

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: March 21, 2017**

Request to Amend Infill Grant Documents under the California Recycle Underutilized Sites (“CALReUSE”) Remediation Program

Prepared by: *Gregory Martin, CPA*

Applicant:	Visitacion Development, LLC	Type of Funding:	Grant
		Amount Awarded:	\$3,459,794
Project Name:	Visitacion Valley Transit-Oriented Development	Amount Disbursed:	\$2,559,979
Project Location:	San Francisco, California (San Fraeiseo Francisco County)	Prior Actions:	Application No. 15 Approved 11/19/08 Amended 09/16/11

Summary. Visitacion Development, LLC (“Grantee”) requests an amendment to the Infill Grant Agreement (“Agreement”) between the Grantee and the California Pollution Control Financing Authority (“CPCFA”) that extends the term of the grant until December 31, 2026, and redefines the Infill Development Project by reducing the number of housing units from 1,250, 313 of which are affordable, to 1,125, 169 of which are affordable. The Grantee is also requesting an amendment to the Agreement to name Visitacion Investment, LLC as the successor to the Grantee.

Project Background. On November 19, 2008, the CPCFA Board passed a Resolution approving a grant in an amount not to exceed \$3,459,794 to the Grantee to finance the remediation of a brownfield located in the Visitacion Valley neighborhood in San Francisco, California, and develop the Visitacion Valley Transit Oriented Development.

The site had two primary former uses, manufacturing and railyard operations. From 1926 to 1999 part of the site housed the Schlage Lock factory and housed buildings that were used for hardware manufacturing. Additionally, part of the site housed railyard operations until 1960 and the rail yard was used for rail car maintenance and storage. Pollutants of concern at the site included various metals and solvents as well as lead arsenic that was used for weed and vector control.

Current Remediation Status

Site-wide environmental remediation has been performed by the Grantee under the guidance and oversight of the California Department of Toxic Substances Control (“DTSC”). The site was split into two remediation operable units (“OU”), the Schlage Lock OU and the ~~Union Pacific~~ [Universal Paragon –OU Corporation OU](#). All phases of remediation are complete and DTSC certified the Schlage Lock OU in June 2014. DTSC is currently reviewing the certification report for the ~~Union Pacific~~ [Universal Paragon Corporation OU](#) and certification is expected in the spring of 2017. Both OUs will be subject to ongoing operation and maintenance and monitoring efforts.

Current Request.

Extension

Due to extraordinary actions by the California Legislature, including the elimination of the redevelopment agencies in February 2012, and delays in gaining approvals from the City of San Francisco (“City”), the Grantee is requesting an amendment to the Agreement that extends the term of the grant until December 31, 2026.

On June 29, 2011, the California Legislature passed AB 26, a law to dissolve all redevelopment agencies. As a result, the City lost the ability to access the public funds necessary to implement the city’s Redevelopment Plan. In order to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development the City and County of San Francisco and the Grantee entered into a Development Agreement (“DA”) pursuant to State and City statutes to recoup a portion of the public financing eliminated with the redevelopment agencies. Negotiating the DA resulted in project delay of three years. The DA was executed in late 2014 and the Tentative Map (“T-Map”) was approved early the following year. The DA defines the project as consisting of up to 1,679 housing units to be built by late 2029 and 46,700 square feet of new retail. The DA satisfies CPCFA’s regulatory requirements and ensures the affordability of at least 15% of the housing units for the life of the project.

The DA negotiation put design of the horizontal improvements, also known as a Site Improvement Plan (“SIP”), on hold during the three year delay period. Once the DA and T-Map were approved, design of the SIP began in earnest. Approval of the SIP also requires approval of a Public Improvement Agreement securing the City’s interests with regard to civil infrastructure improvements, recordation of a Final Parcel Map, and approval of a Major Phase Application. The design and approval process continues to be prolonged by ~~the delays in the lack of~~ interdepartmental collaboration with the City.

