due to long-term neglect of buildings creates serious negative health and safety implications. Lead levels in paint prior to 1950 were particularly high and remained unsafe until Congress banned lead-based paint in 1979. Due to the complexity and expense of properly removing lead-based paint, lead likely remains in most of the buildings constructed in the Project Area more than 30 years ago. Elevated blood-lead levels have well-documented adverse consequences for both children and adults, and the link between lead-based paint and elevated blood-lead levels is strong.

According to the U.S. Centers for Disease Control and Prevention (CDC):

\[Lead can produce adverse effects on virtually every system in the body; it can damage the kidneys, the nervous system, the reproductive system, and cause high blood pressure. It is especially harmful to the developing brains of fetuses and young children. There may be no lower threshold for some of the adverse effects of lead in children. In addition, the harm that lead causes to children increases as their blood lead levels increase.\]^{24}

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22 General Plan, Bayview Hunters Point Area Plan, Planning Department for the City and County of San Francisco, 2004.

23 According to the U.S. Centers for Disease Control and Prevention, lead levels in paint decreased moderately during the second half of the 20th century through limited regulation and voluntary reductions.

In addition, the relationship between lead exposure and neuro-developmental abnormalities is clearly established, and additional evidence suggests an association with hypertension.25

Major exposure to lead occurs in:

- Lead-based paint in older homes that is deteriorating, creating dust and paint chips easily ingested by young children;
- Lead-based paint that is disturbed during renovation or remodeling;
- Lead-based paint that is exposed and on a surface easily chewed by a young child (such as a window sill); and
- Lead-contaminated soil.

The San Francisco Departments of Public Health (DPH) and Building Inspection (DBI) operate under the assumption that all buildings in San Francisco built before 1979 contain lead-based paint and thus present a health risk to occupants as the paint deteriorates or lead-disturbing renovations occur.26 The departments use this strict assumption because lead removal is expensive and difficult to execute properly. Professional lead removal costs at least twice as much as a standard paint job, and lead may remain in the wood after the paint has been removed.27 More often, property owners attempt to remediate lead paint by painting over it, but this method is only completely effective if the paint never peels and the painter does not sand or scrape first. As a result of these challenges, tests for lead paint in pre-1979 structures rarely come out negative.28 Structures built before 1950 create the highest risk, but due to the low threshold for lead poisoning, all pre-1979 buildings are potentially problematic.

As can be seen in Graph III-2, the majority of buildings (75 percent of the buildings) were built prior to 1950, which puts them in the highest lead paint risk category. Moreover, the vast majority of pre-1979 structures exhibit one or more of the conditions associated with ambient lead release: serious physical dilapidation/deterioration, peeling paint, and deteriorated windows. Therefore, these structures have the potential to cause serious harmful effects in those that live and work in them.

26 Joe Walseth of the Department of Public Health and Vincent Fabris of the Department of Building Inspection, Meet the DBI Pros Summit, October 25, 2006.
27 According to painting contractor Joseph Ruiz of Rhapsody Painting & Environmental Company, complete remediation of lead paint costs $3.50 to $5.50 per square foot compared to an average cost of $2.00 per square foot for a non-lead repainting (quoted October 25, 2006 at the “Meet the DBI Pros Summit”).
28 Joe Walseth of the Department of Public Health and Vincent Fabris of the Department of Building Inspection, Meet the DBI Pros Summit, October 25, 2006.
Graph III-2
Lead Paint Risk and Year of Building Construction
Hunters Point Shipyard Redevelopment Project Area

a. Number of buildings only includes buildings on Parcels B, C, D-1 and G.
Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.
Historic Buildings that Need Rehabilitation

Historic and architecturally interesting buildings contribute greatly to the strength and appeal of San Francisco. A number of these buildings currently exist in the Project Area, as shown in Figure III-7 below. In recognition of the importance of these buildings to San Francisco, the Deputy State Historic Preservation Officer (SHPO) has concluded that several properties are eligible for inclusion in the National Register of Historic Places (NRHP), namely Dry Dock 4 and the Hunters Point Commercial Dry Dock Historic District, which is composed of Dry Docks 2 and 3 and associated wharves and seawalls; a portion of Dry Dock 1; and Buildings 140, 204, 205 and 207. Many of these properties constitute a vital record of the Project Area’s history as a shipbuilding and dry dock facility for private firms and the military. The need to rehabilitate these buildings and structures in a manner that respects their historic or architectural importance is likely to result in substantial added costs that will make their reuse more difficult.

Pumphouses 2 and 3 (Buildings 205 and 140) act as reminders of the Project Area’s historic function as both a private and military shipbuilding and dry dock facility featuring masonry construction, intricate detailing, impressive size, and a pivotal location within the Project Area. While eligible for inclusion in the National Register of Historic Places, they have fallen into disrepair. As illustrated in the photographs in Appendix B, they are currently boarded up and deteriorating from lack of use and maintenance. Making them safe and usable would be costly, and would likely require seismic retrofits, structural modifications, and new roofing and window systems.

Historic dry dock facilities in the Project Area include Dry Dock 2, Dry Dock 3, Dry Dock 4, and the western tip of Dry Dock 1. Dry Docks 1, 2 and 3 supported work in the shipyard from 1866 (construction of Dry Dock 1) to 1940. Dry Dock 4 is associated with the Project Area’s function as a naval station during World War II. The historic dry docks are a unique component of the Project Area, and will require renovation to preserve their character while making them safe and accessible. Rehabilitation would include new fencing, infrastructure reconstruction and possibly structural reinforcement, which would incur considerable costs.

Asbestos

Asbestos is present in the serpentine bedrock underlying the Project Area as well as in the building materials of the various structures in the Project Area. The asbestos present in the bedrock is a naturally occurring mineral known as serpentine asbestos. This mineral can be extracted for use in construction or industrial purposes, as it contains properties enabling heat resistance, low electrical conductivity and high tensile strength. The second source, mined asbestos, was commonly used in building material until discovery of its detriment to human health in the 1970s. Given the age of buildings in the Project Area and the materials favorable to industrial work such as ship repair, many buildings in the Project Area have been found to contain this form of asbestos. During the Field Survey, the consultants observed many buildings that have asbestos siding.

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29 Candlestick Point–Hunters Point Shipyard Phase II Draft Environmental Impact Report, San Francisco Redevelopment Agency, City and County of San Francisco Planning Department, November 12, 2009.

30 Examples of such manufactured goods with historical use of asbestos include roofing shingles, ceiling and floor tiles, paper and cement products, textiles and coatings.
Figure III-7
Historic Buildings in Need of Rehabilitation
Hunters Point Shipyard Redevelopment Plan Amendment

San Francisco Bay

Rehabilitation Underway
Rehabilitation Needed

Seifel
CONSULTING INC.

San Francisco Redevelopment Agency
Hunters Point Shipyard Redevelopment Plan Amendment

III-28
Report on the Plan Amendment
May 2010
Asbestos becomes detrimental to human health when released into the air and inhaled. Exposure to asbestos increases one’s risk of developing lung disease. In general, the more one is exposed to asbestos, the greater the chance of developing harmful health effects. Disease symptoms may take several years to develop following exposure. The U.S. Environmental Protection Agency describes three of the major health effects associated with asbestos exposure as follows:

- **Asbestosis**: Asbestosis is a serious, progressive, long-term non-cancer disease of the lungs caused by inhaling asbestos fibers that irritate lung tissues and cause the tissues to scar. The scarring makes it hard for oxygen to get into the blood. Symptoms of asbestosis include shortness of breath and a dry, crackling sound in the lungs while inhaling. There is no effective treatment for asbestosis.

- **Lung Cancer**: Lung cancer causes the largest number of deaths related to asbestos exposure. People who work in the mining, milling, manufacturing of asbestos, and those who use asbestos and its products are more likely to develop lung cancer than the general population. The most common symptoms of lung cancer are coughing and a change in breathing. Other symptoms include shortness of breath, persistent chest pains, hoarseness, and anemia.

- **Mesothelioma**: Mesothelioma is a rare form of cancer that is found in the thin lining (membrane) of the lung, chest, abdomen, and heart and almost all cases are linked to exposure to asbestos. This disease may not show up until many years after asbestos exposure. This is why great efforts are being made to prevent school children from being exposed.31

Asbestos inhibits the viable reuse of buildings and areas in the Project Area by creating an additional impediment to development of the area.

**Mold**

As shown in the photographic evidence from the Field Survey, several buildings in the Project Area exhibit signs of exterior mold or mildew damage. Mold is a result of excess water that can enter a building in many ways, including via faulty plumbing and deteriorated roofing, windows and walls.

As with lead paint, mold and mildew can lead to serious health problems, especially in young children. A study sponsored by the Centers for Disease Control and Prevention has linked indoor mold to asthma and other respiratory problems. According to the Asthma and Allergy Foundation, over half of Americans with asthma suffer from the allergic form of the disease, which is triggered by exposure to allergens such as mold.32

**Hazardous Materials**

Extensive environmental hazards exist throughout the Project Area, which is a designated Superfund site.33 The Project Area has been the site of industrial operations, which employed hazardous materials since the advent of shipyard activities in 1868. Hunters Point Shipyard was owned and operated by the Navy from 1930 to 1974. The Draft Environmental Impact Report for

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33 The U.S. Environmental Protection Agency placed Hunters Point Shipyard on the National Priorities List (NPL) in 1989. NPL sites are commonly known as Superfund sites.
the Candlestick Point–Hunters Point Shipyard Phase II Redevelopment (Draft EIR) describes the continued presence of hazardous substances in both soil and groundwater throughout the Project Area. Contamination levels and specific contaminants vary by area. Confirmed contaminants include petroleum-based fuels, solvents, heavy metals, and low-level radioactive wastes. Section C.6 below provides further discussion of hazardous materials, the clean-up process, and the current status of environmental remediation on the property. Overall, the environmental contamination of both buildings and sites prohibits highest and best use of the Project Area.

3. Buildings Not in Compliance [CRL Section 33492.11(a)(4)]

Buildings in the Project Area are constructed on land that will not be compliant with community zoning and planning regulations when parcels in the Project Area are subdivided or when new infrastructure is installed. The San Francisco General Plan and other planning documents identify and describe the planned characteristics of the Hunters Point Shipyard Project Area. The section of the General Plan that directly addresses planning goals for the Project Area, the Bayview Hunters Point Area Plan (Area Plan), establishes that the Redevelopment Plan and its companion Design for Development document, both dating to 1997, currently govern Hunters Point Shipyard. Together, these documents outline a vision of transformation for the Project Area as appropriate for a mix of development with housing, job opportunities and recreational uses.

The Area Plan characterizes the Shipyard as underutilized since its closure in 1974 and connects the adverse conditions present throughout the Project Area to the Shipyard’s closure. Its location at the edge of city, adjacent to residential neighborhoods and separated from other industrial areas, indicates that exclusively industrial reuse of this site is not strategically critical to the City’s economic health. The Planning Department is in the process of identifying zoning changes to the San Francisco Planning Code that would accommodate the desired land use mix. Furthermore, the Area Plan asserts that redevelopment and reuse of the Project Area is vital to social and economic improvement, and also emphasizes the role of housing growth in attracting business and job growth.

In summary, the proposed transition in the zoning of the Project Area reflects the fact that the site’s former use is no longer viable under today’s development standards. The current inefficient use of buildings found in the Project Area demonstrates that land in the Project Area will not comply with community subdivision, zoning or planning regulations.

4. Substandard Infrastructure [CRL Section 33492.11(a)(5)]

Public improvements and utilities that fail to meet the current standards of the City or of utility agencies contribute to the adverse conditions present in the Project Area and have a negative impact on the reuse of the Project Area. The Field Survey discussed above assessed observable public improvements in the Project Area, and found evidence of public infrastructure inadequacies, which was corroborated by additional research efforts.


35 General Plan, Bayview Hunters Point Area Plan, Planning Department for the City and County of San Francisco, 2004.
Public infrastructure inadequacies identified in the Project Area include inadequate gas, water, sewer and other utilities; substandard piers and other maritime facilities; and inadequate roads and circulation, including missing or damaged curbs and sidewalks, deteriorated streets, and insufficient parking. Details of these deficiencies are described below.

a. Inadequate Utilities

Most of the utility systems in the Project Area were installed in the 1940s and require upgrading and maintenance prior to the future redevelopment of the Project Area. The discussion below is based on the documentation provided by the 1994 Survey. Systemic improvements are critical for the reuse of the area; otherwise development prospects for the Project Area are severely limited.

Sewer and Stormwater Drainage System

The Project Area is generally served by two separate systems – a sanitary sewer system and stormwater system – which is atypical for San Francisco. In general, the City has a combined sanitary and stormwater sewer system. Originally, a combined system was installed in the Project Area in the 1940s. From 1958 to 1978, the Navy undertook various projects to separate the two systems. However, the sanitary and storm sewers are still mingled in some areas. Both the sanitary and storm sewer systems will need to be replaced to comply with current City standards.

The sanitary sewer system utilizes the original combined system pipes installed in the 1940s. The pipes were sized to handle both storm and sanitary waste, therefore the piping is substantially oversized for a single use system. Oversized pipes produce low flow velocity, which causes solids to settle in the pipelines. Settlement can cause maintenance problems, resulting in deterioration and eventual breakage of the lines. In addition, pipe age is directly correlated with degree of pipe deterioration. In order to meet health standards and prevent system failure, the 60-year-old sewer system pipelines need to be upgraded.

The stormwater system is made up of concrete and vitrified clay pipe. Portions of the system are deteriorated or broken. The majority of the stormwater system, approximately 90 percent, drains by gravity into the Bay, with the remainder of the runoff flowing directly from the edge of the property into the Bay. During wet weather, the volume of the flow in the storm sewer system varies. Although the stormwater system was designed to handle wet weather flows, it was designed to a lower capacity standard than is currently required by the San Francisco Bay Regional Water Quality Control Board.

Instances of flooding were noted in the Project Area during the Field Survey, even though it had not rained for several days prior to the survey. These conditions can be seen in the photographs contained in Appendix B. In addition, the lack of pavement, curbs and gutters makes it difficult to collect and direct runoff into the storm drainage system, which results in additional standing water.

Since the system appears not to meet capacity requirements and is more than 60 years old, it too will need to be replaced or upgraded to meet City standards. In addition, a substantial portion of the sewer system located in Phase 2 was radiologically impacted by previous Navy activities. The remaining portion is inoperable. Overall, both systems are deficient and negatively impact the Project Area. As a result, the Navy is currently in the process of removing the sewers and stormdrains.
Gas Service
Following the 1989 Loma Prieta Earthquake, gas utilities were terminated for all buildings in the Project Area. Since then, some buildings rely on propane for gas provision. As part of the development program, all new gas lines will be installed and activated in accordance with the Project Infrastructure Master Plan.

Water Service
The San Francisco Water Department (SFWD) provides water service for the Project Area. The primary water source for the Project Area is a 16-inch main in Crisp Road. The Navy installed an internal network of cast iron water mains serving the Shipyard in 1947, with pipes ranging in size from 4 to 6 inches. This system provides both the domestic water supply and fire fighting water for the Project Area. The system is over 50 years old and experiences leaks due to corrosion and other breaks. The pipes in the waterfront area are in the worst condition due to external corrosion. The aging underground water pipes reduce water flow and could hamper firefighting efforts.36

An additional 8-inch main exists in Innes Avenue, and it serves the housing area and administrative buildings at the north entrance of the Project Area. The water pressure is insufficient for fire fighting requirements in the housing area served by the Innes Avenue main. At higher elevations, the flow is inadequate for residential use and the pressure is too low for fire suppression. Moreover, the main does not currently serve any of the buildings in the Project Area. Taken as a whole, the water system does not meet contemporary community infrastructure standards and must be replaced.

Other Deficient Utilities
The Project Area also has a mixture of other uncharacteristic utilities that are deficient under contemporary community standards. These include substandard aboveground water pipes, portable toilets, and exposed overhead wiring. The installation of these utilities is substandard and, in some cases, unsafe. Some of these deficiencies can be seen in the photographs contained in Appendix B.

b. Substandard Maritime Facilities
Preliminary evaluations of the waterside facilities by Port engineers indicate major structural problems affecting Project Area piers and seawalls adjoining along San Francisco Bay. Most of the seawall is constructed of steel sheet piling that is seriously corroded. Wood pilings that support several pier and wharf structures are heavily damaged and appear to be unsafe. Deteriorating and dilapidated piers are shown in the Appendix B photographs. If the piers, caissons and wharfs are to be used for maritime activities in the future, evaluations indicate that they are insufficient under current standards and would have to be substantially rehabilitated or completely rebuilt. The Shipyard’s maritime facilities are too deteriorated to be reused for even recreational purposes without significant improvements for safety reasons. In any case, the existing facilities are unfit for any potential use in their current state.

c. Street Deficiencies

The Project Area is characterized by extensive street deficiencies including deteriorated pavement, surface cracking, unimproved and non-paved roads, absent road markings, abandoned railroad tracks on roadways, and nonexistent curbs and sidewalks. Street deficiencies contribute to circulation problems, which ultimately can hinder development.

Street deficiencies were observed throughout the Project Area. A majority of the Project Area is unpaved and lacks curbs and sidewalks. Areas with paved roads are poorly maintained and are either cracking or quickly deteriorating. Streets with pavement are particularly wide and lack roadway markings, which could create confusion for traffic as to whether the roads are intended for multiple lanes of traffic in each direction. Abandoned railroad tracks are also located on the unpaved portions near Dry Docks 2 and 3.

Curb and sidewalk deficiencies are extensive in the Project Area. A significant number of curbs and sidewalks are missing, badly damaged or deteriorated. Such deficiencies blur the line between pedestrian and vehicle domains, create traffic hazards and limit pedestrian movement and accessibility. Additionally, the lack of curbs hinders drainage throughout the Project Area as curbs assist in directing water runoff to stormwater drains. Curbing and sidewalk deficiencies are further documented in photographs included in Appendix B.

d. Circulation and Parking Deficiencies

Circulation impediments exist throughout the Project Area. As discussed above, many of the roads lack paving, curbs, sidewalk and street markings, which create circulation problems for both vehicles and pedestrians. The street pattern within the Project Area is separated from the pattern of the surrounding Bayview neighborhood and has limited points of entry. The Navy installed gates for security purposes, separating the Project Area from the community. The site is disjointed and impossible to experience as a whole from any one place.

Parking deficiencies are present throughout the Project Area. Such deficiencies include parking on unimproved land, unmarked parking areas, and insufficient parking.

Overall, circulation impediments limit access to, from, and in the Project Area by restricting vehicular and pedestrian traffic. Parking and circulation impediments are further documented in Appendix B.

5. Buildings Not Built to Code [CRL Section 33492.11(a)(6)]

Almost all of the buildings in the Project Area were built during World War II according to the requirements of the Navy, rather than the building code set by the City. The primary purpose of building codes is to protect public health and safety. Local building codes are tailored to reflect the unique problems and concerns of the local community as well as specific regional conditions, and the federal government at times has not recognized these problems and concerns when considering its building requirements.37 Since federal agencies are exempt from state and local building codes, the Navy creates Guide Specifications (Guide Spec) that utilize language from all

of the national model building codes. The Guide Spec addresses the same concerns as local building codes, but may not apply the same standards.\textsuperscript{38} Although the intent of the Guide Spec is to act as a recommendation, the Navy’s local project engineer would make the final determination on how to apply the building code for a particular project.\textsuperscript{39} Unlike public regulation of private development, the Navy is entirely responsible for all aspects of health and safety in their facilities, as they are primarily constructing buildings for their own personnel. It is highly likely that the majority of the buildings in the Project Area were built to the specific needs of the Navy and not according to local building codes effective at the time.

6. **Materials or Facilities that Need to be Removed**

[CRL Section 33492.11(a)(7)]

Buildings, infrastructure, soil, groundwater, and other materials contaminated by hazardous wastes constitute material or facilities that need to be removed to allow development in the Project Area. Extensive contamination of the site by hazardous materials presents a significant impediment to economically viable, safe, and successful development. Hazardous materials contamination presents health and safety concerns arising from exposure to hazardous materials during the redevelopment and future use of the Project Area, as well as economic impediments that remediating this contamination presents to the viable reuse of this area. The following subsections present an overview of the impacts of hazardous materials contamination, the history of hazardous materials use at the site, and background on efforts by the Navy and other parties to remediate environmental issues arising from the use and release of hazardous materials in the Project Area. Following these Project Area-wide overviews, area-by-area descriptions discuss specific contamination problems and remediation efforts at each of the major sub-areas of the larger Hunters Point Shipyard.

a. **Impacts of Hazardous Materials Contamination**

Contamination by hazardous materials imposes health and safety risks that impede site development and impact both the contaminated property and nearby areas. Removal of these waste materials is necessary in order to permit the safe and healthy redevelopment and use of the Project Area. Hazardous materials found in the Project Area include heavy metals, volatile organic chemicals (VOCs), petroleum hydrocarbons, and low-level radioactive wastes. The health effects of some of these substances include:\textsuperscript{40}

- **Heavy Metals - Chromium (Cr):** Skin, eye, and lung irritant; and confirmed human carcinogen.
- **VOCs - Chloroform:** Skin and eye irritant; dizziness, mental dullness, nausea, confusion; headache, fatigue; and liver and kidney damage.
- **VOCs - Dichloroethylene (DCE):** Skin irritant; poisonous by inhalation, moderately toxic by ingestion; and depresses the central nervous system.

\textsuperscript{38} Ibid., p. 2.


\textsuperscript{40} National Institute for Occupational Safety and Health, “NIOSH Pocket Guide to Chemical Hazards.”
• **Heavy Metals - Nickel (Ni):** Confirmed carcinogen (lung and nasal cancer); ingestion causes nausea, vomiting, and diarrhea and can be poisonous; hypersensitivity is common and can cause allergic contact dermatitis, pulmonary asthma, conjunctivitis, and inflammatory reactions.

• **VOCs - Tetrachloroethylene (Perchloroethylene or PCE):** Nausea, vomiting, headache, dizziness, drowsiness and tremors from short-term exposure through ingestion and inhalation; irritation and blistering through skin contact; eye irritant; liver and kidney toxicity from chronic exposure; and known carcinogen (liver cancer).

• **VOCs - Trichloroethane (TCA):** Skin irritant; headaches, fatigue, vertigo and irregular heartbeat from central nervous system depression; and liver damage.

