

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 09 - 2023

AUTHORIZING A GROUND LEASE WITH HPSY 52-54, L.P., A CALIFORNIA LIMITED PARTNERSHIP, AND A SITE DEVELOPMENT AGREEMENT IN AN AMOUNT NOT TO EXCEED \$4,838,390 WITH ROSE COMMUNITY DEVELOPMENT COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, 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), AND 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 IN 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 an exclusive negotiations agreement (the “Original ENA”) with Shipyard 5254, L.P., an affiliate of McCormack Baron Salazar (the “Prior Developer”) as well as a predevelopment loan in an initial amount of \$4,000,000.00 (“Original Predevelopment Loan Agreement”) to develop and operate affordable family rental housing units on the Site; and,

WHEREAS, On or about February 17, 2020, the Original ENA between OCII and the Prior Developer expired according to its terms and in August 2020, the Prior Developer formally notified OCII that it would no longer be proceeding with the development of the Project. BHPMSS intended to remain co-developer and services provider for the Project. As a result, on April 6, 2021, by Resolution No. 08-2021, the Commission approved selection of The Jonathan Rose Companies (“JRC”) as new lead developer for the Project, and authorized (1) an Exclusive Negotiations Agreement (the “ENA”) with HPSY 52-54, LP, a California limited partnership

consisting of JRC and BHPMSS, “Developer,” and (2) an Amended and Restated Predevelopment Loan Agreement with the Developer allowing the Developer to use 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, The Developer intends to construct 112 units of affordable housing (including two unrestricted manager’s units) restricted at 30% to 50% AMI, as defined by the San Francisco Mayor’s Office of Community Housing and Development, and community and services spaces; and,

WHEREAS, Developer is now requesting to enter into a seventy-five (75) year ground lease (with one twenty-four (24) year extension option) authorizing the development and operation of the Project on the Site (the “Ground Lease”); and,

WHEREAS, On August 17, 2021, by Resolution No. 28-2021, the Commission authorized a loan agreement with the Developer in the form of a Second Amended and Restated Loan Agreement (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, in restructuring the Project’s financing, has determined that certain site preparation work, including demolition, soil improvement, grading and off-hauling and disposing of onsite soils (“Site Work”) is necessary to put the Site in a buildable condition for construction of the Project, and, in fulfillment of its obligation under the DDA to commence and construct affordable housing and at the request and direction of the Developer, OCII is proposing to engage an affiliate of the Developer, Rose Community Development Company, LLC, a Delaware limited liability company (“RCDC”), as an independent contractor to perform the Site Work at a cost of up to approximately \$4,838,390, pursuant to an agreement between OCII and RCDC (the “Site Development Agreement”); and,

WHEREAS, 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, Developer has requested an increase of \$2,638,088 in total OCII subsidy for the Project to \$61,838,820. On March 17, 2023, the Citywide Affordable Housing Loan

Committee ("Loan Committee") recommended approval of additional subsidy for the Project for a total aggregate amount of \$61,838,820 ("Total OCII Funding Amount"), to fund site preparation work under the Site Development Agreement in the amount of approximately \$4,838,390 and the Loan Agreement (as amended) in the amount of \$57,000,430 to fund development of the Project; and,

WHEREAS, On April 4, 2023, by Resolution No. 08-2023, the Commission authorized execution of a First Amendment to Second Amended and Restated Loan Agreement (the "Amended Loan Agreement") approving approximately \$57,000,430 in loan funds to construct and operate the Project on the Site, a reduced amount of loan funding which reflects Developer's restructuring of the Project's financing (for bond-competitiveness purposes) by reallocating approximately \$2,200,302 to the Site Development Agreement budget; and

WHEREAS, Developer is also requesting that the Commission authorize the Executive Director to execute a Site Development Agreement with RCDC governing the performance of Site Work at a cost of up to approximately \$4,838,390, which, together with the Amended Loan Agreement, result in a total OCII subsidy equal to the Total OCII Funding Amount authorized; and,

WHEREAS, The Amended Loan Agreement allows the MOHCD Director and OCII Executive Director to make adjustments to the Final Financial Plan ("FFP") 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 portion of the Total OCII Funding Amount allocated to the Loan Agreement and Site Development Agreement 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 Ground Lease and the Site Development Agreement (“Agreements”), and has found them to be within the scope of the project analyzed in the Phase 1 EIR and its subsequent addenda; 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 Agreements are 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 Agreements do 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 Agreements 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 Ground Lease 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 an initial term of seventy-five (75) years, with one twenty-four (24) year option, for the development of the Project; (ii) enter into the Site Development Agreement with RCDC in the amount of approximately \$4,838,390 for certain work preparing the Site for development, 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 performance of the Site Work; and (iii) 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