Despite the aforementioned delays, the Grantee has begun installation of select site improvements under independent permits. The Grantee is confident that the SIP will be approved in ~~mid~~early 2017 with commencement of design activities for future parcels following thereafter. Once construction starts, the Grantee expects the first unit deliveries by late 2019 with the balance of Phases I and II developments completed by late 2026.

Redefinition of Infill Development Project

In order to complete the project in the additional time requested, the grantee is requesting to redefine the Infill Development Project by reducing the number of housing units from 1,250, 313 of which are affordable, to 1,125, 169 of which are affordable. See the tables on the following page:

Current Infill Development Project Description		
Number of Units	Type	Maximum Depth of Affordability
313	For-sale	120% AMI
937	For-sale	Unrestricted
1,250		Total

Proposed Amended Infill Development Project Description		
Number of Units	Type	Maximum Depth of Affordability
169	For-sale	120% AMI
956	For-sale	Unrestricted
1,125		Total

The proposed 1,125 housing units are considered Phases I and II of the overall three-phase project and include fifteen percent (15%) of the units as affordable as set forth in CPCFA Regulations Section 8102.4(b). These affordable units are subject to the recorded DA between the Grantee and the City and County of San Francisco previously mentioned. The DA’s affordability restrictions comply with the requirements set forth in CPCFA Regulations of at least 15% affordable units. Furthermore, the project is also subject to Section 415 of the San Francisco Planning Code which defines “low income” and “moderate income” similarly to the CALReUSE Regulations and states that all affordable units constructed must remain affordable for the life of the project.

The reduction in housing will allow the Grantee to deliver Phases I and II of the Visitacion Development by the requested extension deadline of December 31, 2026. Phase I consists of 575 units and Phase II consists of 550 units. The Grantee expects the first housing unit deliveries to occur by late 2019 with the balance of the housing units delivered by the end of 2026.

In addition to requesting the redefinition of the Infill Development Project, the Grantee has demonstrated how the Infill Development Project can be completed in the additional time requested by already completing remediation activities at the site, obtaining DTSC certification on the Schlage Lock portion of the site, completing site improvements under independent permits, pursuing the approval of the SIP, and providing a plan for funding the project.

Once approval of the SIP is obtained and construction can begin, Universal Paragon Corporation, an affiliated entity of the Grantee, will contribute \$124 million of private equity leveraged from its domestic assets, which include ~~thousands~~ hundreds of developable acres in Northern California and a Hilton Hotel franchise at Universal Studios in Southern California. Additionally, the Grantee has a history of successful relationships with various lenders including East West Bank, United Commercial Bank, Industrial and Commerce Bank of China (ICBC), Deutsche Bank, and Bank of America. Based on the strength of the Bay Area housing market, many of these banks have already expressed willingness to help finance the project.

Successor

The Grantee is also requesting an amendment to name Visitacion Investment, LLC as its successor. Visitacion Investment, LLC is successor to the Grantee by name change. Visitacion Investment, LLC consists of the same key personnel as the Grantee and has the same limited liability company structure and manager. The Grantee changed its name to clarify its relationship with other entities related to the project and to reflect the repositioning of some of its investors. This action

Agenda Item 4.B.1

necessitates amending the current Infill Grant Agreement to account for Visitacion Investment, LLC taking over the enforceable obligations of the Grantee. The amendment will be such that all occurrences of “Visitacion Development, LLC” are replaced with “Visitacion Investment, LLC” and will be effective immediately.

In conclusion, because the Grantee has demonstrated that completion of the Infill Development Project likely, staff recommends Board approval of the Grantee’s request for the following reasons:

- The remediation at the site is complete and one OU is certified while the other OU is in the process of certification.
- The DA with the City and County of San Francisco, which requires the development of 1,679 housing units with 15% affordable, is executed and recorded and meets CPCFA regulatory requirements.
- The project has had the same Grantee since the original Board resolution in 2008, which has provided stability to the project.
- The delays caused to the project are legitimate. San Francisco’s development approval process is still adapting to the dissolution of the redevelopment agencies.
- The Grantee has performed select site improvements under independent permits during the delays caused by the City’s approval process.
- The Grantee has a definite financing plan.

