MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Conditionally approving Schematic Designs for the Alice Griffith Block 1 development, which is part of Phase 3 of the Alice Griffith Housing Development, pursuant to the Candlestick Point and Hunters Point Shipyard Phase 2 Disposition and Development Agreement and approving a Variance from the Candlestick Design for Development Grade Separation Requirement for two units adjacent to Block 1’s main entrance; and Adopting Environmental Review Findings pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area

Authorization a First Amendment to a Permanent Loan Agreement with Double Rock Ventures LLC to modify source of funds, for the 93-unit Phase 1 of the HOPE SF Redevelopment of the Alice Griffith Public Housing site, consisting of replacement public housing units as well as other affordable housing units, 2600 Arelious Walker Drive; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area

Authorization a First Amendment to a Permanent Loan Agreement with Double Rock Ventures LLC to modify source of funds, for the 91-unit Phase 2 of the HOPE SF Redevelopment of the Alice Griffith Public Housing site, consisting of replacement public housing units as well as other affordable housing units, 2700 Arelious Walker Drive; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area

EXECUTIVE SUMMARY

The Alice Griffith public housing development (the “Project” or “AG”) is a public housing asset owned by the San Francisco Housing Authority ("Housing Authority") located within the Candlestick portion of the Hunters Point Shipyard and Candlestick Point areas (together the “Shipyard Redevelopment Project”). CP Development Co, LP, is a partnership including the Lennar Corporation (“Lennar”) created for the purpose of redeveloping Hunters Point Shipyard Phase 2 and Candlestick Point. AG’s rebuild is an important community benefit that has been included in the Candlestick Point and Phase 2 of the Hunters Point Shipyard (“Phase 2”) Development and Disposition Agreement’s (“DDA”) Below-Market Rate (“BMR”) Housing Plan. The Project is also part of Phase 2’s first Major Phase. The overall plan for rebuilding the Project is to provide a total of 504 units that will include one-for-one replacement of all 256 existing AG units (“AG Replacement Units”) in an integrated development that will be complemented by an additional 248 new affordable units. The additional 248 affordable units
will be for families earning up to 50 percent area median income ("AMI") and are OCII Affordable Units as required under the BMR Housing Plan.

As a result of the project financing, AG is being developed in phases. Conditional Schematic Design approval for Phases 1 and 2 (Blocks 2 and 4) was granted in January 2014. The developer of the Project, is Double Rock Ventures, an affiliate of McCormack Baron Salazar ("AG Developer"). The AG Developer is now seeking Schematic Design approval of AG Phase 3, which is located on Block 1. The AG Schematic Design application follows the Phase 2 Design Review and Document Approval Process ("DRDAP") and is part of Phase 2’s first Major Phase and Sub-Phase, which were was approved in early 2014.

The AG Developer is also requesting a variance from the Candlestick Design for Development ("D for D") to provide increased access for two units adjacent to Block 1’s main entrance, which are designated Uniform Federal Accessibility Standard ("UFAS") units that need to be accessible by wheelchair. The D for D require that ground floor units be raised two to four feet above street level for privacy. Raising the two UFAS ground floor units by the required two to four feet would create the need for exterior stairs and ramps to access those units. However, if the units remained at grade level, a wheelchair user could conveniently access the unit directly from the street. Additionally, the grade level change would create complicated floor level changes (stairs and ramps) inside the building and would require an additional elevator stop for accessibility purposes, resulting in additional development costs.

In addition to AG’s Phase 3 schematic design approval, staff is recommending approval of an amendment to OCII’s loans to AG Developer for Phases 1 and 2 of AG. The DDA requires that Lennar provide a portion of the funds for the vertical development of AG, referred to as the Master Developer Subsidy ("MDS"). Those funds will be paid to OCII to be included with the OCII sources for the OCII loans to those phases. On May 16, 2014 the HOPE SF Loan Committee ("LC") approved those two permanent loans for the first two phases of the Alice Griffith Public Housing redevelopment ("Phase 1” and “Phase 2”). OCII Commission approved the loans for Phases 1 and 2 of AG with the AG Developer on July 15, 2014. The sources for the OCII loans are as follows:

<table>
<thead>
<tr>
<th>Phase</th>
<th>OCII Prior Year Bond Proceeds</th>
<th>Master Developer Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$3,421,679</td>
<td>$14,879,013</td>
</tr>
<tr>
<td>2</td>
<td>$3,699,043</td>
<td>$14,631,970</td>
</tr>
<tr>
<td>Total</td>
<td>$7,120,722</td>
<td>$29,510,983</td>
</tr>
</tbody>
</table>

The approved loan agreements with AG Developer require that Lennar provide OCII with the full MDS at the close of construction financing for each phase of the development. Lennar has requested that OCII accept an irrevocable Letter of Credit from a bank for a portion of the MDS that is not anticipated to be needed until the end of construction. Additionally staff is proposing some administrative changes to the OCII loan to ensure consistency with the Master Development Agreement for AG, which was approved by the Commission on October 21, 2014, including incorporating the requirements of the Workforce Memorandum of Understanding and
Cashflow Memorandum of Understanding that were approved as part of the Master Development Agreement for AG.

