OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

August 15, 2011

The Honorable Katherine Feinstein
Presiding Judge
400 McAllister Street, Department 206
San Francisco, CA 94102-4514

Dear Judge Feinstein:

The Office of the Mayor, the Office of Economic and Workforce Development ("OEWD"), the Department of Public Health ("SFDPH"), the Office of Labor Standards Enforcement ("OLSE"), and the San Francisco Redevelopment Agency ("SFRA") jointly submit the following response to the 2010-2011 Civil Grand Jury Report entitled "Hunters Point Shipyard: A Shifting Landscape" (the "Report"), pursuant to California Penal Code Section 933.05.

The City and County of San Francisco and the San Francisco Redevelopment Agency are firmly committed to the revitalization of the Bayview Hunters Point community which includes the former Hunters Point Naval Shipyard. The Mayor's Office, City departments and the SFRA have worked closely with the Bayview Hunters Point community to address the complex issues surrounding the cleanup and redevelopment of the Shipyard. Since 1991, the San Francisco congressional delegation, working in close partnership with the City, has secured more than $700 million in federal funds to support the cleanup of the Shipyard, and the City remains committed to ensuring that the Navy remediates the Shipyard consistent with the City's reuse plans.

The City and the SFRA have worked diligently to make sure that public health and the environment are protected while the Navy's cleanup of the Shipyard is ongoing and that the community benefits from the development project through the creation of much needed affordable housing, hundreds of acres of parks and open space, and millions of square feet of job-generating commercial and retail space. After years of planning work and with the overwhelming support of San Francisco voters, the City secured all necessary approvals and land use entitlements for the development of the Shipyard and adjacent Candlestick Point area in August 2010.

The Hunters Point Shipyard-Candlestick Point project will create 10,500 units of housing, 32% of which will be offered at below-market rates, including the complete rebuild of the Alice Griffith Public Housing site, more than 300 acres of new or improved public parks and open space, millions of square feet of retail and research and development space with a focus on green technologies. The project will invest more than $1 billion in sustainable public infrastructure and transportation improvements and includes an additional $83 million in other programmatic community benefits. More than 10,000 permanent jobs and thousands of annual construction job opportunities will be generated by the project, and the City through the SFRA's agreements with the project developer, has policies and programs in place to ensure that as many as those jobs as possible are directed to the residents of the surrounding Bayview Hunters Point community and local residents of San Francisco generally. The first phase of the Shipyard's redevelopment is already underway and will ultimately include up to 1,600 additional homes, 27% to 40% of which will be affordable, and 26 acres of parks and open space.

We are issuing this joint response to refute some of the claims of the Civil Grand Jury ("Jury") that the City has not engaged in the process in a professional manner or in a manner that circumvents the public

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process. The City has continuously met with community members and stakeholders to address environmental concerns and employment concerns.

This response will also address the Civil Grand Jury's concern about the status of redevelopment agencies. The finding and recommendation stated in the Report no longer reflect the State's adopted legislation, ABx1 26 and ABx1 27, concerning redevelopment and the recent decision by the California Supreme Court to stop the enforcement of the portions of the state law dissolving redevelopment agencies and requiring the payment of a community remittance pending a final decision of the Court, which is expected in January 2012. In any event, the disposition and development agreements between the SFRA and the master developer authorizing development at the Hunters Point Shipyard Phase 1 ("Phase 1 DDA") and Candlestick Point-Hunters Point Shipyard Phase 2 ("Phase 2 DDA") (collectively the "DDAs") are considered "enforceable obligations" under the state legislation. The SFRA will continue to implement its contractual obligations for the Hunters Point Shipyard and Candlestick Point areas and will continue authorized redevelopment activities at other redevelopment project areas. In the unlikely event that SFRA were dissolved, the City and County of San Francisco ("City"), as the successor agency, would assume these "enforceable obligations" under state law.

The responses to the Civil Grand Jury's <u>findings</u> are as follows:

Finding 1: The Jury found that the SFDPH is not in compliance with its pledge to the California Department of Public Health to keep its residents informed of developments at Shipyard. The website is not regularly updated.

