

118-0102018-002

Agenda Item **No. 5(e)**
Meeting of March 20, 2018

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Executive Director

SUBJECT: Selecting McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services for the development of approximately 100 affordable family rental housing units (including one manager's unit) at Hunters Point Shipyard Phase 1 Blocks 52 and 54; Hunters Point Shipyard Redevelopment Project Area

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure is implementing the affordable housing program in Phase 1 of the Hunters Point Shipyard Redevelopment Plan area ("Hunters Point Shipyard" or "HPS"). Through a Request for Proposals ("RFP") process, OCII recently offered for development two Agency Lots within HPS Phase 1, which are intended to be used for 100% affordable housing developments funded by OCII. The two Agency Lots are separated from each other by one existing market-rate development block (Block 53). See Attachment A. However, by combining Blocks 52 and 54 into one project, OCII is seeking to allow for greater operational and financial feasibility as well as to develop each of the blocks simultaneously and more quickly produce affordable housing units within Phase 1. Collectively these two OCII affordable housing sites will provide up to approximately 100 units, and contribute significantly toward the late Mayor Lee's goal of increasing affordable housing in the City.

OCII released the RFP to the development community in September 2017 and received three responses in late November 2017. Staff convened an evaluation panel in January 2018, and based on the results of the panel, staff is recommending to the Commission the selection of McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services as co-developers with Mithun | Solomon as architect and John Stewart Company as property manager. Staff anticipates returning to the Commission in late Spring 2018 to request an authorization to enter into an exclusive negotiations agreement and predevelopment loan agreement consistent with the funding estimates included in ROPS 17-18 line item number 395.

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MAYOR

Nadia Sesay
EXECUTIVE DIRECTOR

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DISCUSSION

Project Area Background

The Hunters Point Shipyard and Candlestick Point together form approximately 780 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors originally adopted the HPS Redevelopment Plan in 1997 and amended it in 2010 along with the Bayview Hunters Point Redevelopment Plan (which covers Candlestick Point) to provide for the integrated planning and development of the HPS and Candlestick Point. Properties within the Hunters Point Shipyard transfer from the U.S. Department of the Navy (the "Navy") to OCII after any necessary environmental remediation and determination from federal, state and local regulators that the property is safe for its intended purpose. Phase 1 is located on Navy Parcel A. By virtue of always being subject to *residential uses during active military usage of the Shipyard*, Parcel A did not require environmental remediation. Thus, it was determined safe for its intended use and transferred from the Navy to the former Redevelopment Agency in 2004.

The Phase 1 Disposition and Development Agreement, dated December 2003 ("Phase 1 DDA") between OCII and master developer, HPS Development Co, LP ("Master Developer" or "HPS Dev Co" an affiliate entity of Lennar Urban), implements the development on the Hilltop and Hillside areas of Phase 1 (described in more detail below). The Phase 1 DDA has been amended six times since its approval in 2003.

The Phase 1 development program includes the construction of infrastructure, 26 acres of parks and open space, and up to 1,600 housing units, of which, a minimum of 27 percent and a maximum of 40 percent will be affordable. Phase 1 is divided into two areas, the Hilltop and Hillside, and the Blocks 52/54 Project is located on the Hilltop. Under the Phase 1 DDA, HPS Dev Co has built 307 units including 25 inclusionary units within market rate buildings across multiple blocks, and another 59 inclusionary units in a 100% affordable project on Block 49 (350 Friedell). Another 198 units including 18 inclusionary units are under construction. HPS Dev Co has built 47% of the infrastructure including 12 acres of park space and 40% of the roadways. OCII has not yet funded any stand-alone affordable housing, but will seek development teams and provide financing for a minimum of 218 units on designated stand-alone affordable housing sites ("Agency Lots") in Phase 1.

RFP Summary

On September 21, 2017, OCII released an RFP offering two Agency Lots for development (two of the OCII stand-alone 100% affordable sites). This will be the first affordable housing developed on Agency Lots in Phase 1. Block 52 is bounded by Friedell Street to the northwest, Kirkwood Avenue to the southwest, Jerrold Avenue to the northeast, and currently, the private market-rate parcel to the southeast. See Attachment B. The adjacent market-rate developer intends to submit an entitlement application which includes a request to realign the mid-block break within Block 52 (Avocet Way) to the northwest of its current location (i.e., towards the OCII parcel). Under this proposal, the realigned Avocet Way would form the southeast property boundary of OCII's parcel on Block 52, and shift the current property boundary of the OCII-owned parcel approximately 26 feet to the southeast. This would result in an approximately 5,000 square-foot increase to the parcel. This realignment will be accomplished through a lot-line adjustment to the current tentative subdivision map covering Block 52, processed jointly by the market-rate developer and OCII. If this proposal and subsequent lot-line adjustment are not approved, then the number of units that can be built on Block 52 will be reduced. The proposed parcel is approximately 20,500 square feet. Block

54 is an approximately 19,660 square foot site bounded by Friedell Street to the northwest, Innes Avenue to the southwest, Hudson Avenue to the northeast, and Avocet Way to the southeast. See Attachment B.

Extensive notification of the RFP was provided to community groups, developers, contractors (including Small Business Enterprises and minority- and woman-owned contractors), other community stakeholders through OCII's Citizens Advisory Committees email lists, Mayor's Office of Housing and Community Development's ("MOHCD") RFP/RFQ interest email list and newspaper advertising. The RFP was also available on OCII's website.

In order to ensure expedited development, OCII sought submittals from qualified teams comprised of: a housing developer ("Developer"), property manager, and an architect. Applicants were strongly encouraged to involve community partners (organizations from the Southeast area of the City) to assist in the development, co-development, or to provide social or clinical services. All other consultants will be selected in accordance with the OCII's Small Business Enterprise ("SBE") Policy. The selected Applicant team is strongly encouraged to select a General Contractor joint venture including a local SBE.

