

Mission Bay South – Blocks 33 and 34



Board of Supervisors • May 20, 2014

Proposed Legislation

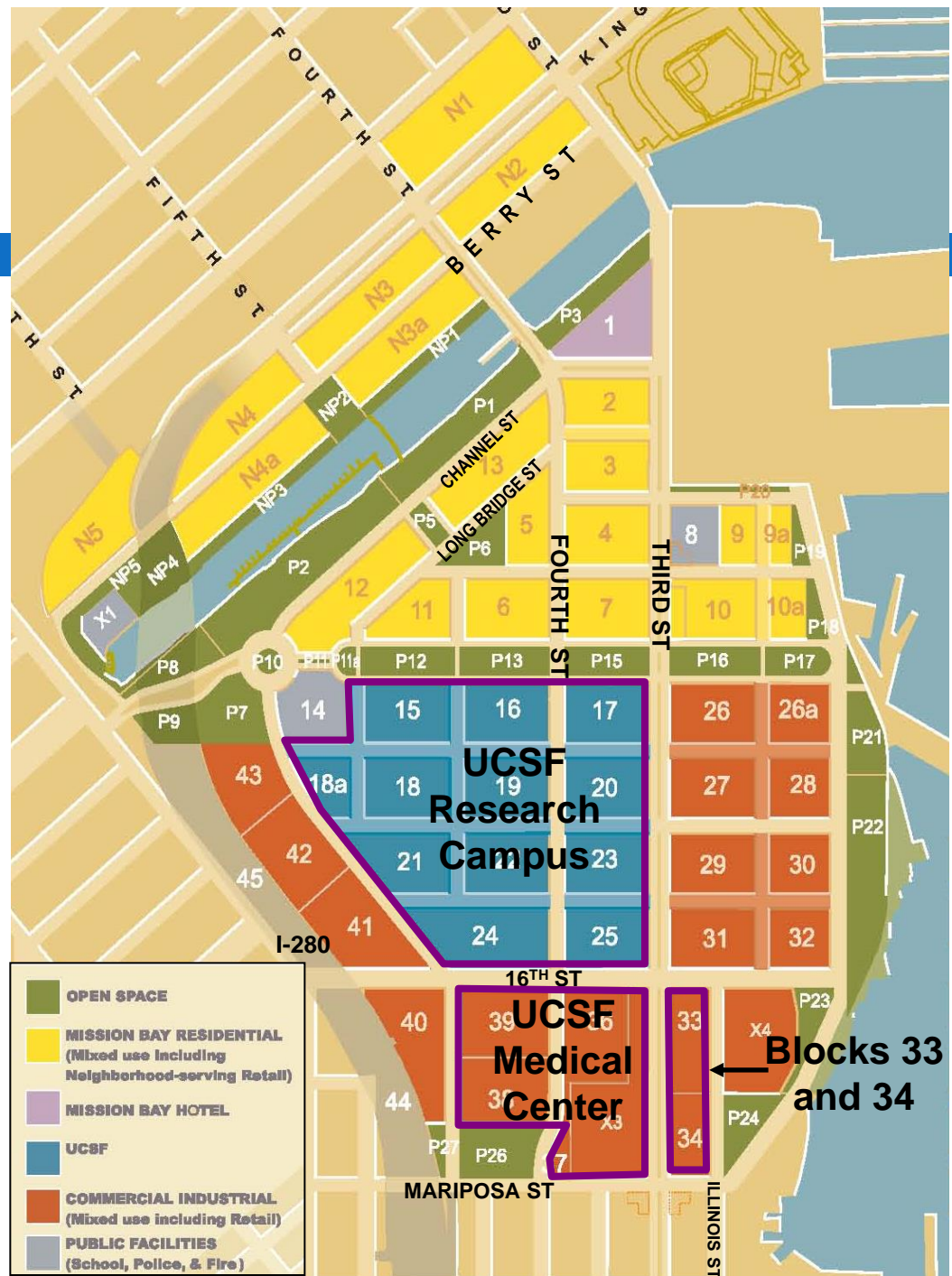
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- 1. Approving, as the legislative body of the Successor Agency, changes to the affordable housing obligations in Mission Bay South**
- 2. Consenting, as the legislative body of the City, to the transfer of Blocks 33 and 34 to the UC Regents with an up-front payment of \$32.1 million for affordable housing and infrastructure**

