

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM**

**Meeting Date: September 17, 2019**

***Request to Extend the Term of the Grant for the Hunters Point Project***

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<b>Grantee:</b> Office of Community Investment and Infrastructure as Successor Agency to the Redevelopment Agency of the City and County of San Francisco	<b>Grant Amount:</b> \$5,000,000
	<b>Amount Disbursed:</b> \$4,985,103
<b>Developer:</b> HPS Development Co., LP	<b>Resolution No.</b> 19-03-02
<b>Project Name:</b> Hunters Point Shipyard	<b>Prior Board Actions:</b> Project Approved 11/19/2008
<b>Project Location</b> San Francisco (San Francisco County)	

**Summary**

The Office of Community Investment and Infrastructure, also known as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, (the “Grantee” or “OCII”) requests approval of an amendment to extend the term of the Infill Grant Agreement (“Grant Agreement”) until December 31, 2022 under the CALReUSE Remediation Program (“Program”).

**Project Background**

On November 19, 2008, the Authority approved a grant in the amount of \$5,000,000 for the remediation of a former Naval Shipyard that performed ship building, ship decommissioning, and testing of various defense-related equipment. The National Radiological Defense Laboratory also operated at the site. The Navy operated the base until 1974, at which time the Navy leased the Shipyard to scrap steel companies to dismantle commercial vessels and sell the steel for scrap. Contaminants of concern related to previous operations include volatile organic compounds, hydrocarbons, heavy metals, PCBs and radiological constituents.

Cleanup of the brownfield was to result in an Infill Development Project that consisted of 2,625 housing units (616 affordable). In September 2010, and prior to execution of the Infill Grant Agreement, the Grantee requested an amendment to reduce the number of housing units to 1,128 housing units (221 affordable) due to the economic downturn. In 2016, due to the dissolution of the RDA and delays in the conveyance US Naval parcels, the project was further amended down to 884 housing (207 affordable), and given a 21 month extension until October 7, 2019.

**Current Status of Brownfield Remediation:** The remediation is completed and the Grantee anticipates submitting the Brownfield Remediation Final Report in the Spring of 2020.

**Current Status of Infill Development Project:** The Infill Development Project consists of 884 housing units, of which **745 units** have been completed and **139 units** remain to be completed. Of the units remaining to be completed, **66 units** (Block 55 in the Hunters Point Shipyard (HPS) will

be completed in 2019. The remaining **73 units**, located at Block 52 (see Exhibit B), are significantly delayed and an extension to the term of the Grant Agreement is necessary to accommodate the delay.

<b>Hunters Point Project Housing Production Chart</b>			
<b>Block</b>	<b>Affordable Units</b>	<b>Total Units</b>	<b>Completion Date</b>
HPS Block 49	59	60	Completed
HPS Block 50	3	25	Completed
HPS Block 51	6	63	Completed
HPS Block 53	9	93	Completed
HPS Block 54	7	66	Completed
HPS Blocks 56/57	15	132	Completed
Alice Griffith Block 2	92	93	Completed
Alice Griffith Block 4	90	91	Completed
Alice Griffith Block 1	121	122	Completed
HPS Block 55	3	66	2019
HPS Block 52	9	73	2022
Total	414	884	

**Block 52-Developer Delay**

Originally, as HPS Development Co., LP (“Developer”) reached the intermediate design stage, they found that design decisions made to accommodate Block 52’s irregular shape and parcelization resulted in a housing project that was not economically feasible. More recently, the Developer analyzed the site and determined that by consolidating parcels into a larger development site the housing project could be made economically feasible. The Developer entered negotiations with OCII to consolidate parcels, and OCII agreed. The negotiation included an agreement that the Developer will donate a portion of Block 52 to OCII.

The new design for Block 52 required lot line adjustments and lot consolidation, which necessitated the approval of a Tentative Map and a Final Map by the San Francisco City and County Surveyor prior to commencement of construction.

The Developer conducted a new process of site design and community outreach. This resulted in a new schematic design. That design received a required approval by the Hunters Point Shipyard Citizens Advisory Committee, and final approval by the Commission on Community Investment and Infrastructure in July 2019.

Due to the delay incurred in this process, the Block 52-Developer no longer expects to be complete according to its original schedule. Block 52 is currently projected to reach construction milestones as listed in Exhibit C of this report.

The Grantee noted several key approvals have already been completed for the Block 52 project, including the environmental review, community approval from the Hunters Point Shipyard Citizens Advisory Committee, and the Schematic Design final approval from the OCII Commission on July 16, 2019. The Grantee explained that this was the final project approval that would require action by the OCII Commission, and that all subsequent approvals will be made by the OCII Executive Director. In addition, the Grantee has a recorded Vertical Disposition and

Development Agreement between OCII and HPS1 Block 52, LLC, a single purpose entity controlled by the Developer, for Block 52 that restricts the affordability of the housing units.

**Current Request**

The Grantee requests an extension of the term of the Infill Grant Agreement from October 7, 2019 until December 31, 2022.

To better ensure the project remains on schedule CPCFA and OCII have agreed to incorporate specific benchmarks the Grantee must meet to avoid a potential event of default under the extended Infill Grant Agreement. The benchmarks agreed upon are:

- 1) OCII to provide a copy of the approved Mapping adjustments for Block 52 by the Bureau of Street Use and Mapping by March 31, 2020.
- 2) OCII to provide a copy of the recorded amendment to the Vertical Disposition and Development Agreement (“VDDA”) between OCII and HPS1 Block 52, LLC, by April 30, 2020, that meets or exceeds the number of housing units identified in the Infill Grant Agreement and timeline for completion of the project (Exhibit C).
- 3) OCII to deliver to CPCFA any amendments to the VDDA subsequent to the amendment recorded by April 30, 2020, and that any amendment which reduces the number of housing units or extends the Infill Development Project completion date, may constitute an event of default.
- 4) OCII to deliver to CPCFA an approved building permit for Block 52 by the San Francisco Department of Building Inspection by May 31, 2020.
- 5) CPCFA to receive from OCII a final occupancy certificate issued by the San Francisco Department of Building Inspection by December 31, 2022.

