CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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October 21, 2024

TO: Board of Supervisors

FROM: Budget and Legislative Analyst

SUBJECT: October 22, 2024 Committee of the Whole Adjourn and Report

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EXECUTIVE SUMMARY

Legislative Objectives

File 24-0877 is an ordinance that would amend the Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project Area to extend the time limits for Hunters Point Shipyard Redevelopment Project Area Phase 2.

File 24-0878 is an ordinance that would amend the Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area to extend the time limits for the Bayview Hunters Point Redevelopment Project Area Zone 1

The amendments would also allow the transfer of up to 2,050,000 square feet of research and development and office space from the Hunters Point Shipyard Redevelopment Project Area to Bayview Hunters Point Redevelopment Plan Project Area Zone 1.

File 24-0885 is a resolution that would approve the first amendment to the Tax Increment Allocation Pledge Agreement (Pledge Agreement) between the City and Successor Agency to the Redevelopment Agency (Office of Community Investment and Infrastructure or OCII). The amendment aligns the Pledge Agreement to the Redevelopment Plans' extended time limits.

Key Points

- In 2010, OCII entered into a Disposition and Development Agreement (DDA) with CP Development Co., LP. The DDA establishes: (a) the rights of the developer to develop the Project in a series of phases; and (b) the responsibilities of the developer to develop horizontal infrastructure. This public infrastructure is initially paid for by the developer and then reimbursed through public financing, including (a) special taxes and bonds; (b) tax increment revenue and bonds; and (c) other sources, such as grants. The Redevelopment Plans and Pledge Agreement allow for incremental increases in property taxes to pay for project costs. Absent a redevelopment plan, in FY 2024-25, the City would receive 64.6% of property taxes. Under the proposed agreements, the City would receive 12.9% of new property taxes, with most of the remaining revenue going to OCII to pay for project costs.

Fiscal Impact

- Analysis by Economic & Planning Systems indicate that the projects will generate a combined $47.5 million in net General Fund revenues (in 2024 dollars) at project stabilization.

Policy Considerations

- The original Pledge Agreement and DDA were entered into in 2010 with the expectation that work would be complete in 2030. Relatively little has been accomplished due, in part, to the Navy's delay in transferring the Shipyard land to OCII. The Shipyard and Candlestick

redevelopment programs were designed to be developed in tandem, so the delay impacted both project areas.

- The proposed amendments reset the redevelopment timelines for both projects and extend the timelines for public financing. If the project is finally launched, it will provide housing for 16,818 residents at Candlestick Point and 8,048 residents in Shipyard, a third of which would be in income-restricted units, and contribute to economic growth during and after construction.
- At the same time, the proposed Plan Amendments would push the end date of the Shipyard project to 2083, or 85 years after the competitive solicitation was issued to select the developer. This request comes to the Board of Supervisors on a relatively thin record of accomplishments – only 4.5 percent of the housing in Candlestick point has been built (the housing that was built is 100 percent affordable). The Board could consider requesting OCII reprocure the developer. Three other developers responded to the 1998 competitive solicitation. The Board could also defer approval of the Shipyard Plan Amendments and related language in the Pledge Agreement. At a later time, the Board of Supervisors could evaluate progress on the Candlestick project to assess whether further financial commitments from the City are warranted. The Controller is authorized to audit the work of the BVHP Plan, but not the Shipyard Plan, and no such performance audits have been completed to date.

Recommendation

Approval of the proposed ordinances and resolution are policy matters for the Board of Supervisors.

MANDATE STATEMENT

California Health and Safety Code Section 33450 states that local legislative bodies may amend redevelopment plans, by ordinance.

California Health & Safety Code Section 33670 states that incremental tax revenue generated within redevelopment plan areas may be used to finance redevelopment projects, including for paying debt. Although state law dissolved redevelopment agencies in 2012, successor agencies to redevelopment agencies may continue to receive this incremental tax revenue to the extent that enforceable obligations, such as pledge agreements, survived redevelopment dissolution and were approved by the state.

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) any modification of such contracts of more than $500,000, is subject to Board of Supervisors approval.

BACKGROUND

OCII

The former San Francisco Redevelopment Agency was the entity charged with alleviating blight through redevelopment projects. Such projects were governed by redevelopment plans approved by the Board of Supervisors and typically financed with incremental increases in property taxes generated by increased property value following redevelopment.

When redevelopment agencies were dissolved in 2012, the State created successor agencies to carry out the enforceable obligations in effect at the time of dissolution. The Board of Supervisors allowed the Successor Agency to the San Francisco Redevelopment Agency, known as the Office of Community Investment and Infrastructure (OCII), to carry out the development projects that had agreements in effect, which were Mission Bay, Transbay, Hunters Point Shipyard, and Candlestick Point (File 12-0898). OCII is a separate government entity from the City.

Hunters Point Shipyard Phase 2 and Candlestick Point Project[1]

The Hunters Point Shipyard and Candlestick Point are located in the southeastern corner of the City on the San Francisco Bay. The Candlestick Point and Hunters Point Shipyard Phase 2[2] Project (the Project) will generate 10,672 new housing units (of which 32 percent will be affordable), 4.9 million square feet of research and development and office space, 1.8 million square feet of retail, community, and institutional space, and over 300 acres of open space and parks, and

[1] The Hunters Point Shipyard is being developed in two phases under separate disposition and development agreements with different master developers. Lennar is developing Hunters Point Shipyard Phase 1, and FivePoint is developing Hunters Point Shipyard Phase 2 and Candlestick Point.

additional community benefits. The Project is being developed by CP Development Co., LP, a subsidiary of Five Point Holdings LLC (Five Point).

The Navy owns most of the Shipyard Phase 2 area parcels, which will be transferred to OCII following successful remediation of contamination resulting from the Navy's former use of the Shipyard Site facilities. The master developer of the Project, OCII, Port, City the State, and private parties own the Candlestick Point parcels. Attachment 2 shows the current landownership.

As originally planned, the Candlestick Site and Shipyard Site were to be developed simultaneously. Since 2010, the clean-up of the Shipyard Site has faced unprecedented delays due to the ongoing investigation, re-testing, and litigation related to the fraudulent work by the Navy's contractor. Because of the ongoing extraordinary Navy delays, the Excusable Delay provisions of the Hunters Point Shipyard Phase 2 and Candlestick Point Disposition and Development Agreement ("DDA") became applicable to the Shipyard Site according to OCII staff. OCII is proposing changes to the project documents to facilitate sequential, rather than simultaneous, development of the project areas.

Redevelopment Plans

The Project is governed by two redevelopment plans, which establish land use controls and policies for development in the project areas. The Board of Supervisors approved the Hunters Point Shipyard Redevelopment Plan (HPS Plan) in 1997 and the Bayview Hunters Point Redevelopment Plan (BVHP Plan) in 2006 (Ordinance 285-97 and File 06-0343). The Board of Supervisors approved amendments to the plans in 2010 in connection with approval of the Project (Files 10-0658 and 10-0659) and subsequent amendments to the plans in 2017 (Files 17-0414 and 17-0415) and 2018 (Files 18-0515 and 18-0516).

OCII has land use jurisdiction over the Project through the Redevelopment Plans. The Project is located within Zone 1 of Project Area B of the BVHP Plan (referred to as "Candlestick Site" or "Candlestick Point") and Phase 2 of the HPS Plan Project Area (referred to as "Shipyard Site" or "HPS2").[3] Candlestick Point includes the location of the former 49ers Stadium, Candlestick Point State Recreational Area, the Alice Griffith Housing Authority site, and other adjacent private and Port parcels.

