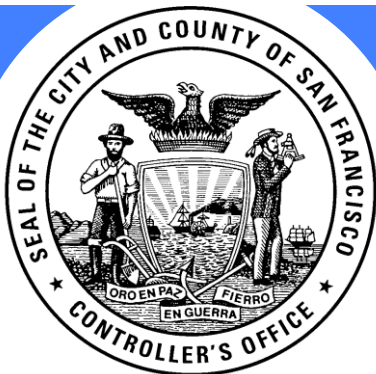


Candlestick Point/Hunters Point Shipyard Project

Economic Impact Report



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

Office of Economic Analysis

Items # 180515, 180516, 180475, 180476

06.25.2018

- There are four proposed ordinances related to the facilitation of the Candlestick Point/Hunters Point phase 2 development project (“the project”) in two redevelopment plan areas, the Hunters Point Shipyard Redevelopment (HPS Plan) and the Bayview Hunters Point Redevelopment Plan (BVHP Plan).
- On May 15, 2018, the Mayor introduced ordinance #180515 which approves and adopts amendment to the Redevelopment Plan for the HPS project area to reflect that 49ers have already built a stadium in Santa Clara and it is no longer an option at the project site. The ordinance proposes to amend the HPS Plan to accommodate revised street grid, rearrangement of development blocks, reconfiguration of open space, and revised land uses. The ordinance would also reduce the amount of R&D/office space currently permitted under the plan.
- The 2010 amendments to the BVHP Redevelop Plan divided the BVHP project area into Zone 1 and Zone 2. Zone 1 is commonly referred as Candlestick Point and the rest of the BVHP project area is in Zone 2. The Office of Community Investment and Infrastructure (OCII) retains land use authority within Zone 1, while the Planning Department retains jurisdiction over Zone 2.
- On May 15, 2018, the Mayor also introduced ordinance #180516 to move the Jamestown parcel from Zone 1 to Zone 2 of the BVHP Plan area, resulting in a shift of land use jurisdiction from the OCII to the Planning Department.

Introduction: Continued

- On May 15, 2018, the Planning Commission introduced ordinance #180475 to amend the General Plan for the Candlestick Point and Hunters Point Shipyard Phase 2 Project to conform to the shift of the Jamestown Parcel from Zone 1 to Zone 2.
- On the same day, the Planning Commission also introduced ordinance #180476 to make planning code and zoning changes to Candlestick Point Activity Node to move the Jamestown Parcel from Zone 1 to Zone 2 and change its height and bulk district from CP (65' to 85' as outlined in D4D document) to 40-X.
- Under the proposed change, the development of the Jamestown parcel will now happen under the planning code instead of the land use controls governed by the project area. Even though the parcel's height has been reduced, the parcel's potential has been increased because it will no longer be subject to the redevelopment plans overall 10,500 units cap.
- The redevelopment plan amendments do not change the total amount of commercial space. However, the R&D/Office space will be reduced by 735,000 sq. ft. while other commercial uses for hotel, retail, and institutional will increase by 735,000 sq. ft. The total number of residential units under the redevelopment plans also remain unchanged.

Introduction: Continued

- As a result of proposed changes at the DDA level and moving of Jamestown parcel from Zone 1 to Zone 2, the total project area would gain additional commercial and residential space.
- Under the 2010 Disposition and Development Agreement (DDA), planned R&D/Office development was less than what was allowed under the overall redevelopment plan, but the new 2018 DDA now maximizes that development potential fully. Furthermore, the residential development potential of the area will be higher because the Jamestown parcel can now be developed as a separate project and not as a part of the HPS project.
- The Office of Economic Analysis has determined that the proposed ordinances and associated changes at the DDA level* could have a material economic impact on the city's economy if enacted, and prepared this report.

