

REPORT

Bayview Hunters Point Redevelopment Plan Amendment

Preliminary Report

Prepared for:

San Francisco Redevelopment Agency

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Seifel
CONSULTING INC.

221 Main Street
Suite 420
San Francisco CA
94105

415.618.0700
fax 415.618.0707
www.seifel.com

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Executive Summary of the Preliminary Report

The Preliminary Report for the proposed Plan Amendment to the Bayview Hunters Point Redevelopment Plan (Plan Amendment) describes the reasons for amending the Bayview Hunters Point Redevelopment Plan (Redevelopment Plan), documents adverse conditions, and presents the Redevelopment Program of the Redevelopment Agency of the City and County of San Francisco (Agency). The Report also provides an assessment of the financing methods and economic feasibility of the Agency's Redevelopment Program, and demonstrates why redevelopment is necessary to eliminate remaining blight in the Bayview Hunters Point Redevelopment Project Area (Project Area).

Plan Amendment to Facilitate Achievement of City Goals

The Plan Amendment will help achieve several of the goals and objectives of the City in the Project Area including creating new affordable and market-rate housing; furthering economic development through local job creation; providing open space; fostering cultural and educational opportunities; improving the physical environment; and facilitating development of commercial uses and infrastructure. The Agency is preparing the Plan Amendment for consideration by the San Francisco Redevelopment Commission and the Board of Supervisors of the City and County of San Francisco (Board) in the spring of 2010.

Background

The revitalization of the Candlestick Point Activity Node (Candlestick Point) in the Project Area and the redevelopment of the Hunters Point Shipyard Project Area, established as a separate redevelopment project area, have progressed on parallel, but individual paths. However, the City and County of San Francisco (City) and the Agency have recently revisited the plans for the two areas and partnered with a private developer, CP Development Co., LP and HPS Development Co., LP (collectively, the Developer) to advance the integrated development of these two areas. The Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project) constitutes a cohesive planning effort that would transform both areas while simultaneously achieving the goals and objectives of the City, the Agency and voter-approved Proposition G. This coordinated endeavor will expedite the redevelopment of the entire Project Area and ensure a consistent framework for development across the CP–HPS 2 Project as a whole.

Plan Amendment Purpose

The Plan Amendment will provide the tax increment revenue necessary to implement the Agency's Redevelopment Program, which is designed to alleviate blight and foster economic and housing development in the Project Area. The Plan Amendment will ensure the financial feasibility of the revitalization of the Project Area by increasing the limit on outstanding bonded indebtedness from \$400 million to \$1.2 billion.

Additionally, the Plan Amendment revises the land use provisions outlined in the Redevelopment Plan to be consistent with voter-approved land use policies and concepts that will serve as the foundation for the CP–HPS 2 Project.

Physical and Economic Conditions in the Project Area

The Project Area is located in the southeast portion of San Francisco and is adjacent to the Hunters Point Shipyard Project Area. The Project Area is composed of residential, commercial, industrial and public land and facilities, including Candlestick Point. Candlestick Point, designated as Zone 1 in the Plan Amendment, includes Candlestick Stadium and adjacent parking lots, the Candlestick Point State Recreation Area, and Alice Griffith Housing Development. Alice Griffith Housing Development is proposed to be revitalized through the CP–HPS 2 Project if the Plan Amendment is approved.

The Project Area suffers from adverse physical and economic conditions that need to be addressed if the area is to realize its full economic potential. Conditions found in the Project Area meet six of the eleven CRL-defined categories of physical and economic blight. These conditions include:

- Buildings in which it is unsafe or unhealthy for persons to live or work.
- Adjacent or nearby incompatible land uses that prevent the development of the parcels or the area.
- Public improvement deficiencies.
- Impaired property values due to hazardous wastes.
- Indicators of economically distressed buildings such as abnormally high business vacancies and abnormally low lease rates.
- An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.
- A high crime rate that constitutes a serious threat to public safety and welfare.

Agency's Redevelopment Program and Blight Alleviation

The Agency's Redevelopment Program will alleviate blighting conditions that interfere with revitalization of the Project Area by improving economic conditions, stimulating private development and meeting the Agency's affordable housing obligation. Integrating the redevelopment efforts in Candlestick Point with those in the Hunters Point Shipyard Project Area will create synergies for both Project Areas. The Agency's Redevelopment Program draws on the planning guidelines adopted by the Bayview Hunters Point Project Area Committee (PAC), which focuses on the factors needed to become a vibrant neighborhood. It also emphasizes dynamic land uses, diverse business opportunities, and a balanced, mixed-income population of residents. The Redevelopment Program will be conducted in partnership with the private sector to produce new housing; commercial development including retail and entertainment; and new and improved recreational spaces.

The Agency's Redevelopment Program consists of two broad program categories, the Affordable Housing Program and the Non-Housing Program. The Non-Housing Program includes economic development activities, community enhancement projects, and projects and activities in the Candlestick Point Activity Node. The Affordable Housing Program anticipates the development of a wide variety of affordable housing types including mixed-use development, rental and for-sale units, senior housing, and a home buying assistance program. An important aspect of the Affordable Housing Program is working with the community to develop new housing at Alice Griffith and other affordable housing development throughout the Project Area.

The economic development component of the Non-Housing Program includes workforce training and job placement programs as well as planning and predevelopment activities for development projects such as the Model Block Program and the facilitation of development of key catalyst commercial sites. In addition, the Agency will assist efforts by the community and business owners to retain existing businesses and attract new businesses, support marketing and promotional activities, and improve the Third Street corridor. The community enhancements component of the Non-Housing Program includes streetscape improvements and public infrastructure as well as the façade improvement program and preservation of historic structures. It will also focus on the provision of new public open space, connection to the regional Bay Trail, and improved maintenance of existing facilities.

The Candlestick Point Activity Node component of the Non-Housing Program will facilitate the implementation of the CP–HPS 2 Project by inducing development of new public infrastructure, high density, transit-oriented development, and mixed-use development that is consistent with the Conceptual Framework and voter-approved Proposition G. Additionally, it will cultivate the restoration and redevelopment of Candlestick Point State Recreation Park land and other recreational areas as well as create infrastructure and facilities that unite Candlestick Point, Alice Griffith Housing Development and Hunters Point Shipyard.

Tax Increment Financing and Other Funding Sources

The three primary sources that will fund the Redevelopment Program will be tax increment financing, Mello-Roos Community Facilities Districts (CFDs), and Developer participation. These sources will provide most of the financial resources for the Redevelopment Program and will be used to leverage other public and private funds to undertake improvement projects and stimulate private investment. Specifically, tax increment financing will be the primary source of funding for the Non-Candlestick Point portion of the Project Area. In Candlestick Point, the combination of tax increment, CFDs and private investment by the Developer is expected to provide the backbone of funding for the completion of the CP–HPS 2 Project. The Agency’s investments in non-housing and affordable housing projects and activities are critical catalysts needed to revitalize the Project Area.

Other funding for the Plan Amendment may come from federal, state and local sources, including, but not limited to, the Metropolitan Transportation Commission (MTC) Transportation for Liveable Communities, state and regional Transportation Improvement Programs, San Francisco Capital Improvement Fund, and federal transportation grant programs under the 2005 Safe, Accountable, Flexible and Efficient Transportation Equality Act: a Legacy for Users (SAFETEA-LU).

Need for Tax Increment Financing

The remaining blighting conditions in the Project Area are substantial, and a significant amount of capital investment is required to alleviate them. Without redevelopment assistance, neither the private sector or public sector working alone, nor the private and public sectors working together, could 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 the Project Area.

Pass-Through Payments to Affected Taxing Entities

The CRL requires that the Agency make pass-through payments to each taxing entity deriving property tax revenue from the Project Area. These 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 the Project Area, in proportion to its property tax levy within the Project Area. Taxing entities that currently collect property tax revenue from the Project Area include the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Regional Transit (BART) District, and the Bay Area Air Quality Management District. Under the CRL, the City can elect to receive its share of the first tier pass-through payment.

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. A component of the Agency's housing policy has been to commit more tax increment funds for affordable housing than the CRL-required housing set-aside. Over the term of the Redevelopment Plan, the Agency will contribute 50 percent of the tax increment revenue available for the Agency's Redevelopment Program in the Non-Candlestick Point portion of the Project Area for affordable housing. The Agency will also contribute at least 20 percent of the tax increment revenue available for the Redevelopment Program in Candlestick Point towards affordable housing production. The Agency's affordable housing activities in Candlestick Point will be further enhanced by additional tax increment funds targeted towards horizontal development (infrastructure) of parcels that will be dedicated towards affordable housing, as well as a contribution of \$70,000 from the Developer towards each affordable unit (\$90,000 per unit in Alice Griffith Housing Development). The Agency will focus these funds on affordable housing development in Candlestick Point and the Project Area generally to assist in the improvement and development of a range of high quality, attractive and affordable housing developments serving a diverse population.

The CRL requires at least 15 percent of all new and substantially rehabilitated dwelling units developed within a project area by public or private entities or persons other than the Agency to be available at affordable housing cost to persons and families of extremely low, very low, low or moderate income. The Agency will exceed the CRL requirements by making at least 23 percent of the units produced to be available to households of extremely low, very low, low or moderate income.

Tax Increment

The amount of new development that will be stimulated in Candlestick Point is significantly greater than what was anticipated when the Redevelopment Plan was amended in 2006. As a result, the Redevelopment Program for Candlestick Point is more intensive and costly, yet, in turn will generate more development and more tax increment revenues at Candlestick Point. Therefore, the bonded indebtedness limit is proposed to be increased under the Plan Amendment so that the Agency may invest in key projects that will enable the CP-HPS 2 Project to be financially feasible.

The Project Area is projected to generate \$4.5 billion in nominal dollars in incremental tax revenues over the tax increment collection period (\$986 million in constant FY 2009/10 dollars).¹ After the Agency meets its legal obligation to make payments to affected taxing entities, approximately \$3.5 billion in nominal dollars, or \$770 million in constant FY 2009/10 dollars, will be available to accomplish the Agency's Redevelopment Program, including the Affordable Housing Program and the Non-Housing Program (economic development activities, community enhancement projects and the Candlestick Point Activity Node component).

Financial Feasibility

The Agency's Redevelopment Program costs are estimated to be approximately \$3.5 billion in nominal dollars (\$770 million in constant FY 2009/10 dollars). This amount includes \$210 million in nominal dollars (\$50 million in constant FY 2009/10 dollars) for the Agency's administration costs related to its Non-Candlestick Redevelopment Program.² Although the Agency's 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 Agency's Redevelopment Program is financially feasible over the tax increment collection period. The Agency will continue to prepare Implementation Plans every five years to ensure that the Redevelopment Program is financially feasible.

¹ "Nominal dollars" refers to the face value of tax increment revenues at the time they are generated. "Constant FY 2009/10 dollars" refers to the value of the same revenue as discounted to reflect its worth in FY 2009/10. Revenue generated in the future has less purchasing power than revenue generated this fiscal year because of inflation and the cost of borrowing.

² This estimate includes Agency administrative costs for non-housing and affordable housing projects and activities in the Non-Candlestick Point portion of the Project Area, which is a projected annual cost of \$1.7 million in constant FY 2009/10 dollars. It also includes administration of the PAC and other community processes.

I. Introduction

Over the past decade, the redevelopment of the Candlestick Point Activity Node (Candlestick Point) in Bayview Hunters Point Redevelopment Project Area (Project Area) and the Hunters Point Shipyard Redevelopment Project Area (Shipyard) have proceeded on parallel though largely separate paths. Recent opportunities have afforded the City and County of San Francisco (City) and the Redevelopment Agency of the City and County of San Francisco (Agency) the chance to revisit the planning for these two areas and to partner with a private developer, CP Development Co., LP and HPS Development Co., LP (collectively, the Developer) to advance the development of these two areas. The Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project) provides for the integrated development of Candlestick Point and the Phase 2 portion of the Hunters Point Shipyard into vibrant mixed-use areas. This transformation will achieve a number of the goals and objectives for the Bayview Hunters Point community, the Agency and the City. The CP–HPS 2 Project will provide much needed parks and open space, business, employment, and housing opportunities affordable to Bayview Hunters Point residents, as well as other tangible economic and public benefits for the Bayview Hunters Point community in particular and the City as a whole. Moreover, pursuing the redevelopment of these two areas in concert further allows for a more coherent overall development plan and expedites the revitalization of both areas.

In order for the CP–HPS 2 Project to be financially and economically feasible, the Redevelopment Plans for the Bayview Hunters Point and Hunters Point Shipyard Projects must be amended. The Agency is simultaneously preparing amendments to these Redevelopment Plans for consideration by the City and County of San Francisco Board of Supervisors (Board) in late spring 2010. The purpose of the Plan Amendment is to provide needed financial resources for the redevelopment of the Project Area by increasing the limit on bonded indebtedness and by revising the Redevelopment Plan so that the voter-approved land use principles and guidelines for the CP–HPS 2 Project can be implemented.

A. Overview of the Preliminary Report

This document serves as the Preliminary Report for the Plan Amendment, as required by Section 33344.5 of the California Community Redevelopment Law (CRL), a part of the California Health and Safety Code.¹ The Preliminary Report is the first major background document in the process to consider the proposed Plan Amendment and is therefore broad in scope. This Report is a public document designed to provide background information for the Agency, the taxing entities affected by the proposed Plan Amendment, and the San Francisco community. The Agency’s redevelopment projects and activities and their associated costs, as presented in Chapters IV and V, serve to illustrate the range of projects the Agency may undertake through this Plan Amendment.

1. Report Organization

The Preliminary Report describes the reasons for the Plan Amendment, documents adverse conditions remaining in the Project Area, and summarizes the projects and activities of the

¹ The CRL is contained in Part I of Division 24, Community Development and Housing, of the Health and Safety Code, beginning at Section 33000. All further statutory references are to the Health and Safety Code unless otherwise noted.

Agency's Redevelopment Program, which is comprised of the projects and activities proposed to meet the objectives and of the CRL and the Redevelopment Plan. The goals of the redevelopment process include alleviating adverse conditions in the Project Area and increasing, improving and preserving the supply of affordable housing in San Francisco. This Report also provides a preliminary assessment of financing methods and financial feasibility of the Plan Amendment, and is organized as follows.

Chapter I presents a general overview and background of the proposed Plan Amendment and the Project Area, summarizes the reasons for the Plan Amendment, describes the goals of the Plan Amendment, outlines the CRL requirements, and presents the process for the Plan Amendment. It includes the following sections:

- A. Overview of the Preliminary Report
- B. Summary of the Plan Amendment
- C. Background Information on the Project Area
- D. Summary Description of CP-HPS2 Project
- E. Summary of Agency's Redevelopment Program
- F. Conformity with the General Plan
- G. Preliminary Report Requirements
- H. Overview of the Plan Amendment Process and Public Agency Actions

Chapter II describes the reasons for the Plan Amendment.

Chapter III documents conditions in the Project Area at the time of the 2006 Plan Amendment, the Agency's redevelopment efforts to date, and remaining adverse physical and economic conditions in the Project Area.

Chapter IV presents the Agency's Redevelopment Program and the goals and objectives for the Project Area. The Agency's Redevelopment Program consists of projects and activities to be undertaken or funded by the Agency. The Agency's Redevelopment Program consists of two broad program categories, the Affordable Housing Program and the Non-Housing Program. The Chapter also describes how the Agency's Redevelopment Program will alleviate the adverse conditions described in Chapter III and summarizes the anticipated funding requirement of its Redevelopment Program.

Chapter V analyzes the financial feasibility of the Plan Amendment. It describes the funding resources available to the Agency to accomplish its Redevelopment Program, details tax increment financing, and presents projections of the tax increment revenue that will be generated in the Project Area. It also demonstrates the need for the increased limit on bonded indebtedness proposed in the Plan Amendment.

Chapter VI summarizes the blight findings and establishes the necessity of the Plan Amendment, including the revisions to the land uses and the increased limit on bonded indebtedness. It also explains why private enterprise and governmental action, working alone or together, cannot reasonably be expected to reverse existing blighting conditions without the Plan Amendment.

The appendices include supporting documentation and background information on the Plan Amendment. Appendix A provides a list of sources used to prepare the Preliminary Report.

Appendix B contains photographic documentation of the adverse physical and economic conditions presented in Chapter III. Appendix C includes a full account of the improvement needs at San Francisco Housing Authority properties in Project Area B. Appendix D presents photographs of activities undertaken in Project Area B. Appendix E summarizes the primary, secondary and complementary funding sources that may be available to finance the Redevelopment Program. Appendix F includes the tax increment revenue projections. Appendix G contains the bond limit calculation. Appendix H includes the taxing entity courtesy notice regarding the Plan Amendment.

2. Definitions

For clarity throughout the document, the following terminology will be used to define the various distinct but overlapping geographic areas referred to in this Report:

- **Bayview Hunters Point or Bayview** is the broad community planning area also known as South Bayshore.
- **Bayview Hunters Point Redevelopment Project Area (Project Area)** is the legal term referring to the area in which redevelopment activities have been and will be undertaken. It refers to Project Areas A and B, collectively. Due to the expiration of Project Area A in January 2009, the Project Area refers to the active area, Project Area B.
- **Project Area B** is the approximately 1,361 acres that the Agency added to the Project Area in 2006. Within Project Area B, the proposed Redevelopment Plan Amendment identifies two zones to represent the distinct efforts underway to revitalize Candlestick Point (known as Zone 1) and the remainder of the Project Area (known as Zone 2).
- **Candlestick Point Activity Node, (Candlestick Point)** located to the south of the Shipyard and across Yosemite Slough, is the southernmost activity node in the Bayview Hunters Point Project Area. It is proposed to be revitalized as part of the CP–HPS 2 Project. As part of this revitalization, Alice Griffith Housing Development, a property within Candlestick Point owned by the San Francisco Housing Authority, is slated for one-for-one replacement of its 256 units. Candlestick Point is referred to as Zone 1 in the amended Redevelopment Plan.
- **Hunters Point Shipyard Project Area (Shipyard)** is the Project Area of approximately 1,117.4 acres adjacent to Project Area B that the Agency established in 1997.²
- **Hunters Point Shipyard Phase 2 Development Project (HPS Phase 2)** will be located on Parcels B through G of the Shipyard.
- **Candlestick Point–Hunters Point Shipyard Phase 2 Development Project (CP–HPS 2 Project)** refers to the joint development project being undertaken by the Developer that includes the Candlestick Point Activity Node of the Bayview Hunters Point Project Area, including the Alice Griffith Housing Development, and the HPS Phase 2 portion of the Hunters Point Shipyard Project Area.

B. Summary of the Plan Amendment

The primary purpose of the Plan Amendment is to further the revitalization of the Project Area by providing financial and other support for the development project at Candlestick Point. This

² Refer to the Preliminary Report for the Hunters Point Shipyard Redevelopment Plan Amendment, San Francisco Redevelopment Agency, February 2010 for information on the development program for the Hunters Point Shipyard and the Hunters Point Shipyard Plan Amendment.

objective is consistent with the reasons presented at the time of Redevelopment Plan adoption in 1968 and the amendment to add Project Area B in 2006; however, the strategy for the revitalization of Candlestick Point has shifted over time. The Plan Amendment is needed to support this change in strategy.

The Project Area will continue to be governed by the time limits as outlined in the Redevelopment Plan. The fundamental purpose of the Plan Amendment is to provide the Agency with the necessary financial and legal resources and tools to complete the needed program of redevelopment in Project Area B in order to:

- Eliminate the significant blight identified in various portions of Project Area B;
- Facilitate the economic development of Project Area B including the provision of additional job opportunities for local residents;
- Provide additional quality affordable housing for residents of the Project Area and the entire community; and
- Implement voter-approved Proposition G.

Specifically, the Plan Amendment would, if adopted:

- Increase the limit on the principal amount of bonded indebtedness secured by tax increment revenue that may be outstanding at any time from the current Project Area B limit of \$400 million to a revised limit of \$1.2 billion in order to provide the Agency with additional bonding capacity necessary to complete redevelopment projects and eliminate remaining blight.
- Establish new development goals, land use policies and development controls for the Candlestick Point portion of the Project Area. In order to support the CP-HPS 2 Project and implement Proposition G, these changes are necessary to allow for the vibrant, mixed-use development envisioned for Candlestick Point.
- Enact a new land use vision for Candlestick Point by revising the boundaries of the Candlestick Point Activity Node to include the Alice Griffith Housing Development and a lot west of Jamestown Avenue.

Table I-1 summarizes the current and proposed time and fiscal limits.

C. Background Information on the Project Area

1. Project Area Location

The Project Area is located in the southeast portion of San Francisco in the Bayview Hunters Point community. Figure I-1 shows the location of the Project Area. Project Area B is roughly bounded by Cesar Chavez Street, U.S. Highway 101, the San Francisco Bay, and the Hunters Point Shipyard Redevelopment Project Area, as shown in Figure I-2. It excludes the India Basin Industrial Park Redevelopment Project Area and the Bayview Industrial Triangle Redevelopment Project Area. It also does not include many residential areas such as Bayview Hill, Executive Park and most of Silver Terrace.

The Hunters Point Shipyard Redevelopment Project Area, the former Naval Shipyard located to the east of the Project Area, is undergoing a concurrent redevelopment plan amendment process.

Table I-1
Summary of Existing and Proposed Time and Fiscal Limits
Bayview Hunters Point Redevelopment Project Area

	Project Area B	
	Current	Proposed
Background Information		
Acres	1,361	No change
Date of Adoption	6.1.2006	No change
Ordinance No.	113-06	No change
Base Year Assessed Value	\$1,165,228,645	No change
	(FY 2005/06)	
Time Limits		
Eminent Domain ^a	6.1.2018	No change
Incurring Debt	6.1.2026	No change
Plan Effectiveness (Project Activities)	6.1.2036	No change
Tax Increment Collection/Repayment of Project Area Debt	6.1.2051	No change
Financial Limits		
Tax Increment Cap	N/A	N/A
Bond Limit	\$400 million	\$1.2 billion

a. Does not apply to properties in a residential district or legally occupied dwelling units.

Source: San Francisco Redevelopment Agency.

2. Project Area Description

a. Project Area A and Its Completion

Hunters Point Redevelopment Project Area (Project Area A) consists of 137 acres of predominantly urbanized area containing the residential neighborhood located on Hunters Point Hill, which includes several Agency-sponsored residential developments. It is characterized by suburban street layouts, single and multifamily affordable and market-rate housing for renters and owners, community facilities, parks, schools, and infrastructure. These residential developments and related improvements were built to replace blighted temporary wartime housing and other structures built to support the Shipyard. Project Area A boundaries are shown in Figure I-2.

In 1969, the Board adopted the Redevelopment Plan for Project Area A. The Board considered the 1968 Report on the Redevelopment Plan for Project Area A, and found that the area included temporary wartime housing, was blighted and needed redevelopment. The 1968 Report provided documentation of adverse physical, social and economic conditions as defined in the CRL at the time of the Redevelopment Plan's adoption. Since its adoption, the Agency implemented its Redevelopment Program to alleviate blight in Project Area A. The Agency started with intensive removal of older dilapidated buildings and substantial investment in new infrastructure, including entirely new roads, parks and facilities. Project Area A was substantially built out with the exception of two sites, Agency-owned parcel "EE-2" and parcel "AA-3." Both parcels are currently under development by nonprofit developer Habitat for Humanity, for a total of 24 affordable units with occupancy anticipated in 2010 and 2011.

In recent years, the Agency primarily functioned in Project Area A as the land use authority charged with reviewing proposed private projects or changes to existing development against the development standards of the Redevelopment Plan. The time limit for plan effectiveness, and conducting redevelopment project activities, for Project Area A expired in January 2009. At that time, the Planning Department resumed its role as the land use authority.³

On January 21, 2005, Project Area A underwent an SB 2113 Plan Amendment, which allowed the Agency to continue to incur indebtedness exclusively for the purpose of building affordable housing until January 1, 2014, or until the Agency's replacement housing obligation under SB 2113 has been met, whichever occurs first. Additionally, the Agency will continue to be responsible for those properties in Project Area A with Agency ownership responsibility, including continued management and administration of the Agency's affordable housing programs and portfolio, the development or disposition of Agency-owned land for affordable housing purposes and the continued maintenance of specific public open space parcels associated with residential properties.

b. Project Area B

Project Area B consists of approximately 1,361 acres of residential, commercial, industrial, and public land and facilities uses in Bayview Hunters Point. The Third Street commercial corridor runs through the center of Project Area B. The northern part of Project Area B consists mainly of industrial properties east of Bayshore Boulevard, south of Cesar Chavez, and west of the Port of

³ Memorandum to Agency Commissioners on Expiration and Transition of Bayview Hunters Point Project Area A and India Basin Industrial Park Project Area, Fred Blackwell, Executive Director, meeting of January 6, 2009.

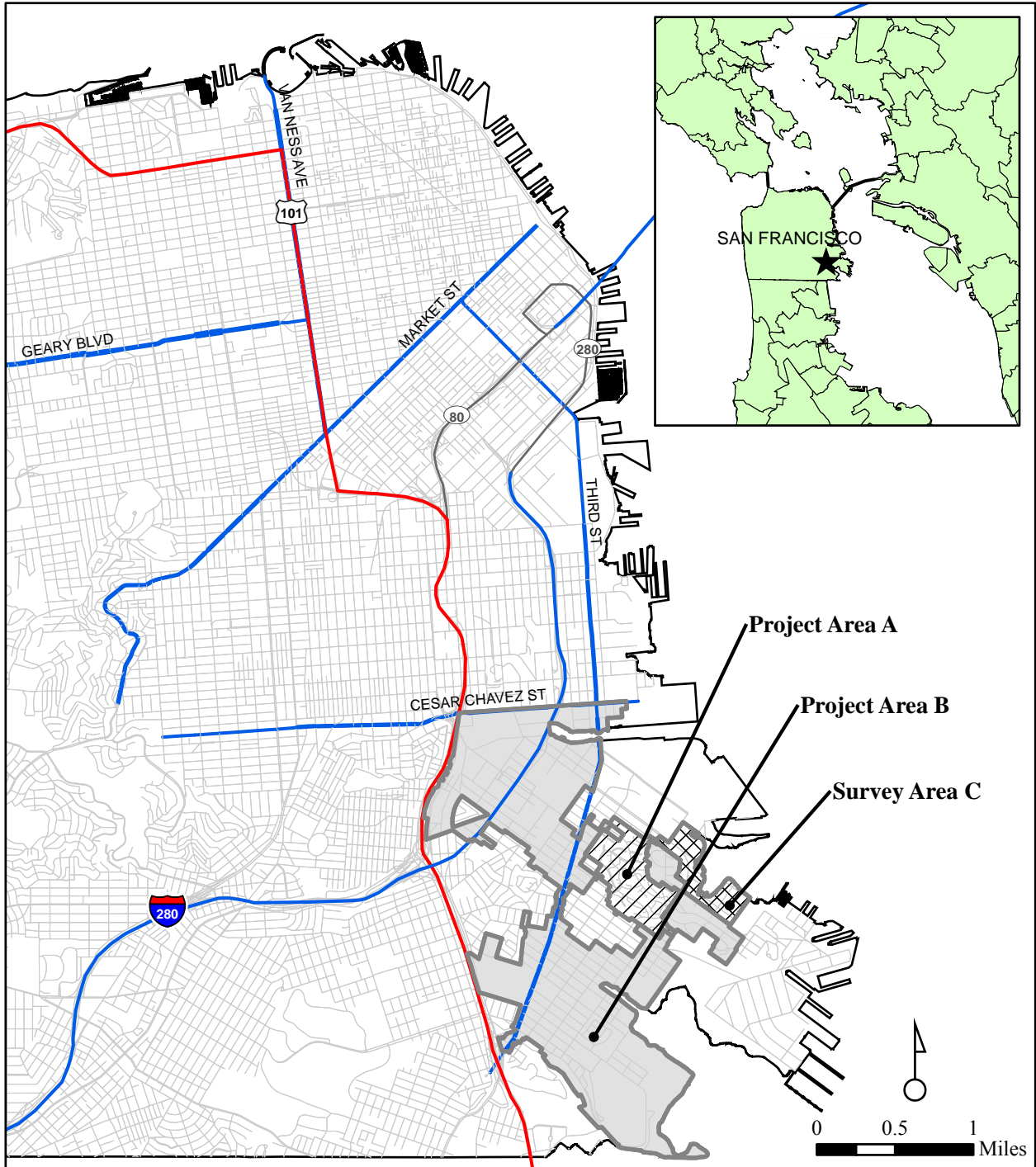
San Francisco property along Islais Creek. The southeastern portion of Project Area B includes Candlestick Stadium and the Alice Griffith Housing Development. Project Area B boundaries are shown in Figure I-2.




Project Area B continues to suffer from unsafe and unhealthy buildings, inadequate circulation, lack of economic development, underutilized retail and commercial corridors, environmental impediments, problem businesses, and a high crime rate. While Project Area B consists of portions of several stable residential neighborhoods, their stability is threatened by these adverse conditions as well as a lack of affordable housing, variety of housing types, and housing maintenance programs to help aging and at-risk homeowners. The long industrial history and concentration of polluting facilities in the area have resulted in a variety of environmental problems, including contaminated sites, illegal dumping and conflicts among land uses. Chapter III documents the remaining blighting conditions in Project Area B.

c. Survey Area C

The Agency is considering an additional area (termed Survey Area C) as a potential area for redevelopment in the near future. In planning documents, it is frequently referred to as the India Basin Shoreline Plan area. Survey Area C is within the greater Bayview Hunters Point community, located at the base of the northern side of Hunters Point Hill, along India Basin cove. Survey Area C includes the former PG&E power plant, properties with industrial and commercial activities, open space, and vacant land. Refer to Figure I-2 for the potential boundary of Survey Area C.

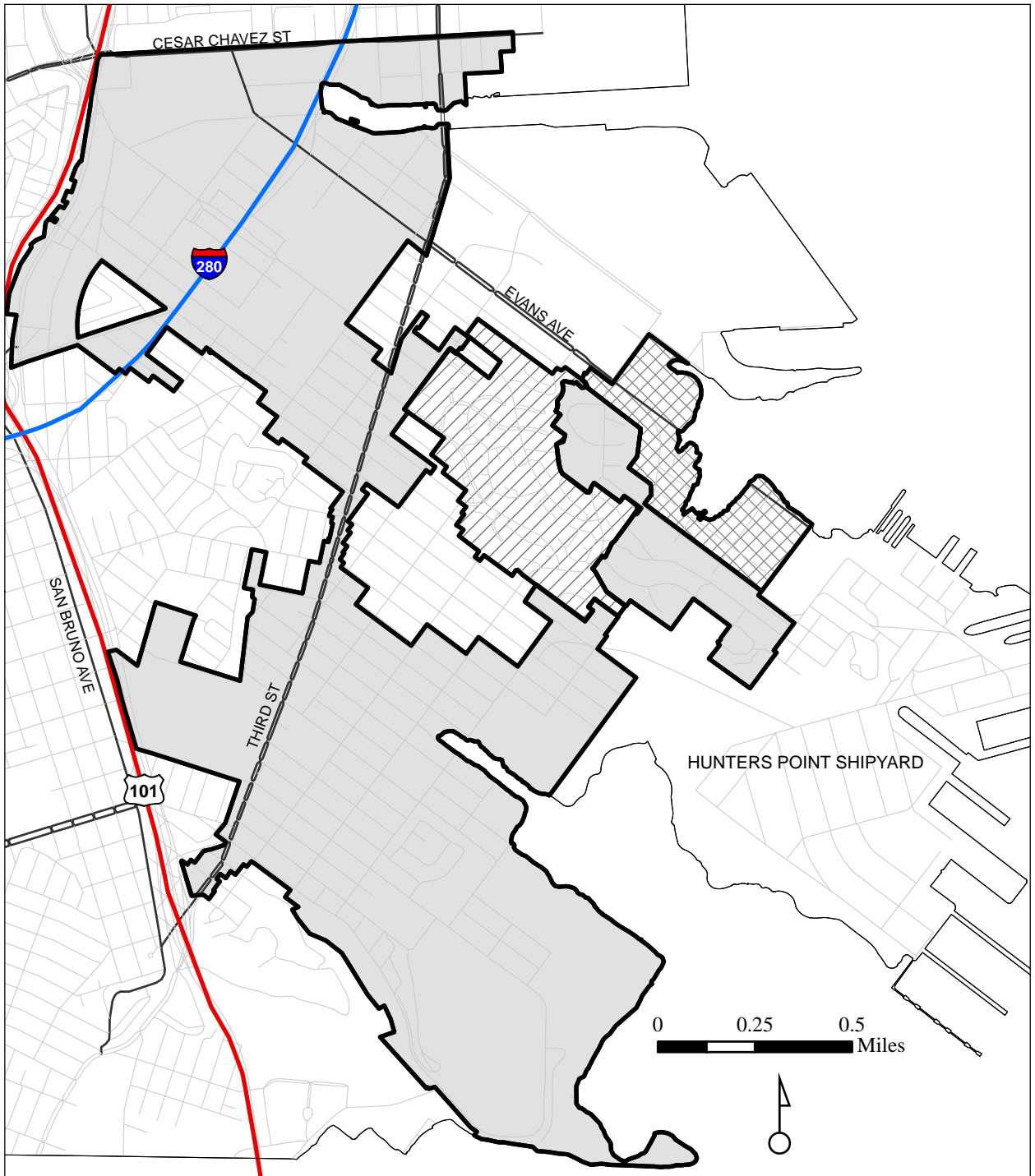
Figure I-1
 Location of Project Areas A and B and Survey Area C
 Bayview Hunters Point Redevelopment Project Area






-  Project Area A
-  Project Area B
-  Survey Area C

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Figure I-2
 Project Area B Boundary Map
 Bayview Hunters Point Redevelopment Project Area



-  Project Area A
-  Project Area B
-  Survey Area C

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D. Summary Description of CP–HPS 2 Project

The primary purpose of the Plan Amendment is to facilitate the revitalization of the Candlestick Point area through its integration with redevelopment activities at Hunters Point Shipyard. While this objective is consistent with the reasons presented in the 2006 Plan Amendment, the strategy for the revitalization of Candlestick Point has shifted over time as detailed below. (Refer to Chapter II.) The Plan Amendment is needed to support this change in strategy.

In May 2007, the Board and the Mayor approved a resolution endorsing a Conceptual Framework for the integrated planning of the CP–HPS 2 Project. The Conceptual Framework was the result of a long planning process undertaken by the City, acting by and through the Office of Economic and Workforce Development, the Agency, and the Developer. In June 2008, the San Francisco voters approved the Bayview Jobs, Parks, and Housing Initiative (Proposition G). The initiative states that the CP–HPS 2 Project must be consistent with six principal objectives. Refer to Table I-2 for a listing of the objectives. The overarching goal for the CP–HPS 2 Project is to revitalize the Bayview community by providing increased business and employment opportunities; expanded housing options at a range of affordability levels; improved public recreation and open space amenities; integrated transportation, transit, and infrastructure plan; and other economic and public benefits.⁴

1. Candlestick Development

The CP–HPS 2 Project includes Candlestick Point and HPS Phase 2, as indicated in Figure I-3. The proposed development for Candlestick Point calls for 7,840 residential units, 125,000 square feet of neighborhood retail, 635,000 square feet of regional retail, 150,000 square feet of office, and approximately 150,000 square feet of hotel space.⁵ In addition, it calls out 50,000 square feet dedicated to community services and a 10,000-seat, 75,000 square foot performance arena. The Candlestick Point development program also includes 8 acres of new open space, 91 acres of improved California State Park Recreation land, and almost 6 acres of new State parks.⁶

2. Agency's Contribution to CP–HPS 2 Project

The total cost of the CP–HPS 2 Project is estimated to be \$2.2 billion in constant FY 2009/10 dollars. The Agency will contribute an estimated \$500 million in constant FY 2009/10 dollars in tax increment revenues generated from parcels in Candlestick Point and an estimated \$470 in constant FY 2009/10 dollars of tax increment revenues generated within HPS Phase 2 to ensure the financial feasibility of the CP–HPS 2 Project. As discussed in Chapter V, the Agency's significant contributions of tax increment revenues will be combined with additional funding from the Developer, Mello-Roos Community Facilities Districts (CFDs), the Navy, and other public and private sources.

⁴ Candlestick Point–Hunters Point Shipyard Phase II Draft Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency, November 12, 2009, p. II-5.

⁵ Estimates of housing units, which vary slightly from those used to project tax increment (refer to Chapter V), are based on the Developer's most recent preliminary analyses of individual sites, and are subject to change.

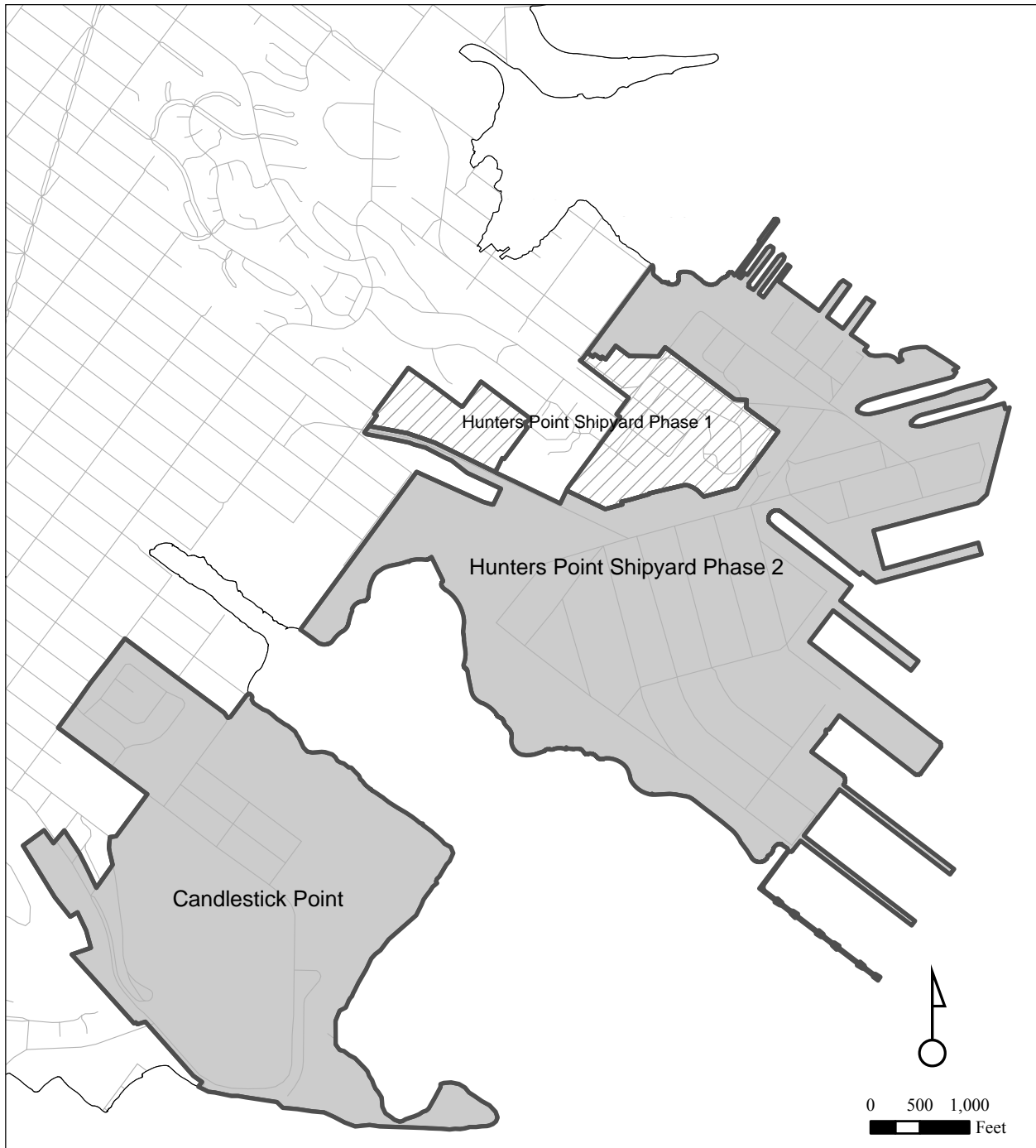
⁶ Candlestick Point–Hunters Point Shipyard Phase II Draft Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency, November 12, 2009, p. II-9.



**Table I-2
Proposition G Project Objectives
Candlestick Point–Hunters Point Shipyard Phase 2 Development Project**

1. The integrated development should produce tangible community benefits for the Bayview and the City.
<ul style="list-style-type: none"> • Improve the Candlestick Point State Recreation Area to enhance public access to the waterfront and enjoyment of the Bay. • Create new public recreational and public open spaces in the Candlestick Point–Hunters Point Shipyard Development Plan (CP–HPS Development Plan). • Preserve the shoreline of the CP–HPS Development Plan site primarily for public park and public open space uses, including an extension of the Bay Trail along the waterfront. • Create a range of job and economic development opportunities for local, economically disadvantaged individuals and business enterprises, particularly for residents and businesses located in the Bayview. • Provide neighborhood-serving retail. • Subsidize the creation of permanent space in the Shipyard for the existing artists. • Transform the contaminated portions of Shipyard property into economically productive uses or public open space, as appropriate. • Implement the CP–HPS Development Plan with public benefits, whether or not the 49ers decide to remain in San Francisco, including developing alternate uses for the stadium site on the Shipyard property that are consistent with the overall CP–HPS Development Plan objectives.
2. The integrated development should re-connect Candlestick Point and the Hunters Point Shipyard site with the larger Bayview neighborhood and should maintain the character of the Bayview for its existing residents.
<ul style="list-style-type: none"> • Foster the creation of strong commercial, institutional, cultural and urban design ties between the development on Candlestick Point and the Hunters Point Shipyard and the Bayview in particular and the City in general. • Provide automobile, public transportation, and pedestrian connections between the Shipyard, Candlestick Point, and the larger Bayview neighborhood. • Create substantial affordable housing, jobs, and commercial opportunities for existing Bayview residents and businesses.
3. The integrated development should include substantial new housing in a mix of rental and for-sale units, both affordable and market-rate, and encourages the rebuilding of Alice Griffith Housing.
<ul style="list-style-type: none"> • Provide subsidies for the development of affordable rental housing. Provide new affordable housing that is targeted to the lower income levels of the Bayview population, including new units that are suitable for families, seniors, and young adults. • Support affordable homeownership. Include housing at levels dense enough to create a distinctive urban form and at levels sufficient to make the CP–HPS Development Plan financially viable; attract and sustain neighborhood retail services and cultural amenities; create an appealing walkable urban environment served by transit; help pay for transportation and other infrastructure improvements; and achieve economic and public benefits for the Bayview in particular and the City generally. • Upon consultation with Alice Griffith housing residents and the receipt of all required governmental approvals, rebuild Alice Griffith housing development to provide one-for-one replacement units targeted to the same income levels as those of the existing residents and ensure that eligible Alice Griffith residents have the opportunity to move to the new, upgraded units directly from their existing Alice Griffith units without having to relocate to any other area. • Include a mix of stacked flats, attached townhomes and—in appropriately selected locations—low-rise, mid-rise, and high-rise towers, to help assure the economic feasibility of the development and provide a varied urban form.
4. The integrated development should incorporate environmental sustainability concepts and practices.
<ul style="list-style-type: none"> • Apply sustainability principles in the design and development of public open spaces, recreation facilities, and infrastructure including wastewater, stormwater, utility, and transportation systems. • Incorporate green building construction practices. • Include energy efficiency and the use of renewable energy. • Encourage green development projects, such as green office, research and development, or industrial projects, including a green technology, biotechnology, or digital media campus.
5. The integrated development should encourage the 49ers—an important source of civic pride—to remain in San Francisco by providing a world-class site for a new waterfront stadium and necessary infrastructure.
<ul style="list-style-type: none"> • Provide the parking necessary to operate the stadium. • Provide the necessary transportation infrastructure, including automobile, public transit and pedestrian connections between Candlestick Point, Hunters Point Shipyard, and the larger BVHP neighborhood, to facilitate the efficient handling of game day traffic.
6. The integrated development should be fiscally prudent, with or without a new stadium.
<ul style="list-style-type: none"> • Minimize any adverse impact on the General Fund relating to the development of the Project Site by relying to the extent feasible on the development to be self-sufficient. • Encourage substantial private capital investment.

Source: Candlestick Point–Hunters Point Shipyard Phase 2 Draft Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency, November 12, 2009.

Figure I-3
Candlestick Point–Hunters Point Shipyard Phase 2 Development Project
Bayview Hunters Point Redevelopment Project Area



-  CP-HPS 2 Project
-  HPS Phase 1

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E. Summary of Agency's Redevelopment Program

The Agency's Redevelopment Program is focused on alleviating adverse conditions and revitalizing the Project Area through economic development activities, community enhancement projects, Candlestick Point Activity Node projects, and affordable housing activities. The framework for the Agency's Redevelopment Program is the Concept Plan, issued by the Agency and the Bayview Hunters Point Project Area Committee (PAC) on November 13, 2000. The PAC, elected in 1997 to represent the community interests pursuant to the CRL, has provided advice, recommendations and direction to the Agency on the proposed Plan Amendment through a comprehensive public process.

The Agency will continue to undertake a variety of projects and activities to alleviate blighting conditions in the Project Area through its existing Redevelopment Program as outlined in the 2006 Plan Amendment. The scope and policies of the Agency's Redevelopment Program have been developed in conjunction with the PAC, and its Redevelopment Program will help achieve many of the community goals detailed in the Concept Plan.

The Agency will continue to achieve the objectives of its Redevelopment Program through the implementation of two broad program components: the Non-Housing Program, which includes the economic development activities, community enhancement projects and Candlestick Point Activity Node projects, and the Affordable Housing Program. Tax increment will fund economic development and community enhancement such as planning and pre-development, site preparation, economic revitalization, public infrastructure and facilities improvements, public open space, as well as affordable housing development. Chapter IV describes the Agency's Redevelopment Program in detail and specifies its objectives. Due to the size and the diversity of Project Area B, these programs will continue to be coordinated within six sub-areas described as activity nodes.

1. Economic Development Activity Nodes

The Agency's Redevelopment Program focuses public investment in activity nodes in order to maximize the impact of redevelopment for the community as a whole. Figure I-4 delineates the six activity nodes:

- Town Center
- Health Center
- Northern Gateway
- South Basin
- Oakinba
- Candlestick Point (Refer to Subsection 2)

Since its adoption in 2006, the Agency's Redevelopment Program has presented an opportunity to catalyze mixed-use, transit-oriented development along Third Street. It will continue to capitalize on the San Francisco Municipal Railway (Muni) Third Street Light Rail Project in the Project Area. The light rail project represents a major revitalization opportunity for Bayview Hunters Point. The initial phase has provided Muni light rail services along Third Street from the Caltrain Station at Fourth and Townsend to Bayshore Boulevard in Visitacion Valley. The Agency's Redevelopment Program will continue to improve the area's infrastructure, increase access to

citywide opportunities for Bayview residents, and help retain and encourage investment along Third Street.

The Agency's Redevelopment Program will continue to strengthen existing businesses as well as expand and restore buildings to create a community and Citywide retail and cultural destination. The creation of a vital Town Center Activity Node along Third Street is one of the cornerstones of the Agency's Redevelopment Program. The community-envisioned uses include neighborhood-serving businesses; commercial retail and support services focusing on restaurants, boutique shops, arts, culture, entertainment, and community service; and housing and amenities serving senior citizens and other Bayview residents. In the Health Center Activity Node, the Redevelopment Program will assist the development of senior housing, amenities serving an aging population, and commercial activities focused on medical and supportive services.

The Plan Amendment will continue to stimulate industrial development and revitalization in portions of the Northern Gateway and South Basin Activity Nodes (excluding properties adjacent to Third Street). Large-scale commercial space is envisioned for the Oakinba Activity Node.

