From: Arny, Wayne CIV ASSTSECNAV IE WASHINGTON DC, OASN(I&E)
Sent: Monday, March 19, 2007 3:59 PM
To: Steindl, David F CAPT OASN (I&E)
Cc: Kesler, Kimberly SES OASN (I&E) BRAC PMO; Duchnak, Laura S CIV OASN (I&E) BRAC PMO West; Gilkey, Douglas E CIV OASN (I&E) BRAC PMO West; Klimek, Ann CIV OASN (I&E) BRAC PMO West; Willrich, Vanessa C CTR OASN (I&E) BRAC PMO
Subject: FW: Hunters Point SECNAV Point Paper
Attachments: 2007-03-19 Info Memo to SECNAV_.doc; HuntersPointParcels.PDF; HP Parcel Map April 5_2006.pdf; 2007-02-16 Cohen memo SF49erProposa.PDF

Dave,

Here's the draft for the HP memo. I'll give you a call from SD to discuss.

Wayne

-----Original Message-----
From: Gilkey, Douglas E CIV OASN (I&E) BRAC PMO West
Sent: Monday, March 19, 2007 15:54
To: Arny, Wayne CIV ASSTSECNAV IE WASHINGTON DC, OASN(I&E); Manning, Cameron A CAPT OASN (I&E)
Cc: Klimek, Ann CIV OASN (I&E) BRAC PMO West; Kesler, Kimberly SES OASN (I&E) BRAC PMO; Willrich, Vanessa C CTR OASN (I&E) BRAC PMO; Duchnak, Laura S CIV OASN (I&E) BRAC PMO West
Subject: Hunters Point SECNAV Point Paper

Mr. Arny:
Attached is the Point Paper for SECNAV explaining the recent meetings with Senator Feinstein and Speaker Pelosi. I have attached two versions of the Hunters Point Parcel Map, one black & white and one color. Please let me know if you need anything else.
R/
Doug

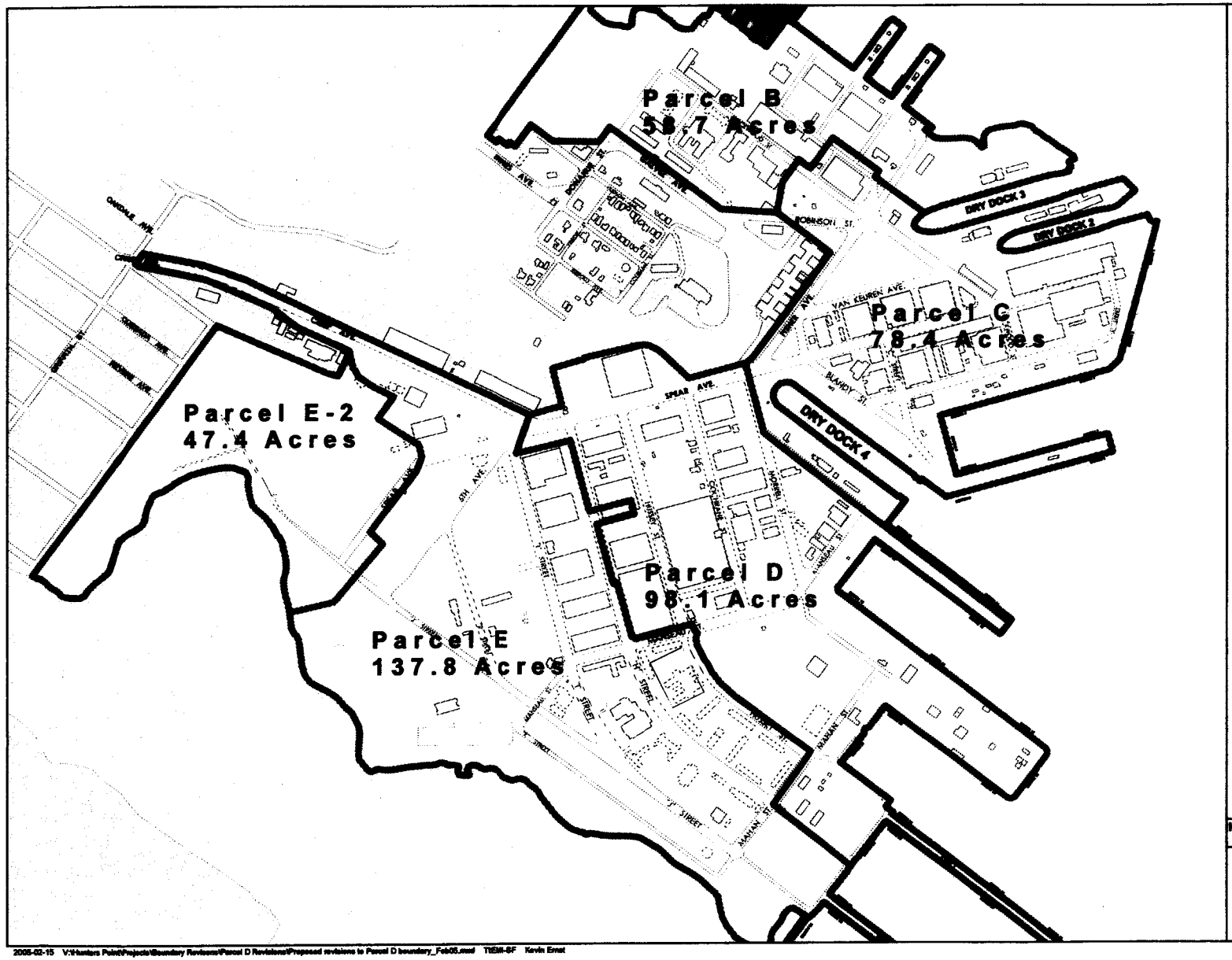
Douglas Gilkey, AICP
Base Closure Manager
Hunters Point - Treasure Island - Barbers Point BRAC PMO West, 1455 Frazee Road, Suite 900 San Diego, CA 92108-4310

