

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: November 15, 2022**

**Request to Amend Grant Documents Under the California Recycle Underutilized
Sites (CALReUSE) Remediation Program**

Prepared by: *Robert Salls*

Applicant: Office of Community Investment and Infrastructure as
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco

Project Name: Hunters Point Shipyard

Project Location: San Francisco (San Francisco County)

Type of Funding: Grant

Amount Disbursed: \$5,000,000 approved, \$4,985,103 disbursed

Resolution No. 22-03-05

Prior Actions: Approved 11/19/2008
Amended 09/17/2019

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”) to July 31, 2023, under the CALReUSE Remediation Program (“Program”).

Project Background

On November 19, 2008, the CPCFA Board approved a grant in the amount of \$5,000,000 for remediation at the former Hunters Point Naval Shipyard (“Shipyard”). All reimbursable costs have been submitted by the Grantee and the disbursement of the Grant is complete.

Cleanup of the brownfield was to result in an initial Infill Development Project that consisted of 2,625 housing units (616 affordable). In September 2010, and prior to execution of the 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 of US Navy parcels, the project was further amended down to 884 housing (207 affordable) and given a 21-month extension until October 7, 2019. A portion of the development located in Block 52 was determined to be economically infeasible, which necessitated a complete redesign including the adjustment of lot lines and lot consolidation under the city and county’s Tentative Map and Final Map processes to be completed prior to construction beginning, significantly delaying the project. Accordingly,

the Grantee requested an extension and in September of 2019 the CPCFA Board approved the extension of the project until December 31, 2022.

Project Delays Leading to the Extension Request

The final development block of housing in the Infill Development Project has encountered delays due to supply chain issues for two components of the project, the elevators, and the car stackers. The delay of these components will result in a delay of issuance of the Certificate of Final Completion and Occupancy (CFCO).

The first item that has impacted the CFCO date are the elevators. Global supply chain shortages for materials and logistics have pushed back the delivery date of the two elevators for the building. The developer is ready for the elevators to be installed now, but the elevator vendor will not be able to install the elevators until December, after which the elevators will require State inspection, and given the holidays this inspection will likely be pushed out to January 2023. Once the elevator inspection is complete, the developer will be able to obtain a Temporary Certificate of Occupancy (TCO), but not the CFCO.

The second more significantly delayed item that has impacted the CFCO date are the car stackers. The design of the building was approved with car stackers to meet the approved number of parking spaces for the building. In 2021, the developer was in contract with City Lift to provide the car stackers, however City Lift filed for bankruptcy in September 2021. The developer immediately put a bid out and in late 2021 and began negotiations with Utron, a new car stacker vendor. Prior to finalization of that contract, Utron informed the developer there would be a significant manufacturing delay in delivering the car stackers to the site which would push the CFCO into late summer of 2023. In July of 2021, the developer switched negotiations to a third car stacker vendor, Klaus, which gave a delivery date of February 2023 but recently advised that delivery will be May 2023. In the extension requested by the Grantee, they have included two additional months to allow for production or transit delays, plus time for associated inspections, pushing the anticipated CFCO timing to July 2023 and the extension request to July 31, 2023 (see Att. 1).

Timeline of Events

- **November 2008** – CPCFA Board approved the Application and awarded a grant to the San Francisco Redevelopment Agency for the development of 2,625 residential units of which 616 were to be affordable.
- **September 2010** – (prior to execution of an Infill Grant Agreement) the Grantee requested a modification of the Infill Development Project description that would reduce the housing units from 2,625 units (616 affordable) to 1,128 units (221 affordable). The letter cited the changes being necessitated due to ongoing negotiations regarding the relocation of 300 artists that lived at the site.
- **October 2010** – CPCFA agreed to the requested changes and executed an amendment letter reducing the housing units listed in the infill development project description from 2,625 units (616 affordable) to 1,128 units (221 affordable).