Response: Disagree. SFDPH respectfully disagrees with the Civil Grand Jury's finding that SFDPH is not keeping residents informed of development activities at the Hunters Point Shipyard. SFDPH maintains and routinely updates a <u>Hunters Point Shipyard webpage</u> devoted solely to the role of the department in overseeing development at the Hunters Point Shipyard. The website provides historical records of SFDPH's oversight of the site and information on the regulatory structure that governs SFDPH's role. The website includes links to city laws and regulations, maps of the area, copies of Notice of Violations, memos, reports, FAQs, and available and verified historical monitoring data.

The air monitoring data, discussed in the Civil Grand Jury's findings, are updated at a minimum on a monthly basis and often on a biweekly basis. Furthermore, DPH routinely participates in community meetings and in public hearings in order to explain and answer questions related to SFDPH's environmental oversight of the Shipyard development. SFDPH responds promptly to requests for information from the media and members of the public. In addition to SFDPH activities, other City departments and organizations provide information to the public on the cleanup and redevelopment of the Shipyard, including the OEWD, SFRA, Planning Department, Navy, Hunters Point Shipyard Citizens Advisory Committee and Arc Ecology.

Finding 2: The Jury found that the City has placed itself in a potentially compromising situation with Lennar where in essence the wolf is paying the shepherd to guard the flock. By having the developer, Lennar, reimburse the City for monitoring expenses associated with the Shipyard redevelopment project, the SFDPH has created a situation that could raise doubts in the public's mind about its commitment to proactively and impartially enforce environmental health regulations even when it might adversely impact Lennar. Public trust in the SFDPH has been further jeopardized by its failure to update its website in a timely manner, and its apparent reluctance to comment publicly on the best method to deal with the cleanup of Parcel E-2.

Response: Disagree. SFDPH respectfully disagrees with Finding 2. SFDPH is committed to abiding by the following general ethics and principles for environmental health practice:

- Understand and uphold environmental health laws and regulations
- Maintain impartiality and objectivity by listening to opposing views

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- Make judgments based on facts and evidence
- Avoid conflicts of interest
- Monitor environmental conditions that affect the health of the population
- Work collaboratively to improve the environmental conditions necessary for health
- Make information on health impacts available to the public and to policymakers.

The funding mechanism for SFDPH's implementation of oversight and regulatory activities is consistent with the funding mechanisms for other environmental and regulatory activities undertaken by the City, including activities by SFDPH, the Department of Building Inspection and the Planning Department. Fees are routinely charged to a regulated party to cover the City's cost of enforcement activities. Additionally, regulated parties pay for environmental analysis and measurement required for SFDPH to meet its regulatory responsibilities. These practices are normal and customary not only in San Francisco, but in all California jurisdictions. Ensuring the regulated party pays enforcement costs is required by the San Francisco Administrative Code and consistent with the "polluter pays" principle.

In the case of the Hunters Point Shipyard, SFDPH is reimbursed for two types of regulatory costs (1) for enforcement of Article 31 through separate mechanisms and (2) for technical review on behalf of the SFRA.

- ***Fees for Article 31 Enforcement***: The San Francisco Health Code authorizes SFDPH to charge fees for the oversight of Article 31 including for the oversight of a Dust Control Plan implemented by a project developer. As part of these oversight roles, SFDPH staff reviews data and conducts inspections of development activities at the site.

  The Dust Control Plan approved under Article 31 of the Health Code for work on Parcel A of the Hunters Point Shipyard requires the project developer, Lennar, to conduct airborne particulate measurements and to submit these monitoring results for review to SFDPH. As is true of all regulated entities, Lennar is required to conduct and pay for this monitoring. The data is submitted to and reviewed by SFDPH. In addition to this particulate monitoring equipment, the Bay Area Air Quality Management District ("BAAQMD") oversees Lennar's operation of airborne asbestos monitoring equipment at a five locations under the requirements of Lennar's Asbestos Dust Mitigation Plan, which is under the oversight of the BAAQMD.

- ***Reimbursements for Technical review***: Under the DDAs, the SFRA reimburses SFDPH for costs incurred for technical review of the Shipyard development and the Navy's cleanup of the Hunters Point Shipyard. Lennar, however, provides the funding for those reimbursements. Nonetheless, the SFRA administers the contracts associated with this technical review and retains the discretion to enter into and terminate the contracts.

