



Meeting Date: January 9, 2025

To: Public Works Commission

Through: Carla Short, Public Works Director
Alaric Degrafinried, Acting Deputy Director for Project Delivery

From: Shawna Gates, Project Manager

Subject: Candlestick Point USDOT RAISE Grant – Approval of Sole Source

Director’s Recommendation: Approve San Francisco Public Works’ (“Public Works”) award of a sole source grant of \$20 million, comprised of funds received from U.S. Department of Transportation’s Rebuilding American Infrastructure with Sustainability and Equity (“RAISE”) Grant Program, to CP Development Co., LLC (“Developer”), the developer of the Candlestick Point and Hunters Point Phase 2 Project (“CP/HPS2 Project”) to help fund and expedite the construction of the Bayview Connections Project: Phase 1 Harney Way Bus Rapid Transit and Cycle Track (the “Bayview Connections Project”), subject to the Board of Supervisors’ approval of a subsequent grant agreement with the Developer. The Bayview Connections Project consists of certain public improvements the Developer is required to install for the Candlestick Point portion of the CP/HPS2 Project including the widening of Harney Way between Arelious Walker Drive and Executive Park East, the northerly extension of the Harney Way to Ingerson Avenue, the northerly extension of Arelious Walker Drive to connect to Gilman Avenue, the addition of bus/mass transit priority lanes, both dedicated and shared infrastructure, the implementation of cycle tracks and bicycle lane infrastructure, and the expansion of the pedestrian network.

Grant Background: On June 28, 2023, Public Works was notified by the U.S. Department of Transportation (“USDOT”) that the \$20,000,000 grant (“RAISE Grant”) was awarded for the Bayview Connections Project contingent upon the provision of \$26,220,800 of non-RAISE Grant funds, which will be provided by Developer. Public Works will enter into Grant Agreement with USDOT’s Federal Highway Administration (“Federal Grant Agreement”) following approval by the San Francisco Board of Supervisors to accept and expend the grant.

The Bayview Connection Project improvements are part of the Infrastructure Plan and the Transportation Plan for the CP/HPS2 Project, and the Developer is required to complete these improvements as part of the next development phase (“Major Phase 2”) of the CP/HPS2 Project, according to the Disposition & Development Agreement (“DDA”) between the Office of Community Investment and Infrastructure (“OCII”) and the Developer. This phase of infrastructure development will support 675 new homes of which 41% will be below market rate and approximately 1.5 million square feet of commercial development.

Under the DDA, the Developer is the master developer of the CP/HPS2 Project and is responsible for working with OCII to assemble, subdivide, and sell the real property within the project area, following the Developer’s completion of the infrastructure improvements serving the subdivided real property. OCII has determined that it is not financially feasible to construct

public improvement such as roads, utility facilities, and parks to complete the CP/HPS2 Project without public financing, through tax increment financing. For the CP/HPS2 Project, the City and OCII entered into an Interagency Cooperation Agreement (“ICA”) under which the City agreed to assist OCII in pursuing, and reasonably considering requests from Developer to pursue, state or federal grants on behalf of the CP/HPS2 Project. (ICA Section 3.5(h)).

To help fund and expedite the construction of the Bayview Connections Project, Public Works intends to function as a pass-through entity for the administration of the RAISE Grant funds, while the Developer will be the primary entity responsible for construction and implementation of the project activities, the cost of which will be reimbursed using the grant. Developer will contribute approximately \$26,220,800 of Developer’s funds toward the completion of the Bayview Connections Project. Once completed, these public right-of-way improvements will be offered to the City for public dedication and use. The award of a sole source grant, comprised of the \$20,000,000 RAISE Grant, to Developer will require the Commission’s approval of the award of the sole source grant and a recommendation that the Board of Supervisors approve a grant agreement between Public Works and the Developer, as well as the Board of Supervisors subsequent approval of a grant agreement between Public Works and the Developer (“Developer Grant Agreement”) that is consistent with and fulfills the requirements of the USDOT grant award and Federal Grant Agreement and which specifies the prerequisites, the deliverables, and the process for reimbursement consistent with the City’s form grant agreements.

Following the Board of Supervisor’s approval of the Developer Grant Agreement, Public Works will execute the Developer Grant Agreement.

