COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 86-2014

AUTHORIZING A MASTER DEVELOPMENT AGREEMENT WITH DOUBLE ROCK VENTURES LLC, THE SAN FRANCISCO HOUSING AUTHORITY, AND CP DEVELOPMENT CO., LP, FOR THE DEVELOPMENT OF 256 PUBLIC HOUSING REPLACEMENT UNITS AND 248 ADDITIONAL UNITS OF LOW-INCOME FAMILY RENTAL HOUSING, INCORPORATING FUTURE ACCEPTANCE OF RELATED ASSIGNMENTS OF DEED OF TRUST AND PROMISSORY NOTES, ALICE GRIFFITH PUBLIC HOUSING SITE, 211 CAMERON WAY; AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; BAYVIEW HUNTERS POINT REDEVELOPMENT PROJECT AREA

WHEREAS, Under Chapter 5, Statutes of 2011, Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session), and Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12, Regular Session) (collectively, the “Dissolution Law”), the San Francisco Redevelopment Agency (“SFRA”) was dissolved and the non-housing assets and obligations of SFRA were transferred to the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (“Successor Agency”), now known as the Office of Community Investment and Infrastructure or “OCII,” by operation of law; and,

WHEREAS, As required by the Dissolution Law, the oversight board for OCII was established (the “Oversight Board”) to oversee certain fiscal matters of OCII. The Oversight Board has been meeting since March 2012 to perform its duties under the Dissolution Law; and,

WHEREAS, On October 2, 2012, the Board of Supervisors in its capacity as the legislative body of the Successor Agency adopted Ordinance No. 215-12, acknowledging that OCII is a separate legal entity as a result of AB 1484, creating the Community Investment and Infrastructure Commission (the “Commission”) as the policy body of OCII, and delegating to the Commission the authority to act in place of the SFRA to among other matters, implement, modify, enforce and complete the SFRA’s enforceable obligations, approve all contracts and actions related to the assets transferred to or retained by the Commission, including, without limitation, the authority to exercise land use, development, and design approval, consistent with the applicable enforceable obligations, and take any action that the Dissolution Law requires or authorizes on behalf of the Successor Agency, and,

WHEREAS, The Board of Supervisors’ delegation to the Commission, includes the authority to grant approvals under specified land use controls for the Candlestick Point and Phase 2 of the Hunters Point Shipyard Project (the “Shipyard Project”); and,
WHEREAS, In connection with the Shipyard Project, the Board of Supervisors on August 3, 2010, approved amendments to the Hunters Point Shipyard Redevelopment Plan and the Bayview Hunters Point Redevelopment Plan by ordinances 210-10 and 211-10, respectively (the “Redevelopment Plans”), the SFRA approved the Candlestick Point Design for Development and the Hunters Point Shipyard Phase 2 Design for Development (the “Design for Development Documents”) by Resolution 62-2010 and the SFRA and CP Development Co., LP (“Master Developer”) entered into a Disposition and Development Agreement (Candlestick Point and Hunters Point Shipyard Phase 2), dated June 3, 2010 (the “DDA”) by Resolution 69-2010. The DDA was amended on December 18, 2012, a First Amendment to the DDA, by OCII Resolution No. 3-2012; and,

WHEREAS, The DDA establishes the Master Developer’s rights to develop within the parameters of the Redevelopment Plans and Design for Development Documents and incorporates through exhibits and attachments various Shipyard Project documents including the Design Review and Document Approval Procedure (“DRDAP”), Below Market-Rate (“BMR”) Housing Plan, Transportation Plan, Infrastructure Plan, Community Benefits Plan, Design for Development Documents, Open Space Plan and Sustainability Plan and other documents (together, “Project Documents”); and,

WHEREAS, The BMR Housing Plan stipulates that 31.36% or 3,345 units of 10,500 units be below-market rate units, including a one-for-one replacement of the existing Alice Griffith public housing units (“Alice Griffith Replacement Units”), OCII affordable units, inclusionary units and workforce units in accordance with the City’s HOPE SF initiative, which is overseen by the Mayor’s Office of Housing and Community Development (“MOHCD”). Three primary groups of providers will develop the BMR units: (1) the OCII and qualified housing developers selected by OCII will develop the 1,140 OCII Affordable Units on the OCII Lots; (2) the developer of the Alice Griffith Replacement Units will develop 256 Alice Griffith Replacement Units and 248 OCII Affordable Units on the Alice Griffith lots (“AG” or the “Project”); and (3) vertical developers, including Master Developer and its affiliates, will develop 809 Inclusionary Units and 892 Workforce Units in accordance with the BMR Housing Plan; and,