  To provide an additional mechanism of oversight, SFRA retains an independent environmental consultant, Treadwell and Rollo, to conduct independent environmental monitoring at the site. Treadwell and Rollo operates five additional airborne asbestos monitoring equipment locations through a contract with a specialized asbestos consultant, Accumen, and an analytical laboratory, Microanalytical. These five additional monitoring locations provide an extra independent check on the monitoring undertaken by the developer and provide assurance to SFDPH and the community that Lennar's airborne asbestos monitoring is being conducted correctly. After reimbursement from Lennar, SFRA pays directly for this environmental monitoring through the project budget.

  Five regulatory agencies (SFDPH, BAAQMD, California Department of Public Health, the federal Agency for Toxic Substances and Disease Registry, and the U.S. Environmental Protection Agency) have reviewed all data from all of the monitoring locations and all agencies

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have reached similar conclusions that the monitoring processes and oversight by the regulatory agencies is being conducted properly and in a health protective manner.

With regard to Parcel E-2, for the past 18 years SFDPH has participated in technical discussions and reviewed the Navy's documentation as it has investigated the contamination in this area and all other areas of the Hunters Point Shipyard. With respect to Parcel E-2, the Navy has not yet completed the federally-mandated cleanup process to the point where the Navy has formally stated its preferred alternative for cleanup of the landfill. The Navy will state its preferred alternative in the Proposed Plan for Parcel E-2, which the Navy has indicated it plans to issue on September 7, 2011. Once the plan is issued, SFDPH will comment on the plan, along with the public and the U.S. EPA, the California Department of Toxics Substances Control ("DTSC") and the Regional Water Quality Control Board ("Regional Board"), which are the federal and state agencies with authority to oversee the Navy cleanup process. The Board of Supervisors has previously indicated an intent to hold a hearing for the public and the City to provide comments on the Parcel E-2 Proposed Plan to the Navy and SFDPH expects to participate in such a process.

The SFRA also disagrees with Finding 2. Reimbursement for technical review work done by SFDPH is provided by the SFRA after payment by Lennar, which is contractually obligated to make the payment. The SFRA retains the authority and responsibility under the DDAs to review and approve these invoices; it approves and manages all payments for these tasks.

Finding 3: These concerns were further reinforced by the recent release of e-mail messages that purportedly show inappropriate communications between senior officials at the SFDPH and the U.S. EPA and Lennar and one of its consultants.

Response: Disagree. SFDPH respectfully disagrees that communications between senior officials at the SFDPH and the EPA, Lennar, and its environmental consultants have been inappropriate. When allegations of impropriety arose based on public release of selective emails, SFDPH initiated an internal investigation of the referenced conduct. In its investigation, SFDPH did not find evidence of conflict of interest or evidence of a failure by the agency to uphold its regulatory responsibility.

It is normal, necessary, and common practice for regulators and the regulated parties to communicate directly. Effectively achieving the public health aims of regulations requires ongoing communications to educate the regulated party and re-enforce regulations, to apprise the regulated party when monitoring or inspections reveals the need for action, and to plan and implement adaptations in response to changing conditions and lessons learned.

Additionally, the professions and businesses involved in the sampling program adhere to strict standards of practice for their industry and codes of ethics for their professions and in the case of the laboratory, strict lab certification guidelines.

Finding 4: With the exception of Parcel A, the City has no legal control over the remaining Shipyard property. Consequently, in a technical sense the City has no authority over matters dealing with deadlines and deliverables for environmental clean-up. However, the City does in fact have some standing in these matters via the 2004 Conveyance Agreement between the San Francisco Redevelopment Agency (SFRA) and the Navy. The agreement stipulates that the Navy will work collaboratively with the SFRA and share information about cleanup work.

Response: Agree. SFDPH agrees with Finding 4. SFRA does not currently have legal title to any other Shipyard parcel, with the exception of Parcel A, which has been conveyed by the Navy. The SFRA and the Navy have agreed through the 2004 Conveyance Agreement to work collaboratively in sharing information about cleanup work. To this end, the Navy has agreed to provide documents to SFRA for review and SFDPH, on behalf of SFRA, participates extensively in the Comprehensive Environmental

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Response Compensation and Liability Act ("CERCLA") cleanup process with the Navy and the applicable regulatory agencies.