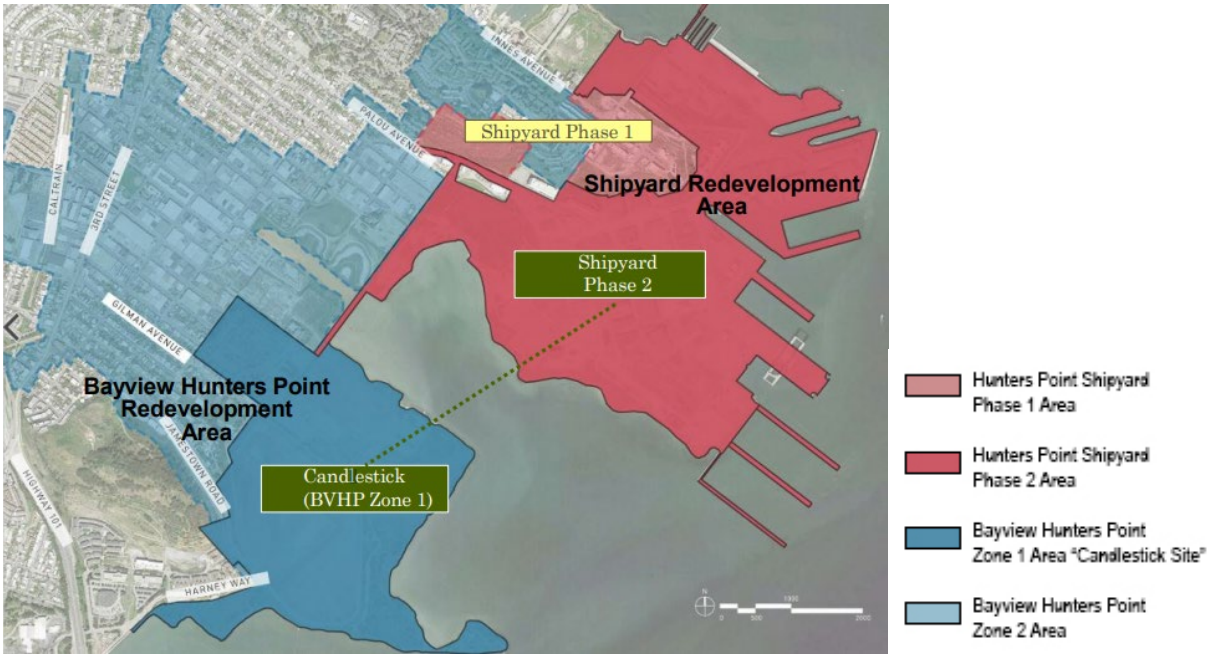
As contemplated under the Redevelopment Plans and the Project documents, including the DDA and Pledge Agreement, the Project depends upon tax increment financing to achieve financial feasibility. The Project was subject to certain time limits under the California Community Redevelopment Law: 1) a 20-year time limit on establishing loans, advances, and indebtedness; 2) a 30-year time limit on the effectiveness of the plan; and 3) a 45-year time limit to repay indebtedness. Certain of these statutory redevelopment timelines are approaching, with the time limit for establishing loans, advances, and indebtedness in the BVHP project area set to expire on June 1, 2026. OCII is proposing changes to the project documents to extend these time limits, as allowable under California Senate Bill 143, which was approved in 2023 and is discussed further

[3] Under the Bayview Hunters Point Plan, Project Area B is divided into Zones 1 and 2. OCII has jurisdiction over land use within Zone 1. The Planning Department has jurisdiction over land use within Zone 2.

below. The Successor Agency Commission approved the BVHP and HPS Plans amendments on September 3, 2024.

Exhibit 1 below shows the BVHP and HPS Plan Areas.

Exhibit 1: Project Area Map



Source: OCII

Disposition and Development Agreement & Financing Plan

In 2010, OCII entered into a Disposition and Development Agreement (DDA) with CP Development Co., LP. The DDA establishes: (a) the rights of the Developer to develop the Project in a series of phases and to ground lease or sell lots to vertical developers for development; and (b) the responsibilities of the Developer to develop horizontal infrastructure, public open space, affordable housing, and other community benefits. Horizontal infrastructure improvements include demolition, grading, sea level mitigation, wastewater utilities, water utilities, streets, and transportation improvements.

The DDA has been amended three times. The Fourth Amendment was approved by the Successor Agency Commission on September 3, 2024, the Oversight Board to the Redevelopment Agency of the City and County of San Francisco ("Oversight Board") on September 9, 2024, and is pending final approval by the State Department of Finance. The City is not party to the DDA, and the Board of Supervisors does not approve the DDA, but exercises authority over the Project through the amendments to the Redevelopment Plans and approval of the amendment to the Pledge Agreement.

The Fourth Amendment provides for the development program to be consistent with changes proposed in the Redevelopment Plans (discussed below) and makes other changes to streamline

the planning review process. There are no changes to the Project's Community Benefits Plan, the number of affordable housing units or the income levels to qualify for affordable housing.

The Financing Plan (Exhibit H to the DDA) details the funding sources available to reimburse the developer for qualified project costs, including: (a) Community Facilities District (CFD) special taxes and bonds; (b) tax increment revenue and bonds; and (c) "alternate financing," which may include grants, municipal debt issued by OCII or the City and secured by tax increment, special taxes, special assessment or fees in the Project Site, or certificates of participation. The fourth amendment to the DDA makes the following changes to the Financing Plan: (a) permits tax increment generated within the Candlestick Project Area and Hunters Point Shipyard Phase 2 Project Area to be used to pay project costs in either project area consistent with changes in State law; (b) extends the time period from 75 years to 85 years to levy special taxes for CFD bonds; and (c) adds the City's Certificates of Participation (COP) debt program as a potential source of alternate financing. According to OCII staff, there is no plan to use COP debt for the BVHP nor Shipyard projects. The purpose of the amendment was for the DDA to be consistent with the recently modified provisions to the Treasure Island DDA's Financing Plan, for which the Board of Supervisors approved up to $115 million in COP debt (File 24-0202).

An overview of the Candlestick and Shipyard projects' infrastructure delivery timelines and a map of the phases is included as Attachment 1 to this report.

Evaluation of Updated Public Financing Model

To assess the Project's updated public financing, OCII engaged ALH Economics and C.H. Elliott & Associates as financial consultants. For Candlestick Point, OCII's consultants performed a review of the developer's financials and public financing model to determine the project's feasibility, including the project program and pro forma underwriting assumptions. OCII's consultants also reviewed the public financing model for the Shipyard Site for feasibility. Based on these reviews OCII's consultants determined that the Project was feasible with the proposed amendments to the Redevelopment Plans and Pledge Agreement. OCII's consultants also concluded that the current Project would not be feasible to develop without the proposed amendments to the Redevelopment Plans and Pledge Agreement.

Developer and Selection of Developer

Following a competitive procurement process that began in 1998, the former Redevelopment Agency selected the Lennar-BVHP LLC (a corporate affiliate of Lennar) as the master developer for the Hunters Point Shipyard project in 1999. Two other developers submitted proposals that were considered by the Agency: Forest City Development California Inc./EM Johnson Interest Inc. and Catellus Development/WDG. Lennar-BVHP LLC entered into a DDA for the Hunters Point Shipyard Phase 1 in 2003.

The HPS Plan was amended in 2010 and divided into two phases. Phase 1 includes areas referred to as the Hilltop and Hillside. Phase 2 includes the rest of the Shipyard and includes Zone 1 of the BVHP Plan. The Phase 1 area is subject to a separate disposition and development agreement, and none of the amendments impact the Phase 1 area. The DDA for Candlestick Point and Phase 2 of the Hunters Point Shipyard project is between OCII and CP Development Co., LLC, the Master

Developer, and was approved by Successor Agency Commission by Resolution No. 69-2010 (June 3, 2010).