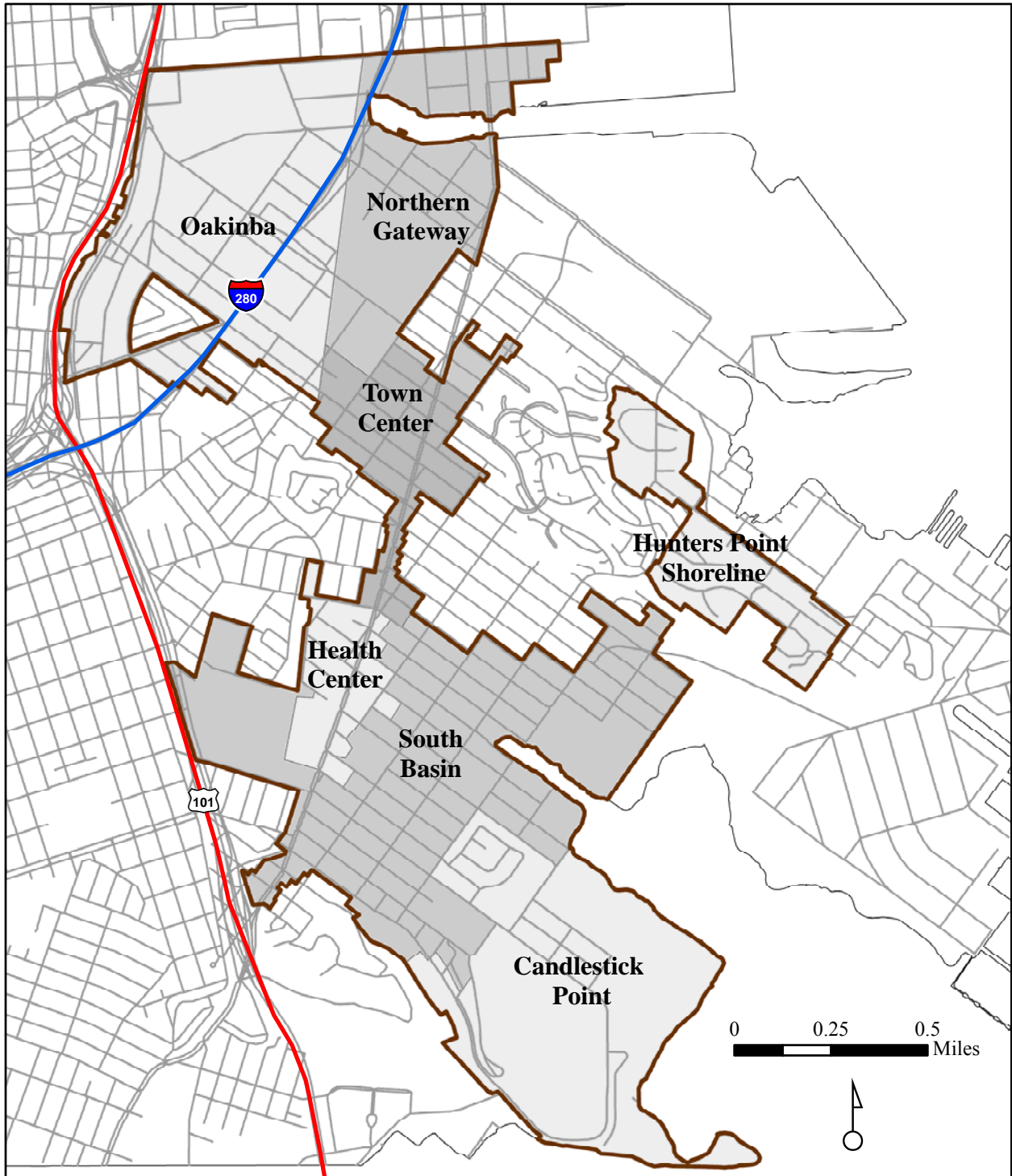
The Agency's Redevelopment Program outlined above is for Project Area B, excluding the Candlestick Point Activity Node, and will remain unchanged under the Plan Amendment. This portion of Project Area B is identified as Project Area B Non-Candlestick Point (Project Area B Non-CP). The Plan Amendment intends to revise the Agency's Redevelopment Program for Candlestick Point as described below.

2. Candlestick Point Activity Node

The Agency's Redevelopment Program for Candlestick Point is focused on alleviating adverse conditions and revitalizing the Project Area through economic development. It is guided by the possibilities available through integrating redevelopment efforts in Candlestick Point with the Shipyard. The Agency is pursuing redevelopment activities that will foster a community composed of a range of land uses, diverse business interests and a balanced, mixed-income population of residents. The Agency will coordinate planning and pre-development processes, as well as contribute resources and finances to the construction of public infrastructure, transportation improvements, and the restoration of the Candlestick Point State Recreation Area. In addition, the Agency is facilitating a community benefits program, designed to promote the full revitalization of the Project Area by fostering economic opportunity and creating community facilities.

The affordable housing projects and activities will focus on coordinating and financing activities that will improve and increase affordable housing opportunities for Bayview residents. The Agency's efforts will result in the rebuilding and one-for-one replacement of the Alice Griffith Housing Development and the development of affordable, tax-exempt housing units produced by non-profit organizations.

Figure I-4
Activity Nodes
Bayview Hunters Point Redevelopment Project Area B



 Project Area B

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F. Conformity with the General Plan

Section 33331 of the CRL requires all redevelopment plans and plan amendments to be consistent with the General Plan, and Section 33367(d)(4) of the CRL requires that the ordinance adopting the Plan Amendment contain a finding that the Plan Amendment is consistent with the General Plan.

The Plan Amendment will be in conformance with the General Plan of the City and County of San Francisco, as it is proposed to be amended. The Draft Plan Amendment states:

The Redevelopment Plan is consistent with the General Plan of the City and County of San Francisco and its applicable elements in effect on the effective date of the Bayview Hunters Point Plan Amendment, and is in conformity with the eight Priority Policies of Section 101.1 of the Planning Code in effect at the date of adoption of the Bayview Hunters Point Plan Amendment.

Further, the Plan Amendment will implement various goals, objectives, and policies of the General Plan regarding the provision of affordable housing and public infrastructure and the economic revitalization of Project Area B. Prior to the Board's consideration of the Plan Amendment, the Agency will request that the Planning Commission of the City and County of San Francisco (Planning Commission) provide a report regarding the conformity of the Plan Amendment with the General Plan as it is proposed to be amended.

G. Preliminary Report Requirements

This Preliminary Report is designed to comply with the CRL. Pursuant to Section 33344.5, a preliminary report must demonstrate how a proposed major redevelopment plan amendment meets several requirements to the extent warranted by the proposed plan amendment. These legal requirements and a description of how this Preliminary Report is organized to meet these requirements follow. (Excerpts from the CRL are referenced and italicized.)

1. Reasons for the Plan Amendment

The reasons for the selection of the project area. [Section 33344.5(a)]

Because Project Area B was previously selected and established, and because the Plan Amendment does not propose the addition of any new territory to the Project Area, this element of the Preliminary Report is properly focused on setting forth the reasons for adopting the Plan Amendment. The reasons for adopting the Plan Amendment are summarized in Section B above and detailed in Chapters II, V and VI.

2. Project Area Urbanization

A description of the project area which is sufficiently detailed for a determination as to whether the project area is predominantly urbanized. [Section 33344.5(c)]

Project Area B was found to be urbanized to the extent required by the CRL at the time that the area was added to the Project Area. Since the Plan Amendment does not propose to add territory, this Report is not required to include an assessment of the extent of urbanization.

3. Physical and Economic Conditions in Project Area B

A description of the physical and economic conditions existing in the project area.
[Section 33344.5(b)]

Chapter III and Appendices B and C provide a description and documentation of adverse conditions in Project Area B. The evidence in this Preliminary Report demonstrates that significant blight remains within Project Area B.

As discussed in more detail below, the CRL requires certain blight findings for plan amendments that amend time and fiscal limits. While these legal requirements are not specifically required in the Preliminary Report, they are discussed below. The blight documented in Chapter III of this Preliminary Report provides evidence for the blight findings required for the amendments discussed below.

a. Additional Blight Documentation Requirements

A description of the physical and economic conditions specified in Section 33031 that exist in the area that cause the project area to be blighted. The description shall include a list of the physical and economic conditions described in Section 33031 that exist within the project area and a map showing where in the project the conditions exist. The description shall contain specific, quantifiable evidence that documents both of the following: (1) The physical and economic conditions specified in Section 33031. (2) That the described physical and economic conditions are so prevalent and substantial that, collectively, they seriously harm the entire project area. [Section 33352(b)]

The report to the legislative body, to be prepared later in the plan amendment process, pursuant to Section 33352, requires specific quantifiable evidence of physical and economic blight in addition to a map showing where the conditions exist. The documentation of blighting conditions and maps within Chapter III serve to meet Section 33352(b) requirements. While included in this Report, the blight documentation will also be provided in the Report on the Plan Amendment.

b. Amendment to Increase Bonded Indebtedness Fiscal Limit

No later than 45 days prior to the public hearing on a proposed plan amendment by the agency or the joint public hearing by the agency and the legislative body, the agency shall prepare a report that contains all of the following: (1) A map of the project area that identifies the portion, if any, of the project area that is no longer blighted, the portion of the project area that is blighted, and the portion of the project area that contains necessary and essential parcels for the elimination of the remaining blight. (2) A description of the remaining blight... [Section 33451.5(c)]

Section 33451.5(c) is applicable to amendments that change the fiscal limit on bonded indebtedness. The blight conditions presented in Chapter III of this Preliminary Report document the significant and pervasive blight that remains in Project Area B. Chapter III also presents the maps that illustrate the areas required to be identified.

4. Proposed Projects and Blight Alleviation

A description of the specific project or projects then proposed by the agency.
[Section 33344.5(e)]

A description of how the project or projects to be pursued by the agency in the project area will improve or alleviate the conditions described in subdivision (b). [Section 33344.5(f)]

Chapter IV of this Preliminary Report provides descriptions and updated cost estimates of the projects and activities to be undertaken by the Agency as a means to alleviate blighting conditions within Project Area B if the Plan Amendment is adopted. Chapter IV links the specific components of the Agency's Redevelopment Program with the identified adverse conditions in Chapter III of this Preliminary Report.

5. Proposed Method of Financing

A preliminary assessment of the proposed method of financing the redevelopment of the project area, including an assessment of the economic feasibility of the project and the reasons for including a provision for the division of taxes pursuant to Section 33670 in the Redevelopment Plan. [Section 33344.5(d)]

Chapter V of this Preliminary Report describes the proposed methods of financing for the potential projects and activities in Project Area B if the Plan Amendment is adopted. It demonstrates the financial feasibility of the Agency's Redevelopment Program by comparing available funding sources with projected costs of the Agency's Redevelopment Program. It also demonstrates the need for the increased bonded indebtedness fiscal limit proposed in the Plan Amendment, in order to fund the Agency's Redevelopment Program described in Chapter IV that alleviates the remaining adverse physical and economic conditions in Project Area B as documented in Chapter III.

H. Overview of the Plan Amendment Process and Public Agency Actions

The Plan Amendment requires an adoption process that parallels the adoption of a new redevelopment plan (CRL Section 33354.6). This process includes the preparation of this Preliminary Report and the report to the legislative body (the Report on the Plan Amendment). In addition, pursuant to the recent addition of Section 33451.5 of the CRL, the Agency must also submit a report to the State Department of Finance (DOF) and Department of Housing and Community Development (HCD).

Amending a redevelopment plan involves a complex statutorily-mandated process designed to provide a community's legislative body with the necessary analysis and input to make informed decisions about the purpose, scope and content of the Plan Amendment and, ultimately, about whether to adopt the Plan Amendment. The following briefly describes the steps in the process, the required reports, and the major public agency actions that have occurred to date or are anticipated:

- Statement of Plan Preparation

While not legally required for the proposed Plan Amendment because the Agency is not proposing to add any territory through the Plan Amendment, a courtesy "Statement of

Preparation” was transmitted November 2009 by Agency staff to the affected taxing entities. A copy of the courtesy letter is in Appendix H.

- Preliminary Report

The Preliminary Report is the first major background document in the process to approve the Plan Amendment. It is required to be prepared and sent to affected taxing entities to inform them of the purpose and impact of the proposed Plan Amendment. The Preliminary Report also provides members of the Board, other governmental bodies, affected taxing entities, community leaders, and interested citizens with an early statement of comprehensive background information on the proposed Plan Amendment. The Preliminary Report must be transmitted to the governing board of each affected taxing entity no later than 90 days prior to the Board’s public hearing for the Redevelopment Plan Amendment.

This Preliminary Report is expected to be delivered to the San Francisco Redevelopment Agency Commission (Agency Commission) and the affected taxing entities in February 2010.

- Environmental Review

The adoption of the Plan Amendment requires California Environmental Quality Act (CEQA) compliance. An Environmental Impact Report will be prepared for the Plan Amendment.

The Agency and Planning Department have prepared a Draft Environmental Impact Report (Draft EIR) for the Plan Amendment. Agency and Planning Department staff published and notified affected taxing entities of the Notice of Preparation on August 31, 2007. The Notice of Availability of the Draft EIR was transmitted to the State Clearinghouse in November 2009, and it was distributed to public agencies and other persons and organizations that requested this notice as required by CEQA. On January 12, 2010, the comment period on the Draft EIR came to a close. A Comments and Responses document is expected to be published in early April, which along with the Draft EIR shall constitute the Final EIR. The Planning Commission and Agency Commission are expected to meet to consider certifying the Final EIR on April 21, 2010.

- Redevelopment Plan Amendment

The Redevelopment Plan including the Plan Amendment will become the legal document setting forth the basic goals, powers and limitations with which the Agency must conduct its activities over the life of Project Area B. Toward the conclusion of the consultation with taxing entities, environmental review and community participation processes, the Agency must submit the proposed Plan Amendment to the Planning Commission, the PAC and the Board in preparation for the public hearing and consideration of the Plan Amendment.

The Plan Amendment is expected to be transmitted to the Planning Commission and the PAC in February 2010, and to the Board in late April 2010.

- Community and Taxing Entity Consultation

The PAC, elected in 1997 to represent the community interests pursuant to the CRL, has provided advice, recommendations and direction to the Agency on the proposed Plan Amendment through a comprehensive public process. The Board approved and certified the election of the PAC on February 10, 1997. The 21 member committee meets monthly and is focused on fostering accessibility and availability to the factors needed to become a vibrant, family-oriented and economically viable neighborhood. The PAC has been instrumental in the development of the Concept Plan that captures the needs of the

community and represents the interests of the current residents, businesses and community organizations. The PAC also worked collaboratively with the Agency on the Framework Housing Program, which is a guiding document for the Affordable Housing Program. The Agency will continue to work closely with the PAC and the community throughout the Plan Amendment process. The PAC will make a report and recommendation on the Plan Amendment to the Board.

It is anticipated that the PAC will make its report and recommendation on the Plan Amendment to the Board in March 2010. The Agency will engage in consultations with the affected taxing entities starting in early 2010.

- Report to State Departments

A report on the Plan Amendment, containing information similar to the Preliminary Report plus specified additional information, must be submitted by the Agency to DOF and HCD. The report must be submitted no later than 45 days prior to the Agency Commission public hearing on the Plan Amendment. This report, referred to in this Preliminary Report as the Report to State Departments, must contain information similar to the Preliminary Report plus specified additional information including an amendment to the Agency's Implementation Plan and a new Neighborhood Impact Report.

The Agency expects to transmit the Report to State Departments to DOF and HCD in March 2010.

- Report on the Plan Amendment

The Report on the Plan Amendment is a report to the legislative body that describes the proposed Plan Amendment and presents the updated information from the Preliminary Report, the Five Year Implementation Plan and additional chapters addressing specific requirements of the CRL.

The Agency expects to transmit the Report on the Plan Amendment to the Board in late April 2010.

- General Plan Conformity

The Planning Commission considers the Plan Amendment for its conformance with the General Plan in order to permit the Agency to spend tax increment in the Project Area, and it makes a recommendation on approval and adoption of the Plan Amendment.

In April 2010, the Planning Commission is expected to consider adoption of General Plan Amendments after its certification of the Final EIR. The General Plan Amendments will ensure consistency between the Plan Amendment and the General Plan, and will include a new Sub-Area Plan concerning the land use changes proposed for Candlestick Point in the Plan Amendment. After considering the General Plan Amendments, the Planning Commission is expected to consider and make its report on Plan Amendment's conformity with the General Plan.

- Agency Commission Hearing, Approval and Transmittal

The Agency Commission is required to hold a public hearing on the Plan Amendment and considers the Plan Amendment for adoption. If approved/adopted, the Agency authorizes transmittal of the Plan Amendment with the Report on the Plan Amendment to the Board.

The Agency Commission expects to conduct a duly noticed joint public hearing with the Planning Commission on the Plan Amendment on April 21, 2010 at which it will consider the documents described above, any recommendations of the Planning Commission and public

testimony. The Agency is expected to transmit the Plan Amendment and the Report on the Plan Amendment to the Board in late April 2010.

- Board of Supervisors Hearing/Consider Ordinance Adoption

The Board is required to hold a public hearing to consider the Plan Amendment. Following this hearing on the Plan Amendment, the Board is required to make CRL findings and adopt an ordinance amending the Redevelopment Plan.

The Board is expected to conduct a duly noticed public hearing on the Plan Amendment on May 25, 2010. Following the public hearing, the Board will consider the Plan Amendment, Final EIR, any recommendations of the Planning Commission, written objections and public testimony. It is anticipated that the Board will consider a resolution making CEQA findings on the Final EIR along with an ordinance adopting the Plan Amendment. The consideration of the Plan Amendment by the Board is expected in early June 2010.

II. Reasons for Plan Amendment and Project Area Selection

A. Introduction

Section 33344.5(a) of the CRL requires that the Preliminary Report include the reasons for selecting a redevelopment project area. As Project Area B was previously selected and established, and the Plan Amendment does not propose the addition of any new territory, this chapter of the Preliminary Report summarizes the reasons the Project Area was established and describes the reasons for the Plan Amendment. Continued revitalization of Project Area B would not only bring economic benefits to those properties within the Project Area, but also to the surrounding Bayview community, the City of San Francisco, and the San Francisco Bay Area at large.

B. Reason for Establishing the Project Area

The Project Area is located in the Bayview Hunters Point area of San Francisco. Shaped by its dynamic history and unique location, the Bayview is a diverse community of individuals who live, work and raise families in the area.

1. History

The San Francisco Bay Area has been populated for thousands of years by Native Americans. It is believed that the Hokan-speaking people were some of the first to occupy the San Francisco Peninsula. The Costanoan Ohlone people, with a distinct language and culture, are believed to have resided in the Bayview as early as 100 BC. The tribal groups in the San Francisco area moved seasonally to shoreline areas and records indicate a concentration of activity along the salt marshes of Islais Creek.

Led by Juan Bautista Aguirre, the Spanish arrived at Hunters Point in 1775 to investigate the marshland and promontory, and named the area La Punta Concha, or Seashell Point. Hunters Point eventually became known as Punta Avisadera or Beacon Point by Spanish settlers because it guided sailors to the best natural deep-water port in the Bay Area. By 1842, Mexico declared independence from Spain, and San Francisco-born Jose Cornelio Bernal applied to the Mexican government for title to almost 4,000 acres of prime pasture land near Punta Avisadera, almost the entirety of the current Bayview Hunters Point.

Bernal was able to maintain ownership of these lands through the Gold Rush in spite of a large influx of gold seekers into San Francisco. Eventually Bernal contracted with the Hunter brothers to develop and market the area as a real estate venture. The Hunters oversaw the survey and mapping of the area, and the surveyor mistakenly named the new township after the agents instead of the owner. A pre-planned street grid was laid over the entire area and is evident today in the street layout of Bayview.

In the 1850s, the City's zoning rules began to relegate slaughterhouses, meat packing plants, tanneries, fertilizer companies, and soap and tallow works to the Bayview area, known as Butchertown, where the India Basin Industrial Park exists today.

The Hunters stayed in the area, built a wharf at the waterfront, and eventually gained title to the entire original Bernal tract. In 1870, the Hunter brothers sold the Bernal tract, which they called "South San Francisco." Around 1870, several wealthy San Franciscans built a horseracing track at Candlestick Point. A horse-drawn street car line was established to connect the racetrack with downtown San Francisco, while a railroad connection was built by bridging over the then-unfilled Mission Bay, cutting through Potrero Hill, and spanning the salt marshes at the mouth of Islais Creek on a mile-long trestle.

During World War II, the Bayview transformed into a regional industrial center with the installation of Hunters Point Naval Shipyard, and the accompanying steel and warship production. Transportation projects included street widening for transporting goods, the beginnings of the freeway program and the opening of Islais Creek Bridge to automobiles in 1950.

2. Reasons for Selecting Project Area A

Following World War II, the federal government relinquished temporary housing built on Hunters Point Hill to accommodate the wartime shipyard workers and turned the operation over to the San Francisco Housing Authority (SFHA). The SFHA replaced some of the temporary war housing with permanent public housing development but was unable to replace it all. Early in the 1960s, the Agency was asked to remove the remaining 1,900 units of wartime housing. In recognition of the problems associated with the removal of the remaining units of temporary war housing and the rebuilding of the Hunters Point ridge area, the Board designated Hunters Point as Redevelopment Area G on December 23, 1963 by Resolution No. 711-63. On February 5, 1968, the Board adopted Resolution No. 100-68, which described and designated the 137-acre Survey Area, which encompassed a large portion of Hunters Point Hill.¹ The Redevelopment Plan for the Hunters Point Redevelopment Project was adopted on January 20, 1969 by Ordinance No. 25-69, with the main objective of replacing the temporary war housing with permanent affordable housing. The time limit for plan effectiveness, or conducting redevelopment project activities, for Project Area A expired on January 1, 2009 and is deemed complete.

3. Subsequent Amendments to the Redevelopment Plan

The Redevelopment Plan for the Hunters Point Redevelopment Project was amended on August 24, 1970 (Ordinance No. 280-70) in order to add approximately three acres of vacant and steeply sloped land to the original Project Area A. The adjoining areas would have been isolated and inefficiently used due to topography and street grades if they had not been added to Project Area A. The Redevelopment Plan was further amended on December 1, 1986 (Ordinance No. 475-86) to bring the Redevelopment Plan into compliance with CRL Section 33333.4, which required limitations to be established on the amount of tax dollars that may be allocated to the Agency, the time for indebtedness, and the time for the commencement of

¹ San Francisco Redevelopment Agency, Report on the Redevelopment Plan for the Hunters Point Redevelopment Project Area, December 18, 1968, p. 2.

eminent domain proceedings. The 1986 Plan Amendment limits included a cap on tax increment of \$15.1 million; a January 20, 1999 time limit on the incurrence of indebtedness and plan effectiveness; and a 12 year limit on eminent domain proceedings, which ended December 1, 1998. The Redevelopment Plan was amended again on December 12, 1994 (Ordinance No. 417-94) to bring the Redevelopment Plan into compliance with Assembly Bill 1290 (AB 1290). The 1994 Plan Amendment provided for an extension of time limits including the debt incurrence limit to January 1, 2004; plan effectiveness limit to January 1, 2009; and tax increment collection to January 1, 2019. The 2005 Plan Amendment extended tax increment collection to January 1, 2044, and the debt incurrence deadline to 2014 for the sole purpose of funding affordable housing. On June 1, 2006 (Ordinance No. 113-06), the Redevelopment Plan was amended to add 1,361 acres of territory, known as Project Area B, to the Project Area.

Two other redevelopment projects have been adopted in the Bayview since 1969: the Bayview Industrial Triangle (BIT) Project Area in 1980 and the Hunters Point Shipyard Project Area in 1997.

The BIT Project Area is predominantly industrial, with activities that include light and heavy manufacturing, warehousing and processing. The 41-acre BIT Project Area also includes a few residences and a number of vacant lots. The eastern border is along Third Street. The BIT Redevelopment Project was adopted to alleviate blighting conditions and add economic life to the businesses and residences by providing rehabilitation programs. As funding was to be provided by the federal government, the Redevelopment Plan did not authorize tax increment financing. However, the federal funding source was eliminated and the Redevelopment Project has not been funded.

The Hunter Point Shipyard Project Area is a decommissioned Navy facility located on the southeast San Francisco waterfront. A federal Superfund site, the Shipyard encompasses 1,117.4 acres of dry and submerged property. Most of the existing buildings are abandoned or underutilized, but a few are currently used for general industrial activities including shipyard repair, transportation services and artists studios. The Shipyard Project Area is undergoing a Plan Amendment in tandem with this Plan Amendment, as discussed in Chapter I.

4. Reasons for Selecting Project Area B

Project Area B suffers from declining economic activity, deteriorating and underutilized retail and commercial corridors, economic disinvestment, unsafe and unhealthy buildings, environmental problems and a high crime rate. The long industrial history and concentration of polluting facilities in the area have resulted in a variety of environmental problems, including contaminated sites, illegal dumping and conflicts among land uses. The proposal to amend the Hunters Point Redevelopment Plan to include Project Area B arose from community-based efforts in the 1980s and 1990s. These efforts began with the creation of the South Bayshore Area Plan that included a study of the Third Street corridor, the work of the South Bayshore Community Development Corporation, and the formation of the Bayview Hunters Point Project Area Committee (PAC).

C. Impetus for the Plan Amendment

As discussed in Chapter I, the City and the Agency have recently chosen to revisit the planning for the Candlestick Point area. The Agency has partnered with the Developer on the CP–HPS 2 Project, which provides for the integrated development of Candlestick Point and portions of the Hunters Point Shipyard (HPS Phase 2) into vibrant mixed-use areas. In order for the CP–HPS 2 Project to be financially and economically feasible, the Redevelopment Plans for the Bayview Hunters Point and Hunters Point Shipyard Projects must be amended.

A variety of community-based planning efforts are the foundation of the Plan Amendment. These efforts began with the creation of the Bayview Hunters Point Area Plan, continued with the structure provided by voter-approved propositions, the Conceptual Framework, the Financing Plan, and reviewed by the recognized citizen input forums. Community members and leaders, the Agency, the Mayor’s Office of Economic and Workforce Development (OEWD), the San Francisco Planning Department, and other public entities participated in these efforts as detailed in the following sections.

1. Bayview Hunters Point Project Area Committee (1997)

The PAC is charged with providing advice, recommendation, and direction to the Agency. The 21 member committee meets monthly and is focused on fostering accessibility and availability to the factors needed to become a vibrant, family-oriented and economically viable neighborhood. The Board approved and certified the election of the PAC on February 10, 1997. The PAC has been instrumental in the development of the Concept Plan that captures the needs of the community and represents the interests of the current residents, businesses and community organizations.²

It is anticipated that the PAC will review the Plan Amendment in March 2010 and will provide its recommendation to the Agency at that time.

2. Propositions D and F (1997)

In June 1997, voters adopted two measures that approved the development of a new stadium for the San Francisco 49ers football team as well as an entertainment/retail shopping center at Candlestick Point, named Propositions D and F. Proposition F amended the General Plan, Planning Code and Zoning Map, and established the Candlestick Point Special Use District in order to facilitate the development of the stadium and associated entertainment and retail uses. Proposition D empowered the City to use lease financing to borrow up to \$100 million toward building a new stadium at Candlestick Point.

3. Bayview Hunters Point Community Revitalization Concept Plan (2000)

The Bayview Hunters Point Community Revitalization Concept Plan (Concept Plan), which was completed in November 2000, includes recommendations and specific plans developed through the PAC process to guide implementation of the community’s revitalization goals. The Concept Plan identifies seven revitalization strategies:

² The Bayview Hunters Point Project Area Committee, About the PAC, http://www.bvhp-pac.org/about_history2.htm.

- Promote local economic and employment development first.
- Improve education, training and employment opportunities for residents.
- Focus coordinated investments in high priority areas where they will have the greatest visibility and impact.
- Encourage civic participation through interactive public processes and foster cultural development through the arts.
- Conserve existing housing and provide new housing.
- Address environmental problems and identify opportunities that increase the quality of life.
- Improve the physical environment and transportation systems.³

The PAC also worked collaboratively with the Agency on the Framework Housing Program, which is a guiding document for the Affordable Housing Program.

The PAC has been actively involved in the planning to revitalize the Candlestick Point area. The PAC has held numerous joint meetings with the Mayor's Hunters Point Shipyard Citizens Advisory Committee (CAC). The PAC and CAC continue to work together and with the Agency towards the redevelopment of Candlestick Point and Hunters Point Shipyard into a vibrant community.

4. Conceptual Framework (2007)

Following the passage of Propositions D and F, the San Francisco 49ers determined the proposed stadium at Candlestick Point did not meet their needs and a new site for the stadium was identified at the Shipyard in 2006. In February 2007, the Board approved a resolution urging the Agency to work with the City to amend its exclusive negotiating agreement (ENA) with the Developer in order to combine the Candlestick Point and Hunters Point Shipyard projects, and accordingly the ENA was revised to create a coordinated project. In May 2007, the Board and the Mayor endorsed a Conceptual Framework for the planning and development of the CP-HPS 2 Project site, which included options for an opportunity for an NFL stadium site at the Shipyard or Candlestick Point.⁴

The Conceptual Framework set forth the principles that would guide the City, OEWD, the Agency, and the Developer with the integrated redevelopment of Candlestick Point and the Shipyard. The Conceptual Framework has four main elements:⁵

- Set forth goals and principles to guide the Project;
- Present proposed preliminary plan for integrated development, serving as the basis for a Board finding that the plan is likely to be fiscally feasible and is likely to deliver the intended public benefits, such that the City was able to begin environmental review of the Project under CEQA consistent with Administrative Code Chapter 29;

³ Bayview Hunters Point Community Revitalization Concept Plan, March 2002, pp. 4-5.

⁴ Candlestick Point Hunters Point Shipyard Phase II Draft Environmental Impact Report, City and County of San Francisco Planning Department, San Francisco Redevelopment Agency, November 12, 2009, p. I-5.

⁵ Candlestick Point and Hunters Point Shipyard Phase 2 Revitalization Project, Plan for Financing and Transaction Structure (Financing Plan), October 2008, http://www.hunterspointcommunity.com/docs/pdfs/Financing_Plan.pdf

- Outline the parameters for the City and the Agency, in cooperation with the Developer and in consultation with other government agencies with jurisdiction over the Project, to begin an extensive community and public review process of the preliminary proposal, including consideration by the CAC and PAC, as that proposal may be modified and updated during the public review and planning process; and
- Anticipate expanding the exclusive negotiations agreement between the Agency and the Developer for HPS Phase 2 to cover the planning and development of the CP–HPS 2 Project as a whole, including Candlestick Point, subject to certain conditions. The Conceptual Framework also expressly contemplated a measure that would be submitted to the voters as part of the public review of the Project.

Combining the planning and redevelopment of these two areas presents the opportunity for a more coherent overall plan for the Bayview neighborhood and allows the City and the Agency to expedite the revitalization of both areas. The Conceptual Framework provided a strategy for the cohesive development of both areas.

5. Proposition G (2008)

On June 3, 2008, San Francisco voters approved Proposition G, called the Bayview Jobs, Parks, and Housing Initiative, which repealed Propositions D and F from 1997. Proposition G proposed that new zoning be established in accordance with the CP–HPS 2 development program and also provided guidance on an appropriate financing plan. Proposition G also established City policy to encourage the timely development of Candlestick Point and Shipyard with a mixed-use project including several components such as retail development, “green” office development, market-rate and affordable housing, as well as the opportunity for an NFL stadium. Additionally, it provided land use policy in the event that the stadium is not built. (The project objectives of Proposition G can be found in Chapter I.)

6. Plan for Financing and Transaction Structure (2008)

In December 2008, the CAC, the Mayor, Board and Agency endorsed a Plan for Financing and Transaction Structure for the CP–HPS 2 Project. The purpose of the Plan for Financing and Transaction Structure is to describe the project funding necessary for public amenities and infrastructure, to evaluate the financial feasibility of the project, to describe the basic transaction structure among the City, Agency and the Developer, and to describe the financial principles and transaction structure that would govern the NFL stadium development. The Plan for Financing and Transaction Structure serves as the basis for negotiating the financial terms of a comprehensive disposition and development agreement with the developer (DDA), which sets forth the final development plan and program and the Developer’s obligations pursuant to an agreed upon schedule.

7. Urban Design Plan (2009)

In January 2009, the PAC, along with the CAC, endorsed the CP–HPS 2 project’s Urban Design Plan. The Urban Design Plan provides policy direction and guiding principles for the development of the urban form and proposed land use program, which includes both stadium and non-stadium development plan alternatives. The Urban Design Plan serves as the basis for the City’s development control documents (Design for Development, Open Space and Streetscape

Master Plans), which will be used by the City to implement CP–HPS 2 Project as it develops, and will provide the basis for amending the City’s General Plan and amending the Shipyard and Bayview Hunters Point Redevelopment Plans.

8. Transportation Plan (2009)

To upgrade the transportation networks in this area to the level of the best San Francisco neighborhoods, the City has worked with the Developer, San Francisco Municipal Transportation Agency (SFMTA) and other key transportation providers, to ensure that the CP–HPS 2 Project includes these and other key improvements:

- A Bus Rapid Transit (BRT) network operating on transit-exclusive lanes designed for potential conversion to light rail, which will connect to Caltrain, Bay Area Rapid Transit (BART), the T-Third light rail and numerous Muni bus lines.
- The Yosemite Slough Bridge connecting Candlestick Point and Hunters Point including permanent, dedicated BRT lanes and pedestrian and bicycle paths. On game days, the bridge accommodates four lanes of auto traffic to and from the potential NFL stadium. During the rest of the year, these lanes will serve as additional pedestrian and bicycle paths.
- Extensions of Muni trolley and motorcoach lines to directly serve every quadrant of San Francisco from the CP–HPS 2 Project and nearby neighborhoods, two new express bus routes linking Candlestick Point and Hunters Point directly to Downtown, and two transit transfer hubs in the CP–HPS 2 Project with a major Caltrain/light-rail/bus/BRT hub at Bayshore Station.
- Key off-site traffic management investments to improve flow and reduce congestion in surrounding neighborhoods and improve access to Interstate-280 and US Highway 101.
- Extensive, continuous bicycle connections linking with existing city bicycle paths, lanes and routes, as well as the Bay Trail and the Blue Greenway network, and pedestrian improvements along main corridors between the CP–HPS 2 Project and surrounding neighborhoods.
- On-site Traffic Demand Management program for the entire CP–HPS 2 Project to ensure that transit, carpool, and other options remain viable and attractive. This includes parking management, resident and employee transit passes, and carsharing and bikesharing.

9. Community Benefits Plan (2010)

In May 2008, a Core Community Benefits Agreement was reached between the Developer and a collection of community organizations. Since that time, the Agency has continued to work with the Developer to refine the community benefits package in a new document known as the Community Benefits Plan. The Community Benefits Plan represents the Developer’s commitment to job creation, economic development, community facilities and improvements to residents’ quality of life. The Developer will oversee the implementation of the Community Benefits Plan and will receive feedback from the PAC and CAC.

The CP–HPS 2 Project is anticipated to generate a range of community benefits, with job creation among the most significant. It is anticipated to generate on average 1,500 construction jobs per year across a wide range of building trades for a period of 15 or more years. The CP–HPS 2 Project will also create approximately 10,700 permanent jobs across a wide range of income and

skill levels. These opportunities will be subject to the Agency's Equal Opportunity Program goals and requirements to maximize employment for local residents.

In addition, the CP-HPS 2 Project provides a range of programs designed to create opportunities for small and local businesses, including:

- The CP-HPS 2 Project requires the Developer to pay \$8.9 million to fund workforce training and placement programs for local residents to ensure that they are prepared to realize the opportunities available. The OEWD will match these funds with compatible programs. For construction jobs, "City Build", the City's construction workforce training and placement program, will play a central role in this process.
- A community builder program designed to support the participation of local builders in the construction of both market-rate and affordable housing, and a \$1.0 million contribution towards the Agency's surety bond program designed to assist local contractors in obtaining insurance and credit support.
- \$2.5 million for construction assistance programs designed to provide technical assistance and contractor workshops in conjunction with local hiring, working with disadvantaged business and other workforce development programs.
- A community realtor program designed to provide specific opportunities for licensed brokers and salespersons in the area.
- The requirement that any Hotel or Restaurant Project constructed in the CP-HPS 2 Project to comply with the Agency's Card Check Policy.

In addition to the jobs, parks, affordable housing and other public benefits the CP-HPS 2 Project will generate there are a number of additional community benefits, including the following:

- \$3.5 million for an education scholarship fund for local residents and \$10.0 million for an education improvement fund to improve or construct new educational facilities in the area.
- \$2.0 million for community health facilities, including potentially a pediatric wellness center.
- 4.8 acres of improved land for community facilities as determined by a local community development process including 65,000 square feet of built space for additional community facilities, including an indoor African marketplace and library reading rooms.
- New and renovated space for the Shipyard's artists at affordable rates and improved land for a possible Arts Center.
- The funding of a community benefits fund (the "Legacy Fund") through the payment of 0.5 percent of the initial sales price of all completed market-rate homes – estimated to generate \$26 million over the life of the Project – as well as 50 percent of surplus profits, above the specified threshold, if any.

10. Below Market Housing Plan (2010)

The Below Market Housing Plan for CP-HPS 2 Project (Housing Plan) describes the process and requirements for the development of approximately 10,500 homes on the CP-HPS 2 Project site, and it is designed to provide new housing opportunities for households of diverse income, ages, lifestyles and family size. The Housing Plan calls for 31.86 percent of the total, or approximately 3,345 units, to be below-market rate housing, including Alice Griffith replacement units, Agency affordable units, inclusionary units and workforce units. Under the CRL, the Agency must set aside a minimum of 20 percent of the tax increment revenue for the purpose of improving,

preserving, or producing housing affordable to households of very low, low and moderate incomes. At least 23 percent of the housing to be produced will meet the CRL requirements. The Housing Plan is attached to—and a part of—the CP–HPS 2 Project’s Disposition and Development Agreement, and is expected to be finalized in February 2010.⁶

D. Reasons for the Plan Amendment in 2010

The creation of the Plan Amendment is a critical step to implementing the community and city’s vision for the revitalization of Candlestick Point. The Plan Amendment provides the mechanism to facilitate and finance the changes needed to revitalize Candlestick Point. Many of the blighting conditions identified in Project Area B at the time it was added to the Project Area remain and are significant barriers for the development of Candlestick Point. Without the Plan Amendment, the redevelopment activities proposed for the Candlestick Point area to address blighting conditions would not be able to be funded under the current bonded indebtedness financial limit. The Plan Amendment would increase the limit on outstanding bonded indebtedness so that the Agency can best utilize the expected future income stream from the Candlestick Point area to alleviate blight in the Project Area through the implementation of the CP–HPS 2 Project. The Agency’s Redevelopment Program includes investments in economic and workforce development projects throughout Project Area B, support for local businesses and property owners for building rehabilitation and business attraction, and affordable housing activities, which is further detailed in Chapter IV. Changes to land use policy and development controls are also necessary in order to comply with Proposition G and the proposed amendment to the General Plan Area Plan.

1. Amendment to Fiscal Limit on Bonded Indebtedness

The Plan Amendment will increase the fiscal limit on bonded indebtedness and will allow the Agency to alleviate blight through its Redevelopment Program. As described in Chapter IV, the Agency’s Redevelopment Program focuses on significant investments in public infrastructure and economic development projects throughout Project Area B, such as critical hazardous materials remediation, support for local businesses and property owners for building rehabilitation and business attraction, funding for major transportation improvements, and affordable housing activities. A major tenet of the Agency’s Redevelopment Program is to integrate efforts in Candlestick Point with those of the Hunters Point Shipyard Redevelopment Project Area in order to transform the land uses and offer housing, jobs and community spaces. To maintain the Agency’s ability to alleviate blight and promote economic growth in the Project Area, the Plan Amendment would increase the limit on outstanding bonded indebtedness so that the Agency can capitalize on the expected future income stream and invest in key projects sooner than would otherwise be possible.

As detailed in the rest of this Preliminary Report, the remaining adverse conditions in Project Area B are substantial and prevalent and continue to represent a significant burden on the community that cannot be eliminated under the current \$400 million limit. Therefore, the Plan Amendment would increase the limit on the outstanding bonded indebtedness to \$1.2 billion in order to allow the Agency to complete its Redevelopment Program as well as facilitate the development of Candlestick Point.

⁶ Candlestick Point and Hunters Point Shipyard Phase II Below Market Housing Plan, Agency Draft, October 15, 2009.

2. Amendment to Land Use Policies

The Plan Amendment would revise the Redevelopment Plan to amend the land use standards for Project Area B for Candlestick Point in order to implement the mandate of voter-approved Proposition G. The Plan Amendment makes changes to the development goals, land use guidelines and development controls for Candlestick Point including Alice Griffith Housing Development. These changes are necessary to conform to the proposed amendment of the General Plan Area Plan and to implement the development program approved by the City's voters through Proposition G, which guides the CP-HPS 2 Project that will redevelop both Candlestick Point a portion of the Shipyard.

The existing Redevelopment Plan includes two development goals for Candlestick Point: to assist with the development of a new football stadium pursuant to Propositions D and F, and to create community and regional destinations and gathering places including a restored Yosemite Slough. The latter of these two goals remains unchanged. In light of the repeal of Propositions D and F through the passage of Proposition G, the Plan Amendment replaces the stadium objective with a statement of land use and development goals consistent with Proposition G. The inclusion of Alice Griffith Housing Development in the Candlestick Point Activity Node led to the insertion of two additional land use goals:

- Rebuild Alice Griffith to provide at least one-for-one replacement units targeted to the same income levels as those of the existing residents and ensure that Alice Griffith households leasing units from the Housing Authority have the opportunity to move to the new, upgraded units directly from their existing Alice Griffith housing units without having to relocate to any other area.
- Construct new public infrastructure and transportation facilities to service new development at Candlestick Point, Alice Griffith and the Hunters Point Shipyard.

The Plan Amendment also introduces new land use and development controls to facilitate the development of the CP-HPS 2 Project. In order to effect the necessary changes, the Plan Amendment divides the Project Area into two zones. Zone 1 covers the Candlestick Point Activity Node including Alice Griffith, and Zone 2 covers the rest of Project Area B. New land use guidelines and development controls are provided for Candlestick Point (Zone 1), while the land use guidelines and development controls for Project Area B Non-Candlestick (Zone 2) are left unchanged.

The Plan Amendment describes five different neighborhood districts planned for the Candlestick Point Activity Node consistent with the Candlestick Point Design for Development and the proposed General Plan Area Plan. Each neighborhood is described in terms of land uses, densities, housing types, open spaces, and recreational amenities. These neighborhoods include:

- Alice Griffith Neighborhood: This Neighborhood will accommodate a diverse range of housing types with improved connections to the surrounding neighborhoods. Existing affordable homes will be rebuilt to provide at least one-for-one replacement units targeted to the same income levels as those of the existing residents and ensure that eligible Alice Griffith residents have the opportunity to move to the new, upgraded units directly from their existing Alice Griffith housing units without having to relocate to any other area. A focus of the Neighborhood will be a centrally located park that may include community gardens, active sports uses, and picnic areas. Generally, the neighborhood will include mixed-income

- housing developments that may include townhomes, stacked townhomes, live-work units, group housing, and apartment and condominium buildings.
- Candlestick North Neighborhood: This neighborhood will accommodate a compact, mixed-use community with higher densities than Alice Griffith Neighborhood and an anchoring main street for neighborhood-serving shops and services. Given the higher density and greater number of units in the neighborhood than in the Alice Griffith Neighborhood, this neighborhood will include a greater concentration of neighborhood-serving retail, business, service, and office uses, most of which will be concentrated in the ground floor beneath residential uses along the southern edge of the neighborhood, adjacent to the Candlestick Point Center Neighborhood. The neighborhood will include community facilities uses as well as two parks – one in the center of the neighborhood intended to serve local residents and a wedge-shaped park at the southeastern edge forming a connection between the development, the State Park and the Bay waterfront. This neighborhood may include townhomes, lofts, live-work units, group housing, low- and mid-rise multi-unit, multi-story condominium or apartment buildings, and high-rise towers.
 - Candlestick Point Center Neighborhood: This neighborhood will accommodate the commercial heart of Zone 1. It is a mixed-use neighborhood with regional shops and services, offices, hotel, public uses and residential low-rises. The regional retail uses in this Neighborhood may include entertainment uses such as movie theaters, clubs with live music, and restaurants. The area may include large format, anchor retailers to be accompanied by smaller stores fronting onto neighborhood streets. This neighborhood will include office uses to be located above the ground-floor retail and entertainment uses and residential units above base floors containing commercial uses and parking areas. Parking areas would be included on the interiors of blocks. Residential uses in this area may include townhomes, lofts, live-work units, and senior and disabled housing, and multi-unit, multi-story condominium or apartment buildings.
 - Candlestick Point South: This area will accommodate a broad range of residential housing types as well as neighborhood-serving retail designed to complement its position adjacent to the beach and surrounding parkland. Most of the neighborhood-serving retail, business, service, and office uses will be concentrated in the ground floor beneath residential uses along the northern edge of the area, adjacent to the Candlestick Point Center Neighborhood. This neighborhood will include a mini-wedge park that would bisect the district and provide a direct connection to the state parklands that are adjacent to the Neighborhood and provide the area's principal recreational resources. Residential uses in this area will include townhomes, lofts, live-work units, group housing, low- and mid-rise multi-unit, multi-story condominium or apartment buildings, and high-rise towers.
 - Jamestown Neighborhood: This neighborhood will accommodate a residential neighborhood. Given the area's topography, hillside open space will be preserved in its natural state, while some smaller and flatter open space areas may be developed with neighborhood park uses. Residential uses in this area may include townhomes, lofts, live-work units, group housing, and multi-unit, multi-story apartment and condominium buildings.

Underlying these five neighborhoods will be three Land Use Districts. These districts establish the allowable primary and secondary land uses, consistent with the Candlestick Point Design for Development. In cases where lands are subject to the public trust, land uses are only permitted to the extent permitted under state law and consistent with the Agency's management of those lands on behalf of the State for public trust purposes. The three land use districts include:

- Candlestick Mixed-Use Residential District: Residential uses and some compatible local-serving retail and services characterize this district, which encompasses the residential neighborhoods of Alice Griffith, Candlestick North, Candlestick South, and Jamestown described above. The primary land use is residential units ranging from attached single-family homes to high-rise multi-family residential developments. Related uses also include local-serving businesses, neighborhood retail, community facilities, family child-care facilities, small professional offices, home occupations, and recreation facilities. This district also includes a planned neighborhood park, the final location of which has not been determined.
- Candlestick Center Mixed-Use Commercial District: This land use district establishes the allowable uses within the Candlestick Center neighborhood described above. This mixed-use commercial area consists of small-, moderate- and large-scale retail and commercial operations, residential units, office and professional services, hotels, and entertainment uses. Allowable Principal uses permitted in the Candlestick Center Mixed-Use Commercial District include: residential; regional- and neighborhood-serving retail; commercial, entertainment and visitor-serving uses such as hotels, cinemas, and conference facilities; educational, arts, and community facilities including recreational, religious, and child-care facilities.
- Open Space: The Open Space District consist of land owned by the Agency, City or the State to be developed into regional and local-serving public parks including appropriate recreational facilities and equipment and park maintenance areas. Parklands that are subject to the public trust will be managed as state or regional parks consistent with the trust. The primary allowed uses in the Open Space District include active recreation facilities, public art, bicycle storage, public restrooms, maintenance facilities, recreational equipment rental, and transit shelters. Secondary uses allowed include performing arts and restaurant uses. Apart from the primary and secondary uses described above, no other uses will be permitted in the Open Space District.

Through the existing Redevelopment Plan, the Agency is authorized to establish height and bulk limits, lot coverage, setback requirements, signage restrictions, and other building design standards and guidelines. The Plan Amendment establishes new development controls specific to Candlestick Point that will allow for development in this portion of the Project Area to be governed by the Candlestick Point Design for Development. The Design for Development includes specific limitations to the height and other dimensions of new buildings, standards for development of new buildings, as well as design guidelines directing the architectural character of future development. The Plan Amendment also sets new limits on the number of buildings and residential units that can be developed within the Candlestick Point Activity Node.

In summary, resources made available by the Plan Amendment would alleviate remaining blight in Project Area B, provide the legal and financial tools to develop Candlestick Point, promote economic development throughout the Bayview community, and encourage mixed-use infill development as approved by the City's voters that will create housing and economic opportunities for residents of all income levels.