Staff recommends adopting environmental review findings pursuant to the California Environmental Quality Act, conditionally approving Schematic Designs for AG Phase 3, Block 1, and granting a Variance from the Candlestick Design for Development Grade Separation Requirement for two units adjacent to Block 1's main entrance.

Staff recommends authorizing a First Amendment to a Permanent Loan Agreement with Double Rock Ventures LLC to modify source of funds, for the 93-unit Phase 1 of the HOPE SF Redevelopment of the Alice Griffith Public Housing site; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area.

Staff recommends authorizing a First Amendment to a Permanent Loan Agreement with Double Rock Ventures LLC to modify source of funds, for the 91-unit Phase 2 of the HOPE SF Redevelopment of the Alice Griffith Public Housing site; and Adopting Environmental Findings Pursuant to the California Environmental Quality Act; Bayview Hunters Point Redevelopment Project Area.

DISCUSSION

Hunters Point Shipyard and Candlestick Point Overview and Summary

The Shipyard Redevelopment Project is comprised of approximately 780 acres along the long-neglected waterfront lands of southeastern San Francisco. The Shipyard Redevelopment Project will be developed in two phases and transform the land into productive areas for jobs, parks, and housing, including affordable housing.

The Shipyard Redevelopment Project will deliver over 12,000 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the AG public housing development consistent with the City’s HOPE SF public housing revitalization program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco. In total, the Shipyard Redevelopment Project will generate over $6 billion of new economic activity to the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Shipyard Redevelopment Project’s full build out will occur over 20 to 30 years, but nearly 1,500 units of housing and 26 acres of parks will be completed over the next five years in the first phases on the Hilltop and Candlestick Point sites.

1 Unless otherwise defined, capitalized terms have the same meaning as the Phase 2 DDA BMR Plan.
Phase 2 Major Phases

The Phase 2 DDA reflects a “horizontal” land development model, wherein OCII assembles and conveys land to a competitively selected developer, in this case CP Development Co., LP, a partnership formed for the specific purpose of developing the Candlestick Point and Shipyard Phase 2 project and led by Lennar Corporation (“Lennar” or “the Developer”). Together with other land privately acquired by the Developer, Lennar must build horizontal infrastructure improvements, and provide various community amenities and other public benefits. In return, the Developer receives the right to sell land for vertical development. For vertical construction of new housing and commercial space, the Phase 2 DDA contemplates that the Developer may choose to build vertical projects itself, in partnership with affiliates, or convey finished lots to other developers for construction.

The Phase 2 DDA’s DRDAP outlines the process by which horizontal and vertical designs are reviewed and permitted and prescribes a process for the Developer to receive development approvals for each Major Phase through a “Major Phase Application” that require Commission approval and subsequent Sub-Phases which are approved by OCII’s Executive Director. Following a Sub-Phase Approval, vertical developers may seek approval of vertical improvements within that Sub-Phase. Major Phase 1-CP was approved by the Commission on January 7, 2014 and the CP-01 Sub-Phase was approved by the OCII Executive Director on March 7, 2014.

Phase 2 Affordable Housing Program

The DDA, through the BMR Housing Plan stipulates that 31.36 percent, or 3,345 units of 10,500 units, be below-market rate units. This requirement includes: a one-for-one replacement of the existing public housing units (“AG Replacement Units”), OCII Affordable Units (priced at up to 60% AMI), Inclusionary Units (priced between 80% and 120% AMI), and Workforce Units (priced between 121% and 160% AMI). Three primary groups of providers will develop the BMR units: (1) qualified housing developers selected by OCII will develop the 1,140 OCII Affordable Units on the OCII Lots; (2) AG Developer will develop 256 AG Replacement Units and 248 OCII Affordable Units on the AG lots; and (3) Vertical Developers, including Lennar and its affiliates, will develop 809 Inclusionary Units and 892 Workforce Units in accordance with the Phase 2 BMR Housing Plan.