Senate Bill 143-2023 State Law Change

In 2023, the State Legislature and Governor approved Senate Bill 143 that amended the Health and Safety Code section 34177.7 to add subdivision (j), which states that "the limitations relating to time for establishing loans, advances, and indebtedness, the effectiveness of the redevelopment plans, the time to repay indebtedness, the time for applying tax increment, the number of tax dollars, or any other matters set forth in Section 33333.2 and Section 33492.13 shall not apply" to the CP-HPS2 Project. Most relevant for the proposed agreements, SB 143 released OCII and the Phase 2 of the Hunters Point Shipyard project from the statutory time limits associated with redevelopment plan durations, incurring debt, amount of debt, and timeline to repay indebtedness. Instead, it allowed OCII, with approval from its Oversight Board and the Department of Finance, to establish new such timelines within the relevant Project agreements. The amendments to the BVHP and HPS Plans and Pledge Agreement, which the Successor Agency Commission approved, by Resolution Nos. 25-2024, 26-2024, and 29-2024 (Sep. 3, 2024), are now before the Board of Supervisors. The Oversight Board approved, by Resolution No. 04-2024 (Sep. 9, 2024), the Pledge Agreement, which is pending before the Department of Finance and the Board of Supervisors.

SB 143 also allows property tax increment generated from both Project Areas (Shipyard Phase 2 and Candlestick Point) can be used to finance Qualified Project Costs in either Project Area. The amendments to the BVHP and HPS Plans and to the Pledge Agreement are consistent with the Project agreements currently under review by the State.

DETAILS OF PROPOSED LEGISLATION

File 24-0877 is a proposed ordinance that would amend the Redevelopment Plan for the Hunters Point Shipyard Redevelopment Project Area to extend the time limits for Hunters Point Shipyard Redevelopment Project Area Phase 2 and to allow the transfer of up to 2,050,000 square feet of research and development and office space from the Hunters Points Shipyard Project Area to Bayview Hunters Point Redevelopment Plan Project Area Zone 1.

File 24-0878 is a proposed ordinance that would amend the Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area to extend the time limits for the Bayview Hunters Point Redevelopment Project Area Zone 1 and to allow the transfer of up to 2,050,000 square feet of research and development and office space from the Hunters Point Shipyard Redevelopment Project Area to Bayview Hunters Point Redevelopment Plan Project Area Zone 1.

File 24-0885 is a resolution that would approve the first amendment to the Tax Increment Allocation Pledge Agreement (Pledge Agreement) between the City and Successor Agency to the Redevelopment Agency (Office of Community Investment and Infrastructure or OCII). The amendment will conform the Pledge Agreement to the Redevelopment Plan(s) extended time limits.

Redevelopment Plan Amendments

The proposed amendments to the Redevelopment Plans make changes to the proposed non-residential land use, the limit on bonded indebtedness, and timelines for plan effectiveness and indebtedness as discussed below.

Land Use Changes

Due to delays in conveyance of Hunters Point Shipyard parcels from the Navy, the Hunters Point Shipyard Phase 2 and Candlestick project areas cannot be developed simultaneously as previously planned. Therefore, the proposed plan amendments would authorize the transfer with approval of the Successor Agency Commission at a public hearing, some non-residential land use from Hunters Pont Shipyard Phase 2 to the Candlestick project area to increase non-residential development in the early project stages. The amended plans would authorize the transfer of 2,050,000 square feet of research and development and office use from Hunters Point Shipyard Phase 2 to Bayview Hunters Point Zone 1, Candlestick Point Area compared to the 2019 Redevelopment Plans.[4] There is no change in the total non-residential square feet of 6,686,000 across both project areas. Exhibit 2 below shows the proposed non-residential land use in the amended plans.

Exhibit 2: Proposed Non-Residential Land Use in Amended Redevelopment Plans

	Bayview Hunters Point Plan Zone 1 (Candlestick)	Hunters Point Shipyard Phase 2	Total
Non-Residential Land Use (sf)			
Hotel	130,000	120,000	250,000
R&D/Office	2,800,000*	2,096,500*	4,896,500
Retail & Entertainment	309,500	401,000	710,500
Artists Space		255,000	255,000
Community Uses	50,000	50,000	100,000
Institution		410,000	410,000
Film Arts Center	64,000		64,000
Total, Non-Residential Square Feet	**3,353,500**	**3,332,500**	**6,686,000**

Source: Proposed Amended Redevelopment Plans

*The proposed redevelopment plans transfer up to 2,050,000 square feet of R&D/office use from Hunters Point Shipyard Phase 2 to Bayview Hunters Point Zone 1, Candlestick. The 2019 Redevelopment Plans currently provide for 750,000 square feet of R&D/office use in Candlestick and 4,146,500 square feet of R&D/ office use in Hunters Pont Shipyard Phase 2.

[4] According to OCII staff, the 2019 Redevelopment Plans, which did not require Board of Supervisors' approval, added an additional 481,500 square feet of research and development and office use to Bayview Hunters Point Zone 1 with offsetting reductions in retail and entertainment uses, hotel uses, and film arts center uses compared to the 2018 Redevelopment Plans.

Tax Increment Pledge Agreement

The purpose of the Pledge Agreement is to divert to OCII what otherwise would be the City's property tax revenue within the Bayview Hunters Point Redevelopment Plan and Shipyard Redevelopment Plan areas. This property tax revenue would not be available with the absence of the Project. The proposed amendments to the Pledge Agreement extend the tax pledge timelines to be consistent with the terms of the BVHP and HPS Plans. The Pledge Agreement also authorizes OCII to incur debt secured by the pledged revenues. Exhibit 3 below summarizes the changes to the project timelines included in the amendments to the Redevelopment Plans and Pledge Agreement.

Exhibit 3: Proposed Change to Project Timelines

Redevelopment Plans	**Current**		**Proposed**	
	Start	End	Start	End
Plan and Pledge Agreement Terms				
BVHP (Candlestick)	2006	2036	2025	2070
HPS (Shipyard)	2013	2043	Conveyance of all Shipyard parcels in Phase 2 area, estimated in 2038	45 years, estimated in 2083
Time Limit to Incur Debt				
BVHP (Candlestick)	2006	2026	2025	2070
HPS (Shipyard)	2013	2033	Conveyance of all Shipyard parcels in Phase 2 area, estimated in 2038	45 years, estimated in 2083
Indebtedness Limit				
BVHP (Candlestick) HPS (Shipyard)	$800 million $900 million		$5.9 billion at any one time (both projects)	
Repay Indebtedness & Receive Tax Increment				
BVHP (Candlestick)	2006	2051	2025	2085
HPS (Shipyard)	2013	2058	Conveyance of all Shipyard parcels in Phase 2 area, estimated in 2038	60 years, estimated in 2098

Sources: Redevelopment Plan Amendments, Pledge Agreement Amendment

Note: The 2024 BVHP Plan Amendment Date as defined in the BVHP Plan to mean the date on which the ordinance approving the Plan becomes effective, which is 90 days after Board and Mayoral approval.

Key changes to the timelines include:

- **Plan Duration**: The BVHP Plan and associated Pledge Agreement commitments become effective ninety days (90) after adoption of the Plan amendment (File 24-0878) and is assumed to occur in early 2025. The Shipyard Plan and associated Pledge Agreement commitments would be effective when the Navy transfers ownership of the Shipyard parcels to OCII, which is estimated to occur between 2036 and 2038. Both plans have a 45-year term, which is based on the 30-year of the current Plans plus an additional 15 years to account for the Navy's delayed transfer of land.
- **Time Limit to Incur Debt**: The proposed Plan and Pledge Agreement amendments extend the timeline to incur debt from 20 years in the current agreements to 45 years each. The Amendments also allow for debt secured by Candlestick area property tax increment could be incurred through 2070 to pay for Qualified Project Costs in both the Candlestick and Shipyard project areas.
- **Indebtedness Limit**: The proposed Plan and Pledge Agreement amendments increase the indebtedness limit by $4.2 billion, from $800 million for Candlestick and $900 million for Shipyard to a combined $5.9 billion for both projects. This represents the total amount of debt that can be outstanding at any given time, not the total amount of debt issued, which could be higher. The $5.9 billion is based on OCII's assessment of future property tax revenues in the project areas and their ability to finance debt.