III. Remaining Adverse Conditions in Project Area B

A. Introduction

The CRL requires findings of a combination of adverse physical and economic conditions (“blight”) that are substantial and prevalent for an area to be eligible for redevelopment. This chapter includes documentation of the remaining physical and economic adverse conditions present in Project Area B. The text, tables and figures included in this chapter and the photographs contained in Appendix B demonstrate that blighting conditions continue to be substantial and prevalent in Project Area B and provide substantial evidence for findings necessary for the Plan Amendment.

1. Chapter Organization

This chapter is organized into the following sections:

- Section A provides an overview of Chapter III and describes the CRL requirements related to blight, inadequate public improvements, areas included for effective redevelopment, and areas no longer blighted.
- Section B summarizes the blight findings in Project Area B at the time of the Redevelopment Plan Amendment in 2006.
- Section C outlines Agency activities and positive changes from 2006 to the present.
- Section D documents remaining adverse physical conditions in Project Area B in accordance with the definitions of physical blight as specified in CRL Sections 33030 and 33031.
- Section E documents remaining adverse economic conditions in Project Area B in accordance with the definitions of economic blight as specified in CRL Sections 33030 and 33031.
- Section F includes the conclusion for remaining adverse conditions.

2. Relevant Provisions of the CRL

The proposed Plan Amendment for the Project Area is a major amendment. Under CRL Section 33354.6(a), the Agency must follow similar procedures to a new plan adoption. This subsection addresses some of the specific CRL provisions for the Plan Amendment (excerpts from the CRL are italicized).

a. CRL Definition of a Blighted Area

CRL Section 33030 describes the standards for and characteristics of blighted areas. The current language states the following:

- (a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.*
- (b) A blighted area is one that contains both of the following:*
 - (1) An area that is predominately urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper*

utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.

(2) An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.

(c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.

b. CRL Definitions of Adverse Physical and Economic Conditions

The definitions of blight in the CRL, upon which the documentation must be based, have been modified since the Bayview Hunters Point Project Area B was amended in 2006. Key legislative changes narrowed the blight definitions, which became effective in 2007.

CRL Section 33031 describes the adverse physical and economic conditions that can be used as evidence of blight. Table III-1 lists the two most recent sets of blight definitions, those effective since 2007 and those effective between 1994 and 2006.

Reports prepared in support of the 2006 Plan Amendment documented significant blight in Project Area B in accordance with the definitions in effect at that time (1994–2006 definitions). This report documents remaining blight in Project Area B under the current (2007–Present) blight definitions.

The financial resources made possible through the Plan Amendment will enable the Agency to complete the program of economic development, community enhancement and affordable housing for Project Area B previously documented and justified in connection with the 2006 Plan Amendment and to implement the new program for Candlestick Point to eliminate remaining blight.

c. Inadequate Public Improvements

Under the CRL, the presence of inadequate public improvements cannot be the sole reason for redevelopment. However, as specified in subsection a. above, CRL Section 33030(c) permits consideration of inadequate public improvements when blighting conditions exist in a project area. Inadequate public improvements may be a contributing factor to blight, and an agency may undertake needed public improvements to alleviate blight. To the extent they are present, inadequate public improvements typically reflect problems that exaggerate the effects of blight. Public improvement deficiencies continue to contribute to blighting conditions in Project Area B, as discussed in Section D.3.

**Table III-1
CRL Blight Definitions
Bayview Hunters Point Redevelopment Project Area B**

Blight Conditions	Citation	SB 1206 Definition (2007-present)	Citation	AB 1290 Definition (1994-2006)
A. Physical Conditions				
<i>Unsafe or Unhealthy Buildings</i>	33031(a)(1)	Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.	33031(a)(1)	Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
<i>Conditions Hindering Viable Use of Buildings or Lots</i>	33031(a)(2)	Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.	33031(a)(2)	Factors that prevent or substantially hinder the economically viable use or capacity of building or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.
<i>Adjacent or Nearby Incompatible Uses</i>	33031(a)(3)	Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.	33031(a)(3)	Adjacent or nearby uses that are incompatible with each other and which prevent economic development of those parcels or other portions of the project area.
<i>Irregular Lots in Multiple Ownership</i>	33031(a)(4)	The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.	33031(a)(4)	The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.
B. Economic Conditions				
<i>Depreciated or Stagnant Property Values</i>	33031(b)(1)	Depreciated or stagnant property values.	33031(b)(1)	Depreciated or stagnant property values or impaired investments, including, but not limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459).
<i>Impaired Property Values Due to Hazardous Wastes</i>	33031(b)(2)	Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).		
<i>Poor Business Conditions</i>	33031(b)(3)	Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.	33031(b)(2)	Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.
<i>Serious Lack of Neighborhood Commercial Facilities</i>	33031(b)(4)	A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.	33031(b)(3)	A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
<i>Serious Residential Overcrowding</i>	33031(b)(5)	Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of Regulations.	33031(b)(4)	Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults, that has led to problems of public safety and welfare.
<i>Excess of Problem Businesses</i>	33031(b)(6)	An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.		
<i>High Crime Rates</i>	33031(b)(7)	A high crime rate that constitutes a serious threat to the public safety and welfare.	33031(b)(5)	A high crime rate constituting a serious threat to public safety and welfare.
C. Infrastructure	33030(c)	A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.	33030(c)	A blighted area also may be one that contains the conditions described in subdivision (b) and is, in addition, characterized by the existence of inadequate public improvements, parking facilities, or utilities.

Source: Seifel Consulting, California Community Redevelopment Law.

d. Areas Included for Purposes of Effective Redevelopment

The CRL allows certain non-blighted areas to be included in a redevelopment project area if their inclusion is necessary for effective redevelopment or for affordable housing purposes. Areas may be included if they are necessary for the effective redevelopment of the area, under the provision of CRL Section 33321, which states:

A project area may include lands, buildings, or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area of which they are a part. Each such area included under this section shall be necessary for effective redevelopment and shall not be included for the purpose of obtaining the allocation of tax increment revenue from such area pursuant to Section 33670 without other substantial justification for its inclusion.

Project Area B contains one area included for the purpose of effective redevelopment. The area is comprised of the Morgan Heights and Mariners Village housing developments.

e. No Longer Blighted

CRL Section 33354.6(b) states that plan amendments pursued for the purpose of increasing the limit on the number of dollars to be allocated to the redevelopment agency must identify the areas no longer blighted. Although the Agency has been implementing projects and activities and many individual buildings and parcels have been redeveloped as described in Section C below, Project Area B does not contain any areas that are considered no longer blighted.

3. Map of Blighting Conditions

The CRL requires a map indicating where blighting conditions continue to exist.¹ Numerous figures throughout this chapter and Appendix B summarize and locate various blighting conditions in Project Area B. Together, these figures constitute the map of blighting conditions required by the CRL. The map of blighting conditions has been broken into separate figures for ease of reading and reference due to the substantial amount of information provided about blight in Project Area B. The figures demonstrate that blighting conditions remain prevalent and substantial throughout and affect properties in Project Area B.

B. Conditions in Project Area B at Time of Plan Amendment

In June 2006, the Board of Supervisors (the Board) adopted the Redevelopment Plan Amendment for the Bayview Hunters Point Project Area to designate Project Area B as a redevelopment area.² The Board considered the 2006 Report on the Plan Amendment (2006 Report) for the Project Area and found that the area was blighted and needed redevelopment.

¹ The Report to the Board on the Plan Amendment (Report on the Plan Amendment), to be prepared subsequent to the Preliminary Report, must include a map indicating where the blighting conditions exist, as required by CRL Section 33352(b).

² Project Area B was adopted as a redevelopment project area by Ordinance No. 113-06.

The 2006 Report provided documentation of adverse physical and economic conditions as defined in the CRL in Project Area B. The following subsections describe the conditions at the time of Plan Amendment, Agency activities to date and positive changes in Project Area B.

As discussed in Chapter II, Project Area B is comprised of residential, commercial, industrial, and public land and facilities uses. The long industrial history and concentration of polluting facilities in the area have resulted in a variety of environmental problems, including contaminated sites, illegal dumping and conflicts among land uses. Following is a listing and summary of the blighting conditions in 2006, as identified in the 2006 Report:

- Unsafe and unhealthy buildings,
- Factors inhibiting proper use of buildings or lots,
- Incompatible uses,
- Public improvement deficiencies,
- Impaired investments,
- Economic indicators of distressed buildings or lots,
- Residential overcrowding and problem businesses, and
- High crime rate.³

Physical Conditions

- Older, deteriorated, dilapidated, or, in some cases, abandoned buildings;
- Earthquake hazards and poor soil conditions which could be costly to address, including potentially dangerous nearby earthquake faults which could cause liquefaction or earthquake induced landslides;
- Improper buffering between residential and industrial uses, truck routes through residential and commercial areas, odor impacts for residents near the solid waste treatment plant, homeless encampments, irregularly shaped parcels, and impediments to traffic flow resulting from elevated freeways and defunct railroad lines;
- Residences adjacent to the power plant located along Hunters Point shoreline, and the portions of Project Area B adjacent or nearby to the Hunters Point Shipyard, which is a Superfund site;
- A lack of accessibility to and within Project Area B, including a commercial truck route through residential and industrial areas, irregular street patterns and unimproved roads, and the presence of deteriorating and abandoned railroad lines; and
- Curbing, sidewalk and street deficiencies, an insufficient stormwater drainage system, and a lack of parks and open space.

Economic Conditions

- The presence of hazardous materials resulting from/caused by historic land uses, environmental cases, spill sites and contaminated fill materials;
- Poor economic performance of retail businesses, inability of industrial space to meet current user demands, infeasibility of private sector to construct and invest in industrial properties;

³ Report on the Redevelopment Plan for the Hunters Point Redevelopment Project Area, San Francisco Redevelopment Agency, February 28, 2006.

- Substantial quantity of vacant and/or underutilized parcels and industrial and retail buildings as well as low industrial and retail lease rates;
- Significant residential overcrowding;
- Over-concentration/abundance of problem businesses (alcoholic beverage licenses); and
- Violent crime and gang-related criminal activity.

C. Activities to Date in Project Area B

1. Agency Activities

The Agency has undertaken projects and activities in Project Area B since the inclusion of the area in the Bayview Hunters Point Redevelopment Project Area. The Agency has initiated projects and directed investments in three activity categories – affordable housing, economic development and community enhancement. Collectively, these projects pursue the following objectives:

- Facilitate community enhancements that improve the aesthetics of neighborhoods and streetscapes in Project Area B,
- Increase neighborhood safety, to elevate the quality of life and health of the residents,
- Provide employment opportunities,
- Promote economic development, and
- Foster a sense of pride in the community.

All of the projects described below seek improvement to the adverse physical and economic conditions currently prevalent in Project Area B.

Neighborhood and Affordable Housing Development

- The Bayview Model Block Program: The Agency’s Model Block Program is a new initiative that focuses on improving the quality of life for existing homeowners and residents of Project Area B and the Bayview Hunters Point community. The pilot block in the Model Block Program reconfigures the streetscape of one block—the 1700 block of Newcomb Avenue—in attempt to support residents' efforts to reclaim their neighborhood. Through the program, the Agency has installed trees and other plants along the block to enhance the streetscape. Streetscape improvements, expected to begin in early 2010, include the installation of permeable driveways, parking lanes and improved crosswalk paving to reduce stormwater runoff, the reconfiguration of parking spaces to calm traffic, and the creation of community gathering places.

In addition, a loan program was established in April 2007 to assist residents of the Model Block who wish to undertake home repairs and renovations. With Agency support, a construction manager was hired and the first three home improvements loans have been granted in order to address code related improvements such as electrical, heating and plumbing upgrades, roof and window repairs and/or replacements, seismic upgrades, and accessibility modifications. A second outreach event specific to local contractors (in coordination with the SF Shines program described below) will be held in 2010 to inform them of the program and the upcoming and ongoing opportunities.

Once construction is underway on the streetscape improvements for the first block, the Agency will focus on a strategy for identifying subsequent blocks near the Town Center Activity Node to participate in this initiative. Program funding from the Agency has been supplemented and enhanced by the award of a \$500,000 grant from the U.S. Environmental Protection Agency (EPA). The Program is currently on the shortlist for federal stimulus funds.

In addition, the Agency has been involved in supporting the development of affordable housing units in Project Area B. Photographs of completed housing developments and developments underway are shown in Appendix D. To date the Agency has invested over \$80 million in the affordable housing developments in Project Area B. Specific Agency-supported developments in the Project Area include:

- Hunters View Revitalization Project: Hunters View, located in the Project Area, is slated to be the first public housing site to be rebuilt as part of the HOPE SF program (described further in Section D.1.d). The first phase of the revitalization of Hunters View, known as Phase 1A, will include 80 public housing replacement units as well as 26 very low-income rental housing units. On-site relocation has been completed for the first phase with demolition anticipated to begin in early 2010 and new construction in mid-2010. Subsequent phases will result in the replacement and development of an additional 617 housing units. The Agency anticipates financial support in the amount of approximately \$15.7 million over the project's phases. All City agencies involved in job training opportunities, job placement and support services are engaged in drafting a Memorandum of Understanding (MOU) that discusses roadblocks to employment faced by residents and how these roadblocks can be overcome. Resident meetings are held monthly and include topics such as relocation, design, community benefits, jobs, and training.
- Armstrong Place (5600 Third Street): This development is comprised of 124 first time homebuyer family units and 112 senior rental units. The construction of the homeownership units is complete, and qualification of eligible applicants for the sale of the townhomes is ongoing, assisted by a new open round of marketing. The senior units are currently under construction and are scheduled for completion by May 2010. The Agency's investment in this project tops \$42.7 million.
- Bay Oaks (4800 Third Street): Construction of these 18 affordable condominium units was completed ahead of schedule in October 2009. The lottery for these 18 affordable condominium units was held on June 12, 2009. Qualification of eligible applicants for the sale of the townhomes is ongoing. The developer, the San Francisco Housing Development Corporation, has identified a commercial tenant, a local restaurateur, to lease the 2,100 square feet of ground floor space in late 2009. The Agency's investment in this project totaled approximately \$8.3 million.
- 6600 Third Street: This 73 unit development targeting formerly homeless families and individuals recently received its entitlements from the Planning Commission, along with a zoning modification to allow supportive housing and an increase in the allowable residential density. The development is slated to break ground in 2010. The Agency's financial support of this project is estimated at \$4.9 million.
- 5800 Third Street: Slated for occupancy in spring 2010, this mixed-use project will include approximately 340 condominiums, including roughly 47 affordable units, and a grocery store with 15,000 square feet of ground floor space.

- Providence Senior Housing (4601/4603 Third Street): This 50-unit development of rental housing for very low-income seniors was completed in mid-2008 and tenants began moving in to the development in September of that year. At the time of completion, the Agency had invested a total of \$8.9 million in the project.

Economic Development

- Bayview Business Resource Center (BBRC) and Merchants Association: The Agency has increased its financial support of the BBRC, with the aim of increasing the overall capacity, coordination and services it offers. Services of the BBRC include technical support for businesses entering into the façade and tenant improvement program, support of the Merchants Association, assistance with access to capital, asset building, business assessments, lease strengthening, and the direct management of a small business incubator. BBRC's Third Street Corridor Project includes grand opening events for new corridor business, new business attraction efforts, and the convening of the Third Street Stakeholder's Group. In August 2009, the project coordinated the National Night Out event in the Bayview, which involved over 25 organizations and 400 residents and business owners.

In addition, the Merchants Association has experienced an influx in membership and regular meeting attendance commensurate with the Agency's contract of support. A new logo has been developed; brochures and a website presence are underway. Both the BBRC and the Merchants Association have been integrally involved in the implementation of the SF Shines Façade and Tenant Improvement Program (discussed further below) as well as the establishment of a merchant watch program with ten businesses participating.

- Jobs Readiness Initiative: The Agency's goal is to prepare 1,000 jobseekers for projected jobs in construction and other fields created in redevelopment areas. The Agency will invest \$4 million between 2010 and 2012 in the new Agency workforce program, Job Readiness Initiative (JRI), to provide job seekers with employment barrier removal services, job training and job placement through an effective network of community-based organizations (CBOs), training providers and employers. A total of four CBOs are recommended to serve the Bayview Hunters Point/Hunters Point Shipyard area over the next eighteen months. The Agency will also increase coordination with the Office of Economic and Workforce Development (OEWD) to align JRI with the overall workforce system and create additional job training and placement opportunities (funded by OEWD) for Project Area residents in other sectors.
- Third Street Commercial Acquisition and Preservation: The Agency is currently developing a strategy to combat the prevalence of chronically vacant, underutilized and/or problem commercial properties along Third Street that need substantial physical repair, rehabilitation or new construction. The Agency has set aside funds in this year's budget to support the future acquisition of commercial property with the aim of maximizing community-wide benefit through the building's rehabilitation and tenanting strategy. Strategies for maximizing community benefit include a feasibility analysis of a commercial land trust.

Community Enhancements

- San Francisco Shines Façade Improvement Program (SF Shines): In an effort to improve many of the City's business corridors, this Program provides grants and design assistance to property owners and merchants to improve façades, storefronts and signs. Three businesses in Project Area B received grants for façade and tenant improvements in the first round of funding, awarded in early 2009. The grantees — a restaurant, a photography shop, and a retail

clothing store — have worked with the program architect to develop designs for storefront and tenant improvements and have solicited bids for their construction.

The objectives of the SF Shines Program are to enhance neighborhood streetscapes, restore historic and architectural character of the City's neighborhoods, and encourage investment in neighborhoods. The program was initiated as part of an effort to improve many of the City's business corridors. Eligible projects include non-structural building improvements such as cleaning, painting, signage, lighting, replacement of windows and doors, and removal of safety gates and grilles. The Mayor's Office of Community Investment administers the program in collaboration with the Office of Economic and Workforce Development (OEWD) and the Agency. In addition, the Agency funds grantees with businesses inside the Project Area.

In 2010, the Agency and its partners such the BBRC and Merchants Association plan to organize an outreach event specific to local contractors who work in and around Project Area B to inform them of the program and the upcoming and ongoing opportunities. The Agency is looking to expand funding and capacity for façade and tenant improvements in order to target businesses and properties in need of very specialized or intensive support.

- Historic Preservation Survey: The Redevelopment Plan and the Board of Supervisors have required that a historic building resource survey be conducted of specific properties in the Project Area B. In 2010, a team of consultants including Kelley and VerPlanck and Al Williams Consultancy will conduct the survey. The historic resource survey will allow the Agency, the PAC and the community to plan with sensitivity for the preservation and/or redevelopment of specific buildings, properties and places within Project Area B.
- Southeast Health Center: The Agency is working collaboratively with the San Francisco Department of Public Health to initiate predevelopment activities for the potential expansion of the Southeast Health Center. The expansion is being considered as part of a larger mixed-use project on a large underutilized property directly adjacent to major community assets including the MLK Playground and pool as well as major Agency investments such as Armstrong Place (5600 Third Street). The Health Center has been actively expanding its services in recent years and has started to reach the physical capacity of the existing building. In addition, the Agency is pursuing acquisition of an additional, undeveloped parcel at the 5800 Third Street site, the former Coca-Cola plant, for an aging campus to serve the community's seniors.
- Bayview Opera House: Renovations of the building and plaza of the Bayview Opera House are currently underway. The façade has been refurbished and building exterior has been repainted. Additional improvements to the building interior are planned for 2010 and 2011, including an ADA compliant bathroom, seismic stabilization of the original balconies, laying a new wood floor, installing new lighting fixtures, and restoring an original proscenium painting. The Agency has contributed funding for exterior improvements to the plaza, while the San Francisco Arts Commission, the Mayor's Office of Housing, and the SFMTA funded other exterior improvements, security measures and interior refurbishments.⁴ The improvements contribute to the ability of the Bayview Opera House to fulfill its mission: providing accessible, diverse and high quality arts education, cultural programs and community events in a safe environment.⁵

⁴ Interview with Judy Nemzoff, San Francisco Arts Commission, October 2009.

⁵ Guthrie, Julian, "Renovation begins on neglected Bayview Opera House," SFGate.com, October 19, 2007.

2. Positive Changes in Project Area B

In addition to the activities undertaken by the Agency, many positive changes have taken place within Project Area B since the 2006 Report. The Muni T-THIRD metro line serving Third Street opened in 2007. Two of the area's most prominent facilities have been renovated or improved and reopened to the public. Furthermore, the proliferation of initiatives to address lack of food access and options within the Project Area since 2006 demonstrate the depth of need and the community's desire for expanded food options and accessibility. A full-service grocery store is slated for Third Street along the major commercial corridor of Project Area B as part the redevelopment of the former Coca-Cola plant. Additionally, with the planned arrival of the home improvement chain Lowe's on Bayshore Boulevard, it is possible that the nascent home improvement district within Project Area B may be invigorated. In summary, crucial neighborhood and commercial facilities are actively improving the quality of life for residents as well as the physical condition of buildings of community value. With the continued investment of redevelopment tax increment, these positive changes demonstrate the potential to foster revitalization and economic viability in Project Area B.

Transportation Improvements

- T-THIRD Line: The San Francisco Metropolitan Transportation Agency (SFMTA) began full service on the T-THIRD line in April 2007. The T-THIRD Metro line connects all of the Third Street neighborhoods to the full Muni Metro system, providing a vital link between the southeast sector of San Francisco and the rest of the City.
- Traffic Calming: As part of the San Francisco Traffic Calming Program, the SFMTA installed one channelization device, two choker devices, two speed cushions, ten speed bumps, five traffic circles and four traffic islands within the Project Area.⁶
- Bayview Transportation Improvements Project (BTIP): The purpose of the BTIP is two-fold: to develop a more direct auto and truck route between U.S. Highway 101 and the redeveloped Hunters Point Shipyard and South Basin industrial area, and to reduce truck traffic on Third Street and other residential streets in the Bayview Hunters Point community.⁷ In order to achieve these goals and reduce conflicts between truck traffic and residential uses, Crisp Gateway, an access route that has been closed since the 1990s will be improved and reopened to allow access from the southern portions of Project Area B as well as from the neighboring Hunters Point Shipyard Project Area.

Community Facilities

- Joseph Lee Recreation Center: After two years of renovations, the Center was reopened in October 2007. The property previously exhibited derelict conditions including bullet holes in the exterior wall, playground equipment made from arsenic-treated lumber and needles on the abandoned tennis court. In addition to structural and aesthetic improvements to the building and outdoor areas, the gym was also refurbished.⁸

⁶ Chokers are curb extensions at midblock locations that narrow a street by widening the sidewalk or planting strip.

⁷ Bayview Transportation Improvements Project, San Francisco Department of Public Works, <http://www.bayviewtrans.org/>.

⁸ Van Derbeke, Jaxon, "The renovated Bayview recreation center is set to reopen," SFGate.com, October 21, 2007.

Commercial Development

- Fresh & Easy Neighborhood Market: The development is currently in construction on the site of a former Coca-Cola property at 5800 Third Street. The mixed-use project will provide 15,000 square feet of retail space proposed to be occupied by Fresh & Easy, the U.S. division of the British-based Tesco PLC, as well as 340 units of rental housing. Fresh & Easy put their expansion into Northern California on hold in April 2009, but in late summer 2009 purchased warehousing locations in the region in order to stock its planned stores, such as the one in the Project Area. The Fresh & Easy will greatly enhance food options in the Project Area, as current options are limited to the Foods Co. bulk grocery store, the small Super Save market, which residents consider unsafe, or small corner or convenience store markets.⁹ Furthermore, the Fresh & Easy will respond to community desires. Approximately 94 percent of southeast sector residents surveyed by the Southeast Food Access Workgroup (SEFA) say they would actively support new food options in their neighborhood. Currently, 53 percent of survey respondents buy groceries at stores outside the area.¹⁰
- Lowe's Home Improvement: With a lease recently finalized and the strong support of District 10 Supervisor Maxwell, site preparation is underway with occupancy of this large store anticipated by summer 2010. Located on the former Goodman Lumber site at 445 Bayshore Boulevard, Lowe's presence in the Project Area will bring the benefits of additional property and sales tax revenue estimated at \$1 million and job growth in the amount of 150 and 200 permanent retail positions, three-quarters of whom Lowe's has committed to hiring from San Francisco.¹¹ In addition, Lowe's will contribute \$75,000 to workforce training and \$100,000 to San Francisco's day labor program. Situated in a commercial and industrial corridor in Project Area B, the arrival of Lowe's may signal a return to the corridor's historical association as a construction and home improvement district.

Efforts to Increase Food Options and Access

- Southeast Food Access Working Group (SEFA): The SEFA is a collaborative comprised of 26 partners, including residents, community-based organizations and City agencies. Started in April 2006, the SEFA established three areas of focus – nutrition education and awareness, urban agriculture and food access – in the Bayview Hunters Point and Visitacion Valley neighborhoods. In October 2007, the SEFA surveyed residents on a number of topics related to food, health and accessibility. The Working Group launched the Food Guardian Project in July 2009, whereby local youth are hired as “food guardians” to work with the community towards the Working Group's focus areas.
- Something Fresh For Ya: The nonprofit organization, Hunters Point Family, started Something Fresh as part of a growing grassroots movement to bring fresh produce to a neighborhood that suffers from a host of health problems.
- Quesada Gardens Initiative: The initiative operates community and background gardens and employs grassroots strategies for community engagement, seeking to build community and strengthen local food systems through a resident-led model.

⁹ Temple, James, “After years, Bayview will finally get full-service grocery store,” SFGate.com, December 12, 2007; Interview with Rick Holliday, Holliday Development, February 2009.

¹⁰ Southeast Food Access Workgroup (SEFA), “Southeast Sector Food Preferences Survey,” October 2007.

¹¹ Temple, James, “Lowe's plans to come to Bayshore Boulevard,” SFGate.com, April 3, 2009.

- Good Neighbor Program: Youth interns affiliated with the Literacy for Environmental Justice (LEJ), a non-profit organization located within Project Area C, recruited corner store merchants to accept economic incentives in order to become “Good Neighbors” through committing to increase their stock of fresh produce and diminish tobacco and alcohol advertising. The program was recognized as a statewide model, but has lapsed due to lack of funding.
- Bayview Farmers Market: In 2005 the City received a \$150,000 grant to organize the Bayview Hunters Point Farmers' Market Collaborative (Collaborative) and operate a pilot farmers' market in the Bayview Hunters Point neighborhood. The Collaborative is a partnership between SF Environment, agriculture industry experts, and neighborhood organizations. The market employed participants in Girls 2000, a local initiative providing programming to girls under the age of 18 in Bayview Hunters Point, to sell fresh fruits and vegetables grown in their own organic community gardens at the market. The seasonal market was open every Wednesday from May through October between May 2005 and September 2009. The market accepted Food Stamps and WIC coupons.

Zoning

- Zoning Buffer: In June 2008, the Board of Supervisors passed legislation to establish new zoning for most of the industrial neighborhoods of Bayview Hunters Point. These amendments are intended to retain space for jobs in the area and to help reduce land use conflicts between housing and industry in the neighborhood. The zoning revisions support these objectives by limiting the intrusion of residential, large retail, and office uses into active industrial districts and by restraining land speculation in the area. The adjusted land use controls will also restrict heavier industrial operations from locating near Bayview's existing residential districts.¹²

D. Remaining Adverse Physical Conditions in Project Area B

As required by the CRL, this section describes the persistent physical blighting conditions in Project Area B. Remaining adverse physical conditions contributing to the presence of blight include two of the four factors of physical blight and are generally described as:

- Unsafe or unhealthy buildings, and
- Adjacent or nearby incompatible uses.

In addition, the Project Area suffers from public improvement deficiencies. Under the CRL, inadequate public improvements may contribute to blight, but cannot be the sole reason for redevelopment. This section on adverse physical conditions incorporates a discussion of these deficiencies.

¹² San Francisco Planning Department, Bayview Hunters Point: Industrial District Update, accessed on the Internet in October 2009.

Methodology

Physical blighting conditions were re-evaluated under the blight definitions contained in the CRL through the following methods:

- Field surveys of Project Area B existing conditions, including a building conditions survey conducted for the 2006 Report on the Plan Amendment (2006 Report) and a 2009 analysis of building permits to date, described in Subsection 1, below.
- Photographic survey to document the prevalence of remaining adverse conditions conducted in 2009.
- Review and analysis of technical documents and data from public and private agencies.
- Interviews and discussions with government staff and persons knowledgeable about the area.

Refer to Appendix A for a complete list of documents, data sources and interviewees used in the physical blight documentation.

1. Unsafe or Unhealthy Buildings [CRL Section 33031(a)(1)]

In preparation of the 2006 Report that documented blight for the Plan Amendment to add Project Area B, Seifel Consulting and 3D Visions, in collaboration with the Agency, conducted a comprehensive parcel-by-parcel survey to determine the condition of buildings in Project Area B. The survey indicated that 50 percent of all buildings in Project Area B suffered from very extensive or extensive deficiencies.

After windshield surveys of Project Area B and through conversations with Agency and City staff, Seifel Consulting and the Agency determined that the building conditions analysis would be updated through two methods:

- Analysis of building permits issued for new construction or major rehabilitation of buildings in Project Area B since the survey conducted for the 2006 Report, and
- Extensive photographic documentation of blighting conditions in Project Area B.

Seifel Consulting determined that the condition of buildings in Project Area B remained largely unchanged. The methodology, analysis and findings of the survey update are described below.

a. Building Conditions Survey

2006 Report Survey

In the summer and fall of 2002, consultants retained by the Agency conducted an in-depth field survey of over 2,600 parcels to assess existing conditions in an area selected by the Agency, with the assistance of the Bayview Hunters Point Project Area Committee (PAC). In 2003, the PAC recommended refinements to Project Area B boundary to evaluate over 600 additional parcels. In the summer and fall of 2003, Seifel Consulting and 3D Visions surveyed these additional parcels and completed an individual electronic survey form for each parcel in the area surveyed. As part of the survey process, surveyors completed assessments of both building and parcel conditions. In late 2005 and early 2006, Seifel Consulting conducted a windshield survey of every photo taken in the summer and fall of 2003 to verify the results of that survey and update where necessary. The result of this updated windshield survey confirmed that the building conditions identified in earlier survey remained evidence of substantial blight.

The survey form includes two sections: Building Conditions (Deficient or Deteriorated Buildings) and Adverse Physical and Economic Conditions (Field Observations). The Building Conditions section gathered information in the following categories:

- Building identification,
- Primary building condition indicators,
- Secondary building condition indicators, and
- Building condition conclusions.

The field survey evaluated and rated the condition of every major building in Project Area B, except for the San Francisco Housing Authority (SFHA) developments and Candlestick Stadium. Building conditions ratings range from extensively dilapidated to excellent. The surveyors considered a wide range of adverse physical conditions when rating buildings. Some of these conditions, such as serious structural problems or un-reinforced masonry construction, may be considered major indicators of physical blight, while other conditions, such as peeling paint, may be considered relatively minor indicators of physical blight.

Table III-2 presents the criteria used in assessing the conditions of buildings, with a scale of 1 to 5 used to assign ratings of overall building conditions.

The surveyors conducted the surveys on foot and from bicycles, making observations from adjacent streets or sidewalks. Using the survey form and the guidelines, surveyors identified adverse physical, economic and environmental conditions.

Building Conditions Analysis Update

In the spring and summer of 2008, Seifel Consulting conducted windshield surveys of Project Area B and determined that building conditions remained largely unchanged. The methodology to update the 2006 Report survey includes an analysis of building permits issued to properties in Project Area B since the beginning of the previous survey in 2002 along with extensive photographic documentation of remaining blighting conditions in the Project Area.

Building Permit Analysis

Seifel Consulting analyzed all building permits issued to properties within Project Area B since 2002 to determine whether a significant number of buildings found to be unsafe and unhealthy during the 2002/03 survey could have been rehabilitated or demolished, thus ameliorating this blighting condition. The analysis excludes permits that expired or were cancelled and permits for minor improvements or renovations that would not change the underlying unsafe or unhealthy condition of a building.¹³ This determination was done through review of permit description and cost data provided by the San Francisco Department of Building Inspection (DBI). Using parcel numbers and address information, Seifel Consulting cross-referenced this data with building conditions survey data used for the 2006 Report.

¹³ The analysis does include permits for which the permit status cannot be determined, thus conservatively overestimating the number of buildings that may have had significant rehabilitation.

**Table III-2
Building Conditions Assessment
Bayview Hunters Point Redevelopment Project Area B**

STANDARDS USED IN ASSESSING BUILDING CONDITIONS	
Specific Standard:	The provisions of the California Community Redevelopment Law pertaining to blight
General Standard:	The relative cost of correcting building deficiencies, code compliance problems, and seismic safety problems to a degree sufficient to ensure a relatively long-term physical and economic life (i.e., 20-40 years)

Building Condition Rating	General Condition	Likely Cost of Correcting Deficiencies^f	Potential for Private Economic Rehabilitation^g
1	Very extensive physical/structural deficiencies (often dilapidated) ^a	Very high	Very difficult, if not impossible
2	Extensive physical/structural deficiencies ^b	High	Difficult
3	General good condition, some deficiencies present ^c	Significant	Possible
4	Relatively few deficiencies present ^d	Low to moderate	Relatively easy
5	General excellent condition ^e	Minor to low	None required

- Typical conditions present include Major Adverse Physical Conditions or a significant combination of Other Adverse Physical Conditions. Nearly all of these buildings have conditions that make them unsafe or unhealthy occupancy.
- Typical conditions present include a number of Other Adverse Physical Conditions or significant cumulative deferred maintenance. Many of these buildings have conditions that make them unsafe or unhealthy for occupancy.
- Typically some Other Adverse Physical Conditions are present.
- Typically few Other Adverse Physical Conditions are present.
- Typically no Other Adverse Physical Conditions are present.
- To the “General Standard” set forth above.
- Without redevelopment assistance.

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ADVERSE PHYSICAL CONDITIONS CONSIDERED IN ASSESSING BUILDING CONDITIONS
<p>Major Adverse Physical Conditions</p> <ul style="list-style-type: none"> ▪ General dilapidation (very serious deterioration of entire structure or major parts thereof) ▪ Apparent abandonment (vandalized or boarded up buildings) ▪ Structural failure (cracking or subsided foundations, sagging walls or roofs, etc.) ▪ Structural weakness (buildings without adequate foundations, substandard construction, unreinforced masonry walls, etc.) <p>Other Adverse Physical Conditions</p> <ul style="list-style-type: none"> ▪ Potential seismic weakness ▪ Deferred maintenance and neglect ▪ Broken windows ▪ Peeling or faded paint ▪ Sagging porches ▪ Dry rot in walls, window frames, door frames, doors, roof rafters, and trim ▪ Deteriorated, damaged, poorly repaired, or excessive layers of roofing materials ▪ Cracks or loose bricks in chimneys ▪ Deteriorated, broken, or loose siding materials ▪ Deteriorated or broken stucco walls ▪ Rusted, deteriorated, or missing roof drainage gutters or down spouts ▪ Faulty wiring or plumbing ▪ Old and possibly substandard and hazardous electrical service ▪ Eroded mortar or loose bricks in masonry walls ▪ Informal or substandard construction

Photographic Survey

In Spring 2009, Seifel Consulting conducted an extensive photographic survey of Project Area B to update the 2006 Report survey and photographic documentation. The surveyors located the site of each of the photographs included in the 2006 Report Appendix C (Photographic Documentation) and photographed current conditions. In addition to updating the photos from the 2006 Report, the surveyors documented a significant number of buildings exhibiting unsafe and/or unhealthy conditions, such as cracked foundations, external mold, dry rot, sagging roof, and alignment problems, to demonstrate that these conditions were pervasive throughout Project Area B. The surveyors also photographed other indicators of observable blighting conditions such as vacant businesses, homeless encampments, problem businesses, and inadequate public improvements. The photo survey employed a camera enabled with Global Positioning System (GPS) technology, which plotted photo locations on a map to demonstrate their geographic distribution.

b. Overall Building Conditions

Seifel Consulting surveyed and analyzed a total of 3,255 parcels and 2,738 buildings in Project Area B for the 2006 Report. Because Morgan Heights and Mariners Village are included in Project Area B as necessary for effective redevelopment, they are not included in the building conditions analysis and results. The data collected from the 2,738-building field survey evaluations indicate the following:¹⁴

- Over 50 percent of buildings surveyed had one or more defective primary building conditions such as extensive deterioration, general dilapidation, serious cracks in walls/foundation, sagging roof/walls/floors, or general alignment problems.
- Over 80 percent of buildings surveyed had defective secondary building conditions such as peeling/faded paint, deteriorated siding/trim, deteriorated windows/doors, extensive deferred maintenance, deteriorated roofing/eaves, mold/mildew/water damage, cracked/poorly repaired stucco, missing/rusted downspouts, missing/rusted gutters, and dry rot/termite damage.

At the Agency's request, the surveyors did not evaluate Candlestick Stadium and the SFHA buildings, because extensive analyses and reports on the conditions of this structure and these buildings are available. Reports and information on these buildings indicate that all of the 162 SFHA buildings have very extensive physical and/or structural deficiencies. The information on Candlestick Stadium (one structure) indicates extensive physical and/or structural deficiencies. Refer to Subsections D.1.d and D.1.e below for further information on these structures.

The building conditions survey found a large number of substandard, deteriorated, and dilapidated buildings in Project Area B. The 2,738 buildings examined in the field, the 162 SFHA buildings, and Candlestick Stadium were assigned overall ratings based on their condition. Of the total 2,901 buildings evaluated, 1,457, or 50 percent, were found to be in the lower two categories of building condition ratings (building condition rating 1, very extensive physical/structural deficiencies, or building condition rating 2, extensive physical/structural deficiencies). Building condition ratings are summarized in Table III-3. To protect the privacy of property owners and building occupants, ratings for individual buildings are not reported. Figure III-1 indicates the

¹⁴ The 2,738 buildings surveyed do not include SFHA properties and Candlestick Park. Analyses of these buildings were based on reports, discussions with staff and a separate field survey.

general location of buildings with very extensive physical deficiencies. Figure III-2 indicates the general location of buildings with extensive physical building deficiencies. Appendix B presents illustrative photographs of buildings with physical deficiencies taken during the 2009 photographic survey.

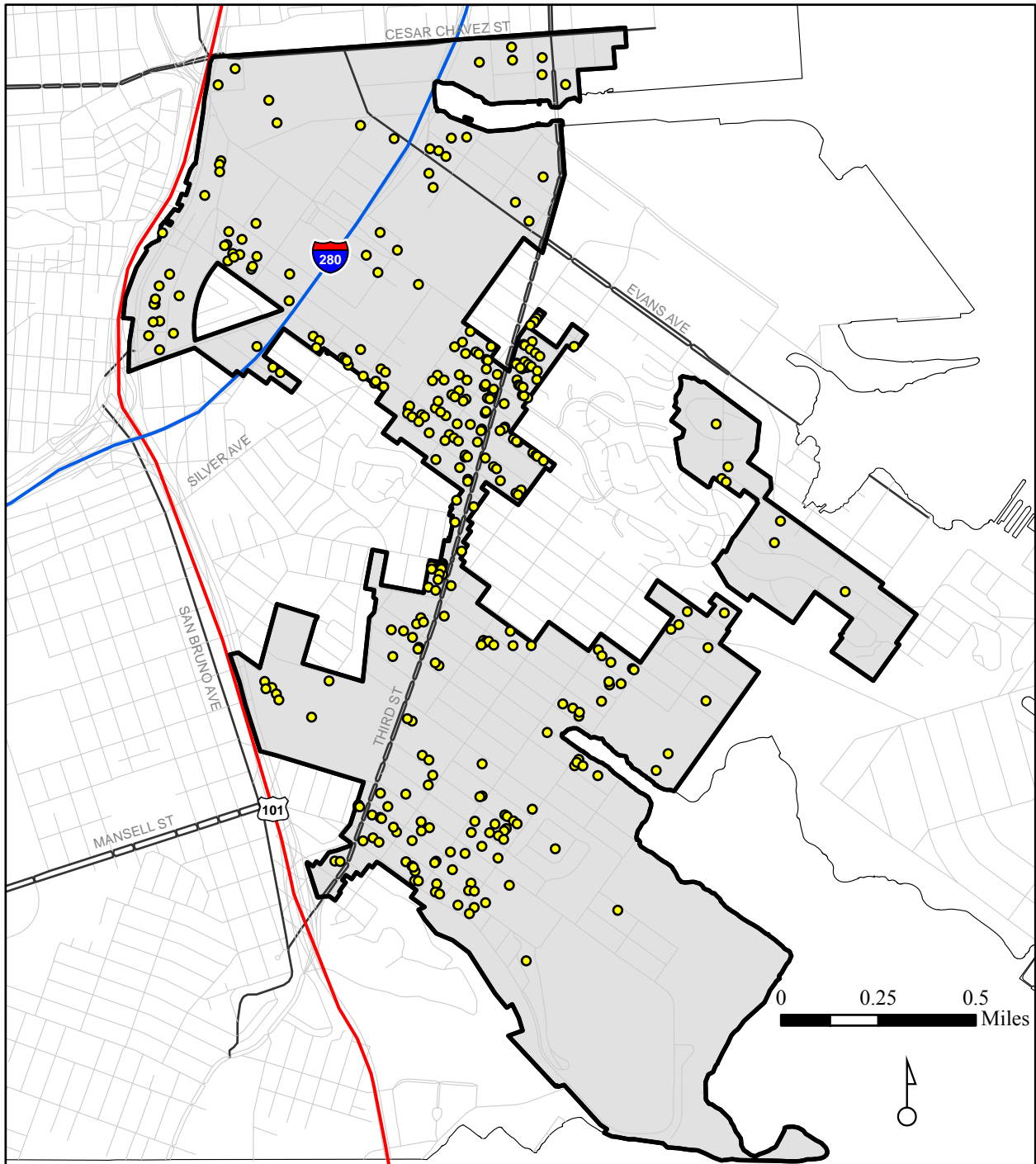
**Table III-3
Building Conditions Rating Summary
Bayview Hunters Point Redevelopment Project Area B**

Building Condition Rating	Number of Buildings	Percentage of Buildings
1 Very extensive physical/structural deficiencies (often dilapidated)	481	16.6%
2 Extensive physical/structural deficiencies	976	33.6%
3 General good condition, some deficiencies present	1,034	35.6%
4 Relatively few deficiencies present	331	11.4%
5 General excellent condition	79	2.7%
Total	2,901	100.0%
Buildings with Extensive or Very Extensive Physical/Structural Deficiencies	1,457	50.2%

a. Includes all primary and other buildings surveyed, SFHA buildings and Candlestick Stadium. Does not include Morgan Heights and Mariners Village, the area included in Project Area B for effective redevelopment.

Source: Survey performed by Seifel Consulting and 3D Vision in 2002 and 2003.

Figure III-1
 Very Extensive Physical Building Deficiencies
 Bayview Hunters Point Redevelopment Project Area B

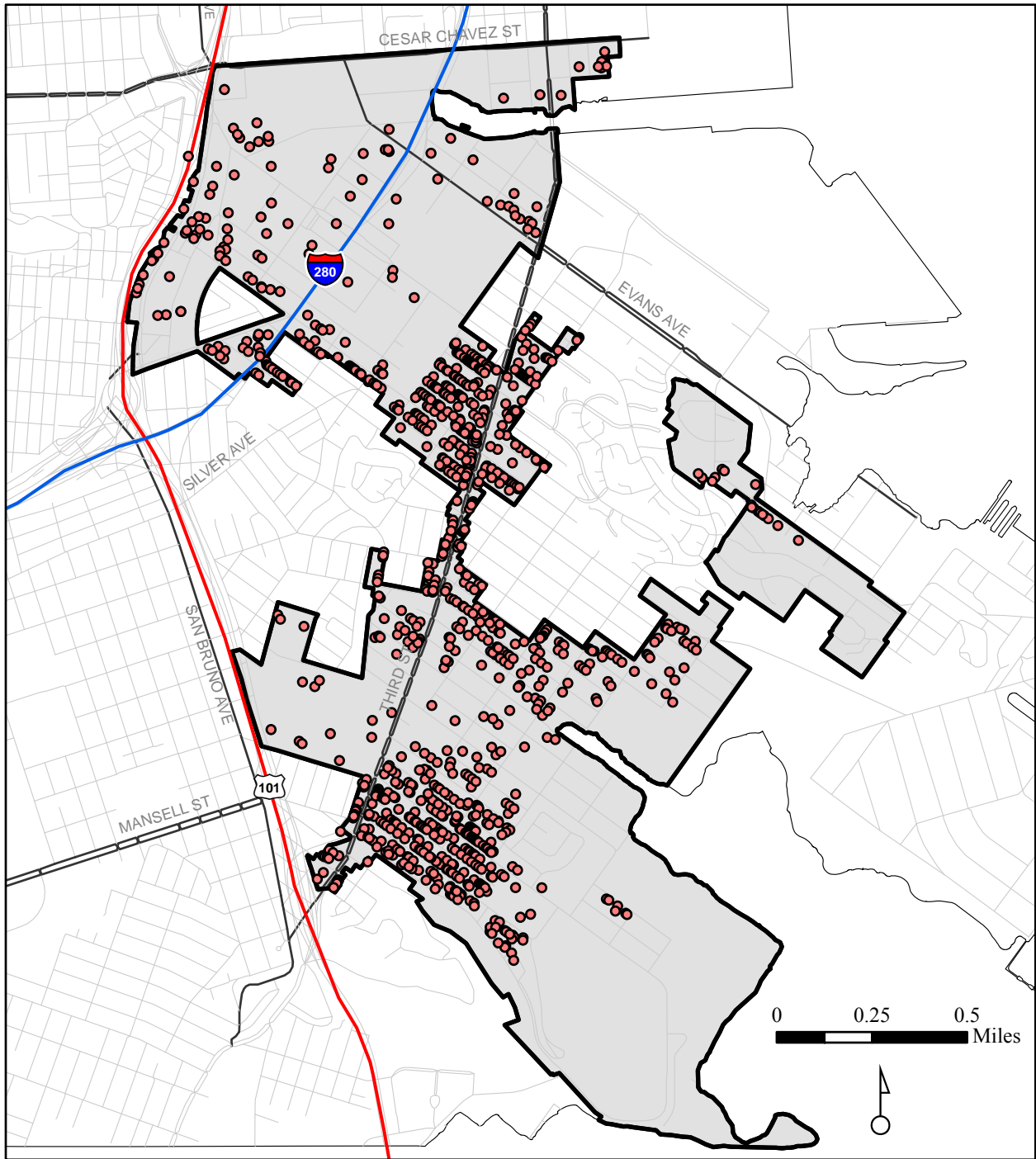


Note: San Francisco Housing Authority developments are represented by one point per housing development.

- Project Area B**
- Buildings with a rating of 1**

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Figure III-2
 Extensive Physical Building Deficiencies
 Bayview Hunters Point Redevelopment Project Area B



- Project Area B
- Buildings with a Rating of 2

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c. Building Conditions Analysis Update Results

The following section describes the finding that building conditions in Project Area B have not changed significantly since the prior survey. Thus, it presents the conclusions from the 2006 Report that a substantial number of buildings in the Project Area are unsafe and unhealthy, and the prevalence of these conditions constitutes physical blight.

Building Survey Update Findings

As noted above, the building conditions documented in the 2006 Report have remained largely unchanged since the adoption of the Plan Amendment and Project Area B. Seifel Consulting analyzed building permit records maintained by the San Francisco Planning Department for properties in Project Area B. These records show that, since 2002, a small number of parcels were awarded permits for projects that would have the potential to change the unsafe or unhealthy condition documented in the 2006 Report survey.

Figure III-3 shows the distribution of building permits for new construction, significant rehabilitation or addition projects.¹⁵ In total, only 2.3 percent of all buildings evaluated in the 2006 Report were issued permits for new construction or significant rehabilitation as shown in Table III-4. Of buildings rated 1 or 2, the buildings exhibiting very extensive or extensive physical and/or structural deficiencies, only 3 percent were issued permits for improvements that would have changed those underlying deficiencies.