Upon completion of these projects, OCII's assets related to the sites will be transferred to MOHCD, which is the designated Housing Successor Agency under Dissolution Law. MOHCD reviewed the RFP, and participated on the evaluation panel, and will review on the project's financial underwriting, funding, and disposition documents in order to ensure a smooth transition to MOHCD at project completion.

Development Program

The RFP asked that applicant teams propose a high quality project that:

- maximize affordable housing opportunities in the Project Area serving very low-income households at a variety of income levels;
- deliver a robust early outreach and marketing plan to maximize participation of households meeting Project Area occupancy preferences, including Certificate of Preference Holders, Rent Burdened households, and Ellis Act Housing Preference (which may be updated to Displaced Tenants Housing Preference); and
- effectively balance excellence in architectural design with feasible development costs.

Block 52/54 Program Requirement Summary	
Number of units	Approximately 100 assuming the realigned Block 52 described above
Area Median Income and General population	Up to 50% AMI. Families. Use of income tiers encouraged.
Unit mix	2 five-bedroom units 8 four-bedroom units Remaining mix of one, two and three bedroom units
Family Child Care units	2 units
Parking	Assume a .6:1 parking ratio

- Provide a supportive services plan to support the service needs of the residents;
- Create a visually attractive and distinctive design;
- Consider the relationship of building massing with the public realm;
- Incorporate sustainable and innovative design typologies; apply site and structural design which is energy- and resource-efficient;
- Maximize solar access to public and private open spaces;
- Provide continuity with the history and culture of the Shipyard;
- Maximize the opportunity for views within the development and promoting the preservation and enhancement of views from the adjacent sites and neighborhoods;
- Integrate new development with the adjacent existing areas;
- Promote harmonious transitions between building masses, open spaces, materials, colors, and textures;
- Integrate open spaces and building massing with the topography of the site;
- Design all building facades, including roofs, to be as attractive as possible from the public realm, near and far; and
- Incorporate “green” and sustainable building strategies in accordance with the City’s requirements.

Contracting and Workforce Hires

The selected Applicant will be required to adhere to the Bayview Hunters Point Employment and Contracting Policy (“BVHP-ECP”) which is designed to ensure that OCII projects provide employment opportunities for lower-income BVHP Residents and San Francisco Residents in areas of construction, professional services, and permanent jobs. In addition, OCII implements other equal opportunity programs, including the Small Business Enterprise (“SBE”) Policy to ensure equity in small business contracting with an objective of meeting an overall SBE participation goal of 50% established by the OCII Commission. The selected Applicant team will be strongly encouraged to select a General Contractor joint venture including a local SBE.

The development team(s) shall submit a Workforce and Contracting Action Plan (“WCAP”) that addresses how the team will implement: (1) OCII’s BVHP-ECP with respect to trainee, construction workforce, and permanent workforce hiring; and (2) equal opportunity programs, which include the following policies and programs: Small Business Enterprise Policy, Nondiscrimination in Contracts and Benefits, Minimum Compensation Policy, Health Care Accountability Policy, and Prevailing Wage Policy.

Applicant Teams

OCII received three submittals, all of which met the minimum threshold for completeness. The submittals are as follows (in alphabetical order):

- BRIDGE Housing (“BRIDGE”) and San Francisco Housing Development Corporation (“SFHDC”) as co-developers
 - Architect: Pyatok

- Property Manager: BRIDGE
 - Services Provider: SFHDC
- McCormack Baron Salazar ("MBS") and Bayview Hunters Point Multipurpose Senior Services ("BHPMSS") as co-developers
 - Architect: Mithun | Solomon
 - Property Manager: John Stewart Company
 - Services Provider: BHPMSS
- Tenderloin Neighborhood Development Corporation ("TNDC") and Young Community Developers ("YCD") as co-developers
 - Architect: Van Meter Williams Pollack and YA Studio
 - Property Manager: TNDC
 - Services Provider: TNDC/YCD

All three teams were interviewed by the Evaluation Panel.

Evaluation Process and Criteria

The proposals were reviewed by each member of the Evaluation Panel in advance of the Applicant interviews, which were held at OCII's offices on January 11, 2018. The Evaluation Panel members consisted of a representative from the Hunters Point Shipyard Citizens Advisory Committee ("CAC"), representatives from MOHCD, two OCII housing staff, one member of the OCII design team and project management staff for the Hunters Point Shipyard Project Area. A representative from OCII's contract compliance team was present to monitor the process and provided analysis for scoring the WCAP sections of each submittal. The format of the interviews was as follows: a 20-minute presentation and 30-minute question and answer period to help the Evaluation Panel complete its evaluation.

Proposals were evaluated using the selection criteria set forth in the RFP: a total of up to 50 points were awarded for the proposed development concept and up to 50 points for developer team experience and capacity, for an overall total of up to 100 points. A detailed breakdown of the RFP proposal criteria is provided below:

<u>POINTS</u>		<u>CRITERIA</u>
50		Proposed Development Concept
	20	Proposed Massing Concept: strength and constructability of proposed massing concept, number of units, conformance with the Redevelopment Plan, Major Phase, and the Design for Development
	20	Financial Feasibility & Level of OCII Subsidy
	5	Proposed Services Plan
	5	Proposed Marketing Plan