AG Overview

AG currently consists of 256 units of multi-family public housing. The Project is located on Candlestick Point along Aurelius Walker Drive between Carroll Avenue and Gilman Avenue. The housing itself is in severe disrepair and must be replaced to preserve the health and safety of AG residents. Through the City’s HOPE SF program, the Project site will be reconfigured to provide existing residents with completely new, high-quality housing that is both environmentally sound and equipped with modern amenities. The Project will also include new affordable housing units available to other low-income households (up to 50 percent of AMI).
The first phases of new homes will be built on vacant land adjacent to the Project site, so that existing residents will have the opportunity to move directly from their existing homes into new homes without leaving their community or risking displacement.

Lennar selected, and OCII approved, the AG Developer to act as the developer for the AG Replacement Units. The AG Developer has extensive experience in affordable/mixed-income housing and public housing revitalization throughout the United States. The AG Developer is working on the Project in partnership with Urban Strategies, a non-profit organization that is coordinating community support services for AG residents to ensure that residents are engaged in both the physical and social aspects of the revitalization.

The table below provides further detail about the schedule and amounts of different types of units being constructed on the AG site:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Block(s)</th>
<th>Construction Start (Est.)</th>
<th>Alice Griffith Replacement Units</th>
<th>OCII Affordable Units</th>
<th>Workforce Housing Units</th>
<th>Inclusionary Affordable Units</th>
<th>Market Rate Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>Jan 2015</td>
<td>58</td>
<td>35</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>Jan 2015</td>
<td>56</td>
<td>35</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>Oct 2015</td>
<td>76</td>
<td>46</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>5/8/9/14</td>
<td>Dec 2016</td>
<td>66</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>9</td>
<td>Dec 2016</td>
<td>0</td>
<td>132</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Future</td>
<td></td>
<td>2016+</td>
<td>0</td>
<td>0</td>
<td>281</td>
<td>43</td>
<td>382</td>
<td>382</td>
</tr>
<tr>
<td>Totals by Type</td>
<td></td>
<td></td>
<td>256</td>
<td>248</td>
<td>281</td>
<td>43</td>
<td>382</td>
<td>1,210</td>
</tr>
</tbody>
</table>

The AG site plan was developed with community input, and it allows for the initial AG Replacement Units to be built on existing vacant land. This phasing allows existing residents to move directly from their existing home to a unit in the Project, avoiding the potential for tenants to move temporarily into an on-site interim unit before moving to a permanent unit. The lot configuration strategically locates the AG Replacement Units on seven blocks, the majority of which front a new central park (See Attachment 1, Site Map at Page 3).

The current plan is to rebuild AG in five construction phases. Estimated vertical construction commencement dates for each of AG’s five construction phases are provided in the chart above. Phases 1 and 2 are being developed concurrently and consist of blocks 2 and 4. Together, Phases 1 and 2 include 114 AG Replacement Units and 70 OCII Affordable Units for a total of 184 units. Construction is scheduled to start in January 2015. Phase 3 of the Project consists of AG Block 1 and is the subject of this Schematic Design approval request. Phase 3 is scheduled to begin construction in October 2015. The last two phases of the AG development are scheduled to begin construction in December 2016 and be completed by May 2018 in concert with Lennar’s infrastructure schedule.

The Housing Authority owns the approximately 23 acres where the existing AG development is located. However, the first three building phases will be located on vacant portions of land currently owned by OCII. These lots will be transferred to the Housing Authority in January
2015. AG Developer, through a long-term lease with the Housing Authority, will manage the property. As each of the new buildings is completed, AG tenants will move into the new units, leaving vacated buildings that can then be demolished for additional new development.

The remaining market-rate and workforce lots will be developed by third party developers, including Lennar affiliates, as provided in the Phase 2 DDA. Lennar has begun infrastructure construction to support the AG development. The infrastructure is scheduled to be complete in 2016, which is in time for the opening of the first buildings.

Choice Neighborhoods Grant

In 2011, AG was one of five projects selected nationwide for $30.5 million grants from HUD through its Choice Neighborhoods Initiative ("CNI"). The CNI program supports locally driven strategies to address struggling neighborhoods with distressed public, or HUD-assisted, housing through a comprehensive approach to neighborhood transformation. The CNI funding comes with a variety of deadlines and deliverables, the most important of which is a statutory obligation that grant funds must be expended by September 20, 2016 and units utilizing these funds must obtain temporary certificates of occupancy by September 20, 2016. In order to maintain the CNI schedule, Schematic Designs for the first two blocks of AG were approved by the OCII Commission on January 7, 2014 and those projects are scheduled to start construction in January 2015. AG Developer submitted Schematic Designs for Block 1 in October 2014 for community review and subsequent Commission consideration.