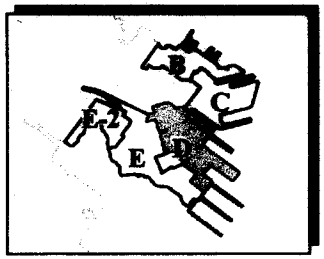
619-532-0949 Phone
619-532-0983 Fax
douglas.gilkey@navy.mil

(b) (5)

(b) (5)

PARCEL F
SAN FRANCISCO BAY
INDIA BASIN
PARCEL B
POINT AVISADERO
DRY DOCK 3
DRY DOCK 2
PARCEL C
PARCEL E-2
DRY DOCK 4
PARCEL D
PARCEL E
PARCEL F
SOUTH BASIN





Location Map

Parcel Boundaries

Non-Navy Property

Buildings

Existing

Demolished

Road

600 0 600

Scale in Feet

Tetra Tech EM Inc.

Hunters Point Shipyard, San Francisco, California

U.S. Department of the Navy, BRAC PMO West, San Diego, California

**REVISED PARCELS AND ACREAGES-
FEBRUARY 2005**

2005-02-15 V:\Hunters Point\Projects\Boundary Revisions\Parcel D Revisions\Proposed revisions to Parcel D boundary_Feb05.mxd TtEM-SF Kevin Ernst

Phone: (415) 554-7631

San Francisco Mayor's
Office of Economic and
Workforce Development

Fax

To:	Laura Duchnak: (619) 532-0995 Rick Moss: (916) 255-3734 Kathleen Johnson: (415) 947-3520 [redacted]	**From:**	Michael Cohen
Fax:		**Date:**	February 16, 2007
Phone:		**Pages:**	9 (including cover)
Re:	Expediting the cleanup and transfer of HP Shipyard	**CC:**	

☐ **Urgent** ☐ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

•Comments:

Please call Heather Keane at (415) 554-7631 if problems with transmission occur.

A hard copy with color diagrams will follow shortly in the mail.

ECONOMIC AND WORKFORCE DEVELOPMENT
BASE REUSE & DEVELOPMENT

CITY AND COUNTY OF SAN FRANCISCO
GAVIN NEWSOM, MAYOR

MEMORANDUM

TO: Laura Duchnak, U.S. Navy BRAC PMO
Kathleen Johnson, U.S. EPA Region 9
Rick Moss, California DTSC

FROM: Michael Cohen, Director Base Reuse and Development

DATE: February 16, 2007

RE: Expediting the cleanup and transfer of the Hunters Point Shipyard

Background and Summary

As you all know, the City and County of San Francisco and the San Francisco Redevelopment Agency ("City") have been working for more than 15 years to transform the former Hunters Point Shipyard into a source of jobs and economic development, parks and affordable housing for the Bayview Hunters Point Community. While we have had a programmatic redevelopment plan in place for the Shipyard since 1997 and a Phase 1 development agreement in place since 2003, actual reuse depends on the Navy completing the remediation and transfer of the land. Based on the progress that we collectively made around the Conveyance Agreement in 2004, Parcel A was successfully transferred to the City in 2005 and construction of the first phase of development on the Shipyard started immediately thereafter.