  Time Limit to Repay Indebtedness and to Receive Property Tax Increment: The proposed Plan and Pledge Agreement amendments allow each project area to receive incremental property tax revenue for sixty years following the effective date of each Plan.

The proposed amendment to the Pledge Agreement allows CFD revenues to pay for privately owned infrastructure that is open to the public.

Some of the Pledge Agreement's provisions are unchanged in the proposed amendment, including:

- **No General Fund Commitment**: The City's General Fund is not liable for any project costs.
- **Use of Pledged Taxes**: Funding may only be used for Qualified Project Costs, which, per the DDA Financing Plan, include horizontal infrastructure, affordable housing, pre-Agreement Costs, Community Benefits, and land acquisition costs.
- **Calculation of Net Available Tax Increment Pledge**: Continues to reference the Redevelopment tax allocation framework in State law (Health and Safety Code Section 33670), detailed below.

Property Taxes Diversion

Absent a redevelopment plan or establishment of an infrastructure financing district, in FY 2024-25, the City would receive 64.6% of property taxes, including 55.6% for the General Fund, 2.5% for the Library Preservation Fund, 4% for the Children's Fund, and 2.5% for the Open Space Fund, plus a rate sufficient to pay for voter-approved general obligation bonds. Other taxing entities

receive the remaining amount of property taxes and include the School District, Community College District, County Office of Education, Air Quality District, and BART. Where Redevelopment Plans are in effect, the City is only entitled to receive a portion of its share of the incremental increase in property tax revenues in plan areas, with the rest diverted to pay for Qualified Project Costs. If no qualified costs exist in a given year, the available property tax year revenue becomes residual funds available to the City and other taxing entities.

Of the incremental increase in property taxes within the project areas, the DDA requires that 20% is set aside for low- and moderate-income housing within the BVHP and Shipyard Plan areas. Of the remaining 80% of new property taxes, 25% is then passed-through to the City and other taxing agencies. This amounts to the City receiving 12.9% (= 80% * 25% * 64.6%) rather than the typical 64.6% of new property taxes collected. Any property taxes not spent on Qualified Project Costs would then be distributed annually to the taxing entities according to their typical property tax shares, potentially increasing the City's total share of total new property taxes collected to over 12.9%. The remaining 60% of new property taxes would be allocated to OCII to pay for Qualified Project Costs. OCII's share of new property taxes declines in years eleven and thirty-one of the Plans, however the City's share of new property taxes remains at least 12.9% while the Redevelopment Plans and Pledge Agreement are in effect.[5] As noted above, each Redevelopment Plan allows for OCII to receive property tax increment and pay debt for up to sixty years. The proposed changes would allow Candlestick property taxes to finance Candlestick and Shipyard costs through 2084 and the Shipyard costs for sixty years after the Navy transfers ownership of the Shipyard to OCII, which is estimated to occur in 2038.

Use of Pledged Incremental Property Taxes

As noted above, under the DDA, the developer is responsible for horizontal infrastructure (streets, utilities, and sea level adaptations) as well as public benefits such as parks and some affordable housing. OCII is responsible, with the 20 percent set aside, for constructing affordable housing projects on land identified and restricted to affordable housing under the DDA (public housing replacement and new income-restricted housing). The developer funds the initial costs of these improvements and then is repaid by a combination of property tax increment generated within the project areas, CFD special taxes, and land sales. Public financing may be used for public infrastructure and community serving facilities, such as housing and community benefits associated with the DDA documents.

According to the 2024 Summary Proforma (Exhibit H-B of the DDA), Candlestick's Qualified Project Costs total $1.438 billion. These costs will be funded by $985.2 million in Candlestick Proceeds (bonds and net available increment/pay go) secured by incremental property taxes,

[5] Other, non-City taxing entities would receive approximately 35.4% (i.e. 100% minus the City Share of 64.6%) of an additional 21% (= 7.4%) of the 80% non-housing incremental property taxes generated after year ten (taxes on the incremental growth over year ten value) and an additional 35.4% of 14% (= 5.0%) of the 80% non-housing incremental property taxes generated after year thirty (taxes on the incremental growth over year thirty value). OCII's share of incremental property taxes would decline by an equal amount."

with an estimated total debt service of $2.6 billion for Candlestick Point costs. In addition, OCII and the Developer estimate the CFD special taxes will fund $453 million in project costs.

OCII has not received updated Shipyard project costs from the developer. However, in 2018, the DDA's Summary Pro Forma indicated that the Shipyard's Qualified Project Costs were $1.91 billion and incremental property taxes could finance $890.96 million of those costs, leaving $1.01 billion to be funded with CFD Revenue and other project revenues.

In 2024, OCII and the developer estimate that the Shipyard project will require $1.1 billion in incremental property tax revenue from Zone 1 of the BVHP Plan plus $318.6 million in debt secured by Candlestick revenues with an estimated total debt service of $730 million. According to OCII, diverting this $1.8 billion in property taxes from Candlestick to Shipyard will help accelerate delivery of Shipyard infrastructure by providing the project an additional financing source. This incremental property tax revenue from Candlestick could instead go to the City and other taxing agencies. However, this could slow the development of Shipyard. Additionally, the longer timeline for repaying Qualified Project Costs would necessitate more private capital for a longer period of time, which would impact financial feasibility.

FISCAL IMPACT

Candlestick Project Area: Net Benefit to the General Fund

The Developer hired Economic and Planning Systems (EPS) to assess the fiscal impact of the new project timelines. According to the July 29, 2024 report that is included in the legislative file for the Pledge Agreement, the redevelopment activities in Candlestick Point area will generate $23.3 million in net General Fund revenues (in 2024 dollars) at project stabilization (assumed in 2046). The analysis projects general revenues through that time and related expenses in providing City services to the newly developed area.

Shipyard: Net Benefit to the General Fund

EPS also completed a fiscal impact of the Shipyard project timelines. According to the October 8, 2024 report, the Shipyard project will generate $24.2 million in net General Fund revenues (in 2024 dollars) at project stabilization (assumed in 2054). The analysis projects general revenues through that time and related expenses in providing City services to the newly developed area

The fiscal impact reports for Candlestick Point and the Shipyard project areas indicate that they will generate a combined $47.5 million in net General Fund revenues (in 2024 dollars) at project stabilization.

Tax Increment Projections

In a report to the Board of Supervisors within File 24-0878, OCII provided a projection of incremental property tax revenue to be generated within Candlestick Point.[6] The table shows the

[6] The projections show higher property tax revenues than in the EPS report because OCII's projections assume a certain amount of property sales, whereas EPS's projections conservatively do not.

project will generate $10.49 billion in incremental property tax revenue through FY 2075-76, of which the City would receive at least $1.35 billion for the General Fund and required set-asides.

In a report to the Board of Supervisors within File 24-0877, OCII provided a projection of incremental property tax revenue to be generated within the Shipyard project area, from FY 2035-36 – FY 2082-83. The projections show that the Shipyard project would generate $7.48 billion in incremental property tax revenue, of which the City would receive $966.5 million.

POLICY CONSIDERATIONS

Project Status

The original Pledge Agreement was executed in 2010. At that time, total horizontal costs were estimated at $2.131 billion, with all horizontal and vertical construction complete by 2030. Since that time, relatively little has been accomplished. Horizontal costs for the Candlestick portion alone are now estimated at $2 billion ($1.4 billion in Qualified Project Costs plus $0.6 million in other horizontal costs that do not qualify for public financing). New horizontal infrastructure delivery timelines were established in a 2018 revision to the DDA between OCII and the developer. Under that 2018 Schedule of Performance, horizontal infrastructure for five sub-phases within the Alice Griffith area were supposed to be complete by December 2022. As of this writing, only subphase one has been completed by the developer and none of the infrastructure has been accepted by the City. Due to delays discussed below, OCII and the developer have agreed to the Excusable Delay[7] provisions in the DDA, which allow the suspension of the 2018 Schedule of Performance delivery dates, as they pertain to Shipyard. The developer did not comply with the current Schedule of Performance for Candlestick.