AG Financing

The BMR Housing Plan requires that Lennar provide a subsidy to the AG vertical development equal to $90,000 per AG Replacement Unit and $70,000 per OCII Affordable Unit (described in the DDA as the “Alice Griffith Subsidy” and the “Agency Subsidy”, but together for purposes of this evaluation known as the “Base MDS”), another $62 million from OCII in tax increment gap financing, and projected tax credit equity of $97.6 million (based upon $.85 per credit for the two 9% deals and .90 for the four 4% deals). Should total development cost for any phase exceed the total development cost initially projected in the DDA, Lennar must cover the proportion of cost overruns attributable to the public housing units (“Additional MDS”) and the Agency must cover the cost overruns attributable to the low income housing tax credit (“LIHTC”) funded OCII Affordable Units (the ratio is approximately 50%-50% for the all five phases of the development).

Also, OCII is responsible for covering any gaps in projected tax credit equity and/or funds from the Federal Home Loan Bank’s Affordable Housing Program below what was projected at the time the DDA was executed. Unanticipated financing sources, such as HUD’s Choice Neighborhoods Grant, reduce OCII’s obligation. OCII’s obligation, therefore, set at $62,017,200 in the Housing Plan, will increase on a pro-rated basis as Project costs go up (as described above), but will be offset by any additional funding the Project secures. Since the Project has secured CNI funding, of which $21,350,000 is to be used for AG development, OCII’s base contribution, prior to any cost overruns is $40,667,200.

AG Developer does anticipate Additional MDS, in accordance with the DDA definition described above, for each phase of AG. The DDA requires Lennar to pay the Base MDS for each
phase of development at the close of construction financing for that phase. The DDA does not specify when the Additional MDS must be paid, though the timing of the payment must not jeopardize the feasibility of the project.

The OCII Commission approved the loans for Phases 1 and 2 of AG on July 15, 2014. The HOPE SF Loan Committee ("LC") and Commission stipulated that the final financial plan ("Final Financial Plan") be subject to approval by OCII Director and MOHCD Executive Director prior to the close of construction financing for each of those phases. The approved sources of the OCII loans for each phase will include an OCII subsidy and the Master Developer Subsidy ("MDS") as shown below:

<table>
<thead>
<tr>
<th>Phase</th>
<th>OCII</th>
<th>Master Developer Subsidy (&quot;MDS&quot;)</th>
<th>Total Funds Approved/Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Approved Predev)</td>
<td>$3,672,238</td>
<td>$0</td>
<td>$3,672,238</td>
</tr>
<tr>
<td>1 (Request Gap)</td>
<td>$3,421,679</td>
<td>$14,879,013</td>
<td>$18,300,692</td>
</tr>
<tr>
<td><strong>Subtotal Phase 1</strong></td>
<td>$7,093,917</td>
<td>$14,879,013</td>
<td>$21,972,930</td>
</tr>
<tr>
<td>2 (Approved Predev)</td>
<td>$3,562,238</td>
<td>$0</td>
<td>$3,562,238</td>
</tr>
<tr>
<td>2 (Request Gap)</td>
<td>$3,699,043</td>
<td>$14,631,970</td>
<td>$18,331,013</td>
</tr>
<tr>
<td><strong>Subtotal Phase 2</strong></td>
<td>$7,261,281</td>
<td>$14,631,970</td>
<td>$21,893,251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$14,355,198</td>
<td>$29,510,983</td>
<td>$43,866,181</td>
</tr>
</tbody>
</table>

*Approved predevelopment funds roll into Phase 1 and 2 permanent loans.*

Since the permanent loans for Phases 1 and 2 were approved, AG Developer has selected a lender and investor for those Phases. Chase will be the construction lender with California Community Reinvestment Corporation providing permanent loans of about $3 million per phase and RBC providing tax credit equity. The tax credit pricing is $1.12 provided by RBC Capital Markets for Phases 1 and 2. AG Developer is still awaiting final construction cost information and anticipates having the “Guaranteed Maximum Price” in place by mid-December. Staff anticipates that the Final Financial Plan will be completed and ready for OCII and MOHCD review by the end of December.