Staff Recommendation. Staff recommends approval of a Resolution to extend the term of the Infill Grant Agreement to December 31, 2026; to redefine the Infill Development Project by reducing the number of housing units from 1,250, 313 of which are affordable, to 1,125, 169 of which are affordable; and to amend the Infill Grant Agreement to name Visitacion Investment, LLC as the successor to the Grantee for the Visitacion Valley Transit-Oriented Development Project.

**A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
APPROVING THE REQUEST TO AMEND THE INFILL GRANT DOCUMENTS
UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION
PROGRAM**

March 21, 2017

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; and

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; and

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008 approved a grant for Visitacion Development, LLC (“Grantee”) in the amount of \$3,459,794, as reflected in that resolution (the “Resolution”);

WHEREAS, Visitacion Development, LLC has the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project as described in the Infill Grant Agreement dated October 5, 2010 (“Agreement”); and

WHEREAS, the Grantee has requested the Authority’s approval to extend the term of the grant agreement to December 31, 2026, under Authority Regulations, Section 8102.8; and

WHEREAS, the Grantee has requested the Authority approval to redefine the Infill Development Project by reducing the number of housing units from 1,250, 313 of which are affordable, to 1,125, 169 of which are affordable; and

WHEREAS, the Grantee has requested to amend the Agreement to name Visitacion Investment, LLC as the successor to Visitacion Development, LLC; and

WHEREAS, the approval of the Authority is now sought;

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

Section 1. Pursuant to the Regulations, the Authority hereby approves to the extension of the term of the Infill Grant Agreement dated October 5, 2010, to December 31, 2026.

Section 2. Exhibit A of the Infill Grant Agreement dated October 5, 2010, shall be deleted and replaced with Exhibit A of this Resolution.

Section 3. The Infill Grant Agreement shall be amended to account for Visitacion Investment, LLC taking over the enforceable obligations of Visitacion Development, LLC such that all occurrences of “Visitacion Development, LLC” are replaced with “Visitacion Investment, LLC,” and will be effective immediately.

Section 4. Except as specifically approved by this Resolution, all provisions and conditions of the previous Resolutions and the Infill Grant Agreement dated October 5, 2010, as amended thereafter shall remain unchanged and in full force and effect.

EXHIBIT A

Name of Project: Visitacion Valley Transit-Oriented Development (VVTOD)

Maximum Amount of Grant: \$3,459,794

Strategic Partner: N/A

Grantee: Visitacion Investment, LLC

Financing Structure: Grant

Maximum Grant Term: December 31, 2026

Oversight Agencies: California Department of Toxic Substance Control (DTSC), and the Bay Area Air Quality Management District

Brownfield Infill Project Location: 222 Tunnel Avenue, 289 Sunnysdale Avenue, and 292 Sunnysdale Avenue
San Francisco, California 94134

Further described as Parcel Numbers 5087003; 5087003A; 5087004; 5087005; 5099014; 5100002; 5100003; 5100010; 5101006; 5101007; 5102009; 5102010; and 5107001.

Infill Development Project Description: The project will consist of at least 1,125 for-sale units, of which at least 169 will be restricted at less than or equal to 50-120% of the area median income (AMI) as illustrated below.

Income Limit	Units
> 50 and ≤ 120% AMI	169
Unrestricted Units	956
Total Units	1,125

Description of Activity	Amount Financed by Infill Grant
Building Demolition and Abatement	\$ 1,039,404
Soil Cleanup on Former Southern Pacific Property in San Francisco	1,920,390
Project Management and Oversight	500,000
TOTAL ELIGIBLE BROWNFIELD INFILL PROJECT COSTS:	<u>\$3,459,794</u>