

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 33-2018

Adopted August 7, 2018

AUTHORIZING AN EXCLUSIVE NEGOTIATIONS AGREEMENT AND A PREDEVELOPMENT LOAN AGREEMENT IN AN AMOUNT NOT TO EXCEED \$4,000,000, WITH SHIPYARD 5254, L.P., A CALIFORNIA LIMITED PARTNERSHIP, FOR THE DEVELOPMENT OF APPROXIMATELY 100 AFFORDABLE FAMILY RENTAL HOUSING UNITS (INCLUDING ONE MANAGER'S UNIT) AT HUNTERS POINT SHIPYARD PHASE 1 BLOCKS 52 & 54; AND ADOPTING ENVIRONMENTAL REVIEW FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

WHEREAS, In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code, section 33000 et seq. the “CRL”), the Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) undertook programs for the reconstruction and construction of blighted areas in the City and County of San Francisco (“City”), including within the Hunters Point Shipyard (“HPS”) Redevelopment Project Area; and,

WHEREAS, Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the “Redevelopment Dissolution Law”) and San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission (“Commission”) and delegating to it state authority under the Redevelopment Dissolution Law), the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly referred to as the Office of Community Investment and Infrastructure, or “OCII”) is responsible for implementing the HPS Redevelopment Project and fulfilling the enforceable obligations under the Hunters Point Shipyard Phase 1 Disposition and Development Agreement between the Former Agency and HPS Development Co, LP (the “Master Developer”) (Dec 2, 2003, as currently amended by the First through Sixth Amendments thereto, the “Phase 1 DDA”); and,

WHEREAS, The Phase 1 DDA together with a number of related binding agreements attached to or referenced in the text of the DDA establish a comprehensive set of enforceable obligations that collectively govern implementation of development under the Phase 1 DDA; and,

WHEREAS On December 14, 2012, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5, that the Phase 1 DDA is an enforceable obligation that survived the dissolution of the Former Agency; and,

WHEREAS, The Phase 1 DDA requires the Developer to undertake development of infrastructure in HPS Phase 1 to support 1,600 residential units and 26 acres of open space and parks, and to deliver “finished lots” (i.e., subdivided land improved with streets, sidewalks, parks, open space and utilities) to be sold to various vertical developers for residential or commercial use, or retained by OCII for the development of affordable housing. At least 10.5 percent of the residential units constructed by vertical developers must be affordable at 80 percent of Area Median Income (“AMI”); and,

- WHEREAS, In addition to vertical developers' affordable housing obligation, OCII intends provide financing to construct at least 218 affordable housing units within Phase 1 ("Agency Affordable Housing Units"), bringing the overall percentage of all of the affordable housing within HPS Phase 1 to a minimum of 27 percent; and,
- WHEREAS, At the Commission's public hearing on September 19, 2017 the OCII Executive Director and Staff presented a Housing Development Request for Proposals (the "RFP") to develop and operate affordable rental housing units for families on Hunters Point Shipyard Phase 1 Blocks 52 and 54 ("Blocks 52/54 Project"). After review and discussion of the RFP, the Commission did not object to its issuance and subsequently, on September 21, 2017, OCII issued the RFP; and,
- WHEREAS, On March 20, 2018, the Commission selected, by Resolution No. 07-2018, McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services to develop the Blocks 52/54 Project. The selected respondents submitted an application that was responsive to the RFP. In selecting the respondents, OCII relied on, among other things, their agreement to comply with all of OCII's policies, including but not limited to insurance and indemnification requirements found in the RFP; and,
- WHEREAS, On January 22, 2018 under Resolution No. 1-2018, the Oversight Board of the City and County of San Francisco approved an expenditure for funding including the Blocks 52/54 Project through Item No. 395 of the Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 ("ROPS 18-19"). The California Department of Finance provided final approval of the expenditure for Item No. 395 through its letter dated May 17, 2018; and,
- WHEREAS, For purposes of implementation and to ensure consistency with the City's overall affordable housing goals and priorities, OCII has engaged the Mayor's Office of Housing and Community Development (MOHCD) to provide additional services, construction monitoring and design review, and loan disbursement review and processing. Upon completion of the Blocks 52/54 Project, OCII intends, and is obligated, to transfer the affordable housing loan obligation, asset, and ground lease to MOHCD as the designated Successor Housing Agency of the City and County of San Francisco under Board Resolution No. 11-12, as required by Redevelopment Dissolution Law; and,
- WHEREAS, Shipyard 5254, L.P., a California limited partnership (the development entity formed by McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services for the Site, and herein the "Developer") desires to enter into and execute an exclusive negotiations agreement (the "ENA") and an associated Option to Ground Lease. The ENA's key components include: a \$10,000 Performance Deposit; an initial term of eighteen (18) months, until January 17, 2020 (with up to a twelve-month extension, granted at the discretion of the OCII Executive Director); and a Schedule of Performance which includes performance milestones. The ENA is anticipated to lead to a long-term ground lease; and,

