

Office of Community
Investment & Infrastructure
Successor to the
San Francisco Redevelopment Agency

Proposed Fiscal Year 2014-15 Budget

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OFFICE OF COMMUNITY INVESTMENT & INFRASTRUCTURE
Fiscal Year 2014-15 Proposed Budget

1. Background

The Office of Community Investment & Infrastructure is the Successor Agency to the San Francisco Redevelopment Agency. On February 1, 2012 the San Francisco Redevelopment Agency (“SFRA”), along with all 400 redevelopment agencies in California, was dissolved pursuant to Assembly Bill 26 (“AB 26”) and by order of the California State Supreme Court. In June of 2012, Assembly Bill 1484 was passed to further clarify certain aspects of the dissolution of redevelopment agencies, and together the two assembly bills are known as the “Dissolution Law”. Pursuant to the Dissolution Law and to Board of Supervisors Ordinance 215-12, the City has created the Office of Community Investment and Infrastructure (“OCII”) as the Successor Agency to the San Francisco Redevelopment Agency. As Successor Agency, OCII succeeds to the organizational status of SFRA but without any legal authority to participate in redevelopment activities except to complete work related to approved enforceable obligations.

Those enforceable obligations are related to: (1) the Major Approved Development Projects (defined as the Hunters Point Shipyard / Candlestick Point Redevelopment Project, the Mission Bay North and South Redevelopment Project, and the Transbay Redevelopment Project); (2) the asset management of SFRA assets such as Yerba Buena Gardens, existing economic development agreements such as loans, grants, or owner participation agreements, and other real property and assets of SFRA that must be wound down under the Dissolution Law; and (3) OCII’s Retained Housing Obligations which include ensuring the development of affordable housing in the Major Approved Development Projects as well as fulfilling a Replacement Housing Obligation.

OCII’s obligations are a key part of the Mayor’s plan to create 30,000 units by 2020, with one-third, or 10,000, of them as permanently affordable. In fact OCII’s Retained Housing Obligations will result in almost 2,750 affordable units by 2020 through both stand-alone projects funded with OCII subsidy as well as inclusionary affordable units provided through private development. This includes several OCII sponsored projects that received completion permits just before the close of 2013, and opened their doors to welcome new residents in 253 affordable units in early 2014. Below is a summary of OCII’s contribution to the Mayor’s plan to create this vitally important resource for San Francisco.

**Mayor’s Plan for 10,000 Affordable Units by 2020:
OCII Pipeline**

Project Status	Total Stand-Alone Units	Total Inclusionary Units	Totals
Completed & Leased Up Early 2014	253		253
In Construction	341	43	384
In Predevelopment	871	95	966
In Preliminary Planning	1,068	76	1,144
Totals	2,533	214	2,747

Governance

The Commission on Community Investment and Infrastructure, which was established by the City through Ordinance 215-12, is the main governing body of OCII and is responsible for implementing and completing the enforceable obligations of the former redevelopment projects, including exercising land use and design approval authority for the Major Approved Development Projects. The Commission is comprised of five members appointed by the Mayor and confirmed by the Board of Supervisors, with two of the seats held by residents of the two supervisorial districts with the largest amounts of the Major Approved Development Projects.

The Dissolution Law requires that there be an additional governing body known as an Oversight Board to oversee certain functions of OCII as the Successor Agency, and which has a fiduciary duty to the holders of enforceable obligations with the former Redevelopment Agency and to the taxing entities that are entitled to an allocation of property taxes. The Oversight Board of the City and County of San Francisco reviews and approves OCII's expenditures and use of tax increment through semi-annual Recognized Obligation Payment Schedules ("ROPS"), as well as approving the issuance of any bonds, transfers of property, and other matters related to the dissolution of SFRA. The Mayor appoints four of the seven members of the Oversight Board, subject to confirmation by the Board of Supervisors. One of those four members must represent the largest group of former Agency employees. The remaining three members are representatives of affected taxing entities: the Bay Area Rapid Transit District, the San Francisco Unified School District, and the San Francisco Community College.

The Dissolution Law requires that OCII be a separate legal entity from the City and County of San Francisco, just as SFRA was. However, OCII is still subject to the governance of the City acting through its legislative capacity. Accordingly, the OCII's budget must be approved first by the Commission and subsequently approved by the Mayor and Board of Supervisors.

2. Budget Summary

Table 1 displays a summary of the OCII proposed budget for Fiscal Year 2014-15 compared to the prior year budget.

