MEMORANDUM

TO:       Community Investment and Infrastructure Commissioners
FROM:     Tiffany Bohee
           Executive Director
SUBJECT:  Adopting environmental review findings pursuant to the California Environmental Quality Act and approving an amendment to the Block 52 Major Phase Application to increase the number of Inclusionary Units by one for a revised total of nine Inclusionary Units on Block 52 at the Hunters Point Shipyard Phase 1; Hunters Point Shipyard Project Area

EXECUTIVE SUMMARY

At its regular hearing of July 1, 2014, the Commission reviewed and approved a Major Phase Application for a residential project on Block 52 (the “Project”) for 74 housing units at the Hunters Point Shipyard Phase 1, including a) Schedule of Performance Report, b) a Major Phase and Project Housing Data Table, and c) a combined Basic Conceptual and Schematic Design, and d) an amended form of Vertical Disposition and Development Agreement (“VDDA”). The Major Phase Application for Block 52 included approximately 74 units of for-sale housing, 10.5 percent (8 units) of which will be affordable (eight units) at 80 percent of Area Median Income (“AMI”) in accordance with the Phase 1 Disposition and Development Agreement (“DDA”). The Project is being developed by Lennar (“Developer”) in conjunction with Marinship Development Interests, LLC, a designated Community Builder pursuant to the Phase I DDA.

In accordance with the Sixth Amendment to the Phase 1 DDA, the Developer has the right to determine the number of Inclusionary Units, which must be affordable to households earning no more than 80% of AMI, to be located in each Residential Project as long as the number of Inclusionary Units is no less than five percent and no more than 20 percent of the total number of Residential Units in each Residential Project. For purposes of calculating the number of Inclusionary Units, any fraction equal to or greater than one-half are rounded up to the nearest whole number and any fraction less than one-half are rounded down to the nearest whole number.

This rounding down over the course of the previous Major Phase approvals has created a deficit of one Inclusionary Unit in Phase 1. The Sixth Amendment to the Phase 1 DDA also states that at the 300th, 600th, 900th and the 1200th Residential Unit to be transferred by the Developer to a Vertical Developer, at least 10.5 percent of the aggregate number of all of Residential Units in Phase 1 must be Inclusionary Units. The 74 units in Block 52 would trigger the 300th unit milestone, and in order to redress this one unit deficit, the Developer has requested an amendment to designate one more Inclusionary Unit in Block 52 so that there will be a total of nine Inclusionary Units in the Residential Project developed on Block 52.
OCII staff has determined that the Major Phase Amendment request is complete and consistent with the Phase 1 DDA and the horizontal schedule of performance, the Hunters Point Shipyard Redevelopment Plan (the “Plan”) and the Phase 1 Design for Development (“D for D”).

Staff recommends approving the Major Phase Application Amendment for a residential project on Block 52, at the Hunters Point Shipyard Phase 1, including a) Schedule of Performance Report, b) a Major Phase and Project Housing Data Table, and c) a combined Basic Conceptual and Schematic Design, and d) form of Vertical Disposition and Development Agreement; Hunters Point Shipyard Redevelopment Project Area.

BACKGROUND
Status of Hunters Point Shipyard Phase I Project
In December 2003, the SFRA Commission approved the Phase 1 DDA with Lennar. The Phase 1 DDA has been amended six times since its approval in 2003. The SFRA Commission authorized; 1) on April 5, 2005, a First Amendment to the Phase 1 DDA; 2) on October 17, 2006, a Second Amendment to the Phase 1 DDA; 3) on August 5, 2008, a Third Amendment to the DDA; 4) on August 19, 2008, a Fourth Amendment to the Phase 1 DDA; 5) on November 30, 2009 a Fifth Amendment to the Phase 1 DDA; and 6), and on December 19, 2012 the Commission approved a Sixth Amendment to the Phase 1 DDA. The Phase 1 DDA obligates Lennar to construct the infrastructure necessary to support the total vertical development of 1,498 housing units in the Phase 1 development and 26 acres of open space and parks. The Phase 1 development is well underway (70-80 percent of the horizontal infrastructure construction is complete) and the Phase 2 entitlements are fully in place. Now, with its Community Builders, Lennar is planning to directly build Block 52.

Community Benefits and Community Builders
The Phase 1 DDA also obligates Lennar to provide training, assistance, and contracting opportunities to community residents and organizations, as well as offer opportunities for development of certain lots to Community Builders. Community Builders may participate on projects through one of the below programs:

1. Fee Developer: In exchange for a negotiated fee based on a scope of services, a Community Builder would provide a variety of value added development services for the project.
2. Joint Venture: This program choice requires a material equity investment from the Community Builder, and under this scenario the Community Builder would enter into a partnership agreement with the Developer and would share, pro rata, in any profits from the project.
3. Independent: This program choice requires the Community Builder to purchase the block from Lennar in accordance with the Phase 1 DDA, and then to enter into a VDDA with OCII.

Throughout this Major Phase Application’s predevelopment, design, and permitting process, Lennar has been engaged with the Community Builder, Marinship Development Interests, LLC (“Marinship”). One of the principles of Marinship, Derek Smith, started with Marinship’s predecessor, Marinship Construction Services, Inc. (MCSI) in the 1990s in Bayview Hunters
Point ("BVHP"). The other principle of Marinship, Alvin Norman also started in BVHP in the late 1908s as Al Norman Mechanical, Inc. ("Al Norman Mechanical"). Marinship rose to become the largest African American contractor in San Francisco for many years and Al Norman Mechanical continues to operate in BVHP and works on many projects citywide including the Shipyard where Al Norman Mechanical is providing plumbing subcontracting on Block 53 and 54. In 2004, Marinship was formed to pursue construction management and real estate development opportunities and in addition to the Shipyard is currently working on real estate development projects in Nevada and Texas.