WHEREAS, The BMR Housing Plan also stipulates that the Master Developer provide a per unit subsidy to the AG vertical development equal to $90,000 per Public Housing Replacement Unit, and $70,000 per Additional Affordable Unit (“Master Developer Subsidy”). The BMR Housing Plan also requires that OCII provide a base subsidy of $62,017,200 in tax increment gap financing to be divided among the five phases based on development needs per phase. For each phase of AG, OCII and the Master Developer will provide the proportion of the contributions described above that is proportionate to that phase. If, after maximizing all available and appropriate sources other than the Master Developer and OCII, the total development cost (“TDC”) for any phase exceeds the TDC initially projected in the DDA, then the excess of the TDC will be considered a cost overrun (“Cost Overrun”). If there are Cost Overruns in any phase, then the Master Developer must cover the proportion of Cost Overruns attributable to the Public Housing
Replacement Units and OCII must cover the cost overruns attributable to the Additional Affordable Units. OCII is responsible for funding any gaps in projected tax credit equity and/or Affordable Housing Program funds below what was projected at the time the DDA was executed. Conversely, additional funding sources unanticipated at the time of the DDA reduces OCII’s obligation (e.g., the portion of HUD’s CNI Grant described in Recital I for housing development at AG). Therefore, OCII’s base subsidy, once the CNI funds are incorporated into the development budget, is $40,667,200. The respective OCII and Master Developer subsidies must be provided at or prior to the close of construction financing of each phase, pursuant to Section 5.4 (a) and (c) of the BMR Housing Plan; and,

WHEREAS, McCormack Baron Salazar ("MBS" or "Developer") has been selected by the Master Developer to act as the developer for the Alice Griffith Replacement Units (the “Project” or “AG”); and,

WHEREAS, Double Rock Ventures LLC ("DRV") is a limited liability company formed by MBS solely for the purpose of developing the Project; and,

WHEREAS, Per the DDA, AG will be built on the Alice Griffith Lots in a series of phases (each an “Alice Griffith Phase”); and,

WHEREAS, For each Alice Griffith Phase, Developer will form or arrange for the formation of an “Alice Griffith Phase Owner,” an entity that will be responsible for completing such Alice Griffith Phase; and,

WHEREAS, Under Resolution No. 38-2011, on March 29, 2011, the Former Agency Commission approved a $3,000,000 predevelopment loan, to be applied on two separate tracks for both master planning and predevelopment for AG Phases 1 and 2; and,

WHEREAS, On August 31, 2011, MBS and the Authority of the City and County of San Francisco (the “Housing Authority”) were awarded a $30,500,000 Choice Neighborhoods Implementation ("CNI") Grant for the redevelopment of Alice Griffith public housing and the associated transformation of the Eastern Bayview neighborhood as described in more detail below; and,

WHEREAS, All of the 256 Alice Griffith Replacement Units will be replaced and integrated into newly constructed buildings developed by MBS and will include 248 new affordable units. The first phases of new homes will be built on vacant land adjacent to the existing Alice Griffith public housing site currently owned by OCII which will be transferred to the Housing Authority as contemplated under the Master Development Agreement (the “MDA”) between DRV, the Housing Authority, Master Developer and OCII, meaning that existing residents will have the opportunity to move directly from their existing homes into new homes without leaving their community or risking displacement; and,
WHEREAS, The DDA is an enforceable obligation under the Dissolution Law and shown on line HPSY 30 of the Recognized Obligation Payment Schedule for January to June 2014, which was approved by the Oversight Board and the California Department of Finance (“DOF”). On December 14, 2012, DOF issued a final and conclusive determination under California Health and Safety Code § 34177.5 (i), that the AG DDA is an enforceable obligations that survived the dissolution of the Redevelopment Agency; and,

WHEREAS, Under Resolution No. 2-2014, on January 7, 2014, the Commission approved Alice Griffith Block 2 and 4 Schematic Designs (“Alice Griffith Designs”); and,

WHEREAS, Under Resolution No. 18-2014, on April 1, 2014, the Commission approved a predevelopment loan in the amount of $2,713,863 for further predevelopment activities related to Phase 1 of the redevelopment of Alice Griffith (the “Project”) and a Replacement Housing Plan for Phases 1-3 of the redevelopment of Alice Griffith as required pursuant to Section 33413.5 of the California Health and Safety Code whenever low- or moderate-income units are demolished as part of a redevelopment project that includes Redevelopment Agency funding; and,