We are ready to move forward in earnest with the planning and redevelopment of the rest of the Shipyard, including, as we have previously discussed, the possibility of locating a new stadium for the San Francisco 49ers on portions of the Shipyard as part of a larger mixed-use development project that integrates both Candlestick Point and the Hunters Point Shipyard. With or without the 49ers, there is an urgent need for the Navy to fulfill its obligations under the Conveyance Agreement and to remediate and convey this land to the City as quickly as possible in a condition that is consistent with our reuse plans.

In the past, our ability to move forward effectively with redevelopment plans for the rest of the Shipyard has been hampered by uncertainty regarding the nature, extent and timing of the cleanup of Parcels B, C, D and E. Given the progress that has been made on the Shipyard as a result of the Navy spending over $100,000,000 on the cleanup since 2003, we are now prepared to consider a number of means of expediting cleanup and transfer, including the possibility of an early transfer.

As a practical matter, early transfer is an especially important tool if we are to meet the 49ers' deadline for being in a new stadium by the beginning of the 2012 football season. Under that schedule, stadium construction must begin in November 2009 and site preparation work must begin 6 months earlier, in May 2009. Based on our preliminary discussions with each of you and the evaluation of the current status of cleanup activities by City staff and consultants, as well as by

1 DR. CARLTON B. GOODLETT PLACE, ROOM 448, SAN FRANCISCO, CA 94102
(415) 554-6123 VOICE (415) 554-6018 FAX

the master developer for the project, Lennar, we believe it is feasible to coordinate construction of the new stadium and associated parking with the cleanup activities to meet this deadline.

For a number of financial and logistical reasons, title to the property must pass from the Navy to the City before commencement of physical site preparation work on the stadium site. It is not feasible for all of the legal and procedural requirements for a "FOST" property transfer that need to be conducted after completion of remediation activities to be satisfied prior to commencement of physical site preparation work in May 2009. Therefore, we propose to use the early transfer procedures of federal Superfund law for at least some portion of the Shipyard. Because the Navy has requested that an early transfer include as much of the Shipyard as feasible, we are willing to consider phasing a series of early transfers that encompass more than just the areas affected by the stadium and associated parking areas.

This memorandum sets forth the specific process the City proposes to ensure that both long-standing commitments to the Bayview community and the 49ers' deadlines can be met, and what we would need from your agencies for this process to be successful. In summary, we propose a multi-phase early transfer, in accordance with the schedule set forth below. The first-phase early transfer would occur by May 2009, and encompass the 27-acre stadium footprint, related site preparation area, and roadway and utility corridor shown on the attached map. If feasible from a resource perspective, Phase 1 should also include Parcel B. Inclusion of Parcel B in the Phase 1 early transfer would facilitate resolution of many of the problems that have arisen with the Navy's proposed institutional controls for that parcel and would help expedite the delivery of a number of important community benefits. The next phase early transfer would occur by April 2011, and would encompass dual use park and stadium parking areas on portions of Parcels D and E (to be determined in consultation with all of the parties). That phase should also include as much of the remainder of Parcels B, C, D and E as resources allow, although we have significant reservations about the Navy's request to include Parcel E-2 (the landfill) in an early transfer, as discussed below. Depending upon which portions have been included in the first two transfers, and which portions may become suitable for a FOST transfer in the meantime, it may make sense to transfer the remaining Parcels in a third phase early transfer some time after 2011. However configured, for each transfer, the City would assume responsibility for completing the remaining environmental remediation, which would be financed by the Navy through an Environmental Services Cooperative Agreement (ESCA) grant. The assumption of environmental responsibility would not include the radiological program, which under this proposal must be completed before the early transfer dates.

