

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 08 - 2023

AUTHORIZING A FIRST AMENDMENT TO THE SECOND AMENDED AND RESTATED LOAN AGREEMENT WITH HPSY 52-54, L.P., A CALIFORNIA LIMITED PARTNERSHIP, TO DECREASE THE LOAN AMOUNT BY \$2,200,302, FOR A TOTAL AGGREGATE LOAN AMOUNT OF \$57,000,430 FOR THE DEVELOPMENT OF A 112-UNIT AFFORDABLE RENTAL HOUSING PROJECT (INCLUDING TWO MANAGER’S UNITS) AT 351 FRIEDEL STREET AND 151 FRIEDEL STREET (HUNTERS POINT SHIPYARD PHASE 1 BLOCKS 52 AND 54); PROVIDING NOTICE THAT THIS APPROVAL IS WITHIN THE SCOPE OF THE HUNTERS POINT SHIPYARD PHASE 1 REUSE FINAL ENVIRONMENTAL IMPACT REPORT, A PROGRAM EIR, AND IS ADEQUATELY DESCRIBED THEREIN FOR THE PURPOSES OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (“CEQA”); AND ADOPTING ENVIRONMENTAL FINDINGS PURSUANT TO CEQA; HUNTERS POINT SHIPYARD REDEVELOPMENT PROJECT AREA

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

WHEREAS, In accordance with the CRL, the City and County of San Francisco (“City”) acting through its Board of Supervisors approved, by Ordinance No. 285-97 (July 14, 1997), a Redevelopment Plan for the HPS Redevelopment Project Area and subsequently amended it on several occasions (as currently amended, the “Redevelopment Plan”); and,

WHEREAS, On December 2, 2003, the Former Agency Commission authorized, by Resolution No. 03-179, the execution of a Disposition and Development Agreement for Hunters Point Shipyard Phase 1 with Lennar/BVHP, LLC (succeeded by HPS Development Co, LP, the “Master Developer”) (as amended by the First through Seventh Amendments thereto (the “Phase 1 DDA”). The Phase 1 DDA together with the related binding agreements attached to or referenced in the text therein establish a comprehensive set of contractual obligations that collectively govern the implementation of the first phase of redevelopment under the Redevelopment Plan, referred to as “HPS Phase 1”; and,

WHEREAS, Pursuant to California Health and Safety Code §§ 34170 *et seq.* (the “Redevelopment Dissolution Law”) and San Francisco Ordinance No. 215-12 (Oct. 4, 2012) (establishing the Successor Agency Commission (“Commission”) and delegating to it state authority under the Redevelopment Dissolution Law), the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly referred to as the Office of Community Investment and

Infrastructure, or “OCII”) is responsible for implementing the HPS Redevelopment Plan and fulfilling the enforceable obligations under the Phase 1 DDA; and,

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

WHEREAS, The Phase 1 DDA requires the Master Developer to undertake development of infrastructure in HPS Phase 1 to support 1,428 residential units and 26 acres of open space and parks, and to deliver “finished lots” (i.e., subdivided land improved with streets, sidewalks, parks, open space and utilities) to be sold to vertical developers for residential or commercial use, or retained by OCII for the development of affordable housing. At least 10.5 percent of the residential units constructed by vertical developers must be affordable at 80 percent of Area Median Income (“AMI”); and,

WHEREAS, In addition to vertical developers’ affordable housing obligation, OCII intends to provide financing to assist in the construction of at least 218 affordable housing units within Phase 1 (“Agency Affordable Housing Units”), bringing the overall percentage of affordable housing within HPS Phase 1 to a minimum of 27 percent; and,

WHEREAS, On March 20, 2018, by Resolution No. 07-2018, the Commission selected McCormack Baron Salazar and Bayview Hunters Point Multipurpose Senior Services (“BHPMSS”) as co-developers to develop approximately 112 Agency Affordable Housing Units (the “Project”) on the Agency Housing Parcels within HPS Phase 1 Blocks 52 and 54 (the “Site”) with Mithun | Solomon as architect and John Stewart Company as property manager; and,