WHEREAS, Under Resolution No. 55-2014 (July 15, 2014), the Commission approved a permanent loan in the amount $18,300,692 for a total aggregate amount not to exceed $21,972,930 for activities related to Phase 1 of the redevelopment of Alice Griffith; and,

WHEREAS, Under Resolution No. 56-2014 (July 15, 2014), the Commission approved a permanent loan in the amount $18,331,013 for a total aggregate amount not to exceed $21,893,251 for activities related to Phase 2 of the redevelopment of Alice Griffith; and,

WHEREAS, The Housing Authority is the owner of the two hundred fifty six (256) residential units, and ancillary improvements, at the Alice Griffith public housing development (collectively, the “Existing AG”); and,

WHEREAS, The Housing Authority, the City and OCII entered into that certain Memorandum of Understanding for the Proposed Redevelopment of Alice Griffith Public Housing dated as of July 8, 2010 (the “Cooperation MOU”), which sets forth the respective parties’ desire to cooperate in the planning of the proposed redevelopment of the Alice Griffith Site and replacement of the Existing AG; and,

WHEREAS, The Housing Authority, Master Developer and MBS entered into that certain Exclusive Negotiating Rights Agreement dated as of October 14, 2010 (as amended, the “ENRA”), providing, among other things, Master Developer and MBS the exclusive right to negotiate with the Housing Authority for the potential redevelopment of the Existing AG in accordance with the ENRA, and the applicable requirements of the CP/HPS2 DDA and the Cooperation MOU. Master Developer and MBS assigned all of their respective rights and interests under the ENRA to Alice Griffith Developer. The proposed MDA constitutes the “MDA” as contemplated and as defined in the ENRA; and,
WHEREAS, The Cooperation MOU, the ENRA and the CP/HPS2 DDA contemplate the reconfiguration of the Alice Griffith Site into a mixed-use neighborhood that includes a mixture of Public Housing Replacement Units, additional affordable units, Market-Rate Units and other Below-Market Rate Units, all as more particularly described therein, with OCII being responsible for assembling certain real property required therefor; and,

WHEREAS, Under the DDA, Master Developer must submit certain applications and other documents required in connection with the design and development of the infrastructure and other improvements described therein and obtain approval of same from the Agency and other Governmental Entities. Following receipt of a Sub-Phase Approval, Master Developer is required to Commence and Complete the infrastructure and other improvements covered thereby in accordance with the Master DDA Schedule of Performance, and provide OCII with Adequate Security covering Master Developer’s obligations under the DDA for the Sub-Phase; and,

WHEREAS, Master Developer has obtained a Sub-Phase Approval for the Sub-Phase commonly referred to as Sub-Phase CP-01, pursuant to which Master Developer has Commenced construction of certain infrastructure on the OCII Property and Commenced construction of certain site preparation work and certain infrastructure on a portion of the Housing Authority Property, pursuant to a license agreement, and Master Developer has commenced the process to subdivide such land to create the Alice Griffith Lots referred to as Blocks 1, 2, 4 and 5. Infrastructure for the remaining portions of the Alice Griffith Site are anticipated to be developed under the as Sub-Phases CP-05, CP-08 and CP-09; and,

WHEREAS, MBS and the Housing Authority submitted an application (the “Choice Grant Application”) to HUD for a Choice Neighborhoods Initiative Implementation Grant (the “Choice Grant”) with respect to HUD’s Choice Neighborhoods Initiative (“CNI”). Master Developer and others were identified as “Principal Team Members” in the Choice Grant Application. The Choice Grant Application was successful, and the Housing Authority and MBS signed a grant agreement with HUD dated March 27, 2012 with respect to the administration and implementation of the Choice Grant (the “Choice Grant Agreement”). MBS further entered into an Agreement Regarding Disbursement of Choice Funds with the City and with the First American Title Insurance Company dated as of August 8, 2013 (the “Choice Disbursing Agreement”) establishing certain terms regarding the administration and disbursement of the Choice Grant; and,