In exchange for assuming this environmental responsibility, the Navy would pay the City, under the ESCA, an amount equal to what would have been the Navy's cost of completing the cleanup work in a manner that would have resulted in the property meeting the requirements for a FOST transfer under the Conveyance Agreement between the Navy and the City. The City would then transfer the environmental cleanup obligation and the funds to Lennar, with Lennar's obligations further backed by a guaranteed fixed-price or similar remediation contract and environmental insurance. Lennar would complete the remaining remediation work in conjunction with its development work, including possibly preparing the stadium footprint area for the 49ers and subsequently the parking areas. In any event, completing the physical cleanup work in conjunction

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with the physical development work at the site will save significant time and is key to meeting the proposed schedule and expediting delivery of the community benefits associated with the project.

Discussion of Specific Issues and Needs

Top-Level Management Oversight of Project. We strongly believe that the process and schedule outlined in this memorandum requires regular, hands-on involvement from top-level management of all the parties including the Navy, US EPA, DTSC, the Regional Water Board, City, Lennar and interested Congressional representatives. We recommend convening a kick-off meeting by the end of February of this group of top-level management scheduling monthly meetings thereafter to monitor progress and resolve problems in real-time.

Stadium Footprint and Associated Areas. The 27-acre stadium footprint, related site preparation area, and roadway and utility corridors shown on the attached map are necessary to support the construction of the stadium itself and therefore must be environmentally suitable for physical site work to begin and early transfer to be completed by May 2009. To achieve that timeline, we propose the following:

- The Navy needs to prioritize its radiological surveys and obtain a free release designation from the appropriate regulatory authorities of all impacted buildings and underground areas (primarily utilities) in the Phase 1 area so as to complete this work by the end of 2008 or beginning of 2009 in time for completion of an early transfer before May 1, 2009. Further, regulatory agencies and the Navy must agree upon which agency or agencies under whose purview free release designation will be granted. It is desirable to have this issue resolved by April 2007. Based on extensive conversations with technical staff, including the affected regulatory agencies, we believe that deadline is fully achievable.

- The Navy, City, EPA, DTSC and Regional Water Board need to work together closely over the next four months (by approximately June/July 2007) to reach agreement on how remediation of groundwater contamination in the Phase 1 area can be accelerated to meet these deadlines. These discussions should focus on whether groundwater treatment in any form, such as an injection remedy, is needed at all given the intended reuse; if it is, whether it is best accomplished through a "time critical removal action" installing the remedy prior to transfer and commencement of construction or through integration of the installation of the remedy with construction after transfer.

- The Navy, City, EPA and DTSC need to work together over the rest of this calendar year to confirm that the expected conceptual cleanup plan for all of the soil sites in Phase 1 will involve a combination of removal of hot spots and placement of cover, with conditions imposed on removal or disturbance of the cover. Further, we must concur on a process ensuring that the cover remedy can be implemented in conjunction with either construction of the stadium and parking lots or other development activities as the final remedy or a component of the final remedy for these sites.

Parcel B

- Because (i) the Navy has requested that the early transfer encompass as much of the base as feasible, (ii) Parcel B is key to many additional community benefits, and (iii) serious concerns have arisen with regard to the application prior to development of a cover remedy that would then need to be breached, we believe Parcel B should be included in Phase 1, if the resources are available to accomplish what is necessary to early transfer both Parcel B and the stadium footprint and associated areas by May 1, 2009. Given the Navy's currently-defined schedules, we expect that much of the Parcel B remediation work has already been programmed into the Navy's plans and budgets to meet that timeline.

- The Parcel B remedy and associated institutional controls that are being developed through the responses to comments to the Technical Memorandum in Support of the ROD Amendment (TMSRA) pose unreasonable burdens on development of Parcel B and the rest of the Shipyard. If the Navy offered the property after a FOST to the City with those restrictions, it is the City's current position that it would be forced to reject the offer of the property as being inconsistent with the requirements of the Conveyance Agreement between the City and the Navy, which specify that the property must be tendered in a condition allowing development of the uses specified in the City's Reuse Plan (which, for example, allows mixed use, including residential, for most of Parcel B).

- The City believes an early transfer, and the associated negotiation of an Administrative Order on Consent (AOC), provide an opportunity for a fresh re-evaluation of the institutional control approach for Parcel B and much of the rest of the Shipyard because, unlike a FOST transfer, the agencies would not be asked to determine that the property had been sufficiently remediated before transfer, and implementation of the selected final remedy could be better coordinated with redevelopment of the property. This should make it easier to integrate the implementation of a cover remedy and appropriately-tailored vapor barriers (if necessary) with grading and construction activities.