Location Map

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- 4-acre site located in Mission Bay South
- Bounded by 16th Street, Illinois, Mariposa and Third Streets
- Can accommodate up to 500,000 SF of office and commercial uses



Mission Bay South

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- **303 acres of land comprise two redevelopment project areas: Mission Bay North and South**
- **South governed by Redevelopment Plan, Owner Participation Agreement, and related agreements**
- **OClI required to allocate funding to fulfillment of enforceable obligations – primarily affordable housing and infrastructure**
 - ▣ **OClI required to reimburse FOCIL using tax increment**
 - ▣ **OClI required to use 20% of tax increment for affordable housing**

South OPA – Payment in Lieu of Taxes

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- **Section 14.7 prohibits transfer of property to tax-exempt entity without:**
 1. **Agreement from tax exempt entity to make a payment in lieu of taxes (PILOT) equal to the full amount of taxes that would otherwise have been assessed**
- OR**
- 2. **Obtaining the written consent of OCII and the City**
- **Primary intent: maintain the ability to fund construction of the infrastructure and affordable housing under South OPA**
- **Under Redevelopment Dissolution Law, funds received under the PILOT can only be used for affordable housing and infrastructure**

Transfer of Blocks 33 and 34 to UCSF

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- ❑ **UCSF already occupies 57 acres for Campus and Medical Center sites**
- ❑ **Under contract to acquire Blocks 33-34 from salesforce.com for office uses related to the campus**
- ❑ **Exempt under State Constitution from local land use and redevelopment regulations and from local property taxes**
- ❑ **Subject to third party contractual obligations, such as South OPA and the PILOT**

Proposed Transaction

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- **UCSF owes approximately \$39.8 million under PILOT**
- **UCSF proposing payment of \$32.1 million instead of PILOT (\$7.7 million difference)**
 1. **Affordable Housing Payment**
 - **\$10.2 million, up front to OCII**
 2. **Infrastructure Payment**
 - **\$21.9 million, up front to FOCIL**
- **UCSF would also make CFD payments for open space and infrastructure totaling approximately \$10 million**

Affordable Housing Benefits

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- **Immediately available funds for affordable housing will accelerate completion of development**
 - **6% more than OCII would have received from a taxable entity: \$10.2 million vs. \$7.96 million**
 - **350 units of affordable housing underway; 750 remaining**
 - **Allows for two affordable housing projects in the next five years rather than ten years**
 - **Block 6E – 135 units of family rental housing with 27 units for formerly homeless families**
 - **Block 3E – 101 units of supportive housing for formerly homeless individuals**

Benefit to General Fund

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- **UCSF anticipates consolidation of its operations in Mission Bay South and relocation from remote locations in the City**
- **Return of these properties to the tax rolls could generate new general fund revenues to the City and tax revenues for other taxing entities**
- **Net present value of revenues is an estimated \$16.2 million, vetted by independent third-party consultant (ALH Economics)**
 - ▣ **\$9.1 million to City, including \$6.6 to General Fund**
 - ▣ **Return properties to tax rolls and generate general fund and tax revenues**
- **Revenues are not guaranteed, however:**
 - ▣ **Stated purpose of acquisition is to consolidate**
 - ▣ **UC can't afford to keep properties and build on Blocks 33-34**
 - ▣ **Estimated revenues are twice what is being foregone under PILOT**
 - ▣ **Analysis does not include Laurel Heights**

Additional Policy Considerations

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- **Employment**
 - **UCSF is one of the City's largest employers, with a paid workforce of approximately 22,500 employees**
 - **Project will create new construction jobs**
- **UCSF contributes over \$60 million annually in direct sales spending in the City**
 - **About \$700 million with multiplier effects of direct spending and wages**
- **UCSF is a catalyst for the developing biotech industry**
- **UCSF provides valuable education and medical services**
- **UCSF has already made a substantial investment in the Campus Site and Medical Center**