• **VOCs - Trichloroethylene (TCE):** Headaches, dizziness, vertigo, tremors, irregular heartbeat, fatigue, nausea, vomiting and blurred vision from central nervous system depression that results from acute exposure; skin, eyes, nose and throat irritant; liver and kidney injury from long-term exposure; and known carcinogen (liver and kidney cancer).

• **VOCs - Vinyl Chloride (VC):** Confirmed human carcinogen producing liver and blood tumors; moderately toxic by ingestion; human reproductive effects including changes in spermatogenesis, human gene mutation; severe irritant to skin, eyes, and mucous membranes; causes skin burns by rapid evaporation and consequent freezing; and liver injury through chronic exposure.

b. **Background on Site Contamination by Hazardous Materials**

The Project Area became a center of maritime activity following the 1868 construction of the site’s first dry dock. Bethlehem Steel Company built and operated a second dry dock in 1903. The United States Navy purchased Hunters Point in 1939 and took over full operations in 1941. Significant expansion of the naval facilities began in 1941 following American entry into World War II. This expansion was achieved through excavation of the hills surrounding the shipyard, with the resulting spoils used to fill in the bay shoreline. Additional expansion of the site through landfill utilizing soil, waste and debris continued through the 1970s.41

The Navy’s principal uses of the Shipyard were the repair and maintenance of ships and submarines. In addition to serving as a center for repair activities, the facility was used for base housing, naval ordnance training exercises, radiological defense research, and research on exposure to radioactive fallout.42 Radiologically contaminated target and support ships were brought to the Shipyard for decontamination and study after the 1946 atomic tests at Bikini Atoll in the Pacific. The Naval Radiological Defense Laboratory (NRDL) was established at the Shipyard in 1948. (Given the need to understand radiological issues.) NRDL operated until 1969, and the Navy decommissioned the Shipyard in 1974.

The Navy leased a portion of the Shipyard to the private company Triple A Machine Shop (Triple A) in 1976. Triple A was indicted and convicted for illegal disposal of hazardous substances in the Shipyard. After Triple A’s 10-year lease expired in 1986, it was not renewed and the company vacated the Project Area. Between 1986 and 1990, the Navy used the Shipyard

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for some ship repair activities. In 1991, the Shipyard was placed on the Navy’s Base Realignment and Closure (BRAC) list, and the facility was closed on April 1, 1994.43

The historical industrial and maritime activities of both the Navy and private sector resulted in extensive chemical and radiological contamination throughout Hunters Point Shipyard. Hazardous wastes in the Project Area include VOCs, heavy metals, petroleum hydrocarbons, pesticides, and low-level radioactive wastes. 44 The Navy has divided the Project Area into several subparcels to facilitate the remediation process. Table III-1a, below, summarizes contamination by hazardous materials in each Project Area parcel as discussed in the Draft EIR. Table III-1b defines the hazardous waste acronyms. The status of the Navy’s environmental investigations and clean-up activities at each of the parcels at Hunters Point Shipyard is discussed in separate subsections below. Figure III-8 denotes the approximate location of hazardous wastes in the Project Area.

### Table III-1a
Summary of Hazardous Wastes
Hunters Point Shipyard Redevelopment Project Area

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<thead>
<tr>
<th>Parcel Designation</th>
<th>Soil Contaminants&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Groundwater Contaminants&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcel A</td>
<td>Contaminants and storage tank removed</td>
<td>SVOCs, Metals, Petroleum Hydrocarbons</td>
</tr>
<tr>
<td>Parcel B</td>
<td>VOCs, SVOCs, PCBs, Metals, TPH, RAD</td>
<td>VOCs, Mercury, TPH, RAD</td>
</tr>
<tr>
<td>Parcel C</td>
<td>VOCs, SVOCs, PCBs, Metals, TPH, RAD</td>
<td>TPH, VOCs, Metals</td>
</tr>
<tr>
<td>Parcel D</td>
<td>VOCs, PCBs, TPH, Metals, RAD</td>
<td>VOCs, TPH, Metals</td>
</tr>
<tr>
<td>Parcel E</td>
<td>VOCs, SVOCs, PAHs, PCBs, Pesticides, Metals, TPH, RAD</td>
<td>VOCs, SVOCs, PAHs, PCBs, Pesticides, Metals, TPH, RAD</td>
</tr>
<tr>
<td>Parcel F</td>
<td>PCBs, Metals</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<sup>a</sup> A parcel may have multiple instances of the same hazardous material.

<sup>b</sup> See below for definitions of hazardous waste acronyms.


### Table III-1b
Definitions of Hazardous Waste Acronyms
Hunters Point Shipyard Redevelopment Project Area

<table>
<thead>
<tr>
<th>Key</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOCs</td>
<td>Volatile organic compounds</td>
</tr>
<tr>
<td>SVOCs</td>
<td>Semivolatile organic compounds</td>
</tr>
<tr>
<td>PAHs</td>
<td>Polycyclic aromatic hydrocarbons</td>
</tr>
<tr>
<td>PCBs</td>
<td>Polychlorinated Biphenyls</td>
</tr>
<tr>
<td>RAD</td>
<td>Radiation</td>
</tr>
<tr>
<td>Metals</td>
<td>Heavy metals including lead, arsenic, chromium, nickel, manganese, and others</td>
</tr>
<tr>
<td>TPH</td>
<td>Total petroleum hydrocarbons</td>
</tr>
<tr>
<td>N/A</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Source: Candlestick Point Hunters Point Phase II Draft Environmental Impact Report, November 12, 2009 and Seifel Consulting Inc.

Figure III-8
Approximate Location of Known Hazardous Wastes
Hunters Point Shipyard Redevelopment Plan Amendment

Source: Draft Environmental Impact Report, November 2009
c. Hazardous Materials Remediation Framework

Since 1984 the Navy has been conducting its “Installation Restoration Program,” a comprehensive effort to address and remediate hazardous materials contamination in the Project Area. In 1989, the Shipyard was designated as a federal Superfund site under Federal Comprehensive Environmental Response, Compensatory and Liability Act (CERCLA) legislation. It is also included on the State of California’s “Cortese” list of hazardous materials sites under the California Government Code (Section 65962.5).

Several federal, state, and local agencies are involved in conducting and overseeing the cleanup of hazardous wastes in the Project Area, including the Navy, the U.S. Environmental Protection Agency (EPA), the California Department of Toxic Substances Control (DTSC), and the San Francisco Bay Regional Water Quality Control Board (RWQCB). These organizations entered into a Federal Facilities Agreement (FFA) in 1992 to establish a schedule and procedural framework for the environmental remediation of the Project Area. This agreement divided the Project Area into five areas (Parcels A, B, C, D, and E), as shown above in Figure III-1. The offshore area around Hunters Point was added as Parcel F in 1996, and in 2008 Parcel D was subdivided into three sub-parcels (D-1, D-2, and G) while Parcels UC-1 and UC-2 were separated from Parcel C. Parcel E-2 was created in 2004. Based on the organization of the Draft EIR, the original Parcels A through F are used to describe the Project Area in the following discussion.

The cleanup framework under the agreement among the Navy, EPA, DTSC, and RWQCB establishes an iterative series of reports that document both site investigation and remediation activities. Each report must be approved by each of the signatories to the FFA. Early efforts by the Navy included a Preliminary Assessment and Site Identification process to identify specific locations within the parcels that would require additional investigation or remediation. These sites were designated as Installation Restoration (IR) Sites and are identified by numbers IR1 through IR78. For each of these IR Sites, a Remedial Investigation (RI) report is prepared that identifies the nature and extent of contamination at each location. These RI reports are accompanied by Human Health Risk Assessments (HHRAs) that identify risks to human health from contamination, along with establishing numeric targets for remediation. For some IR Sites, Ecological Risk Assessments (ERAs) are produced as well. Following the RI report and HHRA, a Feasibility Study (FS) evaluating the effectiveness and cost of various remediation techniques is prepared for each site requiring further action. These two steps are often combined in a single RI/FS document. According to the Draft EIR, the Navy has completed the RI/FS process at all parcels except Parcels E and E-2.

Following the RI/FS process, the Navy drafts a Proposed Plan (PP) that summarizes previous findings and offers a preferred approach to site cleanup. In some cases, the Navy engages in physical cleanup activity before the RI/FS phase is complete as a part of its investigational activities, or through removal activities or treatability studies. After both regulatory agency and public review, a decision about a preferred remediation plan is documented in a Record of

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45 CERCLA stands for the Comprehensive Environmental Response, Compensation, and Liability Act.
47 Ibid.
48 Ibid., p. III.K-12.
Decision (ROD) under CERCLA with the approval of all the FFA signatories. RODs have been completed for Parcels A, B, D-1, UC-1, UC-2, and G. The RODs for Parcels C and D-2 are scheduled to be complete in 2009-2010, and for Parcel F by 2012.49

After the ROD is adopted and approved, a Remedial Design document establishes the details of how the selected remediation actions will be executed, and then these actions are performed (i.e., groundwater treatment systems and soil vapor extraction systems are installed and operated, soil is excavated, caps are installed, land use restrictions are legally recorded.) As noted above, physical cleanup may proceed in advance of the RI/FS process or of ROD finalization. In some cases, remediation may be well underway or complete before the project documentation is finalized.50

The process described above addresses contamination by substances considered hazardous under the Federal CERCLA law. Petroleum contamination is not considered hazardous waste under CERCLA. However, it is regulated under California law by the RWQCB, which follows a parcel-by-parcel iterative process similar to the CERCLA cleanup program; i.e., investigation followed by identification of cleanup options, culminating in the approval by the RWQCB of a Corrective Action Plan (CAP) and implementation of the actions identified therein.51

In addition to the parcel-by-parcel RI/FS process described above, the Navy has conducted base-wide investigation and remediation programs for specific types of hazardous materials, including radiological contaminants, PCBs, lead-based paint, asbestos-containing materials in buildings, and potentially contaminated steam lines, sewers, and storm drains.52

d. Parcel-by-Parcel Details of Contamination and Remediation Status

The following subsections describe the history of hazardous materials releases and specific contaminants found in various areas of the Project Area, along with a discussion of past, current and future remediation efforts by the Navy.

Parcel A

This 88-acre parcel was used by the Navy as military housing. Environmental investigations of Parcel A soil and groundwater found little contamination. The Navy investigated three utilities sites, four building sites, one underground storage tank, and groundwater. In 1993, the Navy removed contaminated soil and the underground storage tank. In 1994, the Navy removed additional soil.53

Following these remediation activities, the proposed plan for Parcel A identified No Action (i.e., no further action) as the preferred alternative. The ROD for no remedial action was signed in

50 Ibid.
51 Ibid.
52 Ibid.

EPA provided written concurrence on the Navy’s Finding of Suitability to Transfer (FOST) for Parcel A on March 9, 2000. EPA and state regulators worked closely with the Navy to resolve remaining issues and finally, in September 2004, EPA approved the final FOST. Parcel A property transfer occurred in December 2004.

Deed restrictions and the San Francisco Municipal Code (Article 31) require that the site’s eventual developer prepare plans for dust control, off-site soil disposal, and stormwater and erosion control to be approved by the San Francisco Department of Public Health. Deed restrictions also require that notice be given regarding motor oil in groundwater, asbestos building materials, and lead paint. The Agency transferred Parcel A to the Developer in 2005, and Phase 1 development activities are underway.

**Parcel B**

Parcel B, on the northern end of the Project Area, was historically used for a wide range of industrial activities, including fuel distribution, metal fabrication, sandblasting, machining, painting, and acid mixing. The area was also used for shipping and training, and served as barracks and offices. Significantly, Parcel B may have been used in the late 1940s for disposal of decontamination materials from ships used for nuclear weapons testing. On the northern side of Parcel B, an area known as IR Sites 7/18, landfill material from the Shipyard’s expansion in the 1950s includes a high percentage of construction materials. Parcel B was entirely included in the area leased by the Navy to Triple A in 1976. Since the closure of the Shipyard, use of Parcel B has included storage, cabinet making and artists’ studios.

Numerous contaminant releases occurred under both Navy and Triple A operations between 1945 and 1987, although specific release dates are not known. Soil contaminants at Parcel B include VOCs, semi-volatile organic compound (SVOCs), PCBs, and heavy metals, along with petroleum hydrocarbons. Groundwater contaminants include VOCs, chromium VI (hexavalent chromium), petroleum hydrocarbons, and mercury. According to the Draft EIR, a survey in IR Sites 7/18 area found methane gas “present at concentrations that could potentially be explosive if vapors were to accumulate above levels of concern in a structure.” Radiological contamination is also an issue on Parcel B, impacting buildings, storm drains and sanitary sewers.

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57 A semi-volatile organic compound (SVOC) is an organic chemical that readily, but only partially, evaporates or changes from a liquid to gas at temperatures normally found at the ground surface and at shallow depths.


Soil contamination will be addressed through excavation and off-site disposal, covering with clean soil or impervious materials, installation of a soil vapor extraction system, and implementation of Institutional Controls (ICs) to limit exposure to contamination by restricting land uses and activities on contaminated land.⁶⁰ In addition, the source of methane in IR Sites 7/18 has been remediated through excavation and groundwater monitoring, although documentation of results is pending.⁶¹ Groundwater remediation will include injection of a biological substrate to destroy VOCs, and water quality monitoring in the areas where sources of mercury and methane were removed, in order to evaluate the effectiveness of these actions. ICs including prohibitions on the use of groundwater will also be implemented.⁶² According to the Draft EIR, radiological cleanup activities at Parcel B have targeted buildings, storm drains, and sanitary sewers that may be contaminated by radiological materials. All buildings, sites, and excavations in Parcel B will be surveyed to ensure that no radioactivity above the remediation goals is present.⁶³ RWQCB is overseeing petroleum hydrocarbon remediation, which is expected to be complete in early 2010.⁶⁴

Parcel C

Used for industrial activities since the late 19th century, Parcel C occupies 76 acres of shoreline and lowland in the east central part of the Project Area, largely created through landfill. This area includes two dry docks, nine ship berths, one pier, one wharf, and 35 buildings. Parcel C is largely covered by impervious surfaces such as buildings, concrete, and asphalt.

Soil contamination at Parcel C includes VOCs, SVOCs, PCBs, petroleum hydrocarbons (gasoline and diesel), and heavy metals. Groundwater contamination includes petroleum hydrocarbons, VOCs, and heavy metals. The Navy’s HHRA for Parcel C indicated that remediation work would be required to meet environmental standards for the land uses described in the 1997 Agency Reuse Plan.⁶⁵ Petroleum hydrocarbons in both the soil and the groundwater are a risk for aquatic species in the Bay.⁶⁶ Soil and groundwater remediation activities at Parcel C include the removal of fuel lines and underground storage tanks (USTs), along with removal of sandblast waste containing lead and other metals. Waste drainage culverts in Dry Dock 4 have been sealed with concrete slurry to prevent potentially hazardous runoff from reaching the Bay.⁶⁷ Future actions are likely to include a combination of soil excavation and off-site disposal, covers, soil vapor

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⁶⁰ Ibid.
⁶⁴ Ibid., p. III.K-17.
extraction for VOCs, onsite groundwater treatment, and Institutional Controls restricting land uses and activities. The final ROD on Parcel C cleanup actions is expected to be approved at the end of 2010.68,69

Parcel D (Including D-1, D-2, G, and UC-1)
The majority of Parcel D, comprising subareas D-1, D-2, G, and UC-1, was an industrial support area used for shipping and ship repair, along with office and commercial activities, including some use by the NRDL. Portions of the Project Area-wide steam pipe and sewer systems (storm and sanitary) run through this area. Parcel D occupies 101 acres, roughly 85 percent of which is covered by impervious surfaces.70

Petroleum hydrocarbons including diesel and motor oil have been detected in both soil and groundwater. VOCs and heavy metals contamination are also present in soil and groundwater at Parcel D, including arsenic, beryllium, chromium, nickel, and manganese. Other soil contaminants include PCBs and lead. Chromium VI (hexavalent chromium) was detected in groundwater under IR Site 09. The radioactive substance Cesium-137 and the associated materials strontium and europium were detected on asphalt adjacent to the secondary containment vault behind Buildings 364 and 365.71

Remediation activities to date at Parcel D include the following: removal of PCB-contaminated soil; removal of USTs and associated pipelines; collection and removal of sandblast waste; excavation of radiologically contaminated soil; and removal of contaminated sediment from storm drain lines. The Navy issued a No Action ROD for Parcel D-2 in November 2009, and no further remediation is anticipated. For Parcels D-1, G, and UC-1, the Navy has proposed the following actions: excavation and off-site disposal of contaminated soils; installation of soil covers; treatment of groundwater at specific locations by injection of chemicals or biological nutrients, along with groundwater monitoring; continued removal of radiologically contaminated building materials and soils.72 Land use restrictions in the form of Institutional Controls will be enacted to limit the potential exposure of future landowners and users to hazardous substances. RODs for all Parcel D subareas were completed by the end of 2009.73

Parcel E (Including Parcel E, E-2, and UC-3)
Parcels E and E-2 comprise an area of approximately 185 acres of shoreline and lowlands in the southern portion of the Project Area, nearly all of which was created by landfill. Parcel E was a mixed-use and industrial area used to support shipping and ship repair activities, along with office and laboratory uses by the NRDL. Some shoreline areas were used to store construction and industrial materials and to dispose of industrial waste and construction debris. Non-native grasses

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70 Ibid., p. III.K-19.
cover most of Parcel E, with the remainder covered by impervious surfaces. Parcel E-2 is an area on the western edge of the Shipyard near Yosemite Slough. From 1958 to 1974, the landfill at Parcel E-2 received liquid chemical waste, asbestos, domestic wastes and refuse, dredge spoil materials, sandblast grit, solvent wastes, and low-level radioactive wastes from shipboard radium dials, including electronic equipment.\textsuperscript{74}

According to the Draft EIR, specific contaminants in soil and groundwater at Parcels E and E-2 include heavy metals, VOCs, SVOCs, PAHs, PCBs, petroleum hydrocarbons, and pesticides. Radiological contaminants associated with Parcel E-2 include cobalt-60, cesium-137, radium-226, and strontium-90.\textsuperscript{75} Navy assessments of hazardous materials risk to human and environmental health found that both soil and groundwater contamination exceeded acceptable levels for both humans and wildlife due to several of the substances specified above.\textsuperscript{76}

Substantial remediation activities have already been undertaken at Parcel E as a part of investigative and experimental actions.\textsuperscript{77} These activities include the removal of 5,000 tons of sandblast waste; the removal and containment of floating petroleum products to prevent their spread into the Bay; a soil vapor extraction (SVE) system to extract VOCs below ground; removal of soil contaminated with PCBs; removal and/or containment of radioactive constituents; and the removal of contaminated soil and installation of a soil cap in the metal debris reef and metal slag areas. In Parcel E-2, the Navy has installed sheet piles and a groundwater extraction system to reduce the possibility of chemical contaminants entering the Bay. A multi-layer interim cap was also constructed on a portion of the Parcel E-2 landfill to prevent oxygen intrusion and extinguish smoldering subsurface areas following an underground fire that burned for several months in 2000. The planning process for the remediation of Parcel E is still in progress. Proposed Plans and RODs for Parcels E and E-2 are expected for 2011-2012.\textsuperscript{78,79}

Parcel F

Parcel F occupies the underwater land surrounding all other portions of the Shipyard along the Bay shoreline, totaling 440 acres. Piers, boat slips, and dry dock areas are included in Parcel F, along with offshore sediment. Initial investigations of conditions at Parcel F divided the parcel into eleven subareas, and resulted in the selection of five subareas for further study. A final determination has not been made for the other areas at this time, but no further evaluation is considered to be necessary.\textsuperscript{80} The location for the proposed marina in the Hunters Point Shipyard Phase II project is within Parcel F, but it is not within one of the subareas for which further evaluation has been recommended.\textsuperscript{81}

\textsuperscript{74}Ibid., p. III.K-22.
\textsuperscript{75}Ibid.
\textsuperscript{76}Ibid., p. III.K-22-23.
\textsuperscript{77}Ibid., p. III.K-23.
\textsuperscript{80}Ibid.
\textsuperscript{81}Ibid.
Specific contaminants of concern at the five areas of further study are PCBs and metals, including copper and mercury. According to the Draft EIR, these chemicals exceeded concentrations considered safe for bottom-dwelling invertebrates directly exposed to sediment, and PCBs were shown to cause potential risk to humans who consume shellfish collected at Hunters Point Shipyard.\textsuperscript{82}

Navy remediation efforts at Parcels B and E are in part aimed at preventing the future migration of contaminants into the offshore area of Parcel F. The Navy has identified options for the remediation of Parcel F itself, including the removal and off-site disposal of contaminated materials, soil caps, ICs, and natural recovery with monitoring. For some of the five areas of further study, no remedial actions were recommended as being necessary. The Navy expects to finalize its remediation plans in 2012 or 2013.\textsuperscript{83}

e. Deconstruction

In order to execute the plans for the site, approximately 95 percent of all existing buildings need to be demolished. The Bay Area Air Quality Management District (BAAQMD), the Department of Toxic Substances Control and the California Environmental Protection Agency require abatement of the named chemicals prior to actual demolition. As stated above, the Navy is responsible for remediation of soil and groundwater that support reuse of the project site in accordance with federal law. However, this remediation does not include the abatement and demolition of existing structures, which are required to alleviate blight and revitalize the Project Area. As a result, State law requires that the Agency and the Developer are responsible for the deconstruction of existing structures.

In September 2008, the Agency applied for funding from a CALReUSE grant through the Center for Creative Land Recycling and the California Pollution Finance Authority to abate the lead-based paint and asbestos-containing materials in 34 buildings, totaling approximately 650,000 square feet. The Agency has been granted $5 million and has been approved for an additional $7.4 million to dedicate to this effort.

D. Conclusion for Remaining Adverse Conditions in the Project Area

Several adverse conditions remain in the Project Area. Six of the seven statutorily defined conditions of blight continue to be substantial and prevalent throughout the Project Area, including:

- Unsafe and Unhealthy Buildings,
- Factors Preventing Economically Viable Reuse,
- Buildings Not in Compliance,
- Substandard Infrastructure,
- Buildings Not Built to Code, and

\textsuperscript{82}Ibid., p. III.K-26.
\textsuperscript{83}Ibid.
• Materials or Facilities that Need to be Removed.

