

Executive Summary of the Report on the Redevelopment Plan Amendment

The Executive Summary provides a synopsis of the report to the legislative body for the proposed amendment to the Hunters Point Redevelopment Plan (Plan Amendment). Pursuant to the California Community Redevelopment Law (CRL), the report must present the reasons for amending the project area, physical and economic conditions within the project area, proposed redevelopment projects and activities, proposed methods of financing, tax increment revenue projections, and financial feasibility. It also must document an agency's adherence to the legal requirements for the plan amendment.

This Report on the Plan Amendment describes the reasons for amending the Hunters Point Redevelopment Plan, documents adverse conditions, and presents the Redevelopment Program of the Redevelopment Agency of the City and County of San Francisco (Agency). The Plan Amendment covers two geographic areas: the existing Hunter's Point Redevelopment Project Area (Project Area A) and the area proposed to be added to the Project Area (Project Area B). The Project Area is the term used for referring to Project Area A and Project Area B together. The Report also provides an assessment of financing methods and economic feasibility of the Redevelopment Program, demonstrates why redevelopment is necessary to eliminate blight in Project Area B, and includes the Implementation Plan and the Neighborhood Impact Report.

The Agency is preparing the Plan Amendment for consideration by the San Francisco Redevelopment Agency Commission and the Board of Supervisors of the City and County of San Francisco (Board of Supervisors). The purpose of the Plan Amendment is to establish the Redevelopment Program, which is designed to alleviate Project Area B's blighting conditions, foster housing and economic development in Project Area B, and enhance Project Area A through these efforts. The Plan Amendment will further several City goals and objectives in Project Area B including creating new affordable and mixed-income housing, furthering economic development, creating jobs, addressing environmental problems, providing open space, fostering cultural development, and improving the physical environment and transportation systems.

The Project Area is located in the southeast portion of San Francisco in the Bayview Hunters Point community. The 137-acre Project Area A, originally adopted by the Board of Supervisors on January 20, 1969, has been transformed into a new residential community with supporting educational and recreational uses. Most of Project Area A has been redeveloped through activities supported by the Agency and many of the original conditions of blight have been alleviated. The Plan Amendment would add about 1,361 acres to the Project Area. Project Area B consists of residential, commercial, industrial and public uses in Bayview Hunters Point and includes portions of the South Basin, Bret Harte/Double Rock, and Town Center areas. The Third Street corridor runs through the center of Project Area B, and Candlestick Stadium and the Candlestick State Recreation Area are located in the southern portion of Project Area B.

Physical and Economic Conditions in Project Area B

Project Area B suffers from adverse physical and economic conditions that need to be addressed if the area is to realize its full economic potential. Blighting conditions found in Project Area B include seven of the nine CRL-defined categories of physical and economic blight:

- Buildings in which it is unsafe or unhealthy for persons to live or work;
- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots, including earthquake hazards, poor soil conditions, accessibility issues, noise, and crime;
- Adjacent or nearby uses that are incompatible with each other, such as residential areas not properly buffered from industrial uses;
- Depreciated values and impaired investments, such as the presence of potentially hazardous and toxic materials, poor economic performance of retail businesses, and the inability of existing industrial space to meet current user demands;
- Economic indicators of distressed buildings or lots, including vacant and underutilized buildings and lots, and low industrial and retail lease rates;
- Residential overcrowding and problem businesses, including an excess of liquor stores and bars that have led to problems of public safety and contributed to crime; and
- High crime rate.

Redevelopment Program and Blight Alleviation

The Agency has proposed the Redevelopment Program to alleviate blighting conditions in Project Area B and to meet the Agency's affordable housing obligations. To guide revitalization efforts in the Bayview, the Agency developed the Bayview Hunters Point Community Revitalization Concept Plan (Concept Plan) and the Framework Housing Program in collaboration with the Bayview Hunters Point Project Area Committee (PAC). The Redevelopment Program, which is based on the Concept Plan and the Framework Housing Program, consists of two broad program categories, the Affordable Housing Program and the Non-Housing Program, which includes economic development activities and community enhancement projects.

The affordable housing program will promote the development of a wide variety of affordable housing, including mixed-use development, infill development, senior housing projects, supportive housing programs, and limited equity homeownership projects. The economic development activities include planning and predevelopment activities and focused economic revitalization programs. Community enhancements include public infrastructure, facilities and circulation improvements, as well as the provision of public open space.

Activity Nodes

The Plan Amendment will focus planning efforts and public investment in seven activity nodes within Project Area B in order to maximize the impact of redevelopment for the community as a whole. It presents an opportunity to catalyze mixed-use, transit-oriented development along Third Street in two distinct areas: Town Center and the Health Center. The South Basin, Northern Gateway and Oakinba industrial areas are included in Project Area B as opportunities not only to eliminate blight, but also to enhance job creation. The Hunter's Point Shoreline area is included as an opportunity for residential development. Additionally, Candlestick Point is proposed for mixed-use development balancing residential, commercial and industrial development with open space.

The creation of a vital Town Center along Third Street is one of the cornerstones of the Redevelopment Program. The Plan Amendment will strengthen existing businesses and restore civic institutions and buildings to create a community and citywide retail and cultural destination. Community-envisioned uses include neighborhood-serving businesses; commercial retail focusing on restaurants, boutique shops, arts, culture, entertainment and community service; senior housing and amenities serving low-income senior citizens; and other affordable housing.

