INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Update on the status of Hunters Point Shipyard local contracting and construction workforce hiring; Hunters Point Shipyard Project Area

EXECUTIVE SUMMARY

The agreements implementing the redevelopment of the Hunters Point Shipyard ("Shipyard") and Candlestick Point (the "Project") are the Phase 1 and 2 Disposition and Development Agreements ("Phase 1 DDA" and "Phase 2 DDA"), between the Office of Community Investment and Infrastructure or "OCII," the successor to the San Francisco Redevelopment Agency ("SFRA") and Lennar Urban ("Lennar or the "Developer"). The Project’s development program includes the construction of infrastructure, parks, and housing. Under the DDAs Lennar is required to build the infrastructure and parks, and then sell developable land to various developers, either Lennar affiliates or third-parties including community builders, to build housing.

The DDAs contain policies and goals for local workforce hiring and contracting on the Project that the Developer must make good faith efforts to fulfill and achieve. The following is an update on the progress of the Developer in meeting the local workforce hiring and contracting goals since the Project’s Phase 1 vertical construction stage began in July of this year.

BACKGROUND

Bayview Hunters Point Employment and Contracting Policy

The Project provides an opportunity to ensure that the significant public and private investment in the Project results in opportunities for existing residents and businesses in the Bayview Hunters Point area ("BVHP") to deepen local capacity and preparedness for economic development opportunities; increase wealth among low-income households; and, remove barriers to entry or expansion for local businesses. In furtherance of this, the DDAs contain aggressive policies requiring the Developer to follow a robust equal opportunity program, consisting of, 1) the Bayview Hunters Point Employment and Contracting Policy ("BVHP ECP"), 2) the Small Business Enterprise ("SBE") Policy, 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 SBE Policy, there is a 50 percent contracting goal for SBE participation in OCII and OCII-assisted contracts, with first consideration in awarding contracts in the following order:

1) Project Area SBEs
2) San Francisco-based SBEs (outside an OCII Project Area)
3) All other SBEs.
Non San Francisco-based SBEs should be used to satisfy participation goals only if Project Area SBEs or San Francisco-based SBEs are not available, qualified, or if their bids or fees are significantly higher than those of non San Francisco-based SBEs.

**Small Businesses Enterprise Certifications**

Since the dissolution of SFRA, OCII as its successor has continued to administer the SBE policy in its continuing obligations, including the three Major Approved Projects: 1) Transbay, 2) Mission Bay and the 3) Hunters Point Shipyard and Candlestick Point. However, OCII no longer certifies SBEs but instead relies on the information provided in other public entities’ business certifications to establish eligibility for OCII’s equal opportunity programs. The business certifications that OCII recognizes are:

- City and County of San Francisco, Local Business Enterprises (“LBE”)
- State of California, SBE
- Federal
- Any other local jurisdiction

Previous OCII business certifications will continue to be valid through the expiration date on the certificate (three years from the date of certification). OCII Contract Compliance staff make the final determination on the consistency of the certification standards and acceptance or denial of certifications listed above. In order for a firm’s business certifications to be recognized by OCII, the firm must have an average gross income based on the three most recent tax returns that does not exceed the thresholds below:

- $2 million for professional or personal services
- $7 million for suppliers
- $14 million for construction

**Role of Contract Compliance**

As part of the Project’s enforceable obligations, OCII Contract Compliance staff provides ongoing oversight of the local contracting obligations described above. Contract Compliance staff responsibilities include:

- Review advertisements and bids prior to release to ensure proper notification occurs and invitations to bid are sent to all certified SBE and LBEs with the City and County of San Francisco.
- Attend all pre-bid meetings to ensure outreach to discuss the SBE Policy and answer questions as it relates to the certification process, local hiring workforce goals and the prevailing wage provisions.
- Once bids are submitted, compliance staff will review the bid summary to verify that the list of SBEs/LBEs certification is current. Staff will also ensure that first consideration is given to BHVP-SBEs, followed by San Francisco-based-SBEs and finally SBE located outside of San Francisco. If a firm is certified by the State of California or another jurisdiction, staff will review necessary documentation to ensure subcontractors meet OCII’s economically disadvantaged business definition to be recognized as an SBE in order to count towards the 50 percent SBE goal.
Contract Compliance staff are actively engaged throughout the process to ensure that at all times the Developer and Developers' General Contractor are working in good faith to maximize local participation.