The FY 2014-15 proposed budget of \$377.5 million represents an increase of \$53.5 million compared to the prior year, largely due to:

- \$93.5 million increase in affordable housing fees from developers;
- \$8.7 million increase in use of prior year fund balances, including the programming of \$9.2 million in excess pre-2011 bond balances.
- \$12.3 million increase in budgeted Mission Bay tax increment revenues
- \$58.3 million reduction in bond revenues, due to the absence of any planned new money bond issuances in FY 2014-15. The budget does allow for the potential refunding of existing tax allocation bond debt if market conditions allow for debt service savings.

In addition to amounts specified in the FY 2014-15 budget, the enabling resolution accompanying the budget would allow OCII to accept and expend any pledged property tax revenues in the Mission Bay North and South and Transbay project areas, and Transbay revenues from sale of formerly state-owned properties for their pledged purposes.

Table 2 shows the OCII FY 2014-15 budget by high-level categories of spending and funding source. These show that developer payments make up 38% of the sources of the proposed budget, followed by property tax at 35% and fund balances at 18%. Rents, garage revenues, and other revenues make up the remainder. On the uses side, Affordable Housing makes up 49% of the budget, followed by debt service at 31% and infrastructure at 11%, with the remaining 9% made up of asset management, project management and administration costs.

Table 3 shows the proposed FY 2014-15 budget by project area, followed by a narrative for each project area. The enabling resolution accompanying the budget would allow OCII the flexibility to transfer budgeted appropriations within project areas and to transfer appropriations for allocated staffing and overhead costs between project areas. Funds appropriated to reserves for affordable housing, capital improvements and community grants may be expended only after further Commission action to approve the proposed uses. In all cases, such transfers are subject to funding availability and compliance with DOF-approved ROPSs.

OCII also administers six Community Facilities Districts (“CFDs”) created under California’s Mello-Roos Act which support infrastructure and maintenance activities in project areas with funds from dedicated parcel taxes. Although the CFD activities are not included in OCII’s budget, their spending plans, annual levies and outstanding debt as of June 30, 2014 are provided for informational purposes in Appendix 1.

Appendix 2 provides a view of the OCII’s tax allocation bond debt service obligations through Fiscal Year 2024-25.

Table 1. FY 2014-15 Proposed Budget, \$ Thousands

Sources	FY 13-14 Budget¹	FY 14-15 Proposed	Diff
Property Tax Increment - Debt Service	\$ 97,230	\$ 97,583	\$ 354
Property Tax Increment - Mission Bay	4,800	17,120	\$ 12,320
Property Tax Increment - Admin Allowance	3,275	2,910	\$ (365)
Property Tax Increment - Other	13,944	13,695	\$ (249)
Subtotal Property Tax Increment	119,249	131,309	12,060
Hotel Tax/Moscone Revs for Debt Service	15,909	11,805	\$ (4,103)
Rent & Lease Revenues	13,329	18,658	\$ 5,329
Developer Payments for Affordable Housing	35,700	129,154	\$ 93,454
Developer Payments - Other	9,450	13,569	\$ 4,119
Federal and State Funds	8,863	290	\$ (8,573)
Garage Revenues	3,533	4,215	\$ 682
Loan Repayments	-	106	\$ 106
City Reimbursements for OCII Staff	540	536	\$ (4)
New Bond Proceeds	58,600	300	\$ (58,300)
Subtotal Current Revenues	265,173	309,942	44,770
Fund Balance - Housing	48,620	49,829	\$ 1,209
Fund Balance - Other	10,194	17,695	\$ 7,501
Total Sources	323,987	377,467	53,479
Uses - Operations			
Salaries and Benefits	6,140	7,511	\$ 1,371
General Administrative & Mgmt Services	850	902	\$ 52
Affordable Housing Services	1,368	619	\$ (749)
Rent	441	441	\$ -
Retiree Health Insurance	975	1,040	\$ 65
Auditing & Accounting Services	315	210	\$ (105)
Legal Services	3,066	1,395	\$ (1,671)
Planning & Workforce Development Svcs	2,852	2,629	\$ (223)
Asset Management	4,658	6,879	\$ 2,221
Other Professional Services	4,064	7,697	\$ 3,633
Grants to Community-Based Organizations	7,564	5,312	\$ (2,251)
Payments to other Public Agencies	2,555	7,456	\$ 4,901
Other Current Expenses	3,388	4,010	\$ 621
Subtotal Operations	38,236	46,102	7,866
Affordable Housing Loans	82,931	103,172	\$ 20,241
Affordable Housing Reserve	9,300	69,098	\$ 59,798
Development Infrastructure	71,022	24,283	\$ (46,740)
YBG Capital Reserve	-	3,167	\$ 3,167
Community Grants Reserve	-	1,496	\$ 1,496
Bldg Imprvmts/Lead&Asbestos Abatement	6,336	-	\$ (6,336)
Public Art	2,136	1,378	\$ (757)
Other Use of Bond Proceeds	-	9,217	\$ 9,217
Debt Service	114,026	119,555	\$ 5,528
Total Uses	\$ 323,987	\$ 377,467	\$ 53,479