WHEREAS, On August 7, 2018, by Resolution No. 33-2018, the Commission approved a predevelopment loan with Shipyard 5254, L.P., an affiliate of McCormack Baron Salazar (the “Prior Developer”) in an initial amount of \$4,000,000.00 to develop and operate affordable family rental housing units on the Site (“Original Predevelopment Loan Agreement”); and,

WHEREAS, In August 2020, the Prior Developer formally notified OCII that it would no longer be proceeding with the development of the Project. Thereafter, on April 6, 2021, by Resolution No. 08-2021, the Commission (1) approved selection of The Jonathan Rose Companies (“JRC”) as new lead developer for the Project, (2) authorized the OCII Executive Director to enter into an exclusive negotiations agreement with HPSY 52-54, L.P., a California limited partnership consisting of JRC and BHPMSS, the “Developer,” to develop 112 Agency Affordable Housing Units on the Agency Housing Parcels on the Site; and (3) authorized an Amended and Restated Predevelopment Loan Agreement with Developer, allowing use of the remaining funding initially approved under the Original Predevelopment Loan

Agreement (approximately \$2,085,772.98) to fund predevelopment costs of the Project, as well as assumption of the debt associated with the existing Work Product produced by the Prior Developer for the Project (the “Predevelopment Loan Agreement”); and,

WHEREAS, On August 17, 2021, by Resolution No. 28-2021, the Commission authorized a Second Amended and Restated Loan Agreement with the Developer (the “Loan Agreement”) for \$59,200,732 (the “Loan”) to finance development of the Project; and,

WHEREAS, Beginning in 2020, the State has allocated tax-exempt bond financing and tax credits for affordable housing projects on a competitive basis, and such financing has been oversubscribed in every application round. In 2021 and 2022, the Developer unsuccessfully applied for a competitive bond allocation from the State. After restructuring the Project’s financing to be more competitive, the Developer succeeded in obtaining a State affordable housing bond allocation and Low Income Housing Tax Credits on November 30, 2022; and

WHEREAS, the Developer has requested an increase of \$2,638,088 in total OCII subsidy for the Project to \$61,838,820, due to delays and costs from the unsuccessful low-income housing tax credit and tax-exempt bond applications to the State of California, and cost escalations from interest rate and construction cost increases during those delays; and

WHEREAS, On March 17, 2023, the Citywide Affordable Housing Loan Committee (the “Loan Committee”) recommended approval of additional OCII subsidy for the Project in a total aggregate amount of \$61,838,820 (“Total OCII Subsidy”), which consists of a loan amount of \$57,000,430 (“Amended Loan Amount”) for the development of the Project and an allocation of \$4,838,390 to perform preconstruction site preparation activities under a site development agreement between OCII and an affiliate of the Developer (“Site Development Agreement”); and,

WHEREAS, OCII and Developer now request to amend the Loan Agreement in accordance with the First Amendment to Second Amended and Restated Loan Agreement (“Amended Loan Agreement”) to reduce the Loan amount by \$2,200,302, to a total Amended Loan Amount of \$57,000,430; and,

WHEREAS, Substantially concurrently with this Resolution, by Resolution 09-2023, the Commission authorized the OCII Executive Director to execute the Site Development Agreement for site preparation work in the amount of approximately \$4,838,290, which, collectively with the Amended Loan Amount of \$57,000,430, comprises the Total OCII Subsidy; and,

WHEREAS, The Amended Loan Agreement allows the MOHCD Director and OCII Executive Director to make adjustments to the Final Financial Plan (“FFP”) included in the Loan Agreement through a FFP Confirmation Letter (both as defined in the

Amended Loan Agreement), which allows them to address changes to the financial conditions of the Amended Loan Agreement after Commission approval but before loan closing. These changes may include adjusting the amount of funds provided under the Amended Loan Agreement (including an increase, but within the Total OCII Subsidy) to maximize Low Income Housing Tax Credit equity allocation to the Project and adjusting the interest rate of the loan between 0% and 3%; and,