**Good Faith Efforts Summary for Vertical Construction Contracting**

The SBE Policy requires the Developer to make good faith efforts to achieve the 50 percent SBE and local preference goals for prime contracts in supplies, equipment, construction, and services. Good faith efforts defined in the SBE Policy and the Developer's compliance with these efforts is summarized below:

**Table 1: Summary of Good Faith Efforts**

<table>
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<tr>
<th>GOOD FAITH EFFORT</th>
<th>DESCRIPTION</th>
<th>DEVELOPER COMPLIANCE</th>
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<tr>
<td>1. Contract Size</td>
<td>Divide up work in order to encourage SBE participation.</td>
<td>Contractors were allowed to submit bids for Blocks 50 and 51 separately.</td>
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| 2. Advertise                        | Advertise for a minimum of 30 days.                                         | The bid opportunities were posted on OCII and the City's Bid and Contracts websites, advertised in the *San Francisco Sun Reporter, The Examiner* and the *Small Business Exchange* with additional outreach to local community groups including:  
  - African American Chamber of Commerce  
  - Hunters Point Shipyard Citizens Advisory Committee mailing list  
  - Merriwether & Williams  
  - Participants in the Lennar Mentorship Program |
<p>| 3. SBE Lists                        | Outreach to SBE lists.                                                       | Staff provided the developer with the link to OCII's SBE and the City's LBE databases. |
| 4. Public Solicitation, Outreach and Assistance | Issue solicitations, follow up with SBEs and SBE related associations, provide technical assistance to SBEs, and provide SBEs with plans. | The General Contractor provided bid documents directly to local contractors to save them costs of printing. |
| 5. Meetings                         | Convene pre-bid/pre-solicitation meetings to answer questions.               | A pre-bid meeting was held on March 14, 2013. There were approximately 40 people in attendance and the majority were representing BVHP-SBEs. |</p>
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<th>Insurance and Bonding</th>
<th>Offer an Owner Consolidated Insurance Program (OCIP).</th>
<th>An OCIP is in place and the bid and the pre-bid meeting provided potential bidders with information on this program.</th>
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<td>7. Focused Meetings</td>
<td>When deficiencies are noted, convene meetings for SBEs focusing on opportunities for particular industries.</td>
<td>Direct assistance was provided to 25 local SBE Contractors (most from BVHP) in the review of bid documents. A meeting was held on September 20, 2013 with unsuccessful bidders to discuss bid deficiencies and ways for local firms to be more competitive in future bids.</td>
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<tr>
<td>8. Monitoring</td>
<td>Contractors will track information related to SBE and non-SBE proposals/bids that were received and provide reasons for any rejections as applicable.</td>
<td>Contract compliance staff reviewed the tabulation of bids received by the General Contractor and verified that in the cases where the SBEs were not selected, their bids were significantly higher or incomplete.</td>
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**DISCUSSION**

**Status of the Project's Vertical Contracting**

**Vertical Professional Services Contracts**

On the Shipyard to date Lennar has achieved over 76 percent SBE participation on its vertical projects in the area of professional services contracts, of which more than 29 percent were from women-owned firms and 28 percent were from minority-owned firms and as further detailed below.