The 2024 DDA amendments reset the Schedule of Performance for the Candlestick Point area of the Project. Once the Navy has completed the remediation of the Shipyard, a new Schedule of Performance will be provided for the Shipyard Site.

Project Delays

OCII notes that the project has faced several challenges since 2010, including: the dissolution of redevelopment agencies in 2012, the relocation of the 49ers from San Francisco to Santa Clara, and the Navy's failure to remediate and transfer the Shipyard parcels, which was originally expected in 2015 and is now expected between 2036 and 2038. We note however that other OCII

[7] Section 24 of the Disposition and Development Agreement between OCII and the developer allows for "Excusable Delays" to extend the agreement's Schedule of Performance (which defines the dates by which infrastructure must be complete and accepted by the City). Excusable delays include *force majeure*, a four percent or more decline in residential real prices in a given year, delays from other governments, and CEQA-related delays. Excusable Delays do not include lack of developer financing or developer bankruptcy.

projects have delivered 80 percent of their housing goals[8] and that the 2010 DDA contained a "non-stadium alternative" design which anticipated the potential relocation of the 49ers.

Although the current Plan documents contemplate independent public financing for each project generated within each project area, according to OCII and the developer, the composition of the land use in both project areas were designed to be developed in tandem so that the project as a whole would be more financially feasible for the developer. As a result, according to OCII and the developer, the developer took limited action in the Candlestick area due to the delay in developing Shipyard. As discussed above, the proposed Redevelopment Plan Amendments changes the land use composition so Candlestick can be developed independently and also subsidize Shipyard infrastructure costs. OCII and the developer are now seeking Board of Supervisors approval to extend the Redevelopment Plans and Pledge Agreement timelines to proceed with the development.

Developer Accomplishments: Candlestick

There is a total of 7,218 housing units at Candlestick Point, 34% (2,459) of these units will be below market rate. The developer has provided infrastructure and funding for 226 public housing replacement units adjacent to the former Alice Griffith public housing project site, as well as 111 new affordable housing units (including manager's unit) and related infrastructure. This amounts to 13 percent of the DDA's affordable housing goals and 4.5 percent of the project's overall housing production goal. For the subsequent two development phases of Candlestick Point, an additional 1,523 housing units are in the predevelopment/planning phases, with the remaining 5,358 housing units to be built in later phases. In addition, the developer has demolished the vacant Alice Griffith buildings, received schematic design approvals for seven residential blocks, commenced designs for one of the required new parks, and demolished the old Candlestick Stadium. The developer has also performed partial utility work at the former stadium site.

Developer Accomplishments: Shipyard

Progress on the Shipyard portion of the project has been more limited due to the delay in the Navy remediating the site. Since 2010, the developer reports it has completed schematic designs for Northside Park, completed design work, site grading, roads, and underground infrastructure for a 106,000-square-foot Artists' Building. Also, the construction of an and a 11,000 square-foot commercial kitchen/cookery has been completed.

Alternatives for the Board of Supervisors

Both Candlestick Point and the Shipyard are underdeveloped and underused land in San Francisco. The proposed agreements allow the City and OCII to partner with a private developer for a multibillion-dollar development of public infrastructure in the area. The project is estimated to generate $2.3 billion in revenue to the City over the next 55-60 years, provide housing for

[8] According to OCII's FY 2024-25 Adopted Budget 80 percent of Mission Bay, Transbay, and Shipyard Phase 1 housing has been constructed, compared to the 3 percent for Shipyard Phase 2 (which includes Candlestick).

16,818 residents at Candlestick Point and 8,048 residents in Shipyard, a third of which would be in income-restricted units, and contribute to economic growth during and after construction.

At the same time, the proposed Plan Amendments would push the end date of the Shipyard project to 2083, or 85 years after the competitive solicitation was issued to select the predecessor to the current developer. This request comes to the Board of Supervisors on a relatively thin record of accomplishments.

The Board could consider requesting OCII reprocure the developer. Three other developers responded to the 1998 competitive solicitation. Such a process would be complicated by the fact that the developer owns roughly half the land in the Candlestick area, with the remaining land in Candlestick and Shipyard owned by various public agencies (see land ownership maps in Attachment 2). Reprocuring a developer could result in the loss of redevelopment financing tools,[9] however those could be replaced by an infrastructure financing district and negotiating pledge agreements with other taxing agencies. Reprocuring the developer and establishing new public financing mechanisms would very likely add to the project delivery timeline.

The Board could also defer approval of the Shipyard Plan Amendments and related language in the Pledge Agreement. At a later time, the Board of Supervisors could evaluate progress on the Candlestick project to assess whether further financial commitments from the City are warranted. As noted above, the Shipyard Plan's time limit to incur debt currently expires in 2033 and the term of the Plan currently expires in 2043, so any decision to extend the HPS Redevelopment Plan would need to be made before then.

No Performance Audits of the Candlestick or Shipyard Redevelopment Projects Have Occurred

Section 1.2.5 of the BVHP Redevelopment Plan allows the Controller's City Service Auditor to conduct performance audits of the project, but that has never occurred. The Controller's Office is considering how to incorporate an audit of this project into its work plan. The Shipyard Redevelopment Plan does not have similar audit language.

RECOMMENDATIONS

Approval of the proposed ordinances and resolution are policy matters for the Board of Supervisors.

[9] With the dissolution of redevelopment agencies, redevelopment financing tools are available only if the "enforceable obligation" (such as the DDA or Pledge Agreement) is still in effect.

Attachment 1: Project Phasing

Major Phase/est. years of infrastructure[1]	Public Infrastructure[4]	Est. Total Housing Units[1]	Est. Affordable (BMR) Units[1]	Parks & Open Space (acres)	Additional Community Benefits[3]
1 Alice Griffith ("AG")(completed)	Arelious Walker Dr. Giants Dr. Donner Ave. Egbert Ave. Fitzgerald Dr.	337	337	-	Accelerated ahead of market rate $1M to scholarship & education funds $250K credit support Local hire preference
2 CP Outfield/Harney (2026-2028)	Arelious Walker Dr. Harney Way West Harney Way Harney Way off-site Candlestick Park Dr. Marichal Lane Rice Road Montana-Clark Dr. Policy Ave.	675	278	Willie Mays Plaza interim uses (.77) Alice Griffith interim uses Central Promenade	Community facilities Space (retail space offered with no base rent to local residents/business) 12K sq.ft. $300K Scholarship Fund payment $950K Education Improvement Fund $250K per year Construction Assistance Fund during development Community Real Estate Broker Program Community Benefits Fund (.5% market rate condo sales) Local hire preference
3 CP Infield/Ingerson (2029-2032)	Ingerson Ave. West Harney Way	848	244	Willie Mays Plaza (.77)	Community facilities Space ~8K sq.ft.

