

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: June 20, 2023**

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

Prepared by: *Andrea Gonzalez*

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. 23-03-003

Prior Actions: Approved 11/19/2008
Amended 09/17/2019
Amended 11/15/2022

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”) requests approval of an amendment to extend the term of the Infill Grant Agreement (“Grant Agreement”) to December 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 of 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 Great Recession. The request cited the changes being necessitated due to ongoing negotiations regarding the relocation of 300 artists that lived at the site.

In October of 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

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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. In January of 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).

In September of 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.

In November 2022, CPCFA approved an additional extension until July 31, 2023, to obtain certificate of occupancy, and complete the Infill Development Report.

Project Delays Leading to the Current 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 July 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 May 2023 but recently advised that delivery will be August or September of 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 October 2023 and the extension request to December 31, 2023 (see Att. 1).

Current Situation

The remediation is completed, and the Grantee anticipates submitting the Brownfield Remediation Final Report by the end of December 2023. 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 Grantee 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 December 31, 2023.:

- 1) The Grantee 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) The Grantee to provide a copy of the recorded amendment to the Vertical Disposition and Development Agreement (VDDA) between the Grantee 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) The Grantee 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) The Grantee 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.
- 5) CPCFA to receive from the Grantee a final occupancy certificate issued by the San Francisco Department of Building Inspection by December 31, 2023. Due to the supply issues involving the elevators and car stackers, this is expected to be delayed until August or September of 2023.

The significant rains that occurred in Northern California in December 2022 and January 2023 has delayed the Temporary Certificate of Occupancy date, which was originally anticipated to be in March 2023, but will now occur in late June of 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 June of 2023 except for elements associated with the two elevators and the car stackers.

Analysis

Extending the term of the Infill Grant Agreement through December 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 December 31, 2023. Staff has prepared a resolution that the Board can utilize if they wish and is available to answer Board questions.

**RESOLUTION NO. 23-03-003
A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY AMENDING
GRANT DOCUMENTS UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED
SITES REMEDIATION PROGRAM**

June 20, 2023

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 Authority amended the Infill Grant Agreement on November 20, 2022, to extend the term of the Infill Grant Agreement to July 31, 2023; and

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

WHEREAS, the Authority finds that extending the term of the Infill Grant Agreement until December 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.