- Therefore, we ask the Navy, EPA and DTSC to approve as part of the AOC, a risk management plan (similar in concept to what was proposed by the City in its comments on the TMSRA) that sets forth specific site management and construction requirements established pursuant to the ROD Amendment which, if followed, do not require subsequent approvals by the regulators (except in special circumstances, e.g., discovery of unknown conditions in the subsurface) before engaging in grading and construction activities or allowing residential construction and occupancy.

- Furthermore, we ask for a commitment by the Navy, EPA and DTSC to expeditiously approve a sampling program for soil vapor. The results of this effort should then be used to narrowly tailor any vapor barrier requirements to only those areas where, following implementation of ROD-required cleanups, soil vapor issues will remain that cannot be mitigated through the expected type of development (i.e., through placing garages below the occupied spaces).

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- To the extent the risk management plan and other institutional controls contemplate that the City or Lennar would be taking remedial actions that would otherwise be required for a FOST meeting the requirements of the Conveyance Agreement between the City and Navy, the City expects the costs of implementing such actions to be included in the grant provided through the ESCA.

The Remainder of the Parcels to be Early-Transferred

- We recognize that only so much land can be included in a Phase 1 early transfer because of resource availability and the need for the Navy to achieve radiological releases prior to the early transfer date. However, significant areas of additional land, including areas that may be needed for commercial development, parks and the parking lots for the stadium, should be ready for transfer by April 2011, if the Navy, EPA and DTSC prioritize their work to ensure this deadline is achieved.

- At a minimum, we propose that dual use park and parking areas for the stadium on portions of Parcels D and E be included in the Phase 2 early transfer, which is to be completed by April 1, 2011. That second phase should also include as much of the remainder of Parcels B (to the extent not included in Phase 1), C, D and E as resources allow.

- Depending upon which portions have been included in the first two transfers, and which portions may become suitable for a FOST in the meantime, it may make sense to transfer any remaining Parcels in a third phase early transfer some time after 2011.

- As with the soil sites in Phase 1, the Navy, City, EPA and DTSC need to work together to confirm that the expected conceptual cleanup plan involves a combination of hot spot removals and placement of cover (with conditions imposed on disturbing or removing the cover) and that these remedies can be implemented during construction. In addition, as with Phase 1, the Navy will need to achieve radiological release of any property to be included in subsequent early transfers.

Parcel E-2

- The Navy had specifically requested that the City include Parcel E-2 (the landfill) as part of this phased early transfer. Although we may be able to accommodate the phased early transfer of most of the Shipyard, inclusion of Parcel E-2 in an early transfer is highly problematic. None of us need to be reminded of the acute sensitivity and controversy within the community about the landfill that has persisted since the underground fire more than five years ago. The City does not currently believe it is feasible to find a developer, environmental contractor or insurer willing to accept the level of risk the City expects the developer, contractor and insurer to assume on the rest of the Shipyard as part of the early transfer and privatized remediation. Nevertheless, the City may be willing to consider an early transfer with privatized remediation of Parcel E-2 after the ROD has been issued and the remedy has been designed, if the Navy can assist in establishing a satisfactory financial

assurance mechanism for the long-term operation and maintenance of the remedy, such as funding a conservation trust to hold and maintain the parcel as open space and parkland.

Funding Issues

- Whether or not the Navy and the City complete one or more early transfers, it is our understanding that the Navy estimates that it needs in excess of $500,000,000 to fulfill its legal obligation to complete environmental remediation of the Shipyard, including all radiological issues. At the current level of annual funding, that would call for 10 more years of clean-up. We recognize that aspects of this proposal will require the acceleration of some expenditure, and may require, to a limited extent, increased overall expenditures for the Navy, as well as for EPA and the State, and we are prepared to work with our Congressional delegation to explore additional funding opportunities. However, it is not reasonable or feasible to expect our collective efforts to expedite the cleanup and transfer of the Shipyard to solve fundamental funding problems that the Navy may have regarding the remediation of pre-2005 BRAC bases like the Shipyard.

- We ask the Navy, as soon as possible, to provide a realistic cost estimate, parcel-by-parcel (and on a sub-parcel/IR basis to the extent feasible) and related schedule that delineates yearly funding allocations, for the Navy's current baseline Cost To Complete (CTC) estimates. In addition, we need the Navy to help us understand the *incremental* costs above the Navy's current baseline CTC that are associated with adjusting the current program to meet the timelines set forth in this memorandum. After we have all been able to review this information, we ask that the Navy, EPA and the State coordinate with us in developing and advocating a well-justified funding request to our Congressional representatives.