Marinship has been an integral part of the development process for this Major Phase Application and they will continue to play a key role and carry responsibilities throughout the development and construction process. Marinship is preparing a proposal to be a Joint Venture partner on Block 52 with Lennar. This decision of whether or not to be an Independent or Joint Venture Community Builder will be decided on the ability of Marinship to obtain financing for the development. This must be decided after the appraisal for the block is finalized and before the close of the VDDA and construction starting in April 2015.

Block 52 Approved Major Phase Application
The proposed Project for Block 52 was approved by OCII Commission on July, 1, 2014 (Resolution No. 48-2014). Block 52 site is located on a prominent site along the southern edge of the Hilltop of the Shipyard development area. Block 52 is comprised of five separate buildings of varying typology with a total of 74 residential units each with access to private and/or shared open space. The overall parking ratio is just under 2:1 (spaces per unit), which means most units will have two parking spaces and some will have one. It provides a total of 86 parking stalls spaces (no Car Share is required on these block because all the buildings have fewer than 50 units), and 27 bicycle spaces. The approved Major Phase Application for Block 52 includes a total of eight units at 80 percent of AMI, consisting of 4 one-bedroom, 2 two-bedroom, and 2 three-bedroom units. The distribution of affordable unit sizes is consistent for with the overall Project distribution. The Commission memorandum from the July 1, 2014 approval is attached for reference (see Attachment 4).

DISCUSSION
Amendment of the Major Phase Application for Block 52
By the time Lennar executes a VDDA on a Phase I project that includes the 300th residential unit, there must be a total of 10.5% in Inclusionary Units affordable to households earning up to 80% of AMI. OCII and Developer staff recently determined that the rounding down of the fractional units created by the Inclusionary Unit percentages has resulted in a shortfall of one Inclusionary Unit.

Executing the Block 52 VDDA would trigger the 300th milestone, therefore action must be taken to address the one unit shortfall. The Developer is requesting to amend the previously approved Major Phase Application for Block 52 to increase the number of Inclusionary Units by one for a revised total of nine Inclusionary Units on Block 52 (see Attachment 3).
The request would not alter the previously approved Combined Conceptual and Schematic Design, including exterior architectural features, building orientation, design, open space and parking. As currently proposed, Block 52 will include a total of nine Inclusionary Units at 80 percent of AMI, consisting of 4 one-bedroom, 2 two-bedroom, and 2 three-bedroom units. The distribution of affordable unit sizes is consistent for with the overall Project distribution. The additional Inclusionary Unit will be located on Building 3, and will be a 3-bedroom 2-bath townhouse unit. The exact location of the additional Inclusionary Unit can be seen on Attachment 1.

Included as Attachment 2 is a Revised Major Phase and Housing Data Tables that details the overall development program including for example, the number of units proposed, the number, location and size of affordable units, whether the project is residential or includes other land uses, and parcel acreage. The Revised Housing Data Table now shows that Block 52 will be comprised of 74 residential units, nine of which will be affordable, in five separate buildings on a single block with varying topography.

Staff Recommendation for Approval

OCII staff recommends approval of the following Amendment to the Block 52 Major Phase Approval:

1. The number of Inclusionary Units on Block 52 shall be increased by one, so that there will be a total of nine Inclusionary Units on Block 52. The additional Inclusionary Unit shall be located in Building Number 3, and shall be a 3-bedroom and 2-bath unit.

Next Steps and Schedule

After this Major Phase Approval, Lennar and Marinship will work to finalize the design and construction documents. Construction on Block 52 is estimated to begin in April 2015 with construction finishing in May 2017.

California Environmental Quality Act

The SFRA Commission and the San Francisco Planning Commission ("Planning Commission") adopted California Environmental Quality Act ("CEQA") findings, a statement of overriding considerations, and certified the Final Environmental Impact Report for Phase 1 in 2000 ("Phase 1 EIR"), and subsequently issued a First and Second Addendum to the Phase 1 EIR in 2003 and 2006, respectively, to address project changes. The Commission has received the Phase 1 EIR and the Phase 1 EIR was made available to the public during prior Commission meetings.

Additionally, the SFRA Commission and the San Francisco Planning Commission ("Planning Commission") certified the Final Environmental Impact Report for Phase 2 ("Phase 2 EIR") under the California Environmental Quality Act ("CEQA") on June 3, 2010. As part of its action in 2010, the SFRA Commission, by Resolution No. 59-2010 adopted findings pursuant to CEQA, including a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations for the Project. Subsequently this Commission issues a First Addendum to the
Phase 2 EIR to address project changes and amended the previously adopted CEQA findings by Resolution No. 1-2014.

OCII staff has determined that the Block 52 Basic Combined Conceptual and Schematic Designs as submitted are consistent with the development as analyzed in the Phase 1 EIR and subsequent Addendums, and recommends that the Commission require no additional environmental review pursuant to State CEQA Guidelines Sections 15180, 15162, 15163, and 15164. OCII staff recommends that the Commission adopt the previously approved CEQA findings and approve the amendment to the Major Phase for Block 52.

(Originated by Thor Kaslofsky, Project Manager, Hunters Point Shipyard and Immanuel Bereket, Associate Planner)

Tiffany Boheee
Executive Director

Attachment 1: Location of Inclusionary Units
Attachment 2: Revised Major Phase and Housing Data Table
Attachment 3: Letter from the Developer requesting to Amend Block 52’s Major Phase Approval
Attachment 4: July 1, 2014 Commission Memorandum