

RESOLUTION NO. 179-2003

Adopted December 2, 2003

AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO AND LENNAR/BVHP LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, DOING BUSINESS AS LENNAR/BVHP PARTNERS, FOR THE DEVELOPMENT OF PHASE 1 OF THE HUNTERS POINT NAVAL SHIPYARD; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. In 1974, the United States of America, acting through the Department of the Navy (the "Navy"), closed the Hunters Point Naval Shipyard (the "Shipyard"), located in the City and County of San Francisco (the "City"), and leased it to a commercial ship repair company. In 1991, the Shipyard was selected for transfer to the City or the Agency under the Defense Base Closure and Realignment Act of 1990, Part A of Title XXIX of Public Law 101-510, 10 U.S.C. § 2687, as amended ("BRAC").
2. In accordance with the Community Redevelopment Law of California (Health & Safety Code §§ 33000 *et seq.*), the City, acting through its Board of Supervisors, approved a Redevelopment Plan for the Shipyard by Ordinance No. 285-97 adopted on July 14, 1997 (the "Redevelopment Plan"). In cooperation with the City, the Redevelopment Agency of the City and County of San Francisco (the "Agency") is in the process of implementing the Redevelopment Plan. The Redevelopment Plan was recorded on November 21, 2003 as Document No. H595996 in the official records of the City.
3. The Navy and the Agency have negotiated a comprehensive agreement governing the terms and conditions for the transfer of the Shipyard from the Navy to the Agency (the "Conveyance Agreement"). The Conveyance Agreement sets forth the process for conveying Shipyard parcels to the Agency, following certification that such parcels are clean by the federal and state regulators and after independent confirmation by Agency and City. Proposition P, approved by the voters on November 7, 2000, and adopted by the Board of Supervisors as City policy on July 30, 2001, calls upon the Navy to remediate the Shipyard to the highest levels practical to assure the flexible reuse of the Shipyard.
4. On April 22, 1998, the Agency issued a Request for Qualifications to development teams for the conveyance, management and redevelopment of the Shipyard. On March 30, 1999, the Agency Commission determined that Lennar/BVHP, LLC (the "Developer") was the most qualified of the development teams that had submitted

responses. On June 1, 1999, the Agency and Developer entered into an Exclusive Negotiations Agreement (“ENA”) setting forth the terms and conditions under which the parties would seek to negotiate transaction documents for the conveyance, management and redevelopment of the Shipyard.

5. The ENA included a schedule of performance setting forth a number of negotiating milestones. The first key milestone, the Developer’s presentation of a Preliminary Development Concept (“PDC”) for the Shipyard, was achieved on July 20, 2000 with the Agency Commission’s endorsement of the PDC, based on recommendations from the Mayor’s Hunters Point Shipyard Citizen Advisory Committee (the “CAC”), after public review. On January 13, 2003, a Conceptual Framework/Term Sheet for Phase 1 Development of the Hunters Point Shipyard (the “Conceptual Framework”) was completed. Following review by the CAC and other stakeholders, the Agency Commission approved the Conceptual Framework on July 22, 2003.
6. The portion of the Shipyard subject to this Disposition and Development Agreement (the “DDA”) is defined as Phase 1, which comprises portions of Parcels A and B, as designated by the Navy, including the hilltop area of Parcel A (“Parcel A-1”) and the south side of the hill and certain flat portions of Parcel B (“Parcel B-1”). Phase 1 is shown as the shaded area on the attached map.
7. The focus on Phase 1 responds to community concerns over potential health and environmental impacts associated with developing environmentally clean portions of the Shipyard while remediation efforts on adjacent parcels may be ongoing. The boundaries of Phase 1 reflect reasonable assumptions about the timing and nature of the Navy’s remediation efforts, and Parcels A-1 and B-1 are located furthest away from scheduled cleanup activities on the adjacent parcels. Decisions regarding future development plans outside of Phase 1 will be made as additional information about the Navy’s remediation efforts in those areas becomes available and will be subject to future DDAs.
8. The proposed DDA for Phase 1 permits approximately 1,600 residential units, at least 32% of which will be affordable to low- and moderate-income residents, a mix of approximately 30% rental units and 70% for-sale units, 300,000 square feet of commercial space, six acres of community development facilities and 34 acres of active and passive open space. The Phase 1 development plan is based on and consistent with the Redevelopment Plan for the Shipyard and the approved Conceptual Framework.
9. The development proposed pursuant to the DDA is (i) in accordance with the public purposes and provisions of applicable federal, state and local laws and requirements and (ii) consistent with, in furtherance of, and necessary to, the effectuation of the Redevelopment Plan.
10. In order to achieve the development plan for Phase 1, significant public infrastructure improvements need to be made, including demolishing existing structures, grading, constructing a new roadway network and pedestrian improvements, constructing new

utility systems and creating public open space (“Horizontal Improvements”). As set forth in the proposed DDA, the Developer is responsible for necessary demolition, design and construction of the Horizontal Improvements. The Developer is also responsible for managing any Shipyard property conveyed by the Navy to the Agency before it is ready for development.