50		Developer Team Experience and Capacity
	10	Developer experience marketing affordable housing comparable to the housing proposed in this RFP <i>and in accordance and in good standing with current OCII/MOHCD standards related to marketing and tenant selection</i>
	10	Developer experience with government assisted affordable housing programs and financing sources and/or “green” housing; Developer Workload Capacity. <i>Developer experience delivering affordable housing on budget (defined as maintaining or reducing a project’s per unit cost between RFP response, approval of a predevelopment loan/schematic design approval and construction loan closing)</i>
	5	Workforce and Contracting Action Plan
	10	Architect experience & capacity, including “green” housing <i>Architect experience delivering affordable housing on budget (defined as maintaining or reducing a project’s per unit cost between RFP response, approval of a predevelopment loan/schematic design approval and construction loan closing)</i>
	5	Services provider experience & capacity
	10	Property Manager experience & capacity, including retail operation
100	100	Total Points

Evaluation Process Results

The Evaluation Panel selected the team including McCormack Baron Salazar (“MBS”) and Bayview Hunters Point Multipurpose Senior Services (“BHPMSS”) with John Stewart Company as Property Manager, design by Mithun | Solomon. Scoring for each of the proposals is as follows:

Applicant Team	Total Score	Average Score
MBS BHPMSS	579.0	96.5
TNDC YCD	542.0	90.3
BRIDGE SFHDC	489.0	81.5

The MBS/BHPMSS development concept proposal envisioned the following development program for Blocks 52/54:

MBS/BHPMSS Development Concept	
Number of Units	100 (including 1 manager’s unit)
Architect	Mithun Solomon
Services Provider	BHPMSS
Property Manager	John Stewart Company
Building Amenities	- Ground Level Courtyard - Open Air Lobby

	• Community Room with Kitchen • Fitness Room • Teen Room • Tenant Services Office and Conference Room • Podium Garden and Courtyard • Podium Laundry/Lounge adjacent to courtyard and “informal children’s play space”
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The MBS/BHPMSS proposal strengths include:

- **Team experience:** MBS is the lead developer on the redevelopment of the Alice Griffith public housing site. MBS has completed three of six anticipated phases with a fourth currently under construction. They have extensive experience partnering with local developers and working with the community that they are building in. MBS has partnered with a Southeast developer on each phase of Alice Griffith to date and is also working with a contractor joint venture with a southeast contractor. They have excelled in putting together complicated and creative financing packages with multiple stakeholders and have ensured that the Alice Griffith projects were completed under budget and within strict federal financing deadlines.

BHPMSS has a long history providing services in the Bayview community and have been extremely successful in assisting Certificate of Preference holders with accessing OCII and MOHCD-funded affordable housing. They worked together with MBS as co-developer of Dr. George W. Davis Senior Residence and are proposing to continue to increase their development capacity as co-developer on Blocks 52/54.

John Stewart Company has a 40 year history of developing and property managing affordable housing in San Francisco. They currently manage 39 properties in San Francisco, including the HOPESF redeveloped Hunters View public housing site.

Mithun | Solomon has a long history of designing affordable housing in San Francisco and engaging in a collaborative design process with community and other stakeholders. Most recently, they were the architects for OCII’s 626 Mission Bay Boulevard North and 1180 Fourth Street in Mission Bay.

- **Financing Plan:** The proposal included several financing options with the goal of maximizing income tiering while maintaining a reasonable projected OCII subsidy. The team proposed the option of using a source of state funding from the California Housing Finance Agency (“CalHFA”) as a way to reduce the OCII gap. This source will require that CalHFA act as bond issuer as opposed to the City, resulting in the lowest projected OCII subsidy of the three proposals. The MBS/BHPMSS team also included a scenario without the CalHFA funding, which resulted in a reasonable OCII subsidy that was comparable to the TNDC/YCD team’s projected OCII subsidy (the BRIDGE/SFHDC team projected a significantly higher OCII subsidy than the other two proposals). The MBS/BHPMSS team is prepared to conduct a thorough analysis of the financing options during predevelopment to determine if this option proves to be the most financially beneficial in reducing OCII subsidy and will be acceptable to MOHCD.
- **Income Tiering:** The proposal included a projected 30% of units below 50% AMI (15 units at 40% AMI and 15 units at 30% AMI), which, of the three proposals, was most responsive to the RFP’s goal of serving households at a variety of income levels and maximizing COP participation.

- **Design and Massing:** The massing concept meets Design for Development and is complementary to existing Hilltop architecture and is well suited for target population. The concept features ample natural light and generous indoor and outdoor community spaces which also activate Friedell Street. The property management, services and community spaces are concentrated on the larger Block 52. The cohesive architectural character between both buildings conveys the feeling of a single community, though each building responds to particularities of its site in different ways.

Community Outreach

Staff presented the RFP to the CAC Housing Subcommittee and to the full CAC in July and August 2017. In September 2017, staff convened an informational meeting about the RFP for Hilltop homeowners. Staff presented an update on the selection process to the CAC Housing Subcommittee in January 2018 and presented the developer selection recommendation to the full CAC in February 2018. The CAC voted to recommend that Commission select the MBS/BHPMSS team to develop Blocks 52/54. Staff and the selected development team will continue to outreach to the community through the CAC throughout the development process.

SCHEDULE

In April/May 2018 staff will request the Commission's authorization for a predevelopment loan and Exclusive Negotiations Agreement. In late 2018 staff and the team will present a proposed schematic design for the project to Commission. Staff will return to Commission in Summer 2019 to seek approval for a permanent gap loan and ground lease.

