University of California, Berkeley
Center for Labor Research and Education

Issue Brief

RAISING THE BAR:

The Hunters Point Shipyard and Candlestick Point Development Community Benefits Agreement

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BACKGROUND

Over the last twenty years there has been a major shift in the debates about urban economic development in the United States. Environmentalists see smart growth with a focus on reclaiming brown-fields as an important way to reduce the environmental impacts of development, achieve energy efficiency and combat global warming, a position which is strongly supported by the empirical evidence.[1, 2] Community organizations and unions recognize that dense urban development is more likely to lead to living wage jobs.[3] Economists point to the benefits of clustering for the development and retention of high road industries.[4]

At the same time there has been greater recognition of the failure of traditional urban economic development strategies. Cities routinely trade off the future tax benefits of development in order to attract any jobs, with little evaluation of how many net new jobs will actually be created in the region, who will have access to the jobs, and what the quality of the jobs will be.[5] Historically, urban renewal disrupted communities and displaced local residents. In more recent years, development projects contributed to gentrification, higher home prices and further displacement of low-income families. Even as affordable housing has become standard in community development projects, local residents in high cost cities have few affordable options if their income increases beyond the point that they are eligible for subsidized housing.

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As a result, stakeholders that were previously on opposite sides in development conflicts have created new coalitions to promote accountable development. Accountable development brings the community into the decision making process and places conditions on development projects to ensure broad community benefits including affordable housing, living wage jobs, job access for local residents, parks and open space and environmental mitigation. This may be achieved through a combination of broad public policies, such as living wage and inclusionary zoning laws, and negotiated conditions tailored to specific development projects.

One of the tools these new coalitions have utilized is the Community Benefits Agreement (CBA). CBAs are legally binding agreements between developers and private community organizations that set conditions on the development project, and in exchange ensure community support and reduce the risks of litigation. The first CBAs were negotiated in Los Angeles in the early 2000s and have since been used in San Jose, San Diego, Oakland, Seattle, Denver, Pittsburgh and New Haven to promote accountable development.[6]

HUNTERS POINT SHIPYARD AND CANDLESTICK POINT INTEGRATED DEVELOPMENT PROJECT

Hunters Point Shipyard and Candlestick Point are located in the southeast part of San Francisco. The draft Design and Development Agreement (DDA) contemplated 10,500 residential homes, 635,000 square feet of regional retail, 2.65 million square feet of office and research and development space, a hotel, art studios, a new NFL stadium and significant open space. Two alternative plans are included in case the San Francisco 49ers choose not to participate. In order to integrate the area into the rest of the city, existing streets would be extended and a new bridge built connecting the shipyard area with Candlestick Point.

ELEMENTS OF THE COMMUNITY BENEFITS AGREEMENT

In May 2008, the Lennar Corporation signed a Community Benefits Agreement with the San Francisco Labor Council, the San Francisco Organizing Project (SFOP) and San Francisco ACORN, establishing legally binding conditions for the redevelopment of the Hunters Point Shipyard and Candlestick Point. Together these organizations represent a cross section of the affected community. The San Francisco Labor Council represents 100,000 members from 150 unions; 10,000 of these members live in the southeast area of the city. SFOP and ACORN both have a history of organizing in the area and answer to a broad membership base of community residents. SFOP works in thirty congregations and schools in San Francisco representing 40,000 people. At the time of the agreement, San Francisco ACORN had 6,500 members and program participants, of which 1,300 were in the southeast part of the city.

Through the CBA, the developer agreed to a wide range of commitments for the project concerning housing, labor standards and work access that went well beyond what was required by the

redevelopment agency, existing law or similar agreements in other jurisdictions. These agreements are legally binding on the developer and enforceable by the community representatives.

Following the adoption of the CBA, in June 2008 San Francisco voters overwhelmingly passed Measure G (62 percent to 38 percent), making it City policy to encourage the Hunters Point Shipyard and Candlestick Point development, and making necessary changes in law to allow it to go forward. By an equally wide margin, the voters rejected an alternative measure.[7]

AFFORDABLE HOUSING

The Hunters Point–Candlestick CBA addresses San Francisco's need for affordable rental housing for low- and very-low-income households, as well as its need for affordable for-sale housing for moderate-income families. The development of below-market-rate for-sale housing would meet a dire need for housing that is both affordable and available to moderate-income families in San Francisco. The Center for Housing Policy estimates that a San Francisco family would need an annual income of $187,000 to purchase a median-priced home costing $625,000 in 2009,[8] while fewer than 20 percent of San Francisco households have income that high.[9] The development of housing that would be affordable to working families was a high priority for the community coalition in their negotiations with the developer.