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- **October 2010** – CPCFA and the Grantee executed the Infill Grant Agreement.
- **October 2015** – the Grantee requested an extension to the term of the grant from December 15, 2017, until October 7, 2019, and a further reduction in housing units listed in the infill development project description from 1,128 units (221 affordable) to 884 units (209 affordable). The Grantee cited challenges with the dissolution of the Redevelopment Agency, challenges with the California Department of Finance on enforceable obligations, and delays with the conveyance of U.S. Navy parcels to the City of San Francisco.
- **January 2016** – CPCFA approved the requested changes to the project and extended the project approximately 22 months to October 7, 2019 and reduced the number of housing units in the infill development project description from 1,128 (221 affordable) to 884 (209 affordable).
- **September 2019** – The Grantee requested an extension of approximately 38 months to December 31, 2022, citing the economic infeasibility of the design of Block 52 and the subsequent redesign requiring lot line adjustment and lot consolidation approval. CPCFA approved the extension.

Current Situation

The remediation is completed, and the Grantee anticipates submitting the Brownfield Remediation Final Report by the end of December 2022. The Infill Development Project consists of 884 housing units, of which 811 units have been completed and 73 units remain to be completed.

As per the last extension agreement, CPCFA and OCII agreed to incorporate specific benchmarks the Grantee must meet to avoid a potential event of default under the extended Infill Grant Agreement. The Grantee has met four of the five benchmarks agreed upon with the fifth and last benchmark being the reason for the requested Grant Agreement extension to July 31, 2023.:

- 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. The Block 52 Final Map was approved and submitted to CPCFA in March 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. The amended VDDA was submitted to CPCFA in March 2020.
- 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. The Grantee does not currently expect any additional amendments.
- 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. The developer submitted the building permit October 3, 2019, and due to delays because of COVID-19, the final permit was issued July 21, 2020.

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- 5) CPCFA to receive from OCII a final occupancy certificate issued by the San Francisco Department of Building Inspection by December 31, 2022. Due to the supply issues involving the elevators and car stackers, this is expected to be delayed until April 2023.

Block 52 has completed all other construction related milestones. Most critically, it has received approval of building construction permits and all components of building will be complete by December except for elements associated with the two elevators and the car stackers.

Analysis

Extending the term of the Infill Grant Agreement through July 31, 2023, 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.

Board Action

CPCFA staff recommends approval of a resolution extending the current Grant expiration to July 31, 2023. Staff has prepared a resolution that the Board can utilize if they wish and is available to answer Board questions.

**RESOLUTION NO. 22-03-05
A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY AMENDING
GRANT DOCUMENTS UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED
SITES REMEDIATION PROGRAM**

November 15, 2022

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008, approved a California Recycle Underutilized Sites Remediation Program (“CALReUSE”) grant for the Hunters Point Shipyard project (the “Project”) in the amount of \$5,000,000 as reflected in that Resolution (the “Resolution”); and

WHEREAS, 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, under the authority delegated to the executive director, the Authority amended the Infill Grant Agreement on January 13, 2016, to extend the term of the Infill Grant Agreement to October 7, 2019, and amended the number of housing units in the infill development project description to 884 (209 affordable); and

WHEREAS, the Authority amended the Infill Grant Agreement on September 17, 2019, to extend the term of the Infill Grant Agreement to December 31, 2022; and

WHEREAS, the Grantee requested an extension to the term of the Infill Grant Agreement from December 31, 2022, to July 31, 2023, due to supply chain delays; and

WHEREAS, the Authority finds that extending the term of the Infill Grant Agreement until July 31, 2023, is in the public interest and advances the purposes of CALReUSE;

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 July 31, 2023.

Section 2. The Infill Grant Agreement dated October 18, 2010, 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.