Public Benefits of the CP/HPS2 Project; the RAISE Grant’s Public Purpose: The Bayview Connections Project, particularly the improvements along Harney Way and Arelious Walker Drive included under the RAISE Grant funds will accelerate critical backbone transportation infrastructure necessary for connecting the existing southeast residential neighborhoods to the San Francisco and the Bay Area’s regional economy by facilitating connections to US-101, the Bayshore Caltrain, and Balboa Park BART stations from Candlestick Point, while also kickstarting the development of the CP/HPS2 Project, which has been dormant for years. At full buildout, it is estimated that the Candlestick Point portion of the CP/HPS2 Project will contribute new housing and public infrastructure as well as \$23.3 million in net annual General Fund revenues to the City, net annual transit revenues of \$2.8 million, 4,068 construction jobs, and 12,670 new permanent jobs. (See OCII Memorandum to Community Investment and Infrastructure Commissioners for September 3, 2024 Meeting at 22-23, available at https://sfocii.org/sites/default/files/2024-08/MEMO_HPS2CP%202024%20Approval_updated_1.pdf.)

The Public Purpose of the RAISE Grant is the generation of the aforementioned public benefits as well as the timely completion of the Bayview Connections Project and its resulting public benefits including widened public right-of-ways, added bus lanes and infrastructure, cycle tracks and bicycle lane infrastructure, expansion of the pedestrian network, and more.

Solicitation Process: Not applicable; Public Works recommends awarding a sole source grant to Developer, for future reimbursement of Developer’s costs of completing infrastructure consistent with the DDA and the ICA.

Public Works’ recommendation to award the RAISE Grant to the Developer did not follow Public Works’ typical competitive solicitation process, since the Developer was previously selected through a competitive process. Following a competitive procurement process that began in 1998, CP Development Co., LLC (formerly Lennar-BVHP, LLC) was selected out of three applicants by the former Redevelopment Agency (now OCII), to be the master developer for the Hunters Point Shipyard/Candlestick Point Redevelopment Area.

The scope of work for which Public Works applied for funding under the RAISE Grant is part of the scope of work required for the redevelopment of Candlestick Point under the DDA, and is specifically outlined in the Infrastructure Plan and the Transportation Plan for the CP/HPS2 Project.

Sole Source Justification: Public Works applied for and was awarded the RAISE Grant to complete the scope of work comprised of the Bayview Connections Project; the federal government’s award of the RAISE Grant was contingent upon the contribution of \$26,220,800 in non-RAISE Grant funds, which will be provided by the Developer.

As the master developer for the CP/HPS2 Project and the provider of \$26,220,800 in non-RAISE Grant funds required to supplement the RAISE Grant, Developer is not only uniquely positioned to integrate the RAISE Grant-funded work with its ongoing development activities at Candlestick Point ensuring coordination and cost efficiency, but the Developer is also the only entity that is qualified, equipped, and legally authorized to fulfill the RAISE Grant’s prescribed scope of work and to complete the grant’s public purpose.

Grant Details:

Grant Contract Title:	Bayview Connections Project: Phase 1 Harney Way Bus Rapid Transit and Cycle Track
Grant Award Amount:	\$20,000,000 RAISE Grant (Total Project Cost: \$46,220,800)
Grant Funding Sources:	\$20,000,000 RAISE Grant \$26,220,800 Non-RAISE Grant Funds (Private Funds from CP Development Co., LLC)
Grant Duration:	<u>Start-Date:</u> Federal Grant Agreement Execution: Q2 2025 (anticipated), Construction Start: Q1 2026 (anticipated) <u>End-Date:</u> 12/31/2031 (construction substantial completion) <u>Budget Period End Date:</u> 8/31/2032
Grantee Name:	CP Development Co., LLC
Compliance Information:	Project will comply with all DOT Requirements and requirements of the City and County of San Francisco’s Form Grant Agreement, Form G-100
Environmental Review:	Board of Supervisors Motion No. 10-110 (affirming Planning Commission’s certification of the final environmental impact report