Finding 5: Governor Brown's announcement earlier this year that he intends to cut funding to redevelopment agencies in the next fiscal year directly threatens the Shipyard redevelopment project. Up to now, there has been no indication from either the City or the San Francisco Redevelopment Agency as to how they intend to continue the Shipyard redevelopment project should redevelopment funds actually be cut or eliminated by the State.

Response: Disagree. The Mayor's Office, OEWD and the SFRA disagree that there has been no response from the City or the SFRA as to how they intend to proceed with the redevelopment plans for Hunters Point Shipyard in light of the passage of ABx1 26 and ABx1 27. These agencies have been actively engaged with State legislators and the Governor's office on all legislation pertaining to the elimination and reform of State redevelopment agencies. In June of this year, the State legislature passed and the Governor signed ABx1 26 and ABx1 27. ABx1 26 ("Dissolution Law") immediately suspends the authority of redevelopment agencies to undertake new activities and requires agencies to prepare for dissolution by October 1, 2011. ABx1 27 ("OptIn Law") provides a mechanism whereby redevelopment agencies may survive if the local legislative body, which in the City's case is the Board of Supervisors, adopts an ordinance committing the local jurisdiction to make certain payments in Fiscal Year 2011-12 and future years for the benefit of local school districts and taxing authorities.

The Mayor's Office, OEWD and the SFRA through public statements and presentations at public meetings before the SFRA Commission, other City boards and commissions, State commissions, and various local community groups have consistently stated that the development of the Hunters Point Shipyard (as well as other redevelopment projects) is a top priority and will work to ensure that changes to redevelopment agencies by the State do not prevent the ability of the SFRA to carry out its contractual obligations to implement this important project.

Since the passage of these two redevelopment bills by the State, the Mayor and nine members of the Board of Supervisors, introduced a resolution on July 19, 2011, expressing the intent of the City to comply with the provisions of Part 1.9 of the Health and Safety Code (recently added by ABx27) to continue redevelopment activities, including the implementation of the Hunters Point Shipyard – Candlestick Point project, by agreeing to make annual payments to the respective taxing entities. The Board of Supervisors unanimously adopted this resolution of intent on August 2, 2011, which the Mayor signed on August 3, 2011.

The City had planned to introduce legislation that would commit the City to make the required annual payments to taxing entities under the OptIn Law; however, the California Supreme Court issued a decision on August 11, 2011, to stop the enforcement of the portions of the state law dissolving redevelopment agencies and requiring the payment of a community remittance pending a final decision of the Court, which is expected in January 2012. In any event, the DDAs governing development at the Hunters Point Shipyard are considered "enforceable obligations" under the state legislation. Accordingly, the SFRA will continue to implement its contractual obligations for the Hunters Point Shipyard and Candlestick Point areas and, in the event of dissolution, the City will assume those obligations.

Finding 6: Previous efforts by the City to implement workforce policies at City-funded construction projects such as the Shipyard redevelopment project have largely proved ineffective as they only require a contractor to make a good faith effort to hire local workers. Earlier this year a new workforce ordinance came into effect that has stricter requirements and mandates.

Response: Disagree. The SFRA and OEWD disagree with the Civil Grand Jury's finding that the requirement to make a good faith effort to hire local workers has proven ineffective at the Hunters Point Shipyard. Local hiring efforts have been very successful at the Shipyard. To date, 52.2% of professional