The Plan Amendment will stimulate industrial development and revitalization in portions of the Northern Gateway, Oakinba and South Basin activity nodes. Specific programs will facilitate the development of business clusters within the activity nodes. Economic development programs will attract new industries that may safely coexist with nearby residential communities. Limited large-scale commercial space is also envisioned for the Oakinba activity node.

In the Health Center activity node just south of Town Center, the Redevelopment Program will help facilitate the development of senior housing, amenities serving an aging population, and commercial activities focused on medical and supportive services. The Candlestick Point activity node includes a proposed regional shopping mall and a new San Francisco 49ers football stadium. The Hunters Point Shoreline activity node emphasizes development along Innes Avenue with infill housing development south of Innes Avenue.

In 2006, the Agency modified the boundary for Project Area B to exclude the parcels in the Hunters Point Shoreline activity node located within the proposed India Basin Special Use District. These parcels are north of Innes Avenue and include the PG&E plant, properties with industrial and commercial activities, and vacant land. This Report reflects this modification.

Tax Increment Financing and Other Funding Sources

Tax increment financing will be the critical funding source the Agency will use to implement the Redevelopment Program. Tax increment revenues will be used to provide most of the resources for the Redevelopment Program, leverage private funds to undertake improvement projects and stimulate private investment in Project Area B. The Agency's investments in economic development, community enhancements and affordable housing are critical catalysts needed to revitalize Project Area B. Tax increment revenues generated from growth in assessed value in Project Area B will be used to provide economic revitalization programs; planning and predevelopment activities; affordable housing development; public open space enhancements; circulation, infrastructure and utilities improvements; and other activities.

Other funding for the Plan Amendment may come from federal, state and local sources, including, but not limited to, the Transportation for Livable Communities (TLC) program, Brownfield Economic Development Initiative and other Brownfields Loan Program funds, community facilities districts and Agency bonds.

Need for Tax Increment Financing

The blighting conditions in Project Area B are substantial, and thus, a significant amount of capital investment is needed to alleviate them. Without redevelopment assistance, neither the private sector or public sector working alone, nor the private and public sectors working together, can financially support the substantial costs of the Redevelopment Program. Tax increment financing is needed to provide funding for projects and activities that are critical to the elimination of blight and the revitalization of Project Area B.

Pass-through Payments to Affected Taxing Entities

The CRL requires each taxing entity deriving property tax revenue from within Project Area B to receive pass-through payments, which are annual payments designed to mitigate any financial burden on taxing entities. The CRL specifies formulas for the calculation of pass-through payments. Each entity will receive a payment from tax increment generated by Project Area B, in proportion to its property tax levy within Project Area B.

Three tiers of pass-throughs will be paid from tax increment generated by Project Area B to the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Regional Transit (BART) District, and the Bay Area Quality Management District. Under the CRL, the City can elect to receive the first tier pass-through, equivalent to its tax levy times 20 percent of tax increment.

Affordable Housing and Housing Set-Aside Funds

The CRL requires 20 percent of all tax increment revenue collected by a redevelopment agency to be used for increasing and/or improving a community's supply of affordable housing. Over the term of the Plan Amendment, the Agency will use 50 percent of the tax increment revenue available for the Redevelopment Program for affordable housing.¹ The Agency will focus these funds on affordable housing development in Project Area B to ensure that at least 25 percent of the new housing in Project Area B is affordable to, and occupied by, households of very low-, low- and moderate-income.

Tax Increment Projections

Project Area B is projected to generate \$293.0 million in constant FY 2005/06 dollars, or \$1.3 billion in nominal dollars, in incremental tax revenues over the 45 year tax increment collection period.² After the Agency meets its legal obligation to make payments to affected taxing entities, approximately \$231.7 million in constant FY 2005/06 dollars, or \$1.0 billion in nominal dollars, will be available to accomplish the Agency's Redevelopment Program, including the Affordable Housing Program and the Non-Housing Program (economic development activities and community enhancement projects), and to fund related Agency administration costs.

¹ Tax increment revenue available for the Agency's Redevelopment Program includes the CRL-required 20 percent housing set-aside and is net of pass-through payments to affected taxing entities and Agency administration costs.

² The term constant FY 2005/06 dollars is used to indicate the present value of future dollars discounted back to FY 2005/06. Nominal dollars is used to describe the future value. The purchasing power of nominal dollars would decline because of inflation and/or the cost of borrowing. Therefore it is important to convert the annual amounts to the equivalent value in constant FY 2005/06. Refer to discussion on present value assumptions in Section D.2 of Chapter VII for further information.

Financial Feasibility

The Agency's share of the Redevelopment Program costs, as well as Agency administrative costs, are estimated to be about \$231.7 million in constant FY 2005/06 dollars. Although the Redevelopment Program costs and available revenues will vary over time from those set forth in the estimates and projections presented in this Report, it is reasonable to conclude that the Redevelopment Program is financially feasible over the 45-year tax increment collection period. The Agency will prepare Implementation Plans every five years to ensure that the Redevelopment Program is financially feasible.