WHEREAS, On September 26, 2022, by Resolution No. OB2022-07, the Oversight Board of the City and County of San Francisco approved an expenditure for funding in the amount of up to \$66,019,059 for affordable housing, including the Blocks 52 and 54 Project Site Work, through Item No. 395 of the Recognized Obligation Payment Schedule (“ROPS”) for the period of July 1, 2022 through June 30, 2023. The California Department of Finance provided final approval of the expenditure for Item No. 395 through its letter dated November 9, 2022; and,

WHEREAS, The Former Agency Commission and the San Francisco Planning Commission (“Planning Commission”) certified the Hunters Point Shipyard Reuse Final Environmental Impact Report (“Phase 1 FEIR”), and adopted California Environmental Quality Act (“CEQA”) findings, a mitigation monitoring and reporting program and statement of overriding considerations (collectively “CEQA Findings”) in 2000, and subsequently issued addendum to the Final EIR to address project changes (collectively, the FEIR and the CEQA Findings as updated by the addenda are referred to as the “Phase 1 EIR”). The Commission has received the Phase 1 EIR and the Phase 1 EIR was made available to the public during prior Commission meetings. Additionally, the Former Agency Commission and the Planning Commission certified the Candlestick Point/Hunters Point Shipyard Phase 2 Final Environmental Impact Report in 2010 and adopted CEQA findings, a mitigation monitoring and reporting program and statement of overriding considerations (collectively, “Phase 2 CEQA Findings”), and subsequently issued addenda, to address project changes (collectively, the FEIR and Phase 2 CEQA Findings as updated by the addenda are referred to as the “Phase 2 EIR”). The Phase 2 EIR updated the transportation analysis and transportation plan (including the transportation system management plan) for Phase 1, but the Phase 2 EIR did not identify any new significant environmental effects or an increase in the severity of significant impacts of the Phase 1 Project previously identified in the Phase 1 EIR; and,

WHEREAS, OCII staff has reviewed the First Amendment to Second Amended and Restated Loan Agreement and has found it to be within the scope of the project analyzed in the Phase 1 EIR; and,

WHEREAS, Copies of the Phase 1 EIR and Phase 2 EIR and supporting documentation for each are on file with the Commission Secretary and are incorporated into this Resolution by this reference; now therefore be it

RESOLVED, That the Commission finds the Amended Loan Agreement is within the scope of the project analyzed in the Phase 1 EIR and Phase 2 EIR and require no additional environmental review pursuant to CEQA Guidelines Sections 15180, 15162, 15163, and 15164 for the following reasons:

(1) implementation of the Amended Loan Agreement does not require major revisions to the Phase 1 EIR or the Phase 2 EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant impacts; and,

(2) no substantial changes have occurred with respect to the circumstances under which the project analyzed in the Phase 1 EIR and Phase 2 EIR will be undertaken that would require major revisions to the Phase 1 EIR or Phase 2 EIR due to the involvement of new significant environmental effects, or a substantial increase in the severity of effects identified in the Phase 1 EIR or Phase 2 EIR; and,

(3) no new information of substantial importance to the project analyzed in the Phase 1 EIR and Phase 2 EIR has become available, which would indicate that (i) implementation of the Amended Loan Agreement will have significant effects not discussed in the Phase 1 EIR or Phase 2 EIR; (ii) significant environmental effects will be substantially more severe; (iii) mitigation measures or alternatives found not feasible, which would reduce one or more significant effects, have become feasible; or (iv) mitigation measures or alternatives, which are considerably different from those in the Phase 1 EIR or Phase 2 EIR, will substantially reduce one or more significant effects on the environment that would change the conclusions set forth in the Phase 1 EIR and Phase 2 EIR; and be it further

RESOLVED, The Commission authorizes the Executive Director to: (i) enter into the First Amendment to Second Amended and Restated Loan Agreement with the Developer, substantially in the form of the document approved by legal counsel for OCII on file with the Commission Secretary and attached to the Commission Memorandum accompanying this Resolution, for the development of the Project; and (ii) to enter into any and all ancillary documents or to take any additional actions necessary to consummate the transaction contemplated by this Resolution.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of April 4, 2023.

Commission Secretary