The Project Area contains a substantial number of seriously dilapidated or deteriorated buildings and structures, and many of these buildings are unsafe or unhealthy for persons to live or work. In addition, a number of buildings suffer from seismic susceptibility.

Buildings and areas in the Project Area exhibit conditions that prevent or substantially hinder their viable use or capacity, and/or that of the lots on which they are situated. These areas are of substandard, defective or obsolete design given present general plan, zoning or other development standards. Seismic hazards impede the economically viable reuse of current buildings in the Project Area. The Project Area includes many buildings that will have to be demolished. Many areas suffer from inadequate parking. Other conditions that prevent viable reuse of the Project Area include poor access and circulation, historic buildings that need rehabilitation, lead paint, asbestos, mold, and hazardous materials.

Buildings in the Project Area do not comply with community planning standards. The size, layout, and potential uses of existing buildings in the Project Area are incompatible with contemporary planning standards including the City of San Francisco General Plan and area-specific planning documents.

Public infrastructure and facilities deficiencies contribute to blight in the Project Area. Public infrastructure deficiencies identified include missing or damaged curbing and sidewalks, deteriorated streets and inadequate utilities. Sewer and stormwater systems are deficient and obsolete. Gas service is currently non-existent. Water service and other utilities are also substandard and require substantial improvement or replacement.

Buildings in the Project Area were constructed under Navy specifications, not under the local civilian building code prevailing at the time of their construction. These buildings are not likely to meet the health and safety standards required of buildings in civilian use.

The presence of materials or facilities that need to be removed remains a significant blighting factor in the Project Area, as a significant portion of the Project Area exhibits evidence of hazardous materials contamination. In particular, extensive soil and groundwater contamination impair the safe and economically viable use of the property.

Analysis of the adverse conditions present in the Project Area indicates that these conditions are so substantial and prevalent that they constitute blight under the definitions set forth in the CRL, for military base re-use.
IV. Description of Agency’s Redevelopment Program

A. Introduction

This chapter describes the Agency’s Redevelopment Program, including the Agency’s projects, activities and expenditures proposed for the implementation of the Hunters Point Shipyard Redevelopment Project. The Redevelopment Project includes the Hunters Point Shipyard Phase 1 Development Project and the portion of the Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project) that is located in the Hunters Point Shipyard Project Area. The Agency’s Redevelopment Program is designed to meet the objectives of the CRL and of the Redevelopment Plan Amendment, as well as to enable the Agency to continue to meet its redevelopment mission in San Francisco.

The presence of blighting conditions in the Project Area warrants continued redevelopment activities. The Agency is currently in the process of planning redevelopment projects and activities that will facilitate the revitalization of the Project Area. In addition to the Agency’s Redevelopment Program, other development and redevelopment activities have been and will continue to be undertaken through the CP–HPS 2 Project. All of these activities will alleviate blight in the Project Area and stimulate additional economic development, community enhancements, and affordable housing opportunities in the Bayview. The Agency cannot complete the activities in its Redevelopment Program within the existing fiscal limits for the Project Area, and therefore the Plan Amendment is necessary.

The Agency’s Redevelopment Program is based on the planning guidelines adopted by the Hunters Point Shipyard Citizens Advisory Committee (CAC) to support the development and reintegration of the Shipyard into the social, economic and physical fabric of the Bayview neighborhood and the City of San Francisco. These guidelines are described in the Hunters Point Shipyard Redevelopment Plan as originally adopted in 1997.1

1. Create jobs for economic vitality;
2. Support existing businesses and artists’ community;
3. Create appropriate mix of new businesses;
4. Balance development and environmental conservation;
5. Facilitate appropriate immediate access;
6. Integrate land uses; and
7. Acknowledge history.

Pursuant to these guidelines, the Agency’s Redevelopment Program is comprised of projects and activities that the Agency will undertake or fund that have both immediate and long-term benefits.

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1. Chapter Organization

The Agency’s Redevelopment Program is organized broadly into two categories that reflect the division of tax increment revenues into funds that can be used for any redevelopment purpose (Non-Housing Redevelopment Program) and those specifically related to the Agency’s affordable housing endeavors (Agency’s Affordable Housing Program). This chapter is organized as follows:

A. Introduction
B. Description of Agency’s Redevelopment Program
C. Agency’s Estimated Redevelopment Program Costs
D. Relationship Between the Agency’s Redevelopment Program and Alleviation of Blighting Conditions

2. Redevelopment Plan Objectives

The Hunter Point Shipyard Redevelopment Plan, as proposed to be amended, will be undertaken to achieve the purposes of the CRL and of the General Plan of the City and County of San Francisco. The 1997 Redevelopment Plan included nine objectives, established in conjunction with the CAC and members of the community at large.\(^2\) The Plan Amendment would add four additional objectives: provide public parks, open space, and other community facilities; administer lands granted by the State of California consistent with the public trust; provide the opportunity to construct a state-of-the-art sports stadium; and provide sufficient flexibility in the development of real property within the Project Area to respond readily and appropriately to market conditions.\(^3\) As required by the CRL, these objectives are intended to eliminate blighting conditions in the Project Area. Together with design guidelines and zoning regulations, these thirteen objectives will guide the direction of all future development within the Project Area. The thirteen goals and objectives are as follows:\(^4\)

- Foster employment, business, and entrepreneurial opportunities in the rehabilitation, construction, operations, and maintenance of facilities in the Project Area;
- Stimulate and attract private investments, thereby improving the City’s economic health, tax base, and employment opportunities;
- Provide for the development of economically vibrant and environmentally sound districts for mixed-use cultural, recreational, educational, arts, research, training and residential uses;
- Provide for the development of mixed-income housing;
  - With regard to this objective, the project-wide aggregate income-mix goal includes that at least 15% of the housing be affordable to persons and families of very low, low or moderate income.

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\(^3\) Draft Plan Amendment, Redevelopment Plan for the Hunters Point Shipyard Project Area, San Francisco Redevelopment Agency, May 6, 2010, Section II.B.

The term “persons and families of low or moderate income” has the same meaning as defined in Section 50093 of the California Health and Safety Code.

- Provide public parks, open space, and other community facilities;
- Administer lands granted to the Agency by the State of California consistent with the public trust for commerce, navigation and fisheries (“public trust”), and reconfigure those lands in a manner that enhances their value for public trust purposes, in accordance with Chapter 203 of the Statutes of 2009 (“Granting Act”);
- Retain, improve, and re-use historic structures as part of a program to feature the history of people, buildings, and uses at the Shipyard;
- Provide for infrastructure improvements, including streets and transportation facilities, open space and recreation areas, and utilities for water, sewer, gas and electricity;
- Remove conditions of blight in the form of buildings, site improvements, and infrastructure systems which are substandard and serve as impediments to land development;
- Encourage use of the most cost-effective, energy-efficient measures feasible;
- Retain those existing viable industries and businesses located in the Project Area at the time the Redevelopment Plan was adopted;
- Provide the opportunity to build a state-of-the-art sports facility; and
- Provide sufficient flexibility in the development of real property within the Project Area to respond readily and appropriately to market conditions.

3. Hunters Point Shipyard Development Project Descriptions

a. Project Overview

The Developer is developing the Hunters Point Shipyard Project Area with support from the Agency and the City. As described in Chapter V, the Agency will contribute tax increment generated by the Project Area to assure the economic feasibility of its Redevelopment Program and to achieve the goals and objectives of the Plan Amendment. The objectives listed above informed the specific development program for the Project Area, which will revitalize and transform the vacant and underutilized industrial and maritime areas. The Redevelopment Plan provides for the creation of:

- Significant new market-rate and affordable housing;
- Mixed and commercial uses, including retail, office, and research and development uses;
- Education, training, cultural and recreational facilities; and
- Significant parks and public open space acreage.

The development proposed for the Project Area is expected to occur in two phases, both of which will be executed by the Developer and its affiliates. The redevelopment of the Project Area is anticipated to occur over a period of 15 to 20 years depending on market conditions. The Agency’s Redevelopment Program described in this chapter will facilitate the HPS Phase 1 and HPS Phase 2 development plans undertaken by the Developer. The HPS Phase 2 development plan is part of the CP–HPS 2 Project. Specific components of the HPS Phase 1 and HPS Phase 2 development plans are summarized below.
HPS Phase 1

Currently underway, the HPS Phase 1 development is located on Parcel A and A1. The development is guided by the Phase 1 Disposition and Development Agreement (Phase 1 DDA), which was approved by the Agency Commission in December 2003 and subsequently amended in 2005, 2006, 2008, and 2009 to make necessary adjustments to the terms of the agreement and to respond to the changing economic landscape. The Fifth Amendment to the Phase 1 DDA proposes that up to 1,498 residential units be developed and obligates the Developer to construct infrastructure necessary to support the vertical development program. Of the 1,498 units proposed in the Fifth Amendment to the DDA, at least 218 are proposed to be Agency-sponsored affordable housing units, and at least 15 percent of the remaining units would be affordable. The Phase 1 DDA also features the development of approximately 10,000 square feet of commercial space and the construction of 26 acres of open space and parks. Demolition of existing structures and site grading for HPS Phase 1 are complete. Infrastructure installation for HPS Phase 1 is underway and housing construction will begin in late 2010.

HPS Phase 2

The HPS Phase 2 development program addresses Shipyard Parcels A-3 and B through G. The HPS Phase 2 development features 2,650 residential units, 125,000 square feet of neighborhood retail, 50,000 square feet dedicated to community uses, and approximately 2.5 million square feet of research and development and office space. In addition, 255,000 square feet of new and renovated space will be created for the existing Shipyard artists and related arts uses. HPS Phase 2 also includes 140 acres of new parks, 91.6 acres of new dual-use sports fields/multi-use lawn/stadium parking and waterfront recreation area; a 300-slip marina; and the opportunity for a new 69,000-seat NFL stadium for the San Francisco 49ers. The Plan Amendment provides that in the event the stadium is not built in the Project Area, up to 1,625 additional residential units (transferred from the development proposed for Candlestick Point) and additional R&D and office space (between 500,000 and 2,500,000 additional square feet, depending upon whether residential units are transferred to the Project Area) may be developed in the Project Area. Planning for HPS Phase 2 is ongoing, and the Navy is scheduled to convey approximately 100 acres of additional land to the Agency as early as June 2011.

b. Responsibility for Project Implementation and Costs

The redevelopment of the Project Area through the HPS Phase 1 and HPS Phase 2 development projects is a joint effort between the public and private sectors. As currently proposed, the Developer and its partners would provide private sector investment in the projects. The following sections describe the proposed private sector initiatives and the Agency’s responsibilities.

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5 In calculating projections of how many units are reasonably anticipated to be developed in HPS Phase 1, the tax increment projections in this Report conservatively assume that a total of 1,358 residential units will be developed.

6 Estimates are based on maximum potential buildout analyzed in the Candlestick Point–Hunters Point Shipyard Phase II Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency, (Draft EIR published November 12, 2009, p. II-9.) The tax increment projections in this Report assume the development of 2,650 residential units (EIR buildout). The non-residential development assumptions used to project tax increment are slightly more conservative than the EIR buildout. (Refer to Chapter V).

Table IV-1, below, presents the responsibilities of the Agency and the private sector for implementing the Agency’s Redevelopment Program.

Much of the development and redevelopment activities undertaken through the CP–HPS 2 Project will occur through private investment (by the Developer or other parties) or using other public (non-Agency) funding sources. Following the completion of infrastructure and site improvements (horizontal development), the Developer may convey some development parcels to other private developers or to the Agency for the development of buildings and other improvements (vertical development).

As described below, the completion of the CP–HPS 2 Project through the Agency’s Redevelopment Program and other projects and activities will help to alleviate blight in the Project Area and meet the goals and objectives of the Redevelopment Plan. As further described in Chapter V, the Agency will utilize tax increment funds to implement the affordable housing activities, described below in Section E, to increase, improve, and preserve affordable housing in the Project Area and the Bayview.

The Agency is also working with the City, its relevant agencies and the Developer to facilitate a public review and entitlement process that would accomplish the following:

- Assure adherence to a comprehensive state-mandated environmental review and a mitigation-monitoring program.
- Facilitate execution of a DDA between the Agency and the Developer for the CP–HPS 2 Project. This agreement would both allow and govern the Project’s physical construction, and establish and govern the relationships between the Agency and the Developer regarding acquisition, ownership, and assembly of the Project Area properties, as well as the financing, construction, ownership, and operation of the project improvements. In particular, the DDA will set forth the terms and conditions upon which the Agency would make tax increment available, including any limits on the amount of increment that would be made available to private developers.
- Take other appropriate and necessary steps to implement the Redevelopment Plan, as proposed to be amended.
### Table IV-1
Participation in Redevelopment Project Activities
Hunters Point Shipyard Redevelopment Plan Amendment

<table>
<thead>
<tr>
<th>Programs and Projects</th>
<th>Private</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Non-Housing Programs and Projects</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic Revitalization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Involvement of community-based job training organizations in construction-related</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>and permanent employment programs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Development of approximately 2.5 million square feet of research and development</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>and office uses.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Development of roughly 125,000 square feet of neighborhood-serving retail space.</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>• Development of new and renovated space for the existing Shipyard artists and related</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>arts uses, including the renovation of Building 101 and the possibility for artist</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>studio space in the renovated Building 813.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• In the event a non-stadium option were to move forward, consider four buildings for</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>retention.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Community Outreach</strong></td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>• Engagement with the community to develop a Community Benefits Package that will be</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>part of a Disposition and Development Agreement.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Continued work on the development of a community organization that will invest</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>Agency land sales revenue from the Shipyard.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Public Infrastructure and Facilities</strong></td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>• Development of community facilities on a 1.2 acre site in the northern portion of</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>Shipyard Parcel A on Galvez Street.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Collaborate with the Shipyard Legacy Fund and other public and community partners in</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>the planning for land dedicated for community uses in HPS Phase 2.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Construction of new utilities such as water, sewer, gas, electrical, and</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>telecommunications.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Pursue a program of authorized public improvements outlined in the Redevelopment Plan.</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td><strong>Circulation</strong></td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>• Construction of a new roadway network and pedestrian improvements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Public Open Space</strong></td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>• Development of more than 26 acres of passive and active open space, parks, and</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>playgrounds in Phase 1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Creation in Phase 2 of approximately 243 acres of new open space including waterfront</td>
<td></td>
<td>■</td>
</tr>
<tr>
<td>parks connecting to the regional Bay Trail.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. Affordable Housing Programs and Projects</strong></td>
<td></td>
<td>■</td>
</tr>
<tr>
<td><strong>Phase 1 Programs and Projects</strong></td>
<td></td>
<td>■</td>
</tr>
<tr>
<td><strong>Phase 2 Programs and Projects</strong></td>
<td></td>
<td>■</td>
</tr>
</tbody>
</table>

Source: San Francisco Redevelopment Agency.
B. Description of Agency’s Redevelopment Program

This section describes the Agency’s Redevelopment Program, including the Non-Housing Redevelopment Program and the Agency’s Affordable Housing Program.

1. Description of Agency’s Non-Housing Redevelopment Program

This section describes the Agency’s proposed Non-Housing Redevelopment Program, including the deficiencies to be corrected, project and activity descriptions, and estimated project costs. The Non-Housing Redevelopment Program is divided into five areas as described below:

- Economic revitalization
- Community outreach
- Public infrastructure and facilities
- Circulation
- Public open space

The Non-Housing Redevelopment Program meets the CRL requirement that Agency expenditures be linked to the elimination of blighting conditions. In addition, the projects and activities implement the goals and objectives contained in the Redevelopment Plan.

The Agency’s Non-Housing Redevelopment Program includes projects and activities to which the Agency will contribute tax increment revenues or will assist the Developer with planning, entitlement or other actions. In addition to the Agency’s contribution of tax increment revenues, the redevelopment of the Project Area will benefit from the investment of private capital by the Developer and other parties, as well as other sources of public and private funding.

As they are implemented, these projects may be modified over time to better serve the purposes of redevelopment. Cost estimates are necessarily preliminary in nature and subject to refinement as the Agency’s Redevelopment Program planning and implementation progresses. However, the cost estimates are adequate to provide a reasonable order of magnitude for evaluating financial feasibility and the need for tax increment financing. Table IV-2 summarizes the estimated Agency contribution towards non-housing and housing projects for the Project Area.

a. Deficiencies to Be Corrected

As described in Chapter III, the Project Area suffers from a variety of blighting conditions that need to be resolved in order for the area to attain its full economic potential. The blighting conditions, such as unsafe and unhealthy buildings, substandard infrastructure, buildings not up to code, and materials or facilities that need to be removed impede efficient and economically feasible development in the Project Area. Agency non-housing projects and activities will help to eliminate blighting conditions in the Project Area.

The continuance of the community outreach program will help the redevelopment of the Project Area to not only eliminate blighting conditions, but also to meet the Plan Amendment objectives, including retaining existing viable industries and businesses located in the Project Area. Community outreach will also help the Agency to ensure that redevelopment helps to support the existing Shipyard artists’ community while creating an appropriate mix of new businesses. In
order to alleviate the blighting condition of substandard infrastructure and meet the goals and objectives of the Redevelopment Plan, significant infrastructure must be replaced or created throughout the Project Area. The Agency’s HPS Phase 1 infrastructure projects and activities will eliminate substandard or missing infrastructure in Parcels A and A-1. HPS Phase 2 activities will address blighting conditions in the remainder of the Project Area. In particular, extensive road and pedestrian improvements will replace the substandard or missing sidewalks, deteriorated streets, and other substandard transportation infrastructure in the Project Area. Current issues of insufficient parking will be resolved through the creation of new parking facilities. Deficient utilities including gas, water, and sewer will be improved or replaced throughout the Project Area in both HPS Phase 1 and HPS Phase 2.

b. Economic Revitalization

- Involve community-based job training organizations in the development and implementation of both Project Area construction-related and permanent employment programs.
- Support development of research and development and office uses.
- Facilitate development of neighborhood-serving retail space.
- Further the presence and tradition of artists in the Project Area through the development of new and renovated space for the existing Shipyard artists and related arts uses, including the renovation of Building 101 and the possibility for artist studio space in the renovated Building 813.
- In the event a non-stadium option were to move forward, consider four buildings for retention:
  - Building 211 – a rectangular plan, monitor roof building. Set on a concrete base and clad with wood shiplap siding, the building was constructed by the Navy in 1942 for machinery and electrical tests and repairs.
  - Building 224 – reinforced concrete bomb shelter that was built in 1944.
  - Building 231 – steel framed, curtain wall industrial building that functioned as a machine and ship repair shop. The eastern half of the building was constructed in 1942, the remainder constructed between 1944 and 1945.

c. Community Outreach

- Engage with the community, through the leadership of the CAC, to develop a Community Benefits Package that will be part of a Disposition and Development Agreement between the Agency and the Developer for HPS Phase 2 development.8

d. Public Infrastructure and Facilities

- Induce development of community facilities in the northern portion of Shipyard Parcel A on Galvez Street.

• Collaborate with public and community partners in the planning for land dedicated for community uses in HPS Phase 2.\textsuperscript{9}

• Facilitate construction of new utilities, such as potable water, storm water, sanitary sewer, gas, electrical, and telecommunications systems.

• Pursue a program of authorized public improvements outlined in the Redevelopment Plan, including:\textsuperscript{10}
  
  – Public open spaces including parks, plazas, habitat restoration, sports facilities and playgrounds
  
  – Facilities in parks such as tables, waste receptacles, signage, landscaping, market stalls and maintenance facilities
  
  – Public roadways and other walkways, roadways, lanes, and connectors
  
  – Medians, curbs, bulb-outs and gutters
  
  – Sidewalks, street trees, landscaping, and street furnishings
  
  – Street, sidewalk, street lights, and park lighting
  
  – Traffic signals, control centers, street signage, and pavement striping
  
  – Parking meters
  
  – Potable water distribution and fire suppression facilities
  
  – Reclaimed water facilities and irrigation distribution
  
  – Sanitary sewer facilities and pump stations
  
  – Storm drains, storm water sewer, treatment and conveyance facilities
  
  – Natural gas, electric, telephone and telecommunication facilities
  
  – Utilities and utility relocation
  
  – MUNI light rail/bus/transit facilities, catenary wires, communication facilities, transit stops and markings, poles, eyebolts and substations as needed and related improvements
  
  – Arts facilities and community centers
  
  – Bridges, trails, and staircases
  
  – Seawall upgrades, small boat harbor, piers, railings, and other shoreline improvements
  
  – Retaining walls, remediation caps, and permanent grading
  
  – Public art installations and interpretive signage
  
  – Education and job training centers
  
  – Libraries
  
  – Improvements to existing roadways, streetscapes and utilities
  
  – Improvements to historic buildings

\textsuperscript{9} Ibid.

\textsuperscript{10} The Plan Amendment specifically authorizes the Agency to install and construct or to cause to be installed or constructed the public improvements, public facilities, and public utilities, on any parcel within or outside the Project Area, appropriate or necessary to carry out the Redevelopment Plan. Draft Plan Amendment, Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project Area, San Francisco Redevelopment Agency, May 6, 2010, Section 1.6.4 and Attachment C.
- Police and fire stations
- School facilities
- Erosion control features
- Additional temporary, interim and/or permanent facilities and improvements to the foregoing

e. Circulation

- Facilitate construction of a new roadway network and pedestrian improvements.

f. Public Open Space

- Support development of passive and active open space, parks, and playgrounds in HPS Phase 1.
- Enable creation of new open space in HPS Phase 2 including waterfront parks connecting to the regional Bay Trail.

g. Estimated Agency's Non-Housing Program Costs

The Agency’s Non-Housing Program in the Project Area is projected to cost $2 billion in nominal dollars ($440 million in constant FY 2009/10 dollars). Refer to Chapter V for further discussion regarding the projection of tax increment to be set aside for affordable housing activities. Chapter V also describes additional funding sources (public and private) that will be used to complement the Agency’s Non-Housing Program within the CP–HPS 2 Project and demonstrates that the Program will be financially feasible with the additional resources made available by the Plan Amendment.

2. Description of Agency’s Affordable Housing Program

This section describes the Agency’s Affordable Housing Program, including project and activity descriptions and estimated project costs.

Pursuant to the Agency’s policy, the Agency may establish a range of housing programs that seek to enhance project design and leverage federal, state and private funding sources to develop high quality, attractive and affordable housing developments serving a diverse population. The funds set aside for the Agency’s Affordable Housing Program will be used in a flexible manner in order to respond to favorable development opportunities.