11. The Financing and Revenue Sharing Plan included in the DDA outlines the transaction structure for development of Phase 1. This structure is based on a “horizontal” land development model. Under this model, land is the asset that is being improved and sold, not buildings. Because the Shipyard is currently a large parcel of unimproved land, the transaction structure is designed to transform this unimproved land into “finished lots” (i.e., subdivided and improved with streets, sidewalks, parks, open space and utilities). Once improved and subdivided into marketable lots, and after streets, parks, open space, utilities’ rights-of-way and other public property rights are dedicated or otherwise conveyed to the Agency or the City, parcels then will be either (1) sold at fair market value to private parties for the development of affordable and market-rate housing and commercial facilities, as set forth in the DDA and the Redevelopment Plan or (2) retained by the Agency for the development of affordable housing and for community economic development, either by the Agency or a third party.
12. Under the Financing and Revenue Sharing Plan, the proceeds of the sales of finished lots to private parties are allocated first to repay the costs of constructing the Horizontal Improvements and then to repay both the Agency and the Developer for each party’s respective financial contributions, with 60 cents of every dollar to the Agency and 40 cents of every dollar to the Developer until both parties have achieved their respective contributions (the Agency’s land contribution, valued at \$30 million, plus interest, and the Developer’s \$20 million predevelopment equity contribution, plus interest). Any proceeds in excess of those described above are to be divided between the Agency and Developer in equal shares. The Agency will reinvest these proceeds into the Bayview Hunters Point Community for community benefit.
13. The Agency intends to issue Mello-Roos Bonds to pay for the public portion of the Horizontal Improvements (e.g., streets, parks and utilities), and to reimburse the Developer for certain costs related to public improvements already incurred. The full amount of Mello Roos bonds will be secured by a letter credit provided by the Developer. As further set forth in the Financing and Revenue Sharing Plan, it is anticipated that any portion of the required Horizontal Improvements not financed by Mello Roos bonds will be financed from the sales of finished lots within Phase 1.
14. As an alternative to the Financing and Revenue Sharing Plan, the Developer has a limited-time-only option to purchase the Agency’s interest for the price and on the terms and conditions set forth in the DDA, which, among other things, give the Agency an up-front lump sum payment of the full value of the land, plus any accrued interest, along with the Agency’s right to participate on an equal basis in net revenues from future vertical development, after Lennar achieves a priority return.

15. On September 15, 2003, a draft version of the DDA was presented to the CAC for its review and comment. As part of this review, the CAC held more than 30 public meetings headed by the various subcommittees, focusing on Business & Employment Opportunity, Affordable Housing, Planning & Land Use, Finance, and Environment and Reuse issues. In addition, the CAC and Agency held public workshops in Hunters Point on October 18 and 28, and November 15, 2003 to solicit public input and comment and a final meeting on November 24, 2003 to make final recommendations. The majority of the CAC's recommendations were incorporated into the final version of the DDA.
16. The Hunters Point Shipyard Reuse Project Final Environmental Impact Report, the Addendum (as defined below), and Resolution 12-2000 and attachments (the findings adopted on February 8, 2000, under the California Environmental Quality Act ("CEQA")), have been made available for review by the public, and are part of the record before the Commission.

FINDINGS

The Agency has considered the environmental effects of the development program proposal in the DDA and determines that:

1. On February 8, 2000, the Agency Commission, by Resolution 11-2000, certified the Hunters Point Shipyard Reuse Final Environmental Impact Report ("FEIR") as complete and in compliance with the California Environmental Quality Act ("CEQA") and the State of California CEQA Guidelines.
2. On November 19, 2003, the Department of City Planning issued a Memorandum to City Planning File No. 2003.0241 pursuant to CEQA Guidelines Section 15164 ("Addendum") to the FEIR for the Hunters Point Shipyard Redevelopment Project, a copy of which is on file at the Redevelopment Agency. City Planning determined in the Addendum that the Hunters Point Phase I development program proposed for a portion of the Shipyard would not cause new significant impacts not identified in the FEIR and no new mitigation measures would be necessary to reduce significant impacts. City Planning further found that no changes have occurred with respect to circumstances surrounding the proposed project that would cause significant environmental impacts to which the project would contribute considerably, and no new information has become available that shows that the project would cause significant environmental impacts and, therefore, no supplemental environmental review is required beyond the Addendum.
3. The Commission has reviewed and considered the information contained in the FEIR and the Addendum.