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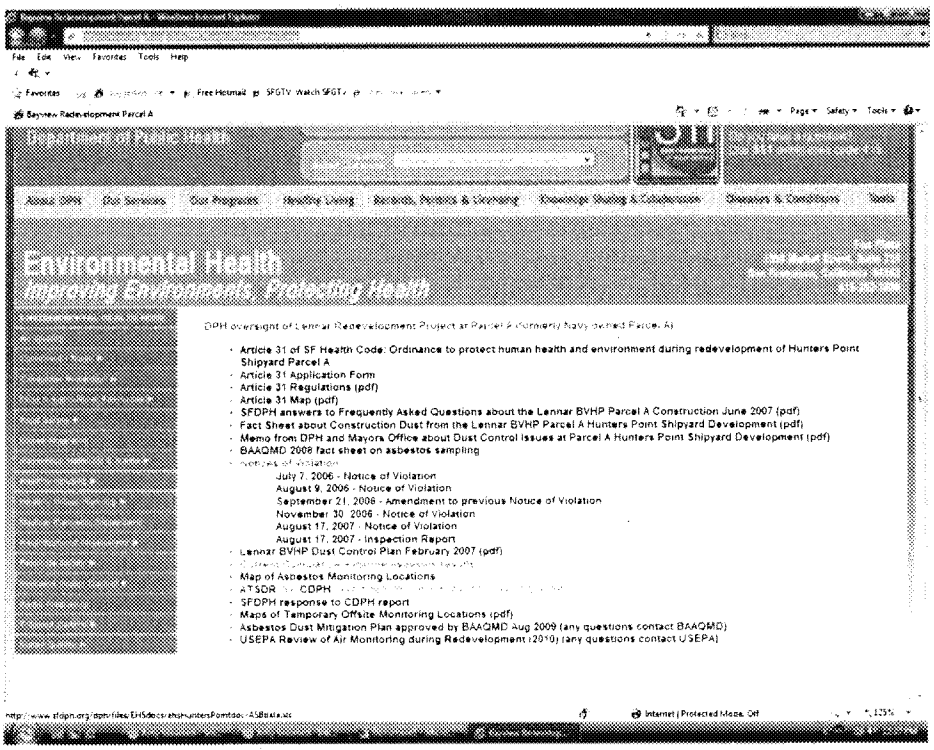
services contracts and 47.9% of construction contracts at the Shipyard totaling $31,802,543 have been awarded to San Francisco firms.

In terms of construction workforce hires, the Shipyard has exceeded the 20% local hire requirement for City-funded projects. In 2008 and 2009, where significant horizontal infrastructure construction activity took place, the project also exceeded the SFRA's goal of 50% local hire. Specifically, in 2009, 52.5% of the construction was completed by San Francisco residents, including 19% completed by residents of District 10 and 33.5% completed by other San Francisco residents. In 2009, 53.1% of the construction was completed by San Francisco residents, including 17.7% completed by residents of District 10 and 35.4% completed by other San Francisco residents. Since the commencement of infrastructure work at the Shipyard in 2006 through June 2011, 31.81% of the work has been completed by San Francisco residents, including 8.8% completed by residents of District 10 and 23.01% completed by other San Francisco residents. This success was due to the close coordination with labor groups, City agencies and local community groups demonstrating that successful local hire practices have been implemented and will continue to be implemented independent of the City's local hire ordinance.

The responses to the Civil Grand Jury's <u>recommendations</u> are as follows:

Recommendation 1: The Department of Public Health should strictly adhere to its self-proclaimed pledge to keep the residents of San Francisco appraised of developments at Shipyard by updating its Shipyard project website "...on a weekly or monthly basis."

Response: Agree; Already Implemented. SFDPH has been and will continue to update its Hunters Point Shipyard web page on a monthly basis whenever new information is available. Below is a screen shot of what the webpage currently looks like.



When a web page user clicks on the orange highlighted link shown on the screen shot above an excel spreadsheet of all the airborne asbestos monitoring data opens up and includes all past data through approximately two weeks prior to the posting date.

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Recommendation 2: In order to erase any doubt among the public with respect to its ability to remain independent and impartial in overseeing the cleanup work at the Shipyard, the SFDPH should immediately stop accepting money from Lennar to pay for monitors at the Shipyard and cover the cost from its own resources.

Response: Disagree. As described in the response to Finding 2, SFDPH implementation of this recommendation is not feasible or necessary. The current fee-based funding mechanism for regulatory oversight is legally authorized, necessary, and the normal practice of governmental regulatory agencies. Further, independent oversight monitoring conducted by SFRA is an effective method to assure the reliability of the monitoring conducted by the developer to meet SFDPH and BAAQMD requirements.