Table 2. Fiscal Year 2014-15 Budget Summary by Sources and Uses, \$ Thousands

Uses	Sources					Total by Use	Use %
	Developer Pmts	Property Tax	Fund Balances	Property Rents and Garage Revs	Other		
Affordable Housing	\$ 129,154	\$ 5,196	\$ 48,979	\$ -	\$ -	\$ 183,329	49%
Debt Service	-	103,233	-	1,615	12,105	116,954	31%
Infrastructure	8,329	17,515	15,910	316	290	42,360	11%
Asset Management	550	537	1,785	19,572	106	22,549	6%
Project Mgmt & Admin	4,691	4,828	850	1,369	536	12,274	3%
Total by Source	\$ 142,724	\$ 131,309	\$ 67,524	\$ 22,873	\$ 13,037	\$ 377,467	100%
Source %	38%	35%	18%	6%	3%	100%	

Table 3. Proposed FY 2014-15 Budget by Project Area/Cost Center, \$ Thousands

Sources	Admin	Debt Service	HPSY P1	HPSY P2/CP	MBN	MBS	TBY	YBC	YBG	SBH	Other	Total FY 14-15
Property Tax Increment - Debt Service	-	97,583	-	-	-	-	-	-	-	-	-	97,583
Property Tax Increment - Admin Allowance	1,312	-	595	313	165	-	524	-	-	-	-	2,910
Property Tax Increment - Other	1,040	145	-	-	5,600	11,520	8,913	-	-	-	3,597	30,815
Hotel Tax/Moscone Revs for Debt Service	-	11,805	-	-	-	-	-	-	-	-	-	11,805
Rent & Lease Revenues	-	1,615	316	-	-	-	350	-	12,780	2,685	911	18,658
Developer Payments for Affordable Housing	-	-	1,000	39,892	-	10,200	77,000	1,062	-	-	-	129,154
Developer Payments - Other	150	-	1,991	4,896	736	2,016	1,050	2,247	184	-	300	13,569
Federal and State Funds	-	-	290	-	-	-	-	-	-	-	-	290
Garage Revenues	-	-	-	-	-	-	-	3,800	-	-	415	4,215
City Reimbursements for OCII Staff	-	-	-	-	-	-	-	-	-	-	536	536
Loan Repayments	-	-	-	-	-	-	-	-	-	-	106	106
New Bond Proceeds	-	300	-	-	-	-	-	-	-	-	-	300
Fund Balance - Housing	-	-	-	11,561	-	3,237	23,587	2,485	-	-	8,959	49,829
Fund Balance - Other	-	-	1,075	1,350	-	377	12,000	457	331	-	2,105	17,695
Total Sources excluding Transfers	2,502	111,448	5,266	58,012	6,502	27,350	123,425	10,052	13,295	2,685	16,930	377,467
Transfer In Between Projects	-	-	1,500	-	-	2,047	-	-	-	-	-	-
Total Sources	2,502	111,448	6,766	58,012	6,502	29,398	123,425	10,052	13,295	2,685	16,930	
Uses - Operations												
Allocated Staff & Operating Expenses	(9,771)	95	1,750	1,215	491	1,351	1,923	259	246	947	1,496	-
Salaries and Benefits	7,511	-	-	-	-	-	-	-	-	-	-	7,511
General Administrative & Mgmt Services	902	-	-	-	-	-	-	-	-	-	-	902
Affordable Housing Services	619	-	-	-	-	-	-	-	-	-	-	619
Rent	441	-	-	-	-	-	-	-	-	-	-	441
Retiree Health Insurance	1,040	-	-	-	-	-	-	-	-	-	-	1,040
Auditing & Accounting Services	210	-	-	-	-	-	-	-	-	-	-	210
Legal Services	285	-	95	600	-	-	350	-	40	-	25	1,395
Planning & Workforce Development Svcs	379	-	375	1,125	150	450	150	-	-	-	-	2,629
Asset Management	-	-	-	-	-	-	-	1,200	3,423	-	2,256	6,879
Other Professional Services	275	350	674	2,233	-	-	4,165	-	-	-	-	7,697
Grants to Community-Based Organizations	-	-	-	850	-	-	-	457	4,005	-	-	5,312
Payments to other Public Agencies	-	-	316	-	-	-	3,000	2,840	68	521	710	7,456
Other Current Expenses	611	-	61	36	-	-	-	1,748	63	1,217	274	4,010
Subtotal Uses - Operations	2,502	445	3,271	6,059	641	1,801	9,588	6,504	7,845	2,685	4,762	46,102
Other Uses												
Affordable Housing Loans	-	-	2,500	51,042	-	5,030	44,600	-	-	-	-	103,172
Affordable Housing Reserve	-	-	-	411	-	12,700	55,987	-	-	-	-	69,098
Development Infrastructure	-	-	-	-	-	8,900	13,100	-	2,283	-	-	24,283
YBG Capital Reserve	-	-	-	-	-	-	-	-	3,167	-	-	3,167
Community Grants Reserve	-	-	996	500	-	-	-	-	-	-	-	1,496
Public Art	-	-	-	-	261	967	150	-	-	-	-	1,378
Other Use of Bond Proceeds	-	-	-	-	-	-	-	-	-	-	9,217	9,217
Debt Service	-	111,004	-	-	5,600	-	-	-	-	-	2,951	119,555
Total Uses excluding Transfers	2,502	111,448	6,766	58,012	6,502	29,398	123,425	6,504	13,295	2,685	16,930	377,467
Transfers Out Between Projects	-	-	-	-	-	-	-	3,547	-	-	-	-
Total Uses	2,502	111,448	6,766	58,012	6,502	29,398	123,425	10,052	13,295	2,685	16,930	