California law requires that 15 percent of housing built in redevelopment areas be affordable for low-income families, defined as below 60 percent of area median income (AMI). In 2002, San Francisco passed an ordinance requiring that all developments with more than ten units set aside no less than 10 percent of the units as affordable housing under the same standard. In 2006, this was amended to 15 percent. The Bayview–Hunters Point Redevelopment Plan sets the bar at 25 percent, with at least half of the tax increment finance funding going to support affordable housing for low- and very-low-income residents.

The Hunters Point–Candlestick CBA goes well beyond both the legal requirements applicable to the project and the affordable housing requirements of any other CBA in the country. Lennar committed to ensure construction of no less than 31.86 percent of the new housing units as below-market-rate housing; 15.66 percent would be affordable rentals for families with incomes below 60 percent of AMI. An additional 16.2 percent would be for-sale units for families with incomes between 80 and 160 percent AMI. The AMI in San Francisco is $82,900 for a four-person household.

The developer is required to ensure that the average number of bedrooms in affordable housing units, excluding senior and disabled housing, is at least 2.5. These averages must be maintained in each phase of the project. This goes beyond the original Design and Development Agreement and is designed to ensure the development of a significant supply of affordable family housing.

A major concern of the community and labor organizations in negotiating the CBA was ensuring the ability of African American families to stay in the community, as well as ensuring the ability of

families that had previously been displaced from the city to return. The African American population in San Francisco has fallen precipitously since the 1970s.[10] The CBA provides affordable housing preferences to families displaced during the redevelopment of the Fillmore district and other redevelopment agency projects, to residents of Bayview-Hunters Point, to families with unaffordable rents, and to residents, prior residents and family members of residents of District 10.

The CBA commits the developer to rebuild the public housing development Alice Griffith, commonly known as Double Rock, as part of the first phase of development and to ensure that the current residents have the opportunity to move directly from their current residence to the replacement units. Residents will also have the option to move to interim public housing during construction to the extent that it can be made available by the City. Lennar will contribute to funding the relocation of the tenants if the City's fund for this purpose is not sufficient.

The affordability requirements under the CBA apply to each specific phase of housing development so that the affordable units are built simultaneously with the market-rate housing. Compared to the requirements being imposed by the redevelopment agency, this generates a much more aggressive timeline for the development of affordable housing. Construction may not begin on the second phase of housing development for market-rate units until the proportional development of affordable housing for the first phase has been completed, with the units ready for occupancy.

In addition to the construction of affordable housing, Lennar committed to contribute $27.3 million to a "Community First Housing Fund." The amount will be proportionally adjusted if the developer builds more or fewer than 10,000 housing units. The funds will be used to assist community residents in purchasing market-rate units in District 10 through a combination of down-payment assistance, rent-to-own, housing counseling and additional services. This fund may also be used to support construction of additional affordable units outside the project. The Community First Housing Fund is expected to bring the total share of affordable housing achieved through the project to more than 35 percent, or 3,500 units. Organizations party to the CBA or helping direct fund expenditures will not be eligible to receive funds.

ECONOMIC DEVELOPMENT

San Francisco has been a pioneer in setting wage and benefit standards as a condition of doing business with or in the city. In 2000 and 2001, a series of laws and policies were passed that set minimum labor standards for workers at the San Francisco International Airport, on San Francisco City contracts and on City redevelopment projects. This was followed by general laws covering minimum wage, paid sick leave and employer health-care spending. Together, these laws provide the broadest and most extensive set of labor standards anywhere in the United States. The CBA builds on the existing laws to set a strong floor of labor standards and job access for local residents as part of this project.

Workforce Development

Lennar committed to a contribution of $8.5 million for workforce development in the Bayview–Hunters Point area. The Mayor's Office of Economic and Workforce Development agreed to match those funds, for a total of $17 million. The funds will be administered by a local foundation, with advice from an implementation committee composed of key stakeholders. The funds will support a wide range of job training and job readiness programs needed by the Bayview community. As with the affordable housing fund, organizations party to the CBA or helping to direct fund expenditures will not be eligible to receive funds.

Union Recognition

Current San Francisco law requires a simplified process for union recognition once a majority of workers choose to join a union and pursue collective bargaining. The ordinance applies to restaurants and hotels on City-owned land or where the City otherwise has a proprietary interest in labor peace. The CBA applies this policy to hotel and restaurant projects in the development area, expands the industries covered under the agreement to grocery stores, and includes security and custodial workers where the contract exceeds $25,000 a year and stationary engineers where the contract exceeds $50,000 a year. Construction jobs are covered under a separate project labor agreement.