	<p>(“FEIR”) for the Candlestick Point-Hunters Point Shipyard Phase 2 Project in compliance with the California Environmental Quality Act (“CEQA”)); Board of Supervisors Resolution No. 347-10 (making CEQA findings regarding FEIR) (included as Attachment 5); Commission on Community Investment and Infrastructure Resolution No. 22-2024 (making additional CEQA findings and determinations); FEIR Addendum No. 1; FEIR Addendum No. 2; FEIR Addendum No. 3; FEIR Addendum No. 4; FEIR Addendum No. 5; FEIR Addendum No. 6; FEIR Addendum No. 7</p>
	<p>With the exception of Attachment 5, the preceding documents and motions are on file with the Board of Supervisors in File No. 240877 and may be accessed at the following URL: https://sfgov.legistar.com/LegislationDetail.aspx?ID=6862355&GUID=B51B9FBB-79BC-43B5-B7E3-44AC0142356C.</p>
Additional Information:	N/A.
Attachments:	<p>Attachment 1: Resolution Attachment 2: Presentation Attachment 3: USDOT RAISE Award Letter Attachment 4: Draft Grant Agreement USDOT-SFPW Attachment 5: Board of Supervisors Resolution No. 347-10</p>

**PUBLIC WORKS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. _____

WHEREAS, On July 14, 1997, in Ordinance No. 285-97, the Board of Supervisors approved and adopted the Hunters Point Shipyard Redevelopment Plan (“HPS Plan”), which established basic policies for development of the Hunters Point Shipyard Redevelopment Project Area (“HPS Project Area”), pursuant to the Community Redevelopment Law (California Health and Safety Code Sections 33492 et seq.); and

WHEREAS, On May 23, 2006, in Ordinance No. 113-06, the Board of Supervisors approved and adopted the Redevelopment Plan for the Bayview Hunters Point Redevelopment Project (“BVHP Plan”), which established basic policies for development of the Bayview Hunters Point Redevelopment Project Area (“BVHP Project Area”), and the Redevelopment Agency of the City and County of San Francisco (“Redevelopment Agency”) thereby became vested with the responsibility to carry out these redevelopment plans; and

WHEREAS, On July 13, 2010, the Board of Supervisors approved Motion No. 10-110, which affirmed the Planning Commission’s certification of the final environmental impact report (“FEIR”) for the Candlestick Point-Hunters Point Shipyard Phase 2 Project (“CP/HPS2 Project”) in compliance with the California Environmental Quality Act (“CEQA”) (California Public Resources Code Sections 21000 et seq.); copies of said Motion and supporting materials are on file with the Public Works Commission and are incorporated herein by reference; and

WHEREAS, Together with approval actions taken in 2010, the Board of Supervisors adopted Resolution No. 347-10, making findings in relation to the CP/HPS Project pursuant to CEQA, including a statement of overriding considerations and a mitigation monitoring and reporting program (“CEQA Findings”); copies of said Resolution and supporting materials are on file with the Public Works Commission and are incorporated herein by reference; and

WHEREAS, The CP/HPS2 Project, as analyzed in the FEIR and approved, included a new professional football stadium in the HPS Project Area, a mix of other uses throughout the development area, a comprehensive open space plan, an integrated transportation plan, a robust community benefits plan, and improved opportunities to finance the development of affordable housing and the public infrastructure necessary to expedite the revitalization of both areas; in addition, the FEIR analyzed several land use variants, which provided for differing mixes of housing, retail, research and development, and office uses in lieu of the stadium use; and

WHEREAS, On August 3, 2010, in Ordinance Nos. 210-10 and 211-10, the Board of Supervisors approved and adopted amendments to the BVHP Plan and the HPS Plan, respectively, in connection with the approval of the CP/HPS2 Project; and

WHEREAS, To implement the CP/HPS2 Project, the Redevelopment Agency and CP Development Co., LP, a Delaware limited partnership (a predecessor to Developer), entered into various agreements, including a Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated as of June 3, 2010, as amended four times to date (the “DDA”), and the City and OCII entered into that certain Interagency Cooperation Agreement dated June 3, 2010 (“ICA”) for the CP/HPS2 Project; and

WHEREAS, The CP/HPS2 Project proposes a cohesive, overall plan for the development in Phase 2 of the HPS Project Area (which excludes Phase 1 of the HPS Project Area), and development in the Candlestick Point portion of the BVHP Project Area; and