WHEREAS, The Housing Authority, with the assistance of MOHCD, MBS, and OCII submitted an application to HUD to allow the first two Alice Griffith Phases to participate in HUD’s Rental Assistance Demonstration Program (“RAD”). The RAD application was successful, and HUD issued a Commitment to Enter into a Housing Assistance Payments Contract (a “CHAP”) for each such Alice Griffith Phase on, or about, April 30, 2014; and,
WHEREAS, The Project is to be built on the Alice Griffith Lots in a series of phases (each an “Alice Griffith Phase”). For each Alice Griffith Phase, DRV will form or arrange for the formation of an “Alice Griffith Phase Owner,” an entity that will be responsible for completing such Alice Griffith Phase. The Housing Authority and each Alice Griffith Phase Owner will enter into a Ground Lease related to the development and operation of the Alice Griffith Phase for which such Alice Griffith Phase Owner is responsible, as more particularly described therein. Subject to the satisfaction of all conditions precedent set forth therein, the Ground Lease will be executed on or about the same date on which the Alice Griffith Phase Owner enters into a series of documents (the “Alice Griffith Phase Closing Documents”) with the Housing Authority, OCII, MOHCD, HUD, one or more private lenders and/or equity investors and/or such parties as applicable to document the financial commitments and regulatory obligations for each Alice Griffith Phase (the “Alice Griffith Phase Closing”); and,

WHEREAS, Upon completion of any Alice Griffith Phase that includes PHR Units, a specified number of residents of the Existing AG will be relocated to the completed Alice Griffith Phase in accordance with the approved relocation plan (“Relocation Plan”) with all residents of the Existing AG buildings in the first phase of Infrastructure (“Phase 1 Demo Buildings”) being relocated prior to relocation of the residents Existing AG buildings in the second phase of Infrastructure (“Phase 2 Demo Buildings); and,

WHEREAS, Upon relocation of all residents in the Phase 1 Demo Buildings in accordance with the Relocation Plan, the Housing Authority will convey the Phase 1 Demo Buildings Land, but excluding the future Alice Griffith Lots therein, to the Agency, and upon relocation of all residents in the Phase 2 Demo Buildings in accordance with the Relocation Plan, the Authority will convey the Phase 2 Demo Buildings Land to OCII; and,

WHEREAS, Following conveyance of the Phase 1 Demo Buildings Land (but not including the Alice Griffith Lots therein) and the Phase 2 Demo Buildings Land to OCII, Master Developer and the Agency will develop such real property under and in accordance with the DDA, including the Master Developer constructing infrastructure and parks thereon and conveying Lots to vertical developers that will construct market-rate, workforce and affordable units thereon; and,

WHEREAS, Under Resolution No. 4967 adopted by the Housing Authority Commission on February 22, 2001 (“Resolution 4967”), the Housing Authority established, among other matters, a goal that contractors, in conjunction with their subcontractors, hire Housing Authority residents such that Housing Authority residents constitute a minimum of twenty five percent (25%) of the total workforce (calculated by person-hours) on all contracts covered by Resolution 4967; and,

WHEREAS, Under the DDA, Master Developer is required to comply with certain OCII policies, including the Bayview Hunters Point Employment and Contracting Policy, adopted by the Agency Commission on December 4, 2007 under
resolution number 127-2007 and as revised under the CP/HPS2 DDA (the “BVHP ECP”). The BVHP ECP establishes a goal that fifty percent (50%) of construction workforce hires for each trade be qualified BVHP Residents and requires Master Developer and its contractors and subcontractors to use good faith efforts to cause fifty percent (50%) of its construction workforce hours by trade be performed by qualified BVHP Residents, then residents of the 94123 and 94107 zip code areas, then residents of other existing Agency redevelopment project areas, and then San Francisco Residents with First Consideration to BVHP Residents (all as defined and more particularly described in the BVHP ECP). Alice Griffith residents and other public housing residents are BVHP Residents and are thus given First Consideration under the BVHP ECP; and,

WHEREAS, The Housing Authority, OCII, MOHCD, and City and County of San Francisco Office of Economic and Workforce Development (“OEWD”), will be a party to the proposed Interagency Memorandum of Understanding (the “Workforce MOU”), pursuant to which the parties thereto agree, among other things, on the roles and responsibilities of such parties with respect to workforce hiring requirements for the development of the Project and certain portions of the Master Project on the Existing AG site, all as more particularly described therein. DRV, Alice Griffith Phase Owners and Master Developer are subject to the Workforce MOU with respect to the development described therein; and,

WHEREAS, The Housing Authority, OCII and MOHCD, will be a party to the proposed Cash Flow Memorandum of Understanding (the “Cash Flow MOU”), pursuant to which the parties thereto agree to the distribution of cash flow among the public agencies for each phase of AG; and,

WHEREAS, While the DDA contemplates the assembly of the Alice Griffith Lots and the development of the Project as described above, it also contemplates the execution of an MDA that governs the timing and description of the Project and other related matters. Further, the Housing Authority and DRV are not parties to the DDA; and,