Extending the term of the Infill Grant Agreement through December 2022 allows the Grantee to complete the Infill Development Project, obtain certificate of occupancy, and complete the Infill Development Report as required by the Program. Therefore, approval of the requested extension is appropriate as it is in the public interest and furthers the purposes of the program under section 8102.8(b) of the Authority’s regulations.

**Staff Recommendation**

Staff recommends approval of the attached Resolution No. 19-03-02 to extend the term of the Infill Grant Agreement until December 31, 2022, and inclusion of specific benchmarks the Grantee must meet to avoid a potential event of default under the extended Infill Grant Agreement.

**Exhibits**

- A. Resolution
- B. Map of Block 52
- C. Block 52 Construction Timeline and Milestones

Exhibit A

**RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING  
AUTHORITY APPROVING THE REQUEST TO EXTEND THE TERM OF THE  
INFILL GRANT AGREEMENT UNDER THE CALIFORNIA RECYCLE  
UNDERUTILIZED SITES REMEDIATION PROGRAM**

**September 17, 2019**

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Regulations adopted to implement and make specific the statutory provisions of the California Recycle Underutilized Sites (CALReUSE) Remediation Program;

WHEREAS, the statutory provisions of the CALReUSE Remediation Program authorize grant and loan funding for the purpose of brownfield cleanup that promotes infill residential and mixed-use development, consistent with regional and local land use plans;

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008 approved a grant to the San Francisco Redevelopment Agency in the amount of \$5,000,000, as reflected in that resolution (the “Resolution”); and

WHEREAS, due to the dissolution of the redevelopment agency, the Authority amended the Infill Grant Agreement on November 27, 2012 to add the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (“Grantee” or “Successor Agency”), which has the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project as described in the Infill Grant Agreement dated October 18, 2010; and

WHEREAS, the Grantee requested an extension to the term of the Infill Grant Agreement from October 7, 2019 to December 31, 2022 due to entitlement and financing delays; and

WHEREAS, the Grantee agrees to provide CPCFA with a copy of the approved Mapping adjustments for Block 52 by the Bureau of Street Use and Mapping by March 31, 2020, or the Authority may declare this an event of default; and

WHEREAS, the Grantee agrees to provide a copy of the recorded amendment to the Vertical Disposition and Development Agreement (“VDDA”) between OCII and HPS1 Block 52, LLC, by April 30, 2020, that meets or exceeds the number of housing units and timeline for completion of the Infill Development Project, or the Authority may declare this an event of default; and

WHEREAS, the Grantee agrees to deliver to CPCFA any amendments to the VDDA subsequent to the amendment referenced above, and that any subsequent amendment to the VDDA that reduces the number of housing units or extends Infill Development Project completion date, may constitute an event of default; and

WHEREAS, the Grantee agrees to provide CPCFA with an approved building permit for Block 52 by the San Francisco Department of Building Inspection by May 31, 2020, or the Authority may declare this an event of default; and

WHEREAS, the Grantee agrees to provide CPCFA with a certificate of occupancy signed by the Department of Building Inspection for the Block 52 housing development by December 31, 2022 as a project benchmark; and

WHEREAS, the Authority finds that extending the term of the Infill Grant Agreement is in the public interest and further the purposes of the Program under section 8102.8(b) of the Regulations;

NOW THEREFORE BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The term of the Infill Grant Agreement is extended to December 31, 2022.

Section 2. The Infill Grant Agreement dated July 29, 2009 is hereby amended to expressly include the project benchmarks described in this Resolution as mandatory terms and conditions of the agreement, and the failure to meet each milestone may constitute an event of default.

Section 3. Except as specifically amended in Exhibit A hereof, all provisions and conditions of Exhibit A of the Infill Grant Agreement dated October 18, 2010 shall remain unchanged and in full force and effect.

Exhibit B

Block 52 Site



**Exhibit C**

**Construction Timeline and Milestones**

Milestone	Detail	Date
Pre-construction		
1. Schematic Design approval	Approval of Schematic Design by the Commission on Community Investment and Infrastructure	July 2019 - <i>completed</i>
2. Mapping application submittal	Submittal of mapping application to the City Bureau of Street Use and Mapping	August 2019 - <i>completed</i>
3. Building permit submittal	Submittal of building permit application to the Department of Building Inspection	November 2019
4. Mapping application approval	Approval of mapping application by the Bureau of Street Use and Mapping	March 2020
5. Vertical Development Agreement Amendment recordation	Recordation of the executed Amendment to the Vertical Development Agreement	April 2020
6. Building permit approval	Approval of building permit by the Department of Building Inspection	May 2020
Construction		
7. Groundbreaking & Foundation Start	Start of construction activities	May 2020
8. Completion of Concrete Podium Deck/Start of Framing	Completion of concrete foundation pour and start of framing	October 2020
9. Completion of Framing	Completion of framing to top of full structure	March 2021
10. Completion of Window Install	Completion of all window installations	May 2021
11. Completion of Exterior Elevations	Completion of exterior building elements	November 2021
12. Notice of Substantial Completion	Substantial completion of project	May 2022
13. Final occupancy certificate	Certificate of Final Completion and Occupancy issued by the Department of Building Inspection	December 2022