WHEREAS, In 2024, CP Development Co., LLC, the current master developer (“Developer”) of the CP/HPS2 Project proposed modifications to the CP/HPS2 Project primarily affecting the Zone 1 of the BVHP Plan Project Area, with some conforming changes that affect the HPS Project Area; and to facilitate the proposed modifications, the Commission on Community Investment and Infrastructure proposed an amendment to the HPS Plan (“2024 Plan Amendment”) that would amend the HPS Plan to allow the transfer of up to 2,050,000 square feet of research and development and office space from Phase 2 of the HPS Project Area to those portions of Zone 1 of the BVHP Project Area where that use is allowed, subject to Successor Agency Commission approval and any necessary environmental review; and

WHEREAS, The Office of Community Investment and Infrastructure, the successor to the Redevelopment Agency, determined that proposed modifications to the CP/HPS2 Project, referred to in CEQA Addendum No. 7 as the 2024 Modified Project Variant (the “Modified Project”), will not result in any new significant impacts or a substantial increase in the severity of previously identified significant effects that would alter the conclusions reached in the FEIR; a copy of Addendum No. 7 and supporting materials are on file with the Public Works Commission and are incorporated herein by reference; and

WHEREAS, By Resolution No. 22-2024, adopted September 3, 2024, Commission on Community Investment and Infrastructure (“CCII”) determined that the analysis conducted and the conclusions reached in the FEIR as to the environmental effects of the CP/HPS2 Project, together with further analysis provided in Addendum No. 1, Addendum No. 4, Addendum No. 5, Addendum No. 6, and Addendum No. 7 to the FEIR, remain valid and can be relied upon for approval of the Modified Project in compliance with the CEQA, that the Modified Project will not cause new significant impacts not identified in the Final EIR or substantially increase the severity of previously identified significant impacts, and that no new mitigation measures will be necessary to reduce significant impacts; and, therefore, CCII determined that no subsequent or supplemental environmental review is required beyond Addendum No. 7 to approve the Modified Project; and

WHEREAS, As part of Resolution No. 22-2024, CCII made findings regarding the modifications to previously adopted mitigation measures as recommended in Addendum No. 7 and as further set forth in Resolution No. 22-2024, and approved the modifications to the adopted mitigation measures; a copy of Resolution No. 22-2024 and supporting materials are on file with the Public Works Commission and incorporated herein by reference; and

WHEREAS, The Public Works Commission has reviewed and considered the information contained in the Final EIR and CEQA Findings, including the statement of overriding considerations in Resolution No. 0347-10, and Addendum No. 1, Addendum No. 4, Addendum No. 5, Addendum No. 6, and Addendum No. 7, and the findings in OCII Resolution No. 22-2024; and

WHEREAS, Under the ICA, the City agreed to assist OCII in pursuing and reasonably considering requests from Developer to pursue state or federal grants for the Project, and on February 27, 2023, Public Works applied for transportation funds from the U.S. Department of Transportation’s (“USDOT”) Rebuilding American Infrastructure with Sustainability and Equity (“RAISE”) grant program to fund the Bayview Connections Project, which is comprised of certain public right-of-way improvements, including but not limited to the widening of Harney Way between Arelious Walker Drive and Executive Park East, the northerly extension of Harney Way to Ingerson Avenue, the northerly extension of Arelious Walker Drive to connect to Gilman Avenue, the addition of bus/mass transit priority lanes, both dedicated and shared infrastructure, the implementation of cycle tracks and bicycle lane infrastructure, and the expansion of the

pedestrian network, all of which the Developer is required to complete as part of Major Phase 2 of the CP/HPS2 Project; and
WHEREAS, On June 28, 2023, USDOT notified Public Works that Public Works had been awarded a \$20,000,000 grant (“RAISE Grant”) for the Bayview Connections Project contingent upon the provision of \$26,220,800 of non-RAISE Grant funds; and

WHEREAS, Developer will be providing the \$26,220,800 non-RAISE Grant funds required under the RAISE Grant award, and Public Works will enter into Grant Agreement with USDOT’s Federal Highway Administration (“Federal Grant Agreement”) following approval by the San Francisco Board of Supervisors to accept and expend the grant; and

WHEREAS, Under the DDA, the Developer is the master developer of the CP/HPS2 Project and is responsible for working with OCII to assemble, subdivide, and sell the real property within the project area, following the Developer’s completion of the infrastructure improvements serving the subdivided real property including the Bayview Connections Project; and