**Loan Amendment Request**

Lennar has requested that, rather than provide the Base MDS and Additional MDS for Phases 1 and 2 at the close of construction financing for those phases, that they provide the Base MDS at that time, as required by the DDA, and provide irrevocable standby bank Letters of Credit ("LOC") for the Additional MDS, currently estimated at just under $5 million per phase for a total of approximately $9.8 million. The Base MDS will be sufficient to provide the funds needed during construction. Lennar will provide the Additional MDS at construction completion in September 2016, or earlier as needed, and will provide the LOCs at the close of construction financing for Phase 1 and Phase 2. This request is consistent with the DDA requirements related to provision of the MDS for AG as described above. The following table shows the updated sources for the Phases 1 and 2 OCII loans that reflect actual equity pricing, but does not reflect final Guaranteed Maximum Price construction pricing:
The current flow of funds for Phases 1 and 2 has the CNI funds per phase spent first, followed by the OCII loans which include OCII funds and the full MDS as shown above. Current projections show approximately $6 million of the OCII loan being spent during construction per phase before the bond financing must be spent to ensure compliance with the 50% test, requiring that more than 50% of project costs are paid for with bond proceeds. The Base MDS portion of the OCII loan, along with the remaining OCII funds should be sufficient to cover costs during the construction period with the remainder of the OCII Loan, including the Additional MDS, being used to repay the construction loan at the end of construction. In the event that any portion of the MDS is needed sooner than the close of construction, Lennar will provide the necessary funds at that earlier date.

It is important to note that the “cost overrun” portion of Lennar and OCII’s portions of the OCII loans for Phases 1 and 2 could increase or decrease and as long as those changes are within the amounts approved by Commission in July, Lennar and OCII must provide those subsidies to the projects, subject to reasonable review and input by all parties. The loan amounts shown above reflect the benefit of the added equity to the projects, thereby reducing the OCII loan amounts below what was approved by the Loan Committee in May, but until the Guaranteed Maximum Price is in place, the loan amounts cannot be finalized. Given the increases in construction costs industry-wide and on other affordable projects that have recently received construction pricing, staff anticipates an increase in costs from the estimates in place, but staff anticipates the higher than estimated equity pricing will offset higher construction pricing, and that the approved loan amounts will be sufficient. The final loan amounts will be approved by the OCII Executive Director and the MOHCD Director as a part of their approval of the Final Financial Plan prior to the close of construction financing for Phases 1 and 2 by January 15, 2015.

OCII staff has worked with financial advisor CSG Advisors to develop an LOC term sheet, which was approved by the HOPE SF Loan Committee on December 5, 2014, that does not amend Lennar’s obligations per the DDA to provide to the funding for the Base MDS and Additional MDS for Phases 1 and 2, and that:
allows Phases 1 and 2 to maintain the current schedule of performance, in conformance with the HUD CNI funding deadlines; and

- minimizes additional financial risk and provides no additional cost to Phases 1 and 2; and
- minimizes additional risk and provides no additional cost to OCII.

Since OCII’s Loan Agreements for Phases 1 and 2 of AG were conditioned upon the payment of the full MDS amount at construction financing closing, the a First Amendment to each Loan must now be approved in order to include the provision of the LOC for the “cost overrun” portion of the Loan amount, subject to the LOC term sheet. Additionally staff is proposing some administrative changes to the OCII loan to ensure consistency with the MDA for AG including incorporating the requirements of the Workforce Memorandum of Understanding and Cashflow Memorandum of Understanding that were approved as part of the MDA. Staff recommends approval of the proposed Loan Amendments subject to the conditions described in the attached HOPE SF Loan Committee Evaluation Memorandum dated December 5, 2014, including the LOC Term Sheet. (See Attachment 6.)

AG Design Summary (see Attachment 2, Schematic Design Submittal)

Architectural Overview of AG Phase 3/Block 1

AG Block 1 is among the most prominent blocks of the entire AG site, located at the corner of Carroll Avenue and Aurelius Walker Drive. It is a gateway to the Candlestick Point redevelopment area from the northeast as one crosses the future Yosemite Slough Bridge. As AG’s northeast corner, it abuts the Yosemite slough watershed and basin, allowing for an unobstructed view from the Hunters Point Shipyard. Given its prominent location, the design needs to work for a variety of scales from the monumental scale (appropriate for viewing form the distance) to the pedestrian scale. At the same time, the design must accommodate a variety of unit and building configurations to support a mix of family types and household sizes.

Block 1’s density of 84.4 units/acre, containing a total of 122 units distributed between one-, two-, three-, and four-bedroom units further described in the below table; five-bedroom units will be built in subsequent phases:

<table>
<thead>
<tr>
<th>Unit Types</th>
<th>Avg. square feet.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1BR Flat</td>
<td>675sf</td>
<td>13</td>
</tr>
<tr>
<td>2BR Flat</td>
<td>955 sf</td>
<td>71</td>
</tr>
<tr>
<td>3BR Flat</td>
<td>1246 sf; 1410 sf</td>
<td>35</td>
</tr>
<tr>
<td>Townhome</td>
<td>1500 sf</td>
<td></td>
</tr>
<tr>
<td>4BR Flat</td>
<td>1530 sf</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>122</td>
</tr>
</tbody>
</table>
Similarly to the previously approved AG Blocks 2 and 4, Block 1 is a single structure sitting atop a podium and wrapped around a podium-level central courtyard. The massing is articulated to create the appearance of two separate buildings: one larger building with double loaded corridors, rising five stories at its highest and wrapping three sides of the block with a lobby along Carroll Avenue; and one lower-rise three story with four story step building along the vehicular laneway. Both segments of the building have walk-up units, accessible from the podium. This allows for three- and four-bedroom units for large families direct access to the outside without passing through common areas, corridors or elevators. It also allows for accessible residential units along the outside frontage.