**Table III-4
Building Permits Issued by Type Since 2002/03 Building Conditions Survey^a
Bayview Hunters Point Redevelopment Project Area B**

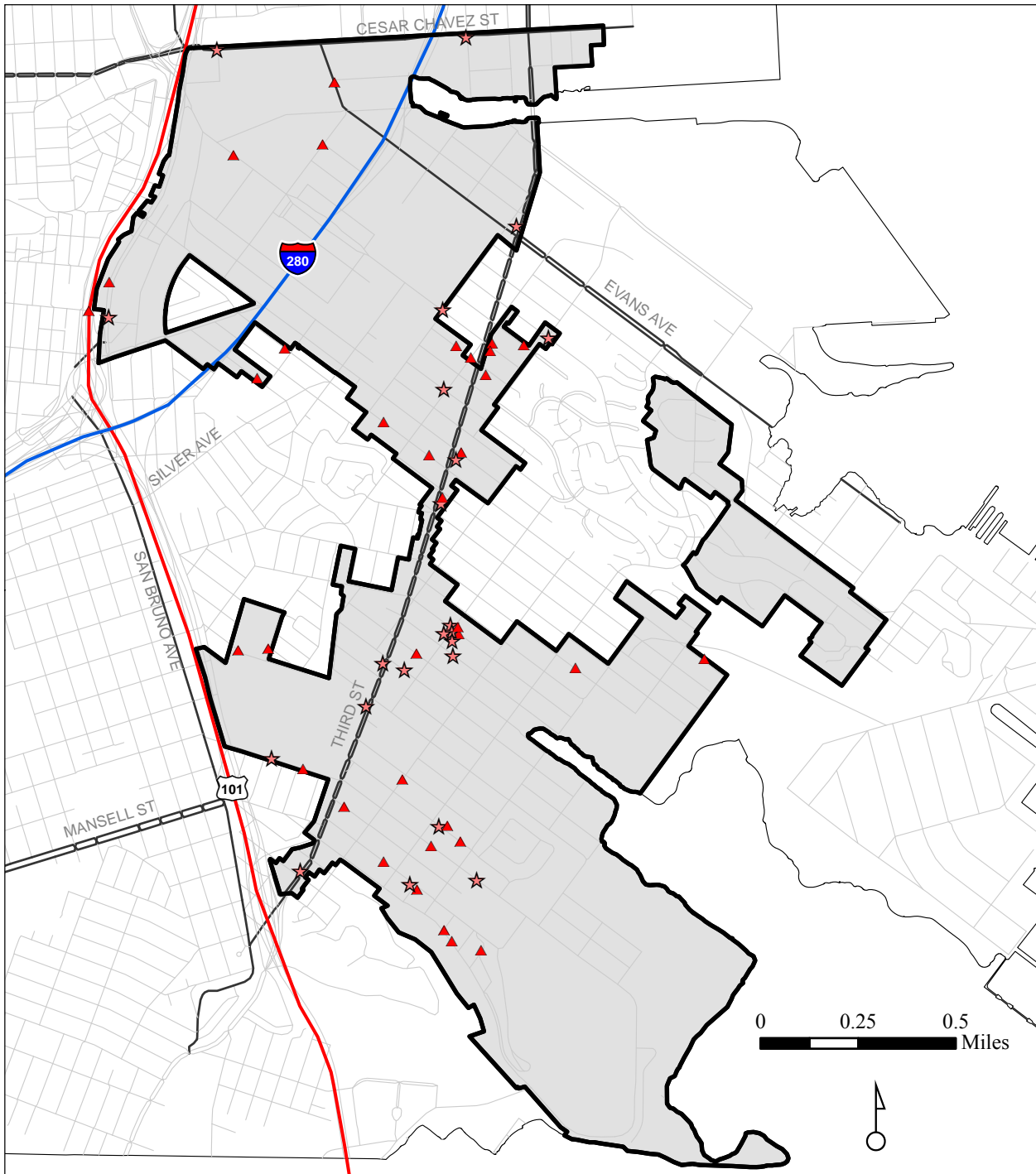
2006 Building Condition ^b	New Construction ^c	Significant Rehab/ Addition ^d	Total Permits	Number of Buildings ^e	Total Permits/ Number of Buildings
1	7	7	14	481	2.9%
2	15	14	29	976	3.0%
3	9	11	20	1,034	1.9%
4	0	1	1	331	0.3%
5	0	3	3	79	3.8%
Total	31	36	67	2,901	2.3%
Total Buildings Rated 1 or 2	22	21	43	1,457	3.0%

- a. Includes permits certified for occupancy, approved, under construction, or action cannot be determined. Seifel analyzed all building permits issued since the beginning of the 2002/03 building conditions survey.
- b. Only includes parcels in which a building was rated during the 2002/03 survey, therefore excluding vacant parcels.
- c. Includes parcels in which building permits were awarded to demolish existing building and erect a new structure.
- d. Permits awarded for significant rehabilitation and/or addition projects that were likely to change 2002/03 building rating. Seifel analyzed DBI description/cost data to determine likely change in underlying building condition.
- e. Buildings rated during the 2002/03 building conditions survey.

Source: San Francisco Planning Department, San Francisco Department of Building Inspection, Seifel Consulting Inc.

¹⁵ New construction involves demolition of existing buildings. Level of significance of rehabilitation determined by analysis of permit description and cost data provided by the Department of Building Inspection.

Figure III-3
 Building Permits Issued By Type, July 2002 - March 2009
 Bayview Hunters Point Redevelopment Project Area B



- ★ New Construction
- ▲ Significant Rehab or Addition Projects
- Project Area B

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In addition to the building permit analysis, Seifel Consulting spent two full days driving through the entire Project Area B in April 2009, documenting remaining adverse blighting conditions with a GPS-enabled camera. The photographs illustrate that unsafe and unhealthy buildings are still pervasive throughout Project Area B, and that the survey results from the 2006 Report are relatively unchanged. Appendix B includes the photographs taken in April 2009, and Figure III-4 (also included as Figure B-1) demonstrates the geographic distribution of photo locations.

Relationship Between Building Conditions and Health and Safety Problems

A strong relationship exists between the condition of buildings documented in the building conditions survey and analyses, and health and safety problems in these same buildings. Buildings rated in category 1 are buildings characterized by adverse conditions such as abandonment, dilapidation, very bad deterioration, potentially hazardous structural problems, very extensive deferred maintenance, or a combination of problems, which taken in their totality, provide strong evidence of physical blight and the presence of health and safety problems. Buildings rated in category 2 are characterized by many of these same conditions but to a lesser degree. Poor housing conditions are associated with a wide range of health conditions, including respiratory infections, asthma, lead poisoning, injuries and mental health issues.¹⁶ These housing conditions are depicted extensively in the photographs presented in Appendix B.

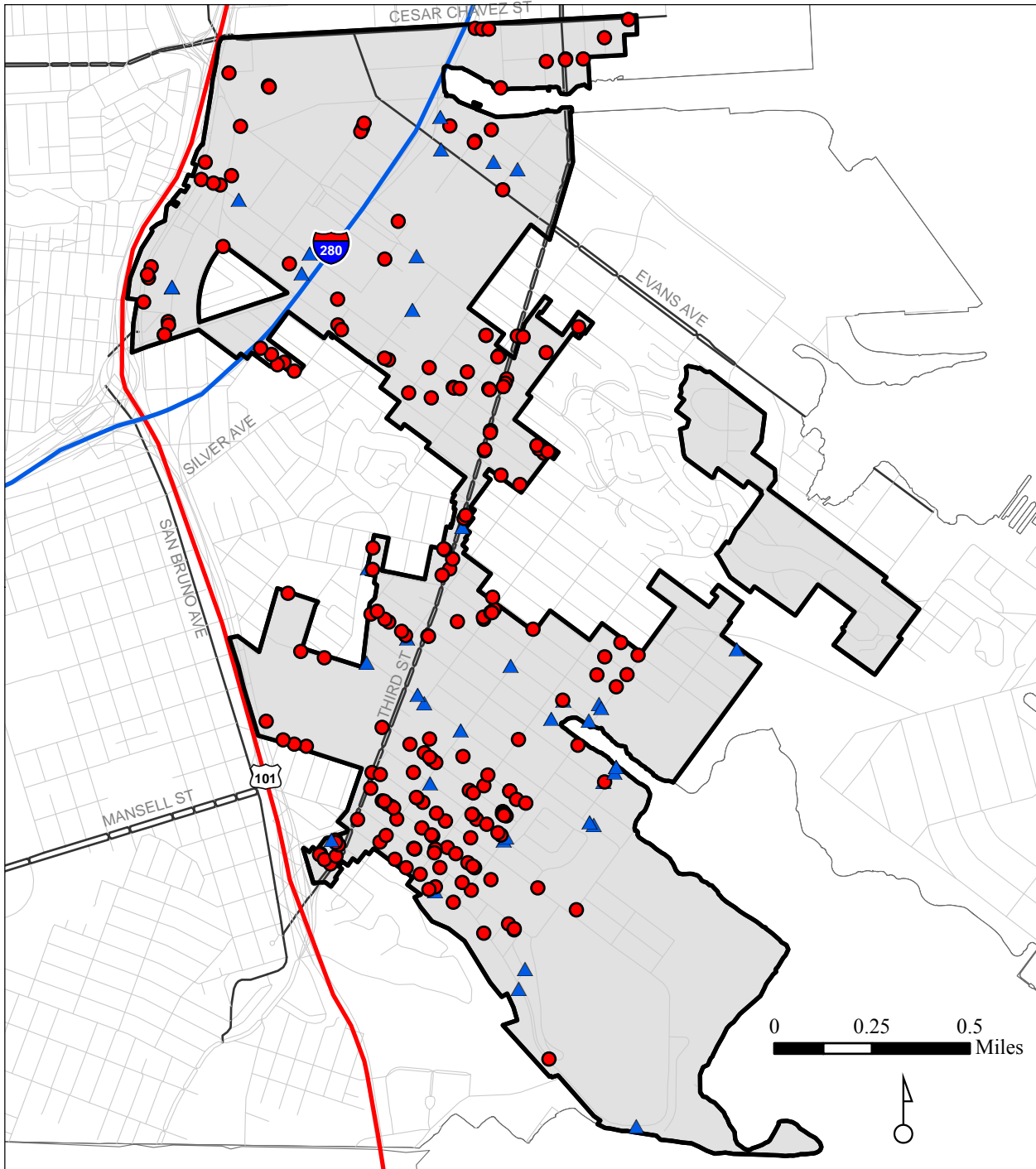
Deteriorated roofs, windows and walls promote mold growth in wet conditions and provide a nurturing environment for mites, roaches, respiratory viruses, all of which play a role in respiratory disease pathogenesis. Moreover, a recent study sponsored by the U.S. Centers for Disease Control and Prevention (CDC) has linked indoor mold to asthma and other respiratory problems. According to the Asthma and Allergy Foundation, over half of Americans with asthma suffer from the allergic form of the disease, which is triggered by exposure to allergens such as mold.¹⁷ In addition, structural defects permit entry of cockroaches and rodents, and faulty wiring is an adverse condition that puts buildings at risk for fires.

Based upon the building conditions survey and analyses described above, it is possible to conclude that nearly all of the buildings rated as building conditions category 1 and the majority of buildings rated as category 2 have conditions that render them, to one degree or another, unsafe or unhealthy (refer to Figure III-1 and III-2). As a result, buildings in which it is unsafe or unhealthy for individuals to live or work are prevalent in Project Area B, and the resulting physical blight continues to be substantial and pervasive.

¹⁶ Krieger and Higgins, "Housing and Health: Time Again for Public Health Action," *American Journal of Public Health – Public Health Matters*, Vol. 92:5, May 2002.

¹⁷ National Academies Institute of Medicine, "Indoor Mold, Building Dampness Linked to Respiratory Problems and Require Better Prevention," May 25, 2004.

Figure III-4
 Photo Locations
 Bayview Hunters Point Redevelopment Project Area B



- Project Area B
- Photo of Unsafe and/or Unhealthy Building
- Photo of Other Blighting Condition

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d. Condition of Buildings in SFHA Housing Developments

Project Area B includes the following four SFHA developments:

- Hunters View, 267 walkup units in 51 buildings constructed in 1956;
- Alice Griffith 254 town homes in 33 buildings constructed in 1962;
- Hunters Point, 213 townhouses in 41 buildings constructed in 1953; and
- Westbrook, 225 wood frame townhouses in 37 buildings constructed in 1956.

In 1991, the SFHA performed a comprehensive physical needs and management assessment of the developments and updated the assessment in 2002.¹⁸ In 2007, the SFHA compiled an Immediate Needs Report to document existing improvement needs at SFHA properties, including the four properties included in Project Area B. The original comprehensive assessments and subsequent report identified all four of these developments as distressed communities in need of redevelopment and found that such redevelopment would have a positive effect on the SFHA developments and surrounding neighborhoods.

The assessments recommended that the City and SFHA work to jointly develop a vision for these neighborhoods and pursue HOPE VI funding for each of the developments. With the limitations on HOPE VI and federal funding sources in subsequent years, the City developed the HOPE SF Program, allocating \$95 million to rebuild low-density housing sites as mixed-income communities at a scale similar to typical San Francisco neighborhoods and without displacing current residents. The program also includes one-for-one replacement of all public housing units. Hunters View, located within Project Area B, is slated to be the first public housing site rebuilt. Through the federal stimulus bill passed in February 2009, the SFHA was allocated \$6 million to spend on improving living conditions for residents of Hunters View while rebuilding work proceeds. In addition, the SFHA designated Alice Griffith, also located within Project Area B, as a HOPE SF site. In conjunction with its work at the adjacent Candlestick Point Activity Node and Hunters Point Shipyard, CP Development Co., LP (Developer) will be responsible for rebuilding Alice Griffith, a phased development with one-for-one replacement of SFHA units on site as well as additional market rate housing.

Even though many of the urgent safety problems have been or are currently being addressed at the four SFHA developments in Project Area B, serious physical problems remain in the properties, and the buildings need to be replaced. SFHA has been applying for, and will continue to apply for, funds to redevelop the properties. In the meantime, the SFHA will continue to address the deficiencies to the extent it can to stabilize the developments. The SFHA has given highest priority to life safety improvements and the correction of physical problems that impact the health of residents or undermine the integrity of SFHA's viable structures. However, the lack of funding has inhibited SFHA's ability to undertake other significant improvement to the properties.

Reported safety issues of concern include interior window security bars lacking breakaway hardware, outdated electrical wiring and branch panels in need of replacement, and the presence of vinyl asbestos tile and asbestos pipe insulation. Other safety issues include the water, gas and

¹⁸ The 1991 comprehensive physical needs and management assessment and subsequent 2002 update was performed by SFHA in conjunction with DLR Group, Edward J. Gee and Associates, and Ron Atkileski and Associates.

sanitary lines, which are at the end of their life cycle and need to be replaced. Other conditions of concern are dry rot in siding, windows needing replacement, lead based paint, weather-damaged structures beneath missing siding, and dilapidated window frames and broken windows. Also, in some buildings, boilers and boiler room equipment are at the end of their life cycle and need replacement. In 2007, the estimated total cost of repairs for each property ranges from \$12.5 million to \$34 million; the sum for repairs across the four properties exceeds \$86 million.¹⁹

Based on the information provided by the SFHA needs assessment, all of the SFHA buildings have been assigned an average building condition rating of 1, very extensive physical/structural deficiencies. Photographs of SFHA buildings are presented in Appendix B and a full account of improvement needs of SFHA are detailed in Appendix C.

e. Condition of Candlestick Stadium

Candlestick Stadium is owned and managed by the City and County of San Francisco Recreation and Park Department, and leased to the NFL franchise team, the San Francisco 49ers (49ers). The construction of the reinforced concrete Candlestick Stadium, which spans 14.5 acres on an 83-acre site, began in 1958 and was completed in 1960 for the San Francisco Giants.²⁰ In 1971, the City improved the stadium to make it multi-purpose so the San Francisco 49ers could play at one of the first modern multi-purpose stadiums.

In 1983, a comprehensive investigation of the deterioration of structural and architectural components was undertaken. The study determined that the stadium was in serious disrepair and recommended the stadium be upgraded immediately to provide a higher level of resistance to potential seismic forces. In 1989, following the Loma Prieta earthquake, some problem areas were identified and addressed in order to ensure that Candlestick Stadium was repaired and ready for the resumption of the World Series 10 days later.²¹

In the 2006 Report, a number of improvement needs were documented. Since that Report was published, some of the improvements have been addressed including renovating three escalators, refurbishing three elevators, laying new concrete on the upper deck concourse, re-paving the main parking lot, providing new lockers and waterproofing in the locker room, replacing the PA and sound system, and applying fresh paint to all light towers, four stair towers on upper concourse ramp extensions and the football press box.

The stadium is among the oldest stadiums in the NFL, and is nearing the end of its useful life. Although the City has spent in excess of \$17 million on upgrades and improvements during the past five years (in addition to ongoing, routine maintenance costs), the 49ers indicate that significant repairs and improvements are needed to the stadium. Outstanding improvement needs include reducing vibration on the upper escalators, washing and re-applying waterproof membrane to the windscreen membrane, replacing roughly 113 light poles (six were replaced in 2004), leveling the main parking lot, removing rust from stair towers and structural metal on upper concourse ramp extensions, sandblasting and applying new rust proofing coating on

¹⁹ SFHA Immediate Needs Report, 2007.

²⁰ Ballparks of Baseball, The Fields of Major League Baseball, Past Baseball Parks, Candlestick Park, www.ballparksofbaseball.com/past/CandlestickPark.htm.

²¹ Stadiums of the NFL From the Past to the Future, NFC Stadiums – Candlestick Park, www.stadiumsofnfl.com/nfc/CandlestickPark.htm.

structural metal on upper concourse ramp extensions, replacing all metal standards and plastic seats in the lower and upper level seats, installing new or significant repair to field irrigation system, and replacing turnstiles. Some of the capital improvements needed at the stadium are documented in photographs of the stadium's conditions, presented in Appendix B.

The City is currently evaluating the stadium to determine which of these repairs may be needed. The 49ers lease is scheduled to expire in May 2013, although the 49ers have two five-year extension options. The 49ers have declared their need for a new stadium, and are diligently working to get the necessary approvals for a new stadium, either at the Shipyard or in Santa Clara. Upon the expiration of the 49ers lease at Candlestick, the stadium will have no use or value to the City and is slated for demolition, at significant cost.

f. Building Age and Long-Term Neglect

Project Area B has a wide range of building ages and conditions, with many buildings more than 100 years old.²² A significant number of older buildings are deteriorated, dilapidated, or, in some cases, abandoned. Many of these buildings have conditions that make them unsafe or unhealthy places to live or work. Building ages reflect design and construction practices, contributing to whether buildings are safe to occupy and use. The buildings surveyed in Project Area B tend to be older and a significant number are severely deteriorated. According to City Assessor's Office data provided by MetroScan, a substantial number of buildings in Project Area B were built under regulations that make them susceptible to health and safety hazards such as lead paint and seismic hazards. Lead paint risk in Project Area B buildings is discussed below and Subsection D.1.g includes a discussion of the seismic risk of buildings in the Project Area.

Lead Paint

The presence of lead in interior and exterior paint due to long-term neglect of buildings creates serious negative health and safety implications. Lead levels in paint prior to 1950 were particularly high and remained unsafe until Congress banned lead-based paint in 1979.²³ Due to the complexity and expense of properly removing lead-based paint, lead likely remains in most of the buildings constructed in the Project Area more than 30 years ago. Elevated blood-lead levels have well-documented adverse consequences for both children and adults, and the link between lead-based paint and elevated blood-lead levels is strong.

According to the U.S. Centers for Disease Control and Prevention (CDC),

Lead can produce adverse effects on virtually every system in the body; it can damage the kidneys, the nervous system, the reproductive system, and cause high blood pressure. It is especially harmful to the developing brains of fetuses and young children. There may be no lower threshold for some of the adverse effects of lead in children. In addition, the harm that lead causes to children increases as their blood lead levels increase.²⁴

²² This section has been updated using FY 2008/09 data from the San Francisco Assessor's Office.

²³ According to the U.S. Centers for Disease Control and Prevention, lead levels in paint decreased moderately during the second half of the 20th century through limited regulation and voluntary reductions.

²⁴ "Facts on...Lead," U.S. Centers for Disease Control and Prevention website, <http://www.cdc.gov/nceh/lead/guide/1997/docs/factlead.htm>.

In addition, the relation between lead exposure and neuro-developmental abnormalities is clearly established, and additional evidence suggests an association with hypertension.²⁵

Major exposure to lead occurs in:

- Lead-based paint in older homes that is deteriorating, creating dust and paint chips easily ingested by young children;
- Lead-based paint that is disturbed during renovation or remodeling;
- Lead-based paint that is exposed, on a surface easily chewed by a young child (such as a window sill); and
- Lead-contaminated soil.

The San Francisco Departments of Public Health (DPH) and Building Inspection (DBI) operate under the assumption that all buildings in San Francisco built before 1979 contain lead-based paint and thus present a health risk to occupants as the paint deteriorates or lead-disturbing renovations occur.²⁶ The departments use this strict assumption because lead removal is expensive and difficult to execute properly. Professional lead removal costs at least twice as much as a standard paint job, and lead may remain in the wood even after the paint has been removed.²⁷ More often, property owners attempt to remediate lead paint by painting over it, but this method is only completely effective if the paint never peels and the painter does not sand or scrape first. As a result of these challenges, tests for lead paint in pre-1979 structures rarely come out negative.²⁸ Structures built before 1950 create the highest risk, but due to the low threshold for lead poisoning all pre-1979 buildings are potentially problematic.

Graph III-1 illustrates the likely prevalence of lead paint risk in Project Area B. Nearly 80 percent of the buildings in Project Area B were built before 1979, and more than half of the buildings are in the highest risk category (pre-1950). Therefore, neglecting to maintain these structures has the potential for serious harmful effects on those that live and work in them.

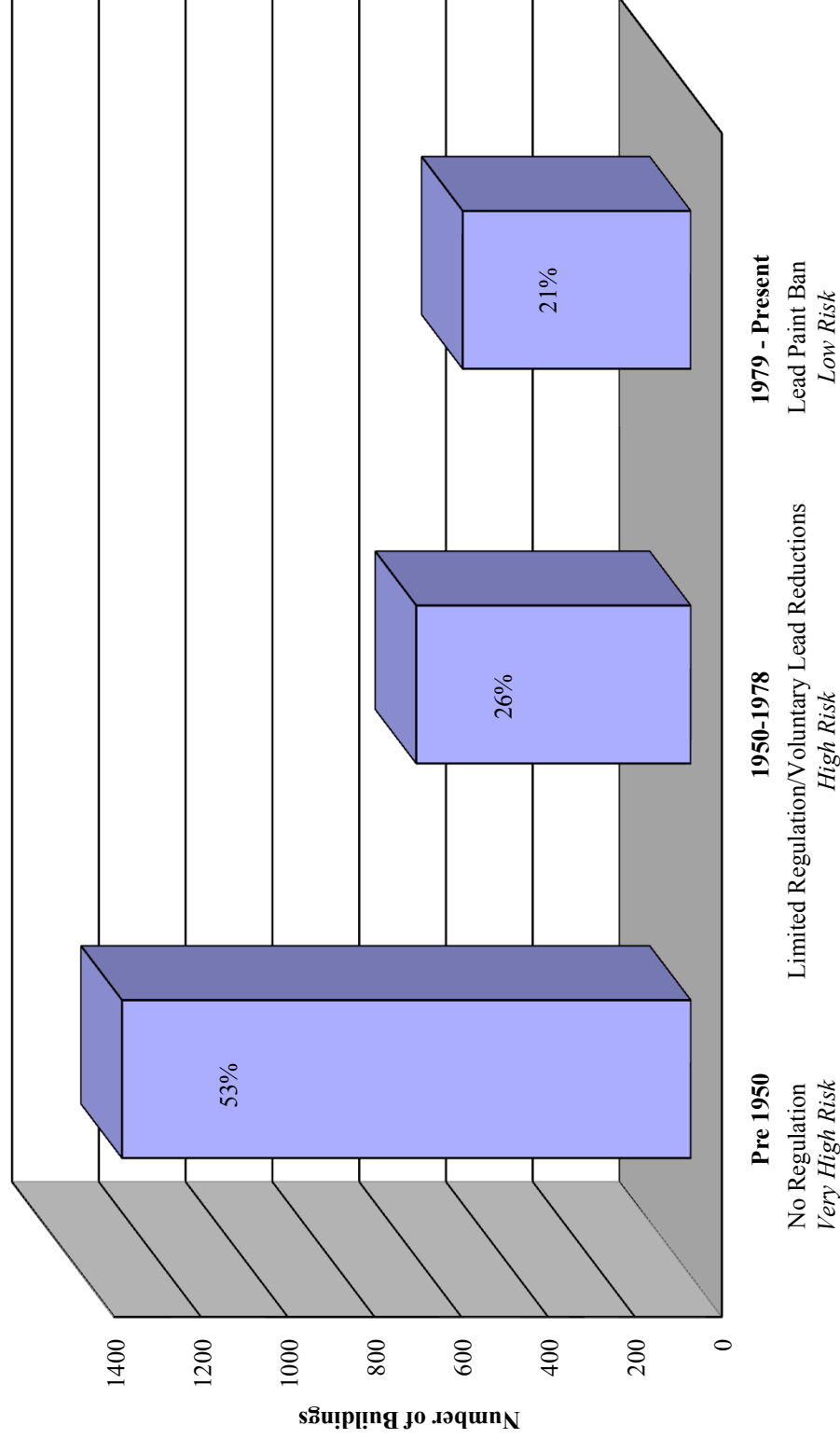
²⁵ Krieger and Higgins, "Housing and Health: Time Again for Public Health Action," *Public Health Matters*, *American Journal of Public Health*, Vol. 92:5, May 2002.

²⁶ Joe Walseth of the Department of Public Health and Vincent Fabris of the Department of Building Inspection, Meet the DBI Pros Summit, October 25, 2006.

²⁷ According to painting contractor Joseph Ruiz of Rhapsody Painting & Environmental Company, complete remediation of lead paint costs \$3.50 to \$5.50 per square foot compared to an average cost of \$2.00 per square foot for a non-lead repainting (quoted October 25, 2006 at the "Meet the DBI Pros Summit").

²⁸ Joe Walseth of the Department of Public Health and Vincent Fabris of the Department of Building Inspection, "Meet the DBI Pros Summit," October 25, 2006.

**Graph III-1
Lead Paint Risk and Year of Building Construction
Bayview Hunters Point Redevelopment Project Area B**



Source: San Francisco Assessor's Office/Metroscan, Seifel Consulting Inc.

g. Earthquake Hazards and Poor Soil Conditions

Significant earthquake hazards affect Project Area B, including nearby earthquake faults, the high probability of future earthquakes, soil conditions that tend to amplify shaking during a seismic event, and the potential for earthquake induced landslides. Project Area B is susceptible to earthquake-related ground shaking that would be strong enough to damage existing buildings and infrastructure, and possibly result in loss of life. A report recently released as part of the Community Action Plan for Seismic Safety (CAPSS) characterized the threat Citywide in this manner: “The scope of damage could set back the City’s post-earthquake recovery, could irrevocably change the character and affordability of the City, and could cause many casualties.”²⁹

The deteriorated and dilapidated condition of many buildings in Project Area B, documented in the results of the comprehensive 2006 Report survey and analyses and updated in 2009 to confirm remaining adverse conditions, underscore the risk associated with a severe seismic event. Many buildings in Project Area B exhibit signs of long-term neglect and building code violations. Due to their age, construction type and state of disrepair, a substantial number of buildings in the area are vulnerable to serious seismic damage or geological hazards. Appendix B presents photographs illustrating these conditions.

Potentially Dangerous Nearby Earthquake Faults

The San Andreas Fault, which is located approximately 6 miles west of Project Area B, is capable of generating a magnitude 7.9 earthquake. The Southern Hayward fault is about 16 miles northeast of Project Area B and is capable of generating a magnitude 7.1 earthquake. Other major active faults that could cause significant shaking in Project Area B are the Concord, Calaveras, Rodgers Creek, and San Gregorio Faults. All of these are within a 30-mile radius from the site.

Probability of Future Earthquakes

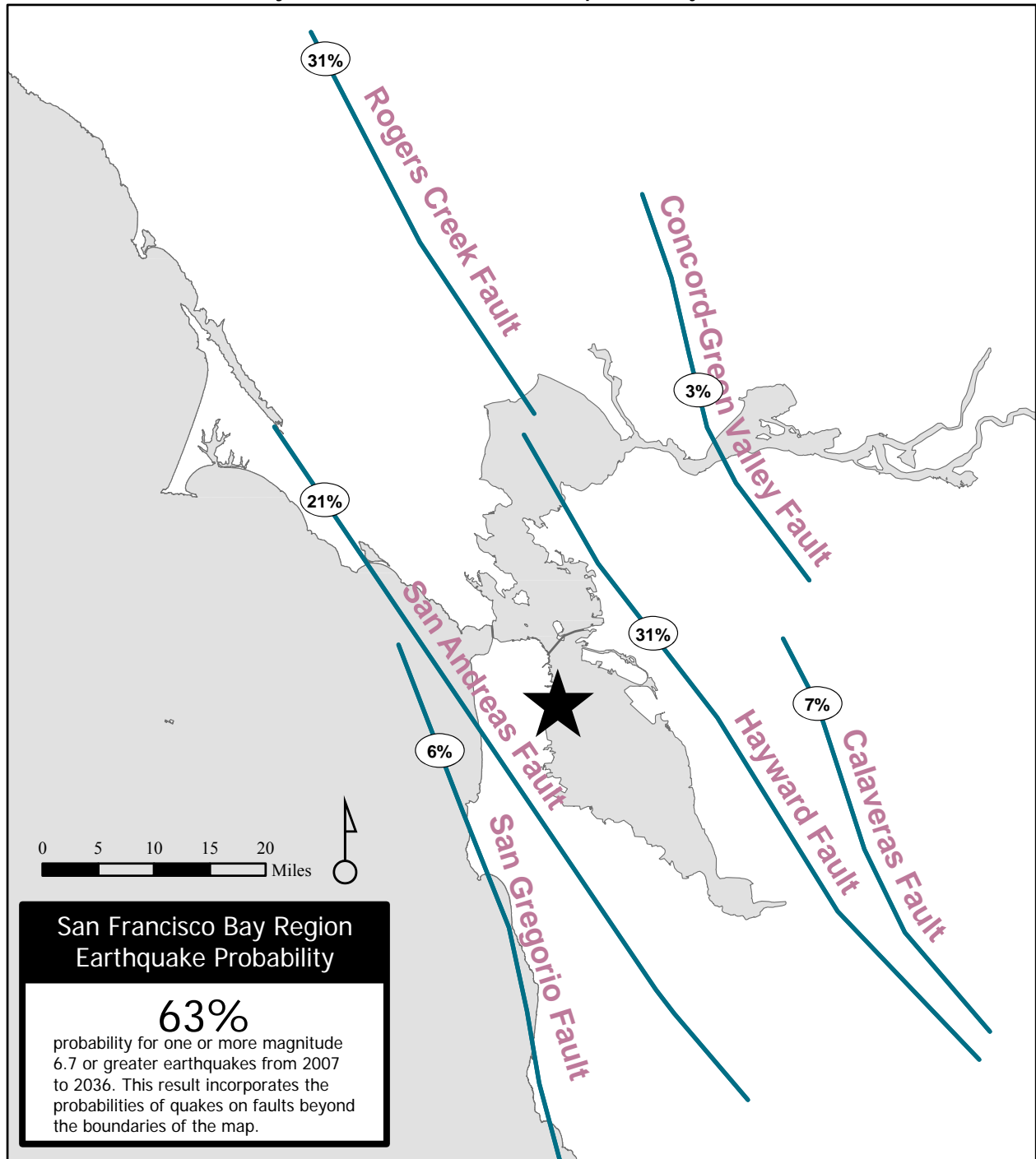
According to the April 2008 U.S. Geological Survey Fact Sheet, the probability of at least one major earthquake magnitude 6.7 or greater, which is capable of causing widespread damage, striking somewhere in the San Francisco Bay Area before 2037 is 63 percent.³⁰

Figure III-5 shows the known earthquake faults and probabilities located in Project Area B.

²⁹ “Here Today – Here Tomorrow,” Community Action Plan for Seismic Safety (CAPSS), a project of the San Francisco Department of Building Inspection. February 2009.

³⁰ “Forecasting California’s Earthquakes – What can we Expect in the Next 30 Years,” 2007 Working Group on California Earthquake Probabilities, released April 2008.

Figure III-5
 San Francisco Bay Region Earthquake Faults and Probabilities
 Bayview Hunters Point Redevelopment Project Area B



★ **Project Area Location**

— **Bay Area Faults**

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Adverse Soil Conditions

The principal types of earthquake-induced ground failure that may occur in Project Area B are ground shaking, liquefaction and earthquake-induced landslides due to the soil composition of the area.³¹ Project Area B is underlain by a mixture of late Mesozoic Era bedrock of the Franciscan Complex. Beneath San Francisco Bay, and along much of its margin, the Franciscan bedrock is overlain by an unconsolidated sedimentary sequence, which exceeds 400 feet in thickness in certain areas. The sequence is subdivided into three units, Older Bay Mud, Bay Side Sands and Younger Bay Mud. Artificial fill has been placed along the margins of the Bay to claim marshland once covered by shallow water. Finally, varying sedimentary deposits, such as slope debris, ravine fill, landslide deposits, undifferentiated deposits, and Bay Mud overlay the Franciscan Complex bedrock in Project Area B.

Buildings situated on soft soils or on artificial fill are generally damaged more than those that are located on firm soils or on rock. Of most concern is the reclaimed land in Project Area B containing artificial fill. Beginning in the mid-1800s, filling of the Bay and tidal marshlands adjacent to San Francisco was initiated to provide land for industrial development. Prior to the filling, the Bay shoreline comprised a series of small inlets and marshlands separated by bedrock peninsulas. The primary sources for fill were dune sands, quarried rock, industrial refuse, and debris following the 1906 earthquake. Artificial fill commonly overlies Younger Bay Mud, but along the margins of the pre-1860 marshlands and estuaries, the fill appears to overlie Bay Side Sands and colluvium/alluvium deposits. The composition of the artificial fill is highly variable, ranging from cobble to boulder-sized rubble in a loose to medium dense matrix of sand and gravel. The larger sized material includes such items as concrete, bricks, porcelain, glass, and wood. Occasionally, areas of plastic clays, presumably dredged from the Bay, are found in the fill layer. The engineering properties of the artificial fill are highly variable due to the mixture of materials that may constitute artificial fill. As a result, mitigating measures and appropriate construction practices are needed to ensure human safety (as described below). Existing buildings within portions of Project Area B could be damaged by settlement or instability of the subsurface materials.

Ground Shaking

The severity of ground shaking is influenced by a number of factors, including duration and intensity of the earthquake, the proximity of the site to the location of the earthquake, and the type of geologic materials underlying the site. According to the Association of Bay Area Governments (ABAG), a magnitude 7.8 earthquake on the San Andreas Fault (similar to the 1906 earthquake) would result in violent shaking in nearly all of the Project Area.³² As further discussed below, the age, construction types and current conditions of buildings in the Project Area make them particularly susceptible to shaking of this magnitude.

³¹“Here Today – Here Tomorrow,” Community Action Plan for Seismic Safety (CAPSS), a project of the San Francisco Department of Building Inspection.

³² Shaking measured by the Modified Mercalli Intensity Scale. Violent shaking is category IX.

Liquefaction

Soil liquefaction is a phenomenon in which saturated, cohesion-less soils lose their strength, especially during shaking induced by earthquakes. In the event of an earthquake, there could be a sudden loss of soil strength and the movement of liquefied soil to the ground surface. During an earthquake, the soil acquires mobility sufficient to permit both horizontal and vertical movements if not confined. Soils most susceptible to liquefaction are loose, clean, uniformly graded, fine-grained sands below the groundwater table. Gravels and coarse-grained sands are also susceptible to liquefaction as are saturated, silty and clayey sands.

The consequences of liquefaction could include seismically-induced settlements, additional lateral soil pressures on underground structures, additional lateral loads on piles, downdrag forces on underground structures and pile foundations, localized lateral deformation of fills and floatation of underground structures such as tanks, pipelines and manholes underlain by the potentially liquefiable soil.

The lower-lying areas of the Project Area are underlain by artificial fill and are therefore susceptible to liquefaction during a seismic event. Any substantial development within these low-lying areas resulting from the Plan Amendment would be required to conform with the Uniform Building Code (UBC), which contains standards to prevent hazards associated with liquefaction. Ground improvement techniques used to mitigate liquefaction include compaction, stone columns, vibro-densification and dynamic or rapid impact compaction. The selected technique should be based on site specific geotechnical investigation that includes borings and sample collection, laboratory tests to evaluate the materials' physical properties, including engineering analyses, evaluations, and recommendations.

Earthquake Induced Landslides

Past earthquakes have triggered landslides on both steep slopes and relatively level ground. Areas with the greatest potential for landsliding are the upland areas with steep slopes underlain by weathered bedrock or serpentine. Landslides are most likely to occur during periods of high rainfall when subsurface materials become saturated due to earthquakes. The California Division of Mines and Geology (CDMG) has mapped areas with potential for landsliding in Project Area B. As identified by the CDMG, the upland area of Bayview Hill has a slope with the potential for landsliding. Figure III-6 illustrates Project Area B's susceptibility to types of earthquake-induced ground failure, including liquefaction and earthquake induced landslides.

Construction Practices, Building Age and Conditions, and Earthquake Damage

Construction practices and existing building conditions that contribute to the likelihood that a structure will be significantly damaged in an earthquake include the age of buildings, inadequate foundations, a lack of adequate foundation connections, informal and substandard construction, weak cripple walls (short walls below the first floor and above the foundation that create a crawl space), soft story buildings, dry rot, termite damage, and poor design. The building conditions survey revealed that a number of buildings in Project Area B exhibit these characteristics, but without internal inspection of each structure it is impossible to gauge the full prevalence of these problems.

The design and construction of older buildings make them more susceptible to severe earthquake damage. Buildings constructed in the early to mid-1900s are expected to incur the greatest structural damage during an earthquake. Such buildings include aging wood frame structures with

inadequate foundations and foundation connections, soft story buildings, older poured concrete buildings without adequate reinforcement, and buildings constructed without permits or poorly engineered buildings.³³ The relationship between these construction practices and the risk of earthquake damage is discussed in more detail below.

Project Area B's stock of wood frame, single and multi-family homes (including mixed-use structures) is particularly vulnerable to earthquakes, especially those built before 1940. Houses built during this era typically lack steel bolts or any other types of connection between the foundation and the wood frame. Since they were built before the widespread use of plywood, they also typically lack appropriate shear reinforcing of the cripple walls. Some of these older houses may only have brick foundations with weakly cemented joints.³⁴ Typical earthquake damage to these structures includes the wood frame coming off its foundation, cracking of the cripple walls, and the foundation cracking.

Non-wood frame buildings in the Project Area are also seismically vulnerable. Although none of the buildings in the Project Area are un-reinforced masonry buildings (UMBs), reinforced concrete structures built before the 1970s are collapse hazards when subjected to ground shaking from a large magnitude earthquake.³⁵ Older steel reinforcements are weaker and non-ductile, meaning that they are unable to withstand significant stress without fracture.

According to ABAG, changes in construction practices and building codes to reflect earthquake risk generally occurred after World War II.³⁶ Therefore, ABAG uses 1940 as the break year to classify and analyze the seismic susceptibility of various building types. Graph III-2 shows that 40 percent of the buildings in Project Area B were built before 1940. Between 1940 and 1960, seismological data collected from a series of California earthquakes helped engineers recognize the need to update building codes to reflect expected ground shaking and different building types. This work resulted in the Structural Engineers Association of California (SEAOC) producing "Recommended Lateral Force Requirements," which were included in the Uniform Building Code (UBC) in 1961, and incorporated in the 1973 and 1976 editions of the UBC.³⁷

³³ According to the Earthquake Engineering Research Institute (EERI), soft story buildings are buildings with unusually weak stories, which can easily collapse in an earthquake. The ground floor is the most common location for a soft-story, which is usually due to tuck-under parking or large commercial spaces. Many soft-story buildings collapsed in the 1989 Loma Prieta and 1994 Northridge earthquakes.

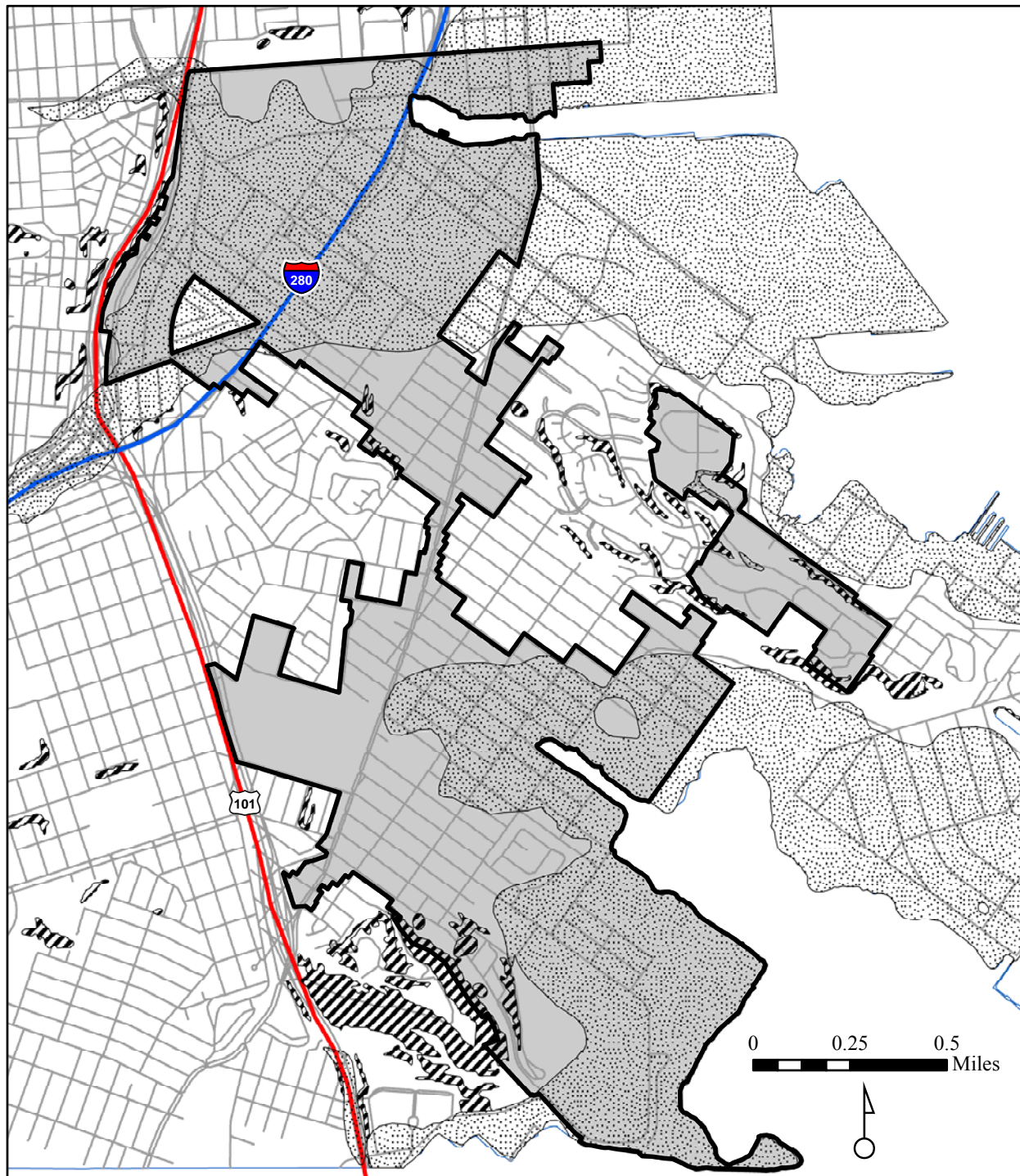
³⁴ Association of Bay Area Governments, "Shaken Awake," 2003.




³⁵ Raymond Lui of the San Francisco Department of Building Inspection to Consultants. "Building Construction in San Francisco." February 7, 2007.

³⁶ Association of Bay Area Governments, "Shaken Awake," 2003. The first construction legislation that addressed earthquake standards was the 1927 Uniform Building Code (which included a seismic appendix) and the Field and Riley Acts in 1933 (which enhanced lateral force design standards for masonry buildings). However, changes in construction practices, particularly in wood-frame housing construction, did not take place until after World War II.

³⁷ Stephen H. Cutcliffe, "Earthquake Resistant Building Design Codes and Safety Standards: The California Experience," *GeoJournal* 51: 259-262, 2000; Raymond Lui of the San Francisco Department of Building Inspection to Consultants, "Building Construction in San Francisco," February 7, 2007.

Figure III-6
Seismic Hazards Due to Adverse Soil Conditions
Bayview Hunters Point Redevelopment Project Area B



-  **Liquifaction Hazard**
-  **Landslide Hazard**
-  **Project Area B**

Seifel
CONSULTING INC.

The enhanced code contained higher lateral force requirements based on various factors, including the increased risks in an area prone to earthquake activity.³⁸ An additional 37 percent of buildings in Project Area B were built between 1940 and 1972, so a total of 77 percent of the buildings in Project Area B were built without the benefit of these enhanced requirements (see Graph III-2). As discussed above, the Project Area is prone to earthquakes from two major nearby faults and at risk for violent ground shaking. Therefore, 77 percent of Project Area buildings are highly susceptible to structural earthquake damage unless adequately retrofitted.

In 1998, ABAG, in conjunction with the American Society of Home Inspectors (ASHI), surveyed single-family homeowners in 17 communities on the rate of earthquake retrofits. This data was used to estimate, in conjunction with an ABAG homeowner survey, the percentage of homes that have been adequately retrofitted and those that have had some retrofit work done.

According to ABAG and ASHI, in San Francisco only about 14 percent of homes surveyed were adequately retrofitted while roughly 42 percent were partially retrofitted.³⁹ These rates are similar to those observed in Oakland and Alameda, where ASHI conducted more detailed professional inspections. In these communities, nearly a quarter of homes were not bolted to their foundations and more than 60 percent of homes had no structural protection to resist lateral movement in the event of an earthquake. Moreover, in 26 percent of the homes, inspectors observed specific damage or deterioration that would likely affect the performance of the building in an earthquake. Although additional retrofitting has likely occurred since the survey was conducted, most single-family and small multi-family residences in San Francisco have not had a costly professional retrofit.⁴⁰

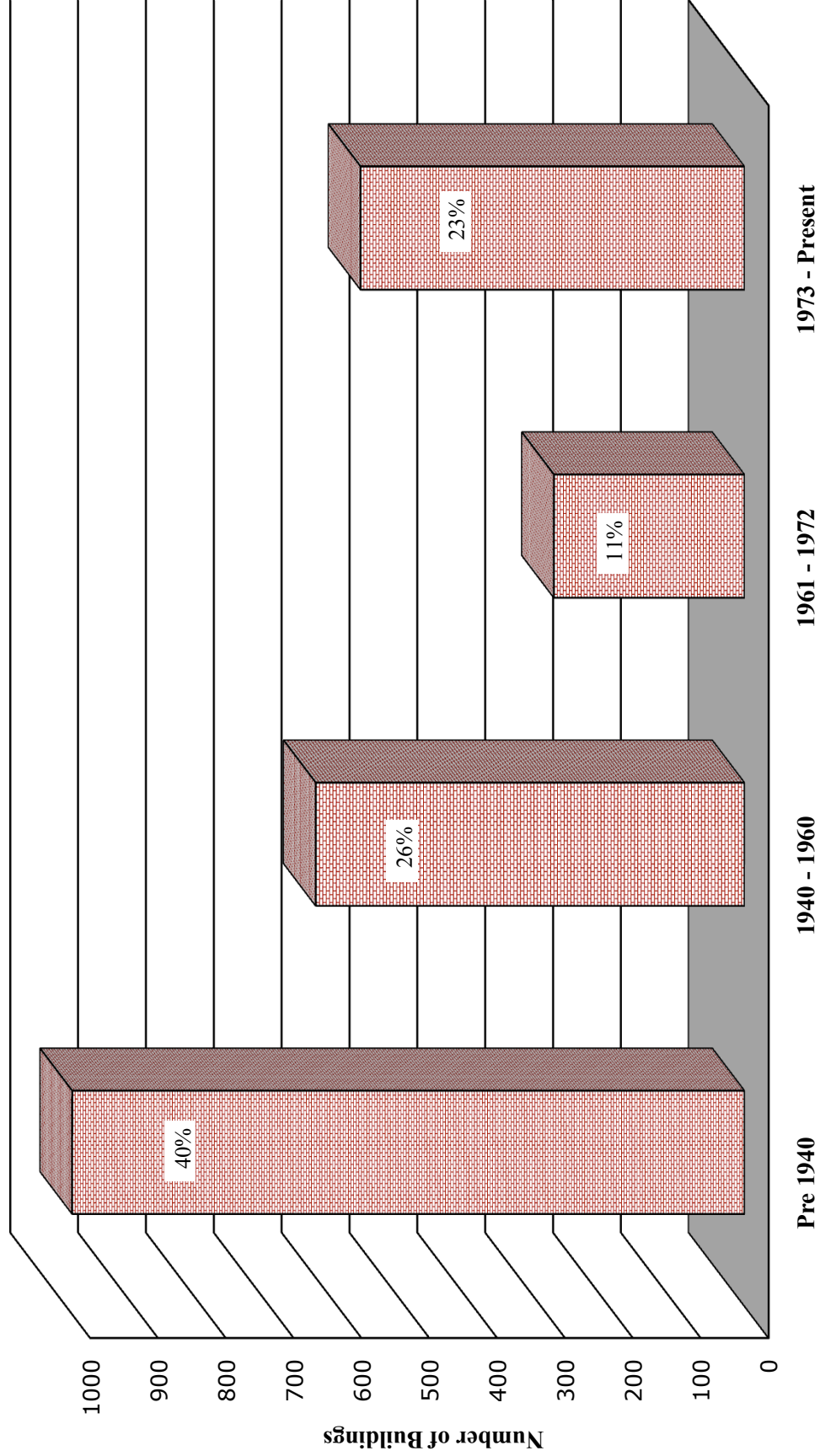
Poor building maintenance and deteriorated conditions exacerbate seismic risks to existing structures. For example, dry rot weakens structural wood supports, regardless of any retrofitting to enhance lateral strength. Finally, general deferred maintenance and poor conditions are also associated with seismic susceptibility. Buildings that have not been maintained are unlikely to have been retrofitted. Older buildings that were built under less stringent building codes are more susceptible to structural earthquake damage unless retrofitted.