Major Phase/est. years of infrastructure[1]	Public Infrastructure[4]	Est. Total Housing Units[1]	Est. Affordable (BMR) Units[1]	Parks & Open Space (acres)	Additional Community Benefits[3]
	DeBartolo Way Zerline Dixon St. Earl St. Elder Smith St.			Willie Mays Park 2a (1) Central Promenade	$250K credit support Community Real Estate Broker Program Community Benefits Fund (.5% market rate sales) Local hire preference
4 CP East and AG 2 (2032-2035)	Harney Way Gilman Ave. Candlestick Park Dr. Walsh St. Lott Lane Griffith St. Carroll Ave. Donner Ave. Egbert Ave. Fitzgerald Ave.	1,054: CP East = 530 AG 2 = 524	346: CP East = 128 AG 2= 218	AG Neighborhood Park East (.36) Mini Wedge Park (.8)	$300K Scholarship Fund payment $950K Education Improvement Fund Community Builder Lots $250K credit support Community Real Estate Broker Program Community Benefits Fund (.5% market rate condo sales) Local hire preference
5 CP South (2035-2038)	Candlestick Park Dr. Harney Way off-site Marichal Lane Walsh St. Cepeda Lane Rice Road	1,683	292	Jamestown Walker Slope (3.44) Bayview Hillside Open Space (2.85) Wind Meadow[2] (11.4) Heart of the Park[2] (15.4)	$950K Education Improvement Fund $250K credit support Community Real Estate Broker Program Community Benefits Fund (.5%

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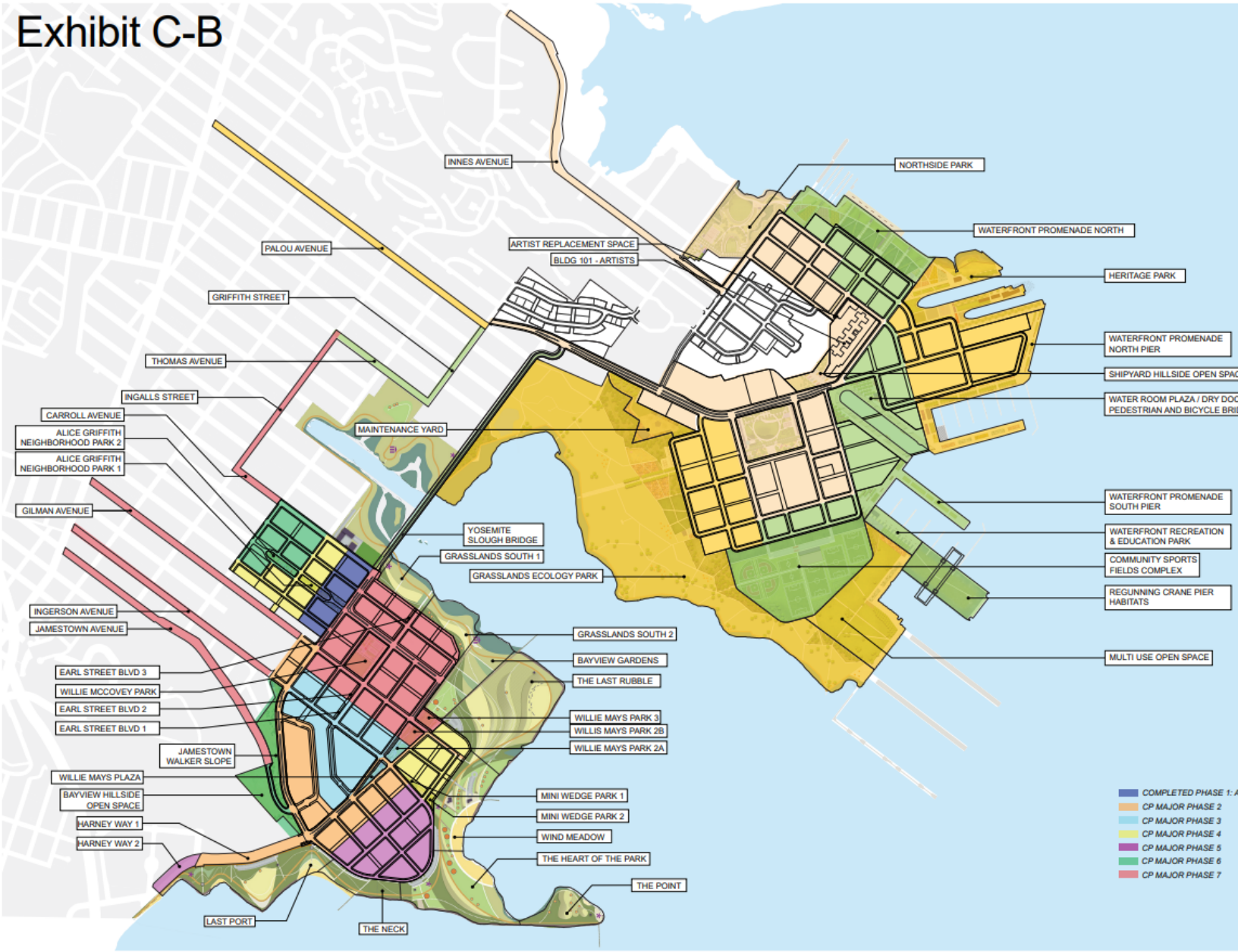
	Montana-Clark Dr. Policy Ave.			The Point[2] (6.1) Last Port[2] (14.6) The Neck[2] (4.9)	market rate condo sales) Local hire preference
6 AG 3 (2039-2042)	Hawes St. Neal St. Carroll Ave. Donner Ave. Egbert Ave. Jamestown Ave. off-site	908	371	AG Neighborhood Park West (.36)	$950K Education Improvement Fund Community Real Estate Broker Program Community Benefits Fund (.5% market rate condo sales) Local hire preference
7 CP North (2045-2048)	Arelious Walker Dr. Gilman Ave. Egbert Ave. Donner Ave. West Harney Way Elder Smith St. Earl St. Zerline Dixon St.	1,713	591	Willie Mays Park 2b & 3 (1.93) McCovey Park (3.1) Grasslands South (10.3) Bayview Gardens (9.5) Last Rubble (24.5)	$950K Education Improvement Fund Community Real Estate Broker Program Community Benefits Fund (.5% market rate condo sales) Local hire preference
Total		**7,218 homes**	**2,459 homes**	**105.7 acres**	

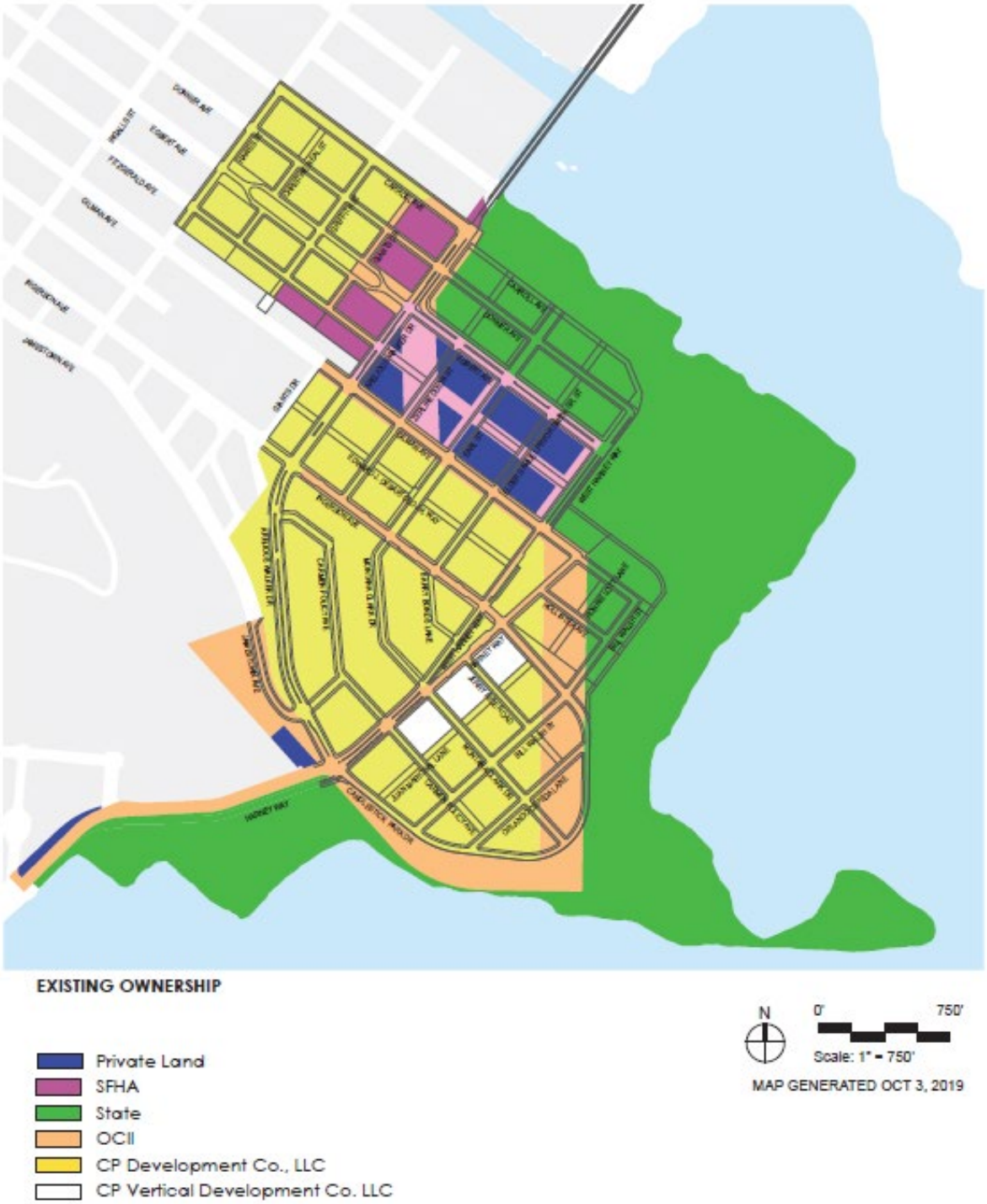
Source: FivePointe (Developer)