A private, secured parking garage with 63 car spaces and 60 bicycle spaces is located on the ground level with access from Donner Avenue. A podium-level central courtyard is accessible from the lobby with an egress stairway along Carroll Avenue. The courtyards are intended as community gathering space for residents, extending the community space from indoor to outdoor.

The units are designed for comfort and efficiency, with a separation of private and public uses, well-defined dining areas and spacious living rooms for family activity. Most ground floor units are elevated between two feet and four feet above the street for privacy. However, as discussed below, AG Developer is seeking a Variance from this elevated street-entrance requirement to provide for increased access for ADA accessible units. Unit sizes are consistently larger and more efficient than the existing public housing units that they replace.

**Accessibility and Sustainability**

The Project will conform to the OCII standard practice regarding accessibility: 10 percent accessible units and a maximum number of adaptable units. Further, 4 percent of the units will be for individuals with visual or hearing impairment. AG Developer and the Project architect have met with representatives from the Mayor’s Office of Disability regarding feedback on the master plan and initial designs for Phases 1 and 2. Assuming approval of the Variance request, the current Block 1 designs are consistent with ADA standards and guidelines and will be reviewed by the Mayor’s Office of Disability at the appropriate design stage.

The buildings will be highly energy and resource efficient in order to meet or exceed *LEED for Homes Mid-Rise Gold Certification*. The Project is designed to exceed Title 24 Energy requirements by 15 percent.

**Building Form and Materials**

Located at along Arelious Walker Drive between Carroll Avenue and Donner Avenue, Block 1 is differentiated into three elements in recognition the multiple scales required by its siting. The signature corner on the intersection of Carroll Avenue and Aurelius Walker Drive has a robust cornice and pared windows recalling an industrial warehouse aesthetic common to working waterfords. Materials reinforce this analogy as the corner’s monumental bays will be partially clad in brick, providing a texture to the façade’s surface that is substantially different then the
adjacent blocks. The massing of the corner is designed to allow a small ground level plaza at this corner, providing a public space with views of Yosemite Slough in the foreground, and Hunters Point in the distance.

The second element of the façade occurs along Donner and Carroll Avenues, where the building massing steps down from five to four-stories, and a layering of scales adds to the façade’s intentional irregularity. The play with scale is also a component of the third element of Block 1’s composition: the town houses that line the vehicular laneway.

Building materials are high-quality and durable including brick veneer, stucco, fiber cement panels and sidings. These are all locally sourced materials and they work with the local climate and culture.

**Streetscape**

Block 1 is sited within the existing boundaries of Carroll Avenue, Arelious Walker Drive, Donner Avenue and a private ally - reinforcing the connections between the new and existing communities and the adjacent South Basin of the San Francisco Bay. The planting palette will consist of native and drought tolerant plants which will be serviced by a reclaimed water irrigation system. The planting areas are located between the city sidewalk and the building providing a transition from the public to the private entry spaces of the raised stoops that open onto the street.

**Courtyard**

The central Courtyard space is visually divided by a geometric paving pattern, which helps to contain the smaller spaces within. To the West, BBQs are sited next to concrete benches and enclosed by plantings and an overhead trellis, which will provide many opportunities for entertaining. The center of the Courtyard is occupied by children's play equipment surrounded by rubber surfacing and raised garden beds. To the East, BBQs are also enclosed by artistically formed planting arrangements and an overhead trellis, and sited next to fixed furniture, and concrete benches. The Courtyard was designed to allow for a maximum porosity through the space while collecting pockets for which to gather about many types of programs.

**Design Review and Approval Process**

The Phase 2 DRDAP outlines the necessary documents, schedule, and procedures for the review and approval of design submittals. Under the DRDAP, a series of increasingly detailed design documents are required in the design process. They are, 1) Schematic Designs, 2) Design Development, and 3) Construction Documents. The DRDAP requires the first design submittal to be presented to the Commission for review and approval.