³⁸ Ibid.

³⁹ Association of Bay Area Governments, "Preventing the Nightmare," October 1999, updated 2003.

⁴⁰ Raymond Lui of the San Francisco Department of Building Inspection to Consultants, "Building Construction in San Francisco," February 7, 2007.

Graph III-2
 Seismic Susceptibility and Age of Building
 Bayview Hunters Point Redevelopment Project Area B



Source: San Francisco Assessor's Office/Metroscan, Seifel Consulting Inc.

Cost of Reducing Impact of Earthquake Hazards on Project Area B

The cost of addressing the poor soil, building conditions and earthquake hazards present in many portions of Project Area B would be substantial, whether in new development or rehabilitation.

Settlements or instability can be mitigated by typical construction methods such as pre-loading, deep foundations and improvement of soil conditions. Liquefaction potential is typically mitigated by grouting, vibro-floatation, stone columns, dynamic deep compaction, deep soil mixing, and the removal and re-compaction of loose soil.

These mitigations have significant cost implications for development or rehabilitation projects located on the various soil types found within Project Area B, and may impede new development and significant rehabilitation projects. Without sufficient funds or incentives to undertake mitigations, existing conditions will continue to be unsafe and unhealthy in the case of earthquakes.

h. Summary of Factors that Cause Unsafe and Unhealthy Buildings in Project Area B

Based on the analyses described above, it is possible to conclude that nearly all of the buildings in Project Area B exhibit at least one of the following unsafe and unhealthy building conditions:

- Dilapidated or significantly deteriorated structures,
- Lead paint problems, and
- Seismically vulnerable construction.

Thus, buildings in which it is unsafe or unhealthy for individuals to live or work continue to be prevalent throughout Project Area B, making this physical blighting condition substantial and pervasive.

2. Adjacent or Nearby Incompatible Uses [CRL Section 33031(a)(3)]

Adjacent or nearby uses that are incompatible with each other and prevent the development of those parcels or other portions of Project Area B continue to be a condition of physical blight in the Project Area. These adverse conditions are caused by facilities or uses that create noise, vibration, dust, air pollution, odors, light spillage, or visual problems. When substantial negative impacts are created by adjoining facilities or uses, the value and economic viability of properties are adversely affected.

Incompatible or conflicting uses exist at several locations in Project Area B. Figure III-6 indicates the location of incompatible uses identified in Project Area B. Following is a list of facilities and uses that contribute to incompatible or conflicting uses in Project Area B and their impact:

- Residential uses abut or are interspersed within industrial uses in several areas without proper buffering. This condition creates safety problems for pedestrians from passing trucks and other heavy vehicles. Residential and commercial areas, especially east-west residential streets, are affected by noise and dust from the industrial uses and related traffic.
- Third Street, a crucial corridor for retail, commercial and residential uses and with many pedestrians, experiences high levels of auto and truck traffic associated with the commercial and industrial businesses located east of Third Street and the Hunters Point Shipyard traveling to the highway.

- Truck routes running through residential and commercial areas create traffic hazards, noise, vibration, and temporary street blockages.
- Elevated freeways and defunct railroad lines attract homeless encampments in Project Area B.
- Residential areas in Project Area B are adjacent to the former power plant, designated as a hazardous waste site, located along Hunters Point shoreline in Project Area C.
- Portions of Project Area B are adjacent or nearby to the Hunters Point Shipyard, a Superfund site.
- Active and defunct rail lines create irregularly shaped parcels and impede traffic flow and development.
- Residences near the solid waste treatment plant are negatively impacted by the plant's odors.

Truck Routes

Truck traffic through the Town Center and residential neighborhoods is a critical problem affecting the quality of life in the Bayview. Access to and from I-280 ramps is particularly difficult for trucks servicing industrial businesses, due to narrow streets and constrained turning conditions. The lack of a Bay Bridge connection on I-280 acts as a further inducement for trucks to use Third Street and other local arterial streets as through-routes to connect with freeway access to the East Bay. The City and Agency have worked with the community to identify possible alternative truck routes to and through the community to reduce impacts on residents, employees and visitors. Trucks weighing more than 11,000 pounds are restricted from traveling along the portion of Third Street from LaSalle Avenue south to Bayshore Boulevard. Innes Avenue and Hunters Point Boulevard are also truck routes in need of traffic calming measures. In addition to designing truck routes, appropriate design and engineering standards are needed, especially as the Hunters Point Shipyard is redeveloped.

Residences near Solid Waste Treatment Plant

The Southeast Water Pollution Control Plant located on Phelps Street near the corner of Evans and Third streets processes 80 percent of the city's sewage, approximately 67 million gallons a day. Daly City and Brisbane, cities to the south of San Francisco, pump in about 2.6 percent of that total sewage.⁴¹ The plant, which was built between 1951 and 1952, began to draw the ire of residents in the 1970s as federal regulations required the City to update its treatment process and reduce sewage spills into the bay. To improve its treatment formula, the City expanded the southeast plant operation from processing one-fifth of the City's sewage from the surrounding district to 80 percent from most of the City's neighborhoods.

The Oakland-based Communities for a Better Environment conducted an air sample analysis at the plant in May 2001 and found chemicals such as Hydrogen sulfide, xylenes, MTBE, toluene and ethylbenzene at levels higher than average. While some of these chemicals are potential health hazards, CBE could not make conclusive statements about the health threat the level of chemicals from the plant may pose.

⁴¹ San Francisco Public Utilities Commission, www.sfwater.org.

3. Public Improvement Deficiencies [CRL Section 33030(c)]

Under the CRL, the presence of inadequate public improvements or inadequate water or sewer utilities cannot be the sole basis for characterization of an area as a blighted area. However, as specified in CRL Section 33030(c), such conditions may be considered as a contributing factor to blight when both physical and economic blighting conditions are present in a project area.

As discussed earlier in this chapter, field surveys were conducted to evaluate remaining physical and economic blighting conditions in Project Area B. These surveys also focused on the assessment of public infrastructure and facilities deficiencies. In addition, the consultants interviewed City and Agency staff on public improvement inadequacies and reviewed reports regarding infrastructure and water and sewer utilities.

The survey documented deteriorated public improvements on or adjacent to 866 of the 3,080 surveyed parcels, or 28 percent, of the properties in Project Area B. During the windshield survey and photographic documentation conducted in February 2009, these conditions continued to be observed. Public infrastructure inadequacies identified include missing or damaged curbs and sidewalks, deteriorated streets, and inadequate sewer utilities. Details of these deficiencies are described below.

a. Combined Sewer and Stormwater Drainage System

Project Area B is served by a combined sewer and stormwater system, which collects and transports sanitary sewage and stormwater runoff in the same set of pipes. The stormwater drainage for most of Project Area B is transported through the combined system, treated and eventually discharged to the Bay through outfalls and overflow structures along the shoreline.

Wastewater flows are transported to the Southeast Water Pollution Control Plant. During dry weather, all sanitary sewage generated in Project Area B is treated at the Southeast Water Pollution Control Plant. However, due to the addition of stormwater to the system during wet weather, a wide variation exists in the volume of wet weather flow. Although the combined sewer system is designed to handle a variety of wet weather flows, overflow frequencies have on occasion exceeded the system in recent years.⁴² In addition, during the photographic survey, the consultants noted two instances of standing water in Project Area B, at Yosemite Avenue and Griffith Street as well as at Candlestick Stadium, underscoring deficiencies in the system within Project Area B.

While patchwork improvements have been made along portions of Third Street, deficiencies exist in the stormwater drainage system in Project Area B. The San Francisco Public Utilities Commission (SFPUC) engages in ongoing initiatives and planning processes to identify and address deficiencies in the sewer and stormwater drainage systems. Due to the centrality of sewer and stormwater infrastructure in Project Area B, these efforts are often focused within

⁴² Final Environmental Impact Report for the Bayview Hunters Point Redevelopment Projects and Zoning (Final EIR (2006)), San Francisco Redevelopment Agency and San Francisco Planning Department, March 2, 2006, Chapter III.

Project Area B boundaries or within adjacent areas. Some of the efforts currently underway include:⁴³

- In 2005, the SFPUC initiated a five-year Wastewater Capital Improvement Program to address immediate needs in the City's wastewater system. Within this broader initiative, the Southeast Wastewater Treatment Plant Digester Odor Improvement Project focused on reducing wastewater odors in the neighborhood and maximizing energy reuse at the treatment plant.
- In 2006, the SFPUC began work on a San Francisco Sewer Master Plan, one component of which is to address overall system deficiencies, including aging infrastructure. The plan is currently undergoing environmental review.
- Through a collaboration of numerous city departments as well as the SFPUC, a draft of the Better Streets Plan was released in June 2008. The plan outlines strategies to design streetscapes in order to reduce overflows to the stormwater drainage system and the sewer infrastructure to the Bay, much of which is located within Project Area B.

Although the combined system is able to handle the dry weather flows, the system appears to be deficient during the wet weather periods.

b. Street Deficiencies

Project Area B is also characterized by extensive street deficiencies including deteriorated pavement, surface scaling and cracking, unimproved and non-paved roads, abandoned and deteriorating railroad tracks on roadways, and potholes. Such deficiencies contribute to traffic congestion and hazards, and increase the risk of motor vehicle accidents. Street deficiencies also contribute to traffic circulation problems, which ultimately can hinder industrial and commercial development.

Street deficiencies were observed on, but not limited to, the following streets in Project Area B: Napoleon Street, Carroll Avenue, Quint Street, Marin Street, Newcomb Avenue, Davidson Avenue, Palou Avenue, Key Street, McKinnon Avenue, Hunters Point Expressway, Armstrong Avenue, Van Dyke Avenue, Underwood Avenue, Crisp Road, Hawes Street, Wallace Avenue, and Hudson Avenue. Street deficiencies are further documented in Appendix B.

c. Curbing and Sidewalk Deficiencies

Curbing and sidewalk deficiencies are extensive in Project Area B. A significant number of curbs and sidewalks are missing or badly damaged and deteriorated. Such deficiencies, particularly evident in the industrial areas of Project Area B, force pedestrians to walk in active traffic lanes, creating pedestrian hazards and limiting pedestrian movement and accessibility.

Deteriorated curbs and sidewalks were observed on, but not limited to, Armstrong Avenue, Carroll Avenue, Keith Avenue, Bayshore Boulevard, Egbert Avenue, Thomas Avenue, Gilman Avenue, and Innes Avenue. Missing curbs and sidewalks were observed on Quint Street, Hawes Street, Evans Avenue, Jerrold Avenue, Newcomb Avenue, Selby Street, Armstrong Avenue, Donahue Street, Earl Street, Hunters Point Expressway, Wallace Street, Underwood Avenue,

⁴³ San Francisco Public Utilities Commission, www.sfwater.org.

Crisp Road, and Van Dyke Avenue. Curbing and sidewalk deficiencies are further documented in photographs included in Appendix B.

E. Remaining Adverse Economic Conditions in Project Area B

As required by the CRL, this section describes the economic blighting conditions in Project Area B. Adverse economic conditions contributing to the presence of blight are within four of the seven factors of economic blight as specified in the CRL and generally described as:

- Impaired property values due to hazardous wastes,
- Indicators of economically distressed buildings,
- Excess of problem businesses, and
- High crime rates.

Methodology

Economic blighting conditions were evaluated under the blight definitions contained in the CRL through the following methods:

- Field surveys of Project Area B existing conditions, including an existing conditions survey conducted for the 2006 Report and a 2009 analysis of remaining conditions.
- Photographic survey to document the prevalence of remaining adverse conditions conducted in 2009.
- Review and analysis of technical documents and data from public and private agencies.
- Interviews and discussions with government staff and persons knowledgeable about the area.

Refer to Appendix A for a complete list of documents, data sources and interviewees used in the economic blight documentation.

1. Impaired Property Values Due to Hazardous Wastes [CRL Section 33031(b)(2)]

This section describes the presence of hazardous wastes in Project Area B and how this presence impairs property values. These conditions indicate economic blight, as defined in CRL Section 33031(b)(2).

a. Definition of Hazardous Waste and the Polanco Act

CRL Section 33031(b)(2) states that impaired property values must be due in significant part to hazardous wastes where the “agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).” Article 12.5, commencing with Section 33459, of the CRL, is known as the Polanco Redevelopment Act (Polanco Act). The Polanco Act allows a redevelopment agency to take any actions necessary to address the release of hazardous substances on, under or from property within its project area. In return, the Agency, the developer of the property, and subsequent owners receive immunity from further cleanup liability. The Polanco Act shifts more liability for both site investigation and remediation to the party determined to be responsible for the release of hazardous materials, usually the property owner at the time of the release.

Section 33459(c) defines the hazardous substances subject to Polanco Act powers. It states:

“Hazardous substance” means any hazardous substance as defined in subdivision (h) of Section 25281, and any reference to hazardous substance in the definitions referenced in this section shall be deemed to refer to hazardous substance, as defined in this subdivision.

Subdivision (h) of Section 25281 of the California Health and Safety Code references other definitions of hazardous substances found in a variety of state and federal statutes. Through subsequent references, the Polanco Act incorporates most of the definitions in the existing state and federal environmental laws. For example, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as the federal Superfund law, lists well over 1,000 hazardous substances.⁴⁴ In addition, Section 25281 includes petroleum and petroleum byproducts, which other laws exclude.

In summary, the definition of hazardous substances in the Polanco Act is wide-ranging. Therefore, the types of hazardous waste that constitute the economic blight described in the Section 33031(b)(2) are numerous. The discussion of site-specific hazardous waste contamination in Section (d) below highlights the specific authorizing statute when known. Unless otherwise noted, this section uses the terms “hazardous waste” and “hazardous substance” interchangeably to refer to the materials of concern in this analysis.

According to the March 2006 Final Environmental Impact Report for the Bayview Hunters Point Redevelopment Projects and Zoning (Final EIR (2006)), sources of potentially hazardous waste that could affect soil or groundwater in Project Area B are historic uses of hazardous materials, identified environmental cases and spill sites, and fill materials used to reclaim areas of the Bay along the historic shoreline.

b. Impaired Property Values

The presence or potential presence of hazardous wastes on a property typically impairs property values because investigation, remediation, monitoring, and ongoing liability for environmental contamination are both costly and uncertain. Under federal laws, including CERCLA, the Resource Conservation and Recovery Act (RCRA), and others, property owners may be held liable for past chemical releases, even though they were not directly responsible for the conditions that gave rise to the liability. Therefore, prior to purchasing or entering into contract to develop a site, a developer must undertake extensive environmental investigations to determine whether hazardous wastes are present.

In addition, the San Francisco Health Code contains several provisions regulating hazardous waste testing, management, and cleanup. Article 22A, the Maher Ordinance, requires investigation and remediation of sites eastward of the historic high tide line in an area of Bay fill as part of the building permit process. Articles 21, 21A, and 22 require monitoring and risk management of any sites that generate or store hazardous wastes. The cost of conducting any potential remediation is uncertain, and delays are often associated with obtaining governmental approvals before development of contaminated or remediated sites may begin. The requirements of the Maher Ordinance are discussed in more detail in subsection c. below.

⁴⁴ Table 302.4, 40 CFR 302.4.

According to a general contractor active in Northern California, the additional costs involved with hazardous materials reporting, clean up and on-going monitoring can prohibit the development of contaminated sites. For example, a site with a leaking underground storage tank (LUFT) would require a more substantial environmental review prior to development, easily costing upwards of \$15,000. The removal of the tank and backfill of the area with clean, engineered fill starts at \$100,000 for a fairly straight forward clean up. The longer the LUFT has been in place, the more costly the clean up process. Finally, all remediated sites require on going site monitoring for many years adding an additional operating cost for a least a decade. More complicated hazardous material clean up efforts can easily cost exponentially more than a LUFT clean up.

Given added costs and risks, the presence of hazardous wastes on properties often serves as a disincentive to redevelop the properties and depresses their values. The disincentive to redevelop causes properties to remain economically stagnant with fewer turnovers. Properties with hazardous materials often lie vacant and are not reused by the property owner or actively marketed for sale. Since major development efforts often trigger the need for environmental testing, property owners that suspect but have not confirmed the presence of hazardous wastes may not wish to undertake such efforts. A lack of investment in properties due to potential or confirmed hazardous wastes impairs property values.

Hazardous wastes may also impair sale prices when a property changes ownership. Due to the costs and risks described above, potential buyers may offer lower prices to account for expected remediation needs. Pre-sale negotiations often address the responsibilities of each party to remediate hazardous wastes. These negotiations add to the cost of the transaction and likely depress the sales price. Overall, these costs and risks often depress the resale value of contaminated properties as compared to similar sites without contamination history.

c. Hazardous Wastes in Project Area B

Historical Land Uses Contributing to the Presence of Hazardous Materials

According to the Final EIR (2006), historic land uses contribute to the potential contamination of soil and groundwater in Project Area B. A significant portion of Project Area B has been used for industrial purposes since the 1800s, including industries such as lumber, tallow, tannery, and automotive repair. Some specific historical land uses that may be associated with hazardous materials in Project Area B include gasoline service stations, oil storage facilities, automotive shops, dry cleaning operations, tallow and tannery operations, and printing shops. These land uses are commonly associated with the use of petroleum products, metals, solvents, acids, caustics, and polychlorinated biphenyls (PCBs). Furthermore, former lumberyards are potential sources of the chemical creosote. Considering that the historic uses of hazardous materials utilized at these sites were generally not well regulated, it is likely that hazardous materials were released into the soil and groundwater in Project Area B.⁴⁵

Environmental Cases and Spill Sites

Sites suspected of releasing hazardous materials or that have had cause for hazardous materials investigations also heighten the potential of soil and groundwater contamination in Project Area B. Identification of hazardous materials in the soil or groundwater at these sites is

⁴⁵ Final EIR (2006), Chapter III.

generally due to site disturbance activities such as the removal or repair of an underground storage tank, a spill of hazardous materials or excavation for construction. The Final EIR (2006) identified over 100 properties as environmental cases in Project Area B and 37 spill sites. The primary environmental cases identified within Project Area B include 108 sites with LUFTs, which generally involve the release of petroleum products. The Final EIR (2006) also identified the following, as summarized in Table III-5.⁴⁶

- Five sites under the jurisdiction of the California Regional Water Quality Control Board.
- One enforcement action taken under RCRA.
- One site that have entered into voluntary clean up agreements with the California Department of Toxic Substances Control.
- One site with a deed restriction.
- Four facilities that have reported a release that could threaten a drinking water source.
- One waste management units.
- Eight active, inactive or closed solid waste disposal sites.
- Four sites for which waste discharge requirements have been issued.
- Three potential hazardous waste sites identified by the California Department of Toxic Substances Control.
- Four administrative, enforcement or compliance actions related to the Federal Insecticide, Fungicide and Rodenticide Act.

Of the 37 spill sites identified within Project Area B, 17 were reported to federal authorities, 16 were reported to the California Office of Emergency Services and 4 were reported to the U.S. Department of Transportation.⁴⁷ Figure III-7 shows the location of the environmental cases and spill sites in Project Area B.

Contaminated Fill Materials

As described earlier, beginning in the 1850s, the shallow margins of the Bay were filled to extend the shoreline. The majority of the shoreline in Project Area B was filled between 1906 and 1940. The Final EIR (2006) states that material used to fill the shoreline generally consists of a mix of gravel, sand and clay, construction debris (wood, brick, glass fragments), broken rock from Potrero Hill and debris from the 1906 earthquake and the resulting fire. These materials, particularly earthquake debris, are known to contain hazardous materials such as polynuclear aromatic hydrocarbons (PNAs), heavy metals, oil and grease and volatile organic compounds (VOCs).⁴⁸

⁴⁶ Final EIR (2006), Chapter III. The Final EIR (2006) includes cases in Bayview Industrial Triangle, Indian Basin Industrial Park and a portion of the Hunters Point Shoreline Project Area that has been removed. These numbers reflect only cases in Project Area B.

⁴⁷ Final EIR (2006), Chapter III.

⁴⁸ Final EIR (2006), Chapter III.

**Table III-5
Summary of Environmental Cases and Spill Sites
Bayview Hunters Point Redevelopment Project Area B**

Environmental Cases Identified on Regulatory Database	Name and Description of Regulatory Database where Cases are Listed
5	Spills, Leaks, Investigation, and Cleanup Cost Recovery Listing (CA SLIC) – sites under the jurisdiction of the San Francisco Bay Regional Water Quality Control Board
1	RCRA Administrative Action Tracking System (RAATS) – enforcement actions taken under RCRA pertaining to major violations
1	Low threat sites that have entered voluntary cleanup agreements with the DSTC (VCP)
1	List of Deed Restrictions (DEED) – sites which have been issued a deed restriction because of the presence of hazardous materials.
4	Proposition 65 Records (NOTIFY 65) – facilities that have reported a release that could threaten a drinking water source.
1	Waste Management Unit Discharge System (WMUDS/SWAT) – waste management units
8	Solid Waste Information System (SWFLF) -active, inactive or closed solid waste disposal sites
4	Waste Discharge System (WDS) – sites which have been issued waste discharge requirements
3	Cal Sites (CAL-SITES) – potential hazardous waste sites identified by the DTSC.
4	Federal Insecticide, Fungicide, and Rodenticide Act/TSCA (FTTS) – administrative, enforcement, and compliance actions related to the Federal Insecticide, Fungicide, and Rodenticide Act.
108	Leaking Underground Storage Tanks (LUST).
108	Cortese Hazardous Waste and Substances Site List (CORTESE) – a compilation of sites listed in the LUST, SWFLF, and CAL-SITES databases.
7	CERCLIS No Further Action Planned (CERCLIS NFRAP) – sites previously identified under CERCLIS but designated for no further action.

Source: FEIR, p. III.K.8-9.

The City's regulation from the Health Code with respect to analyzing soil for hazardous waste, the Maher Ordinance (Article 22A of the San Francisco Public Health Code), imposes major requirements on projects that involve the disturbance of more than 50 cubic yards of soil located eastward of the historic high tide line in an area of Bay fill.⁴⁹ According to the Article 22A, requirements involve, but are not limited to, the following: (1) preparation of a site history report to describe past uses and identify whether the site is listed as a hazardous waste site pursuant to state or federal regulations, (2) implementation of a soil investigation to evaluate the potential presence of hazardous wastes in the soil, (3) preparation of a soil analysis report that evaluates the results of chemical analysis in the soil samples, and (4) preparation of a site mitigation report, if contamination is identified, assessing potential environmental and health and safety risks and recommending measures to mitigate the risks. Significant portions of Project Area B are located eastward of the historic high tide line and would be subject to the requirements of Article 22A (if the construction of the project would include the disturbance of more than 50 cubic yards of soil).⁵⁰ Figure III-8 shows the location of the 1859 historic shoreline and illustrates areas of landfill.

2. Indicators of Economically Distressed Buildings [CRL Section 33031(b)(3)]

This section documents the presence of the blight condition of economic indicators of distressed buildings in Project Area B, as defined in CRL Section 33031(b)(3). The indicators present in Project Area B include abnormally high business vacancies and abnormally low lease rates.

a. Abnormally High Business Vacancies

Industrial

In 2004, Seifel Consulting surveyed brokers on commercial spaces in the Bayview. Smaller industrial space (i.e., less than 10,000 square feet) was quite active in San Francisco at the time of the survey. However, large industrial space (greater than 50,000 square feet) had a very low demand. Approximately 90 percent of the deals completed were for tenants looking for 2,000 to 10,000 square feet, with an average requirement of 6,000 square feet.⁵¹ Minimal demand existed for large industrial spaces in San Francisco. The low demand for large industrial spaces continues to exist in 2009. Brokers reported that the Bayview has several large industrial properties, such as Just Desserts and the Swiss American Sausage Company, which have been vacant for significant periods of time or are underutilized.⁵²

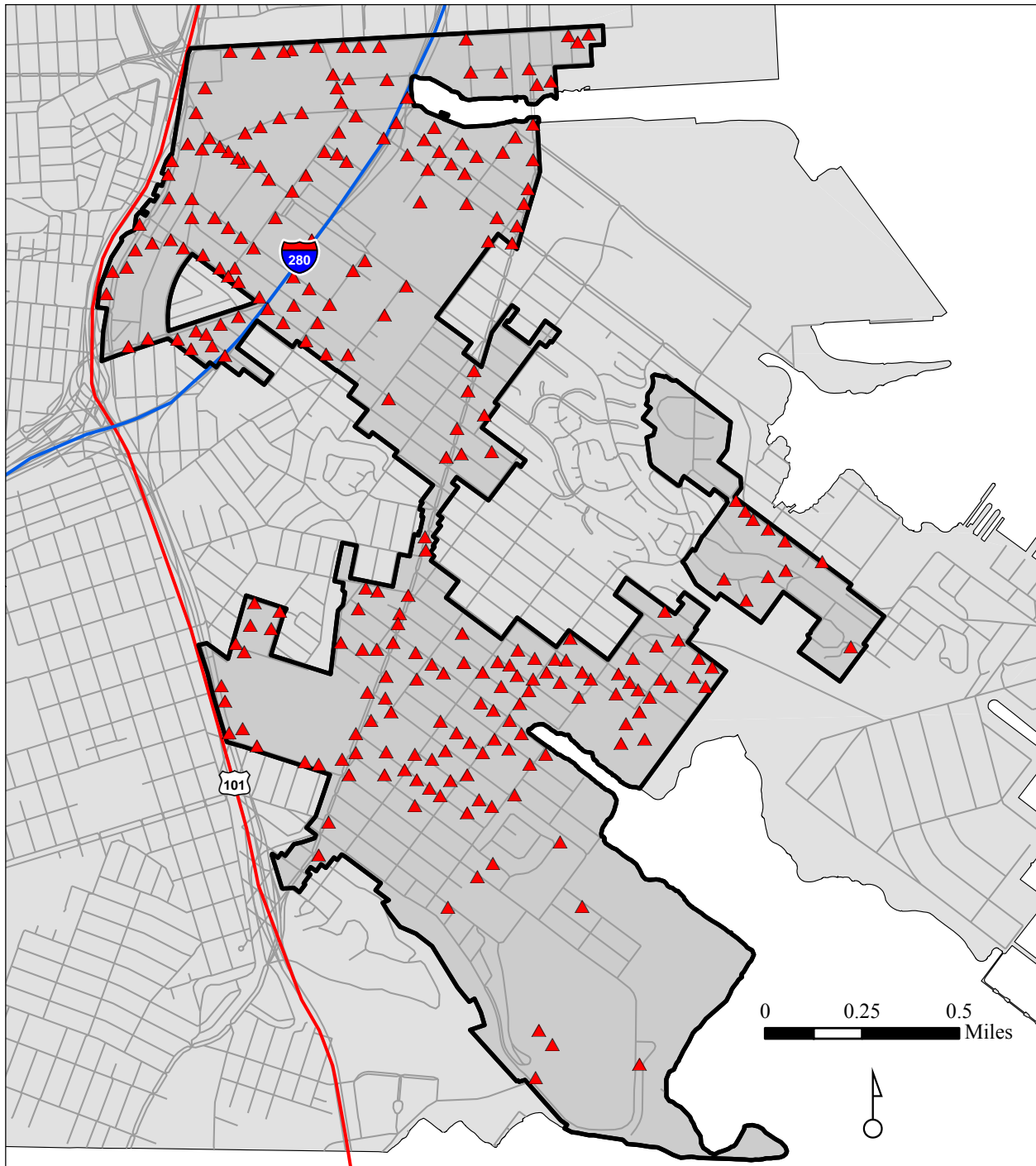
⁴⁹ Section 1222 of Article 22A provides a waiver for the requirements if a property has been continually zoned and used for residential property since 1921.



⁵⁰ Final EIR (2006), Chapter III.

⁵¹ Chris Harney, HC&M Commercial, April 13, 2004.

⁵² Chris Harney and Joe Harney, HC&M Commercial, April 22, 2004 and December 16, 2005.

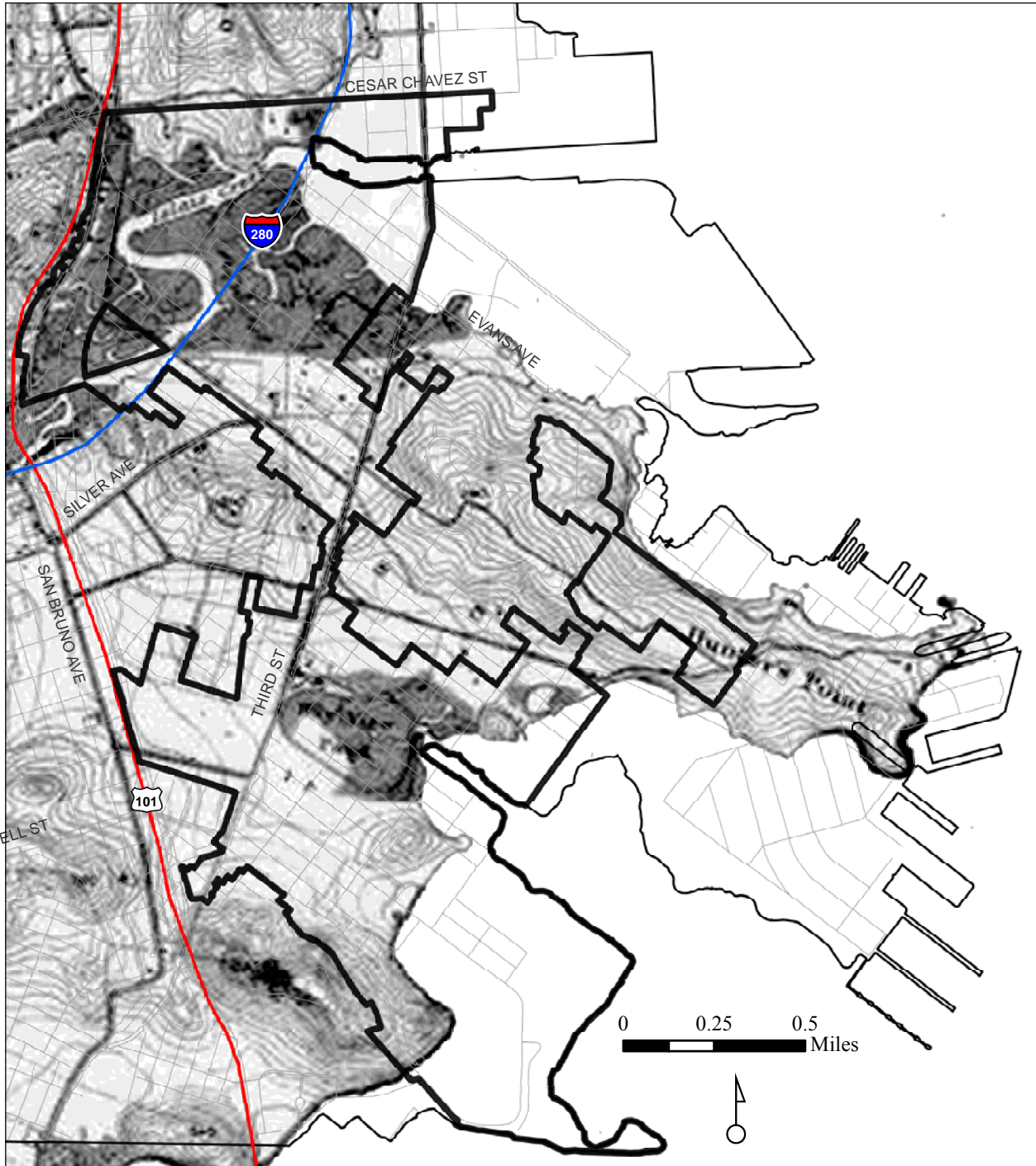
Figure III-7
Environmental Cases and Spill Sites
Bayview Hunters Point Redevelopment Project Area B





-  Project Area B
-  Approximate Locations of Listed Sites

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Figure III-8
 Present Day Shoreline / 1859 Shoreline
 Bayview Hunters Point Redevelopment Project Area B



-  Project Area B
-  San Francisco Shoreline (2009)
- Contour Map: 1859 Shoreline

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A discrepancy exists in the market between the weakened demand for large industrial buildings and the supply of large industrial spaces that has not been addressed. In addition, it would be infeasible to subdivide these large properties due to the costly nature of adding subdividing firewalls, reconfiguring the space to suit multiple users, and a lack of street frontage for each new subdivided space.⁵³ These modern properties remain vacant or are underutilized and contribute to a significant amount of vacant or underutilized buildings in Project Area B.

Furthermore, it should be noted that a considerable number of large industrial businesses with an average space requirement of 40,000 square feet have left the City. Many of the businesses that left were formerly located in or near Project Area B and include Parisian Bakeries Inc., Mulholland Brothers leather goods, Swiss American Sausage, Odwalla Juice, and Just Desserts. The loss of large industrial operations in Project Area B means more vacant and underutilized large buildings with little chance of being leased in the current industrial market. The departure of many of these businesses has left Project Area B with several large vacant or underutilized properties.

Appendix B includes photographs of vacant industrial buildings.

Retail

Most retail properties in Project Area B are located along two corridors: Third Street and Bayshore Boulevard. Some retail exists along Oakdale Avenue, interspersed between industrial uses. Local real estate brokers interviewed for the 2006 Report noted that retail properties have long suffered from higher vacancy levels than other comparable areas, a condition exacerbated by the perception of crime in the area.⁵⁴ According to local brokers, crime continues to be a deterrent to businesses that wish to locate in Project Area B as it keeps customers away and creates security costs (such as 24-hour security) that must be absorbed by landlords or tenants.⁵⁵ One illustrative example of the additional costs that businesses in Project Area B must incur due to crime is that the Walgreens store located on Third Street and William Avenue spends \$15,000 per month on security measures and still loses about \$400 per day in merchandise theft.⁵⁶ Section E.4 describes high crime rates in Project Area B in further detail.

The 2003 Conley Consulting Group Third Street Retail Assessment documented how retail property along the Third Street corridor suffers from high vacancy rates. The Office of Economic and Workforce Development (OEWD) and the Local Initiatives Support Corporation (LISC) have done yearly updates between 2005 and 2008 to the survey of retail establishments on Third Street, which show that vacancies have increased since 2003.⁵⁷ No research was available from 2004. As can be seen in Table III-6, the retail vacancy rate along the portion of Third Street located within Project Area B experienced a sharp increase between 2003 and 2005, has ranged from 24 and 31 percent between 2005 and 2008. This sustained high rate of retail vacancy on Third Street

⁵³ Chris Harney, HC&M Commercial, April 15, 2009.

⁵⁴ Refer to Appendix A for a list of brokers interviewed for this report.

⁵⁵ Luis Cornejo, Starboard TCN Commercial Group, December 23, 2008.

⁵⁶ Interview with Mark Reid, Manager of Walgreen's at 5300 Third Street, April 2009.

⁵⁷ The Conley Third Street Retail Assessment and the MOEWD/LISC studies surveyed business establishments along Third Street, between Evans Avenue and Underwood Avenue. Most establishments were occupied by retail businesses, but some were occupied by nonprofit/religious or public administration uses, which are counted as non-vacant outlets.

continues to illustrate the state of economic distress in Project Area B and contributes to the presence of other blighting conditions, such as depreciated property values, problem businesses and high crime rates.

**Table III-6
Third Street Retail Vacancies
Bayview Hunters Point Redevelopment Project Area B**

Category	2003	2005	2006	2007	2008
Vacant	13	40	43	42	39
Total Outlets	142	127	144	135	160
Percentage	9%	31%	30%	31%	24%

Source: Conley Consulting Group, Third Street Retail Assessment, 2003; Office of Economic and Workforce Development, Local Initiatives Support Corporation, 2005-2008.

Bayshore Boulevard also suffers from a large number of vacancies from large vacant buildings formerly used for regional retail. The former Goodman’s Lumber site at Cortland Avenue and Bayshore Boulevard is a 50,000 square foot property that has been vacant since 2000, while the Whole Earth Access site on Bayshore Boulevard adjacent to the former Goodman’s site to the north, has been vacant for at least 13 years. Home improvement retailer Lowe’s has signed a lease and site preparation is underway at the Goodman Lumber site.⁵⁸

Appendix B includes photographs documenting several vacant and underutilized commercial retail buildings.

b. Abnormally Low Lease Rates

Industrial

The industrial space available in Project Area B as well as across the City is limited, a condition that typically drives lease rates up. In particular, small space for local contractors is in high demand. However, industrial lease rates in the Bayview are abnormally low for such a tight market. The survey conducted by Seifel Consulting in 2008 and 2009 found that industrial lease rates in Project Area B ranged from \$0.50 to \$1.00 per square foot (industrial gross), depending on location and the quality of the product. According to Chris Harney of HC&M Commercial Properties, the industrial pocket located in the wedge between Bayshore Boulevard and Cesar Chavez commands the highest rates in Project Area B (closer to \$1.00 per square foot) due to its proximity to Interstates 101 and 280 and lack of conflicts with residential uses.⁵⁹ In addition, buildings in this area tend to be of concrete construction, which commands higher rates. By contrast, Mr. Harney states that locations in the South Basin area (generally east of Third Street, north of Egbert Avenue and south of Underwood Avenue) command lease rates closer to \$0.50 per square foot, primarily due to the perception of higher crime activity arising from proximity to residential uses as well as less desirable building types.

⁵⁸ “Lowe’s to Move Forward Soon on S.F. Store,” The San Francisco Chronicle, October 22, 2009.

⁵⁹ Chris Harney, HC&M Commercial, April 15, 2009.

The average lease rate in Project Area B is lower than that of other industrial areas in San Francisco and neighboring cities. The average lease rate for industrial space in the Project Area (\$0.82 per square foot) is lower than the fourth quarter 2008 weighted average lease rate for manufacturing and warehouse space in the greater Bayview district of \$0.90 per square foot.⁶⁰ Average rates in other neighborhoods in San Francisco, such as Mission/SOMA (\$1.18 per square foot) and Dogpatch/Potrero (\$0.94 per square foot), are also higher. Among inner Bay Area locations, the average lease rate in Project Area B is only higher than Oakland (\$0.58 per square foot) and is comparable to Emeryville (\$0.83 per square foot), but is lower than Brisbane, South San Francisco/San Bruno and Berkeley, as illustrated in Table III-7.

**Table III-7
Industrial Gross Lease Rates
Bayview Hunters Point Redevelopment Project Area B**

Location	Lease Rates per Square Foot
Project Area B^a	\$ 0.82
Bayview (General) ^b	\$ 0.90
Dogpatch/Potrero	\$ 0.94
Mission/SOMA	\$ 1.18
Brisbane	\$ 0.94
South San Francisco/San Bruno	\$ 0.88
Oakland	\$ 0.58
Berkeley	\$ 0.95
Emeryville	\$ 0.83

- a. Average of available listed space. Brokers report \$0.50- \$1.00 per square foot for Project Area B.
b. Includes industrial properties outside of Project Area B in areas such as India Basin Industrial Park and Bayview Industrial Triangle.

Source: BT Commercial San Francisco Warehouse Report, Fourth Quarter 2008, Seifel Consulting Inc.

Brokers interviewed by Seifel Consulting for the 2006 Report and again in 2009 cited several reasons for the lower lease rates commanded by industrial space in Project Area B.⁶¹ All brokers cited crime as a major impediment to business in the Project Area. As noted above, the perception of higher crime in the South Basin area depresses lease rates there, as compared to the northwest portion of the Project Area. Two brokers cited the Bayview “name” or reputation, and its association with lack of safety, as a major deterrent to tenants. Brokers also cited inadequate infrastructure and accessibility, particularly roads that do not accommodate large trucks, as impediments to industrial activity in Project Area B. Lastly, brokers noted that high “costs of doing business” in San Francisco push large tenants towards other cities, and as a result, large industrial properties in the Project Area are difficult to lease out. One broker noted that properties

⁶⁰ BT Commercial, San Francisco Industrial Report, Fourth Quarter 2008. All rates quoted as industrial gross, unless otherwise noted. The greater Bayview district in the BT Commercial report includes areas with newer industrial properties such as the India Basin Industrial Park and the Bayview Industrial Triangle.

⁶¹ See Appendix A for a full list of the brokers interviewed for this Report.

between 2,000 and 5,000 square feet can still serve as incubator space, but larger and older industrial properties in Project Area B are difficult to break up into smaller units that would better meet market demand.

Retail

According to local brokers, neighborhood commercial lease rates in Project Area B in 2009 were among the lowest in the City. Lease rates at “top of the market” locations along Third Street were between \$1.75 and \$2.00 per square foot. Brokers cited that even these locations along Third Street were a “tertiary market” commanding much lower lease rates than other San Francisco commercial corridors such as Geary Boulevard (\$2.50 to \$3.00 per square foot) and Valencia Street (\$4.00 per square foot). Only very new or recently renovated locations, such as the new Javalencia coffee shop (on Third Street and Fairfax Avenue, outside of Project Area B) commands higher lease rates (\$2.00 to \$2.25 per square foot). However, one broker noted that due to the perception of high crime and lack of safety, landlords typically do not have an incentive to improve their buildings and “wait for things to fall apart.”

Bayview neighborhood commercial establishments struggle to attract desirable tenants due to the poor condition of buildings along Third Street, the high crime rate, and public improvement deficiencies. Moreover, the ability to attract tenants is hampered by the lack of local brokers specializing in the area. Retail brokers tend to specialize in geographic areas with a concentration of retailers. The perception of the brokerage community is that the Bayview retail market is weak or non-existent for neighborhood serving retailers. The area will likely continue to struggle unless this perception is changed through redevelopment assistance.

3. Excess of Problem Businesses [CRL Section 33031(b)(6)]

An excess of bars, liquor stores, or other businesses catering exclusively to adults remains a factor of economic blight that has led to problems of public safety and welfare. Third Street, which runs north south through the center of Project Area B, has a high concentration of bars and stores selling liquor. The presence of so many of these establishments has contributed to public safety and general welfare problems in Project Area B, including loitering, littering and drug trafficking.

The California Department of Alcoholic Beverage Control (ABC) regulates alcoholic beverage licenses. Several subcategories of licenses exist, but the overarching categories are on-sale licenses and off-sale licenses. On-sale licenses allow the consumption of alcoholic beverages on the premises, such as a restaurant or bar, while off-sale licenses are for the sale of alcoholic beverages that are consumed off the premises, such as a package store or grocery store.⁶² Off-sale licensed facilities such as liquor stores attract loitering and are a primary location of graffiti in Project Area B.

When an applicant applies for an alcoholic beverage license, ABC notifies the Board of Supervisors and agencies such as the City’s police, health and planning departments. ABC also requires a 30-day posting period for public notification. ABC reviews and investigates the applicant during this time, and also considers if the license will be used in a problem area or an area with an over-concentration of licensed properties. If an applicant meets the requirement,

⁶² A package store is a term used by ABC to describe an outlet selling primarily alcoholic beverages.

he/she will be granted a license if the maximum number of licenses allowed has not been reached. However, if the applicant can prove that granting the license would serve a public necessity or convenience then the license can be approved regardless of whether the maximum number of licenses has been reached. The number of licenses allowed in an area is determined by population, according to the most recent U.S. Census.

The current ABC ratios are one on-sale license per 2,000 population, and one off-sale license per 2,500 population. These determinations only guide the licenses issued for selling hard liquor. No restrictions exist for limiting the number of outlets selling beer and wine only. This can lead to a high concentration of outlets selling alcohol in an area despite the ABC limitations.

In order to assess the number of alcoholic beverage licenses within Project Area B, license data was obtained from the ABC for the ten Census Tracts that contain Project Area B.⁶³ According to ABC ratios, 101 on-sale licenses and 42 off-sale licenses could be licensed in the Census Tracts that contain Project Area B.

As of 2009, 27 establishments had active on-sale licenses and 26 establishments had active off-sale licenses in the Census Tracts that contain Project Area B. These ten Census Tracts also include areas and populations located outside of Project Area B. Focusing only on Project Area B, 22 of the 27 active on-sale licenses, or 81 percent, were located in Project Area B, while 13 of the 26 active off-sale licenses were in Project Area B, or 50 percent. Essentially one alcoholic beverage license exists per 567 residents in Project Area B, a concentration that is three to four times greater than the ABC ratio of licenses to population.⁶⁴

Many of the off-sale establishments are concentrated along Third Street. Of particular note is Census Tract 0230.02, which encompasses the segment of Third Street between Jerrold and Revere Avenues. This tract has an over-concentration of off-sale licenses, with five active off-sale licenses in a tract where only three off-sale active licenses would be allowed under ABC ratios.

For at least the past decade, Bayview community members have expressed concerns about the concentration of businesses selling alcoholic beverages along the Third Street corridor in the Bayview. A negative perception is fostered along the corridor by the image and appearance of Third Street with liquor stores and loitering, vacant buildings and lots, and security bars or gates covering most storefronts. The section of the Third Street corridor that is located in Project Area B contains nine package stores and one bar, a slight improvement from the 12 package stores and one bar reported in the 2006 report.

In response to community concerns, the area's representative to the Board of Supervisors, District 10 Supervisor Sophie Maxwell, led the charge to create the Third Street Alcohol Restricted Use District (RUD), which prohibits new liquor establishments and regulates existing non-conforming liquor establishments. The Third Street Alcohol RUD is generally bounded to the north by Islais Creek; to the west by Quint, Phelps, and Tampa Streets, Bridgeview Drive, Newhall and Venus Streets, and Egbert Avenue; to the South by US Highway 101; and to the east

⁶³ The Census Tracts used for this analysis are 0230.01, 0230.02, 0230.03, 0231.01, 0231.03, 0232, 0233, 0234, 0609, and 0610.