Phasing Map with Public Benefits



Attachment 2: Current Landownership within Project Areas

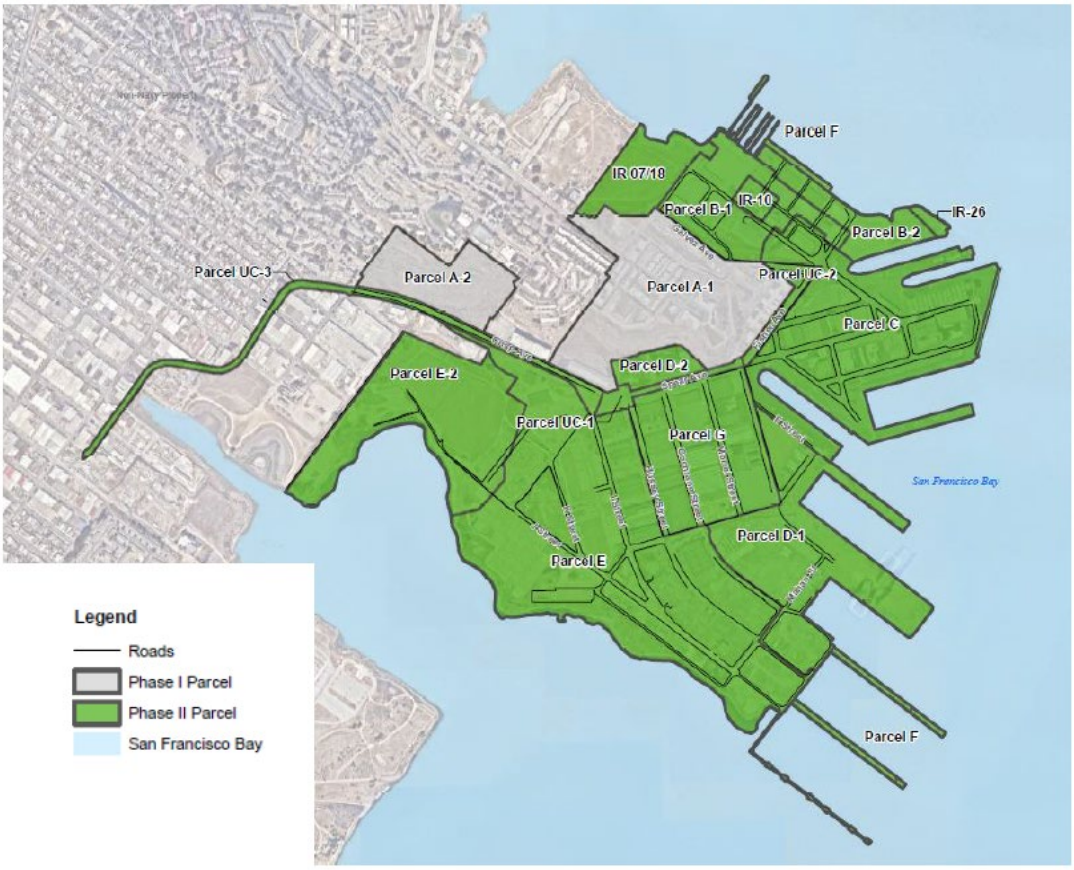
Candlestick Point Landownership



Source: OCII

Hunters Point Shipyard Landownership

NAVY PARCELS-GREEN PARCELS ARE PHASE 2 PARCELS UNDER NAVY CONTROL



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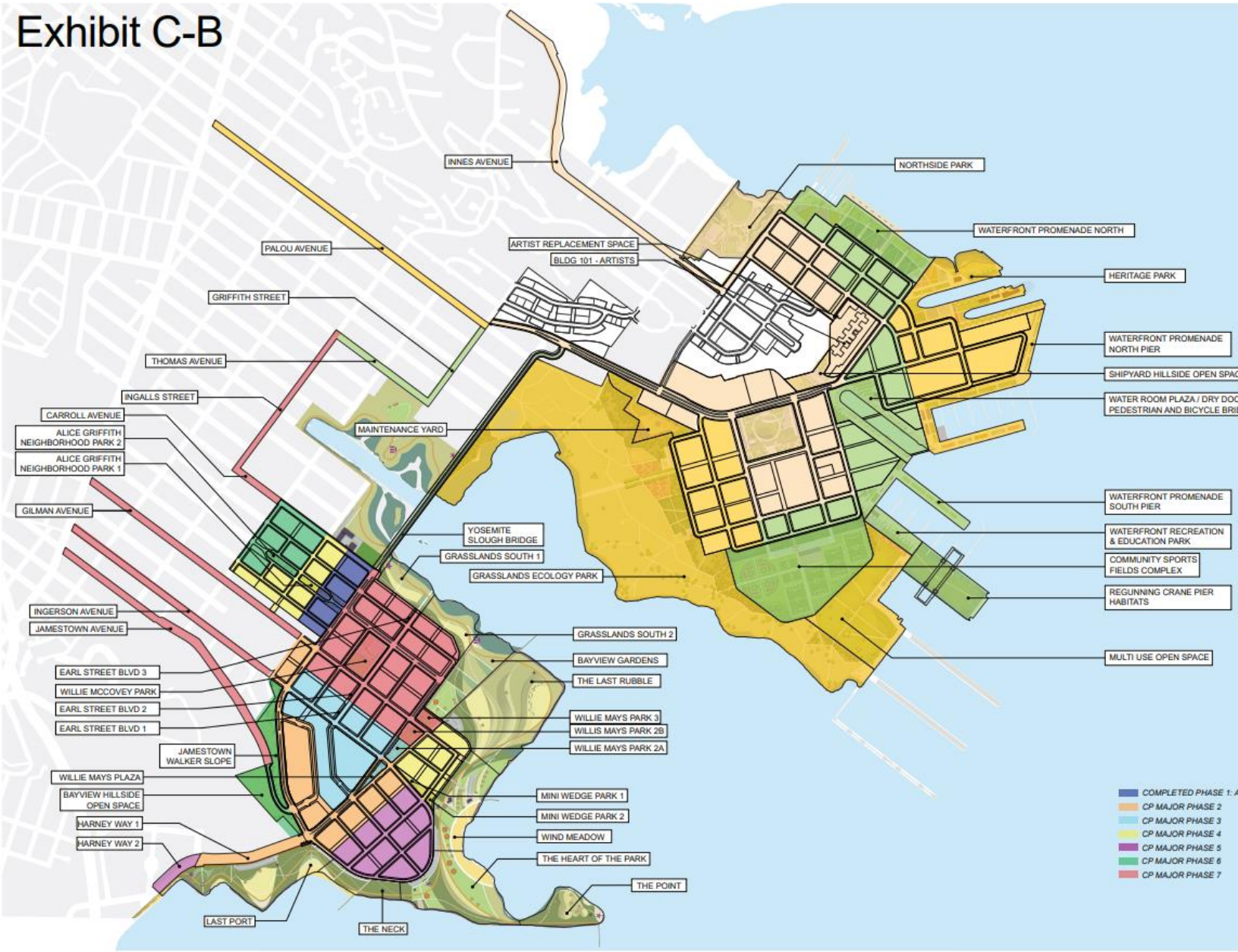