The Agency will promote the development of a wide variety of affordable housing in the community in order to enhance the vitality of the area and provide much needed housing for the City. In particular, the Agency will encourage mixed-use development, development of new units, rehabilitation of existing rental and ownership units, infill development, mixed-income development, and a wide array of housing possibilities.

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11 “Nominal dollars” refers to the face value of tax increment revenues at the time they are generated. “Constant FY 2009/10 dollars” refers to the value of the same revenue as discounted to reflect its worth in FY 2009/10. Revenue generated in the future has less purchasing power than revenue generated this fiscal year because of inflation and the cost of borrowing.
a. CRL Housing Set Aside Requirement

The CRL was amended in 1976 and 1984 to require that not less than 20 percent of all tax increment generated from any project area be set aside in an affordable housing fund to be used to increase and improve the community’s supply of housing affordable to persons and families of very low, low and moderate income. Amendments to the CRL in 2001 specify that affordable dwelling units must remain available at affordable housing cost to, and be occupied by, persons and families of very low, low or moderate income for the longest feasible time, but not less than 55 years for rental units, and 45 years for owner-occupied units. In addition, the Agency must spend funds in the Affordable Housing Fund in at least the same proportion as the number of units needed to house moderate, low and very low-income persons and families, as determined in the City’s housing element.

b. Deficiencies to be Corrected

The City of San Francisco has a critical shortage of housing and long waiting lists for affordable housing units. Apartment vacancies in the City are typically very low, often less than two percent. The Project Area is particularly suited for housing, and is one of the last major developable areas in the City. However, physical and economic conditions such as poor infrastructure, inadequate circulation, unsafe and unhealthy buildings, and hazardous wastes preclude development without redevelopment assistance. The Agency will promote the construction of well-designed affordable and market rate housing in the Project Area in order to enhance the vitality of the area and provide much needed housing for the City.

c. Projects and Activities

As part of the Agency’s Affordable Housing Program, the Agency may undertake any or all of the following types of affordable housing projects and activities:

- **Subsidize the development of rental housing affordable to very low and low-income households.** The Agency may provide assistance to qualified developers of affordable housing through loans or grants.

- **Induce the development of inclusionary housing units through the disposition of land owned by the Agency.** Through the land disposition process, the Agency will require a percentage of housing affordable to moderate-income households to be built as a component of larger, mixed-income developments undertaken by private developers of market rate housing, including the Developer and other developers.

- **Induce site preparation and infrastructure development to support the creation of Agency-supported affordable housing and privately developed inclusionary housing units.** The Agency, through the Disposition and Development Agreement along with other agreements will require the Developer to prepare development sites for the creation of affordable housing, including environmental remediation, site grading, and installation of roads, utilities and other infrastructure.
Specific Agency affordable housing programs and activities for HPS Phase 1 and HPS Phase 2 of the Redevelopment Project are described below.

**HPS Phase 1 Affordable Housing Programs and Activities**

- The Fifth Amendment to the Phase 1 DDA proposes that up to 1,498 residential units be developed and obligates the Developer to construct infrastructure necessary to support the vertical development program. Of the 1,498 units proposed in the Fifth Amendment to the DDA, at least 218 are proposed to be Agency-sponsored affordable housing units, and at least 15 percent of the remaining units would be affordable to very low, low, and moderate-income households.\(^\text{12}\)
- Agency-supported housing units will be developed by qualified affordable housing developers on Agency Housing Parcels furnished by the Developer after completion of infrastructure and site preparation.
- Market rate housing developments in HPS Phase 1, including development by Developer affiliates, are required in aggregate to include inclusionary units comprising 15 percent of total units developed in HPS Phase 1.
- Additionally, the Agency will have the right to purchase up to an additional 15 percent of the total units produced in HPS Phase 1 for use as affordable housing.

**HPS Phase 2 Affordable Housing Programs and Activities**

- Approximately 221 units of Agency-assisted rental housing affordable to households of very low and low income will be developed by qualified affordable housing developers in the HPS Phase 2 portion of the Project Area.
- Inclusionary housing units will be developed along with market rate housing and may include rental or homeownership units. Each market rate housing development in the Project Area will include 5 to 20 percent of its total units that will be affordable to households of moderate income. Over the life of the Redevelopment Project, 234 moderate-income inclusionary units will be developed within mixed-income housing developments in HPS Phase 2.
- A home buying assistance program will be administered in District 10, including a Community First Housing Fund.\(^\text{13}\)

**Estimated Agency’s Affordable Housing Program Costs**

The Agency 20 percent set-aside for the Agency’s Affordable Housing Program is projected to be $700 million in nominal dollars ($150 million in constant FY 2009/10 dollars). Refer to Chapter V for further discussion regarding the projection of tax increment to be set aside for affordable housing activities.

**C. Agency’s Estimated Redevelopment Program Costs**

The Agency’s costs of implementing its Redevelopment Program across HPS Phases 1 and 2 is $2.1 billion in nominal dollars ($440 million in constant FY 2009/10 dollars) for the Agency’s

\(^{12}\) In calculating projections of how many units are reasonably anticipated to be developed in HPS Phase 1, the tax increment projections in this Report conservatively assume that a total of 1,358 residential units will be developed.

\(^{13}\) District 10 includes Potrero Hills, Bayview Hunters Point, Visitacion Valley, Silver Terrace, Dogpatch, Little Hollywood and the Portola neighborhoods of San Francisco.
Non-Housing Redevelopment Program and $700 million in nominal dollars ($150 million in constant FY 2009/10 dollars) for the Agency’s Affordable Housing Program. These costs are summarized below in Table IV-2 in constant FY 2009/10 dollars.

Table IV-2
Summary of Agency’s Contribution to Redevelopment Program Costs
In Constant FY 2009/10 Dollars
Hunters Point Shipyard Redevelopment Project Area
San Francisco Redevelopment Agency

<table>
<thead>
<tr>
<th>Redevelopment Program</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON-HOUSING PROGRAM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Revitalization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Outreach</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Infrastructure and Facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Circulation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Open Space</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Non-Housing</td>
<td>$90,000,000</td>
<td>$350,000,000</td>
<td>$440,000,000</td>
</tr>
<tr>
<td>Subtotal Housing</td>
<td>$30,000,000</td>
<td>$120,000,000</td>
<td>$150,000,000</td>
</tr>
<tr>
<td>TOTAL HOUSING AND NON-HOUSING</td>
<td>$120,000,000</td>
<td>$470,000,000</td>
<td>$590,000,000</td>
</tr>
</tbody>
</table>

Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.

D. Relationship Between the Agency’s Redevelopment Program and Alleviation of Blighting Conditions

The Agency’s Redevelopment Program aims to alleviate the blighting conditions that continue to interfere with revitalization of the Project Area by improving economic conditions, stimulating private development and meeting the Agency’s affordable housing obligations. As discussed in Section B of this chapter, the Agency’s Redevelopment Program has been designed to meet the CRL requirement that Agency expenditures be linked to the elimination of blighting conditions. As documented in Chapter III, the Project Area suffers from a variety of physical and economic blighting conditions that must be alleviated if the area is to be revitalized. The Project Area will benefit from a coherent revitalization and economic development strategy that is coordinated with the City’s overall goals for the area and the planning guidelines adopted by the CAC.

The Agency’s Redevelopment Program will alleviate the blighting conditions identified in Chapter III. Table IV-3 provides a matrix summarizing the relationship between the blighting conditions described in Chapter III and the Agency activities proposed in the Project Area to alleviate these conditions. In Section B, the descriptions of the Agency’s Redevelopment Program components include a summary of the deficiencies to be corrected. The Agency’s affordable housing activities, also described in Section B, directly alleviate blighting conditions by creating affordable housing and contribute to overall revitalization and improvement of the Project Area.

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14 The Agency’s Non-Housing Redevelopment Program costs of $440 million (constant FY 2009/10 dollars) are the available funds remaining after the deduction of pass-through payments to taxing entities, Agency administration costs, and the Agency’s Affordable Housing Program.
## Table IV-3
How the Redevelopment Program Will Alleviate Blighting Conditions
Hunters Point Shipyard Redevelopment Plan Amendment

<table>
<thead>
<tr>
<th>Adverse Conditions</th>
<th>Non-Housing Program</th>
<th>Housing Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Economic Revitalization</td>
<td>Community Outreach</td>
</tr>
<tr>
<td>Unsafe or Unhealthy Buildings</td>
<td>■</td>
<td></td>
</tr>
<tr>
<td>Factors Inhibiting Economically Viable Reuse</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Buildings Not in Compliance</td>
<td>■</td>
<td></td>
</tr>
<tr>
<td>Substandard Infrastructure</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Buildings Not up to Code</td>
<td>■</td>
<td></td>
</tr>
<tr>
<td>Materials or Facilities that Need to Be Removed</td>
<td>■</td>
<td>■</td>
</tr>
</tbody>
</table>

Source: San Francisco Redevelopment Agency
V. Proposed Methods of Financing and Feasibility

A. Introduction

This chapter describes the proposed financing of the Agency’s Redevelopment Program for the Project Area. It estimates total funding requirements, identifies potential resources and methods of financing available to the Agency, projects tax increment and other revenues, and assesses the general financial feasibility of the Agency’s Redevelopment Program.

This chapter explains the necessity for the Agency to use tax increment financing and why the Plan Amendment to increase the limits on tax increment collection and outstanding bonded indebtedness is necessary to accomplish and complete the goals set forth in the Redevelopment Plan and alleviate the blight in the Project Area. While the Agency will continue to pursue all other potential funding sources, those sources alone will not be sufficient to fund the activities needed to alleviate the blighting conditions in the Project Area.

As described in Chapter IV, the Agency plans to undertake a comprehensive planning and development approach to fully address the blight in the Project Area. The Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project) was not envisioned when the Project Area was adopted in 1997. The amount of new development that will be stimulated in the Shipyard from the CP–HPS 2 Project is significantly greater than what was originally anticipated. As a result, the Agency’s Redevelopment Program is more intensive and costly, and thus, the tax increment and bond financing necessary to support the redevelopment projects and activities is greater than anticipated in 1997.

The existing limits on tax increment collection and outstanding bonded indebtedness are proposed to be increased under the Plan Amendment so that the Agency may capitalize on the expected future income stream and invest in key projects that will enable the CP–HPS 2 Project to be financially feasible. Tax increment financing and the bond proceeds made possible by tax increment revenue remain the primary sources of financing for implementing the Redevelopment Program in the Project Area.

As described in Section B below, tax increment revenues will be a key component of the financing plan for the CP–HPS 2 Project. In addition, several other public and private funding sources have been and will be crucial to the revitalization of the Project Area, including funds from the US Navy to cleanup hazardous materials, and private capital and community benefits provided by the Developer.

1. Chapter Organization

This chapter is organized as follows:

A. Introduction
B. Potential Funding Sources

1 The Hunters Point Shipyard Phase I development project was analyzed in the San Francisco Planning Department and San Francisco Redevelopment Agency, Addendum No.1 to the Hunters Point Shipyard Reuse Plan Final EIR (Case No. 2003.0241E), December 2, 2003.
C. Tax Increment Financing as a Primary Source of Funding
D. Assumptions Used in Project Area Tax Increment Projections
E. Summary of Tax Increment Projections
F. Amended Tax Increment Collection and Outstanding Bonded Indebtedness Limits
G. Financial Feasibility of the Agency’s Redevelopment Program

As required by the Community Redevelopment Law (CRL), this Report demonstrates that the elimination of blight cannot be achieved without the use of tax increment financing. The Agency has concluded that tax increment generated by the Project Area is needed to fund its Redevelopment Program for the Project Area. Due to the intensification of the Agency’s Redevelopment Program, an increase in the fiscal limits of tax increment collection and outstanding bonded indebtedness is necessary.

2. Stimulation of Private Investment

A major goal of the Agency’s Redevelopment Program is to stimulate private investment in the Project Area. Public investment in the form of tax increment financing will be used to leverage private investment through the CP–HPS 2 Project.

Private investment is anticipated to include new construction and the rehabilitation of commercial, industrial and residential buildings within the Project Area. Over time, such investment could be significant. However, private investment in the Project Area will depend upon the improvement of public facilities and infrastructure, the elimination of blighting conditions, and the establishment of a positive climate for private participation. Given the extent of blighting conditions and the need for improved public facilities and infrastructure, effective implementation of the Agency’s Redevelopment Program provides the most reasonable opportunity for stimulating private investment in the area.

3. Creating Public Benefits

The Agency’s Redevelopment Program will also deliver several public benefits to the Project Area. It will create a substantial amount of new public open space and parks, new and improved community and public facilities, and developer-implemented home buying assistance programs. The Agency’s Redevelopment Program will foster economic development in the Project Area, particularly focusing on workforce training programs and the creation of jobs for area residents. The Agency’s Redevelopment Program itself will foster job creation through public and private investment in infrastructure upgrades and new construction. Additionally, increased economic activity will likely be a catalyst for permanent new jobs in the area. Lastly, it will increase the supply of affordable housing in the Project Area.

Under the Community Benefits Agreement for the CP–HPS 2 Project between the Developer and the Agency, the Developer will offer a series of tangible benefits to the community, including a contribution of $70,000 per unit for each unit of Agency affordable housing, $28.6 million in additional funds to the Community First Housing Fund to assist qualifying residents in the

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2 Refer to Chapter XV of this Report for analysis of the inadequacy of private enterprise or governmental action, or both taking action together, to reverse or alleviate blighting conditions without the Plan Amendment.
purchase of housing units in Assembly District 10, $8.9 million for workforce development programs, and $3.5 million for a Scholarship Fund.³

4. Estimated Agency Funding Requirements for the Redevelopment Program

The continued implementation of the Agency’s Redevelopment Program, and the intensified projects and activities necessary for the CP–HPS 2 Project will require substantial funding. Chapter IV describes the Agency’s Redevelopment Program and summarizes the costs needed for the completion of HPS Phases 1 and 2 of the overall development of the Project Area. The estimated net cost of the Redevelopment Program to the Agency, as described in Chapter IV and shown in Table IV-3, totals approximately $590 million in constant FY 2009/10 dollars.

In order to accomplish the goals and objectives of the Redevelopment Plan, it will be necessary to utilize tax increment financing to supplement other sources of public funding, such as Mello-Roos Community Facilities Districts (CFDs) and private investment. Tax increment financing, in combination with the other primary sources of funding described below, will continue to be the most reliable source of long term redevelopment funding available to the Agency and is a crucial source of financing to meet the substantial costs of its Redevelopment Program.

B. Potential Funding Sources

The proposed Plan Amendment authorizes the Agency to finance its Redevelopment Program using all available funding sources, including local, state and federal sources. The Agency will make every effort to obtain alternative funding sources as a means to accelerate its Redevelopment Program. However, tax increment financing is the most reliable source of long term funding available to the Agency. It is the only source available to the Agency to generate substantial revenue to meet the projected funding needs of the Agency’s Redevelopment Program for the Project Area.

This section describes other funding sources that will be necessary to complete the revitalization of the Project Area. It also outlines a wide range of alternative funding sources that might be available to assist in financing the Agency’s Redevelopment Program. It summarizes each potential source and evaluates the likelihood that the source could generate revenues for use in the Project Area. Some sources described below may generate more funds than estimated, while others may generate less. On balance, the estimates of alternative revenues provide an initial assessment of funding availability to determine the need for tax increment revenue to fill the funding gap in the Agency’s Redevelopment Program costs.

The sources of funding that are most likely to be available to provide funding for the Agency’s Redevelopment Program include tax increment financing, CFDs, Developer participation, and Navy cleanup funds. Secondary funding sources are less likely to be available, and primarily consist of Federal and State programs. Complementary sources would not provide direct funding for the Agency’s Redevelopment Program. However, the funding sources could be used for

³ Candlestick Point and Phase 2 of the Hunters Point Shipyard Community Benefits Plan (January 13, 2010 Draft), as presented to a joint session of PAC and CAC in January 2010.
economic development, business support and expansion, neighborhood improvements, and community enhancement, which would enhance the effectiveness of the Agency’s Redevelopment Program.

Table V-1 summarizes the major potential funding sources other than tax increment that could be available to assist in financing the Agency’s Redevelopment Program. Appendix C includes the full list of funding sources that might be available to assist in financing the Agency’s Redevelopment Program. It includes each potential source, the responsible entity, a summary of the source, and the amount available if known. Within Appendix C, Table C-1 groups funding sources by primary, primary interim, secondary, and complementary sources of funding as further described below. Funding sources considered to be unavailable or unlikely are also listed in Appendix C, Table C-1.

### Table V-1
Other Agency and Non-Agency Financial Resources
Hunters Point Shipyard Redevelopment Project Area

<table>
<thead>
<tr>
<th>Primary Funding Sources</th>
<th>Estimated Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP–HPS 2 Project Mello-Roos Community Facilities Districts</td>
<td>$600,000,000</td>
</tr>
<tr>
<td>CP–HPS 2 Project Developer Participation</td>
<td>$700,000,000</td>
</tr>
<tr>
<td>Navy Cleanup Funds</td>
<td>$714,200,000</td>
</tr>
<tr>
<td><strong>Total Primary Funding Sources Other than Tax Increment</strong></td>
<td><strong>$2,014,200,000</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Secondary Funding Sources</th>
<th>Estimated Amount</th>
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</thead>
<tbody>
<tr>
<td>SAFETEA-LU Reauthorization High Priority Appropriations</td>
<td>$75,000,000</td>
</tr>
<tr>
<td>Annual Federal Appropriations</td>
<td>$475,000</td>
</tr>
<tr>
<td>TEA 21 Grant</td>
<td>$8,800,000</td>
</tr>
<tr>
<td>EDA Economic Development Assistance Programs</td>
<td>$8,400,000</td>
</tr>
<tr>
<td>EPA Appropriations</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Department of Defense OEA Appropriations</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>CALReUSE Brownfield Remediation Program</td>
<td>$12,440,000</td>
</tr>
<tr>
<td>San Francisco Capital Improvement Fund</td>
<td>$1,080,000</td>
</tr>
<tr>
<td>MTC State/Regional Transportation Improvement Program</td>
<td>TBD</td>
</tr>
<tr>
<td>MTC Transportation for Livable Communities</td>
<td>TBD</td>
</tr>
<tr>
<td>CTCAC Low Income Housing Tax Credits</td>
<td>TBD</td>
</tr>
<tr>
<td>DPW/MTC Fuel Tax</td>
<td>TBD</td>
</tr>
<tr>
<td><strong>Total Secondary Funding Sources</strong></td>
<td><strong>$112,195,000</strong></td>
</tr>
</tbody>
</table>

a. Candlestick Point and Hunters Point Shipyard Phase 2 Revitalization Project, Plan for Financing and Transaction Structure, October 2008. These funds are for both Candlestick Point and Hunters Point Shipyard.

b. Under a grant application by the Agency $5 million has been awarded and $7.4 million has been preliminarily approved.

Source: San Francisco Redevelopment Agency and the Office of Economic and Workforce Development.

1. **Primary Funding Sources**

The sources of funding that are expected to generate substantial revenues to fund the Agency’s Redevelopment Program are Navy funds, tax increment, CFDs, and Developer participation. These sources are expected to provide the backbone of funding in the Project Area, including the completion of the CP–HPS 2 Project. Other funding sources, such as those detailed below in Sections B.2 and B.3, will support redevelopment efforts, but the tax increment made available by
the Plan Amendment, the revenue generated by the CFDs, and Developer participation will be necessary to finance the Agency’s Redevelopment Program.

a. **Tax Increment**

Tax increment (TI) revenue generated by the increase in property values within the Project Area will continue to be a primary funding source available to support the Agency’s Redevelopment Program. Section C, below, details the Agency’s projection of tax increment resources that will be available to finance its Redevelopment Program.

b. **Navy Cleanup Funds**

Under the Federal Facilities Agreement governing environmental cleanup of the Shipyard, the Navy bears primary responsibility for funding and implementing hazardous materials remediation and other cleanup actions. Between FY 1990/91 and FY 2009/10, the Navy allocated $714.2 million for clean-up operations at the Hunters Point Shipyard.

c. **Mello-Roos Community Facilities Districts (CFDs)**

The most common method for imposing special taxes in California is through a special tax levied pursuant to the Mello-Roos Community Facilities Act of 1982 (the Mello-Roos Act), which authorizes certain public entities to form a CFD to finance capital improvement projects and pay for certain services. A CFD can be formed separately or in conjunction with the establishment of a redevelopment project to undertake new public projects to joint benefit. In addition to financing site-specific improvements, a CFD may finance improvements that provide a general, area-wide benefit. Mello-Roos parcel taxes are levied on real property and collected on the county property tax bills. The special taxes are calculated pursuant to a formula that is established during the formation proceedings and is effectively part of the voter approval. Mello-Roos taxes are commonly based on the size of property or the improvements on the property.

The City or Agency can issue Mello-Roos bonds to finance public infrastructure that are secured by the special taxes on privately owned land and improvements. Several project areas in San Francisco have employed CFDs as funding sources for redevelopment activities, including the Mission Bay North and South Redevelopment Project Areas. Revenues generated through the formation of a CFD are expected to provide significant funding for the redevelopment of the Project Area and will be key to the timely implementation of infrastructure improvements necessary for further development.

d. **Developer Participation**

Developer participation has been used to help fund redevelopment activities in many communities. For example, funds may be advanced to a city or agency in the form of a negotiated fee or grant, or a loan for public improvements that is repaid during the course of project implementation from tax increment revenues. Some agencies have development agreements with developers, by which developers contribute funding for specific improvements, such as infrastructure and street improvements. Developer participation is expected to contribute a significant amount to the redevelopment of the Shipyard, as the Agency is currently in negotiations with the Developer for a DDA for the CP–HPS 2 master planned project spanning Candlestick Point and Hunters Point Shipyard. It will take several years before the Project Area
will generate sufficient tax increment to pay for redevelopment activities. For these activities to occur more rapidly, private capital will be used to pay for activities at the outset.

2. Secondary Funding Sources

While less significant or less likely to be available than primary or primary interim funding sources, secondary sources, such as federal, state and other local funds have helped, and are anticipated to help the Agency in meeting its redevelopment goals and objectives. This section describes the secondary funding sources the Agency has used and/or anticipates using to help support its Redevelopment Program.