⁶⁴ This is based on total 2000 population in Project Area B of 19,833.

by Mendell Street, La Salle Avenue, and Keith, Palou, Jennings and Ingalls Streets. The legislation, adopted in 2003, includes the following language:

There is an unusually large number of establishments dispensing alcoholic beverages, including beer and wine, for both on-site and off-site consumption in the Bayview Area. The existence of this many alcoholic beverage establishments appears to contribute directly to numerous peace, health, safety and general welfare problems in the area, including loitering, littering, drug trafficking, prostitution, public drunkenness, defacement and damaging of structures, pedestrian obstructions, as well as traffic circulation, parking and noise problems on public streets and neighborhood lots.⁶⁵

The impact of the ordinance has been successful in making it more difficult to acquire new licenses for Third Street establishments and classifying such existing establishments as “non-conforming uses.” Under the ordinance, the number of permitted packages stores along the Third Street corridor has been reduced from 12 to 9, and a liquor license can only be obtained along with conditions associated with requisite conditional use permit. No stores have been issued a conditional use permit. The SFPD, the City Attorney and the Supervisor Maxwell’s office have been working together to promote stronger enforcement of existing liquor providing establishments through citations and the submission of evidence of violations to ABC to facilitate disciplinary action.⁶⁶ However, the over-concentration of liquor stores in the Project Area remains an economic blighting condition, and the ongoing health and safety concerns are as prevalent as they were prior to the ordinance and in the documentation of the 2006 Report.

Moreover, interviews with the SFPD reveal that many criminal activities, such as assault, drug use and dealing, loitering and harassment, robbery and public drunkenness, occur in the vicinity of Project Area B liquor stores, especially along Third Street, and some occur within the establishments themselves.⁶⁷ Numerous Project Area liquor store owners and merchants invest in security measures, such as security cameras and locked cases, to combat criminal activity in and around their stores (see Appendix B for photographic documentation). In 2006, a liquor store owner in the Project Area who employed such security measures and sought to reduce criminal activity in and around his store was murdered.

The multitude of bars and stores selling alcohol in Project Area B can be seen in Table III-8, and the over-concentration along Third Street is clearly demonstrated in Figure III-9. Many retail establishments near these adult-serving businesses have closed and have not been replaced, contributing to the Third Street corridor’s decline.

⁶⁵ City of San Francisco Ordinance 67-03, Section 2.

⁶⁶ Interview with Jon Lau, Supervisor Maxwell’s Office, March 2009.

⁶⁷ Interview with Captain John Loftus, SFPD Bayview District Station, April 2009.

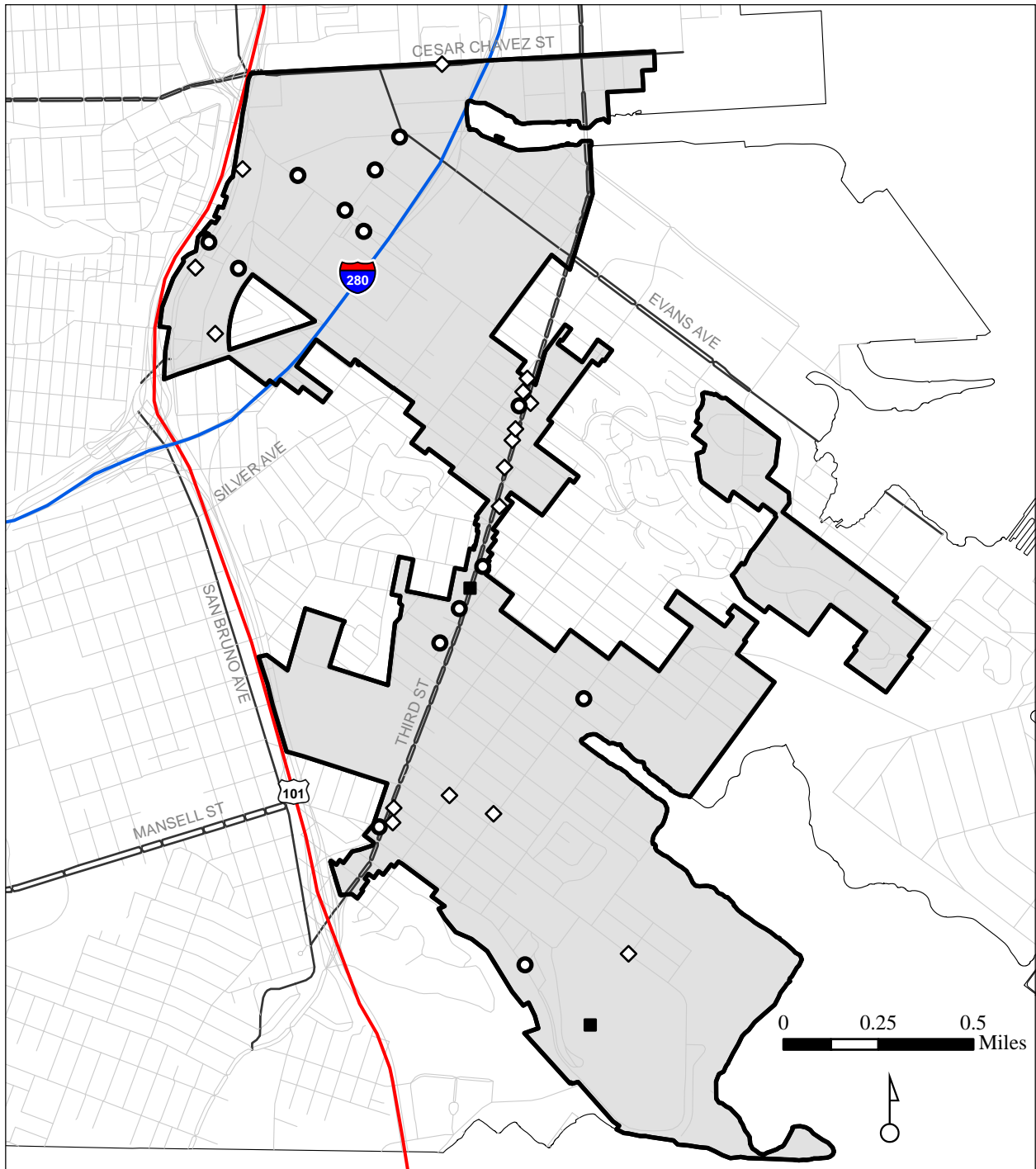
**Table III-8
Active Alcoholic Beverage Licenses in Project Area B by Type
Bayview Hunters Point Redevelopment Project Area B**

Census Tract	On/Off sale	Type	Licensed Premises Address
023002	Off	Package Store	4500 Third Street
023002	Off	Package Store	4830 Third Street
023002	Off	Package Store	4700 Third Street
023002	Off	Package Store	4400 Third Street
023101	Off	Package Store	4517 Third Street
023200	Off	Package Store	5001 Third Street
023400	Off	Package Store	6275 Third Street
023400	Off	Package Store	2830 Ingalls Street
023400	Off	Package Store	1300 Fitzgerald Avenue
060900	Off	Package Store	355 Bayshore Boulevard
060900	Off	Package Store	1740 Cesar Chavez
060900	Off	Package Store	201 Bayshore Boulevard
061000	Off	Package Store	650 Gilman Avenue
023002	On	Restaurant	4508 Third Street
023003	On	Restaurant	5298 Third Street
023103	On	Restaurant	840 Innes Avenue
023200	On	Bar, Night Club	5267 Third Street
023200	On	Bar, Tavern	Candlestick Park Stadium
023200	On	Restaurant	Candlestick Park Stadium
023200	On	Restaurant	2101 Ingalls Street
023200	On	Restaurant	5251 Third Street
023300	On	Restaurant	1705 Yosemite Avenue
023300	On	Restaurant	6286 Third Street
060900	On	Package Store	550 Barneveld Avenue
060900	On	Restaurant	480 Toland Street
060900	On	Restaurant	16 Toland Street
060900	On	Restaurant	150 Toland Street
060900	On	Restaurant	2723 Oakdale Avenue
060900	On	Restaurant	2045 Jerrold Avenue
060900	On	Restaurant	1599 Tennessee Street
060900	On	Restaurant	1850 Cesar Chavez
060900	On	Restaurant	299 Bayshore Boulevard
060900	On	Restaurant	2246 Jerrold Avenue
061000	On	Restaurant	2011 Bayshore Boulevard
061000	On	Restaurant	2011 Bayshore Boulevard ^a

a There are two establishments at this address, each with its own separate license. Hence, both licenses have been included in the table.

Source: Department of Alcoholic Beverage Control (website query), March 9, 2009.

Figure III-9
 Concentration of Alcoholic Beverage License Locations
 Bayview Hunters Point Redevelopment Project Area B



 Project Area B	 Bar, Night Club
	 Package Store
	 Restaurant



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4. High Crime Rate [CRL Section 33031(b)(7)]

Another enduring factor of economic blight is a high crime rate that constitutes a serious threat to public safety and welfare. In order to demonstrate both the severity and breadth of criminal activity contributing to an environment that is unsafe for residents and unattractive to economic development, Seifel Consulting drew from a number of sources, including:

- Crime incidence data from the San Francisco Police Department (SFPD) and San Francisco Controller's Office;
- Interviews with the SFHA and local law enforcement officials of the SFPD;
- Interviews with local real estate brokers and merchants;
- Relevant reports and surveys produced by City departments and nonprofit organizations; and
- Articles published in local news media.

Project Area B is located in the Bayview District of the San Francisco Police Department (SFPD), which is served by the Bayview Station located at 201 Williams Street. Data and information on Part I crimes were collected from, and interviews were performed with, the SFPD and the SFHA for Project Area B crime analysis. Part I crime offenses consist of criminal homicide, forcible rape, robbery, aggravated assault, burglary, motor vehicle theft, other larceny theft, and arson. For purposes of this report, data was not collected for arson. Project Area B is comprised of approximately 43 SFPD plots, as shown in Figure III-10.⁶⁸ Each SFPD district is divided into areas called plots for purposes of patrolling and reporting crimes. A plot was included in the analysis if the majority of the plot's area is located in Project Area B. All plots located along Third Street were included in the analysis since a high rate of criminal activity continues to occur along this commercial corridor.

Project Area B is plagued by a high crime rate that constitutes a serious threat to the public safety and welfare of its citizens. Violent crimes, which include homicide, rape, robbery and aggravated assault, are particularly problematic in Project Area B.⁶⁹ Based on crime mapping by the SFPD, Project Area B is situated within a designated high crime area. As a result of this designation, the Bayview district became one of the five areas subjected to the Zone Enforcement Program. The program, coordinated by the SFPD's Field Operations Bureau, allocates additional police officers, such as special units and motorcycle cops, directly into these zones.

In 2008 and 2009, consultant interviews with the SFPD confirmed areas of crime hotspots within Project Area B and the tactics employed to address crime in those areas:

- Third Street remains Project Area B's most visible crime hotspot. While robberies pose the greatest threat to residents and businesses along Third Street, a range of crimes are committed along the Project Area's major commercial corridor. Increased foot patrols and collaboration with local merchants constitute some of the significant law enforcement effort through the center of the Project Area.

⁶⁸ Plots 351 and 374, although in Project Area B, did not contain crime incident data and were not included in the analysis. As discussed earlier in this chapter, SFPD believes Plot 351 crime incidents were included in Plot 352 due to computer error, but could not confirm. According to SFPD, it is possible that plot 374 had no crime incidents from 1999 through 2003.

⁶⁹ Interview with Captain Loftus, Bayview District, SFPD, April 2009.

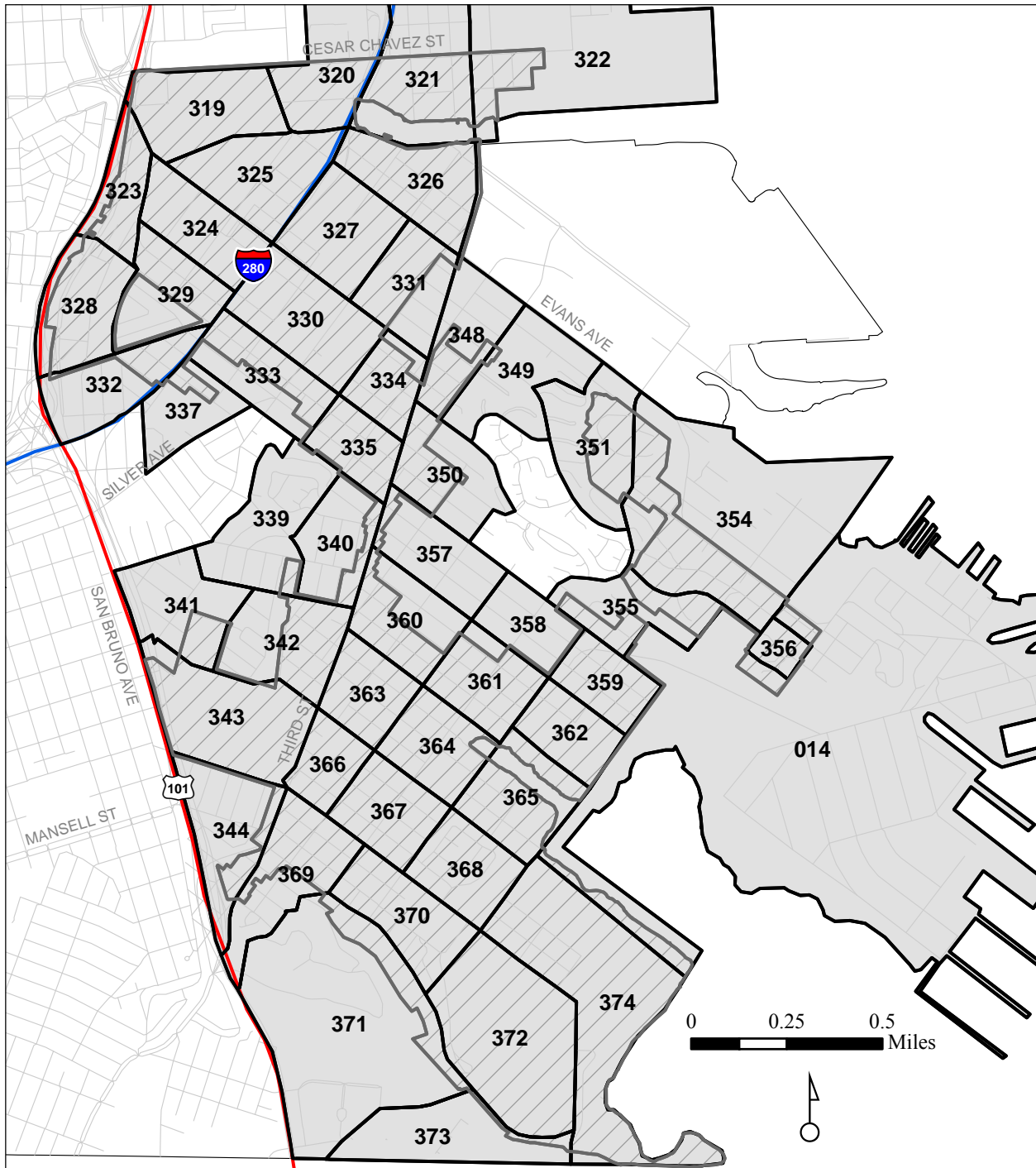
- Newhall Street is a target of drug-related and other criminal activity, particularly where it intersects with Newcomb Avenue. In February 2009, a raid of a Project Area B home on the 1500 block of Newhall resulted in four arrests and the dismantling of clearinghouse for gambling, drug use and identity theft.
- Shafter Avenue has been identified as a hotspot, a byproduct of the displacement of loiterers on Third Street as a result of increased police presence. Keith Street, which intersects Shafter Avenue two blocks east of Third Street, has also recently experience in an increase in criminal activity. A recent effort has concentrated more resources from the Bayview District station at this intersection and surrounding blocks.
- The intersection of Ingalls Street and Hudson Avenue, on a border of Project Area B that abuts Project Area A, has been a site that experiences pervasive gang activity. Tactics to reduce criminal activity at this hotspot include an injunction on gang members and additional police presence at the site and surrounding the homes of gang members.
- Oakdale Avenue and the area north of Oakdale Avenue and west of Third Street is also a hotspot for gang activity. Tactics to reduce criminal activity at this hotspot include an injunction on gang members and additional police presence at the site and surrounding the homes of gang members.
- Newcomb Avenue is notorious as a locale for criminal activity, especially drug-related crime. Due to the Agency’s efforts on the 1700 block with the Model Block Program, such as design changes to the streetscape, as well as the strong presence of the Newcomb Residents Association, safety has improved and crime has decreased steadily since 2006. The SFPD is considering focusing additional resources on this block to address remaining propensity to crime on Newcomb Avenue and the surrounding blocks. While still considered a hotspot, Newcomb Avenue has seen improvements.



These crime hotspots, dispersed throughout Project Area B and in commercial and residential areas alike, contribute to an intimidating environment for residents and businesses and a negative image for the Bayview.

The prevalence of crime in Project Area B contributes to its economic stagnation. Numerous commercial real estate brokers mentioned crime as a problem to current tenants and a deterrent to prospective tenants. One experienced broker who has worked in the Bayview for the past 14 years believes that companies choose to leave San Francisco rather than locate in the Bayview due to the “horrible perceptions of crime.” He said that many of his clients have been “robbed, solicited for prostitution and had guns pulled on them.” Another broker stated that companies would not locate in Project Area B because of the high crime rate. He also noted that “safety is a major issue” for tenants in Project Area B. He ceased brokering properties on Third Street because he did not feel it was safe for him or his tenants.⁷⁰

⁷⁰ Refer to Appendix A for a list of brokers interviewed for this report.

Figure III-10
 San Francisco Police Department Plots
 Bayview Hunters Point Redevelopment Project Area B



-  Project Area B
-  SFPD Plots

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Furthermore, crimes against persons and property, such as assault and robbery, discourage patronage and add to the cost of doing business. One prime example is the experience of Walgreens on Third Street at Williams, a centrally located pharmacy and retailer. Walgreens suffers economically from routine shoplifting, which diminishes its profit margin and threatens the store's long-term viability. Approximately \$400 in merchandise is stolen on an average daily basis, and the cost of additional security measures, including locked cases for products and security guards, tops \$15,000 per month.⁷¹ Additionally, residents who participated in a survey about food options in Bayview Hunters Point included safety as deterrent to shopping at the Super Save Market located on Third Street at McKinnon Avenue in the Project Area.⁷² To address the safety concerns, the Super Save Market hires private security during business hours, adding to the costs of doing business. According to Captain Loftus of the Bayview District Police Station, disorderly and criminal behavior is common in the vicinity of the 13 liquor stores in Project Area B, such as assault, drug dealing, loitering, harassment, and public drunkenness. As a result of the impact crime, threats of violence and intimidation on the economic vitality of Third Street, a police sergeant attends the meetings of the Bayview Merchants Association. Efforts to increase the allocation of foot patrols along Third Street have been impaired by limiting funding, but remain a priority of the SFPD when possible.

Crimes that occur in the area, specifically Project Area B, are more violent and serious than other crime incidents in the City, as shown in Table III-9 and III-10.⁷³ Crime data provided by the San Francisco Police Department and analyzed for the 2006 Report revealed that 35 percent of all Part I crimes in Project Area B were violent crimes between 1999 and 2005 compared to 14 percent citywide. Crime data provided by the Office of the Controller and analyzed for this report upholds the finding of a high proportionality of violent and serious crime within the Project Area as compared to citywide. In 2008, 36 percent of all Part I crimes in Project Area B were violent crimes in 2008 compared to 23 percent citywide.

**Table III-9
Violent Part 1 Crimes, Project Area B and Citywide
1999-2005 and 2008
Bayview Hunters Point Redevelopment Project Area B**

Violent Crime	1999-2005		2008	
	Project Area B	Citywide	Project Area B	Citywide
Total Part I Crimes	9,135	305,227	2,409	55,746
Total Violent Crimes	3,205	43,678	877	12,856
Violent Crimes as % of Total Part I Crimes	35%	14%	36%	23%

Source: San Francisco Police Department, Department of Telecommunication and Information Services, Office of the Controller, and Seifel Consulting Inc.

⁷¹ Interview with Mark Reid, Manager of Walgreen's at 5300 Third Street, April 2009.

⁷² Southeast Food Access Workgroup, "Southeast Sector Food Preferences Survey," October 2007.

⁷³ Interview with Captain Rick Pardini, San Francisco Police Department, February 8, 2006.

Furthermore, Project Area B experienced more violent crimes per person than the City as a whole from 1999 to 2005 and again in 2008, as shown in Table III-10. Project Area B suffered from violent crimes per 1,000 residents at approximately three times the rate of the City as a whole between 1999 and 2005; 162 violent crimes occurred per 1,000 residents in Project Area B, compared to 56 violent crimes per 1,000 residents citywide. Project Area B continues to suffer from violent crimes per 1,000 residents at nearly three times the rate of the City as a whole in 2008; 44 violent crimes occurred per 1,000 residents in Project Area B, compared to 17 violent crimes per 1,000 residents citywide.

Table III-10
Violent Crimes Per 1,000 Residents, Project Area B and Citywide
1999-2005 and 2008
Bayview Hunters Point Redevelopment Project Area B

Violent Crime	1999-2005		2008	
	Project Area B	Citywide	Project Area B	Citywide
Murder ^a	2.9	0.6	1.0	0.2
Sex Offenses, Forcible ^a	5.9	1.8	1.2	0.5
Robbery	64.4	30.5	17.1	5.7
Assault ^a	88.4	23.3	25.0	10.2
Total Violent Crimes	161.6	56.2	44.2	16.6

a. Categorization of crime differ from the 2006 Report due to changes in classification system undertaken by Office of the Controller.

Source: San Francisco Police Department, Department of Telecommunication and Information Services, Office of the Controller, 2000 U.S. Census, and Seifel Consulting Inc.

A high homicide rate, in particular, is pervasive in Project Area B, especially when compared to its share of the City's population, as shown in Table III-11. Almost 20,000 people, or almost 3 percent of the City's population, live in Project Area B. However, between 1999 and 2005, almost 13 percent of all homicides in the City occurred in Project Area B SFPD Plots. Likewise, in 2008, 14 percent of all homicides in the City occurred in Project Area B SFPD Plots.

Table III-11
Murders and Population, Project Area B and Citywide
1999-2005 and 2008
Bayview Hunters Point Redevelopment Project Area B

	1999-2005	2008
Total Number of Murders as a Percentage of Citywide ^a	12.7%	13.5%
2000 Project Area B Population as a Percentage of Citywide	2.6%	2.6%

a. In 2008, crimes that resulted in death were categorized as murders, not as homicides, due to changes in the City's crime classification system undertaken by the Office of the Controller.

Source: San Francisco Police Department, Department of Telecommunication and Information Services, Office of the Controller, 2000 U.S. Census, and Seifel Consulting Inc.

San Francisco experienced the highest number of homicides in the City for decades in 2005, many of which occurred in the Bayview. In 2005, 96 people were killed in San Francisco, up from 88 in 2004. Part of this jump in homicides is attributed to younger gunmen and an increase in homicides committed with guns, particularly in the Bayview and the Western Addition. In 2004 and 2005, half of the suspects and nearly a third of the victims were between the ages of 19 and 24.⁷⁴ However, due to increased foot patrols and gang injunctions starting in 2006, homicides dropped 30 percent in the year ending February 2009 compared with the previous 12 months. Despite this improvement, nonfatal shootings remained steady, down only two from 49 to 47 within the same time period.⁷⁵ Even with a strong police presence, 14 percent of Citywide homicides occurred in Project Area B while the population of Project Area B only represents 3 percent of the Citywide population.

Interviews with SFPD in 2006 and 2009 reveal that gangs are associated with a large portion of the violent criminal activities that occur in Project Area B. The Bayview has the highest number of gang members of all San Francisco's neighborhoods.⁷⁶ Len Broberg of the SFPD Gang Task Force stated that four gangs are prominent in the Bayview, including the Westmob, Big Block, BNGGAS, and Oakdale Mob gangs. The territories of all the major gangs in the Bayview are located in Project Area B.⁷⁷

According to the 2002 San Francisco Gang Free Communities Initiative Assessment Report, a study on gang violence in San Francisco by the San Francisco Department of Children, Youth and Their Families, the Juvenile Probation Department and the Mayor's Criminal Justice Council, the Bayview has the second highest rate of suspected gang crime in the City.⁷⁸ Furthermore, gang-related violent crimes account for a high percentage of total violent crimes in the Bayview, much higher than the citywide total.⁷⁹ As shown in Table III-12, 20 percent of violent crimes were gang-related in the Bayview between 1999 and 2001, compared to 10 percent citywide. More specifically, 45 percent of homicides and attempted homicides that occurred in the Bayview during the same time period were gang-related, compared to 11 percent citywide.⁸⁰ In 2007, 34 percent of shootings citywide occurred in gang turf areas and gang activity generated 47 percent of the homicides citywide.⁸¹

⁷⁴ "More guns, younger gunmen spur jump in S.F. homicides," The San Francisco Chronicle, January 31, 2006.

⁷⁵ Van Derbeken, Jaxon, "S.F. police say focus on crime zones pay off," SFGate, February 19, 2009.

⁷⁶ San Francisco Department of Children, Youth and Their Families, the Juvenile Probation Department and the Mayor's Criminal Justice Council, San Francisco Gang Free Communities Initiative Assessment Report, prepared by Resource Development Associates, November 2002, p. 2.

⁷⁷ Interview with Len Broberg, San Francisco Police Department Gang Task Force, April 22, 2004.

⁷⁸ San Francisco Gang Free Communities Initiative Assessment Report, November 2002, p. 3.

⁷⁹ The 2002 San Francisco Gang Free Community Initiative Assessment Report analyzed Bayview Hunters Point in its entirety, not solely Project Area B.

⁸⁰ San Francisco Gang Free Communities Initiative Assessment Report, November 2002, p. 17.

⁸¹ "Homicide and Serious Gun Violence in San Francisco," Berkeley Center for Criminal Justice, November 2008.

Table III-12
Violent Crime and Gang Related Violent Crimes, Bayview and Citywide
1999-2001
Bayview Hunters Point Redevelopment Project Area B

	Bayview Hunters Point			Citywide		
	Violent Crimes	Gang Violent Crimes	Percent Gang Crimes of Violent Crimes	Violent Crimes	Gang Violent Crimes	Percent Gang Crimes of Violent Crimes
Homicide	11	5	45%	151	17	11%
Aggravated Assault	145	25	17%	1,648	160	10%
Rape	16	2	13%	272	15	6%
Robbery	80	18	23%	1,204	121	10%
Violent Crimes	252	50	20%	3,275	313	10%

Source: San Francisco Gang Free Communities Initiative Assessment Report, November 2002.

In response to the surge of gang-related homicides in 2005, Mayor Gavin Newsom made combating gang violence a priority. Mayor Newsom began meeting with gang members in the Bayview area and making unannounced visits to crime scenes in an effort to reduce the violence. Also, police presence was increased in the area. The California Highway Patrol initiated “Operation Impact” in the Bayview, where officers stop drivers for moving and traffic violations or car infractions to help curtail potential precursors to violent crimes.⁸² At the end of 2005, two important developments signaled the coordination employed to combat gang activity in the Project Area. First, the Board of Supervisors established a select committee on ending gun and gang violence, with one purpose of looking more closely at the scale of the problem and the specific neighborhoods that are affected, such as the Bayview area.⁸³ Second, two of the top members of the Big Block gang pleaded guilty in a series of drug-related shootings following a wide-ranging federal investigation in San Francisco.⁸⁴

Since 2006, further law enforcement efforts, on the part of the SFPD and the City Attorney, have sought to reduce the violence and criminal activity associated with gangs operating in the Bayview. In late 2006, City Attorney Dennis Herrera named several members of the gang, the Oakdale Mob, in an injunction. The injunction stated:

*The Oakdale Mob, by virtue of its criminal and nuisance activities, threatens the freedom of the peace citizens who live and work in the neighborhood. These citizens have a right to live without fear. They have a right to have the peaceful and quiet enjoyment of their community. Their children have the right to play in their own front yards and to ride their bikes down the sidewalk in front of their homes without fear of harm from gang violence. As such, the Oakdale Mob’s public nuisance behavior must be enjoined to restore and protect this community.*⁸⁵

⁸² “CHP Crime Sweep,” The San Francisco Examiner, May 5, 2004.

⁸³ “No Arrests Made in 80% of Homicides,” The San Francisco Chronicle, December 13, 2005.

⁸⁴ “2 Guilty Pleas Finish Case Against Gang,” The San Francisco Chronicle, December 15, 2005.

⁸⁵ Brizzard, Chris, “Gang Injunctions Take Root in San Francisco,” New America Media, July 16, 2007.

Since the original injunction in 2006 and expansion of the injunction in 2007 and 2009, the Oakdale Mob and other gangs in the Bayview have experienced a resurgence due to the recruitment of juveniles, who cannot be named in gang injunctions.⁸⁶ Probation officers and members of the SFPD Gang Task Force frequently visit juveniles on probation in the Bayview and specifically on SFHA properties to ensure, to the fullest extent possible, that youth are adhering to their probation and are refraining from gang involvement.⁸⁷

In 2006, Captain Pardini stated that the “hotspots” of criminal activity and gang-related criminal activity in the Bayview are the SFHA properties, which are located in Project Area B and previously discussed in this report. According to Mike Roetzer, criminal activity has a tendency to migrate outside of the SFHA properties into abutting neighborhoods. The SFHA has police officers providing community policing on its properties. He stated that nearby housing developments have hired private security to patrol their neighborhoods and discourage criminal activity.⁸⁸ SFHA properties and abutting neighborhoods continue to be hotspots of crime and gang activity. Additional hotspots include the area west of Third Street and north of Oakdale, Newcomb Avenue and Newhall Street, which are centers of drug trade in the city.

Most properties in Project Area B have security devices such as locked gates, barbed wire fencing, door and window bars, and/or security cameras. Photographic examples of such security measures for residences and businesses are presented in Appendix B.

The prevalence of crime in Project Area B threatens the public safety of residents and economic viability of businesses. A continuing perception of crime and danger afflicts the Project Area and undermines efforts to revitalize the Third Street corridor and the larger neighborhoods and business environment of Bayview Hunters Point.

F. Conclusion for Remaining Adverse Conditions in Project Area B

Project Area B suffers from significant, substantial and prevalent remaining adverse physical and economic conditions. Six of the eleven statutorily defined conditions of physical and economic blight are substantial and prevalent throughout the Project Area:

- Unsafe and unhealthy buildings,
- Adjacent and nearby incompatible uses,
- Public improvement deficiencies,
- Impaired property values due to hazardous wastes,
- Indicators of economically distressed buildings,
- Excessive problem businesses, and
- High crime rates.

⁸⁶ Interview with Captain John Loftus, San Francisco Police Department, April 10, 2009.

⁸⁷ Koopman, John, “Cops check in on youth on probation to try to stem gang violence,” SFGate, August 27, 2007.

⁸⁸ Interview with Mike Roetzer, San Francisco Housing Authority, May 2004 and January 2006.

Project Area B contains a substantial number of seriously dilapidated or deteriorated buildings and structures, including all of the buildings located within the four SFHA developments. About 50 percent of the buildings in Project Area B suffer from very extensive or extensive deficiencies, and a significant percentage of these are unsafe or unhealthy for persons to live or work. In addition, a number of buildings suffer from seismic susceptibility.

Adjacent or nearby uses that are incompatible with each other and prevent the development of those parcels or other portions of Project Area B are a condition of physical blight. Incompatible or conflicting uses are present at several locations in Project Area B, including residential uses that abut or are interspersed within industrial uses without proper buffering, residential uses near the solid waste treatment plant, and portions of Project Area B adjacent to a Superfund site. Truck routes run through residential and commercial areas, elevated freeways and defunct railroad lines attract homeless encampments, and active and defunct rail lines create irregularly shaped parcels and impede traffic flow.

Public infrastructure and facilities deficiencies contribute to blight in Project Area B. Public infrastructure deficiencies identified include inadequate sewer and stormwater drainage utilities, deteriorated streets, and missing or damaged curbing and sidewalks.

Due to historic uses of hazardous materials, identified environmental cases and spill sites, and fill materials used to reclaim areas of the Bay along the 1848 historic shoreline, impaired property values in Project Area B is the likely result of the costly and uncertain necessary investigation, remediation, monitoring, and ongoing liability for environmental contamination. There is an indication of the presence of sources of potentially hazardous materials and waste in soil or groundwater in various locations in Project Area B. The costs and risks of hazardous uses often depress the resale value of contaminated properties as compared to similar sites without contamination history.

Project Area B languishes from abnormally high business vacancies as well as abnormally low lease rates, both of which are indicators of economically distressed buildings. Such conditions do not serve to attract investment and capital into the Project Area and perpetuate the economic stagnation that characterizes Project Area.

Project Area B exhibits an over-concentration of problem businesses, demonstrated through the number of liquor licenses three to four times greater than the ratio permitted by ABC, given the population of the Project Area. These adult-serving and problem businesses contribute to negative perceptions of the Project Area and correlate to health and safety concerns outlined throughout the chapter, including unsafe and unhealthy buildings and high crime rates.

Finally, high crime rates plague Project Area B and threaten not only the safety of residents, but also the ability of the business community to flourish and attract further investment. Project Area B experiences violent crime and homicide rates at a much high proportion than the city as whole and struggles to keep gang activity in check. Crime is especially pervasive at SFHA properties and on the Third Street commercial corridor and surrounding areas. The prevalence of crime presents a major barrier to revitalization of Project Area B.

The analysis of physical and economic blighting conditions in Project Area B indicates that these conditions continue to be so substantial and prevalent that they constitute physical and economic blight. Thus, redevelopment is necessary to alleviate blight and enable Project Area B to reach its full potential.

IV. Description of Agency's Redevelopment Program

A. Introduction

This chapter describes the Agency's Redevelopment Program, including the projects, activities and expenditures proposed to implement the Bayview Hunter Point Redevelopment Project. The Plan Amendment is designed to support the Agency's Redevelopment Program in meeting the objectives of the CRL and the Redevelopment Plan Amendment, as well as enabling the Agency to continue to meet its redevelopment mission in San Francisco.

The presence of blighting conditions in the Project Area warrants continued redevelopment activities. The Agency's Redevelopment Program is organized broadly into two categories that reflect the division of tax increment revenues into funds that can be used for any redevelopment purpose (Non-Housing Redevelopment Program) and those specifically related to the Agency's affordable housing endeavors (Affordable Housing Program). In addition to the Agency's Redevelopment Program, other development and redevelopment activities have been and will continue to be undertaken through the CP-HPS 2 Project.

The Agency's Redevelopment Program is based on the Bayview Hunters Point Community Revitalization Concept Plan (Concept Plan) that was developed by the Bayview Hunters Point Project Area Committee (PAC) and other members of the community. The Concept Plan presented seven revitalization strategies and defined a range of actions promoting positive change:¹

- Promote local economic and employment development first.
- Improve education, training and employment opportunities for residents.
- Focus coordinated investments in high priority areas where they will have the greatest visibility and impact.
- Encourage civic participation through interactive public processes and foster cultural development through the arts.
- Conserve existing housing and provide new housing.
- Address environmental problems and identify opportunities that increase the quality of life.
- Improve the physical environment and transportation systems.

The Agency's Redevelopment Program represents projects and activities that will have both immediate and long-term benefits. The programs and activities presented in this chapter are consistent with the 2006 Plan Amendment with one important exception. This chapter introduces and outlines a new strategy for the revitalization of Candlestick Point. The shift is the result of voter initiative outlining a set of objectives and a broad land use plan (Proposition G, as discussed in Chapter I), and reflects the directed projects and activities identified throughout the planning process in partnership with the Developer.² Thus, the Redevelopment Program described in this

¹ Concept Plan, March 2002, pages 4 and 5.

² A key change from the 2006 Plan Amendment is that a professional football stadium is no longer proposed for development in Candlestick Point. However, the possibility for a new stadium is a part of the Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project Area.

chapter will describe the Candlestick Point Development Project, which is part of the CP–HPS 2 Project to be undertaken by the Developer.

1. Chapter Organization

The Agency’s Redevelopment Program is organized broadly into two categories that reflect the division of tax increment revenues into funds that can be used for any redevelopment purpose (Non-Housing Redevelopment Program) and those specifically related to the Agency’s affordable housing endeavors (Affordable Housing Program). Section A of this chapter includes the objectives of the Redevelopment Plan. Section B of this chapter includes a description of the Candlestick Point Development Project. Section C describes the relationship between the Agency’s Redevelopment Program and the alleviation of blighting conditions.

2. Redevelopment Plan Objectives

The Redevelopment Plan, as proposed to be amended, will be undertaken to achieve the purposes of the CRL and General Plan Area Plan for Bayview Hunters Point, as set forth by the City and County of San Francisco. The following objectives, intended to eliminate physical and economic blighting conditions, were established in conjunction with the PAC and members of the community at large and remain unchanged from the 2006 Plan Amendment. Together with design guidelines and zoning regulations, these objectives will continue to guide the direction of all future development within Project Area B.³

- Providing opportunities for participation by owners in the redevelopment of their properties.
- Increasing the community’s supply of housing by facilitating economically feasible, affordable housing for existing very low-, low- and moderate-income households and residents in the community.
- Strengthening the economic base of the Project Area and the community by strengthening retail and other commercial functions within the Project through the facilitation of new retail space, and as appropriate, new commercial and light industrial uses.
- Providing public parks and open space.
- Administering land granted to the Agency by the State of California consistent with the public trust for commerce, navigation and fisheries (“public trust”), and reconfiguring those lands in a manner that enhances their value for public trust purposes, in accordance with Chapter 203 of the Statutes of 2009 (“Granting Act”).
- Retaining existing residents and existing cultural diversity to the extent feasible.
- Encouraging participation of area residents in the economic development that will occur.
- Supporting locally owned small businesses and local entrepreneurship.
- Facilitating emerging commercial-industrial sectors through facilitating improvement of transportation access to commercial and industrial areas, improvement of safety within the Plan Area, and the installation of needed site improvements to stimulate new commercial and industrial expansion, employment, and economic growth.
- Facilitating public transit opportunities to and within the Project to the extent feasible.

³ 2010 Draft Redevelopment Plan for the Bayview Hunters Point Redevelopment Project, January 2010.

- Providing land, as feasible and appropriate, for publicly accessible open spaces.
- Facilitating the preservation, rehabilitation, and seismic retrofitting of historic buildings and other landmarks.
- Providing assistance towards the improvement of key transportation routes to meet the needs of alternative transportation modes, industrial trucking operations, and emergency operations.
- Facilitating the preservation, rehabilitation, and seismic retrofitting of historic buildings and other landmarks.
- Eliminating blighting influences and correcting environmental deficiencies within the Project, including, but not limited to, abnormally high vacancies; abandoned, deteriorated and dilapidated buildings; incompatible land uses; depreciated or stagnant property values; and inadequate or deteriorated public improvements, facilities and utilities.
- Removing structurally substandard buildings, removing impediments to land development, and facilitating modern, integrated development with improved pedestrian and vehicular circulation within the Project and vicinity.
- Redesigning and developing undeveloped and underdeveloped areas, which are improperly utilized.
- Providing flexibility in the development of real property within the Project to respond readily and appropriately to market conditions.

The above objectives continue to frame the Agency’s efforts in Project Area B, inclusive of the proposed development in the Candlestick Point Activity Node. The development proposed for Candlestick Point is expected to occur over a period of 15 to 20 years, depending on market conditions. The Redevelopment Program described in this chapter will facilitate the Candlestick Point development plan, which is part of the CP–HPS 2 Project.

B. Description of Candlestick Point Development Project

1. Project Overview

The Developer is developing Candlestick Point with support from the Agency and the City. The development program for Candlestick Point as proposed by the Developer includes a mixed-use community with a wide range of residential, retail, office, entertainment, research and development, civic and community uses, and parks and recreational open space. The majority of the private sector effort will be undertaken by the Developer as part of the integrated CP–HPS 2 Project.

Redevelopment would help stimulate the creation of approximately 7,840 residential units and nearly 3 million square feet of other new non-residential development in Candlestick Point. Of the planned 7,840 residential units, approximately 1,748 are anticipated to be affordable to very low-, low-, and moderate-income households.⁴ The Candlestick Point program is anticipated to add 125,000 square feet of neighborhood retail and 635,000 square feet of regional retail, 150,000 square feet of office space and 150,000 square feet for a hotel. The development program also

⁴ Estimates of housing units, which vary slightly from those used to project tax increment (refer to Chapter V), are based on the Developer’s most recent preliminary analyses of individual sites, and are subject to change.

includes approximately 105 acres of new open space and space for a 10,000-seat performance venue.⁵ Two key tenets of the CP–HPS 2 Project include the demolition and replacement of the 256-unit Alice Griffith Housing Development (discussed in more detail in Section E) and the demolition of the blighted existing football stadium to make way for new development of safer and healthier structures. Additionally, new transportation and utility infrastructure would serve the Project. The development is designed around five districts encompassing approximately 110 net acres.

The development proposed for Candlestick Point is expected to occur over a period of 15 to 20 years depending on market conditions. The Redevelopment Program described in this chapter will facilitate the Developer’s Candlestick Point development plan, which is part of the CP–HPS 2 Project.

2. Responsibility for Project Implementation and Costs

The redevelopment of Candlestick Point is a joint effort between the public and private sectors. Much of the development and redevelopment activities undertaken through the CP–HPS 2 Project will occur through private investment (by the Developer or other parties) or using other public (non-Agency) funding sources. Development of Candlestick Point would require demolition of the existing stadium by the Developer. Developer and its affiliates are responsible for the demolition of Alice Griffith Housing Development units as well as horizontal development that will accommodate the uses described above. The Developer will serve also as the master developer, orchestrating vertical development along with the Agency, current landowners, and other vertical developers. While the Developer will be responsible for implementing the development program, the Agency will reimburse the Developer for a portion of these improvement costs by utilizing tax increment.

As described below, the completion of the CP–HPS 2 Project, through the Agency’s Redevelopment Program and other projects and activities, will help to alleviate blight in the Project Area and meet the goals and objectives of the Redevelopment Plan.

As further described in Chapter V, the Agency would utilize certain tax increment funds to implement the affordable housing activities described below in to increase, improve, and/or preserve affordable housing in the Project Area and the Bayview. The Agency would also work with the Mayor’s Office of Housing to effectively utilize the tax increment funds generated by the CP–HPS 2 Project to finance the construction of roads, parks and public infrastructure.

Planning, site preparation and development, and economic development costs will be shared by the Agency and the Developer. The Developer will implement extensive community benefits and will be responsible for the majority of the following costs: project planning costs, an economic development and employment program, private construction, and site preparation costs (all of the site preparation for private land). The Agency will be responsible for providing financial assistance via the use of tax increment. The phasing of the infrastructure improvements will be timed to serve the incremental buildout of the project. The Developer will dedicate public infrastructure improvements to the City and will not be responsible for ongoing maintenance.

⁵ Candlestick Point-Hunters Point Shipyard Phase II Development Plan Environment Impact Report, City and County of San Francisco Planning Department, November 2009, p. II-9.

The Agency would also work with the City, its relevant agencies and the Developer to facilitate a public review and entitlement process that would accomplish the following the following:

- Facilitate execution of a Disposition and Development Agreement (DDA), between the Agency and the Developer for the CP–HPS 2 Project. This agreement would both allow and govern the physical construction of the Project, and establish and govern the relationships between the Agency and the Developer regarding acquisition, ownership, and assembly of the Project Area properties, and the financing, construction, ownership, and operation of the project improvements. In particular, the DDA will set forth the terms and conditions upon which the Agency would make tax increment available, including any limits on the amount of increment that would be made available to private developers.
- Take other appropriate and necessary steps to implement the Redevelopment Plan, as proposed to be amended.

Table IV-1 indicates the Agency and private participation in the implementation of the Candlestick Point Development Project.

C. Relationship Between the Agency’s Redevelopment Program and Alleviation of Blighting Conditions

The Agency’s Redevelopment Program aims to alleviate the blighting conditions that continue to interfere with revitalization of Project Area B by improving the physical infrastructure and economic conditions, stimulating private development and meeting the Agency’s affordable housing obligation. As discussed in Section B, the Redevelopment Program has been designed to meet the CRL requirement that Agency expenditures be linked to the elimination of blighting conditions. As documented in Chapter III, Project Area B suffers from a variety of physical and economic blighting conditions that must be alleviated if the area is to be revitalized.

Project Area B will benefit from a coherent revitalization and economic development strategy that is coordinated with the City’s overall goals and the Concept Plan. In general, the Redevelopment Program is designed to:

- Revitalize areas that exhibit physical and economic blight.
- Stimulate private investment and appropriate development within the seven activity nodes.
- Improve circulation, infrastructure, public facilities and utilities.
- Provide tax increment funds for the redevelopment activities that are needed to alleviate blighting conditions.
- Create affordable housing, both rental and ownership units.
- Create a pedestrian and transit-oriented mixed-use neighborhood along the Third Street corridor.

**Table IV-1
Participation in Candlestick Point Redevelopment Project Activities
Bayview Hunters Point Redevelopment Plan Amendment**

Programs and Activities	Private	Agency
1. Non-Housing Projects and Activities		
<ul style="list-style-type: none"> • Execution of a Disposition and Development Agreement (DDA), between the Agency and the Developer. This agreement would allow and govern the physical construction of the Project, and establish and govern the relationships between the Agency and the developer regarding acquisition, ownership, assembly of the Project Area properties, and the financing, construction, ownership, and operation of the project improvements. In particular, the DDA will set forth the terms and conditions upon which the Agency would make increment available, including limits on the amount of increment that would be made available to the Developer. 	■	■
<ul style="list-style-type: none"> • Development of a new, high density, transit-oriented and mixed-use development including residential development, regional retail and entertainment venues consistent with the Conceptual Framework and voter-approved Proposition G. 	■	
<ul style="list-style-type: none"> • Creation of community and regional destinations and gathering places, including a restored and redeveloped Candlestick Point State Recreation Area land, and other public park and civic places. 	■	■
<ul style="list-style-type: none"> • Construction of new public infrastructure and transportation facilities to service new development at Candlestick Point, Alice Griffith and the Hunters Point Shipyard. 	■	■
<ul style="list-style-type: none"> • Facilitation of a community benefits program in conjunction with development agreements, that will promote the full revitalization of the Bayview Hunters Point neighborhood and that will involve the Agency and as appropriate, other City, regional and state agencies in its implementation. 	■	■
2. Affordable Housing Projects and Activities		
<ul style="list-style-type: none"> • Provide new affordable housing that is targeted to the lower income levels of the Bayview populations, including new units that are suitable for families, seniors, and young adults. 	■	■
<ul style="list-style-type: none"> • Provide financial assistance to ensure the feasibility of housing at affordability levels and densities. 	■	■
<ul style="list-style-type: none"> • Consult with Alice Griffith residents and facilitate the receipt of all required governmental approvals in order to rebuild Alice Griffith to provide one-for-one replacement units targeted to the same income levels as those of the existing residents; ensure that the eligible Alice Griffith residents have the opportunity to move to the new, upgraded units directly from their existing Alice Griffith units without having to relocate to any other area. 	■	■
<ul style="list-style-type: none"> • Develop a mix of stacked flats, attached townhomes and—in appropriately selected locations and according to “Design for Development”—low-rise, mid-rise and high-rise towers, to help assure the economic feasibility of the development and provide a varied urban form. 	■	

Source: San Francisco Redevelopment Agency.

The Redevelopment Program will alleviate the remaining blighting conditions identified in Chapter III. Table IV-2 provides a matrix summarizing the relationship between the blighting conditions described in Chapter III and the projects proposed in Project Area B to alleviate these conditions. In Section D, each description of the Redevelopment Program components includes a description of the deficiencies to be corrected and projects and activities designed to correct these deficiencies. The Agency's affordable housing activities, described in Section E, alleviate blighting conditions by creating affordable housing and contribute to overall revitalization and improvement of neighborhoods in Project Area B.

D. Description of Agency's Non-Housing Redevelopment Program

The Redevelopment Program for Project Area B includes key blight eliminating activities that could be financed from tax increment revenue expected to be generated from the Project Area, in combination with other leveraged private and public financial resources. The program is integrated and balanced, and addresses the most significant blighting conditions identified in Chapter III. Refer to Chapter V for a description of the funding sources that may be used by the Agency to help fund the proposed Redevelopment Program.

This section describes the Agency's proposed Non-Housing Redevelopment Program, including the deficiencies to be corrected, project and activity descriptions, and estimated project costs. The Non-Housing Program is divided into three areas. Two of these areas—economic development and community enhancements—address projects and activities in Project Area B excluding Candlestick Point, and the third area focuses on activities and efforts within Candlestick Point. The Agency's Redevelopment Program for the Candlestick Point Activity Node is discussed separately from the Program for the rest of Project Area B because Candlestick Point is part of the CP-HPS 2 Project, which also includes portions of the adjacent Hunters Point Shipyard Project Area. The Non-Housing Redevelopment Program for Project Area B, Non-Candlestick, remains largely unchanged from the 2006 Plan Amendment. Costs have been updated slightly to reflect inflation and changes in the availability of tax increment revenues. The Agency's contribution of tax increment revenues to the CP-HPS 2 Project will be combined with the investment of private capital by the Developer and other parties, as well as other sources of public and private funding.