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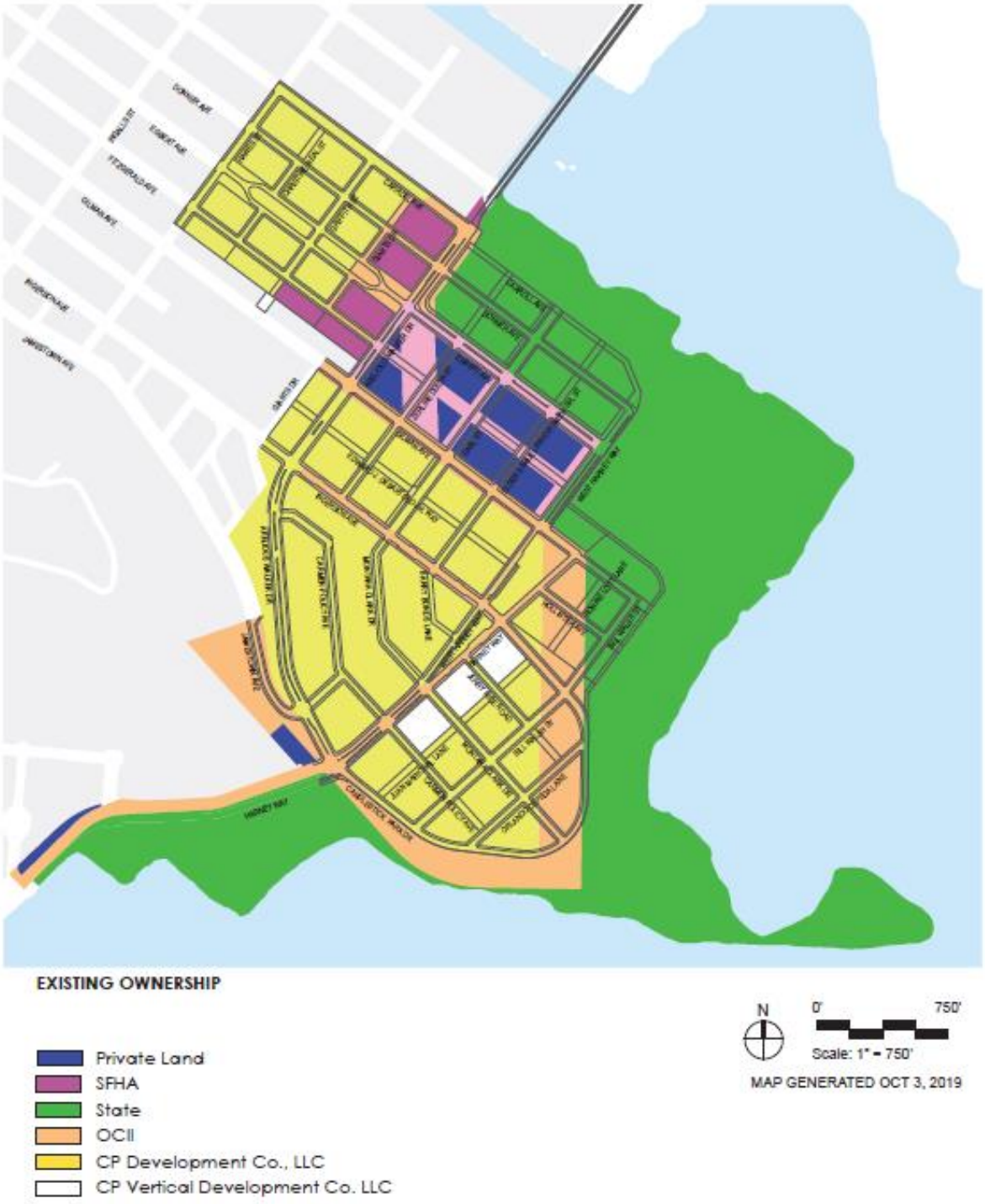

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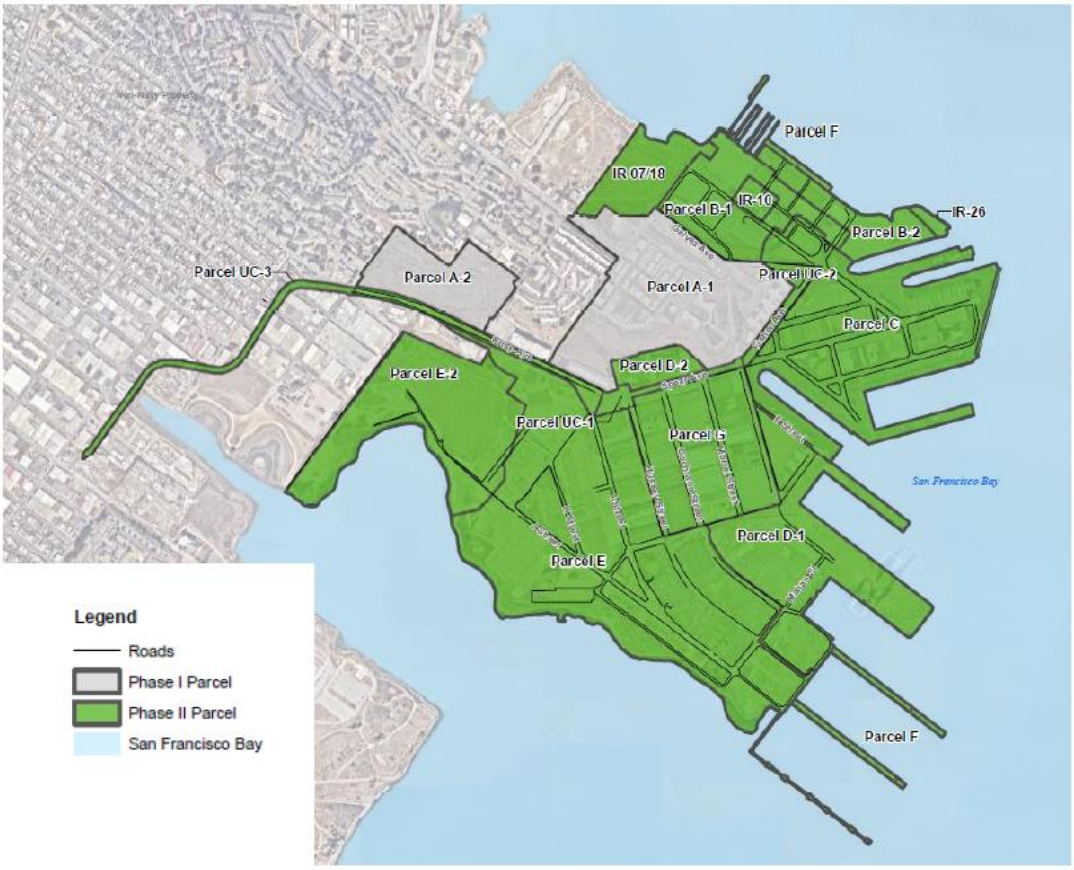

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