Approval of vertical improvements follows a Major Phase and Sub-Phase approval under the DRDAP. The AG development is part of Major Phase 1-CP that was approved by the Commission on January 7, 2014 and the CP-01 Sub-phase which was approved by the OCII Executive Director on March 7, 2014.

For the AG Schematic Design application, OCII staff has also agreed to eliminate or postpone certain elements that would otherwise be required as provided in the DRDAP, for a Schematic Design submittal in order to maximize scheduling efficiencies, but which are inconsequential to
the thoroughness or quality of the design review. Consistent with previous AG Schematic Design applications, OCII staff has determined that for the Block 1 application: (a) no model is required, but the design team instead will focus on perspective renderings and street views, and (b) no axonometric drawings are required because the high quality of perspective renderings eliminates the need for this type of three-dimensional technical drawings.

**Variance**

The Candlestick Point D for D provides land use controls and design guidelines necessary to implement the Project, which includes the construction of infrastructure, parks, and housing. The D for D acts as the zoning for the site, including controls for height, bulk, setbacks and lot sizes, but also establishes more detailed standards and guidelines to ensure that the ongoing physical planning and design of the development results in a highly desirable urban environment.

The Bayview Hunters Point Redevelopment Plan and the Candlestick D for D have provisions that allow a Commission approval of Variances where it is found that physical constraints or other extraordinary circumstances create practical difficulties for development and create an undue hardship for the developer, or constitute an unreasonable limitation beyond the intent of the Redevelopment Plan and D for D. Variances must meet the intent and purpose of the Redevelopment Plan and D for D and cannot be detrimental to the public welfare or materially injurious to neighboring property or improvements in the vicinity.

Because of Block 1’s unique location along the Yosemite Slough watershed and basin, this block is a keystone block for the AG development. As such, it is important to accentuate the building’s most prominent corner at the intersection of Carroll Avenue and Aurelius Walker. The building main entrance and lobby has been located at this corner and has been designed in a way to allow a small ground level plaza, providing a public space with views of Yosemite Slough in the foreground and Hunters Point in the distance.

The Candlestick D for D requires that ground floor units be two feet to four feet above street (“Grade Separation Requirement”); however, the main building entry may be at street level. The two units adjacent to the main entry are designated UFAS (Uniform Federal Accessibility Standard) units which need to be accessible by wheelchair. These ground floor units have entries from both the exterior of the building as well as from the interior hallways. Maintaining the accessibility of these two UFAS units with a two to four foot grade change would require exterior ramps adjacent to the exterior entry stair, as well as complicated floor level changes with stairs and ramps inside the building to create an accessible path of travel to these two units. Additionally, an extra elevator stop for those two units would be required for accessibility purposes, resulting in additional development costs.

Waiving the Grade Separation Requirement for the two units adjacent to the main entrance will eliminate the need for stairs and ramps to those units and allow for more direct pathway to those units for both the exterior and interior entry points, which will also keep the corner’s unique character at the pedestrian scale. At the same time it will eliminate the need for an up-and-down travel pattern at the interior of the building, therefore providing a better accessible route inside the building. Lastly, it will eliminate the need for an additional elevator stop, therefore avoiding increased development expenses.
OCII staff has reviewed the requested Variance and found that it is appropriate for the site and achieves the intent and purposes of the Bayview Hunters Point Redevelopment Plan and Candlestick Point D for D.

**Schematic Design Conditions of Approval**

As is typical, there are a few remaining design issues to be resolved in subsequent design stages, including the Design Development phase. As described in the fourth condition listed below, additional information regarding the mid-block break is required. However, Lennar, not AG Developer, is responsible for the design and construction of that mid-block break, which is not anticipated to occur until Lennar, as the Master Developer, moves forward with the market-rate development on the adjacent block at a to be determined future date. Therefore staff is seeking to ensure that AG Developer and the Lennar coordinate on any designs for an interim mid-block break so that the appropriate access/egress is provided to any Block 1 units facing that side.

OCII staff recommends approval of the AG Block 1 Schematic Design subject to the remaining design issues being resolved to the satisfaction of the Executive Director and any changes included in subsequent design stages, beginning with the Design Development phase as follows:

1. The building and landscaping materials, colors, finishes, lighting and architectural detailing shall be subject to further review during the Design Development phase. Updated material and color samples shall be provided as part of the review. A material and color mock-up of sufficient size to be built on the construction site during an early phase of construction shall be prepared for review and approval to ensure consistency with this Schematic Design; and

2. The location of the backflow preventers and other infrastructure equipment necessary for irrigation of the building landscaping shall be selected with the goal of minimizing its visual impact in the public realm and meeting building code requirements; and

3. The final courtyard design is subject to further review and approval after the following have been addressed: Revise the design of the podium courtyard in order to better define the private areas from the common open space areas; Further analyze the possibility of using permeable pavers on the podium as treatment method for stormwater and reducing the use of cast in place planters; Study the possibility of providing private patios for courtyard units; and

4. AG Developer shall coordinate with the Master Developer and provide information on the interim design of the part of the mid-block break that is required for access and egress to the units facing the mid-block break. AG Developer will submit a plan for OCII staff review describing access to those units in the interim condition.