- WHEREAS, A copy of the ENA, and the associated Option to Ground Lease, in substantially final form, is attached to the Commission memorandum associated with this Resolution and on file with the Commission Secretary; and,
- WHEREAS, The Developer desires to enter into and execute a loan agreement and promissory note (the “Predevelopment Loan Documents”), which will provide funding in an amount not to exceed \$4,000,000 for predevelopment work associated with the Blocks 52/54 Project. Nothing in the Predevelopment Loan Documents authorizes construction activities to take place on the Blocks 52/54 Project site. The Predevelopment Loan Documents, in substantially final form, are attached to the Commission memorandum associated with this Resolution and on file with the Commission Secretary; and,
- WHEREAS, The Citywide Affordable Housing Loan Committee (the “Loan Committee”) reviewed OCII staff’s evaluation of the request for funding at its meeting on June 15, 2018, and recommended to the Commission that it authorize OCII to provide the Developer with a predevelopment loan in an amount not to exceed \$4,000,000 subject to certain terms and conditions as set out in the Loan Committee’s action and the Predevelopment Loan Documents; and,
- WHEREAS, The Former Agency Commission and the San Francisco Planning Commission (“Planning Commission”) adopted California Environmental Quality Act (“CEQA”) findings, a mitigation monitoring and reporting program and statement of overriding considerations, and certified the Hunters Point Shipyard Reuse Final Environmental Impact Report 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; and,
- WHEREAS, On June 3, 2010, the Former Agency Commission by Resolution No. 58-2010 and the Planning Commission by Motion No. 18096, acting as co-lead agencies, prepared and certified the Final Environmental Impact Report (“Phase 2 EIR”) for the Candlestick Point Hunters Point Shipyard Phase 2 Project (“CP/HPS2 Project”) in compliance with CEQA and CEQA Guidelines (14 California Code of Regulations Sections 15000 *et seq.*). The Phase 2 EIR updated the transportation analysis and transportation plan, including the transportation system management plan, for both Phase 1 and Phase 2 of the Hunters Point Shipyard; and,
- WHEREAS, On the same date, the co-lead agencies adopted findings pursuant to the CEQA including without limitation findings regarding the alternatives, mitigation measures and significant environmental effects analyzed in the Phase 2 EIR, a statement of overriding considerations and a mitigation monitoring and reporting program, for the CP/HPS2 Project by Agency Commission Resolution No. 59-2010 and Planning Commission Motion No. 18097 and took various approval actions related to the CP/HPS2 Project; and,
- WHEREAS, Subsequent to the certification of the Phase 2 EIR, the Commission, by Resolution No. 01-2014 on January 7, 2014, and Resolution No. 13-2016, on March 15, 2016, approved certain changes to the Project supported by Addendum No. 1 and

Addendum No. 4., respectively. Successor Agency staff prepared the addenda in consultation with the Planning Department. Addendum No. 1 addressed changes to the schedules for implementation of transportation system improvements in the CP/HPS2 Project Transportation Plan, including the Transit Operating Plan, the Infrastructure Plan and other public benefits; and minor proposed revisions in two adopted mitigations measures, TR-16 Widen Harney Way, and UT-2 Auxiliary Water Supply System. Addendum No. 4 addressed modifications to the approved Candlestick Point Design for Development, Schedule of Performance, the Candlestick Point Infrastructure Plan, the Candlestick Point Hunters Point Shipyard Phase II Transportation Plan, and proposed revisions to two adopted mitigation measures TR-16 Widen Harney Way, and TR-23.1 Maintain the Proposed Headways of the 29-Sunset. (Addenda Nos. 2 and 3 analyzed proposed changes to the Project, which are no longer being pursued); and,

WHEREAS, On April 17, 2018, the Commission, by Resolution 11-2018, adopted CEQA findings related to certain changes to the CP/HPS2 Project it approved on the same date, supported by Addendum No. 5 to the Phase 2 EIR, including modifications to 16 adopted mitigation measures. The changes to the CP/HPS2 Project included, but were not limited to, the transfer of development of 172 housing units and of 71,000 square feet of neighborhood retail space from Phase 1 of the Hunters Point Shipyard to the CP/HPS2 Project; and,

WHEREAS, OCII staff has reviewed the ENA and the Predevelopment Loan Documents and has found them to be within the scope of the project analyzed in the Phase 1 EIR and its subsequent addenda and the Phase 2 EIR and its subsequent addenda; and,

WHEREAS, Copies of the Phase 1 EIR and its addenda, the Phase 2 EIR and its addenda, and supporting documentation, are on file with the Commission Secretary and are incorporated in this Resolution by this reference; and,

WHEREAS, OCII updated its insurance requirements to require prime design members of development teams to carry \$4,000,000 in professional liability insurance from the previous \$2,000,000 requirement and this level of insurance is not carried by most Small Business Enterprises (“SBE”). In support of OCII’s SBE Program, OCII could mitigate any added risk of requiring prime design members of development teams to carry \$2,000,000 in professional liability insurance by increasing OCII’s general liability insurance at the renewal of the term in September 2018; and now therefore be it,

RESOLVED, That since the Environmental Documents were finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the Environmental Documents due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the Environmental Documents; and, be it further

RESOLVED, That the Commission finds the ENA and the Predevelopment Loan Documents within the scope of the project analyzed in the Phase 1 EIR and its subsequent

addenda and the Phase 2 EIR and its subsequent addenda and that no additional environmental review is required pursuant to CEQA Guidelines Sections 15180, 15162, 15163, and 15164; and, be it further

RESOLVED, That the Commission authorizes the Executive Director to: (i) enter into the ENA and the Predevelopment Loan Documents with the Developer, substantially in the form of the documents approved by legal counsel for OCII; (ii) to make expenditures consistent with Redevelopment Dissolution Law; and (iii) to enter into any and all ancillary documents or to take any additional actions, including updating insurance requirements, necessary to consummate the transaction contemplated by this Resolution.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of August 7, 2018.



Commission Secretary