**Table 2: SBE Professional Services Contracting on Blocks 50 and 51, Hunters Point Shipyard**

<table>
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<th>CONTRACT VALUE</th>
<th>PERCENT OF TOTAL PROFESSIONAL SERVICES CONTRACTS</th>
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<tbody>
<tr>
<td>Asian</td>
<td>$1,192,586</td>
<td>17%</td>
</tr>
<tr>
<td>Latin</td>
<td>$82,000</td>
<td>1.2%</td>
</tr>
<tr>
<td>African American</td>
<td>$775,600</td>
<td>$11.1%</td>
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**Vertical Construction Contracting**

In June of this year, vertical construction of the first 88 of approximately 12,000 new homes to be constructed over the next 20 years on the Shipyard commenced with Blocks 50 and 51. Blocks 53 and 54 will start in November followed by infrastructure for Alice Griffith public...
housing, Block 56/57 home construction, Block 49 affordable housing, artist replacement studios, and Alice Griffith public housing replacement units in 2015. Roberts Obayashi (the "General Contractor") is constructing Blocks 50, 51, 53 and 54, as well as a marketing center on Block 56 (together the "General Contractor’s Scope").

The below table reflects the outcome of bidding on Blocks 50 and 51. On vertical construction, to date 35 percent of the total dollar value of contracts awarded on Blocks 50 and 51 are held by SBEs, with 16.2 percent of those SBEs based in San Francisco and 9 percent based in BVHP. See the summary of construction performance to date below.

### Table 3: SBE Construction Contracting on Blocks 50 and 51, Hunters Point Shipyard

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<th>% OF TOTAL CONTRACT VALUE</th>
<th>NUMBER OF FIRMS</th>
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<tr>
<td>All SBEs</td>
<td>34.5%</td>
<td>21 (38%)</td>
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<tr>
<td>San Francisco-based SBEs</td>
<td>15.6%</td>
<td>14 (24%)</td>
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<tr>
<td>BVHP-based SBEs</td>
<td>8.3%</td>
<td>7 (12%)</td>
</tr>
<tr>
<td>Estimated minority/women-owned firms</td>
<td>12.8%</td>
<td>7 (11%)</td>
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Contract Compliance staff evaluated the bid process and confirmed that the Developer and the General Contractor have used good faith efforts to meet the 50 percent contracting goal on each bid opportunity. Though the 50 percent SBE goal was not achieved on the first two Shipyard blocks, participation among BVHP-based SBEs is expected to increase under the General Contractor’s Scope (i.e. Blocks 53, 54, and Block 56) with the location of the Construction Assistance Program on-site, increased contractor workshops, as well as additional efforts (more on the Construction Assistance Program below). There are also a number of contracts for Blocks 50 and 51 that have not yet been awarded (drywall, masonry, painting and tile for example) which should increase the General Contractor’s BVHP-SBE participation.

### Construction Assistance Program

The DDAs further require the Developer to fund and implement a Construction Assistance Program ("CAP") designed to increase local participation among local SBE contractors seeking or requiring technical assistance in bidding and business process for work on the Project. After a public solicitation process Butler Enterprise Group was selected to operate the CAP. The CAP services started August 2013, thus the program was not operational during the public outreach / solicitation process for blocks 50 and 51. The CAP staffs an office on the Shipyard, providing local contractors and businesses with a single point of contact to learn about upcoming work on the Shipyard, access construction plans and specifications available for potential bidders, and provide technical assistance in preparing and strengthening competitive bid proposals. The CAP office actively conducts outreach to local small and micro contractors to encourage them to participate and use the services of the CAP. Technical assistance provided by the CAP includes:

- Completing pre-qualification questionnaires
- Assembling bid package submittals
- Business Financing
- Owner Consolidated Insurance Program ("OCIP") and other insurance requirements
- Technical support such as reviewing plans/specs/estimates
- Resolving financial, legal, union or other matters impacting qualification
Referral to subject matter experts in technical, financial, insurance, bonding, etc. (see qualifications)
General assistance with Project opportunities and scheduling
The CAP provides workshops to educate the local contracting community on the qualification process, process for assembling bid package submittals, business financing, insurance requirements, resolving conflict, business etiquette, and vertical development.