(Originated by Elizabeth Colomello, Senior Development Specialist)

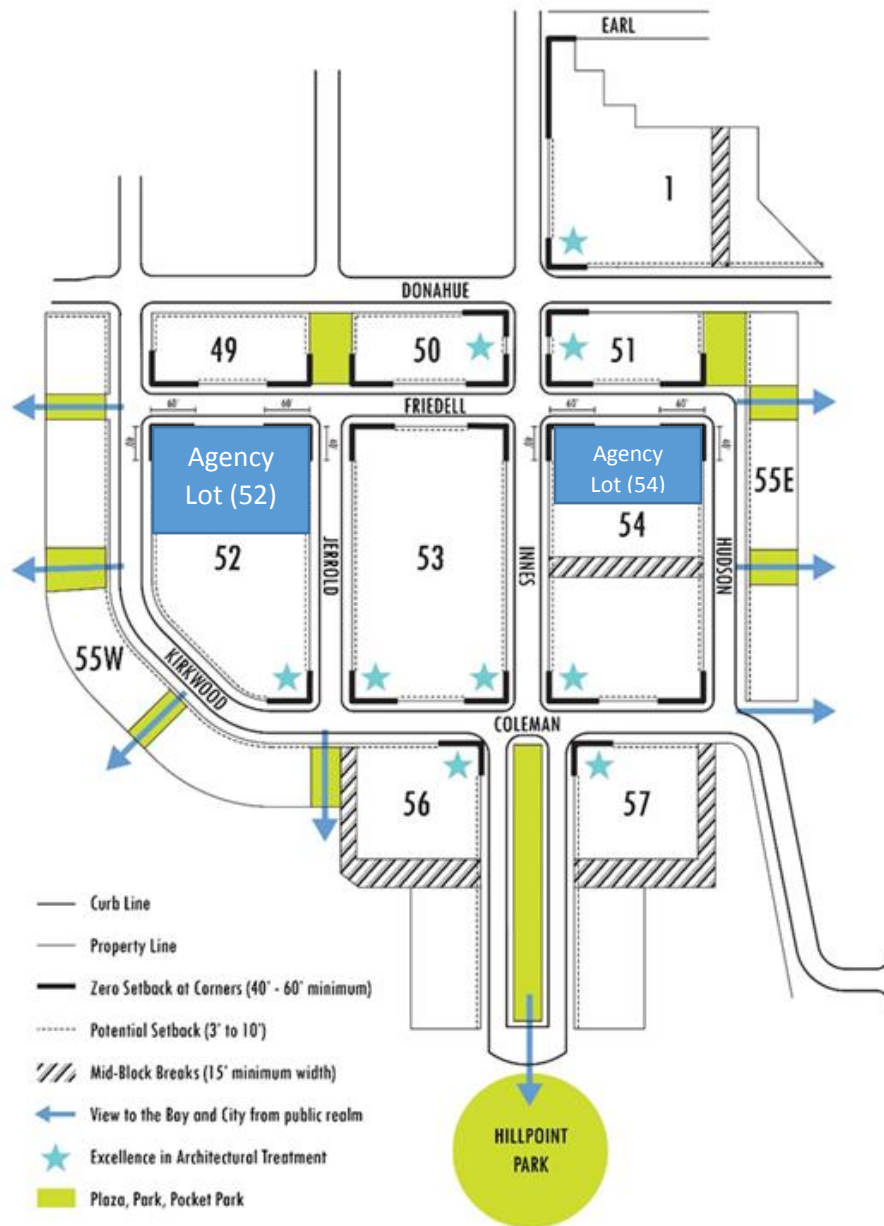


Nadia Sesay
Executive Director

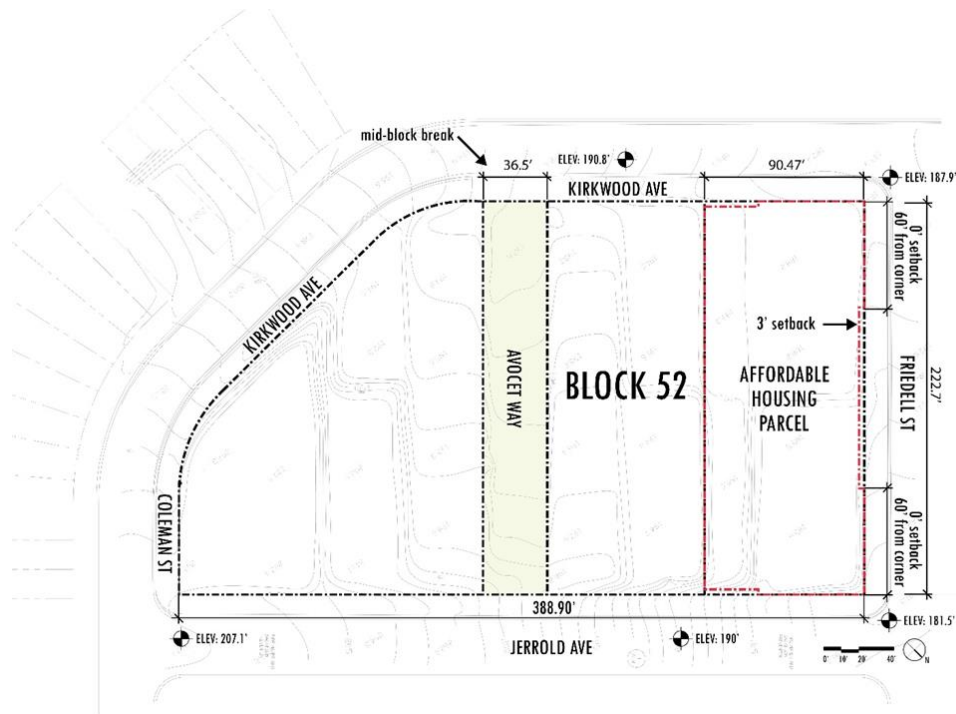
Attachment A: Hilltop Map and HPS Phase 1 Blocks 52/54 Parcel Maps