** Note that the DDA level changes are not part of the proposed ordinances for approval with the Board of Supervisors.*

Project Background and Timeline

5

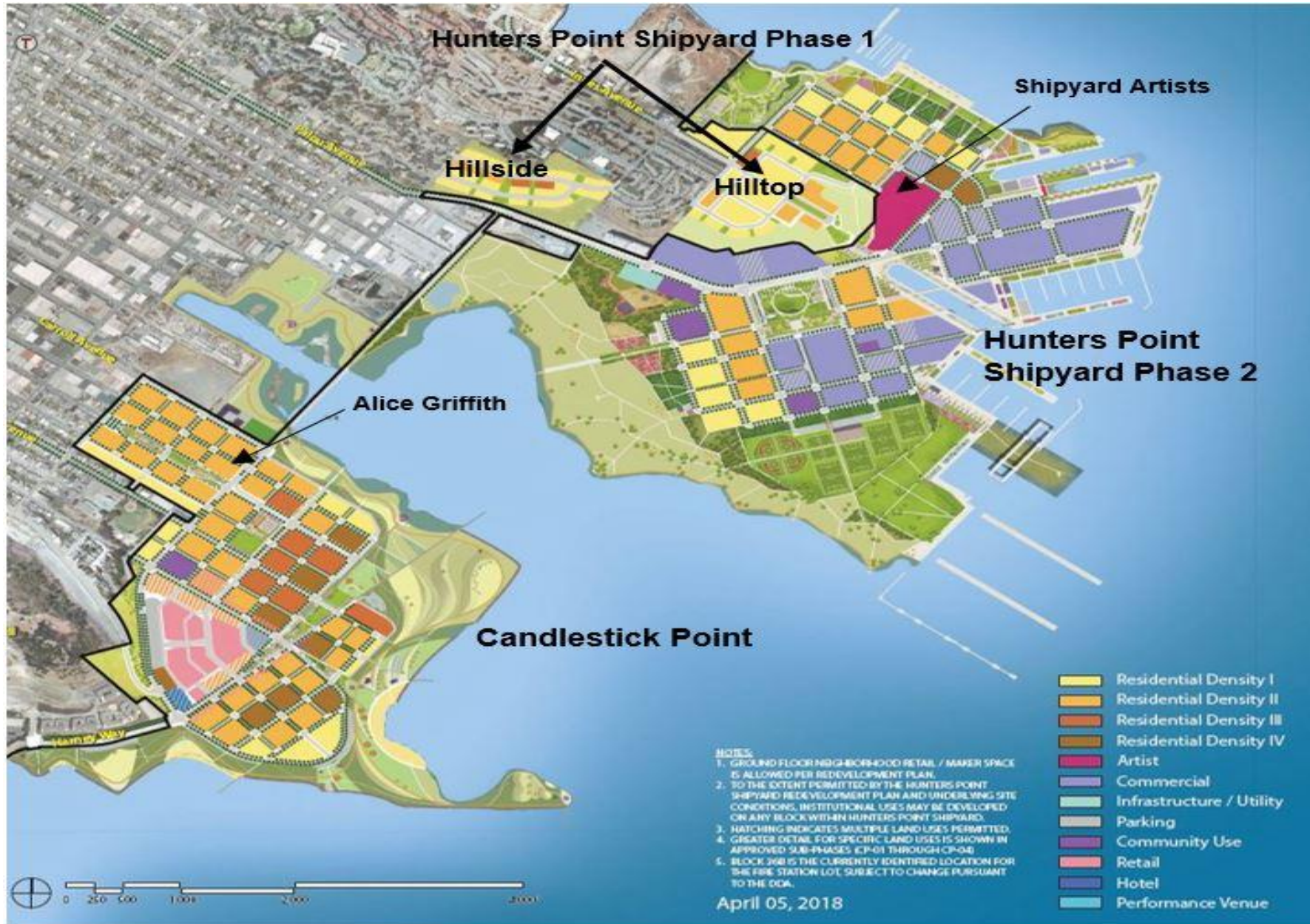
- 1997: HPS Redevelopment Plan approved.
- 2004: The first land transfer to the city happens.
- 2005: HPS Phase 1 approved.
- 2008: Prop G (Bayview Jobs, Parks and Housing Initiative) passes.
- 2010: CP/HPS2, Phase 2 is approved.
- 2012: Redevelopment Agency is dissolved but DOF determines that CP/HPS DDAs are enforceable obligations. Creation of OCII, successor agency.
- 2013: HPS Phase 1 groundbreaking happens.
- 2016: Prop O (CP/HPS Jobs Stimulus Proposition) passes.
- 2017: Updated HPS2 master plan community outreach commences.
- 2018: Current project as proposed without stadium, revised street grid, rearrangement of development blocks, reconfiguration of open space and revised land uses.