Recommendation 3: In order to avoid even the semblance of inappropriate behavior, government agencies should rigorously enforce conflict of interest guidelines governing dealings between its officials and the companies they monitor.

Response: Agree; Already Implemented. All SFDPH employees are provided with a Compliance Program Policy and Code of Conduct. This document provides employees with guidance on, among other things, the principles of compliance, conflict of interest, and business ethics. The SFDPH Compliance Program maintains an updated page on the SFDPH intranet, listing all policies and making training materials available to staff and managers.

SFDPH also maintains a compliance hotline accessible to all employees to facilitate identification, investigation, prevention and correction of any inappropriate conduct. SFDPH takes allegations of inappropriate conduct very seriously and thoroughly investigates any such allegations. Additionally, SFDPH strictly enforces conflict of interest guidelines in accordance with national standards of environmental health practice and will continue to do so. SFDPH will re-enforce the importance of maintaining professional and objective tone and language in all written communications.

Recommendation 4: SFDPH should conduct its own environmental assessment on capping Parcel E-2 and make its findings available to the public for comment. This should occur before the Board of Supervisors holds its next hearing on the Shipyard redevelopment project.

Response: Agree; Will be Implemented in the Future. Consistent with SFDPH's long-standing practice of commenting on Navy documents, this recommendation will be implemented after the Navy issues its Parcel E-2 Proposed Plan (the CERCLA document that specifies which remedy the Navy is proposing to implement) for public comment. The Navy has stated that it plans to issue that document on September 7, 2011. SFDPH will conduct an independent environmental review of the Navy's information in the Parcel E-2 Proposed Plan and supporting documentation. Prior to the selection of the final remedy by the Navy and regulatory agencies, if the Board of Supervisors holds a public hearing to discuss, review and make recommendations to the Navy and regulatory agencies on the Proposed Plan, SFDPH will participate in that process.

Recommendation 5: The Navy still owns the majority of the land comprising the Shipyard and consequently the City has no direct control over matters dealing with deadlines and deliverables for environmental cleanup. It is critical that the Bay Area Air Quality Management and the SFDPH be particularly vigilant in monitoring clean-up activities at the Shipyard.

Response: Agree; Already Implemented. SFDPH has been actively monitoring and reviewing the Navy's environmental cleanup for all areas of the Shipyard since 1993 and will continue to be vigilant in its ongoing monitoring of clean-up activities. SFDPH has used the expertise of a full time SFDPH staff environmental engineer and the resources of Treadwell and Rollo, including their team of geologists, hydrogeologists, geotechnical engineers, environmental engineers and risk assessors. SFDPH has

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commented on hundreds of technical documents that the Navy has produced and has been a regular participant in the Navy's monthly Base Closure Team meetings.

The Navy conducts it cleanup work at Hunters Point Shipyard in accordance with requirements of federal CERCLA. This law prescribes a series of detailed investigation and cleanup tasks and the steps for documenting the decisions. All of the Navy's work is conducted under the review and oversight of the United States EPA with input from DTSC and the Regional Board. The process includes decision points where the Navy and the regulatory agencies are specifically mandated to consider the opinions of local government and community members in the selection of the cleanup alternatives. Consideration of public input is required before the Navy selects a remedy for Parcel E-2. In addition, as mentioned above, the conveyance agreement between the SFRA and the Navy provides for the Navy to collaborate with SFRA and regulatory agencies in reviewing the technical environmental information. The conveyance agreement also requires the Navy to obtain the assurance of regulatory agencies before transfer that the property is suitable for transfer and reuse.

Specifically, for Parcel E-2, SFDPH has sent the Navy a dozen technical comment letters after reviewing various versions of the E-2 Remedial Investigation and Feasibility Study and technical investigation documents. SFDPH commented on the Navy's investigation and landfill gas control and monitoring system and presented its assessment of the Navy's investigative work on the landfill to the Hunters Point Shipyard Citizens Advisory Committee and the District 10 Supervisor. Details of SFDPH's review of the assessment of the landfill were written in the Draft Executive Summary Regarding the Environmental Remediation of the Hunters Point Shipyard and distributed to the public, the Board of Supervisors, and numerous City boards and commissions in 2010. In addition, copies of SFDPH comment letters are made available to any members of the public who request them.