These program areas and their subcategories are described below:

1. Economic development (Project Area B, Non-Candlestick Point)
 - Planning and predevelopment
 - Site preparation and development
 - Economic revitalization
2. Community enhancements (Project Area B, Non-Candlestick Point)
 - Public infrastructure and facilities
 - Circulation
 - Public open space
3. Candlestick Point Activity Node

Table IV-2
**How the Redevelopment Program Will Alleviate Blighting Conditions
 Bayview Hunters Point Redevelopment Plan Amendment**

	Redevelopment Program										Candlestick Point Activity Node	Affordable Housing
	Economic Development				Community Enhancements			Public Open Space				
	Planning and Predevelopment	Site Preparation and Development	Economic Revitalization	Public Infrastructure and Facilities	Circulation	Public Open Space	Public Open Space	Public Open Space	Public Open Space	Public Open Space		
ADVERSE CONDITIONS												
Unsafe or Unhealthy Buildings	■	■	■	■							■	■
Adjacent or Nearby Incompatible Uses	■	■	■	■			■				■	■
Depreciated or Stagnant Property Values	■	■	■	■							■	■
Indicators of Economically Distressed Buildings or Lots	■	■	■	■							■	■
Excess of Problem Businesses	■	■	■	■							■	■
High Crime Rates	■										■	■
Inadequate Public Improvements ^a		■		■			■		■		■	■

a. Although not considered physical or economic blight under the CRL, the existence of deficient public improvements contributes to blighting conditions in Project Area B.
 Source: San Francisco Redevelopment Agency

The Redevelopment Program meets the CRL requirement that Agency expenditures be linked to the elimination of blighting conditions. In addition, the projects and activities implement the general goals and identified objectives contained in the proposed Plan Amendment. As they are implemented, these projects and activities may be modified over time to better meet redevelopment objectives.

Cost estimates are necessarily preliminary in nature and subject to refinement as planning and implementation of the Agency's Redevelopment Program proceed. However, the cost estimates are adequate to provide reasonable orders of magnitude for financial feasibility evaluation and the need for tax increment financing. Table IV-3, included at the end of this chapter, summarizes the total estimated costs of the Agency's Redevelopment Program.

1. Economic Development (Project Area B, Non-Candlestick)

a. Deficiencies to be Corrected

As described in Chapter III, Project Area B continues to suffer from a variety of physical and economic blighting conditions that need to be resolved in order for the area to attain its full economic potential. The blighting conditions, such as unsafe and unhealthy buildings, impaired property values due to hazardous wastes, and indicators of economically distressed buildings, impede efficient and economically feasible development in Project Area B. Furthermore, the high crime rate and the overconcentration of establishments selling liquor hinder the economic vitality of Project Area B. The economic development program promotes private investment by attracting residential and commercial development and also creates a more active and secure urban environment.

b. Projects and Activities

The Agency encourages the promotion of policies and land use decisions that provide job-training, employment and business opportunities to local residents with a focus on economic development efforts within the Economic Development Activity Nodes of Project Area B (Town Center, Health Center, South Basin, Oakinba, and Northern Gateway).⁶ As stated in the Concept Plan, the economic development program maximizes benefits from incentive programs and projects to support local economic development, existing local businesses, and residents as well as emphasize a comprehensive and coordinated community-based approach to economic development. The Agency may develop the following economic programs within each of the Economic Development Activity Nodes with the assistance of the PAC:

- Model Block program;
- Façade improvement program;
- Brownfield clean-up assistance;
- Assistance with the development of key catalyst commercial sites;
- Provision of small business improvement assistance;

⁶ The basis for the Economic Development Activity Nodes is described in the Concept Plan adopted by the PAC in March 2002 and as amended from time to time.

- Assistance with marketing and promotional activities for local business groups;
- Creation of local business retention programs;
- Development of cultural facilities;
- Rehabilitation of historic structures; and
- Planning for innovative parking strategies in the Third Street corridor.

The economic development projects and activities include three subcategories: (1) planning and predevelopment, (2) site preparation and development, and (3) economic revitalization. The projects and activities include:

Planning and Predevelopment

- Develop design guidelines to promote improved retail spaces and provide positive contributions to the Third Street corridor, and facilitate implementation by the San Francisco Planning Department.
- Identify and assess underutilized industrial parcels and work with property owners to improve and reorganize facilities in order to attract higher rents and job creating activities on those sites.
- Conduct a design competition to develop appropriate gateway elements for the Third Street entry corridors.
- Facilitate a neighborhood commercial district within the Town Center Activity Node.
- Help create and implement a development program for a home improvement district within the Oakinba (Bayshore Boulevard) Activity Node.
- Continue working with the Department of Public Health on creating and implementing a development program for the Bayview Hunters Point Aging Campus and the Southeast Health Center expansion in the Health Center Activity Node.

Site Preparation and Development

- Provide assistance to land owners in assessing potential hazardous materials on brownfield sites.
- Provide assistance in planning and/or remediation of hazardous materials and contaminants on brownfield sites as well as other affected properties.
- Develop a façade improvement program for Third Street businesses.
- Facilitate private acquisition and management of land to the extent necessary for the development of the activity nodes.
- Plan for the development of catalyst sites in each node and facilitate the location of compatible uses nearby.
- Provide assistance in the removal of unsafe, hazardous buildings or other unsafe, hazardous structures.

Economic Revitalization

- Support work force development efforts, such as job training programs.
- Provide assistance in the development of the publicly owned Town Center block within the Town Center Activity Node.
- Facilitate the development of an eco-industrial park in the South Basin Activity Node.

- Encourage revitalization of existing businesses and vacant commercial space through activities such as providing technical assistance in collaboration with other City agencies and community-based organizations.
- Work with private sector developers to build and lease ground floor commercial spaces along Third Street that contribute to a vibrant retail presence at catalyst sites in the activity nodes and provide needed retail products and services to the community.
- Develop a program to link business tenants with available space and to facilitate the flow of information regarding of leasable space to merchants, property owners and residents.
- Plan for and conduct outreach to foster industrial and commercial investment throughout Project Area B.
- Facilitate the promotion and implementation of the catalyst sites with businesses and private investors in order to encourage business location and expansion.
- Develop a program to increase the capacity of existing locally owned businesses to expand and develop their businesses by linking merchants with private lenders and providing business management training.
- Continue to facilitate community efforts to increase the availability and quality of food vendors along the Third Street corridor and elsewhere in the community.
- Enhance the competitive advantages of the catalyst sites through a coordinated marketing program and annual promotional events.
- Develop and implement a Third Street Promotion Campaign to create a sustainable neighborhood commercial corridor along Third Street by attracting new businesses and customers to the area.

c. Estimated Economic Development Program Costs

The total Agency cost for the economic development projects and activities is \$130 million in future dollars (\$30 million in constant FY 2009/10 dollars).⁷

2. Community Enhancements (Project Area B, Non-Candlestick)

a. Deficiencies to be Corrected

The blighting conditions described in Chapter III need to be alleviated in order to enhance the Bayview community. The blighting conditions include unsafe and unhealthy buildings, adjacent or nearby incompatible uses, and depreciated property values. In addition, crime and deficient public infrastructure and facilities jeopardize the welfare of the community and businesses in Project Area B. The community enhancements program provides a comprehensive strategy for the revitalization of Project Area B and shapes its physical appearance and character, which will stimulate private investment in the Project Area.

b. Projects and Activities

The Agency may adopt and implement a community enhancements program, in conjunction with its affordable housing and economic development programs that will promote the full

⁷ Numbers are rounded to nearest \$10 million.

revitalization of Project Area B. The following are potential community enhancements projects and activities under the Plan Amendment:

- Streetscape plans for Third Street, Evans-Innes Avenue, Oakdale Avenue or other major roadways in Project Area B, including traffic calming where needed;
- Green Streets Program to provide for the landscaping and lighting of local streets;
- Façade Improvement Program in concert with the streetscape plans to enhance key catalyst areas along the major roadways;
- Development of “way finding” programs such as local signage and gateway elements;
- Development of public parks and recreational facilities;
- Preservation of historic structures; and
- Open Space Framework Plan.

The projects and activities in this category address public facilities and infrastructure deficiencies, improve circulation, and provide sound strategies for public open space in Project Area B. The activities include:

Public Infrastructure and Facilities

- Implement the Third Street Streetscape Plan and install improved lighting, signage, gateway elements for the Third Street entry corridors, pedestrian facilities, sidewalk furnishings, public art, and landscaping.
- Provide assistance in implementing City plans for the Town Center block.
- Facilitate enhancement of public facilities and community resources for seniors, especially in the Health Center Activity Node.
- Initiate a graffiti abatement, trash removal, and street and sidewalk cleaning program in targeted areas.
- Provide assistance in the rehabilitation and seismic strengthening of historic public buildings.

Circulation

- Provide assistance in implementing circulation improvements identified in the Innes Avenue Streetscape Plan for the northern route between U.S. Highway 101 and Hunters Point Shipyard.
- Provide assistance in implementing circulation for the southern route to Hunters Point Shipyard.
- Provide assistance to City departments with implementation of pedestrian and bicycle safety programs including street and sidewalk improvements, traffic calming projects, and expansion of, or improvement to, the local bicycle network.
- Complete a comprehensive parking study to identify the level of need, appropriate locations and key opportunities for a number of strategically located parking sites. As part of the study, develop a self-supporting financing plan. In the short term, work with the Planning Department to remove any Planning Code barriers to shared parking and reduce parking requirements for uses with complementary peak parking needs.
- Develop a parking plan for the Town Center area. Consider the implementation of a parking bank to potentially develop a small public parking lot on the Town Center block or adjacent to Third Street.

Public Open Space

- Develop the Green Streets Program for landscaping and other public enhancements in conjunction with the Model Block single-family rehabilitation program.
- Provide assistance to the Departments of Public Works and Recreation and Park in the construction of improved, landscaped street corridors.
- Facilitate the provision of community access to the waterfront.
- Provide assistance in implementing the Blue Greenway Plan for the provision of new public open space in the community, the installation of the Bay Trail, and improve maintenance and programs at existing facilities in Project Area B.
- Facilitate the completion of the Bayview Connections urban open space project in the Town Center Activity Node.

c. Estimated Community Enhancements Program Costs

The total Agency cost for community enhancement projects and activities is estimated at \$320 million in future dollars (\$80 million in constant FY 2009/10 dollars).

3. Candlestick Point Activity Node Non-Housing Redevelopment Program

a. Deficiencies to be Corrected

The blighting conditions most prevalent in Candlestick Point include unsafe and unhealthy buildings and structures and high crime rates. Alice Griffith and Candlestick Stadium exhibit extensive physical and structural deficiencies and have reached the end of their usefulness. In addition, Alice Griffith is also identified as an area of gang activity and violent crime. The Agency projects and activities in Candlestick Point are necessary not only to eliminate blighting conditions in the Project Area, but also to meet the Plan Amendment objectives, namely the implementation of voter-approved Proposition G and the CP–HPS 2 Project.

In order to alleviate the blighting condition of unsafe and unhealthy buildings, Candlestick Stadium must be demolished and site preparation activities need to be undertaken throughout Candlestick Point. The demolition and renovation of Alice Griffith is discussed below as part of the Affordable Housing Program in Section E. The non-housing program activities will result in the efficient and economically feasible development at Candlestick Point.

b. Projects and Activities

The proposed activities are intended to work in concert with activities proposed for Hunters Point Shipyard in order to produce benefits for both the Candlestick Point Activity Node in Project Area B and the adjacent Shipyard. The Agency will also work with the City, its relevant agencies and the Developer to facilitate a public review and entitlement process, including the following:

- Facilitate execution of a Disposition and Development Agreement (DDA), between the Agency and the Developer. This agreement would allow and govern the physical construction of the Project, and establish and govern the relationships between the Agency and the Developer regarding acquisition, ownership, assembly of the Project Area properties, and the financing, construction, ownership, and operation of the project improvements. In particular, the DDA will set forth the terms and conditions upon which the Agency would make

increment available, including limits on the amount of increment that would be made available to the Developer.

- Support development of a new, high density, transit-oriented and mixed-use development including residential development, regional retail and entertainment venues consistent with the Conceptual Framework and Proposition G that San Francisco voters approved on June 3, 2008.
- Foster the creation of community and regional destinations and gathering places, including a restored and redeveloped Candlestick Point State Recreation Area, and other public park and civic places.
- Induce construction of new public infrastructure and transportation facilities to service new development at Candlestick Point, Alice Griffith and the Shipyard.
- Facilitate a community benefits program in conjunction with development agreements, that will promote the full revitalization of the Bayview Hunters Point neighborhood and that will involve the Agency and as appropriate, other City agencies in its implementation.
- Take other appropriate and necessary steps to implement the proposed Plan Amendment.

Housing production and housing program activities for Candlestick Point are described in the following section (Section E).

c. Estimated Candlestick Point Activity Node Non-Housing Program Costs

The Agency's contribution of tax increment revenues towards the Candlestick Point Activity Node Non-Housing Program is projected to be \$1.8 billion in future dollars (\$370 million in constant FY 2009/10 dollars). Refer to Chapter V for further discussion regarding the projection of tax increment to be set aside for affordable housing activities. Chapter V also describes additional funding sources (public and private) that will be used to complete the Candlestick Point Activity Node Program.

E. Description of Agency's Affordable Housing Redevelopment Program

This section describes the Agency's proposed Affordable Housing Redevelopment Program, including the deficiencies to be corrected, project and activity descriptions, and estimated project costs. The Affordable Housing projects and activities are divided into three areas listed below:

1. Rental/Multi-Family Housing
2. Homeownership Programs
3. Candlestick Point

The Agency shall implement an Affordable Housing Program and, as feasible, may dedicate citywide affordable housing funds for the production of affordable housing outside of Project Area B if such production is determined to be necessary. The basis for the Affordable Housing Program can be found in the Framework Housing Program adopted by the Project Area Committee on September 20, 2004 as well as the Below Market Housing Plan formulated in 2010, which specifically addresses housing development in Candlestick Point. These documents and the Agency's Housing Program are consistent with the City's Consolidated Housing Plan and

the General Plan and will include below market rate apartment development, affordable home ownership project development, supportive housing projects serving high need populations, and Agency programs such as Model Block single family rehabilitation program.

The Agency will promote the development of a wide variety of affordable housing in the community in order to enhance the vitality of the area and provide much needed housing for the City. The Agency will utilize the Framework Housing Program as a guiding document, which sets forth policies and implementation mechanisms to guide the production and maintenance of housing in Project Area B and the greater Bayview Hunters Point community. In particular, the Agency will encourage mixed-use development, development of new and rehabilitation of existing rental and ownership units, infill development, mixed income development, and an array of senior housing possibilities. The Framework Housing Program objectives are as follows:

- Preserve the existing housing stock.
- Promote residential occupancy by Project Area residents.
- Maintain the existing balance between ownership and rental housing.
- Enhance and improve existing neighborhoods through the rehabilitation of existing housing and enforcing blight ordinances.
- Promote sensitive and complementary infill development in established neighborhoods.
- Promote residential mixed use development in appropriate locations.
- Require new residential and residential mixed-use developments to “fit” into Bayview Hunters Point through well-planned urban design and contextual architecture.
- Improve the coordination and provision of housing assistance and affordable housing for community seniors.

The Affordable Housing Program will be funded in part through the housing set-aside, which is described below and will result in the production of a significant number of affordable housing units.

Housing Set-Aside

The CRL was amended in 1976 and 1984 to require that not less than 20 percent of all tax increment generated from any project area be set-aside in an affordable housing fund to be used to increase and improve the community’s supply of housing affordable to persons and families of very low-, low- and moderate-income. Amendments to the CRL in 2001 specify that affordable dwelling units must remain available at affordable housing cost to, and be occupied by, persons and families of very low-, low- or moderate-income for the longest feasible time, but not less than 55 years for rental units, and 45 years for owner-occupied units. In addition, the Agency must spend funds in the Affordable Housing Fund in at least the same proportion as the number of units needed to house moderate-, low- and very low-income persons and families, as determined in the City’s housing element.

Agency Housing Policy

A component of the Agency's housing policy has been to commit more tax increment funds for affordable housing than to the CRL-required housing set-aside.⁸ In Project Area B Non-Candlestick Point, the Agency will continue to allocate 50 percent of tax increment revenues available for its Redevelopment Program to affordable housing activities. In Candlestick Point, in addition to the CRL-required 20 percent housing set-aside, additional tax increment revenues will be used for horizontal development to support the construction of affordable housing units. Additionally, the Developer has committed a "per unit" contribution of \$70,000 for each affordable unit, and \$90,000 for each affordable unit built in the Alice Griffiths Housing Development.

The funds set-aside for affordable housing will be a significant source of funding available for affordable housing development. The Agency will focus these funds on affordable housing development in Project Area B.

Affordable Housing Production

The CRL requires at least 15 percent of all new and substantially rehabilitated dwelling units developed within Project Area B by public or private entities or persons other than the Agency to be available at affordable housing cost to, and occupied by, persons and families of extremely low, very low, low or moderate income. Of the 15 percent, 40 percent (or 6 percent of the total) must be available at affordable housing cost to very low-income households. The Agency anticipates that it will substantially exceed the CRL requirements (see description below).

Within Project Area B, the maximum income eligibility will reflect the lower household incomes within the Bayview Hunters Point community and will therefore be 50 percent of area median income (AMI) for rental units and 100 percent of AMI for owner occupied units, with a goal of achieving an average of 80 percent of AMI for owner occupied units.⁹

To facilitate the Agency's compliance with CRL affordable housing production requirements, developers of housing within Project Area B will be required to comply with the Citywide Inclusionary Housing Ordinance, with the following exceptions:

- The duration, monitoring, marketing and controls for affordable units will be consistent with the CRL and Agency policy;
- The construction of off-site units will occur only at a site within Project Area B;
- The payment of an in-lieu fee will be made to the Agency instead of the Mayor's Office of Housing; and
- The definition of "affordable to qualifying households" will mean the following: (1) for rental units in an affordable housing project, the goal shall be to establish a rent that is affordable to households whose combined annual gross income for all members does not exceed 50 percent of median income for the San Francisco Metropolitan Statistical Area, as calculated by the

⁸ 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. (Refer to Chapter V for more detail.)

⁹ The 2009 AMI for the San Francisco area is \$67,750 for a one person household, \$77,450 for a two person household and \$87,100 for a three person household.

United States Department of Housing and Urban Development (HUD) and adjusted only for household size, and (2) for owned units in an affordable housing project, the goal shall be to establish an average maximum purchase price that is affordable to households whose combined annual gross income for all members does not exceed 80 percent of median income for the San Francisco Metropolitan Statistical Area, as calculated by the United States Department of Housing and Urban Development (HUD) and adjusted only for household size, assuming an annual payment of all housing costs of 33 percent of the combined household annual net income, a 5 percent down payment and available financing consistent with Agency standards.

Affordable Housing Production in Non-Candlestick Point

A total of 3,700 housing units are estimated to be produced in the Non-Candlestick Point area of Project Area B. The Agency estimates that 925 of the 3,700 units will be affordable housing units. Of the 925 units, 449 are anticipated to be affordable to very low-income households. Overall, 25 percent of the housing estimated to be produced in Non-Candlestick Project Area B will be affordable, and 12 percent will be affordable to very low-income households.

Through the HOPE SF Program discussed in Chapter III, all of the 267 public housing units in the SFHA Hunters View Housing Development are proposed to be replaced by a 723-unit mixed-income development. In addition to the 267 public housing units that will be rebuilt, the new development will include 83 rental units targeted for very-low income households and 373 homeownership units, of which approximately 25 percent will be targeted to low and moderate income first-time home buyers.

Affordable Housing Production in Candlestick Point

It is estimated that 7,840 units will be produced within the Candlestick Point Activity Node. Of these, 384 affordable units are anticipated to be produced through the one-for-one replacement of the 256 existing Alice Griffith units and the construction of 128 additional affordable units at that site. An additional 1,047 units of affordable housing are anticipated to be produced on Agency-owned parcels. An estimated 573 affordable units are anticipated to be produced privately as inclusionary units, along with 5,076 market rate units. While not eligible for housing production requirements under the CRL, 760 income restricted workforce units are anticipated to target households earning between 120 and 160 percent of area median income (AMI).¹⁰

The Agency will promote the development of a wide variety of affordable housing in the community in order to enhance the vitality of the area and provide much needed housing for the City. In particular, the Agency will encourage mixed-use development, development of new and rehabilitation of existing rental and ownership units, infill development, mixed income development, and an array of senior housing possibilities.

1. Deficiencies to be Corrected

The City of San Francisco has a critical shortage of housing and long waiting lists for below market rate units. Apartment vacancies in the City are typically very low, often less than two percent. The Project Area is particularly suited for housing, and is one of the last major

¹⁰ Estimates of housing units, which vary slightly from those used to project tax increment (refer to Chapter V), are based on the Developer's most recent preliminary assessment of individual sites, and are subject to change.

developable areas in the City. However, physical and economic conditions such as poor infrastructure, inadequate circulation, and deteriorated buildings preclude development without redevelopment assistance. The Agency will promote the construction of well-designed affordable and market rate housing in the Project Area in order to enhance the vitality of the area and provide much needed housing for the City.

2. Projects and Activities

Pursuant to the Agency's policy, the Agency may establish a range of housing programs that seek to enhance project design and leverage federal, state and private funding sources to develop high quality, attractive and affordable housing developments serving a diverse population. The funds set aside for the Affordable Housing Program will be used in a flexible manner in order to respond to favorable development opportunities.

As part of the Affordable Housing Program, the Agency will undertake the following types of affordable housing projects and activities:

- Encourage mixed-use residential development in appropriate locations within economic development activity nodes, as identified in the Redevelopment Plan Amendment.
- Promote additional affordable housing development, both rental and ownership, throughout Project Area B.
- Encourage affordable single family infill development in appropriate locations along Third Street and elsewhere in Project Area B.
- Facilitate affordable residential development with assisted living options for community elders in rental and ownership units, particularly along Third Street.
- Facilitate development of board and care homes, nursing homes and other assisted living facilities for community elders on infill lots throughout the central part of the Bayview.
- Facilitate development of new mixed income senior housing near the Health Center, within the Health Center Activity Node including one and two bedroom units, short-term housing projects, hospice units, assisted living units, and long-term care nursing units with skilled professionals.
- Provide substantial new housing in a mix of rental and for-sale units, both affordable and market-rate.

In addition to the general programs and activities outlined below, the Agency will tailor specific redevelopment activities for rental/multi-family housing and for homeownership.

Rental / Multi-Family Housing

- Complete the construction of senior rental housing at 5600 Third Street.
- Provide financial assistance to private developers constructing affordable housing and mixed-income housing projects throughout Project Area B. Facilitate the construction of affordable housing projects through land acquisition and disposal to developers. Focus new development efforts on transit-oriented mixed income projects along Third Street.
- Implement the Housing Opportunities for Persons with AIDS program (HOPWA) by providing capital funds for the development and construction of affordable housing. HOPWA is locally administered by the Agency and funds rental assistance and supportive services for low-income people living with HIV/AIDS.

- Provide planning and financial assistance towards a range of supportive housing options for the community's low-income aging population.
- Administer the Affordable Housing Preservation program (HUD-Assisted Section 8 Housing), in consultation with the Mayor's Office of Housing, to preserve the affordability of units in HUD-assisted Section 8 housing developments. Provide technical and funding assistance to nonprofit organizations that commit to preserving the long-term affordability (a minimum of 55 years) of at risk affordable rental development they may purchase from a for profit owner.
- Provide assistance for supportive permanent and transitional housing programs for other very low-, low- and moderate-income special needs populations in the community.
- Partner with the SFHA, Mayor's Office of Housing and private developer, Hunters View Associates LP, to facilitate the efforts to revitalize Hunters View, a low-income public housing developments within Project Area B. The new Hunters View development will provide for full replacement of the currently existing, significantly distressed, 267 public housing units, the addition of approximately 456 units of mixed-income rental and for-sale housing, all constructed as part of a green and sustainable community. The Hunters View development is the first to utilize the HOPE SF financing structure, an innovative program developed by the City in response to the lack of Federal HOPE VI funds that would have historically been used for a project of this kind. The developer has also received funding from the Agency and from City, state, federal and private sources.
- Facilitate the efforts of the SFHA in its revitalization of its low-income public housing developments within Project Area B: Westbrook, Hunters Point "A East," "A Upper West," and "A Lower West."

Homeownership Programs

- Administer the Single-Family Resale program that assists qualifying first-time homebuyers in purchasing a home in designated developments in Project Area B.
- Continue implementing the Model Block program for rehabilitation of single family homes on a block-by-block basis. Under this program, the Agency sponsors and funds a program offering a variety of grants and loans to qualifying low-income homeowners and renters needing assistance in rehabilitating and maintaining their homes, on a block-by-block basis. The Model Block program will be coordinated with the Green Streets program component of the Community Enhancements Program.
- In cooperation with the Mayor's Office of Housing, expand the City's Low-Income Homeowner Retention programs for seniors, to assist low-income senior homeowners at risk of losing their housing. Elements of the program include increasing access to registered handyman services, improving City-provided home repair and safety programs, and revising the City's rehabilitation loan programs to better target low-income seniors who are at risk of losing their homes.

Candlestick Point

- Consult with Alice Griffith residents and facilitate the receipt of all required governmental approvals in order to provide one-for-one replacement of the existing units of the Alice Griffith Housing Development, which will be targeted to the same income levels as those of the existing residents; ensure that the eligible Alice Griffith residents have the opportunity to move to the new, upgraded units directly from their existing Alice Griffith units without having to relocate to any other area.

- Assist in the provision of new affordable housing that is targeted to the lower income levels of the Bayview populations, including new units that are suitable for families, seniors, and young adults.
- Provide financial assistance to ensure the feasibility of housing at affordability levels and densities to create a distinctive urban form.
- Support a mix of stacked flats, attached townhomes and—in appropriately selected locations and according to Design for Development document—low-rise, mid-rise and high-rise towers, to help assure the economic feasibility of the development and provide a varied urban form.¹¹

3. Estimated Affordable Housing Program Costs

The Agency cost for the Affordable Housing Program for Area B Non-Candlestick Point is projected to be \$450 million in future dollars (\$110 million in constant FY 2009/10 dollars). The estimated Agency contribution of tax increment revenues towards the Affordable Housing Program for the Candlestick Point Activity Node is \$620 million in future dollars (\$130 million in constant FY 2009/10 dollars). In total, the projected cost of all Project Area B Affordable Housing Programs is \$1.1 billion in future dollars (\$240 million constant FY 2009/10 dollars). Refer to Chapter V for further discussion regarding the projection of tax increment to be set aside for affordable housing activities.

F. Estimated Program Costs

The Agency’s costs of implementing its Redevelopment Program in constant FY 2009/10 dollars are \$530 million for the Agency Non-Housing Redevelopment Program and \$240 million for the Affordable Housing Program (\$2.5 billion for the Non-Housing Program and \$1.1 billion for the Housing Program in nominal, or future dollars). These costs are summarized in Table IV-3 below. Please note, the costs in the table are presented in constant FY 2009/10 dollars.

¹¹ The Design for Development sets development controls and design guidelines for the CP–HPS 2 Project.

Table IV-3
Summary of Estimated Redevelopment Program Funding Requirements
In Constant FY 2009/10 Dollars
Bayview Hunters Point Redevelopment Plan Amendment

Redevelopment Program	Agency Assistance ^a
NON-HOUSING PROGRAM	
Economic Development (Project Area B Non-Candlestick Point)	
Planning and Predevelopment	
Site Preparation and Development	
Economic Revitalization	
Subtotal Economic Development	\$33,000,000
Community Enhancements (Project Area B Non-Candlestick Point)	
Public Infrastructure and Facilities	
Circulation	
Public Open Space	
Subtotal Community Enhancements	\$77,000,000
Subtotal Project Area B Non-Housing	\$110,000,000
Candlestick Point Activity Node	\$410,000,000
SUBTOTAL NON-HOUSING	\$520,000,000
AFFORDABLE HOUSING PROGRAM^b	
Non-Candlestick Point Area B	\$110,000,000
Candlestick Point	\$140,000,000
SUBTOTAL HOUSING	\$250,000,000
TOTAL HOUSING AND NON-HOUSING	\$770,000,000

a. Based on estimates provided by Agency staff. Figures may not add or subtract exactly due to rounding.

b. Includes administrative costs related to the Affordable Housing Program.

Source: San Francisco Redevelopment Agency.

V. Proposed Methods of Financing and Feasibility

A. Introduction

This chapter describes the proposed financing of the Redevelopment Program for the Bayview Hunters Point Redevelopment (Project Area), including the portion of the Redevelopment Program for the Candlestick Point Activity Node (Candlestick Point). It estimates total funding requirements, identifies potential resources and methods of financing available to the Agency, projects tax increment and other revenues, and assesses the general financial feasibility of the Redevelopment Program.

This chapter explains why tax increment financing is the primary source of funding and why the Plan Amendment to increase outstanding bonded indebtedness (also known as the “bond limit”) is necessary to accomplish and complete the goals set forth in the Redevelopment Plan and alleviate the remaining blight in the Project Area. As summarized in Chapter III, blighting conditions in the Project Area continue to be substantial and prevalent and require tax increment in order to be alleviated.

As described in Chapter IV, the Agency plans to undertake a comprehensive planning and development approach to fully address the remaining blight in the Project Area. The Redevelopment Program for the portion of the Project Area that does not include Candlestick Point will not change under the Plan Amendment. However, the Redevelopment Program and related costs for Candlestick Point will change under the Plan Amendment. The CP–HPS 2 Project was not envisioned when the Project Area was amended in 2006 to add Project Area B, which currently makes up the entirety of the Project Area. The amount of new development that will be stimulated in Candlestick Point is significantly greater than what was anticipated in 2006. As a result, the Redevelopment Program for Candlestick Point is more intensive and costly, and thus, the tax increment and bond financing necessary to support the redevelopment projects and activities will be greater than anticipated in 2006.

The Agency projects that significantly more tax increment revenues will be generated by the development in Candlestick Point. The existing limit on outstanding bonded indebtedness is proposed to be increased under the Plan Amendment so that the Agency may invest in key projects that will enable the CP–HPS 2 Project to be financially feasible. While the Agency will continue to pursue all other potential funding sources, those sources alone will not be sufficient to fund the activities needed to alleviate blighting conditions. Tax increment financing and the bond proceeds made possible by tax increment revenue remain the primary sources of financing for the Project Area.

As described in Section B below, while tax increment revenues will be a key component of the financing plan for the CP–HPS 2 Project, several other public and private funding sources will also be available, including community benefits provided by the Developer.

1. Chapter Organization

Section B of this chapter includes potential funding sources categorized as primary, secondary, complementary, and unavailable or unlikely sources. Section C describes tax increment financing and the reasons and benefits of its use. Section D describes the assumptions used for the tax

increment projections for the Project Area over the life of the project. Section E describes the tax increment projections and the amount available for the Non-Housing and Housing portions of the Redevelopment Program. Section F explains how the Agency determined the amended bonded indebtedness limit. Section G provides an analysis of the financial feasibility of the Redevelopment Program.

As required by the CRL, this report demonstrates that the elimination of blight cannot be achieved without the use of tax increment financing and an increase in the limit on outstanding bonded indebtedness.¹ The Agency has concluded that tax increment generated by the Project Area is needed to fund its Redevelopment Program. Due to the intensification of the Redevelopment Program in Candlestick Point, a higher level of outstanding bonded indebtedness is necessary.

2. Stimulation of Private Investment

A major goal of the Redevelopment Program is to stimulate private investment in the Project Area. Public investment in the form of tax increment financing will be used to leverage private investment, particularly in Candlestick Point through the CP–HPS 2 Project.

Private investment is anticipated to include new construction of commercial, industrial and residential buildings within Project Area B. Such investment could be significant. Private investment in Candlestick Point will include new construction of commercial and residential buildings, space for community services, new parks and a performance arena.

However, private investment in the Project Area, including Candlestick Point, will depend upon the improvement of public facilities and infrastructure, the elimination of blighting conditions, and the establishment of a positive climate for private participation. Given the extent of blighting conditions and the need for improved public facilities and infrastructure, effective implementation of the Redevelopment Program provides the most reasonable opportunity for stimulating private investment in the area.

3. Creating Public Benefits

The Redevelopment Program will also deliver several public benefits to the Project Area. It will create a substantial amount of new public open space and parks, new and improved community and public facilities, home buying assistance, and a scholarship program for Bayview residents.² The Redevelopment Program will foster economic development in the Project Area with a particular focus on workforce training programs and the creation of jobs for Bayview residents. The Redevelopment Program itself will enhance job opportunities through public and private investment in infrastructure upgrades and new construction. Additionally, significantly increased commercial uses will create new permanent jobs in the area. Lastly, it will increase the supply of affordable housing in the Project Area.

¹ Refer to Chapter VI of this report for an analysis of the inadequacy of private enterprise or governmental action, or both taking action together, to reverse or alleviate blighting conditions without the Plan Amendment.

² Candlestick Point–Hunters Point Shipyard Phase 2 Revitalization Project, Plan for Financing and Transaction Structure (Financing Plan), October 2008.

Through the Community Benefits Plan undertaken for the CP–HPS 2 Project, the Developer will offer a series of tangible benefits to the community, including a contribution of \$70,000 per unit for each unit of affordable housing, \$90,000 per unit to replace the units in the Alice Griffith Housing Development, \$29.4 million in additional funds to a Community First Housing Fund to create hundreds of additional affordable housing units, \$8.9 million in workforce development programs, and a \$3.5 million Scholarship Fund.

4. Estimated Agency Funding Requirements for the Redevelopment Program

The continued implementation of the Agency’s Redevelopment Program, and the intensified projects and activities necessary for the development of Candlestick Point, will require substantial funding. Chapter IV describes this program and its costs. The estimated cost of the overall Redevelopment Program to the Agency, as described in Chapter IV, totals approximately \$770 million in constant FY 2009/10 dollars, of which about \$500 million is attributable to the Agency’s Redevelopment Program for Candlestick Point and \$270 million is attributable to Project Area B Non-CP.³

In order to accomplish the goals and objectives of the Redevelopment Plan, it will be necessary to utilize tax increment financing to supplement other sources of public funding, such as Mello-Roos Community Facilities Districts (CFDs), and private investment. Tax increment financing, in combination with the other primary sources of funding described below, will continue to be the most reliable source of long term redevelopment funding available to the Agency and is a crucial source of financing to meet the substantial costs of the Redevelopment Program.

B. Potential Funding Sources

The proposed Plan Amendment authorizes the Agency to finance the Redevelopment Program using all available funding sources, including local, state and federal sources, and the Agency will make every effort to obtain alternative funding sources as a means to accelerate the Redevelopment Program. However, tax increment financing is the most reliable source of long term funding available to the Agency.

This section describes funding sources that will likely be available to assist in financing the Redevelopment Program. Some sources described below may generate more funds than estimated, while others may generate less. On balance, the estimates of alternative revenues provide an initial assessment of funding availability to determine the need for tax increment revenue to fill the funding gap in the Redevelopment Program costs.

Tax increment, CFDs and developer participation are the sources of funding that are most likely to be available to provide funding for the Redevelopment Program, while private capital will

³ The Agency’s Redevelopment Program cost estimates for Project Area B Non-CP include Agency administration costs calculated at 15 percent of the tax increment revenues generated in Project Area B Non-CP. For Candlestick Point, the tax increment projections do not assume a specific percentage of tax increment for Agency administration costs, which are expected to vary considerably over time. The Developer will reimburse the Agency on a pay-as-you-go basis for Agency administrative expenses related to project implementation in Candlestick Point.

provide funding for upfront costs and initial expenses in order to get the program started. Secondary funding sources are less likely to be available. Complementary sources would not provide direct funding for the Redevelopment Program. However, they could be used for economic development, business support and expansion, neighborhood improvements, and community enhancement, which would enhance the effectiveness of the Redevelopment Program.

Table V-1 summarizes the potential funding sources other than tax increment that could be available to assist in financing the Redevelopment Program. Appendix E presents these funding sources in more detail, including the responsible entity, a summary of the source, and the amount available if known for each potential source. Within Appendix E, Table E-1 groups funding sources by primary, secondary, and complementary sources of funding. Funding sources considered to be unavailable or unlikely are also listed in Appendix E, Table E-1.

1. Primary Funding Sources

The sources of funding that are expected to generate substantial revenues to finance the Redevelopment Program are tax increment, CFDs and developer participation. Tax increment financing will be the primary source of funding for the non-Candlestick Point portion of the Project Area. In Candlestick Point, tax increment, CFDs and developer participation will provide the backbone of funding for the CP–HPS 2 Project. Other funding sources, such as those detailed below in Section 2, will support redevelopment efforts, but the tax increment made available by the Plan Amendment, the revenue generated by the CFDs, and developer participation will all be necessary to finance the Redevelopment Program.

a. Tax Increment

Tax increment (TI) revenue generated by the increase in property values within the Project Area will continue to be the primary funding source available to support the Agency’s Redevelopment Program in Project Area B Non-Candlestick Point and will be one of three primary sources of funding to support the completion of the CP–HPS 2 Project. Section E, below, details the Agency’s projection of tax increment resources that will be available to finance its Redevelopment Program.

b. Mello-Roos Community Facilities Districts

The most common method for imposing special taxes in California is through a special tax levied pursuant to the Mello-Roos Community Facilities Act of 1982 (the Mello-Roos Act), which authorizes certain public entities to form a Community Facilities District (CFD). The Mello-Roos Act authorizes the formation of a special tax district to finance capital improvement projects and pay for certain services. A CFD can be formed separately or in conjunction with the establishment of a redevelopment project to undertake new public projects to joint benefit. In addition to financing site-specific improvements, a CFD may finance improvements that provide a general, area-wide benefit. Mello-Roos parcel taxes are levied on real property and collected on the county property tax bills. The special taxes are calculated pursuant to a formula that is established during the formation proceedings and is effectively part of the voter approval. Mello-Roos taxes are commonly based on the size of property or the improvements on the property.

Table V-1
Agency and Non-Agency Financial Resources Other than Tax Increment
In Constant FY 2009/10 Dollars
Bayview Hunters Point Redevelopment Plan Amendment

Primary Funding Sources	Estimated Amount
CP-HPS 2 Project Mello-Roos Community Facilities Districts ^a	\$600,000,000
CP-HPS 2 Project Developer Participation ^a	\$700,000,000
<i>Total Primary Funding Sources Other than Tax Increment</i>	<i>\$1,300,000,000</i>
Secondary Funding Sources	
SAFETEA-LU Reauthorization High Priority Appropriations	\$75,000,000
Annual Federal Appropriations	\$475,000
TEA 21 Grant	\$9,800,000
San Francisco Capital Improvement Fund	\$1,080,000
MTC State/Regional Transportation Improvement Program	TBD
MTC Transportation for Livable Communities	TBD
Department of the Treasury New Markets Tax Credits	TBD
CTCAC Low Income Housing Tax Credits	TBD
DPW/MTC Fuel Tax	TBD
<i>Total Secondary Funding Sources</i>	<i>\$86,355,000</i>

a. Candlestick Point and Hunters Point Shipyard Phase 2 Revitalization Project, Plan for Financing and Transaction Structure, October 2008. These funds are for both Candlestick Point and Hunters Point Shipyard.

Source: San Francisco Redevelopment Agency and the Office of Economic and Workforce Development.

The City or Agency can issue Mello-Roos bonds to finance public infrastructure that are secured by the special taxes on privately owned land and improvements. Several project areas in San Francisco have employed CFDs as funding sources for redevelopment activities, including the Mission Bay North and South Redevelopment Project Areas. Revenues generated through the formation of a CFD are expected to provide significant funding for the redevelopment of Candlestick Point and will be key to the timely implementation of infrastructure improvements necessary for further development.

c. Developer Participation

Developer participation has been used to help fund redevelopment activities in many communities. For example, funds may be advanced to a city or agency in the form of a negotiated fee or grant, or a loan for public improvements that is repaid during the course of project implementation from tax increment revenues. Some agencies have development agreements with developers, by which developers contribute funding for specific improvements, such as infrastructure and street improvements.

Developer participation is expected to contribute a significant amount to the revitalization of Candlestick Point, as the Agency is currently in negotiations with the Developer for a Disposition and Development Agreement (DDA) for a master planned project spanning Candlestick Point and Hunters Point Shipyard. It will take several years before Candlestick Point will generate sufficient

tax increment to pay for redevelopment activities in the node. For these activities to occur more rapidly, private capital will be used to pay for activities at the outset. In addition, the Developer has agreed to a “per unit” contribution to assist with the production of affordable housing units in Candlestick Point.

2. Secondary Funding Sources

While less significant or less likely to be available than primary funding sources, secondary sources, such as federal, state and other local funds have helped, and are anticipated to help the Agency in meeting its redevelopment goals and objectives. This section describes the secondary funding sources the Agency has used and/or anticipates using to help support the Redevelopment Program.

Secondary funding sources have provided some funding in the past and are anticipated to provide additional funding in the future. However, the level of funding provided by these funding sources has not been, and will not be, sufficient to fully fund the cost of redevelopment activities. Also, many grant programs offer one-time funding allocations, and are not a reliable source of funding for future years. Furthermore, in an effort to close the State’s over \$20 billion budget deficit, some programs offered by the State have been scaled back or temporarily terminated. For these reasons, secondary funding sources are not sufficient and may not be available to alleviate the blight identified in Chapter III. Tax increment is therefore necessary to complete the redevelopment program presented in Chapter IV. Please see Appendix E for detailed descriptions of secondary funding sources that the Agency plans to use to implement the Redevelopment Program.

a. Safe, Accountable, Flexible, and Efficient Transportation Equality Act: A Legacy for Users (SAFETEA-LU) Reauthorization High Priority Appropriations and Competitive Funds

The federal SAFETEA-LU program addresses significant transportation challenges in the areas of safety, security, congestion, intermodal connectivity and timely project delivery. A considerable number of safety, finance, highway, environmental, public transportation, and planning and research programs are funded under SAFETEA-LU. The most recent SAFETEA-LU authorization expired in September 2009, and the legislation has been extended for several months while reauthorization legislation is pending. The San Francisco Department of Public Works and the San Francisco Municipal Transportation Agency have requested direct appropriations for transportation-related components of the redevelopment program as part of the SAFETEA-LU reauthorization process. Funding requests totaling \$75 million have been made through the offices of Senators Feinstein and Boxer and House Speaker Pelosi for the CP–HPS 2 Project. If awarded direct appropriations, projects would not have to compete with other transportation projects throughout the state for SAFETEA-LU funds.

b. Annual Federal Appropriations

In fiscal year 2009, the CP–HPS 2 Project received a direct federal appropriation of \$475,000. These funds are targeted to transportation improvements along Harney Way, and were sponsored by Senator Boxer and included in the 2009 Omnibus Appropriations bill. The Agency anticipates that future allocations of federal appropriations will be requested.

c. Transportation Equity Act for the 21st Century (TEA 21) Grant

In 2000, the City received a grant of \$8,795,355 under the Transportation Equity Act for the 21st Century (TEA 21), the predecessor to the SAFETEA-LU program. This grant was awarded for the Bayview Transportation Improvements Project (BTIP). To date, approximately \$1 million have been spent. Since the BTIP project is ongoing and portions of the transportation-related components of the Bayview Hunters Point and Hunters Point Shipyard redevelopment programs include and build upon BTIP, this funding source is contributing to the Redevelopment Programs in both Project Areas.

d. San Francisco Capital Improvement Fund

The City has allocated \$1,080,000 from its existing capital improvement fund for activities to improve transportation and access to the CP-HPS 2 Project.

e. MTC State & Regional Transportation Improvement Programs (STIP/RTIP)

The State Transportation Improvement Program (STIP) is a multi-year capital improvement program for transportation projects on and off the State highway system. STIP programming generally occurs every two years. The program lists all capital improvement projects approved by the California Transportation Commission (CTC) to be funded with State transportation funds, including proceeds from bond acts (such as Proposition 116) and motor vehicle fuel taxes. The STIP also includes federal funds apportioned to the State for transportation purposes. The MTC administers STIP for the Bay Area under the Regional Transportation Improvement Program (RTIP). The City applies for funds through the MTC, who then forwards a list of the region's highest priority transportation projects to the CTC for approval. Past STIP/RTIP-funding projects in the Project Area include Third Street light rail extension (\$22.6 million) and Third Street/Bayshore pavement rehabilitation (\$4.8 million).

f. MTC Transportation for Livable Communities

The MTC's Transportation for Livable Communities (TLC) Program supports community-based transportation projects that help to revitalize downtown areas, commercial cores, neighborhoods and transit corridors. The TLC Program offers three kinds of financial assistance: Planning Grants, Capital Grants and the Housing Incentive Program grants. Planning Projects must be intended to assist in solving economic development problems, respond to economic development opportunities, and expand organizational capacity for economic development. Capital Grants directly support construction and help turn plans into reality, such as streetscape improvements, transit villages and pedestrian plazas. Funding for Capital Grants comes from SAFETEA-LU funds.

Past TLC planning and capital grants have funded pedestrian and streetscape improvements in the Project Area along Third Street at Oakdale Avenue, in connection with the new MUNI light rail station and the Bayview Opera House redevelopment. The planning grant for this project was \$50,000 and two capital grants totaled \$3.5 million. The Agency expects to continue to request funding in the future, and tax increment funds will provide important local matching funds to enhance the City's competitive position in obtaining these funds.

g. Department of the Treasury New Market Tax Credits (NMTC)

The New Markets Tax Credit (NMTC) program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). A substantial amount of the qualified equity investment must be used by the CDE to provide investments in low-income communities. Qualified CDEs apply to the Community Development Financial Institutions (CDFI) Fund for an award of NMTCs. The CDE seeks taxpayers to make qualifying equity investments in the CDE.

A CDE that receives a NMTC award is required to use the qualifying equity investments to make Qualified Low-Income Community Investments in Qualified Active Low-Income Businesses (QALIBs) located in low-income communities. The taxpayers are eligible to claim a tax credit equal to 5 percent of its equity investment in the CDE for each of the first three years and a 6 percent credit for each of the following four years (39 percent in total). The Developer is pursuing NMTC investments to provide funding for the CP-HPS 2 Project.

h. California Tax Credit Allocation Committee (CTCAC) Low-Income Housing Tax Credit (LIHTC)

The Low-Income Housing Tax Credit (LIHTC) Program allows investors to contribute equity to affordable housing projects in exchange for tax relief. The California Tax Credit Allocation Committee (CTCAC) administers two types of federal tax credits: a competitive program that allows developers to “sell” up to 9 percent of eligible costs for new construction and rehabilitation in tax credits, and a non-competitive program funding 4 percent of eligible project costs (mostly for acquisition and minor rehabilitation) through tax credits to investors. Affordable units in projects receiving federal tax credits in California must remain affordable to households at or below 60 percent of AMI for 55 years, and rent in these units is restricted to 30 percent or less of total household income. Additionally, the State of California has its own tax credit program for funding projects that currently receive or have previously received federal tax credits. LIHTC investments are anticipated funding sources for developing affordable housing in the Project Area.

i. Department of Public Works /Metropolitan Transportation Commission (MTC) Fuel Tax

The State imposes a tax on gasoline, aircraft jet fuel and diesel fuel sales. An interstate user tax and use fuel tax is also collected by the State. Approximately one-third of the fuel tax revenues are distributed to local jurisdictions on a formula based on population and other factors. These revenues may be used for street maintenance, construction activities and circulation improvements throughout the city. The City’s revenue estimates for FY 2009/10 includes approximately \$17.5 million in gas tax revenues, which are distributed between the Department of Public Works (DPW) and the San Francisco County Transportation Authority (SFCTA) programs. Gas tax funds are currently a source of funding for circulation improvements in the Bayview and will likely remain a source in the future. As available, gas tax funds from the State may be used in Candlestick Point and the Project Area for transportation improvements and public transit facilities.