Attachment B: Conceptual Design for HPS Phase 1 Blocks 52/54

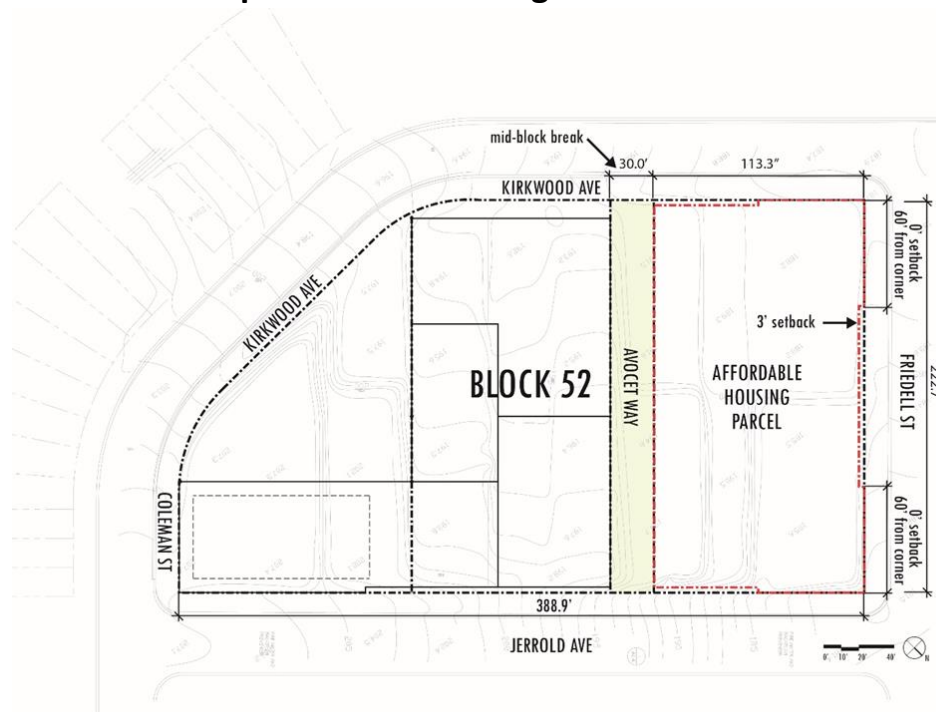
Hunters Point Shipyard Phase 1 Hilltop Parcels