WHEREAS, The parties desire to enter into the MDA in order to facilitate the reconfiguration of the Alice Griffith Site, including through (i) subdivision of the Alice Griffith Site in accordance with the CP/HPS Subdivision Code to create within the Alice Griffith Site new public and private streets, open space lots, Alice Griffith Lots, and market rate lots, among other things, (ii) conveyance by OCII to the Authority of portions of the Alice Griffith Lots owned or acquired by OCII, (iii) conveyance by the Housing Authority to OCII of the portions of the Alice Griffith Site owned or acquired by the Housing Authority, other than the Alice Griffith Lots, and (iv) development of the Project; and,

WHEREAS, DRV and the Alice Griffith Phase Owners for Phase 1 and Phase 2 have agreed to reimburse the Master Developer for costs incurred by the Master Developer with equity from the Low Income Housing Tax Credit allocation for each of those phases, in connection with the construction of certain infrastructure and off-site improvements by the Master Developer that benefit the Site in the form of a
promissory note in an amount not to exceed of Seven Million Five Hundred Thousand Dollars ($7,500,000) (the “AG Infrastructure Financing” or “Promissory Note”) for Phase 1 and Phase 2 of the Development. The Alice Griffith Phase Owners will pay the principle and interest on the AG Infrastructure Financing from Surplus Cash consistent with the terms of the Cash Flow MOU. The Promissory Note shall be secured by a Deed of Trust on the leasehold interest of the Alice Griffith Phase Owners for Phase 1 and Phase 2 and shall be assigned from the Master Developer to OCII; and,

WHEREAS, Based on the analysis in Addendum No. 1, the Planning Department concludes that the analyses conducted and the conclusions reached in the FEIR on June 3, 2010, remain valid and the proposed revisions to the Project and the two adopted mitigation measures will not cause new significant impacts not identified in the FEIR, and no new mitigation measures will be necessary to reduce significant impacts; further, other than as described in the Addendum No. 1 no Project changes have occurred, and no changes have occurred with respect to circumstances surrounding the proposed Project that will cause significant environmental impacts to which the Project will contribute considerably, and no new information has become available that shows that the Project will cause significant environmental impacts and, therefore, no supplemental environmental review is required under CEQA beyond the Addendum No. 1 to approve the first major phase and sub-phase applications; and,

WHEREAS, OCII staff has reviewed and considered the FEIR, the Addendum No. 1, and supporting documentation, in preparing necessary findings for the Commission’s consideration, and has made the FEIR, Addendum No. 1, and supporting documentation available for review by the Commission and the public and these files are part of the record before the Commission; and,

WHEREAS, Copies of the FEIR and Addendum No. 1 and supporting documentation are on file with the Commission Secretary and are incorporated in this Resolution by this reference; and,

WHEREAS, The approval of the MDA and the acceptance of the Assignment of the Promissory Note and Deed of Trust are undertakings pursuant to and in furtherance of the Project in conformance with CEQA Guidelines Section 15180; and,

WHEREAS, The FEIR and the CEQA Findings adopted by the SFRA Commission by Resolution No. 59-2010 on June 3, 2010, reflected the independent judgment and analysis of the SFRA Commission, were and, except for the minor amendments to mitigation measures TR-16 and UT-2, remain adequate, accurate and objective, and were prepared and adopted following the procedures required by CEQA, and the findings in such resolution are incorporated by this reference as applicable to the approval of the AG MDA; and,

WHEREAS, OCII staff has reviewed the AG MDA, and finds it acceptable and recommends approval of the AG MDA; and,
WHEREAS, A copy of the AG MDA is on file with the Secretary of this Commission; now, therefore, be it

RESOLVED, That the Commission on Community Investment and Infrastructure authorizes the Executive Director to execute an Master Development Agreement substantially in the form of the agreements on file with the Secretary of the Commission and approved as to form by the City Attorney, with Double Rock Ventures, LLC, a limited liability company; CP Development Co, a Delaware limited partnership; and, the Housing Authority of the City and County of San Francisco, a public body corporate and politic for the development of 256 Public Housing Replacement Units and 248 additional units of low-income family rental housing, and acceptance of an Assignment of Deed of Trust and Promissory Note for Phases 1 and 2; , on file with the Secretary of the Commission; and, to enter into any and all ancillary documents, including the Workforce MOU and the Cashflow MOU, and to take such additional actions as the Executive Director deems necessary or appropriate in connection therewith, provided, however, that the Executive Director determines that such additional actions are not inconsistent with this Resolution and do not materially increase the burdens and responsibilities of OCII or materially decrease the benefits to OCII with respect to the Project.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of October 21, 2014.

________________________________________
Commission Secretary