Attachment 1



450-0192022-021
October 27, 2022

VIA ELECTRONIC MAIL

CALReUse
California Pollution Control Financing Authority
801 Capitol Mall, Room 236
Sacramento, CA 95814

Re: Term extension amendment request (updated)

Dear Mr. Salls:

I am writing to respectfully request an amendment to the term of the California Recycle Underutilized Sites (CALReUSE) Grant for Hunters Point Shipyard and Candlestick Point (the Grant) from December 2022 to July 2023. We previously sent correspondence on September 16, 2022 for an extension to April 2023, but we subsequently received an update from the carstacker vendor that materials are further delayed and additional time would be needed for Certificate of Final Completion and Occupancy (CFCO) issuance. The Grant is being implemented by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, also known as the Office of Community Investment and Infrastructure (OCII). The requested amendment is a time extension that will enable OCII to oversee the completion of the last development housing block associated with the Grant (the Infill Development Project) pursuant to CALReUSE program requirements.

Housing Progress to Date

The Infill Development Project (IDP) consists of 884 housing units. To date, 811 units have been completed and 73 units remain to be completed to meet the IDP unit requirement. These units are located on Block 52 (which consists of a total of 77 units, 4 more units than the original unit projection when IDP program was developed for the Grant) in the Hilltop neighborhood of Hunters Point Shipyard Phase 1.

The Hilltop neighborhood is being developed as a master development pursuant to a disposition and development agreement between OCII and the master developer HPS Development Co, LLC, a wholly owned affiliate of Lennar Corporation, one of the nation's

London N. Breed
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largest homebuilders (Developer). OCII and the Developer have been working in partnership to develop the Hilltop neighborhood since 2003.

Block 52 has been impacted by supply chain related delays, as detailed below.

Request for Amendment

The final development block of housing in the Infill Development Project has encountered delays due to supply chain issues for two components of the building, the elevators, and the car stackers. The delay of these components will result in a delay of issuance of the Certificate of Final Completion and Occupancy (CFCO). The first item that has impacted the CFCO date are the elevators. Global supply chain shortages for materials and logistics have pushed back the delivery date of the two elevators for the building. In our September letter, we attached a letter from Schindler, the elevator vendor explaining this impact on product delivery. The Developer is ready for the elevators to be installed now, but the elevator vendor will not be able to install the elevators until December, inspection and installation could take up 7-8 weeks. Once the elevators are installed, we will seek Temporary Certificate of Occupancy in February or March of 2023 from the Department of Building Inspections.

The second more significantly delayed item that has impacted our CFCO date are the car stackers. The design of the building was approved with car stackers to meet the approved number of parking spaces for the building. There are not many car stacker vendors. In 2021, the Developer was in contract with City Lift to provide the car stackers. City Lift filed for bankruptcy in September 2021. At the time, OCII did not think it would impact the CFCO date since there was adequate time to enter into a new contract with a different vendor while the building construction was underway. The Developer immediately put a bid out and in late 2021, the Developer began negotiations with Utron, a new car stacker vendor, and was on target to have the car stackers delivered on time. However, prior to finalization of that contract this summer, Utron informed the Developer there would be a significant manufacturing delays in delivering the car stackers to the site which would push the CFCO out further. In July of 2021, the Developer switched negotiations to a third car stacker vendor, Klaus. Recently Klaus updated us on supply chain challenges and indicated that delivery of the car stackers would be delayed to May and another month will be needed for installation. We estimate installation will not be completed until June 2023 followed by inspections, thereby putting our request for CFCO in July 2023.

Block 52 has completed all other construction related milestones. Most critically, it has received approval of building construction permits and all components of building will be complete by December except for elements associated with the two elevators and the car stackers. OCII has confirmed with the Department of Building Inspections that the building will be able to receive a Temporary Certificate Occupancy prior to the car stacker installation.

OCII respectfully requests an amendment of the Grant term from December 2022 to July 2023. This will allow sufficient time for the completion of Block 52, and processing of any required grant close-out

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Mr. Salls
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documents. OCII and our development partner are available to meet with you to provide any other additional details.

I would like to take this opportunity to express our gratitude to the California Pollution Control Financing Authority for its longstanding support as our financial partner on the Hunters Point Shipyard/Candlestick Point Infill Development Project.

Sincerely,

Lila Hussain,
Senior Project Manager
Office of Community Investment and Infrastructure