**Small Businesses and Local Workforce**

The Phase 2 DDA requires AG Developer to follow an equal opportunity program, which consists of: 1) the Bayview Hunters Point Employment and Contracting Policy ("BVHP ECP"), 2) the Small Business Enterprise Policy ("SBE"), 3) the Nondiscrimination in Contracts and
Equal Benefits Policy, 4) the Minimum Compensation Policy, 5) the Health Care Accountability Policy, 6) the Prevailing Wage Policy, and 7) the Card Check Neutrality Policy.

Under the BVHP ECP, developers must make good faith efforts to award 50 percent of the contracting opportunities to SBE consultants and contractors with first consideration for businesses with addresses in the BVHP Area (defined as zip codes 94124, 94134, and 94107). The BVHP ECP also requires developers to make good faith efforts to achieve 50 percent local workforce participation, with First Consideration to BVHP Area residents, in construction workforce hiring, permanent/temporary workforce hiring, and trainee program.

In addition, the HUD-funded project is subject to Section 3 of the HUD Act of 1968, which requires that “recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.” Following federal guidelines 20 percent of contracts must go to qualified Minority and Women Business Enterprises that provide opportunities for qualified neighborhood residents and grant recipients are further encouraged to have Section 3 residents make up at least 30 percent of their permanent, full-time staff.

To date, for their work on Phases 1 through 3 of the vertical development, the AG Developer has achieved 71.7 percent SBE participation for professional consultant services. 67.8 percent of consultants are San Francisco-based SBEs, 54.7 percent are from minority-owned firms and over 14.1 percent are from women-owned firms.

Attached are AG Developer’s projections for construction hiring for Block 1 and the SBE professional services summary (see Workforce Jobs Projection and Professional Services Consultant Summary, Attachments 4 and 5).

**Design Team Selection**

Torti Gallas and Partners served as the architect for the master plan as well as the architect of record for the first three phases of AG (Blocks 2, 4 and 1). They were selected through a competitive, public procurement process in accordance with OCII requirements. Shortlisted firms were interviewed by a panel that included members of the development team, Lennar and OCII before a final selection was made. For the Block 1 development Torti Gallas and Partners has partnered with AE3, a local minority-owned SBE.

**Community Outreach**

The proposed AG Development underwent an extensive community process that included a week-long design charrette and additional public meetings with AG tenants and at the Hunters Point Shipyard Citizens Advisory Committee (“CAC”). The current Block 1 Schematic Design was presented to the AG tenants on October 30 and November 3, 2014. Subsequently it was presented to the CAC’s Planning and Development Sub-committee’s on November 13 and the CAC’s Housing Subcommittee on November 20. At its December 8, 2014 full membership meeting, the CAC recommended approval of the AG Block 1 Schematic Design.
CALIFORNIA ENVIRONMENTAL QUALITY ACT

On June 3, 2010, the San Francisco Redevelopment Commission certified the Final Environmental Impact Report ("FEIR") for the Project as adequate, accurate, and objective and in compliance with CEQA Guidelines. As part of its actions on June 3, 2010, the Commission adopted findings pursuant to CEQA, including a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations for the Project, which findings are incorporated into the Resolution being considered alongside this memo.

OCII staff has determined that the AG Schematic Design, as submitted, are consistent with the Project as analyzed in the Phase 2 EIR, and recommends that the Commission require no additional environmental review beyond the FEIR and Addendum No. 1 pursuant to State CEQA Guidelines Sections 15180, 15162, 15163, and 15164.

(Originated by Amabel Akwa-Asare, Assistant Project Manager, Hunters Point Shipyard and Elizabeth Colomelto, Development Specialist)

Tiffany Bohee  
Executive Director

Attachment 1: AG site plan  
Attachment 2: Schematic Design Application  
Attachment 3: "Before and After" Variance Exhibit  
Attachment 4: Consultant List  
Attachment 5: Workforce projections  
Attachment 6: HOPE SF Loan Committee Evaluation Memorandum dated December 5, 2014, including the attached LOC Term Sheet.  
Attachment 7: Alice Griffith Phase 1 Loan Amendment  
Attachment 8: Alice Griffith Phase 2 Loan Amendment