However, the level of funding provided by these funding sources has not been, and will not be, sufficient to fully fund the cost of redevelopment activities. Also, many grant programs offer one-time funding allocations, and are not a reliable source of funding for future years. Furthermore, in an effort to close the State’s budget deficit of over $20 billion, some programs offered by the State have been scaled back or temporarily terminated. For these reasons, secondary funding sources are not sufficient to alleviate the blight identified in Chapter III. Tax increment is therefore necessary to complete the Agency’s Redevelopment Program presented in Chapter IV. Please see Appendix C for complete descriptions of all secondary funding sources that the Agency plans to use to implement its Redevelopment Program.

a. Safe, Accountable, Flexible, and Efficient Transportation Equality Act: A Legacy for Users (SAFETEA-LU) Reauthorization High Priority Appropriations and Competitive Funds

The federal SAFETEA-LU program addresses significant transportation challenges in the areas of safety, security, congestion, intermodal connectivity and timely project delivery. A considerable number of safety, finance, highway, environmental, public transportation, and planning and research programs are funded under SAFETEA-LU. The SAFETEA-LU authorization has been extended for several months while reauthorization legislation is pending. The San Francisco Department of Public Works and the San Francisco Municipal Transportation Agency have requested direct appropriations for transportation-related components of the Agency’s Redevelopment Program as part of the SAFETEA-LU reauthorization process. Funding requests totaling $75 million have been made through the offices of Senators Feinstein and Boxer and House Speaker Pelosi. If awarded direct appropriations, projects would not have to compete with other transportation projects throughout the State for SAFETEA-LU funds.

b. Annual Federal Appropriations

In FY 2008/09, the Candlestick Point–Hunters Point Shipyard Phase 2 Development Project received a direct federal appropriation of $475,000. These funds are targeted to transportation improvements along Harney Way, and were sponsored by Senator Boxer and included in the 2009 Omnibus Appropriations bill. The Agency anticipates that future allocations of federal appropriations will be requested.

c. Transportation Equity Act for the 21st Century (TEA 21) Grant

In 2000, the City received a grant of $8,795,355 under the TEA 21, the predecessor to the SAFETEA-LU program. This grant was awarded for the Bayview Transportation Improvements Project (BTIP). To date, approximately $1 million have been spent. Since the BTIP project is
ongoing and portions of the transportation-related components of the Bayview Hunters Point and Hunters Point Shipyard Redevelopment Programs include and build upon BTIP, this funding source is contributing to the Agency’s Redevelopment Programs.

d. **US Department of Commerce Economic Development Administration (EDA) Economic Development Assistance Programs (EDAP)**

Pursuant to the Public Works and Economic Development Act of 1965, as amended, the EDA administers grants under the Public Works, Planning, Local Technical Assistance, and Economic Adjustment Assistance Programs that will promote comprehensive, entrepreneurial and innovation-based economic development efforts to enhance the competitiveness of regions, resulting in increased private investment and higher-skill, higher-wage jobs in regions experiencing substantial and persistent economic distress.

Hunters Point Shipyard has received five grants from the US Department of Commerce Economic Development Administration through direct federal earmarks. The most recent two grants total $8.4 million and have yet to be spent. These grants will be used to plan and develop the Arts and Technology District within the Project Area. The most recent plans call for these grants to fund the rehabilitation of Building 813 and advance construction drawings for new artist space. Funds must be spent within five years.

e. **US Environmental Protection Agency (EPA) Appropriations**

The City has requested $1 million from the EPA, Forest Service/State and Private Forestry Division, to fund street trees within Phase I of the Hunters Point Shipyard Redevelopment Project. This appropriations request is pending.

The City has requested $5 million from the Office of Economic Adjustment (OEA) for activities related to the Navy cleanup of the Hunters Point Shipyard and the early conveyance of the property. This appropriations request is pending.

f. **California Recycle Underutilized Sites (CALReUSE) Brownfield Remediation Program**

The CALReUSE Brownfield Remediation Program was created by Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006. The California Pollution Control Financing Authority determines funding awards and amounts, and the Center for Creative Land Recycling (CCLR) administers the program. CALReUSE offers grants and loans for brownfield cleanup that produces residential and mixed-use development in California’s infill areas. It assists community brownfield developers with financing the assessment and cleanup of properties that would have been passed over without the assistance. Eligible applicants for these funds include any public or private sector developer, including cities, counties, and redevelopment agencies. The Agency submitted an application for $12.44 million in reimbursable grant funding in October 2008. Of this amount, $5 million has been awarded. The Agency received preliminary approval for an additional $7.4 million, but final authorization is still pending due to state government budgetary issues.

The CALReUSE grant will help pay for the removal of lead, asbestos, polychlorinated biphenyls (PCBs) and mercury on and/or within buildings on Parcels B, C, D-1, D-2, UC-1 and G of the Project Area (as described in Chapter III, Section C.2.e). This cleanup is required before
buildings on these parcels can be demolished and development can proceed. This cleanup is beyond the scope of the Navy’s responsibility for environmental remediation under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, or “Superfund”).

The CALReUSE funds would be used for a pre-abatement survey and abatement plan; safe contaminant removal meeting California Division of Occupational Safety and Health (Cal/OSHA) and Bay Area Air Quality Management District (BAAQMD) requirements; and, certification in preparation for demolition. In addition, the funds will support design and implementation of a stormwater pollution prevention plan to prevent silt- and/or chemical-laden stormwater from migrating off of the site(s) during the abatement process; oversight of the entire process by a construction manager; and, monitoring of perimeter dust concentrations to ensure constant compliance with the San Francisco Department of Public Health guidelines.

g. San Francisco Capital Improvement Fund

The City has allocated $1,080,000 from its existing capital improvement fund for activities to improve transportation and access to the Hunters Point Shipyard and Candlestick Point.

h. MTC Transportation for Livable Communities (TLC)

The MTC’s TLC Program supports community-based transportation projects that help to revitalize downtown areas, commercial cores, neighborhoods and transit corridors. The TLC Program offers three kinds of financial assistance: Planning Grants, Capital Grants and the Housing Incentive Program grants. Planning Projects must be intended to assist in solving economic development problems, respond to economic development opportunities, and expand organizational capacity for economic development. Capital Grants directly support construction and help turn plans into reality, such as streetscape improvements, transit villages and pedestrian plazas. Funding for Capital Grants comes from SAFETEA-LU funds.

The Agency expects to request funding in the future, and tax increment funds will provide important local matching funds to enhance the City’s competitive position in obtaining these funds.

i. Department of the Treasury New Market Tax Credits (NMTC)

The NMTC program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). A substantial amount of the qualified equity investment must be used by the CDE to provide investments in low-income communities. Qualified CDEs apply to the Community Development Financial Institutions (CDFI) Fund for an award of NMTCs. The CDE seeks taxpayers to make qualifying equity investments in the CDE.

A CDE that receives a NMTC award is required to use the qualifying equity investments to make Qualified Low-Income Community Investments in Qualified Active Low-Income Businesses (QALIBs) located in low-income communities. The taxpayers are eligible to claim a tax credit equal to 5 percent of its equity investment in the CDE for each of the first three years and a 6 percent credit for each of the following four years (39 percent in total). The Developer may pursue NMTC investments to provide funding for the CP–HPS 2 Project.
j. **California Tax Credit Allocation Committee (CTCAC) Low Income Housing Tax Credit (LIHTC)**

The LIHTC Program allows investors to contribute equity to affordable housing projects in exchange for tax relief. The CTCAC administers two types of federal tax credits: a competitive program that allows developers to “sell” up to 9 percent of eligible costs for new construction and rehabilitation in tax credits, and a non-competitive program funding 4 percent of eligible project costs through tax credits to investors. Affordable units in projects receiving federal tax credits in California must remain affordable to households at or below 60 percent of area median income (AMI) for 55 years and rent in these units is restricted to 30 percent or less of total household income. Additionally, the State of California has its own tax credit program for funding of projects that currently receive or have previously received federal tax credits. LIHTC will be a source of funding for affordable housing in the Project Area.

k. **Department of Public Works/MTC Fuel Tax**

The State imposes a tax on gasoline, aircraft jet fuel and diesel fuel sales. An interstate user tax and use fuel tax is also collected by the State. Approximately one-third of the fuel tax revenues are distributed to local jurisdictions on a formula based on population and other factors. These revenues may be used for street maintenance, construction activities and circulation improvements throughout the city. The City’s revenue estimates for FY 2009/10 includes approximately $17.5 million in gas tax revenues, which are distributed between the Department of Public Works (DPW) and the San Francisco County Transportation Authority (SFCTA) programs. As available, gas tax funds from the State may be used in the Project Area for transportation improvements and public transit facilities.

3. **Complementary Funding Sources**

While not providing direct funding to the Agency’s Redevelopment Program, complementary sources will continue to provide funding for economic development, business support and expansion, neighborhood improvements, and community enhancement. Please see Appendix C for complete descriptions of all complementary funding sources that the Agency plans to use to implement the Redevelopment Program.

4. **Funding Sources Considered to be Unavailable or Unlikely**

As permitted by law, the Agency can utilize local, state, and federal government funds, and also funds from private sector sources. A significant number of other sources were evaluated by the Agency for their potential use to fund redevelopment activities in the Project Area. Based on the Agency’s past experience, none of these sources provided substantial additional financial resources that the Agency could utilize to alleviate blight, and many are loans that would have to be repaid from tax increment. In addition, other sources have been found to be clearly infeasible or to have little potential of generating measurable revenues. Appendix C includes a list and description of each of these funding sources.

C. **Tax Increment Financing as a Primary Source of Funding**

Based on the list of other potential funding sources reviewed and described in Section B and Appendix C, it is clear that tax increment revenue generated by the increase in property values
within the Project Area will continue to be a primary source of financing for the Agency’s Redevelopment Program. If the Plan Amendment is adopted, the tax increment revenues generated over the tax increment collection period are projected to be sufficient to meet the Agency’s Redevelopment Program costs for Phases 1 and 2 of the overall redevelopment of the Project Area.

The Agency prepares an annual budget and long-term budget projection each year to evaluate the projected amount of funds available from tax increment and other revenue sources in the near and long-term. The Agency will not commit more funds on an annual basis than is anticipated to be available to fund the Agency’s Redevelopment Program over its life.

The remainder of this section provides basic information about the use, collection and distribution of tax increment revenue in the Project Area.

1. **Using Tax Increment Revenue to Eliminate Blighting Conditions**

The primary purpose of redevelopment is the elimination of adverse physical and economic conditions affecting a project area. The completion of a redevelopment program results in a project area that is physically enhanced and economically stronger due to the elimination of blight.

As described in Chapter III, the remaining blighting conditions in the Project Area continue to present a significant burden on the community that cannot be eliminated under the existing tax increment collection and bonded indebtedness limits for the Project Area. Therefore, the Plan Amendment would increase these fiscal limits to allow the Agency to complete its Redevelopment Program summarized in Chapter IV. The Agency’s Redevelopment Program is specifically designed to stimulate private investment and alleviate the physical and economic adverse conditions in the Project Area.

2. **The Base Year and Base Year Assessed Value**

The base year and base year assessed value of a project area are established at the time of redevelopment plan adoption or amendment. The base year assessed value includes the total value of taxable property within a project area’s boundaries. The tax roll used is called the “base year assessment roll,” or more commonly known as the “frozen base.” The establishment of a frozen base provides for a segregation of assessed values between existing values and enhanced values deriving from future redevelopment efforts in a project area.

Table V-2 below lists the base year and base assessed value that was established for the Project Area when the area was adopted. The Plan Amendment will not change the base year or base assessed value for the Project Area.

3. **Project Time and Fiscal Limits**

The CRL imposes specific time and fiscal limits, as follows:

- **Time Limit to Receive Tax Increment and Repay Debt**
  The Agency can collect tax increment for 45 years from the date that the County Auditor certifies as the final day of the fiscal year when the Agency first received $100,000 or more in tax increment revenues, pursuant to CRL Section 33492.9 (County Auditor certification
The Agency is projected to receive more than $100,000 in tax increment in FY 2011/12. Therefore, June 30, 2012 would be the County Auditor certification date, and tax increment collection would continue through FY 2056/57. The Agency can collect tax increment for 45 years to repay debt. Thus, the Agency has 25 years to repay bonds issued in year 20, the last year for issuance of debt. The Agency can continue to repay debt for 15 years after it has completed all project activities.

**Time Limit to Incur Debt**
The Agency’s ability to incur debt for the Project Area is limited to 20 years from the County Auditor certification date.

**Time Limit to Carry Out Projects**
The Agency must complete all project activities within 30 years from the County Auditor certification date. This is also referred to as the limit for “plan effectiveness.”

**Fiscal Limit on Amount of Tax Increment Collection**
The Redevelopment Plan must establish a limit on the amount of tax increment revenue collected by the Agency (also known as the “tax increment cap”) over the life of the Redevelopment Plan.

**Fiscal Limit on Amount of Outstanding Bonded Indebtedness**
The Redevelopment Plan must include a limit on the total amount of outstanding bonded indebtedness (also known as the “bond limit”) secured by tax increment revenue.

Table V-2 presents the current limits and the proposed changes to the limits under the Plan Amendment. The Agency will increase the current fiscal limits on tax increment collection and the amount of bonded indebtedness in order to provide the financing necessary to implement its Redevelopment Program. Refer to Appendix E for the bond calculations for the Project Area.
Table V-2

Background Information and Time and Fiscal Limits
Hunters Point Shipyard Redevelopment Project Area

<table>
<thead>
<tr>
<th>Background Information</th>
<th>Current</th>
<th>Under the Plan Amendment</th>
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<tbody>
<tr>
<td>Acres</td>
<td>1,117</td>
<td></td>
</tr>
<tr>
<td>Date of Adoption</td>
<td>7/14/1997</td>
<td></td>
</tr>
<tr>
<td>Ordinance No.</td>
<td>285-97</td>
<td></td>
</tr>
<tr>
<td>Base Year (FY 1997/98) Assessed Value&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$5,259,490</td>
<td></td>
</tr>
<tr>
<td>County Auditor Certification Date&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Last day of first fiscal year in which Agency collects $100,000</td>
<td></td>
</tr>
<tr>
<td>Pass-Through Payments&lt;sup&gt;c&lt;/sup&gt;</td>
<td>Calculated from County Auditor certification date rather than first year that the agency receives tax increment revenue&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time Limits</th>
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<tbody>
<tr>
<td>Eminent Domain</td>
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<tr>
<td>Incurring Debt</td>
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<tr>
<td>Plan Effectiveness (Project Activities)</td>
</tr>
<tr>
<td>Tax Increment Collection</td>
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<table>
<thead>
<tr>
<th>Fiscal Limits</th>
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</thead>
<tbody>
<tr>
<td>Tax Increment Cap</td>
</tr>
<tr>
<td>Bond Limit</td>
</tr>
</tbody>
</table>

<sup>a</sup> According to Report of the County Fiscal Officer on Assessed Values and Tax Revenues from the Office of the Controller, March 17, 1997.

<sup>b</sup> Per CRL Sections 33492.9. The first year when tax increment collection is projected to exceed $100,000 is FY 2011/12. Thus, County Auditor certification date is expected to be June 30, 2012.

<sup>c</sup> Per CRL 33492.15. Tier One payments anticipated to begin in FY 2012/13, Tier Two pass-through payments in FY 2022/23, and Tier Three pass-through payments in FY 2042/43.

Source: San Francisco Redevelopment Agency.

4. Distribution of Property Taxes During Project Implementation

With the Plan Amendment, the taxing entities will receive a portion of the property tax revenues generated from the increase in assessed value over the base assessed value, in the form of a statutory pass-through payment, established for new or added project areas since 1994. Over the Redevelopment Plan’s tax increment collection period, pass-through payments to taxing entities are estimated to be $730 million in nominal dollars. (Refer to Section D.4 for further explanation of statutory pass-through payments. Refer to Table V-4 and Appendix Table D-1c for estimates of pass-through payments.) Statutory pass-through payments begin in the fiscal year after the County Auditor certification date.

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<sup>4</sup> Pass-through payments constitute the State Legislature’s determination of the payments necessary to alleviate any financial burden of a redevelopment program to affected taxing entities. The CRL Section provides that statutory pass-through payments are the only payments that are required to be made by an agency to affected taxing entities during the term of a redevelopment plan. (Refer to Section D.4.)
Increased property tax revenues above the base year assessed value and after payment of obligations are allocated to the Agency to be used to fund the costs of implementing its Redevelopment Program. The Agency may pay for the project on an ongoing (pay as you go) basis, or it may borrow funds (issue bonds) to be repaid by future tax increment revenues.

5. **Distribution of Property Taxes After Project Completion**

When a redevelopment project is completed and loans or other indebtedness have been repaid, all property taxes flow back to the respective taxing entities. Taxing entities benefit from increases in property tax revenues resulting from revitalized and redeveloped project areas. In most redevelopment project areas, the investment of public redevelopment funds to leverage private investment has resulted in substantial increases in property values over time due to rehabilitation, new construction and property appreciation. In many communities, such increases are substantial. In fact, following project completion, taxing entities can recoup revenues sufficient to make up for the property tax revenues that were allocated for redevelopment during the redevelopment implementation period. This recovery would occur because the increases in assessed valuation from revitalization of the project areas are greater as a result of redevelopment than the assessed valuation increases that would have occurred without redevelopment. Thus, payments to the affected taxing entities from a completed redevelopment project area can exceed the property taxes that the taxing entities would reasonably expect to receive from a slower-growing assessed valuation roll without redevelopment.

Redevelopment will stimulate substantial development in the Project Area that will generate significant property tax revenue and the taxing entities will benefit for the increases in property taxes.

D. **Assumptions Used in Project Area Tax Increment Projections**

The tax increment projections in this Report are intended only as estimates based on the best available information as of the publication of this Report. Actual tax increment revenues may be higher or lower than the projections. The tables in Appendix D present detailed analyses of the potential tax increment revenues for the Project Area. The tax increment estimates summarized in this chapter and detailed in Appendix D are based on the following financial parameters and assumptions:

1. **Base Year Assessed Value**

The base year and base year assessed value for the Project Area are as shown above in Table V-2.

2. **Present Value Assumptions**

The analysis below provides estimates of tax increment revenues in both future value (nominal) dollars and present value (constant FY 2009/10) dollars. Because the purchasing power of nominal dollars declines over time, it is important to convert the annual amounts to the equivalent value in constant FY 2009/10 dollars before making a direct comparison between potential revenues and the Agency’s Redevelopment Program costs.

The present value in constant FY 2009/10 dollars is calculated by discounting future tax increment revenues by an annual rate of 6.0 percent to account for the cost of inflation, as well as
the average cost of borrowing money for the Agency and the City (e.g. issuing tax allocation bonds secured by a pledge of tax increment revenue), to approximate the present value of future dollars.\(^5\) Most of the tax increment will be pledged to the issuance of bonds, and a portion of tax increment may be used on a pay-as-you-go basis.

3. **Growth Assumptions**

Tax increment revenues are generated from the growth in assessed value above the frozen base. Growth in assessed property values in the Project Area is based upon the three factors below:

**Annual Two Percent Inflation Rate**

The annual inflation rate is assumed at two percent per year for properties that remain in the same ownership. Two percent is the maximum annual increase that is allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can trigger a reassessment, such as a sale or construction of new improvements. This two percent inflation factor is applied to the secured assessed value.\(^6\)

**Reassessment Adjustment**

An annual reassessment adjustment represents the increases in assessed value following property reassessment, which is triggered by: (1) the transfer, or sale, of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the reassessments of new development to market value once construction is completed.

The reassessment adjustment for secured property in the Project Area is projected to be zero percent through FY 2012/13 and 1 percent per year thereafter assuming the national economy begins its recovery in 2013. This 1 percent annual reassessment adjustment is projected in addition to the 2 percent annual inflation adjustment described above, representing an underlying average growth rate of 3 percent of assessed value.

**New Development**

In addition to the annual inflation adjustment and the annual reassessment adjustment, the tax increment projections for the Project Area are based primarily on estimates of growth, due to new construction and redevelopment in the area. The tax increment model utilizes development projections for the Project Area based on potential new development activity anticipated by the Developer and the Agency for specific sites. The estimate of total new development is consistent with the assumptions used in the Draft EIR, which evaluates the environmental impacts of the Plan Amendment. The assumptions underlying the projections of increased assessed value from new development in Hunters Point Shipyard Phase 1 and Phase 2 and for the total Project Area are summarized in Table V-3. (Refer to the development schedules in the tax increment tables in Appendix D for more detail.)

---

5 As the discount rate rises, the present value figure decreases. A higher discount rate would reflect a more conservative estimate of the anticipated value of future tax revenues.

6 The assessed value of an area is comprised of the secured, unsecured and utility tax rolls. The secured assessed value is typically the largest of the three and consists of real property (i.e. land, structures) and personal property (i.e. equipment). Receipt of property tax from secured properties are secured, or guaranteed, by placing a lien on the property.
As described in Chapter IV, the Plan Amendment provides that in the event a stadium is not developed, up to 1,625 additional residential units (transferred from the development proposed for Candlestick Point) and additional research and development and office space (from 500,000 to 2,500,000 additional square feet, depending upon whether residential units are transferred) may be developed in the Project Area.