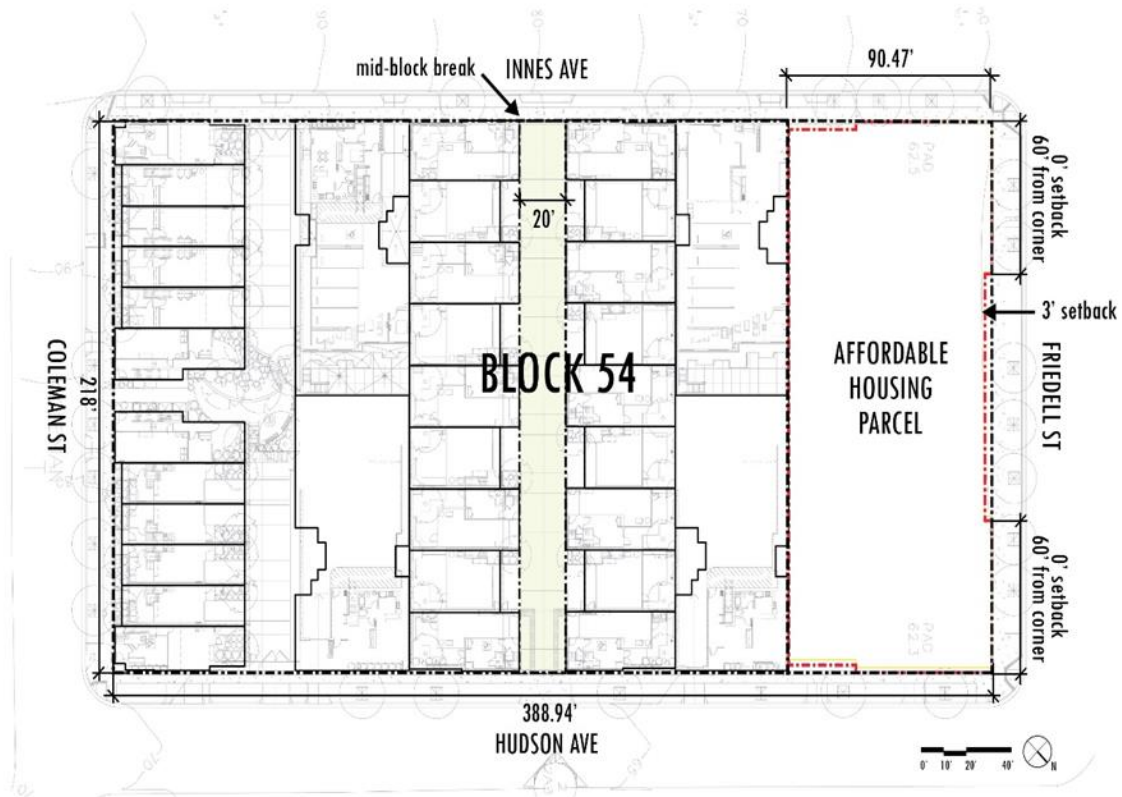
Block 52 Pre-Avocet Realignment



Block 52 Anticipated Avocet Realignment



Block 54



HUNTER'S POINT SHIPYARD / BLOCKS 52 & 54 / NOVEMBER 29, 2017



BLOCK 52 - SECOND FLOOR PLAN

A7. MASSING CONCEPT

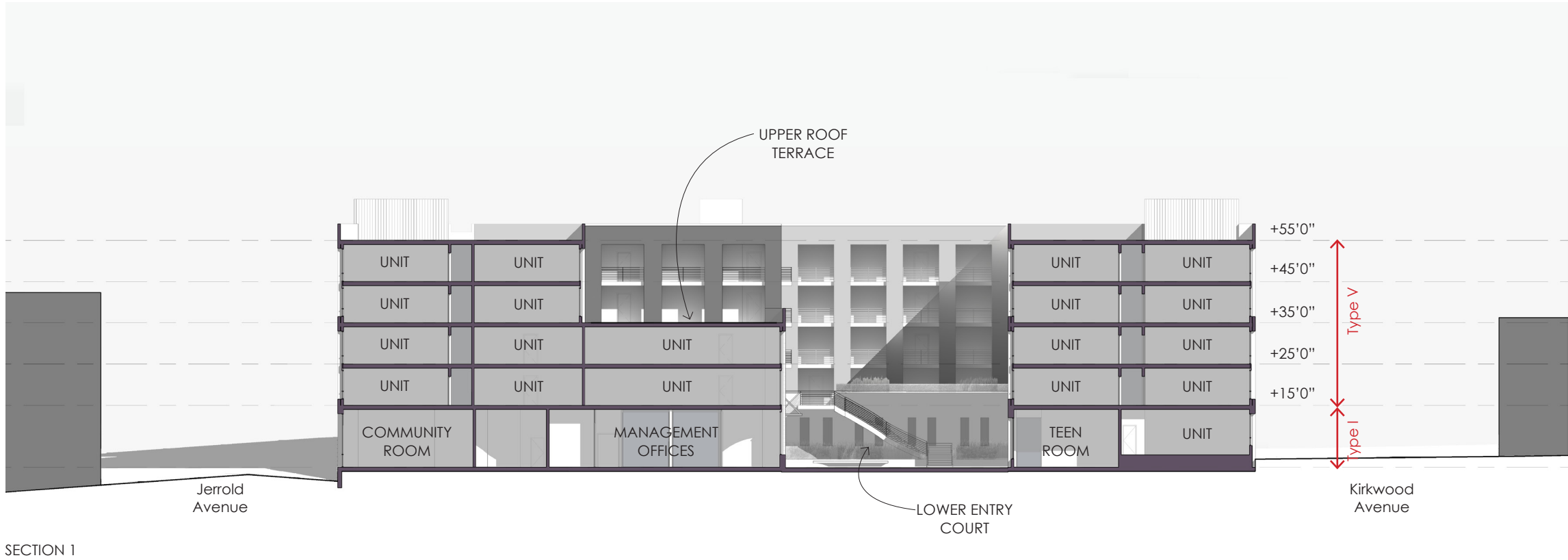