Description & Overview of the Revised Project: 2018

- The project consists of approximately 702 acres in the city's Bayview Hunters Point and HPS neighborhoods as governed by the redevelopment plans. The 2010 amendments to the BVHP Redevelopment Plan divided the BVHP Project Area into Zone 1 (commonly referred as Candlestick Point) and Zone 2. The project will be developed with a mix of uses, including residential, retail, office, and parks & open spaces.
- The detailed summary of the project as proposed under the Disposition and Development Agreement (DDA) is presented on slide 9. A total of 10,672 residential units will be built and of those about 32 percent will be affordable at below market rates, including workforce and public housing & agency units. Under the DDA, 172 additional units that were already included in the HPS redevelopment plan as part of the Phase 1 project will now be part of the CP/HPS2 project.
- Overall about 6.7 million square feet of commercial space is planned in the project area. Out of this, over 1.6 million square feet will be dedicated to hotel and retail uses, and over 4.4 million square feet will be planned for R&D/Office space. Over 900,000 square feet of space will be dedicated to a film & arts center, artist studios, maker spaces, community facilities, and institutional uses.

Project as Proposed (No Stadium): 2018

7



Total Redevelopment Plan Proposed Changes

8

Uses	2010	2018	Change
RESIDENTIAL (Units)	12,100	12,100	0
COMMERCIAL (Sq. ft.)			
Hotel	150,000	270,000	120,000
Regional Retail	635,000	735,000	100,000
Neighborhood Retail	330,000	351,000	30,000
Film & Arts Center	75,000	75,000	0
Community Use	152,000	152,000	0
R&D/Office	5,150,000	4,415,000	-735,000
Artist Studio	255,000	255,000	0
Maker Space	0	75,000	75,000
Institutional	0	410,000	410,000
Total Commercial (Sq. ft.)	6,686,000	6,686,000	0

Note that the developer proposed planned commercial development in 2010 under the Disposition and Development Agreement (DDA) was less than what was allowed under the Redevelopment Plan (see the next slide). The revised DDA now maximizes the Redevelopment Plan potential.