### Table V-3

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Sq.Ft./Du</th>
<th>Per Sq.Ft./Du</th>
<th>Years of Buildout</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HPS I</td>
<td>HPS II</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Non-Residential:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>118,750</td>
<td>118,750</td>
<td>$540 FY 16/17 - FY 17/18</td>
<td>5%</td>
</tr>
<tr>
<td>Office</td>
<td>957,125</td>
<td>957,125</td>
<td>$460 FY 19/20 - FY 20/21</td>
<td>38%</td>
</tr>
<tr>
<td>Biotech</td>
<td>942,875</td>
<td>942,875</td>
<td>$580 FY 16/17 - FY 17/18</td>
<td>38%</td>
</tr>
<tr>
<td>R&amp;D/Office</td>
<td>475,000</td>
<td>475,000</td>
<td>$510 FY 14/15</td>
<td>19%</td>
</tr>
<tr>
<td>49er Stadium</td>
<td>N/A</td>
<td>N/A</td>
<td>$900,000,000 FY 17/18</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Non-Residential</td>
<td>2,493,750</td>
<td>2,493,750</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Residential:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For-Profit For Sale:</td>
<td>1,140</td>
<td>1,872</td>
<td>3,012</td>
<td>75%</td>
</tr>
<tr>
<td>Market Rate</td>
<td>969</td>
<td>1,482</td>
<td>2,451</td>
<td>61%</td>
</tr>
<tr>
<td>Affordable (Workforce)</td>
<td>0</td>
<td>225</td>
<td>225</td>
<td>6%</td>
</tr>
<tr>
<td>Affordable (Low-Mod)</td>
<td>171</td>
<td>165</td>
<td>336</td>
<td>8%</td>
</tr>
<tr>
<td>For-Profit For Rent:</td>
<td>0</td>
<td>365</td>
<td>365</td>
<td>9%</td>
</tr>
<tr>
<td>Market Rate</td>
<td>0</td>
<td>329</td>
<td>329</td>
<td>8%</td>
</tr>
<tr>
<td>Affordable</td>
<td>0</td>
<td>37</td>
<td>37</td>
<td>1%</td>
</tr>
<tr>
<td>Non-Profit Affordable Housing</td>
<td>218</td>
<td>413</td>
<td>631</td>
<td>50 FY 11/12 - FY 17/18</td>
</tr>
<tr>
<td>Total Units</td>
<td>1,358</td>
<td>2,650</td>
<td>4,008</td>
<td>100%</td>
</tr>
<tr>
<td>Total Affordable Units</td>
<td>389</td>
<td>839</td>
<td>1,228</td>
<td>31%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sq.Ft./Du</th>
<th>Per Sq.Ft./Du</th>
<th>Years of Buildout</th>
<th>Percent</th>
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</tr>
<tr>
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<td>475,000</td>
<td>$510</td>
</tr>
<tr>
<td>49er Stadium</td>
<td>N/A</td>
<td>N/A</td>
<td>$900,000,000 FY 17/18</td>
</tr>
<tr>
<td>Total Non-Residential</td>
<td>2,493,750</td>
<td>2,493,750</td>
<td></td>
</tr>
<tr>
<td>Residential:</td>
<td></td>
<td></td>
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<td>For-Profit For Sale:</td>
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<td>0</td>
<td>225</td>
<td>225</td>
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<td>165</td>
<td>336</td>
</tr>
<tr>
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<td>0</td>
<td>365</td>
<td>365</td>
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<tr>
<td>Market Rate</td>
<td>0</td>
<td>329</td>
<td>329</td>
</tr>
<tr>
<td>Affordable</td>
<td>0</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>Total Affordable Units</td>
<td>389</td>
<td>839</td>
<td>1,228</td>
</tr>
</tbody>
</table>

a. Based on assumptions used by Lennar Corporation as of late 2009. The development assumptions used in the tax increment projections are more conservative than the figures referenced in the Plan Amendment and are subject to change.
b. Includes land and vertical development value in 2010 dollars. Residential values calculated based on a weighted average of the various product types for each category and rounded to the nearest $1,000. Commercial values rounded to the nearest $10. The stadium is estimated to have a development value of $900 million.
c. Summary of New Development Roll Value Schedule as shown in Appendix D. Accounts for one year lag for inclusion on the assessor's roll.
d. Non-profit units are not taxable and therefore do not appear in the New Development Roll Value.

Source: Lennar Corporation, San Francisco Redevelopment Agency, Seifel Consulting Inc.

4. **Agency Tax Increment Obligation**

According to State Law, the Agency must use tax increment revenue to fulfill the following obligations:

a. **County Fee for Property Tax Administration**

Counties can deduct fees for the administration of tax increment revenues. The projections in this Report do not include this potential deduction, as the County has not opted to receive the County Property Tax Administrative Fee for the Agency’s existing redevelopment projects.

b. **Housing Set-Aside for Affordable Housing Program**

Section 33334.2 of the CRL requires that 20 percent of the gross tax increment revenues generated be used for increasing, improving and preserving a community’s supply of low and moderate-income housing. In other words, twenty cents out of each tax increment dollar generated during the life of the Redevelopment Plan must be channeled into the Affordable
Housing Fund to finance the Agency’s affordable housing program. This amount must be set aside each year by the Agency and will not be affected by Agency obligations to pass-through payments, administrative costs or other factors. Uses of the Affordable Housing Fund include the payment of principal, interest, bonds, loans, money advances or indebtedness incurred by the Agency to finance affordable housing related activities.

Section E below summarizes the projected total tax increment available for affordable housing over the life of the Redevelopment Plan.

c. Pass-Through Payments

Within the Project Area, each taxing entity deriving property tax revenue is guaranteed an annual pass-through payment from the Agency. The CRL provides standard formulas for the calculation of pass-through payments for plans adopted or amended after 1993. Each entity receives a payment in proportion to its property tax levy within the Project Area at the time of Plan adoption. Over the Redevelopment Plan’s tax increment collection period, pass-through payments are estimated to be $730 million in nominal dollars. (Refer to Appendix Table D-1c for estimates of annual pass-through payments.) The pass-through payments constitute the State Legislature’s determination of the payments necessary to alleviate any financial burden of a redevelopment program to affected taxing entities. CRL Section 33607.5(f)(1)(B) states that statutory pass-through payments are the only payments required to be made by a redevelopment agency to affected taxing entities during the term of a redevelopment plan.

Section 5 below presents a detailed explanation of these statutory pass-through payment calculations. Section E below summarizes the projected total pass-through payment amount over the life of the Redevelopment Plan and Appendix D provides details on the distribution of the pass-through payments to each taxing entity.

d. Additional Payments to Basic Aid Entities

Basic aid school entities receive annual payments from an agency in addition to their standard pass-through payments. No schools in the City are basic aid districts at this time, and none are likely to become so in the foreseeable future.

e. Educational Revenue Augmentation Fund (ERAF) Obligation

Several times over the last two decades, when faced with budget gaps, the State has enacted legislation requiring all redevelopment agencies to contribute to the ERAF in order to relieve the State of some of its educational funding obligations.

To address a state budget gap in FY 2008/09, the State Legislature passed and the Governor signed AB 1389 in September 2008 requiring redevelopment agencies to contribute to ERAF and transfer $350 million to fund State obligations. However, the Sacramento Superior Court (Court) found this provision to be unconstitutional and signed a judgment on May 7, 2009, forbidding any county auditor-controllers from taking any actions to carry out or enforce any of the ERAF payment requirements. The State did not appeal the decision.

Please note that the tax increment projections in this Report utilize the property tax levies not adjusted for Education Revenue Augmentation Fund (ERAF) for calculating pass-through payments. State law does not clearly indicate whether or not ERAF adjusted or unadjusted property tax levies should be used.
With a major budget deficit in FY 2009/10 (and likely beyond), the State Legislature approved and the Governor signed into law AB 26 4x, which requires redevelopment agencies to contribute a statewide total of $1.7 billion in FY 2009/10 and an additional $350 million in FY 2010/11 to a new ERAF-related fund (called "Supplemental ERAF" or "SERAf"). The constitutionality of these additional State takeaways from redevelopment agencies was challenged in court. On May 4, 2010, the Sacramento Superior Court issued a decision on denying the petition to challenge the constitutionality of CRL Section 33690. The following day, an appeal of the Superior Court decision was filed. If the Agency is ultimately held responsible for making SERAF payments, it will lose approximately $28.7 million in tax increment revenues in FY 2009/10 and $2.7 million in FY 2010/11.

The tax increment projections in this analysis do not assume the SERAF contributions by the Agency. The Agency cannot predict whether the State Legislature will enact legislation requiring deposits into ERAF/SERAF in future years or whether they will be held to be constitutional. Therefore, the Agency’s tax increment projections do not assume a continuation of annual State ERAF/SERAF payments. If the State Legislature does enact a future ERAF/SERAF contribution requirement applicable to the Agency, such requirement would reduce the amount of tax increment revenue available.

5. Calculation of Pass-Through Payments

Since the passage of AB 1290, the CRL now requires statutory pass-through payments to all taxing entities without pre-existing contractual agreements that are affected by plan adoptions or amendments after January 1, 1994. The Agency must adhere to the three-tier, CRL-mandated procedure for pass-through calculations. These pass-through payments constitute the State Legislature’s determination of the payments necessary to alleviate any financial burden of a redevelopment plan to affected taxing entities. CRL Section 33607.5(f)(1)(B) states that statutory pass-through payments are the only payments that are required of a redevelopment agency to affected taxing entities during the term of a redevelopment plan.

Statutory pass-through payments are calculated by multiplying the property tax levy for each entity by a mandated set of three tiered pass-through percentages that are in turn multiplied by increases in assessed value above a relevant pass-through base assessed value for each tier.

Over the life of the Redevelopment Plan, each taxing entity will receive its proportionate share of the three tiers of pass-through payments, as follows:

a. Tier One

The Tier One pass-through is equal to 20 percent of the gross tax increment from assessed value growth above the base year assessed value.8 This annual payment will begin when the County Auditor certifies that the Agency first received $100,000 or more in tax increment revenues from the Project Area. The Tier One pass-throughs continue through the life of the Redevelopment Plan. Under the CRL, the City can elect to receive the Tier One pass-through (its proportionate share of 20 percent of gross tax increment). The City made the decision to receive its pass-through share before the adoption of the Redevelopment Plan.

8 This is equivalent to 25 percent of net tax increment after the 20 percent affordable housing set-aside.
b. **Tier Two**

The Tier Two pass-through is equal to 16.8 percent of the gross tax increment received by the Agency from assessed value growth above the Tier Two base year value, equal to the assessed value in the tenth year of tax increment collection following the County Auditor certification date. This annual payment begins in the eleventh year following the County Auditor certification date. This Tier Two pass-through is added to the Tier One payment and continues through the life of the Redevelopment Plan.

c. **Tier Three**

The Tier Three pass-through is equal to 11.2 percent of the gross tax increment received by the Agency from assessed value growth above the Tier Three base year value, equal to the assessed value in the thirtieth year of tax increment collection after the County Auditor certification date. This annual payment begins the thirty-first year following the County Auditor certification date. This Tier Three pass-through is added to the Tier One and Tier Two payments and continues through the life of the Redevelopment Plan.

Refer to Appendix Table D-1c for estimates of annual pass-through payments.

d. **Educational Revenue Augmentation Fund (ERAF) Adjustments**

This Report utilizes the property tax levies not adjusted for ERAF for the purpose of calculating pass-through payments, as state law does not clearly indicate whether or not ERAF adjusted or unadjusted property tax levies should be used.

e. **City of San Francisco Pass-Through Election**

The community that creates and oversees a redevelopment project, the City of San Francisco, is entitled to receive a more limited statutory pass-through payment. The City of San Francisco elected to receive its proportionate share of the Tier One pass-through payments from the Project Area. The City may elect to receive the Tier One pass-through; however, it cannot participate in the Tier Two and Tier Three pass-through payments. The City’s share of the Tier Two and Three pass-through payments are assumed to be retained by the Agency.

6. **Agency Administration**

The Agency’s administrative costs related to the Project Area are expected to vary considerably over time, and the Developer will reimburse the Agency on a pay-as-you-go basis for Agency administrative expenses related to project implementation.

E. **Summary of Tax Increment Projections**

The tax increment projections are intended only as estimates for financial feasibility purposes. Actual tax increment revenues may be higher or lower. The development projections shown in Appendix D are not intended to predict future development, but rather to provide a reasonable
estimate of potential tax increment growth on an average annualized basis determined by the increase in assessed value resulting from the growth factors described in Section D.

The tax increment projections are based on the best available information and analysis techniques, and actual tax increment generated in each year will likely vary. Section G of this chapter evaluates the feasibility of the Agency’s Redevelopment Program based on the potential tax increment generation from a development program that includes the stadium. As discussed in Chapter IV and above, the Plan Amendment provides that in the event the stadium is not developed, additional residential units may be transferred from the development proposed for Candlestick Point to the Project Area and additional R&D and office space may be developed in the Project Area.

Table V-4 summarizes the total tax increment revenues available to the Agency over the tax increment collection period of the Redevelopment Plan for the Project Area in nominal and constant FY 2009/10 dollars under the Plan Amendment.\(^{11}\) Tax increment revenues will accrue over time, with limited revenues in the early years of implementation that will grow as the assessed value of the Project Area increases.

The Project Area is projected to generate $3.5 billion in nominal dollars in gross incremental tax revenues over the life of the Redevelopment Plan ($726 million in constant FY 2009/10 dollars). Table V-4 shows the projected tax increment from Phase 1 and Phase 2 and from the entire Project Area. It also shows how the tax increment will be distributed to the taxing entities via pass-through payments, and the remaining amount that will be available to the Agency for its Affordable Housing Program and Non-Housing Redevelopment Program. Graph V-1 illustrates the distribution of future tax increment revenues over the remaining life of the Redevelopment Plan under the Plan Amendment.

\(^{11}\) See Appendix D for the detailed tax increment projections for the Project Area.
## Summary of Projected Tax Increment Revenues and Distribution

### Over the Life of the Redevelopment Plan

#### Hunters Point Shipyard Redevelopment Project Area

<table>
<thead>
<tr>
<th>Tax Increment (TI) Projections&lt;sup&gt;a&lt;/sup&gt;</th>
<th>HPS I</th>
<th>HPS II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In Nominal (Future) Dollars</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental Tax Revenues</td>
<td>630,000,000</td>
<td>2,860,000,000</td>
<td>3,490,000,000</td>
</tr>
<tr>
<td>Less: County Admin Fee</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal: TI Remitted to Agency</strong></td>
<td>630,000,000</td>
<td>2,860,000,000</td>
<td>3,490,000,000</td>
</tr>
<tr>
<td><strong>Agency Obligations:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: 20% Housing Set Aside</td>
<td>(130,000,000)</td>
<td>(570,000,000)</td>
<td>(700,000,000)</td>
</tr>
<tr>
<td>Less: Pass Through Payments</td>
<td>(130,000,000)</td>
<td>(600,000,000)</td>
<td>(730,000,000)</td>
</tr>
<tr>
<td><strong>Subtotal: TI Available for Non-Housing Program</strong></td>
<td>370,000,000</td>
<td>1,690,000,000</td>
<td>2,060,000,000</td>
</tr>
<tr>
<td><strong>Projected Use of Funds:&lt;sup&gt;b&lt;/sup&gt;</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Redevelopment Program</td>
<td>130,000,000</td>
<td>570,000,000</td>
<td>700,000,000</td>
</tr>
<tr>
<td><strong>In Constant FY 2009 - 2010 Dollars</strong></td>
<td>30,000,000</td>
<td>120,000,000</td>
<td>150,000,000</td>
</tr>
<tr>
<td>Non-Housing Redevelopment Program</td>
<td>370,000,000</td>
<td>1,690,000,000</td>
<td>2,060,000,000</td>
</tr>
<tr>
<td><strong>In Constant FY 2009 - 2010 Dollars</strong></td>
<td>90,000,000</td>
<td>350,000,000</td>
<td>440,000,000</td>
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<tr>
<td>Total Redevelopment Program</td>
<td>500,000,000</td>
<td>2,260,000,000</td>
<td>2,760,000,000</td>
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<tr>
<td><strong>In Constant FY 2009 - 2010 Dollars</strong></td>
<td>120,000,000</td>
<td>470,000,000</td>
<td>590,000,000</td>
</tr>
</tbody>
</table>

---

<sup>a</sup> Figures rounded to the nearest $10,000,000. Calculations may not precisely match due to rounding.

<sup>b</sup> Constant values discounted to FY 2009-2010 dollars at 6%.

Source: San Francisco Redevelopment Agency, Lennar Corporation, Seifel Consulting Inc.
Graph V-1
Distribution of Tax Increment Revenue Over the Remaining Life of the Redevelopment Plan
Hunters Point Shipyard Phase 1 and 2
(In Future Dollars)

Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.
F. Amended Tax Increment Collection and Outstanding Bonded Indebtedness Limits

The Plan Amendment proposes to increase the Project Area’s current limit on tax increment collection of $881 million to $4.2 billion and current limit on outstanding bonded indebtedness of $221 million to $900 million to enable the Agency to invest in key projects in the Project Area that would otherwise be financially infeasible.

As discussed in this chapter, the scope of the CP–HPS 2 Project was not envisioned when the Project Area was adopted in 1997 and the current tax increment collection and bond limits were established. The amount of new development that will be stimulated in the Project Area due to the CP–HPS 2 Project is significantly greater than what was anticipated in 1997. As a result, the Agency’s Redevelopment Program for the Project Area is more intensive and costly, and thus, the Agency requires additional tax increment and bond financing to support its Redevelopment Program projects and activities. Under the Plan Amendment, the Agency proposes to increase the tax increment collection and bond limits by the amount of the tax increment and bond financing needed for the Project Area.

As discussed above, the Project Area is projected to generate $3.5 billion in nominal dollars ($726 million in constant FY 2009/10 dollars) in gross incremental tax revenues over the life of the Redevelopment Plan. As such, the Agency proposes that the tax increment collection fiscal limit for the Project Area should be $4.2 billion.12

Three different methods were used to analyze the bonding capacity of the Project Area based upon future tax increment generation from FY 2009/10 through the life of the Redevelopment Plan. (Refer to Appendix E for the supporting bond limit calculation.) Based on these calculations, the Agency estimates that the bonded debt need required to implement the Agency’s Redevelopment Program is approximately $900 million.

G. Financial Feasibility of the Agency’s Redevelopment Program

This section demonstrates why tax increment revenue and the increase in the tax increment collection and bond limits made possible through the Plan Amendment will be a necessary part of the overall financing program to eliminate blighting conditions in the Project Area. Together with other public and private revenue sources, tax increment revenues will be a critical funding component in helping the Agency implement its Redevelopment Program.

To evaluate the feasibility of the Agency’s Redevelopment Program, the following analysis compares estimated costs to tax increment revenues. As described earlier, the Agency intends to dedicate the tax increment revenues generated from the Project Area to pay for the Agency’s Redevelopment Program. The Agency’s Redevelopment Program is equal to the amount of potential tax increment revenues that will be generated from the Project Area, discounted at 6 percent to constant FY 2009/10 dollars. Thus, the Agency’s Redevelopment Program for the

12 Tax increment collection limit estimated by applying a 1.2 contingency factor to the projected gross tax increment revenues.
Hunters Point Shipyard Project Area is projected to cost $2.8 billion in nominal dollars, which is equivalent to $590 million in constant FY 2009/10 dollars.

The Agency is projected to receive about $2.8 billion in tax increment revenue for its Redevelopment Program ($590 million in constant FY 2009/10 dollars). Thus, the Agency is expected to have sufficient funds to support its Redevelopment Program, as shown in Table V-5. In addition to the Agency’s Redevelopment Program, a broad array of funding sources, including Navy environmental cleanup funds and contributions from the Developer, will be available to alleviate blight in the Project Area, as described above in Section B.1.

**Table V-5**

**Comparison of Estimated Tax Increment Revenues and Agency Funding Requirements**

(Constant FY 2009/10 Dollars)

<table>
<thead>
<tr>
<th>Hunters Point Shipyard Redevelopment Project Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Increment Available to the Agency(^a)</td>
</tr>
<tr>
<td>Less: Agency Affordable Housing Program</td>
</tr>
<tr>
<td>Less: Agency Non-Housing Program</td>
</tr>
<tr>
<td><strong>FUNDING GAP/SURPLUS(^b)</strong></td>
</tr>
</tbody>
</table>

a. Present value of future tax increment revenues projected to be available for implementation of the Agency’s Redevelopment Program (includes housing, non-housing and redevelopment administration costs). See Appendix D for details.

b. Numbers may not add or subtract exactly due to rounding.

Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.

Although the estimated project costs and the projected revenues will vary over time from those set forth in the estimates and projections presented in this chapter, it is reasonable to conclude that the Agency’s Redevelopment Program will be financially feasible over the remaining life of the Redevelopment Plan.\(^{13}\)

As discussed above, this Report evaluates the feasibility of the Redevelopment Program based on a development program that includes the stadium. In the event the stadium is not developed, the Agency would adjust its projects and activities to facilitate redevelopment of Hunters Point Shipyard based on a non-stadium option, while maintaining the financial feasibility of the overall Redevelopment Program. In keeping with its balanced fiscal approach, the Agency will continue to adopt an annual budget and an implementation plan every five years for funding the specific action items in the Agency’s Redevelopment Program. The Agency will ensure through its annual budgeting process and Five Year Implementation Plans that its Redevelopment Program is financially feasible throughout the remaining life of the Plan.

\(^{13}\) The tax increment projections are intended only as estimates that are based on the best available information at the time of report publication. Actual tax increments may be higher or lower than indicated in the Report. The development projections shown in Appendix D are not intended to predict future development, but rather to provide a reasonable estimate, on an average annualized basis, of potential tax increment growth resulting from the increase in assessed value resulting from new development.
VI. Five Year Implementation Plan

The Implementation Plan is a guide that incorporates an agency’s goals, objectives and potential programs over a five year implementation plan period, while providing flexibility so the agency may adjust to changing circumstances and new opportunities. The Agency’s Implementation Plan for the Project Area describes the Agency’s plan to implement the goals and objectives outlined in the Redevelopment Plan in a focused way during the five year period in order to maximize the ability of the existing funds to eliminate blight and revitalize the Project Area. In addition, the Implementation Plan provides a mechanism for the Agency to monitor its progress in meeting its affordable housing obligations as required by CRL.

In compliance with the CRL, Appendix H of the Report contains the updated Implementation Plan.

A. Statutory Requirement

This chapter and Appendix F satisfy CRL Section 33352(c), which requires that a redevelopment agency adopting or amending a redevelopment plan include in the report to the legislative body the five year implementation plan for the redevelopment project area.

Section 33352(c) states:

*Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:*

*(c) An implementation plan that describes specific goals and objectives of the agency, specific projects then proposed by the agency, including a program of actions and expenditures proposed to be made within the first five years of the plan, and a description of how these projects will improve or alleviate the conditions described in Section 33031.*

B. Analysis

The updated Implementation Plan contained in Appendix F supplements the description of the Agency’s Redevelopment Program, as described in Chapter IV. The purpose of the Implementation Plan is to describe:

- Specific goals and objectives of the Agency for the Project Area;
- Specific projects proposed by the Agency, including a program of both non-housing and affordable housing actions and expenditures proposed to be made within the next five years; and
- How the Agency’s proposed objectives, projects and expenditures will improve or alleviate the blighting conditions in the Project Area, and implement the affordable housing requirements (as described in Sections 33334.2, 33334.4, 33334.6, 33413).1

1 Per CRL Section 33352(c), the implementation plan will provide a description of how the projects will improve or alleviate the conditions described in Section 33031, physical and economic blight conditions. However, per CRL Section 33492.7(b), any project area adopted pursuant to Chapter 4.5 (Military Base Conversion) may use...