Phased Early Transfer Schedule

From now until 4/1/11: Navy and BCT Regulators aggressively continue to implement the current cleanup program and issue the Records of Decision for each parcel in accordance with the current schedule, re-prioritized to focus on sites associated with the stadium footprint, and to ensure completion of the radiological program within Phase 1 by 5/1/2009 and within Phase 2 by 4/1/11.

By 5/31/07: Reach conceptual agreement, memorialized in writing, among City, Lennar, Navy, US EPA, DTSC, Regional Water Board, and DHS about process, schedule and structure of the Phase 1 early transfer, and in particular reach agreement on how to fast-track remedial decision making related to groundwater contamination within the stadium footprint and associated areas, as described in more detail below.

Also during this period, a workplan should be developed and approved by the appropriate BCT regulators for the Navy (or City, funded by the Navy) to conduct soil vapor sampling in Parcel B and other parcels as appropriate to eliminate the uncertainties have caused DTSC and the Navy to discuss the potential need for vapor barriers throughout the site.

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(The rest of the schedule set forth below is rough, subject to agreement by 5/31/07 among all the parties, and assumes that Parcel B will be included in Phase 1)

6/1/07 to 12/ 31/07: Given the existing knowledge of the property, reach conceptual agreement (without a formal legal decision) with Navy and regulators about the nature of the remedies to be implemented after early transfer at each site where the City/Lennar would be assuming environmental responsibility to allow the Navy and the City/Lennar to negotiate a realistic ESCA grant. A conceptual agreement should also be reached about the manner in which the institutional controls for Parcel B will be structured under an early transfer to address the serious problems with the currently proposed institutional controls discussed above.

Also during this period, the soil vapor sampling discussed above should be conducted and the results incorporated into the conceptual agreement about remedies and institutional controls.

1/1/08 to 6/30/08:

Negotiate the language of an ESCA for the Phase 1 early transfer between Navy and City and a pass-through agreement between City and Lennar.

Negotiate the language of an Administrative Order on Consent (AOC) governing the cleanup for Phase 1 after transfer between US EPA, the State, and Lennar and the associated land use covenants (LUCs).

Negotiate term sheets for guaranteed fixed-price remediation contract and environmental insurance program.

Navy to prepare the administrative draft Finding of Suitability for Early Transfer (FOSET) for Phase 1.

7/1/08 – 101/08: Administrative Draft FOSET for Phase 1 circulated to City and regulators; comments are discussed and addressed.

10/1/08- 12/31/08:

Navy to Circulate Draft FOSET for Phase 1 for public comment and prepare responses to public comments.

Finalize language of ESCA and pass-through agreement, AOC, interim LUCs, deeds, remediation contract and environmental insurance program.

1/1/09-1/31/09: Responses to Public Comments on FOSET for Phase 1 issued; Navy headquarters final review of early transfer documents.

2/1/09: Navy's formal covenant deferral request for Phase 1 forwarded to EPA Regional Administrator and Governor.

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2/1- 4/1/09: Governor and Regional Administrator review and approve covenant deferral request.

4/1 to 5/1/09: Title and conveyance paperwork finalized. Execute ESCA and pass-through agreement, AOC, remediation contract, environmental insurance program, interim LUCs and deeds.

6/1/09 to 4/1/11: Above ESCA/FOSET/AOC, *et al* process is repeated for Phase 2, which will include at least the parking areas for the stadium, but may also include remaining portions of Parcels B, C, D and E as resources allow. After 4/1/11, the process would be repeated again if a third phase early transfer is deemed necessary and desirable at that time.