SFDPH will continue to closely monitor the Navy's work at Parcel E-2 and is in the process of commenting on the Administrative Draft of the Proposed Plan and will also review and comment on the Proposed Plan the Navy issues to the public. SFDPH will also conduct a thorough technical review of the documents produced by the Navy after completion of the Proposed Plan, the Record of Decision and subsequent Remedial Design and Remedial Action Work Plan documents.

Recommendation 6: The City and the SFRA should have contingency plans in place for continuing SFRA related projects, including the Shipyard redevelopment project, in the event that State redevelopment funds are cut or eliminated.

Response: Agree; Already Implemented. This recommendation is being implemented. The Mayor's Office, the SFRA and OEWD are working collectively to analyze the impacts of the Dissolution Law and the OptIn Law and to develop strategies of how to implement all of its contractual obligations, including development at Hunters Point Shipyard. On August 2, 2011, the Board of Supervisors unanimously adopted a resolution expressing the intent of the City to comply with the provisions of the OptIn Law to continue state-authorized redevelopment activities by agreeing to make annual payments to other taxing entities.

The City had planned to introduce legislation that would commit the City to make the required annual payments to taxing entities under the OptIn Law; however, the California Supreme Court issued a decision on August 11, 2011, to stop the enforcement of the portions of the state law dissolving redevelopment agencies and requiring the payment of a community remittance pending a final decision of the Court, which is expected in January 2012. In any event, the DDAs for the Hunters Point Shipyard are considered "enforceable obligations" under the state legislation. The SFRA will continue to implement its contractual obligations for the Hunters Point Shipyard and Candlestick Point areas and, in the event of dissolution, the City will assume those obligations.

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Recommendation 7: In order to ensure that the job creation goals promised for the Shipyard redevelopment project are realized, the City should ensure that the Office of Labor Standards Enforcement has sufficient resources to allow it to effectively enforce the provisions of the new workforce laws.

Response: Disagree; Will Not be Implemented. The recommendation is not feasible. The Report incorrectly asserts that "It is the responsibility of the Office of Labor Standards Enforcement ["OLSE"] to monitor compliance with the new local hire ordinance." In fact, the OLSE enforces San Francisco Administrative Code section 6.22 (E), which provides that the City's public works contractors must pay prevailing wages. The OLSE has no enforcement authority related to San Francisco Administrative Code section 6.22 (G), the San Francisco Local Hiring Policy for Construction. Responsibility for enforcing the local hire ordinance will fall to the Office of Economic and Workforce Development, which received additional funding in Fiscal Year 2011-12 to carry out this function. Thus, the recommendation will not be implemented.

Moreover, development at the Hunters Point Shipyard is not subject to the City's local hiring ordinance. The development is governed by disposition and development agreements for Shipyard Phase 1 ("Phase 1 DDA") and Shipyard Phase 2 ("Phase 2 DDA"), which were executed by the SFRA before the City's adoption of the ordinance. These agreements were negotiated to include significant workforce and hiring goals and requirements, focused on the hiring of individuals specifically from the Bayview Hunters Point ("BVHP") and then from other City redevelopment project areas. These agreements also require hiring goals for permanent job opportunities at the affected sites, and not just construction-related job opportunities from City-funded construction, and provide for strong SFRA and developer support and management in the specific training and job development opportunities that will be created by this important redevelopment project. In addition, development at the Shipyard must also comply with the SFRA's Prevailing Wage Policy.

The Shipyard Phase 1 DDA equal opportunity program ("EOP") sets forth hiring goals for disadvantaged minority and women owned businesses and residents. As discussed in Finding 6, to date, 52.2% of professional services contracts and 47.9% of construction contracts at the Shipyard totaling $31,802,543 have been awarded to San Francisco firms. Since the commencement of infrastructure work at the Shipyard in 2006 through June 2011, 31.81% of the work has been completed by San Francisco residents, including 8.8% completed by residents of District 10 and 23.01% completed by other San Francisco residents.