Although the Implementation Plan was prepared prior to the Plan Amendment, it contemplated the Plan Amendment process and highlighted the Agency’s expanded Redevelopment Program activities that would become possible in the later years of the five year implementation period if the Plan Amendment were to be adopted and become effective.

Through the Plan Amendment process, the Implementation Plan is being updated to include an additional appendix, Appendix H: Authorized Public Improvements. The Agency will pursue a program of authorized public improvements outlined in the Redevelopment Plan. The Plan Amendment specifically authorizes the Agency to install and construct or to cause to be installed or constructed the public improvements, public facilities, and public utilities, on any parcel within or outside the Project Area, appropriate or necessary to carry out the Redevelopment Plan.2

For the purposes of this Report, the updated Implementation Plan for the Hunters Point Shipyard satisfies the Implementation Plan requirement for the Plan Amendment.

Section 33492.11 in lieu of Section 33031. Accordingly, this Report utilizes the blight definitions set forth in Section 33492.11.

VII. Method or Plan for Relocation

The Agency does not anticipate undertaking activities or providing assistance to activities that would result in the displacement of residents.

A. Statutory Requirements

California law stipulates that the report to the legislative body include a relocation plan. Section 33352(f) of the CRL provides that:

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

(f) A method or plan for the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the project area, which method or plan shall include the provision required by Section 33411.1 that no persons or families of low and moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by the displaced person or family at rents comparable to those at the time of their displacement.

B. Analysis

The Project Area does not contain residential uses and the Plan Amendment does not contemplate the relocation of any households to accomplish its goals. Section III. G. of the Plan Amendment sets forth the Agency’s policy on relocation.

The Agency will provide relocation assistance and benefits as required under applicable Federal and State law. A review of the current Project Area indicates that there are no persons currently residing therein. Accordingly, relocation activities would relate solely to businesses.

To the extent required under applicable State or Federal law, the Agency shall: 1) assist or cause to be assisted all eligible persons displaced by redevelopment activities undertaken or assisted by the Agency in finding new locations in accordance with applicable law; and where possible, shall relocate businesses to a location of similar size within the Project Area; and 2) make or cause to be made relocation payments to eligible persons displaced by redevelopment activities undertaken or assisted by the Agency as may be required by applicable State or Federal law. The Agency may make such other payments as it determines to be appropriate and for which funds are available.¹

If in the future, relocations were to become necessary to redevelop a property, the Agency would provide relocation assistance and benefits as required under applicable federal and state law. Specific relocation plans containing a detailed household and housing availability survey would be prepared at the initiation of each particular land assembly project to ensure that such conditions prevail at that time as well. Land assembly involving relocation would be authorized

¹ Draft Plan Amendment, Redevelopment Plan for the Hunters Point Shipyard Project Area, San Francisco Redevelopment Agency, May 6, 2010, Section III.G.
by the Agency only if the specific relocation plan were to ensure the availability of sufficient, suitable and affordable housing to meet the specific relocation.
VIII. Analysis of Preliminary Plan

This chapter discusses the requirement for a Preliminary Plan.

A. Statutory Requirements

CRL Section 33352(g) states:

*Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:*

*(g) An analysis of the preliminary plan.*

The preliminary plan is organized into five elements as required by CRL Section 33324, and must address the following:

*A preliminary plan need not be detailed and is sufficient if it:

(a) Describes the boundaries of the project area.
(b) Contains a general statement of the land uses, layout of principal streets, population densities and building intensities and standards proposed as the basis for redevelopment of the project area.
(c) Shows how the purposes of this part would be attained by such redevelopment.
(d) Shows that the proposed redevelopment is consistent with the community’s general plan.
(e) Describes, generally, the impact of the project upon the area’s residents and upon the surrounding neighborhood.*

B. Analysis

As the Plan Amendment does not propose to add territory to the Project Area, a Preliminary Plan is not required.
IX. Report and Recommendations of the Planning Commission

On June 3, 2010, the Planning Commission is expected to consider the Plan Amendment for its conformance with the General Plan and make its report and recommendation on the Plan Amendment. A supplement to this Report will include the report and recommendations of the Planning Commission, as this element is required by the CRL to be included in the Report on the Plan Amendment.

A. Statutory Requirements

CRL Section 33352(h) and (j) state:

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

(h) The report and recommendations of the planning commission.

Section 65402 of the Government Code states:

(a) If a general plan or part thereof has been adopted, no real property shall be acquired by dedication or otherwise for street, square, park or other public purposes, and no real property shall be disposed of, no street shall be vacated or abandoned, and no public building or structure shall be constructed or authorized, if the adopted general plan or part thereof applies thereto, until the location, purpose and extent of such acquisition or disposition, such street vacation or abandonment, or such public building or structure have been submitted to and reported upon by the planning agency as to conformity with said adopted general plan or part thereof. The planning agency shall render its report as to conformity with said adopted general plan or part thereof within forty (40) days after the matter was submitted to it, or such longer period of time as may be designated by the legislative body.

(c) A local agency shall not acquire real property for any of the purposes specified in paragraph (a) nor dispose of any real property, nor construct or authorize a public building or structure, in any county or city, if such county or city has adopted a general plan or part thereof and such general plan or part thereof is applicable thereto, until the location, purpose and extent of such acquisition, disposition, or such public building or structure have been submitted to and reported upon by the planning agency having jurisdiction, as to conformity with said adopted general plan or part thereof. Failure of the planning agency to report within forty (40) days after the matter has been submitted to it shall be conclusively deemed a finding that the proposed acquisition, disposition, or public building or structure is in conformity with said adopted general plan or part thereof. If the planning agency disapproves the location, purpose or extent of such acquisition, disposition, or the public building or structure, the disapproval may be overruled by the local agency.

The following sections of the CRL describe the purpose and requirements for review of a redevelopment plan (or plan amendment) by the Planning Commission:
33346. Before the redevelopment plan of each project area is submitted to the legislative body, it shall be submitted to the planning commission for its report and recommendation concerning the redevelopment plan and its conformity to the general plan adopted by the planning commission or the legislative body. The planning commission may recommend for or against the approval of the redevelopment plan.

33347. Within 30 days after a redevelopment plan is submitted to it for consideration, the planning commission shall make and file its report and recommendation with the agency. If the planning commission does not report upon the redevelopment plan within 30 days after its submission by the agency, the planning commission shall be deemed to have waived its report and recommendations concerning the plan and the agency may thereafter approve the plan without the report and recommendations of the planning commission.

B. Analysis

The proposed Plan Amendment makes changes to the Redevelopment Plan that would also require amendments to the City’s General Plan. The General Plan Amendments would ensure consistency between the Plan Amendment and General Plan and would support the development of the CP–HPS 2 Project as approved by San Francisco voters in 2008 through passage of Proposition G. Specifically, the Plan Amendment provides for land use and development consistent with the conceptual framework for the CP–HPS 2 Project as expressed in the proposed General Plan Area Plan, and described in more detail in the Design for Development for HPS Phase 2. In general, the existing Redevelopment Plan does not allow for the opportunity for a stadium site in the Project Area, and lacks sufficient land use flexibility to support the vibrant, mixed-use development proposed by the CP–HPS 2 Project. These changes affect the development controls, land use categories, permitted uses, standards for development, plans for building retention and rehabilitation, and street plan contained in the 1997 Redevelopment Plan.

The Planning Commission is scheduled to conduct a joint public hearing with the Agency Commission on the Draft EIR, General Plan Amendments and the Redevelopment Plan Amendment on June 3, 2010. After the close of the hearing, the Planning Commission is expected to consider adoption of General Plan Amendments and certification of the Final EIR. Following these considerations, the Planning Commission is expected to review the Plan Amendment for its conformance with the General Plan and make its report and recommendation on the Plan Amendment. (The Agency referred the Plan Amendment to the Planning Commission for its report and recommendation on May 6, 2010.)

The report and recommendations of the Planning Commission on the Plan Amendment are incorporated in this Report by this reference, and the documentation will be provided in a supplement to this Report.
X. Consultations with the Community

The Agency has provided extensive opportunities for the public to participate and comment during the Plan Amendment process.

A. Statutory Requirements

This Chapter presents a summary of the Agency’s consultations with the community as required by Section 33352(i) of the CRL, which states:

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

The summary referred to in Section 33387.

Section 33385.3(a) of the CRL requires the legislative body to form a Project Area Committee (PAC) for a proposed plan amendment in the following situations:

If a project area committee does not exist, and the agency proposes to amend a redevelopment plan, the agency shall establish a project area committee pursuant to Section 33385 if the proposed amendment to a redevelopment plan would do either of the following:

(1) Grant the authority to the agency to acquire by eminent domain property on which persons reside in a project area in which a substantial number of low- and moderate-income persons reside.

(2) Add territory in which a substantial number of low- and moderate-income persons reside and grant the authority to the agency to acquire by eminent domain property on which persons reside in the added territory. The project area committee may be composed of persons from only the added territory or both the added area and the existing project area.

1. Agency Public Hearing

Sections 33348 and 33349 of the CRL address the Agency’s hearing on the Plan Amendment. Section 33348 of the CRL states:

Before the approval of a redevelopment plan by the agency, the agency shall conduct a public hearing on it.

Section 33349 requires the following:

(a) The agency shall publish notice of the hearing not less than once a week for four successive weeks prior to the hearing. The notice shall be published in a newspaper of general circulation, printed and published in the community, or if there is none, in a newspaper selected by the agency. The notice of hearing shall include a legible map of the boundaries of the area or areas designated in the proposed redevelopment plan and a general statement of the scope and objectives of the plan in nontechnical language and in a clear and coherent manner using words with common and everyday meaning...
(b) Copies of the notices published pursuant to this section shall be mailed, by first-class mail, to the last known assessees of each parcel of land in the area designated in the redevelopment plan, at his or her last known address as shown on the last equalized assessment roll of the county; or where a city assesses, levies, and collects its own taxes, as shown on the last equalized assessment roll of the city; or to the owner of each parcel of land within the boundaries of the area or areas designated in the proposed redevelopment plan, as shown on the records of the county recorder 30 days prior to the date the notice is published.

(c) (1) Notice shall also be provided, by first-class mail, to all residents and businesses within the project area at least 30 days prior to the hearing.

(2) The mailed notice requirement of this subdivision shall only apply when mailing addresses to all individuals and businesses, or to all occupants, are obtainable by the agency at a reasonable cost. The notice shall be mailed by first-class mail, but may be addressed to "occupant." If the agency has acted in good faith to comply with the notice requirements of this subdivision, the failure of the agency to provide the required notice to residents or businesses unknown to the agency or whose addresses cannot be obtained at a reasonable cost, shall not, in and of itself, invalidate a redevelopment plan or amendment to a redevelopment plan.

2. Legislative Body Public Hearing

CRL Sections 33360 and 33361 address the legislative body’s hearing on the Plan Amendment. Specifically, Section 33360 states:

The legislative body at a public hearing shall consider the redevelopment plan submitted by the agency. The legislative body may adjourn the hearing from time to time.

Section 33361 of the CRL requires:

Notice of the public hearing shall be given by publication not less than once a week for four successive weeks in a newspaper of general circulation published in the county in which the land lies. The notice shall:

(a) Describe specifically the boundaries of the proposed redevelopment project area; and

(b) State the day, hour and place when and where any and all persons having any objections to the proposed redevelopment plan or who deny the existence of blight in the proposed project area, or the regularity of any of the prior proceedings, may appear before the legislative body and show cause why the proposed plan should not be adopted.

B. Analysis

The Agency has received and will continue to receive public input regarding the proposed Plan Amendment through active involvement of the CAC, community meetings and public hearings as described in this section.

1. Citizens Advisory Committee

A PAC is not required for the Plan Amendment as neither of the conditions cited in Section 33385.3(a) of the CRL would trigger the requirement for formation of a PAC. However,
the Mayor appointed the CAC to serve as a useful forum for obtaining community input on the redevelopment process in the absence of a statutorily-mandated PAC.

Established in 1991, the CAC includes a broad section of Bayview residents, business owners, local community stakeholders, and city stakeholders. The CAC was initially formed to provide input on redevelopment matters in general. The CAC currently has 22 members who have met to review and discuss the Agency’s progress, receive information from staff and consultants, and provide guidance regarding the Plan Amendment process. The CAC is providing input and feedback on the Plan Amendments. To date, the CAC has reviewed documents including the Preliminary Report and Draft EIR. The Agency submitted the Draft Redevelopment Plan Amendment to the CAC on March 11, 2010, and an updated Draft Redevelopment Plan Amendment to the CAC on May 11, 2010. The CAC is scheduled to meet on May 24, 2010 to review the Plan Amendment and garner feedback prior to the public hearing.

Appendix G includes lists of relevant CAC meetings, agendas and meeting minutes, as well as a list of all current CAC members.

2. Community Meetings

During the preparation for this Plan Amendment, the Agency has focused its public outreach efforts on issues related to the CP–HPS 2 Project, which acted as the impetus for the Plan Amendment.

a. Land Use Plan Community Workshops

In March and April 2008, the Agency and OEWD hosted four community workshops to solicit community feedback on the proposed land use plan for the CP–HPS 2 Project. Through their participation at the workshops, at least 112 registered participants provided feedback at a crucial time in the development of the land use plan for the Project Area.

The workshops were designed to bring community members up to date on the current status of the draft land use plan and to provide a forum for residents to express their ideas about the future of the Bayview community. Workshop flyers were mailed to more than 3,200 residents, businesses and interested parties from the Hunters Point Shipyard CAC, Bayview Hunters Point PAC and Visitacion Valley CAC mailing lists. An electronic version of the flyer was e-mailed to more than 5,000 recipients and posted to community e-mail distribution lists such as the India Basin list serve and the Shipyard Artists’ Yahoo! Group. The Agency and OEWD worked with Communities of Opportunities and local organizations to conduct extensive outreach, including distributing flyers in neighborhoods adjacent to the workshop locations.

In addition, several local organizations were contacted, including:

- Baview specific organizations such as Bayview Community Response Network, Baview Safe Haven, Bayview Hunters Point Foundation, Bayview Crisis Response Network, Quesada Gardens/Bayview Footprints, Hunters Point Family Agency-Girls 2000, Bayview YMCA, Bayview Hill Neighbors Association, Morgan Heights Neighbors Association, Candlestick Point Neighborhood Committee,
- Visitacion Valley focused organizations such as Visitacion Valley Community Center, Visitacion Valley Beacon Center, Visitation Valley Childrens Programs, Visitacion Valley Family and Community Resource Center, and Visitacion Valley Planning Alliance;
• Safety Network;
• Renaissance Parents of Success;
• City College of San Francisco Evans Campus;
• Bret Harte Elementary School;
• Executive Park Citizens Advisory Committee;
• City’s Parks Recreation and Open Space Advisory Committee; and
• Other interested parties on the Commission on the Environment’s mailing list.

Four meetings were held on different dates and at different locations in the Bayview. Each featured the same informational presentation with a discussion format and questions. The four meetings were held as follows:

• Saturday, March 15, 2008, from 10:00 a.m. to 12:00 p.m. at Bret Harte Elementary;
• Monday, March 17, 2008 from 6:00 p.m. to 8:00 p.m. at Southeast Community Center;
• Wednesday, April 2, 2008 from 6:00 p.m. to 8:00 p.m. at Community College of San Francisco, Evans Campus; and
• Saturday, April 5, 2008 10:00 a.m. to 12:00 p.m. at Bayview/Hunters Point YMCA.

b. Shipyard Legacy/Community Benefits Fund

As part of an agreement between the Developer and the Agency, a portion of the proceeds from the sale of Parcel A has been allocated to benefit low and moderate-income families; eliminate blight; and/or meet other community development needs of the broader Bayview Hunters Point community, as determined by a Quasi-Public Entity (“QPE”) established for this purpose through a community-based process. The Developer is designating six acres of land within the Project Area for the development of community-serving facilities (1.2 acres within HPS Phase 1 and 4.8 acres within HPS Phase 2). The QPE has held over six community meetings since its inception in 2006. Currently, the QPE and the CAC are hosting a series of workshops to solicit community feedback on the design and uses of the proposed community facilities on Galvez Street on Parcel A. The first of these workshops took place in October 2009, and approximately 130 community members attended. The next two workshops are anticipated to take place in the latter part of 2010.

c. Informational Workshops on the Disposition and Development Agreement

On Saturday, May 1, 2010 from 9:00 to 11:30 AM, the Agency hosted a community workshop at the Bayview Opera House to solicit community feedback about the CP–HPS 2 DDA. More than 75 people attended. Agency staff gave a presentation about financing for CP–HPS 2 and the roles of the Developer and the City under the DDA. The presentation was followed by a 40-minute question and answer session, in which most questions focused on workforce development opportunities, the Housing Plan, and the construction of replacement units for housing units removed from the market due to the demolition of the Alice Griffith Housing Development. Following the question period, the workshop was broken into three subgroups focusing on key areas of the DDA. An additional focus group remained to ask questions about the Community Benefits Plan.
d. Additional Community Outreach

The Agency continually updates the City’s website with the progress made on the Plan Amendment. A summary of additional community outreach conducted by the Agency and OEWD is included in Appendix G.

3. Public Hearings

In addition to the CAC and other venues for public participation, the Agency Commission and the Board of Supervisors will obtain the advice of community members on the adoption of the Plan Amendment at their respective public hearings on the Plan Amendment.

a. Agency Public Hearing

Per CRL Section 33349, the Agency sent a first class mailing on May 4, 2010 containing the required notice of the public hearing to the last known assessee (the “property owner”) of each parcel of land and to all tenants and business owners (“occupants”) within the Project Area. The notice explains the purpose of the public hearing and contains other pertinent information, such as the meeting dates, times and locations. The Agency Commission will commence a joint public hearing with the Planning Commission on June 3, 2010. In order to comply with the CRL, the notice of the joint public hearing must be published in the San Francisco Chronicle for four consecutive weeks. The dates of publication were May 4, 11, 18 and 25. The notice of the hearing was posted on the SFRA website (http://www.sfredevelopment.org/index.aspx?page=157) on May 3, 2010.

Appendix G includes the notice of the joint public hearing.

b. Board of Supervisors Public Hearing

The Board of Supervisors is expected to hold its public hearing on the Plan Amendment in June 2010. The notice of the Board of Supervisors public hearing will be published in the San Francisco Chronicle for four consecutive weeks.

A supplement to this Report will include the notice of the Board of Supervisors public hearing on the Plan Amendment.
XI. Environmental Review

The Environmental Impact Report for the Candlestick Point–Hunters Point Shipyard Phase 2 Project (CP–HPS 2 Project) has been prepared jointly by the Planning Department and the Agency. The Draft EIR and Final EIR (together, the “EIR”) provide the environmental documentation required by the CRL and the California Environmental Quality Act (CEQA) for the Plan Amendment, and are incorporated by this reference into this Report. A joint public hearing of the Agency Commission and Planning Commission will be held on the Final EIR and Plan Amendment.

A. Statutory Requirements

Section 33352(k) of the CRL requires that this Report include the report required by Section 21151 of the Public Resources Code, i.e., the Environmental Impact Report.

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

(k) the report required by Section 21151 of the Public Resources Code.

CA Public Resources Code Section 21151:

(a) All local agencies shall prepare, or cause to be prepared by contract, and certify the completion of, an environmental impact report on any project that they intend to carry out or approve which may have a significant effect on the environment. When a report is required by Section 65402 of the Government Code, the environmental impact report may be submitted as a part of that report.

(b) For purposes of this section, any significant effect on the environment shall be limited to substantial, or potentially substantial, adverse changes in physical conditions which exist within the area as defined in Section 21060.5.

(c) If a nonelected decision-making body of a local lead agency certifies an environmental impact report, approves a negative declaration or mitigated negative declaration, or determines that a project is not subject to this division, that certification, approval, or determination may be appealed to the agency’s elected decision-making body, if any.

B. Analysis

1. Previous Environmental Review

As required by CEQA, the Planning Commission, Agency Commission and Board of Supervisors certified the Hunters Point Shipyard Reuse Plan Final EIR on February 8, 2000.1 This 2000 EIR analyzed the closure and disposal of the Hunters Point Shipyard by the Navy and the proposed Reuse Plan for the site. On December 2, 2003, the Agency Commission approved and authorized the first set of documents with the Developer to improve Parcels A-1 and B-1. In connection with

1 Case No. 1994.061E.
the approval of the HPS Phase 1 Disposition and Development Agreement (Phase 1 DDA), the City prepared Addendum No. 1 to the Hunters Point Shipyard Reuse Plan Final EIR. Addendum No. 1 analyzed certain revisions to the development program reviewed in the Final EIR, including changes in the location and mix of uses, height increase, and updated and detailed information about the development design. Subsequently, due to a delay in the transfer of Parcel B-1 from the Navy, Addendum No. 2 to the Hunters Point Shipyard Reuse Plan Final EIR analyzed the shifting of residential units from Parcel B-1 to Parcel A-1. These EIR documents continue to govern the HPS Phase 1 development.

2. Environmental Review of CP–HPS 2 Project

The Candlestick Point-Hunters Point Shipyard Phase II Environmental Impact Report evaluates the CP–HPS 2 Project’s environmental effects at a project level of detail and examines all phases of the CP–HPS 2 Project, including planning, construction and operation, as well as the direct, indirect and cumulative impacts that might result. It also describes mitigation measures that could minimize or eliminate significant adverse impacts. The EIR also identifies and evaluates a range of reasonable alternatives to the proposed CP–HPS 2 Project.

It is anticipated that each discretionary approval related to the implementation of the CP–HPS 2 Project would rely on the EIR and would not require subsequent environmental documentation.

On August 31, 2007, the Planning Department and the Agency filed a Notice of Preparation for the Bayview Waterfront Project, which included Candlestick Point, Hunters Point Shipyard and India Basin Shoreline areas. A copy of the Notice of Preparation is included in Appendix H for reference. A 30-day public comment period followed, and the Agency published the Draft EIR (Draft EIR, 2007082168) on November 12, 2009.