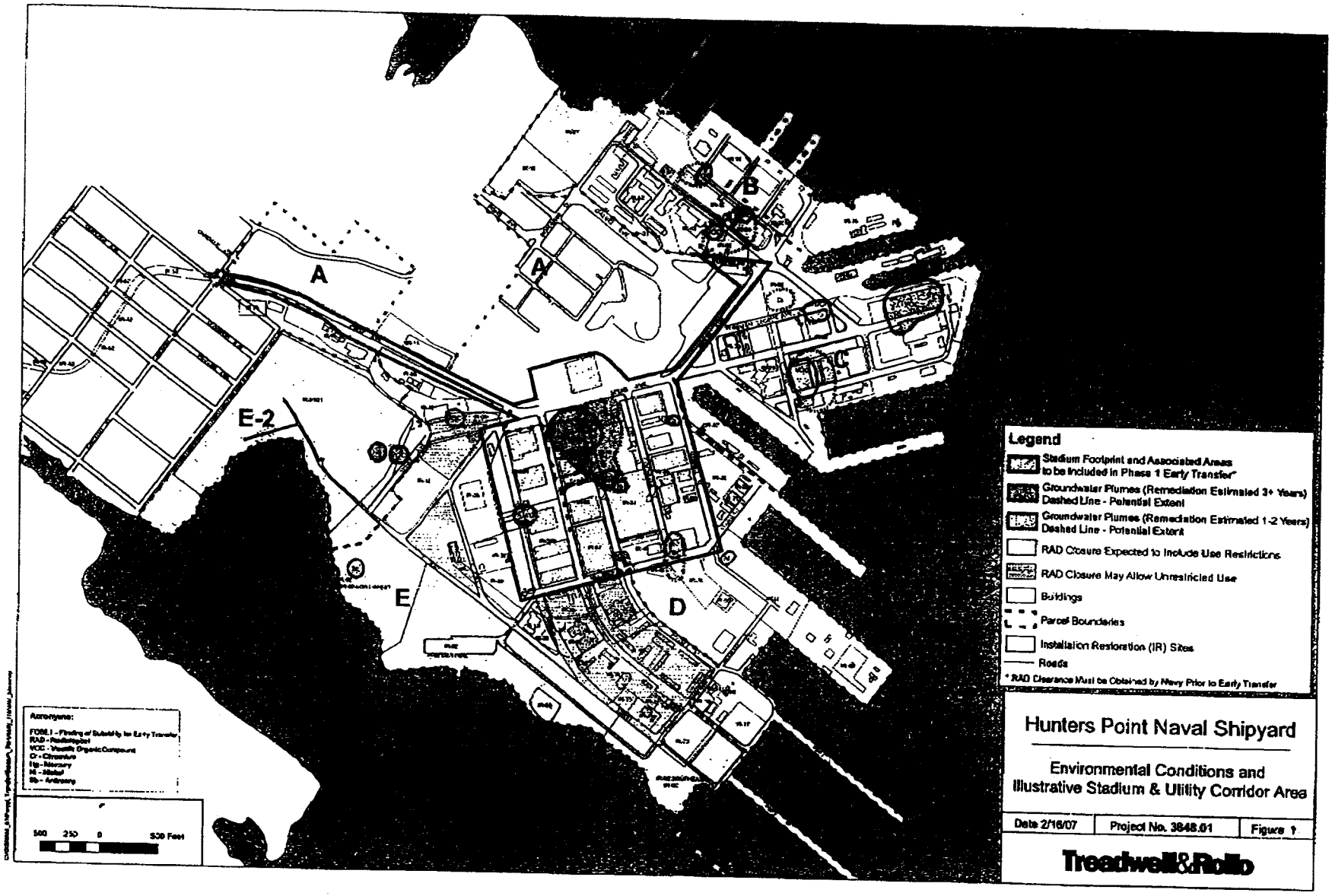
5/1/09 to 7/1/12: Lennar oversees completion and management of all remaining environmental remediation and closure approvals in the stadium foot print and parking areas to ensure closure prior to opening of the stadium (except for radiological issues, which must have been completed for Phase 1 by 5/1/09 and for Phase 2 by 4/1/11; additional radiological issues, if discovered during the course of environmental cleanup completion or development, will be Navy-retained conditions which the Navy would need to expeditiously address in coordination with development activities).

7/1/12 – completion: Lennar continues to oversee completion and management of all remaining environmental remediation and closure approvals in areas of the Shipyard outside the stadium and parking areas subject to the early transfer.

Conclusion

We are aware that that this proposal will require a significant amount of effort, creativity, and compromise among all the parties involved with the Shipyard. However, we are very excited by the unprecedented opportunity this proposal provides to once and for all get the entire Shipyard (as well as Candlestick Point) cleaned-up and redeveloped. We ask that you join us in our excitement and help make this vision a reality.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 436, SAN FRANCISCO, CA 94102
(415) 554-6969 VOICE (415) 554-6018 FAX



Hunters Point Naval Shipyard

Environmental Conditions and Illustrative Stadium & Utility Corridor Area

Date 2/16/07	Project No. 3848.01	Figure 1

Treadwell&Rollo