CP/HPS2 Proposed Changes Under the DDA

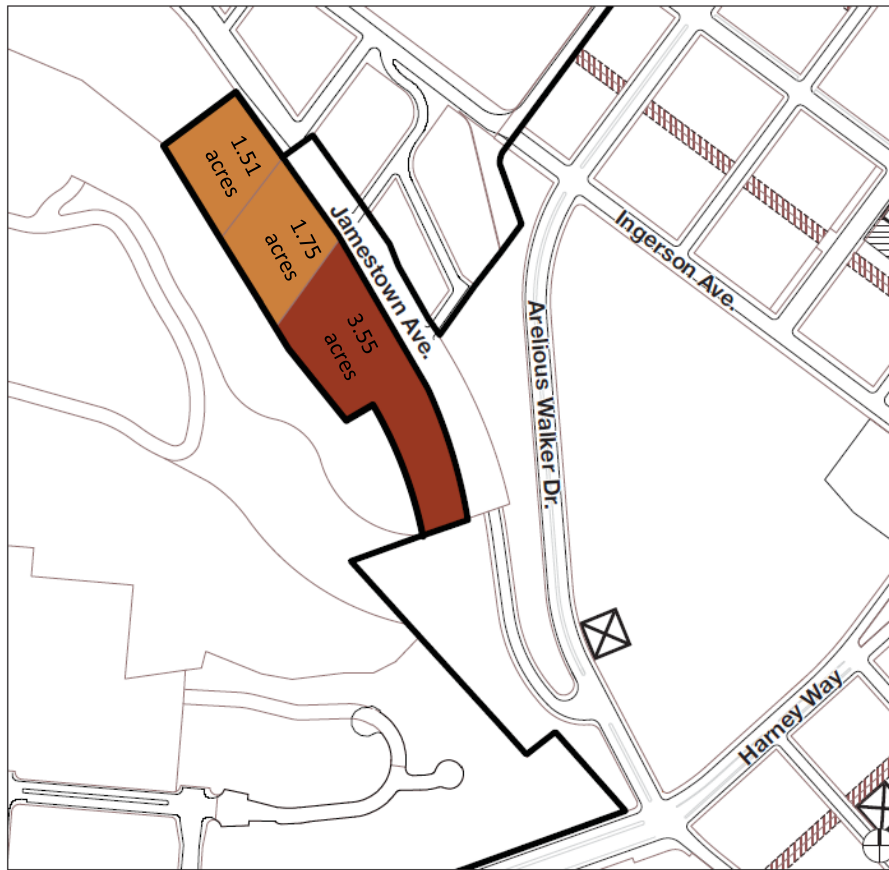
9

Uses	2010 Development Program at Buildout (Non-Stadium)	2018 Development Program at Buildout (Non-Stadium)	Difference
RESIDENTIAL (Units)			
Market-Rate			
For-sale	6,043	5,874	-169
Rental	1,113	1,435	322
<i>Market-Rate Subtotal</i>	<i>7,156</i>	<i>7,309</i>	<i>153</i>
Below Market-Rate			
For-sale	446	584	138
Rental	362	243	-119
<i>Below Market-Rate Subtotal</i>	<i>808</i>	<i>827</i>	<i>19</i>
Workforce Units	892	892	0
Public Housing & Agency Units	1,644	1,644	0
Total Residential (Units)	10,500	10,672	172
COMMERCIAL (Sq. ft.)			
Hotel	150,000	270,000	120,000
Regional Retail	635,000	735,000	100,000
Neighborhood Retail	250,000	351,000	101,000
Film & Arts Center	75,000	75,000	0
Community Use	100,000	100,000	0
R&D/Office	3,150,000	4,415,000	1,265,000
Artist Studio	255,000	255,000	0
Maker Space	0	75,000	75,000
Institutional	0	410,000	410,000
Football Stadium	0	0	0
Total Commercial (Sq. ft.)	4,615,000	6,686,000	2,071,000

Jamestown Parcel: Proposed Zoning Change Impact

10

Figure 7.2 Building Heights



Legend

Low and Mid-Rise Maximum Height
65 ft
85 ft

High-Rise Tower Location*
Fixed high-rise location

- The total area of the Jamestown parcel (Block 4991/Lot 276) is 6.8 acres. As proposed, the parcel will be removed from the project area Zone 1 and will shift to Zone 2 of the BVHP Plan Project Area B.
- The parcel was originally planned to be developed only under the stadium alternative with 325 units within the overall 10,500 unit cap in the project area.
- The RH-2 zoning of the parcel will now be governed by 40' height instead of 65'-85' as shown on the map.
- The parcel can now yield up to 300 units as part of Zone 2 since it will not be subject to 10,500 unit cap in the project area.

Difference in Total Development Capacity*

11

Uses under CP/HPS2 DDA	2010 Development Program at Buildout (Non-Stadium)	2018 Development Program at Buildout (Non-Stadium)	Difference
Residential (Units) in Phase 2	10,500	10,500	0
Residential Units Moving from Phase 1 to Phase 2	-170	170	0
Jamestown Parcel Units as a Separate Project in Zone 2		300	300
COMMERCIAL (Sq. ft.)			
Hotel, Retail, Institutional, & Maker Space	1,035,000	1,841,000	806,000
R&D/Office	3,150,000	4,415,000	1,265,000
Artist Studio, Performance Venue, & Community Use	430,000	430,000	0
Football Stadium	0	0	0
Total Commercial (Sq. ft.)	4,615,000	6,686,000	2,071,000

* Including Jamestown Parcel's 300 unit potential as a separate project in Zone 2. In 2010, the parcel was only planned to be developed under the stadium alternative with 325 units, within the overall 10,500 unit cap in the project area.