The Shipyard Phase 2 DDA employment and contracting policy (the "BVHP ECP") was based on the SFRA's then-existing Bayview Hunters Point Employment and Contracting Policy, which was the result of intensive collaboration with the Bayview Hunters Point community. This existing contracting policy was updated and improved based upon experience and lessons learned under the Shipyard Phase 1 development to date, with priorities given to the hiring of District 10 residents. The BVHP ECP establishes a 50% goal for local contracting, construction and permanent workforce hiring with first consideration in the following order: 1) BVHP residents living within the areas encompassed within the 94124 zip code, 2) BVHP area residents within the areas encompassed within the 94124, 94134 and 94107 zip codes, 3) residents living in any other active SFRA redevelopment project area in the City of San Francisco, 4) all San Francisco residents, and 5) all others. The BVHP ECP also requires compliance with the SFRA's Small Business Enterprise Policy.

All permanent employers and construction contractors will work with a SFRA identified workforce referral entity (currently CityBuild for construction) for hires. For permanent workforce jobs, the project will comply with the updated BVHP ECP (same goal as construction – 50% with same order of consideration above), which exceeds the City's local hire ordinance requirements. Furthermore, as a result of these direct agreements with the developer, the City will have the opportunity to train economically disadvantaged individuals for positions in the Shipyard, and project employers will give

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first priority to hiring such individuals referred from the City's workforce program. The project will utilize SFRA's Job Readiness Initiative (JRI), the City's Sector Academies, and community based organizations to maximize access to professional development opportunities.

In order to ensure that local BVHP residents are prepared to realize these opportunities, the project includes an $8,925,000 contribution by the developer to fund workforce training and placement programs for local BVHP residents. OEWD has committed to matching these funds with compatible programs and services. In addition, SFRA launched JRI in 2010, a 3-year pilot program to prepare 1,000 project area residents for jobs created through SFRA redevelopment activities. SFRA is investing $3,950,130, funding eight CBOs over the 3-year term.

Oversight and monitoring of these SFRA workforce goals at the Shipyard as well as compliance with all applicable SFRA policies is implemented by the SFRA, which receives reimbursement for project-related staff costs in accordance with the SFRA's agreements with the project developer.

As stated in the response to Finding 6, local hiring efforts have been extraordinarily successful at the Shipyard: 52.2% of professional services contracts and 47.9% of construction contracts have been awarded to San Francisco firms. Of these percentages, 14.6% of professional service contracts and 12.2% of construction contracts have been awarded to minority and women-owned business enterprises.

In addition, local District 10 residents and other San Francisco residents have been participating significantly in the construction workforce efforts at the Shipyard. In 2008 and 2009, in which significant horizontal infrastructure construction activity took place, the project exceeded its goal of 50% local hire. Specifically, in 2009, 52.5% of the construction was completed by San Francisco residents, including 19% completed by residents of District 10 and 33.5% completed by other San Francisco residents. In 2009, 53.1% of the construction was completed by San Francisco residents, including 17.7% completed by residents of District 10 and 35.4% completed by other San Francisco residents. These statistics demonstrate that the existing project agreements, as well as the strong relationships with community organizations and labor groups forged by the SFRA and the developer, have been successful in ensuring job opportunities for District 10 residents specifically, and San Francisco residents generally. Continuing such efforts will help ensure that local residents continue to benefit throughout the implementation of the project.

We thank the Civil Grand Jury for its time and effort on this Report. The City will continue its close coordination and collaboration on the Hunters Point Shipyard project in partnership with the Bayview Hunters Point community. The City recognizes that the redevelopment of the Hunters Point Shipyard area is a complex and challenging undertaking, and the City is firmly committed to doing all that it can to make the undertaking successful and beneficial to the community.

Sincerely,

Edwin M. Lee
Mayor

Jennifer Matz
Director, Office of Economic and Workforce Development

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Fred Blackwell
Executive Director, San Francisco Redevelopment Agency

Barbara A. Garcia, MPH
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Donna Levitt
Division Manager, Office of Labor Standards Enforcement

cc:
Civil Grand Jury (400 McAllister Street, Room 008)
Members of the Board of Supervisors (11)
Clerk of the Board of Supervisors (2)

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