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JERROLD AVENUE ELEVATION



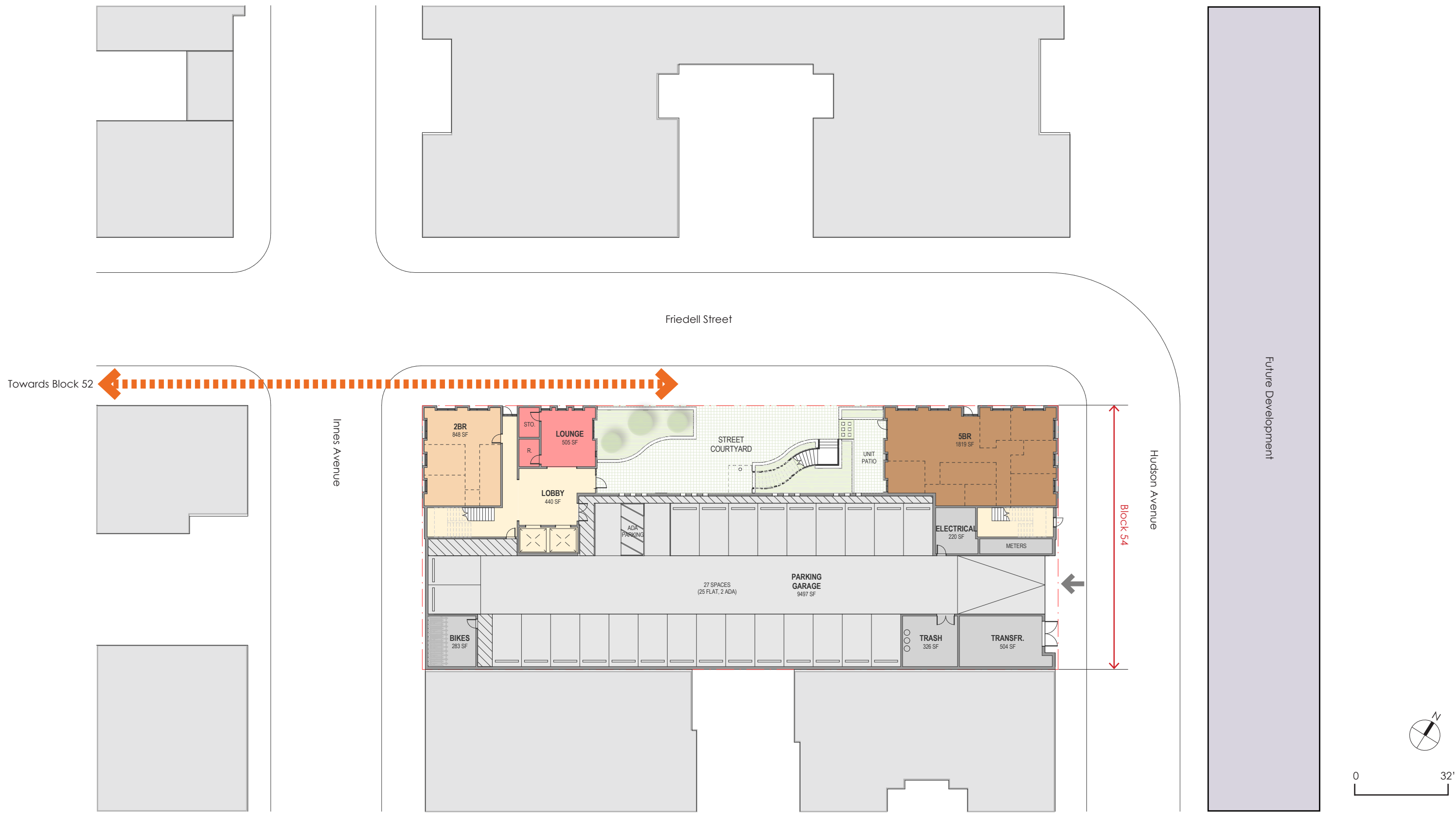
KIRKWOOD AVENUE ELEVATION

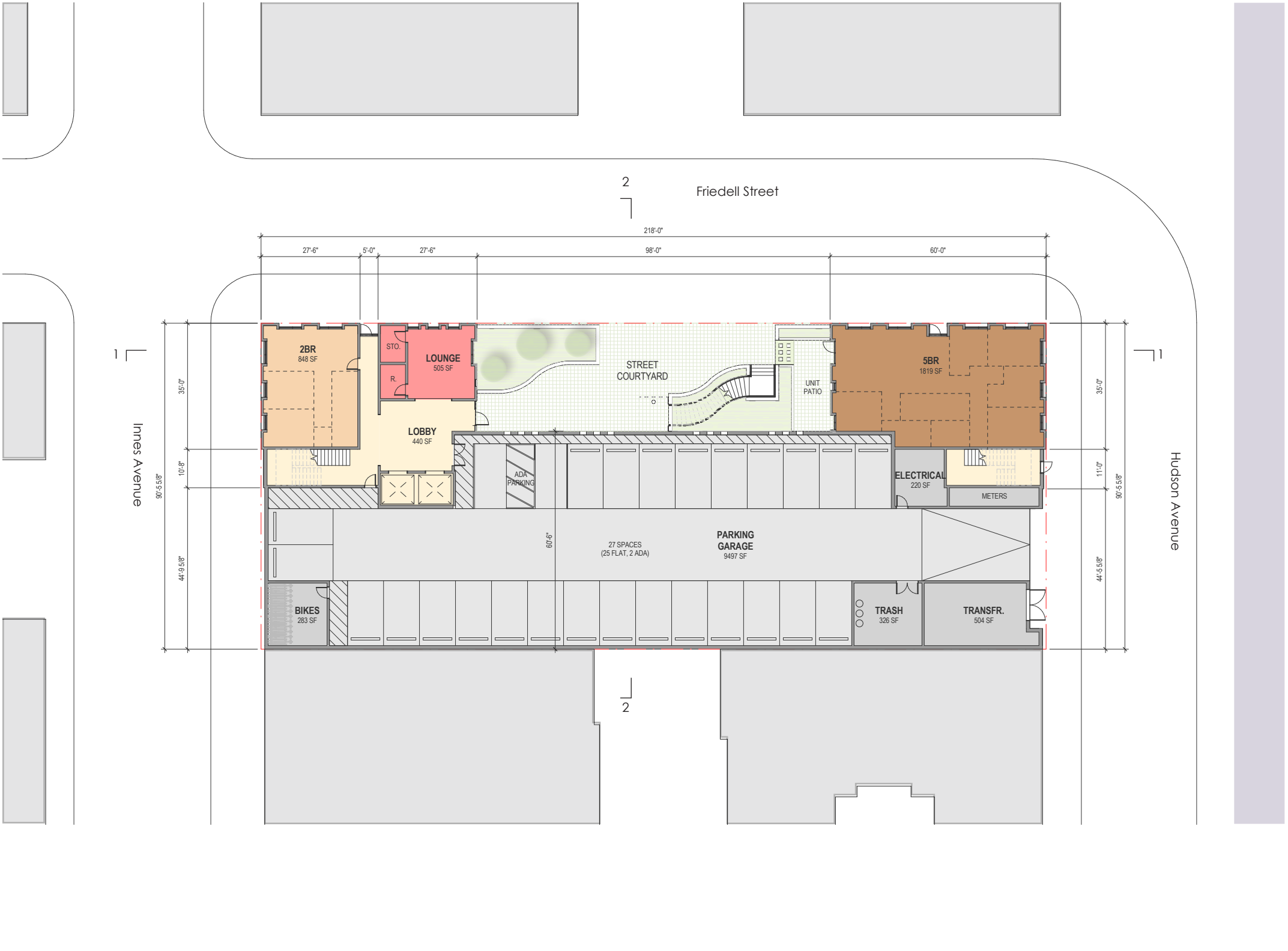
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AVOCET WAY ELEVATION