4. The Commission finds that the DDA for the Hunters Point Phase I development program is part of the Hunters Point Shipyard Reuse Project for purposes of compliance with CEQA.
5. On February 8, 2000, the Commission, by Resolution 12-2000, reviewed and considered the FEIR and adopted environmental findings with respect to FEIR, including a statement of overriding considerations and a mitigation monitoring and reporting program, and as required by CEQA, those findings are incorporated herein by this reference.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco as follows:

- A. Based on its review of the FEIR, the Addendum, the proposed modifications to the Hunters Point Shipyard Redevelopment Project contemplated by the DDA which is the subject of this Resolution, the Executive Director's memorandum, and the public comments submitted, it is found that the Project as modified will not require major revisions to the FEIR and no additional environmental review is necessary for the following reasons:
 - i. there is no new significant environmental effect, nor is there a substantial increase in the severity of previously identified significant environmental effects of the Project as modified;
 - ii. there are no substantial Project changes and there are no substantial changes in the Project circumstances that would require major revisions in the FEIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and
 - iii. there is no new information of substantial importance that was either not known when the FEIR was certified as complete, nor is there any other indication that the Project as modified would have significant effects not discussed in the FEIR;.
- B. In addition, the mitigation measures identified in the FEIR have been considered and there are no indications that mitigation measures or alternatives previously identified as infeasible have become feasible.
- C. There are no mitigation measures nor are there any feasible Project alternatives which are considerably different from those previously identified

in the FEIR that would substantially reduce one or more significant effects on the environment

2. Based on the foregoing findings and determinations, the Executive Director is authorized to execute the Disposition and Development Agreement with Lennar/BVHP LLC, a California limited liability company, doing business as Lennar/BVHP partners, for the development of Phase 1 of the Hunters Point Naval Shipyard; Hunters Point Shipyard Redevelopment Project Area, substantially in the form lodged with Agency General Counsel.

APPROVED AS TO FORM:



James B. Morales
Agency General Counsel

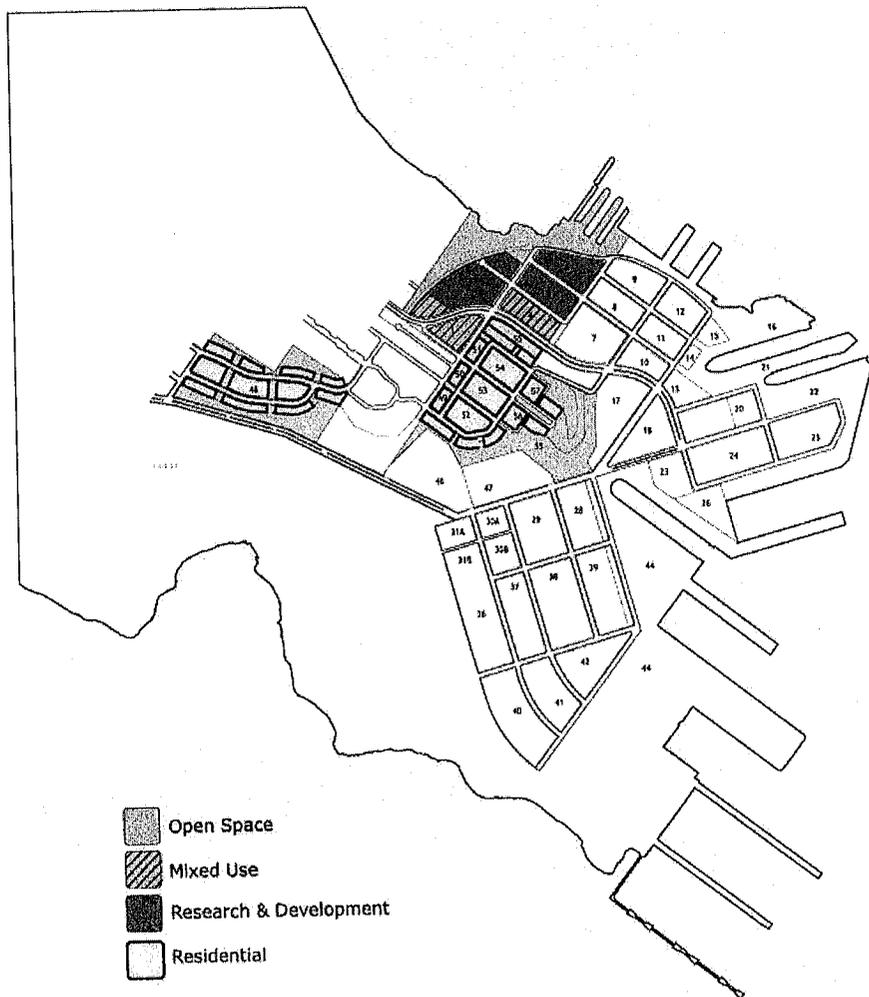


Exhibit A - Phase One with Land Use Designations

January 8, 2003