WHEREAS, The Bayview Connections Project, particularly the improvements along Harney Way and Arelious Walker Drive included under the RAISE Grant funds will accelerate critical backbone transportation infrastructure necessary for connecting the existing southeast residential neighborhoods to opportunities throughout San Francisco and the Bay Area’s regional economy by facilitating connections to US-101, the Bayshore Caltrain, and Balboa Park BART stations from Candlestick Point, while also kickstarting the development of the CP/HPS2 Project, which has been dormant for years; and

WHEREAS, At full buildout, it is estimated that the Candlestick Point portion of the CP/HPS2 Project will contribute new housing and public infrastructure as well as \$23.3 million in net annual General Fund revenues to the City, net annual transit revenues of \$2.8 million, 4,068 construction jobs, and 12,670 new permanent jobs; and

WHEREAS, The Public Purpose of the RAISE Grant is the generation of the aforementioned public benefits as well as the timely completion of the Bayview Connections Project and its resulting public benefits; and

WHEREAS, Public Works has determined that as the master developer for the CP/HPS2 Project and the provider of \$26,220,800 in non-RAISE Grant funds to supplement and to satisfy the requirements of the RAISE Grant, Developer is not only uniquely positioned to integrate the RAISE Grant-funded work with its ongoing development activities at Candlestick Point ensuring coordination and cost efficiency, but the Developer is also the only entity that is qualified, equipped, and legally authorized to fulfill the RAISE Grant’s prescribed scope of work and to complete the grant’s public purpose; and

WHEREAS, In consideration of the preceding factors, Public Works recommends that the Commission authorize Public Works to help fund and expedite the construction of the Bayview Connections Project, by authorizing Public Works to function as a pass-through entity for the administration of the RAISE Grant funds, while the Developer serves as the primary entity responsible for construction and implementation of the project activities, the cost of which will be reimbursed, as contemplated under the Financing Plan for the CP/HPS2 Project, using the grant in the form of a sole source grant, comprised of the \$20,000,000 RAISE Grant funds, awarded to Developer; and

WHEREAS, The sole source grant of RAISE Grant funds to Developer requires the Commission’s approval of the award of the sole source grant to Developer and the Commission’s recommendation that the Board of Supervisors approve a grant agreement between Public Works

and the Developer, as well as the Board of Supervisors subsequent approval of a grant agreement between Public Works and the Developer (“Developer Grant Agreement”) that is consistent with and fulfills the requirements of the USDOT grant award and Federal Grant Agreement and which specifies the prerequisites, the deliverables, and the process for reimbursement consistent with the City’s form grant agreements; now, therefore, be it

RESOLVED, That this Commission finds that the approval of the actions contemplated by this resolution are included in the actions identified in Board of Supervisors Resolution No. 347-10 for purposes of compliance with CEQA, and the Commission hereby adopts the CEQA Findings in Board of Supervisors Resolution No. 347-10; and be it

FURTHER RESOLVED, That this Commission finds that the approval of the actions contemplated by this resolution are included in the actions identified in CCII Resolution No. 22-2024 for purposes of compliance with CEQA, and the Commission hereby adopts the additional CEQA Findings in CCII Resolution No. 22-2024 as its own, including approving the modifications to the adopted mitigation measures recommended for modification in Addendum No. 7; and be it

FURTHER RESOLVED, That this Commission hereby finds that based on the history and context of the CP/HPS2 Project, the Developer’s legal authority and role as the master developer and the foregoing considerations, CP Development Co., LLC is the only qualified, available, and legally authorized entity that can perform the work of completing the Bayview Connections Project; and be it

FURTHER RESOLVED, That this Commission certifies that Public Works staff have provided sufficient justification to forego an open and competitive solicitation process, and that the Commission is convinced that Developer is the only entity that can fulfill the RAISE Grant’s public purpose and scope of work; and be it

FURTHER RESOLVED, That this Commission approves Public Works’ award of the sole source grant of the RAISE Grant funds to Developer, subject to the City’s conditions of a subsequent grant agreement that shall specify the prerequisites, the deliverables, and the process for reimbursement consistent with the City’s form G-100 grant agreements (“Developer Grant Agreement”) and further subject to the subsequent approval by the Board of Supervisors; and be it

FURTHER RESOLVED, That this Commission recommends that the Board of Supervisors approve the Developer Grant Agreement.

I hereby certify that the foregoing resolution was adopted by the Public Works Commission at its meeting of January 9, 2025.

Commission Affairs Manager
Public Works Commission