3. Complementary Funding Sources

While not providing direct funding to the Redevelopment Program, complementary sources will continue to provide funding for economic development, business support and expansion, neighborhood improvements, and community enhancement. Please see Appendix E for complete descriptions of all complementary funding sources that the Agency plans to use to implement the Redevelopment Program.

4. Funding Sources Considered to be Unavailable or Unlikely

As permitted by law, the Agency can utilize local, state, and federal government funds, and also funds from private sector sources. A significant number of other sources were evaluated by the Agency for their potential use to fund redevelopment activities in the Project Area. Based on the Agency's past experience, none of these sources provided substantial additional financial resources that the Agency could utilize to alleviate blight, and many are loans that would have to be repaid from tax increment. In addition, other sources have been found to be clearly infeasible or to have little potential of generating measurable revenues. Appendix E includes a list and description of each of these funding sources.

C. Tax Increment Financing as a Primary Source of Funding

Based on the list of other potential funding sources reviewed and described in Section B and Appendix E, it is clear that tax increment revenue generated by the increase in property values within the Project Area will continue to be a primary source of financing for the Redevelopment Program. If the Redevelopment Plan is amended as proposed by the Plan Amendment, based on the assumptions outlined in this chapter, the tax increment revenues generated over the tax increment collection period are projected to be sufficient to meet the Redevelopment Program costs for both non-housing and affordable housing activities that cannot reasonably be financed from other sources.

Under the Plan Amendment, the Non-Housing tax increment generated in Candlestick Point will be dedicated to the Agency's Candlestick Point Redevelopment Program. The tax increment generated in Project Area B Non-Candlestick will be pledged for the implementation of the Project Area B Non-Candlestick Redevelopment Program.

The Agency prepares an annual budget and long-term budget projection each year to evaluate the projected amount of funds available from tax increment and other revenue sources in the near and long-term. The Agency will not commit more funds on an annual basis than are anticipated to be available to fund the Redevelopment Program over its life.

The remainder of this section provides basic information about the use, collection and distribution of tax increment revenue in the Project Area.

1. Using Tax Increment Revenue to Eliminate Blighting Conditions

The primary purpose of redevelopment is the elimination of adverse physical and economic conditions affecting a project area. The completion of a redevelopment program results in a project area that is physically enhanced and economically stronger due to the elimination of blight.

As described in Chapter III, the remaining blighting conditions in the Project Area are substantial and prevalent and continue to present a significant burden on the community that cannot be eliminated under the existing bonded indebtedness limit for the Project Area. Therefore, the Plan Amendment would increase this fiscal limit to allow the Agency to complete the Redevelopment Program summarized in Chapter IV. The Redevelopment Program is specifically designed to stimulate private investment and alleviate the adverse physical and economic conditions in the Project Area. The use of tax increment revenue is the most appropriate means of providing sufficient funding for implementing the Redevelopment Program.

2. Stabilizing and Enhancing the Property Tax Base

In many communities, redevelopment projects have led to the stabilization of property tax rolls and tax receipts for taxing entities within project areas. As a result, these communities have avoided declines in tax revenues due to erosion of property values. In most redevelopment project areas, the investment of public redevelopment funds to leverage private investment has resulted in substantial increases in property values over time due to new construction, rehabilitation and property appreciation.

3. The Base Year and Base Year Assessed Value

The base year and base year assessed value of a project area are established at the time of redevelopment plan adoption or amendment. The base year assessed value includes the total value of taxable property within a project area's boundaries. The tax roll used is called the "base year assessment roll," or more commonly known as the "frozen base." The establishment of a frozen base provides for a segregation of assessed values between existing values and enhanced values deriving from future redevelopment efforts in a project area.

Table V-2 below lists the base year and base assessed value that was established for Project Area B when the area was adopted. The Plan Amendment will not change the base year or base assessed value for Project Area B.

4. Time and Fiscal Limits

The CRL imposes specific time and fiscal limits that will affect the amount of tax increment revenue the Agency can receive, as follows:

- **Time Limit to Incur Debt**
The Agency's ability to enter into new bonded indebtedness is limited to 20 years from the establishment of the Redevelopment Plan.
- **Time Limit to Carry Out Projects**
The Agency must complete all project activities within 30 years after adoption of the Redevelopment Plan. This is also referred to as the limit for plan effectiveness.
- **Time Limit to Receive Tax Increment and Repay Debt**
The Agency can collect tax increment for 45 years after the adoption of the Plan to repay debt. Thus, the Agency has 25 years to repay bonds issued in year 20, the last year for issuance of debt. The Agency can continue to repay debt for 15 years after it has completed all project activities.

- **Fiscal Limit on Tax Increment Collection**
The limit on tax increment collection (also known as the “tax increment cap”) does not apply for Project Area B.
- **Fiscal Limit on Amount of Outstanding Bonded Indebtedness**
The Redevelopment Plan must include a limit on the total amount of outstanding bonded indebtedness (also known as the “bond limit”) secured by tax increment revenue.

Table V-2 presents the current limits and the proposed change to the bond limit under the Plan Amendment. The Agency will increase the current limit on the amount of bonded indebtedness in order to provide the financing necessary to implement the Redevelopment Program for Candlestick Point. The Plan Amendment provides that the limit on the amount of bonded indebtedness of the Agency to be repaid from tax increment that can be outstanding at one time may not exceed \$1.2 billion. Refer to Appendix G for the bond calculations for Candlestick Point.

**Table V-2
Background Information and Time and Fiscal Limits
Bayview Hunters Point Redevelopment Project Area**

	Project Area B	
	Current	Proposed
Background Information		
Acres	1,361	No change
Date of Adoption	6/1/2006	No change
Ordinance No.	113-06	No change
Based Assessed Value	\$1,165,228,645	No change
	(FY 2005/06)	
Time Limits		
Eminent Domain ^a	6/1/2018	No change
Incurring Debt	6/1/2026	No change
Incurring Debt for Housing Activities	N/A	No change
Plan Effectiveness (Project Activities)	6/1/2036	No change
Tax Increment Collection/Repayment of Project Area Debt	6/1/2051	No change
Tax Increment Collection/Repayment of Debt for Citywide Housing	N/A	No change
Financial Limits		
Tax Increment Cap	N/A	No change
Bond Limit	\$400 million	\$1.2 billion

a. Does not apply to properties in a residential district or legally occupied dwelling units.

Source: San Francisco Redevelopment Agency.

5. Distribution of Property Taxes During Project Implementation

With the Plan Amendment, all of the entities that levy taxes within the Project Area will continue to receive all property tax revenues derived from the relevant base year assessed value. In addition, the taxing entities will continue to receive a portion of the property tax revenues generated from the increase in assessed value over the relevant base year assessed value, in the form of a statutory pass-through payment, established for new or added project areas since 1994. (Refer to Section D.5 for further explanation of statutory pass-through payments.)

Increased property tax revenues above the base year assessed value and after payment of obligations are allocated to the Agency to be used to fund the costs of implementing the Redevelopment Program. The Agency may pay for the project on an ongoing (pay as you go) basis, or it may borrow funds (issue bonds) to be repaid by future tax increment revenues.

6. Distribution of Property Taxes After Project Completion

When a redevelopment project is completed and loans or other indebtedness have been repaid, all property taxes flow back to the respective taxing entities. Taxing entities benefit from increases in property tax revenues resulting from revitalized and redeveloped project areas. In many communities, such increases are substantial. In fact, following project completion, taxing entities can recoup revenues sufficient to make up for the property tax revenues that were allocated for redevelopment during the redevelopment implementation period. This recovery would occur because the increases in assessed valuation from revitalization of the project areas are greater as a result of redevelopment than the assessed valuation increases that would have occurred without redevelopment. Thus, payments to the affected taxing entities from a completed redevelopment project area can exceed the property taxes that the taxing entities would reasonably expect to receive from a slower-growing assessed valuation roll without redevelopment.

D. Assumptions Used in Tax Increment Projections

The tax increment projections in this Report are intended only as estimates based on the best available information as of the publication of this Report. Actual tax increment revenues may be higher or lower than the projections. The tables in Appendix F present detailed analyses of the potential tax increment revenues for Project Area B, Project Area B Non-CP, and the Candlestick Point Activity Node. The tax increment estimates summarized in this chapter and detailed in Appendix F are based on the following financial parameters and assumptions:

1. Base Year Assessed Value

The base year and base year assessed value for Project Area B are as shown above in Table V-2.

2. Present Value Assumptions

The analysis below provides estimates of tax increment revenues in both future value (nominal) dollars and present value (constant FY 2009/10) dollars. The purchasing power of nominal dollars will 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 2009/10 dollars before making a direct comparison between potential revenues and Redevelopment Program costs.

The present value in constant FY 2009/10 dollars is calculated by discounting future tax increment revenues by an annual rate of 6.0 percent.⁴ This discount rate accounts for the cost of inflation, as well as the average cost of borrowing money for the Agency and the City (e.g. issuing tax allocation bonds secured by a pledge of tax increment revenue), to approximate the present value of future dollars. Most of the tax increment will be pledged to the issuance of bonds, and a portion of tax increment may be used on a pay as you go basis.

3. Growth Assumptions

Tax increment revenues are generated from the growth in assessed value above the base year assessed value (incremental assessed value).⁵ Tax increment revenues are projected by applying the effective property tax rate, assumed at one percent, to the incremental assessed value. Growth in assessed property values in Project Area B is based upon the factors outlined below. This section presents separate growth assumptions for Project Area B Non-CP and Candlestick Point due to the different intensity of growth envisioned for each area.

a. Growth Assumptions for Project Area B Non-CP

The growth assumptions for assessed property values in Project Area B Non-CP (Project Area B Non-CP) are based upon the following three factors:

Annual Two Percent Inflation Rate

The annual inflation rate is assumed at two percent per year for properties that remain in the same ownership. Two percent is the maximum annual increase that is allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can trigger a reassessment, such as a sale or construction of new improvements. This two percent inflation factor is applied to the secured assessed value.⁶

Reassessment Adjustment

An annual reassessment adjustment represents the increases in assessed value following property reassessment, which is triggered by: (1) the transfer, or sale, of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the reassessments of new development to market value once construction is completed.

The reassessment adjustment for secured property in Project Area B Non-CP is projected to be 0 percent through FY 2011/12 and 1 percent per year thereafter assuming the national economy begins its recovery in 2012. This 1 percent annual reassessment adjustment is projected in addition to the 2 percent annual inflation adjustment described above, representing an underlying average growth rate of 3 percent of assessed value.

⁴ As the discount rate rises, the present value figure decreases. A higher discount rate would reflect a more conservative estimate of the anticipated value of future tax revenues.

⁵ Tax increment projections exclude property tax revenues from overrides above the basic one percent property tax rate, as detailed in subsection 3 above.

⁶ The assessed value of an area is comprised of the secured, unsecured and utility tax rolls. The secured assessed value is typically the largest of the three and consists of real property (i.e. land, structures) and personal property (i.e. equipment). Receipt of property tax from secured properties are secured, or guaranteed, by placing a lien on the property.

New Development

In addition to the annual inflation adjustment and the annual reassessment adjustment, the tax increment projections for Project Area B Non-CP are based in part on estimates of growth, due to new construction and redevelopment in the area. The tax increment model utilizes development projections for Project Area B Non-CP based on potential new development activity anticipated by the Agency for specific sites. The estimate of total new development is consistent with and lower than the assumptions used in the 2006 EIR for Project Area B, which evaluates the environmental impacts of Project Area B Non-CP. The assumptions underlying the projections of increased assessed value from new development in Project Area B Non-CP are summarized in Table V-3. (Refer to the development schedules in the tax increment tables in Appendix F for more detail.)

**Table V-3
New Development Assumptions
Project Area B Non-Candlestick Point**

Land Use	Sq. Ft./DU	Incremental Value ^a	Years of Buildout ^b	Percent
Non-Residential:^c				
Retail - Third Street	100,000	\$300	FY 09/10 - FY 25/26	17%
Retail - Bayshore	172,000	\$230	FY 11/12 - FY 14/15	29%
Office	84,000	\$220	FY 11/12 - FY 27/28	14%
Light Industrial	246,325	\$170	FY 11/12 - FY 34/35	41%
Total Non-Residential	602,325			100%
Residential:				
Total Units:	3,082			100%
For-Profit For Sale:	2,186			71%
Market Rate	1,855	\$485,000	FY 10/11 - FY 32/33	60%
Affordable ^d	331	\$150,000	FY 09/10 - FY 21/22	11%
For-Profit For Rent:	315			10%
Market Rate	268	\$185,000	FY 15/16 - FY 27/28	9%
Affordable ^d	47	\$185,000	FY 15/16 - FY 27/28	2%
Non-Profit Affordable For Rent ^e	580	\$0	N/A	19%
Total Affordable Units	958			31%

a. Market value less assumed base value of \$30 per non-residential square foot and \$50,000 per residential unit (in FY 2009/10 dollars).

b. Annual absorption is shown in Appendix F, New Development Roll Value Schedule for BVHP Project Area B (Non-Candlestick Point).

c. Excludes tax exempt cultural and medical uses.

d. 15% of for-profit units assumed to be affordable per the City's Inclusionary Housing policy.

e. Non-profit units are not taxable and therefore are not included in the New Development Roll Value Schedule.

Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.

b. Growth Assumptions for Candlestick Point

The growth assumptions for assessed property values in Candlestick Point are based upon the following three factors:

Annual Two Percent Inflation Rate

The annual inflation rate is assumed at two percent per year for properties that remain in the same ownership. Two percent is the maximum annual increase that is allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can trigger a reassessment, such as a sale or construction of new improvements. This two percent inflation factor is applied to the secured assessed value.

Reassessment Adjustment

An annual reassessment adjustment represents the increases in assessed value following property reassessment, which is triggered by: (1) the transfer, or sale, of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the reassessments of new development to market value once construction is completed.

The reassessment adjustment for secured property in Candlestick Point is projected to be 0 percent through FY 2018/19 and 1 percent per year thereafter, once development is fully underway. This 1 percent annual reassessment adjustment is projected in addition to the 2 percent annual inflation adjustment described above, representing an underlying average growth rate of 3 percent of assessed value.

New Development

In addition to the annual inflation adjustment and the annual reassessment adjustment, the tax increment projections for Candlestick Point are based in part on estimates of growth, due to new construction and redevelopment in the area. The tax increment model utilizes development projections for Candlestick Point based on potential new development activity anticipated by the Developer and the Agency for specific sites. The estimate of total new development is consistent with the assumptions used in the Draft EIR, which evaluates the environmental impacts of the Redevelopment Plan Amendment. The assumptions underlying the projections of increased assessed value from new development in Candlestick Point are summarized in Table V-4. (Refer to the development schedules in the tax increment tables in Appendix F for more detail.)

**Table V-4
New Development Assumptions
Candlestick Point**

Land Use	Sq.Ft./DU^a	Per Sq.Ft./Unit Value^b	Years of Buildout^{b,c}	Percent
Non-Residential:				
Neighborhood Retail	89,300	\$540	FY 20/21 - FY 26/27	9%
Regional Retail	603,250	\$510	FY 20/21	58%
Office	142,500	\$460	FY 20/21	14%
Hotel	142,500	\$160	FY 20/21	14%
Arena	71,250	\$1,400	FY 20/21	7%
Total Non-Residential	1,048,800			100%
Residential:				
Total Units:	7,840			100%
For-Profit For Sale:	5,683			72%
Market Rate	4,513	\$699,000	FY 17/18 - FY 27/28	58%
Affordable (Workforce)	669	\$408,000	FY 17/18 - FY 24/25	9%
Affordable (Low-Mod)	501	\$277,000	FY 17/18 - FY 27/28	6%
For-Profit For Rent:	931			12%
Market Rate	838	\$425,000	FY 19/20 - FY 22/23	11%
Affordable	93	\$425,000	FY 19/20 - FY 22/23	1%
Alice Griffith Public Housing Units ^d	384	\$0	FY 14/15 - FY 17/18	5%
Non-Profit Affordable Housing ^d	842	\$0	FY 17/18 - FY 27/28	11%
Total Affordable Units	2,490			32%

- a. Based on assumptions provided by Lennar Corporation. The estimates of housing units used to project tax increment vary slightly from the estimates of housing units cited in Chapter IV, which are based on the Developer's most recent preliminary analyses of individual sites and are subject to change.
- b. Includes land and vertical development value in 2010 dollars. Residential values calculated based on a weighted average of the various product types for each category and rounded to the nearest \$1,000. Commercial values rounded to the nearest \$10 per square foot.
- c. Annual absorption is shown in Appendix F, New Development Roll Value Schedule for BVHP Candlestick Point Activity Node. Accounts for one year lag for inclusion on the assessor's roll.
- d. Non-profit units are not taxable and therefore are not included in the New Development Roll Value Schedule.
- Source: Lennar Corporation, San Francisco Redevelopment Agency, Seifel Consulting Inc.

4. Agency Tax Increment Obligations

According to State Law, the Agency must use tax increment revenue to fulfill the following obligations:

a. County Fee for Property Tax Administration

Counties can deduct fees for the administration of tax increment revenues. The projections in this report do not include this potential deduction, as the County has not opted to receive the County Property Tax Administrative Fee for the Agency's existing redevelopment projects.

b. Housing Set-Aside for Affordable Housing Program

Section 33334.2 of the CRL requires that 20 percent of the gross tax increment revenues generated be used for increasing, improving and preserving a community's supply of low and

moderate-income housing. In other words, twenty cents out of each tax increment dollar generated during the life of the Redevelopment Plan must be channeled into the Affordable Housing Fund to finance the Agency's affordable housing program. This amount must be set aside each year by the Agency and will not be affected by Agency obligations to pass-through payments, administrative costs or other factors. Uses of the Affordable Housing Fund include the payment of principal, interest, bonds, loans, money advances or indebtedness incurred by the Agency to finance affordable housing related activities.

In addition, for Project Area B Non-CP, the Agency shall use no less than 50 percent of the total tax increment funds that the Mayor and Board of Supervisors allocate to the Agency for its redevelopment activities for the purposes of increasing, improving, and preserving the City's supply of housing for persons and families of extremely low, very low, low, or moderate income. A portion of this fifty percent allocation to affordable housing is comprised of the 20 percent Affordable Housing Funds.

Section E below summarizes the projected total tax increment available for affordable housing over the life of the Redevelopment Plan.

c. Pass-Through Payments

Within Project Area B, each taxing entity deriving property tax revenue is guaranteed an annual pass-through payment from the Agency. The CRL provides standard formulas for the calculation of pass-through payments for plans adopted or amended after 1993. Each entity receives a payment in proportion to its property tax levy within Project Area B at the time of Plan Amendment.⁷ The pass-through payments constitute the State Legislature's determination of the payments necessary to alleviate any financial burden of a redevelopment program to affected taxing entities. CRL Section 33607.5(f)(1)(B) states that statutory pass-through payments are the only payments a redevelopment agency is required to make to affected taxing entities during the term of a redevelopment plan.

Section 5 below presents a detailed explanation of these statutory pass-through payment calculations. Section E below summarizes the projected total pass-through payment amount over the life of the Redevelopment Plan and Appendix F provides details on the distribution of the pass-through payments to each taxing entity.

d. Additional Payments to Basic Aid Entities

Basic aid school entities receive annual payments from an agency in addition to their standard pass-through payments. No schools in the City are basic aid districts at this time, and none are likely to become so in the foreseeable future.⁸

⁷ Please note that the tax increment projections in this Report utilize the property tax levies not adjusted for ERAF for calculating pass-through payments, although state law does not clearly indicate whether or not ERAF adjusted or unadjusted property tax levies should be used

⁸ Basic aid school entities are school districts that receive sufficient property taxes to fund operation of the district, and receive no state subventions other than per pupil payments.

e. Education Revenue Augmentation Fund (ERAF) Obligation

Several times over the last two decades, when faced with budget gaps, the State has enacted legislation requiring all redevelopment agencies to contribute to the Educational Revenue Augmentation Fund (ERAF) in order to relieve the State of some of its educational funding obligations. To address a state budget gap in FY 2008/09, the State Legislature passed and the Governor signed AB 1389 in September 2008 requiring redevelopment agencies to contribute to ERAF and transfer \$350 million to fund State obligations. However, the Sacramento Superior Court (Court) found this provision to be unconstitutional and signed a judgment on May 7, 2009, forbidding any county auditor-controllers from taking any actions to carry out or enforce any of the ERAF payment requirements. The State did not appeal the decision.

With a major budget deficit in FY 2009/10 (and likely beyond), the State Legislature approved and the Governor signed into law AB 26 4x, which requires redevelopment agencies to contribute a statewide total of \$1.7 billion in FY 2009/10 and an additional \$350 million in FY 2010/11 to a new ERAF-related fund (called "Supplemental ERAF" or "SERAF"). The constitutionality of these additional State takeaways from redevelopment agencies is being challenged in court, and is scheduled to be heard in February 2010.

The tax increment projections in this analysis do not assume the SERAF contributions by the Agency. The Agency cannot predict whether the State Legislature will enact legislation requiring deposits into ERAF/SERAF in future years. Therefore, the Agency's tax increment projections do not assume a continuation of annual State ERAF/SERAF payments. If the State Legislature does enact a future ERAF/SERAF contribution requirement applicable to the Agency, such requirement would reduce the amount of tax increment revenue available in the applicable future year(s) for redevelopment program activities.

5. Calculation of Pass-Through Payments

Since the passage of AB 1290, the CRL requires statutory pass-through payments to all taxing entities without pre-existing contractual agreements that are affected by plan adoptions or amendments after January 1, 1994. The Agency must adhere to the three-tier, CRL-mandated procedure for pass-through calculations. These pass-through payments constitute the State Legislature's determination of the payments necessary to alleviate any financial burden of a redevelopment plan to affected taxing entities. CRL Section 33607.5(f)(1)(B) states that statutory pass-through payments are the only payments that are required of a redevelopment agency to affected taxing entities during the term of a redevelopment plan.

Statutory pass-through payments are calculated by multiplying the property tax levy for each entity by a mandated set of three tiered pass-through percentages that are in turn multiplied by increases in assessed value above a relevant pass-through base assessed value for each tier. Over the life of the Redevelopment Plan, each taxing entity will receive its proportionate share of the three tiers of pass-through payments, as follows:

a. Tier One

The tier one pass-through is equal to 20 percent of the gross tax increment from assessed value growth above the base year assessed value.⁹ This annual payment began when the Agency first received tax increment revenues from Project Area B. The Tier One pass-throughs continue through the life of the Redevelopment Plan. Under the CRL, the City can elect to receive the Tier One pass-through (its proportionate share of 20 percent of gross tax increment). The City made the decision to receive its pass-through share at the time of adoption of the 2006 Plan Amendment.

b. Tier Two

The Tier Two pass-through is equal to 16.8 percent of the gross tax increment received by the Agency from assessed value growth above the Tier Two base year value, equal to the assessed value in the tenth year of tax increment collection.¹⁰ This annual payment begins in the eleventh year during which the Agency receives tax increment revenue for Project Area B. This Tier Two pass-through is added to the Tier One payment and continues through the life of the Redevelopment Plan.

c. Tier Three

The Tier Three pass-through is equal to 11.2 percent of the gross tax increment received by the Agency from assessed value growth above the tier three base year value, equal to the assessed value in the thirtieth year of tax increment collection.¹¹ This annual payment begins the thirty-first year during which the Agency receives tax increment revenue from Project Area B. This Tier Three pass-through is added to the Tier One and Tier Two payments and continues through the life of the Redevelopment Plan.

d. City of San Francisco Pass-Through Election

The community that creates and oversees a redevelopment project, the City and County of San Francisco, is entitled to receive a more limited statutory pass-through payment. The City of San Francisco elected to receive its proportionate share of the Tier One pass-through payments in Project Area B; however, it cannot participate in the Tier Two and Tier Three pass-through payments. The City's share of the Tier Two and Tier Three pass-through payments are assumed to be retained by the Agency.

6. Agency Administration

Non-reimbursable Agency administrative costs for non-housing and affordable housing projects in Project Area B Non-CP, including administration of the PAC and other community processes, are estimated at 15 percent of gross incremental tax revenues generated in Project Area B Non-CP (estimated annual cost of \$1.7 million in FY 2009/10 dollars). For Candlestick Point, the tax increment projections do not assume a specific percentage of tax increment for Agency

⁹ This is equivalent to 25 percent of net tax increment after the 20 percent affordable housing set-aside.

¹⁰ This is equivalent to 21 percent of net tax increment after the 20 percent affordable housing set-aside.

¹¹ This is equivalent to 14 percent of net tax increment after the 20 percent affordable housing set-aside.

administrative costs. The Agency's administrative costs related to Candlestick Point are expected to vary considerably over time, and the Developer will reimburse the Agency on a pay-as-you-go basis for Agency administrative expenses related to project implementation in Candlestick Point.

E. Summary of Tax Increment Projections

The tax increment projections are intended only as estimates for financial feasibility purposes. Actual tax increment revenues may be higher or lower. The development projections shown in Appendix F are not intended to predict future development, but rather to provide a reasonable estimate of potential tax increment growth on an average annualized basis determined by the increase in assessed value resulting from the growth factors described in Section D. These projections are based on the best available information and analysis techniques, and actual tax increment generated in each year will likely vary.

Table V-5 summarizes the total tax increment revenues available to the Agency over the tax increment collection period of the Redevelopment Plan for the entirety of Project Area B in both future and constant FY 2009/10 dollars under the Plan Amendment.¹² Tax increment revenues will accrue over time, with limited revenues in the early years of implementation that will grow as the assessed value of Project Area B increases.

The Project Area is projected to generate \$4.5 billion in nominal or future dollars (\$986 million in constant FY 2009/10 dollars) in gross incremental tax revenues over the life of the Redevelopment Plan. Table V-5 shows how the gross tax increment will be distributed to the taxing entities via pass-through payments, and to the Agency for its Housing Redevelopment Program, Non-Housing Redevelopment Program and redevelopment administration. Graph V-1 illustrates the distribution of future tax increment revenues over the remaining life of the Redevelopment Plan under the Plan Amendment.

As required by the CRL, the Agency will deposit 20 percent of gross tax increment revenues from Project Area B into the Affordable Housing Fund over the life of the Redevelopment Plan, equal to about \$900 million in nominal dollars (\$220 million in FY 2009/10 dollars). A component of the Agency's housing policy for Project Area B Non-CP has been to commit tax increment funds to affordable housing in addition to the CRL-required housing set-aside. Under the Plan Amendment, the Agency intends to use 50 percent of the net tax increment revenue available for the Redevelopment Program in Project Area B (Non-Candlestick Point) for affordable housing. The implementation of this Agency policy will provide an additional \$170 million in nominal dollars (\$42 million in constant FY 2009/10 dollars) for affordable housing in addition to the CRL-required 20 percent set-aside. The 20 percent housing set-aside and the additional tax increment allocated for affordable housing is projected to be \$1.1 billion in nominal dollars (equivalent to \$240 million in constant FY 2009/10 dollars). These funds will be a significant source of funding for the Agency's Housing Redevelopment Program. The Agency will focus these funds on affordable housing development in Project Area B.

The tax increment available for the Agency's Non-Housing Redevelopment Program projects and activities, as described in Chapter IV, is projected to be approximately \$2.2 billion in nominal

¹² See Appendix F for the detailed tax increment projections for Project Area B (Combined), Project Area B (Non-CP) and Candlestick Point Activity Node.

dollars (equivalent to \$480 million in constant FY 2009/10 dollars). The tax increment available for the Agency's redevelopment administration is projected to be approximately \$210 million in nominal dollars (equivalent to \$50 million in constant FY 2009/10 dollars).

Table V-5
Summary of Projected Tax Increment Revenues and Distribution
Over the Life of the Redevelopment Plan
Bayview Hunters Point Redevelopment Project Area

Tax Increment (TI) Projections^a		
<i>In Nominal (Future) Dollars</i>		
Incremental Tax Revenues		4,490,000,000
Less: County Admin Fee		0
Subtotal: TI Remitted to Agency		4,490,000,000
Agency Obligations:		
Less: 20% Housing Set-Aside		(900,000,000)
Less: Additional TI for Housing		(170,000,000)
Less: Pass-Through Payments		(970,000,000)
Subtotal: TI Available for Non-Housing Program and Agency Administration		2,450,000,000
Projected Use of Funds:		
Agency Administration (Non-CP)		210,000,000
<i>In Constant FY 2009 - 2010 Dollars</i>	b	50,000,000
Housing Redevelopment Program		1,070,000,000
<i>In Constant FY 2009 - 2010 Dollars</i>	b	240,000,000
Non-Housing Redevelopment Program		2,240,000,000
<i>In Constant FY 2009 - 2010 Dollars</i>	b	480,000,000
Total Redevelopment Program		3,520,000,000
<i>In Constant FY 2009 - 2010 Dollars</i>	b	770,000,000

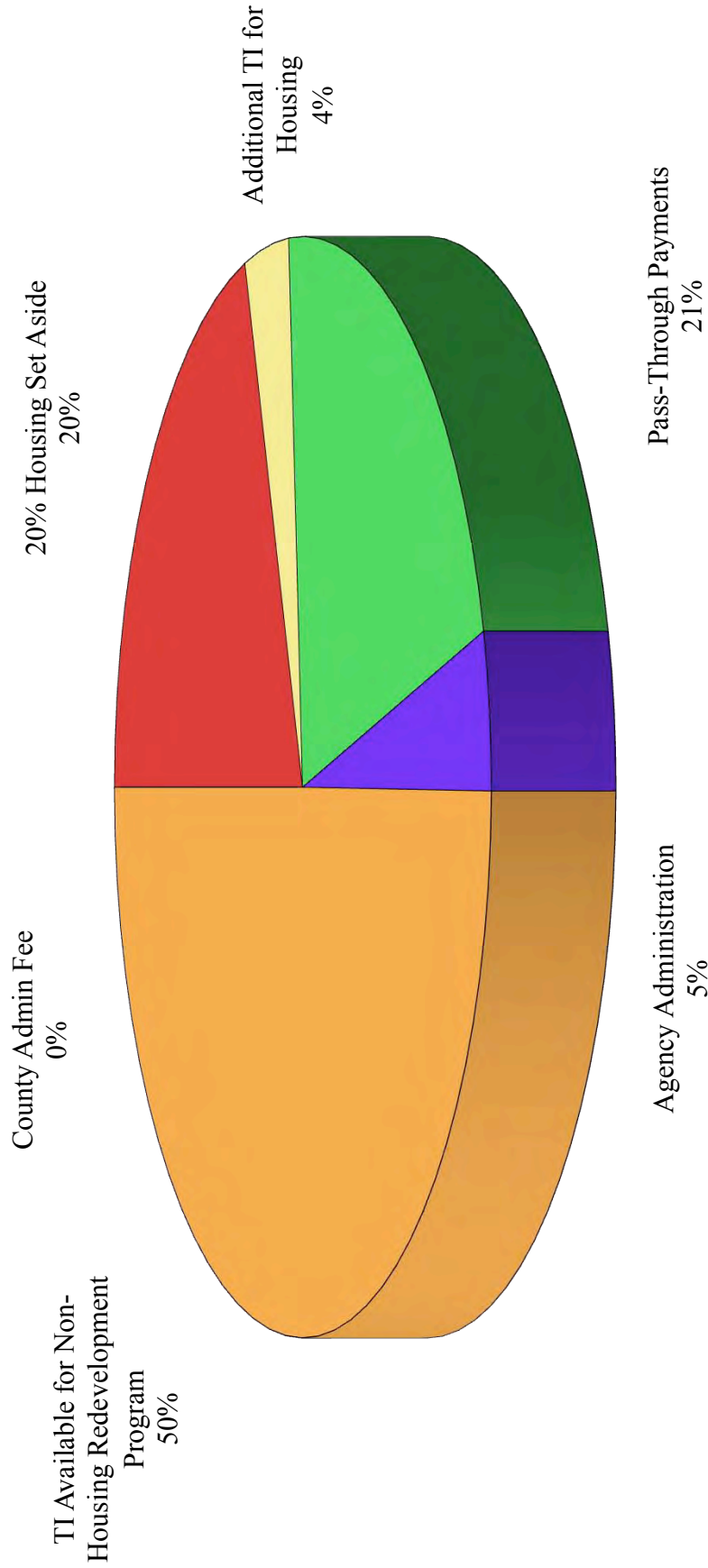
a. Figures rounded to the nearest \$10,000,000. Calculations may not precisely match due to rounding.

b. Discounted to constant FY 2009/2010 dollars at 6%.

Source: San Francisco Redevelopment Agency, Lennar Corporation, Seifel Consulting Inc.

□

Graph V-1
Distribution of Tax Increment Revenue Over the Remaining Life of the Redevelopment Plan
Project Area B
(In Future Dollars)



Source: San Francisco Redevelopment Agency, Seifel Consulting Inc.

F. Amended Outstanding Bonded Indebtedness Limit

The Plan Amendment proposes to increase Project Area B's current limit on outstanding bonded indebtedness of \$400 million billion to \$1.2 billion so that the Agency can invest in key projects in Candlestick Point that would otherwise be financially infeasible.

As discussed in Chapter V, the CP-HPS 2 Project was not envisioned when Project Area B was adopted in 2006 and the current bond limit was established. The amount of development to be stimulated in Candlestick Point due to the CP-HPS 2 Project is significantly greater than what was anticipated in 2006. As a result, the Redevelopment Program for Candlestick Point is more intensive and costly, and thus, the Agency requires additional bond financing to support its Redevelopment Program projects and activities. Under the Plan Amendment, the Agency proposes to increase the bond limit by the amount of the bond financing needed for Candlestick Point.

Three different methods were used to analyze the bonding capacity of Candlestick Point based upon future tax increment generation from FY 2009/10 through the life of the Redevelopment Plan. (Refer to Appendix G for the supporting bond limit calculation.) Based on these calculations, the Agency estimates that the bonded debt required to implement the Agency's Candlestick Point Redevelopment Program is approximately \$800 million. Thus, the proposed Plan Amendment will increase the limit on outstanding bonded indebtedness from \$400 million to \$1.2 billion.

G. Financial Feasibility of the Agency's Redevelopment Program

This section demonstrates why tax increment revenue and the increase in the bond limit made possible through the Plan Amendment will be a necessary part of the overall financing program to eliminate blighting conditions in Project Area B. The Plan Amendment will not alter the methods of financing for the Redevelopment Program for the Non-Candlestick portion of Project Area B as set forth in the 2006 Plan Amendment. Therefore, the analysis will focus on the feasibility of the Redevelopment Program for Candlestick Point, which makes up the portion of the CP-HPS 2 Project that is located in the Project Area.

Together with other public and private revenue sources, tax increment revenues will be a critical funding component in helping the Agency to meet the costs required to implement the Agency's Candlestick Point Redevelopment Program. To evaluate the feasibility of the Redevelopment Program, the following analysis compares estimated costs to tax increment revenues.

Under the Plan Amendment, the non-housing tax increment generated in Candlestick Point will be dedicated to the Agency's Candlestick Point Redevelopment Program. The tax increment generated in Project Area B Non-Candlestick will be pledged for the implementation of the Project Area B Non-CP Redevelopment Program. The Agency's Redevelopment Program cost for the Candlestick Activity Node is equal to the amount of potential tax increment revenues that will be generated from Candlestick Point, discounted at 6 percent to constant FY 2009/10 dollars. Thus, the Candlestick Point Redevelopment Program is projected to cost \$500 million in constant FY 2009/10 dollars for both non-housing and housing activities. The Agency will only contribute this projected amount of tax increment revenue from Project Area B toward the Candlestick Point

portion of the CP–HPS 2 Project, which also includes Hunters Point Shipyard Phase II. The total cost of the CP–HPS 2 Project is estimated to be \$2.2 billion in constant FY 2009/10 dollars.¹³

The Agency is expected to allocate 20 percent of its tax increment revenues (about \$130 million in constant FY 2009/10 dollars) for affordable housing activities and \$370 million in constant FY 2009/10 dollars for non-housing activities in Candlestick Point.¹⁴ Thus, the Agency is expected to have sufficient funds to support its Redevelopment Program, as shown in Table V-6.

Table V-6
Comparison of Estimated Tax Increment Revenues and Agency Funding Requirements
(Constant FY 2009/10 Dollars)
Candlestick Point Activity Node

Tax Increment Available to Agency ^a	\$500 million
Less: Agency Affordable Housing Program ^b	\$130 million
Less: Agency Non-Housing Program and Administration ^c	\$370 million
FUNDING GAP/SURPLUS^d	\$0 million

a. Present value of future tax increment revenues projected to be available for implementation of the Redevelopment Program (includes housing, non-housing and redevelopment administration costs). See Appendix F for details.

b. Includes 20 percent housing set aside and additional tax increment for affordable housing. See Appendix F for details.

c. For Candlestick Point, the tax increment projections do not assume a specific percentage of tax increment for Agency administration costs, which are expected to vary considerably over time. The Developer will reimburse the Agency on a pay-as-you-go basis for Agency administrative expenses related to project implementation in Candlestick Point

d. Numbers may not add or subtract exactly due to rounding.

Although the estimated project costs and the projected revenues will vary over time from those set forth in the estimates and projections presented in this chapter, it is reasonable to conclude that the Redevelopment Program will be financially feasible over the remaining life of the Redevelopment Plan.¹⁵ However, the Agency may have to limit the projects it can fund if future

¹³ Mayor’s Office of Economic and Workforce Development. Executive Summary of Candlestick Point–Hunters Point Shipyard Phase 2 Development Project. February 2010.

¹⁴ In addition to the contribution of 20% of tax increment revenues generated in Candlestick Point, the Agency’s Affordable Housing Program will also benefit from horizontal development (infrastructure) funded with additional tax increment revenues that will serve affordable housing development, as well as a “per unit” contribution by the Developer.

¹⁵ The tax increment projections are intended only as estimates that are based on the best available information at the time of report publication. Actual tax increments may be higher or lower than indicated in the model. The development projections shown in Appendix F are not intended to predict future development, but rather to provide a reasonable estimate, on an average annualized basis, of potential tax increment growth resulting from the increase in assessed value resulting from new development.

revenues are not sufficient to undertake all of the proposed projects in the Redevelopment Program. In keeping with its balanced fiscal approach, the Agency will continue to adopt an annual budget and Implementation Plan every five years for funding the specific action items in the Redevelopment Program. The Agency will ensure through its annual budgeting process that the Redevelopment Program is financially feasible throughout the remaining life of the Redevelopment Plan.

VI. Necessity for Plan Amendment

A. Introduction

The analysis presented throughout this Preliminary Report has demonstrated that significant physical and economic blight remains in the Project Area and that the proposed Plan Amendment would provide the necessary tools for the elimination of the remaining adverse conditions. This chapter summarizes the analysis and reiterates the necessity for the Plan Amendment to increase the fiscal limit on outstanding bonded indebtedness of the Project Area and revise land use standards in the Redevelopment Plan. This chapter also explains why private enterprise and governmental action, working alone or together, cannot reasonably be expected to reverse blighting conditions without the Plan Amendment.

B. Extent of Adverse Physical and Economic Conditions

The adverse physical and economic conditions in the Project Area are so prevalent and substantial that they cannot reasonably be expected to be reversed without redevelopment assistance. The documentation of the adverse physical and economic conditions in Chapter III, the photographs contained in Appendix B, and the building conditions of the SFHA properties described in Appendix C demonstrate that substantial blight is prevalent throughout the Project Area.

The analysis of adverse physical and economic conditions in the Project Area indicates that these conditions continue to be so substantial and prevalent that they constitute physical and economic blight. The Project Area contains a significant number of seriously dilapidated or deteriorated buildings and structures, including all of the buildings located within the four SFHA developments as well as the existing 49ers stadium. Many of the buildings in the Project Area suffer from very extensive or extensive deficiencies, are unsafe or unhealthy for persons to live or work, and/or suffer from seismic susceptibility. Incompatible or conflicting uses, truck routes through residential and commercial areas, elevated freeways and active and defunct rail lines, and public infrastructure and facility deficiencies also contribute to adverse physical conditions within the Project Area.

Hazardous materials and contamination impair property values in the Project Area and can create unsafe and unhealthy conditions. Indicators of economically distressed buildings like abnormally high business vacancies and low lease rates are signs of economic marginality that dissuade new investment and perpetuate stagnation. The Project Area also exhibits an over-concentration of problem businesses, which contributes to negative perceptions of the Project Area and correlates to other health and safety concerns like unsafe and unhealthy buildings and high crime rates. Finally, violent crime and homicide rates in the Project Area are much higher than in the City as a whole, and the community and police struggle to keep gang activity in check. Crime not only threatens the safety of residents, but also the ability of the business community to flourish and attract further investment, and thus presents a major barrier to the revitalization of the Project Area.

As further described in Section C below, these adverse conditions constitute a serious physical and economic burden on the community that cannot be reversed or alleviated without the assistance of the Agency through the authority of the CRL.

C. Significant Burden on the Community

Chapter III documented that the adverse conditions are a burden on the community and Project Area properties are not being used to the same potential as properties in other parts of the City. The reduction of, or lack of, proper utilization of the Project Area constitutes a serious physical and economic burden on the community in at least the following respects:

- Deprives residents of San Francisco and surrounding areas of employment opportunities;
- Prevents production of an adequate supply of affordable and other housing;
- Deprives property and business owners of a competitive return on their investments;
- Hinders the enhancement of the physical environment;
- Prevents the proper usefulness and development of land;
- Deprives the City, the education districts, and other affected taxing entities of a reliable tax base; and
- Hinders the development of a stronger economic base for the community.

D. Inability of Private Enterprise or Government to Alleviate Blight

The Agency has pursued, and continues to pursue, government and private financial resources to assist with its Redevelopment Program. However, the funding available is not sufficient to fund the Agency's Redevelopment Program.

1. Limitations of Private Enterprise

Without redevelopment, many of the program costs would have to be borne solely by the private sector. Chapter V and Appendix E present possible sources of private sector funds for redevelopment. As demonstrated in Chapters IV and V, these sources alone would not be able to provide the resources necessary to fund the Agency's Redevelopment Program, eliminate the adverse conditions and revitalize the area.

The private sector's ability to alleviate blight is limited by the following factors:

- The remediation of parcels contaminated with toxic or hazardous waste is costly, risky, and a financial disincentive to reinvestment or development.
- The high crime rate discourages businesses already located in the area from staying or expanding and deters businesses interested in the area from locating there.
- Inadequate infrastructure such as sidewalk, curbing and street deficiencies hinders private sector development.
- A private investor's ability to construct and invest in properties while achieving a reasonable rate of return is limited within the industrial portions of the Project Area, which are characterized by older buildings that no longer meet user demand for industrial space.
- The cost of seismic upgrades and code compliance relative to homeowner incomes, especially fixed income households, is frequently prohibitive.

- The general poor condition of retail areas on Third Street, serious façade deficiencies, elevated crime rates, and high vacancy rates deter businesses from locating or starting up along the commercial corridor.

2. Limitations of Other Governmental Action

Alleviating adverse conditions in the Project Area is not feasible by governmental action alone because governmental action is limited by the lack of governmental financial resources available to provide the funding needed for the comprehensive revitalization program, as discussed in Chapter V and Appendix E. All other feasible sources of non-tax increment revenue will be applied toward Agency's Redevelopment Program costs. Some local funding is anticipated for projects within the Project Area through the San Francisco Branch Library Improvement Program and the Citywide Affordable Housing Fund.

However, the costs of alleviating adverse conditions in the Project Area are significant, and the projects and activities of the Agency's Redevelopment Program could not be undertaken without redevelopment assistance. Redevelopment assistance in the form of tax increment revenue is the last-resort funding source essential to financing the alleviation of adverse conditions and implementing an effective revitalization effort for the Project Area.

E. Reasons Why Tax Increment Financing Is Necessary

Redevelopment is a necessary financing tool that will be used to support the Agency's Redevelopment Program costs as described in Chapter IV of this Report. Chapter V outlines the reasons that the Plan Amendment is necessary to create an economically feasible project and demonstrates that, given the amendment proposed, the Agency's Redevelopment Program, including the proposed development in Candlestick Point, is financially feasible.

As discussed in Chapter V, the costs of alleviating documented adverse conditions substantially exceed available funding from public and private sources. Tax increment financing is the only source available to fill the substantial gap between the costs of the Agency's Redevelopment Program and other public and private revenue sources.

Without redevelopment assistance, neither the private sector alone, the public sector alone, nor the private and public sectors working together, can financially support the substantial costs of the Agency's Redevelopment Program. Because these projects and activities are critical to the revitalization of the Project Area, tax increment financing is needed to assist in funding these projects. Tax increment financing will be the critical funding source that the Agency will use to implement its Redevelopment Program.

F. Necessity for Plan Amendment

To alleviate blighting conditions, the Agency is proposing to increase and clarify Project Area fiscal limits and land uses. Without the Plan Amendment, the Agency will be unable to implement the voter-approved Proposition G land use plan and will have insufficient financial capacity to fund the redevelopment activities needed to eliminate blight in the Project Area.

1. Necessity for Amendment to Increase Bonded Indebtedness Limit

To alleviate the adverse conditions, the Agency is proposing to increase its bonded indebtedness limit. The increase in the bonded indebtedness limit is essential if the Agency is to implement its Redevelopment Program, including the proposed development of Candlestick Point, and remove the remaining adverse conditions throughout the Project Area. The current limit is \$400 million. In order to alleviate remaining adverse conditions in a timely manner, the Agency currently expects to issue up to \$1.2 billion in tax allocation bonds to cover the costs of implementing its Redevelopment Program over the entire Project Area. Without changes to the bonded indebtedness limit, the Agency would be unable to issue sufficient bonds to provide the capital needed to alleviate the remaining adverse conditions through the implementation of the CP–HPS 2 Project.

2. Necessity for Amendment to Land Uses

The Plan Amendment introduces new development goals, land use standards, and development controls for the Candlestick Point portion of the Project Area in order to ensure conformity with Proposition G and the General Plan, and to clarify land use policies that will further the redevelopment of the Project Area. These changes support mixed-use development on Candlestick Point as approved by the City’s voters, which will encourage transit-oriented infill development and create housing and economic opportunities for residents of all income levels.

Specifically, the Plan Amendment provides for land use and development in Candlestick Point consistent with the conceptual framework for the CP–HPS 2 Project as expressed in the proposed General Plan Area Plan, and described in more detail in the Design for Development for Candlestick Point, including the Alice Griffith Housing Development. The development goals in the existing Redevelopment Plan reflect the Stadium plan advanced under Propositions D and F, which was repealed with the passage of Proposition G, described in detail in Chapter II. New goals also include policy guidelines for the redevelopment of the Alice Griffith Housing Development including protections for current residents. Additionally, the existing Redevelopment Plan lacks sufficient land use flexibility to support the vibrant, mixed-use development proposed for the CP–HPS 2 Project. Finally, the Plan Amendment allows for development controls in Candlestick Point to be governed by the Candlestick Point Design for Development. These land use changes are described in detail in Chapter II.

G. Conclusion

The Board established the Project Area after finding that blight existed and could not reasonably be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. This Preliminary Report has documented that significant blight remains in the Project Area.

Redevelopment assistance in the form of tax increment revenue made possible by the Plan Amendment is a last-resort funding source that is essential to fund the alleviation of blighting conditions and the effective revitalization of the Project Area. Other public and private funding sources are insufficient to fully fund redevelopment programs, and have become even more limited in light of the State’s decision to utilize local funds to balance its budget and the current economic climate. As described earlier and in Chapter V and Appendix E, all other feasible

sources of non-tax increment revenue will be applied toward the Agency's Redevelopment Program costs. However, the costs of the Agency's Redevelopment Program to alleviate adverse conditions are significant and exceed the resources available through these funding sources alone.

The Agency has developed its Redevelopment Program, including the redevelopment of Candlestick Point, to alleviate the remaining adverse conditions in the Project Area. The Agency's Redevelopment Program requires more funding than the amount available from other potential funding sources or from tax increment without the proposed revision of the Redevelopment Plan's bonded indebtedness limit. The proposed changes to land uses allowed by the Plan Amendment are also necessary to promote the sustainable redevelopment of the Project Area and to conform to the General Plan. Therefore, the Plan Amendment is needed to alleviate the remaining adverse conditions and undertake the projects and activities of the Agency's Redevelopment Program.