This policy will enable workers to exercise their rights to organize and bargain collectively while minimizing labor strife in the development area. By enabling workers to more easily enter into collective bargaining agreements, this will serve both to improve labor standards and to tailor the conditions to each specific industry. Voice on the job also plays an important role in reducing occupational health and safety problems.[11]

Living Wage

The CBA codifies the existing redevelopment agency living wage policy and the application of that policy to subsequent purchasers, contractors or lessees of land located in the project site. San Francisco law requires a minimum wage of $9.79 for any work performed within the geographic boundaries of the city. The redevelopment agency's minimum compensation policy applies a higher minimum wage rate of $11.54 to firms with 20 or more workers. The rate for non-profit organizations is $11.03. Employers are also required to provide twelve days paid vacation per year (or cash equivalent) and ten days off without pay per year. The policy applies to redevelopment agency contracts, leases and development agreements where there is a proprietary interest.[12] The precise scope of coverage under the policy is unclear.

First Source Hire

The project is subject to the redevelopment agency's Bayview Hunters Point Employment and Contracting Policy. In addition, all non-construction employers within the project are required to abide by a first source hiring program set forth in the CBA.

The CBA's first source policy establishes a goal of hiring 50 percent of entry level jobs from the local community. First priority is given to individuals whose housing was displaced by the project, who are San Francisco Housing Authority residents or rent-assisted residents living within District 10. Second priority is given to low-and moderate-income individuals living within the district. Next priority is given to low- and moderate-income individuals living in low-income zip codes within the city. The policy requires employers to notify the first source referral system of any job postings. During the initial hiring phase before the employer begins operation, employers must first hire priority individuals for entry level positions for the first three weeks after opening the job. Once operations have begun they will follow the same procedure for the first five days of hiring, after which they are required to make good faith efforts to hire locally.

CONCLUSION

The Community Benefits Agreement for the Hunters Point Shipyard and Candlestick Point is a far-reaching agreement that surpasses many of the standards both in existing San Francisco law and in similar laws and agreements elsewhere. In the San Francisco Bay Area, inclusionary zoning policies for affordable housing range from 10 percent in many communities to a high of 20 percent in East Palo Alto.[13] Nationally, CBA requirements fall within the same range.[14] The combined 35 percent affordable rental and for-sale housing standard agreed to by the developer is a high mark for private development projects of this scale. The housing and job training funds in the agreement are likewise greatly in excess of any similar commitment in a CBA, and well beyond what redevelopment agencies usually require.

The preference system for affordable housing is designed to enable existing residents of Bayview– Hunters Point to remain in the community and for family members and those displaced by previous redevelopment projects to return. The multiple affordability level tiers offer opportunities for families whose income improves to the point that they no longer qualify for affordable housing to stay in the community. In this way, the project will contribute to strengthening and preserving San Francisco's racial, ethnic and cultural diversity.

Between the CBA and San Francisco's existing laws and redevelopment agency policies, the labor standards requirements for the project go beyond the standards in CBAs and economic development policies elsewhere in the country in important respects. These standards include a card check union recognition policy for certain traditionally low-wage occupations, a living wage policy, and compliance with the City's across-the-board minimum wage, paid sick leave and health-care accountability ordinances. The latter requires firms with twenty or more workers to meet minimum health-care spending standards. Construction for the project is covered under a separate project labor agreement. The first source hiring policy is a common feature of other CBAs.

Together, these policies will go a long way towards ensuring both the high quality of the jobs produced and the ability of the local community to access ongoing jobs at the project. Local hire agreements on the construction of the project are still in negotiation. Local hiring for construction

involves more complicated challenges for the higher skilled trades where the requisite skills may not be present among the target population. There are many successful examples of local hire agreements for the basic trades.

A major strength of the CBA model is that it is legally enforceable by the community representatives. The CBA is a legally binding agreement, and the signatories have the private right of action if the agreement is not followed. This is in addition to the enforcement power of the City for its related laws and the redevelopment agency over the DDA.

As other cities consider the use of CBAs or affordable housing and labor standards policies that apply to large scale development projects, the implementation of the Hunters Point Shipyard and Candlestick Point CBA will be closely watched. If successful, it can be expected serve as a model for community/environmental/labor coalitions around the country for years to come.

ENDNOTES

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