Additional Good Faith Efforts

The recent response to the Blocks 50 and 51 bid requests has provided the General Contractor, the Developer, and OCII staff with a clearer understanding of opportunities for targeted intervention among BVHP-based SBEs that were unsuccessful to increase odds of success. Below are additional efforts being deployed as a result:

1. Several BVHP-based SBEs indicated that they did not receive notification of the bid opportunities. OCII Contract Compliance staff will continue to take an active role in reaching out to SBEs. Lennar, OCII staff, and the General Contractor will conduct additional outreach to unsuccessful SBE contractors to ensure that they are aware of bid opportunities. OCII staff has already met with many of these contractors to confirm contact information and the best method for notification of upcoming opportunities.

2. The Developer, Roberts Obayashi and the CAP office are working directly with these firms to increase the accuracy of cost estimating for bids. Inaccurate bids – whether too high or too low – jeopardize the ability for firms to successfully perform work and are less likely to be awarded a contract.

3. Certain types of work, by their nature, must be completed by only one contractor that has the scale to complete the project all at once. For example, electrical and concrete work may not be safely divided into smaller contracts, but few if any BVHP-based firms are staffed or equipped at this scale. As one potential solution, OCII staff and the Developer are looking to partner local contractors with larger firms to increase the capacity and expertise among local firms.

4. Email blasts have been sent to all certified BVHP contractors and businesses announcing bid opportunities for Blocks 53 and 54 and Block 56’s marketing center, with a reminder shortly before bid due date.

5. Lennar has instructed Roberts Obayashi to receive all bids regardless of whether full scope is covered and compare, so that utilization can be maximized.

6. On Blocks 53 and 54, Roberts Obayashi is reviewing bids on a building-by-building basis (rather than the total block) to enhance opportunities to BVHP SBEs.

7. Lennar will meet with BVHP Contractors with in order to improve the process and provide increased opportunities, and has instructed the CAP office to review the Blocks 50 and 51 bid process and results to identify opportunities to improve participation in future bidding processes.

8. Lennar has directed the CAP office to work with Roberts Obayashi to optimize the BVHP-SBE utilization on yet-to-be-awarded work.

9. Both CAP and Roberts Obayashi are working with the awarded contractors to encourage utilization of BVHP subcontractors and suppliers within their awarded contracts.
10. Roberts Obayashi is working with BVHP subcontractors to team them up with other established contractors to improve and enhance the subcontractors’ bidding capabilities and increase their opportunities going forward.

11. Lennar’s macro policy is to utilize various general contractors (Cahill, a local SF-based company has just been awarded Blocks 56 and 57), thereby developing the best practices from multiple contractors to continually enhance the program outcomes.

**Construction Workforce Hiring**

The Bayview Hunters Point Employment and Contracting Policy also establishes goals for workforce hiring. The construction workforce hiring and the permanent/temporary workforce hiring has a goal that 50 percent of the workforce hires be qualified San Francisco residents with First Consideration to be provided in the following order:

1.) BVHP Area Residents  
2.) Residents of the 94134 and 94107 zip code areas  
3.) Residents of other existing San Francisco redevelopment project areas  
4.) San Francisco residents

Of the 5,315 construction workforce hours accumulated to date, Blocks 50 and 51 have achieved 43.2% San Francisco local hiring with 23% of the total hours representing BVHP residents, similar to other Southeast San Francisco projects such as Hunters View.

**CONCLUSION**

Over the next 20 years, the Project will invest more than $8 billion in horizontal infrastructure and vertical construction. While some services and products are difficult to be sourced locally, good faith efforts may be strengthened and customized to improve the long-term outcomes for local participation in this investment. OCII staff is working with the Developer, Roberts Obayashi the CAP and local SBEs to ensure that opportunities are adequately advertised, SBEs understand the bid process, and barriers to entry are identified and strategies put in place to increase the competitiveness of local SBEs. Staff will keep the Commission informed of our progress and will provide another update in the first quarter of 2014.

*(Originated by Wells Lawson, Senior Project Manager, Thor Kaslofsky, Project Manager, and George Bridges, Contract Compliance Specialist)*

Tiffany Bohne  
Executive Director

Attachment A: Description of Good Faith Efforts from SBE Policy  
Attachment B: Summary of Contract Awards for Blocks 50 and 51