- The proposed development is expected to affect the local economy in two major ways:
 1. The re-zoning in conjunction with proposed changes to land uses under the Disposition and Development Agreement (DDA) will increase the residential and commercial potential of the site. This will put downward pressure on prices and rents for residential and commercial real estate across the city, making it more attractive for businesses.
 2. The investment activity following the rezoning and development agreement will generate additional construction activity.
- The OEA analyzed and modeled the difference in development potential of the site under the proposed rezoning and the DDA in 2018 compared to what was allowed and proposed in 2010 (see slide 11).

Impact of New Housing

13

- An increase in the housing supply will put downward pressure on residential rents and home prices in San Francisco.
- The proposed re-zoning and development agreement in 2018 compared to what was proposed under 2010 agreement have a potential to expand the city's housing development capacity by 300 units.
- The OEA estimates that the expanded development capacity created by the re-zoning and proposed changes to the project would result in a decline in housing prices by 0.12%.
- Note that the overall impact of the project on housing prices will be much larger. The overall impact of the building more than 10,800 units (including the Jamestown parcel) on housing prices is estimated to be around -4.4%.

Impact of Affordable Housing Subsidy

14

- Increasing the number of affordable (inclusionary) housing units will particularly benefit low-income households, who experience higher housing burdens than higher-income households in the city.
- The shifting of Jamestown parcel from Zone 1 to Zone 2 creates an additional potential of 300 units. Out of those additional units, 54 would be affordable at an 18% inclusionary requirement.
- The OEA further estimates that at build-out these additional affordable units would reduce low-income housing payments by \$0.4 million annually to the households who would occupy these units.

Impact of Commercial Space

15

- Increase in the non-residential supply will put downward pressure on commercial office, retail and other non-residential rents in San Francisco.
- The project area is expected to increase total commercial space by about 2.1 million square feet under the disposition and development agreement (DDA).
- The OEA estimates that commercial citywide rents would decline by 1.5% as a result of this additional space. These rent declines reflect a combined weighted average rent decline for R&D/office, retail and other non-residential space.
- This citywide decline in rents due to added space will result in total citywide rent savings for the commercial space by \$140 million annually.

REMI Model Inputs

16

- The OEA uses the REMI model* to simulate the impact of the proposed re-zoning and the development agreement on the city's economy. The simulation inputs are shown below.

Inputs	Value
Housing Price Change	-0.12%
Affordable Housing Subsidy Value (\$ million)	0.4
Value of Residential Investment (\$ million)	270
Value of Non-Residential Investment (\$ million)	1,292
Change in Rent for Office Space (\$ million)	-121
Change in Rent for Retail Space (\$ million)	-10
Change in Rent for other Commercial Space (\$ million)	-9

*The REMI model is a dynamic forecasting and economic policy analysis tool based on econometric and input-output modeling framework. The REMI model belongs to the class of models generally known as a computable general equilibrium (CGE) models.

Economic Impact Assessment

17

- The project was assumed to develop over a twenty-year period, from 2019-2038. The city-wide impacts as at buildout (as of 2038) are shown in the table below.

Citywide Impacts	Value
Employment Change	558
Population Change	852
GDP Change (\$2017, million)	101
Output Change (\$2017, million)	163
Change in Disposable Personal Income per Capita (\$2017)	7
Housing Price Change	0.01%
Change in Real Disposable Personal Income per Capita with Housing price Change (\$2017)	6

- The proposed CP/HPS2 rezoning and the associated disposition and development agreement (DDA) changes will expand the city's economy, by accommodating the city's growing demand for housing and office space.
- Employment, population, disposable per capita income, disposable per capita income reflecting housing prices, GDP and total output are all expected to rise as a result of the proposed ordinances, the associated zoning, land use, and the DDA changes.
- We estimate that economy will add 558 jobs and \$163 million to the local output at the build out as of 2038. To put things in perspective, this job gain represents only 0.1% growth in the citywide employment.

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