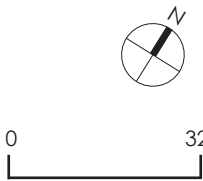
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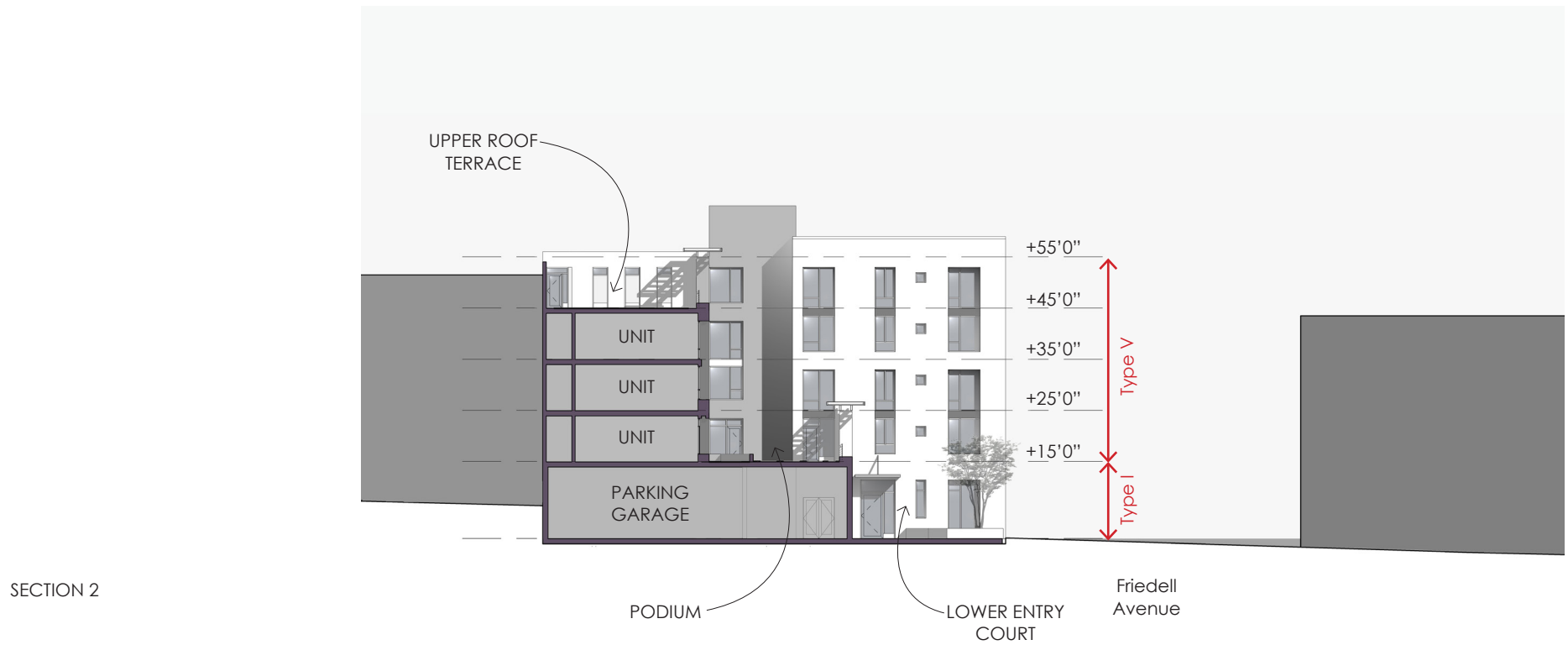


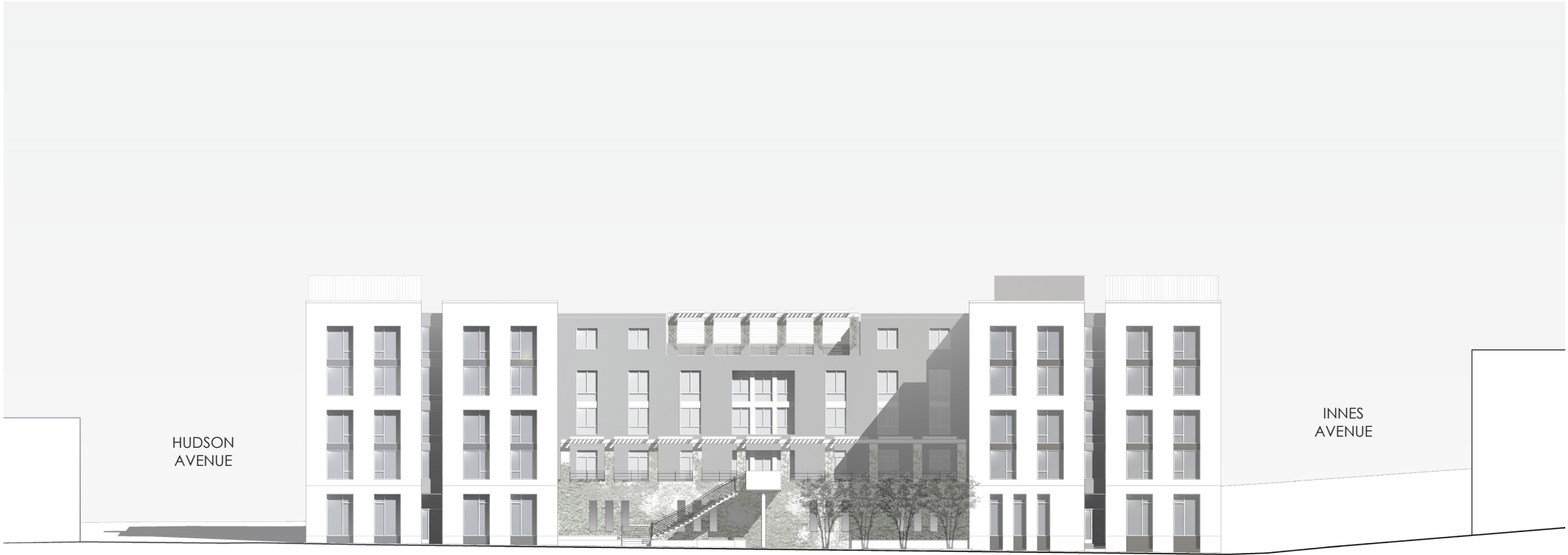












FRIEDEL STREET ELEVATION

0 32'



HUDSON AVENUE ELEVATION



INNES AVENUE ELEVATION

0 32'