As required by law, the Draft EIR was distributed to the affected taxing entities, the State Clearinghouse, all State trustee agencies, and other interested parties on November 12, 2009. The public review period for the Draft EIR was November 12, 2009 through January 12, 2010, including a two-week extension. Written comments on the Draft EIR and the responses to the comments are required to be included in the Final EIR. On May 13, 2010, the Final EIR was submitted to the Planning Commission and Agency Commission, as well as to all entities that commented on the Draft EIR. On June 3, 2010, both the Planning Commission and Agency Commission are expected to consider certifying the Final EIR as accurate, complete and in compliance with CEQA.

Certification of the Final EIR must occur prior to final action on the Plan Amendment. However, certification of the Final EIR does not constitute approval of the Plan Amendment. The separate Final EIR document serves as the principal background reference for environmental impact and mitigation information for the decision makers during deliberations pertaining to the Plan Amendment.

2 Case No. 2003.0241E.
3 Under CEQA (Public Resources Code Section 21166) and the CEQA Guidelines (Sections 15162 through 15164), subsequent environmental review may be required under certain circumstances as set forth in cited Code and Guidelines sections.
XII. Analysis of the County Fiscal Officer’s Report

Section 33352(l) of the CRL requires under certain circumstances that a Report on the Plan Amendment contain the County Fiscal Officer’s Report (33328 Report), and Section 33352(n) requires inclusion of the analysis of the County Fiscal Officer’s Report. This chapter of the Report includes the analysis of the County Fiscal Officer’s Report.

A. Statutory Requirements

Sections 33352(l) and (n) of the CRL require:

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

(l) The report of the county fiscal officer as required by Section 33328.

(n)(1) An analysis by the agency of the report submitted by the county as required by Section 33328, which shall include a summary of the consultation of the agency, or attempts to consult by the agency, with each of the affected taxing entities as required by Section 33328. If any of the affected taxing entities have expressed written objections or concerns with the proposed project area as part of these consultations, the agency shall include a response to these concerns, additional information, if any, and, at the discretion of the agency, proposed or adopted mitigation measures.

B. Analysis

The Plan Amendment will increase the tax increment revenue collection limit and the bonded indebtedness limit for the Project Area. However, because the Plan Amendment does not add new territory to the Project Area, the County Fiscal Officer’s Report is not required. A summary of consultations with the affected taxing entities is included in Chapter XIII of this Report.
XIII. Consultations with Taxing Entities

Section 33328 of the CRL requires that prior to the public hearing on the Plan Amendment, the Agency must consult with each taxing entity that levies taxes, or for which taxes are levied, on property in the Project Area. The Agency must consult on the proposed Plan Amendment and the allocation of tax increment revenues. Pursuant to Section 33352(n), if any of the affected taxing entities express written objections or concerns about the Plan Amendment as part of these consultations, the Agency must include a response to these concerns, additional information, if any, and, at the discretion of the Agency, proposed or adopted mitigation measures.

A. Statutory Requirements

CRL Section 33352(n) provides the following:

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

(n) (1) An analysis by the agency of the report submitted by the county as required by Section 33328, which shall include a summary of the consultation of the agency, or attempts to consult by the agency, with each of the affected taxing entities as required by Section 33328. If any of the affected taxing entities have expressed written objections or concerns with the proposed project area as part of these consultations, the agency shall include a response to these concerns, additional information, if any, and, at the discretion of the agency, proposed or adopted mitigation measures.

(2) As used in this subdivision:

(A) “Mitigation measures” may include the amendment of the redevelopment plan with respect to the size or location of the project area, time duration, total amount of tax increment to be received by the agency, or the proposed use, size, density, or location of development to be assisted by the agency.

(B) “Mitigation measures” shall not include obligations to make payments to any affected taxing entity.

CRL Section 33349(d) states:

(d) Copies of the notices published pursuant to this section shall also be mailed to the governing body of each of the taxing agencies that levies taxes upon any property in the project area designated in the proposed redevelopment plan. Notices sent pursuant to this subdivision shall be mailed by certified mail, return receipt requested.

Additionally, regarding the public hearing to be held by the Board of Supervisors, CRL Section 33363 requires the following:

...The legislative body shall respond in writing to the written objections received before or at the noticed hearing, including any extensions thereof, and may additionally respond to written objections that are received after the hearing. The written responses shall describe the disposition of the issues raised. The legislative body shall address the written objections in detail, giving reasons for not accepting specified objections and suggestions. The legislative body shall include a good-faith, reasoned analysis in its response and, for this purpose, conclusionary statements unsupported by factual information shall not suffice.
B. Communications with Taxing Entities

On November 10, 2009, a courtesy “Statement of Preparation” was transmitted by Agency staff to all affected taxing agencies to inform them of the preparation of the Plan Amendment. A copy of the courtesy letter is included in Appendix I. Under separate cover, the Agency distributed the Draft EIR to the affected taxing entities on November 12, 2009.

On February 12, 2010, the Agency sent by certified mail a copy of the Preliminary Report to the following individuals at the affected taxing entities for review and comment:

- Ben Rosenfield, Controller
  City and County of San Francisco
- Scott Schroeder, Controller-Treasurer
  Bay Area Rapid Transit District
- Jeff M. McKay, Air Pollution Control Officer
  Bay Area Air Quality Management District
- Harvey M. Rose Associates, LLC, Board Budget Analyst
  Board of Supervisors
- Maribel Medina, General Counsel
  San Francisco Unified School District
- John Belmont, Controller
  San Francisco Community College District

In the cover letter transmitting the Preliminary Report, included in Appendix I, the Agency also notified the taxing entities of a consultation meeting on February 23, 2010. Agency staff reminded the taxing entities of the meeting through telephone calls. The following lists the Agency’s additional attempts to make contact with the affected taxing entities:

- Bay Area Air Quality Management District–Contact: Jeffrey McKay, Deputy Air Pollution Control Officer
  - February 22, 2010: Agency staff confirmed a representative would attend the consultation meeting.
- Bay Area Rapid Transit–Contact: Scott Schroeder, Controller-Treasurer
  - February 22, 2010: Agency staff left a voicemail message.
  - February 23, 2010: Mr. Schroeder confirmed that he would not attend consultation meeting.
- Board of Supervisors–Contact: Harvey M Rose, Board Budget Analyst
  - February 22, 2010: Mr. Rose stated that he would not attend the consultation meeting.
- City and County of San Francisco–Contact: Ben Rosenfield, City Controller
  - February 22, 2010: Agency staff attempted make contact, but was unsuccessful.
- San Francisco Community College District–Contact: John Bilmont, Chief Financial Officer
  - February 22, 2010: Agency staff left a voicemail message.
  - February 23, 2010: Agency staff attempted to leave message, but voicemail box was full.
- San Francisco Unified School District–Contact: Maribel Medina, General Counsel
  - February 22, 2010: Agency staff left a voicemail message.
  - February 23, 2010: Ms. Medina stated that she would not attend consultation meeting.
C. Meeting with Taxing Entities

The Agency held a consultation with affected taxing entities on Tuesday, February 23, 2010 at 2:00 p.m., at the Agency’s offices. Naomi Bernardo, Air Quality Inspector II, attended the meeting. Agency staff and consultants provided an overview of the Plan Amendment and the CP–HPS 2 Project.

D. Public Hearings Notifications and Comments Received from Taxing Agencies

The Agency Commission is scheduled to conduct a duly noticed joint public hearing with the Planning Commission on the Plan Amendment on June 3, 2010. As required by the CRL, the Agency sent copies of the notice to the taxing entities by certified mail with return receipt requested. (Refer to Appendix I.)

Per Section 33363, if any written comments are received from the taxing entities prior to or at the Board of Supervisors public hearing, the Board of Supervisors will respond in writing, and those letters and such responses will be included in a supplement to this Report.

As of the publication of this Report, the Agency has not received any written comments from the affected taxing entities as part of the consultations.
XIV. Neighborhood Impact Report

Section 33352(m) of the CRL requires that the report to the legislative body contain a neighborhood impact report if the redevelopment project contains low or moderate-income housing. The purpose of the neighborhood impact report is to describe in detail the impact of the proposed actions upon the residents of the project area and surrounding areas in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, and property assessments and taxes.

A. Statutory Requirements

Section 33352(m) of the CRL requires that:

Every redevelopment plan submitted by the agency to the legislative body shall be accompanied by a report containing...the following:

(m) If the project area contains low- or moderate-income housing, a neighborhood impact report which describes in detail the impact of the project upon the residents of the project area and the surrounding areas, in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood. The neighborhood impact report shall also include all of the following:

1. The number of dwelling units housing persons and families of low or moderate income expected to be destroyed or removed from the low- and moderate-income housing market as part of a redevelopment project.

2. The number of persons and families of low or moderate income expected to be displaced by the project.

3. The general location of housing to be rehabilitated, developed, or constructed pursuant to Section 33413.

4. The number of dwelling units housing persons and families of low or moderate income planned for construction or rehabilitation, other than replacement housing.

5. The projected means of financing the proposed dwelling units for housing persons and families of low and moderate income planned for construction or rehabilitation.

6. A projected timetable for meeting the plan’s relocation, rehabilitation, and replacement housing objectives.
B. Analysis

As the Project Area does not contain any low or moderate-income housing, a neighborhood impact report is not required.¹

The Environmental Impact Report for Candlestick Point–Hunters Point Shipyard Phase II presents the potential environmental impacts of the proposed Plan Amendments to the Hunters Point Shipyard Redevelopment Plan and the Bayview Hunters Point Redevelopment Plan.² Specifically, the Draft EIR discusses the effects of the CP–HPS 2 Project on the Bayview community, including the Hunters Point Shipyard Project Area. Since the Bayview Hunters Point Project Area contains low or moderate-income housing, a Neighborhood Impact Report is required for the Bayview Hunters Point Plan Amendment and is included as Chapter XIV of the Bayview Hunters Point Report on the Plan Amendment.

Overall, the redevelopment of the Project Area and the revitalization of the Bayview Hunters Point Project Area will have beneficial impacts upon the residents, property owners and businesses in the Bayview. The coordinated implementation of the Agency’s Redevelopment Program in these two Project Areas will bring about corresponding growth and development, making the Project Areas more attractive, which in turn will stimulate reinvestment. The Plan Amendments emphasize blight elimination, affordable housing development, improved transportation access and circulation, investment in commercial activities, creation of public open space and public facilities, and strengthening of the local economic base, which would create positive change in the Project Areas, the Bayview and the City as a whole.

¹A neighborhood impact report was not prepared when the Redevelopment Plan was originally adopted in 1997.
²Candlestick Point–Hunters Point Shipyard Phase II Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency (Draft EIR published November 12, 2009).
XV. Necessity for Plan Amendment

A. Introduction

The analysis presented throughout this Report has demonstrated that significant physical and economic blight remains in the Project Area and that the proposed Plan Amendment would provide the needed tools for the elimination of this blight. This chapter summarizes the blight analysis and reiterates the necessity for the Plan Amendment to increase the fiscal limits on tax increment collection and outstanding bonded indebtedness of the Project Area, to revise land use standards in the Redevelopment Plan, and to incorporate technical amendments clarifying the timeframe for plan effectiveness, debt incurrence and tax increment collection. This chapter also explains why private enterprise and governmental action, working alone or together, cannot reasonably be expected to reverse blighting conditions without the Plan Amendment.

B. Extent of Blighting Conditions

The blighting conditions in the Project Area are so prevalent and substantial that they cannot reasonably be expected to be reversed without redevelopment assistance. The documentation of the Project Area’s blighting conditions in Chapter III and the photographs contained in Appendix B demonstrate that substantial blight is prevalent throughout the Project Area.

Six blighting conditions specified in the CRL for former military bases are prevalent throughout the Project Area. In summary:

- Unsafe and/or unhealthy buildings result from a combination of structural, infrastructure, and design deficiencies, exacerbated by long-term neglect and seismic and geologic conditions.
- Several factors prevent the economically viable reuse of buildings and lots, such as substandard or obsolete design given present development standards, the presence of historic structures that require major rehabilitation, extensive hazardous waste contamination, inadequate access and circulation, and a substantial number of buildings that require demolition.
- Buildings in the Project Area are located on land that will not comply with community subdivision, zoning, or planning regulations.
- Public infrastructure inadequacies identified in the Project Area include inadequate gas, water, sewer and other utilities; substandard piers and other maritime facilities; and inadequate roads and circulation, including missing or damaged curbs and sidewalks, deteriorated streets, and insufficient parking.
- Almost all of the buildings in the Project Area were built during World War II according to the standards of the Navy, rather than to the building code set by the City.
- Buildings, infrastructure, soil and other materials contaminated by hazardous wastes constitute material or facilities that need to be removed to allow development in the Project Area.
As further described in Section C below, these blighting conditions have caused a lack of proper utilization of the Project Area and constitute a serious physical and economic burden on the community that cannot be reversed or alleviated without the assistance of Agency through the authority of the CRL.

C. Significant Burden on the Community

Chapter III documented that blighting conditions constitute a burden on the community. Project Area properties are not being used to the same potential as properties in other parts of the City. The lack of proper utilization of the Project Area constitutes a serious physical and economic burden on the community in at least the following respects:

• Deprives residents of San Francisco and surrounding areas of employment opportunities.
• Prevents production of an adequate supply of affordable and other housing.
• Hinders the enhancement of the physical environment.
• Prevents the proper usefulness and development of land.
• Deprives the City and County, the education districts, and other affected taxing entities of an expanding tax base.
• Hinders the development of a stronger economic base for the community.

For these reasons, redevelopment is necessary to address and alleviate the physical and economic burdens of the Project Area.

D. Inability of Private Enterprise or Government to Alleviate Blight

The Agency and the Developer have pursued, and continue to pursue, government and private financial resources to assist with the CP–HPS 2 Project. However, the funding available is not sufficient to fund the Agency’s Redevelopment Program.

1. Limitations of Private Enterprise

Without redevelopment, many of the program costs would have to be borne solely by the private sector. Chapter V and Appendix C present possible sources of private sector funds for redevelopment. As demonstrated in Chapters IV and V, these sources alone would not be able to provide the resources necessary to eliminate blighting conditions and revitalize the area.¹

The private sector’s ability to alleviate blight is limited by the following factors:

• The remediation of parcels contaminated with toxic or hazardous waste and removal of buildings is a costly financial disincentive to reinvestment or development.

¹ CRL Section 33492.7 states that, when adopting a redevelopment plan at a former military base, the requirement that an agency show that “the elimination of blight and the redevelopment of the project area could not be reasonably expected to be accomplished by private enterprise acting alone without the aid and assistance of the agency” (CRL Section 33367(d)(11)) does not apply. However, in the case of the Hunters Point Shipyard Project Area, redevelopment could not be accomplished without Agency assistance. Thus, this section explains the limits of private enterprise regardless of the provision in CRL Section 33492.7.
• Inadequate infrastructure including sewer, storm water, gas, water, and street deficiencies hinders private sector development. The provision of this infrastructure requires a coordinated approach and significant, upfront investment. Traditional private sector financing is typically unable to cover this expense. Given the risk involved, investors who are willing and able to provide this type of funding require extremely high rates of return, driving up the cost to provide this infrastructure.

• The industrial facilities in the Project Area no longer meet user demand for industrial space and limit a private investor’s ability to construct and invest in properties while achieving a reasonable rate of return.

• The cost of seismic upgrades and code compliance for many Project Area buildings is prohibitive without public support, as is the cost of deconstructing or demolishing those buildings.

Due to these limitations, private enterprise alone cannot provide the resources necessary to alleviate blight in the Project Area.

2. Limitations of Other Governmental Action

Alleviating blighting conditions in the Project Area is not feasible by governmental action alone because governmental action is limited by the lack of governmental financial resources available to provide the funding needed for the comprehensive revitalization program, as discussed in Chapter V and Appendix C. All other feasible sources of non-tax increment revenue will be applied toward Redevelopment Program costs. The Navy bears primary responsibility for funding and implementing hazardous materials remediation and other cleanup actions. Other federal funding includes federal transportation and U.S. Department of Commerce Economic Development Administration funding. State funding through the CALReUSE program will help pay for environmental cleanup that is beyond the scope of the Navy’s responsibility for environmental remediation. The City’s capital improvement fund has allocated monies for transportation improvements.

However, the costs of alleviating blighting conditions in the Project Area are significant, and the projects and activities of the Redevelopment Program could not be undertaken without redevelopment assistance. Redevelopment assistance in the form of tax increment revenue is the last-resort funding source that is essential to alleviate blighting conditions and effectively revitalize the Project Area.

E. Reasons Why Tax Increment Financing Is Necessary

Tax increment financing is a necessary tool that will be used to pay for the Agency’s Redevelopment Program costs as described in Chapter IV of this Report. Chapter V outlines the reasons why the amendment is necessary for the economic feasibility of the project. It also demonstrates that the Redevelopment Program is financially feasible with the additional resources made available by the Plan Amendment.

As discussed in Chapter V, the cost of alleviating documented blighting conditions substantially exceeds available funding from public and private sources. Tax increment financing is the only source available to fill the substantial gap between the costs of the Redevelopment Program and other public and private revenue sources.
Without redevelopment assistance, neither the private sector alone, the public sector alone, nor the private and public sectors working together, can financially support the substantial costs of the Redevelopment Program. Because these projects and activities are critical to the revitalization of the Project Area, tax increment financing is needed to assist in funding these projects. Along with developer equity and Mellos-Roos Community Facilities District (CFD) bonds, tax increment financing will be a critical funding source that the Agency will use to implement the Redevelopment Program.

F. Necessity for Amendments

To alleviate blighting conditions, the Agency is proposing to increase and clarify Project Area fiscal limits and land uses. Without the Plan Amendment, the Agency will be unable to implement the voter-approved Proposition G land use plan and will have insufficient financial capacity to fund the redevelopment activities needed to eliminate blight in the Project Area.

1. Necessity for Amendment to Increase Tax Increment Collection Limit

As provided for in the existing Redevelopment Plan governing the Project Area, the total amount of tax increment the Agency is eligible to collect is $881 million. Without an amendment to this tax increment collection limit, the Agency will be unable to implement its Redevelopment Program for the CP–HPS 2 Project, which is designed to alleviate blight in the Project Area. As discussed in Chapter V, the Project Area is projected to generate $3.5 billion in nominal dollars ($726 million in constant FY 2009/10 dollars) in gross incremental tax revenues over the life of the Redevelopment Plan, largely as a result of the CP-HPS 2 Project. As such, the Agency proposes that the tax increment collection fiscal limit for the Project Area be increased to $4.2 billion.  

2. Necessity for Amendment to Increase Bonded Indebtedness Limit

The increase in the bonded indebtedness limit is also essential if the Agency is to eliminate remaining blight throughout the Project Area. The current limit is $221 million. In order to alleviate remaining blighting conditions in a timely manner, the Agency currently expects to need to issue up to $900 million in tax allocation bonds in order to cover the costs of implementing its Redevelopment Program over the entire Project Area. Without changes to the bonded indebtedness limit, the Agency would be unable to issue sufficient bonds to provide the capital needed to implement its Redevelopment Program.

3. Necessity for Amendment to Land Uses and Development Controls

The Plan Amendment makes changes to the Land Use Plan component of the Redevelopment Plan in accordance with the planning and policy concepts approved by San Francisco voters through Proposition G in 2008 and to support the development of the CP–HPS 2 Project. These changes affect the development controls, land use categories, permitted uses, standards for

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2 Tax increment collection limit estimated by applying a contingency factor of 1.2 to the projected gross tax increment revenues.
development, plans for building retention and rehabilitation, and streets plan contained in the existing 1997 Redevelopment Plan.

Specifically, the Plan Amendment provides for land use and development consistent with the conceptual framework for the CP–HPS 2 Project as expressed in the proposed General Plan Area Plan, and described in more detail in the Design for Development CP–HPS 2 Project. In general, the existing Redevelopment Plan does not allow for a stadium site at the Shipyard and lacks sufficient land use flexibility to support the mixed-use development proposed for the CP–HPS 2 Project. The land use changes are described in detail in Chapter II.

The proposed Plan Amendment would also alter the development fees and exactions currently in place in the Project Area. If adopted, development fees will include a School Facilities Impact Fee, an Art Requirement, and a Child-Care Requirement. (Refer to Chapter II for further detail.)

4. Clarification to Time Limits

The current Redevelopment Plan does not reflect redevelopment law for former military bases, which specifies that the time periods for incurring debt and for tax increment collection do not begin until the last day of the first fiscal year in which the Agency collects $100,000 in tax increment, which is currently anticipated to be June 30, 2012. This technical amendment will clarify Redevelopment Plan language to more accurately meet the language in the CRL. The time limits will be clarified as follows:

- The time limit for debt incurrence will be 20 years after the first fiscal year in which the Agency collects $100,000 or more in tax increment.
- The time limit for Redevelopment Plan effectiveness will be 30 years after the first fiscal year in which the Agency collects $100,000 or more in tax increment.
- The time limit for tax increment collection will be 45 years after the first fiscal year in which the Agency collects $100,000 or more in tax increment.

G. Conclusion

The Board of Supervisors established the Project Area after finding that the blight that existed in the Project Area could not reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. This Report has documented that significant blight remains in the Project Area.

Redevelopment assistance in the form of tax increment revenue made possible by the Plan Amendment is a last-resort funding source that is essential to alleviate blighting conditions and effectively revitalize the Project Area. Other public and private funding sources are insufficient to fully fund the Agency’s Redevelopment Program, and have become even more limited in light of the State’s decision to utilize local funds to balance its budget and the current economic climate. As described in Chapter V and Appendix C, Developer equity, Mello-Roos CFD bond proceeds, and all other feasible sources of non-tax increment revenue will be applied toward the Agency’s Redevelopment Program costs. However, the costs of the Agency’s Redevelopment Program to alleviate blighting conditions are significant and exceed the resources available through these funding sources alone.
The Agency and its development partner have designed the CP–HPS 2 Project to alleviate blight in the Project Area. The Agency’s Redevelopment Program cannot be implemented without the proposed amendments, as documented throughout this chapter and in Chapters IV and V. The Agency’s Redevelopment Program requires more funding than the amount available from other potential funding sources or from tax increment without the amendments proposed to the Project’s fiscal limits. The changes to the land uses allowed by the Redevelopment Plan are also necessary to accomplish the plans for revitalization as approved by City voters. If adopted, the Plan Amendment would increase tax increment collection and bonded indebtedness limits, clarify these limits, and modify allowed land uses. These changes would provide the tools necessary for the Agency to complete its Redevelopment Program and alleviate remaining blight, but without the Plan Amendment the projects and activities of the Agency’s Redevelopment Program could not be fully undertaken.