3. Administration Expenses and Budgeted Positions

Table 4 provides a summary of OCII's proposed \$12.3 million FY 2014-15 administrative budget:

Table 4. Proposed FY 2014-15 Administrative Budget, \$ Thousands

Sources	FY 13-14 Bgt	FY 14-15 Proposed	Diff
Property Tax Increment - Administrative Allowance	\$ 3,275	\$ 2,910	\$ (365)
Property Tax Increment - Retiree Health	975	1,040	65
Developer Payments		150	150
Staff & Operating Expenses Allocated to Projects	7,683	8,174	491
Total Sources	\$ 11,933	\$ 12,274	\$ 341
Uses	FY 13-14 Bgt	FY 14-15 Proposed	Diff
Salaries and Benefits	\$ 6,140	\$ 7,511	\$ 1,371
General Administrative & Mgmt Services	850	902	52
Affordable Housing Services	1,368	619	(749)
Rent	441	441	-
Retiree Health Insurance	975	1,040	65
Auditing & Accounting Services	315	210	(105)
Legal Services	400	285	(115)
Planning & Workforce Development Svcs	75	379	304
Other Professional Services	390	275	(115)
Other Current Expenses	979	611	(368)
Total Uses	\$ 11,933	\$ 12,274	\$ 341

Of the proposed \$12.3 million budget, \$2.9 million is anticipated to be funded with Property Tax designated as part of OCII's Administrative Cost Allowance provided for under Redevelopment Dissolution Law, and a further \$1.0 million is anticipated to come from property tax increment provided for retiree health insurance costs. \$150,000 represents an allowance for developer payments to cover temporary staffing to cover surge work requirements in any project area. The remaining \$8.2 million is allocated to project areas or other specific cost centers, for reimbursement from developer fees, lease revenues, project-based property tax increment, or other funding sources.

The \$7.5 million budget for OCII staff salaries and benefits represents a \$1.4 million increase from the approved FY 2013-14 budget. The increase is primarily due to:

- Filling of vacant positions. Details on authorized staff positions are provided below.
- A 5.3% increase in CalPERS employer contribution from 12.86% in FY 13-14 to 18.19% in FY 14-15.

- A provision for an additional \$150,000 in temporary salaries that could be funded by developer contributions, bringing the total temporary staffing budget to \$300,000. The additional funding is to allow for surge staffing if major new requirements arise during the course of the year in any project area.

Other items of note include:

- **Administrative and Management Services:** the \$902,000 budget represents the cost of staff support provided by the City Administrator's Office, including the salary and benefit costs of the OCII Executive Director, two Deputy Directors and human resource management staff support.
- **Affordable Housing Services:** The \$619,000 budget represents staffing support provided by the Mayor's Office of Housing and Community Development through the proposed Memorandum of Understanding, which is brought before the Commission for approval on May 6, 2014.
- **Legal Services:** The \$285,000 budget includes:
 - \$110,000 budget for City Attorney's Office general legal support of OCII;
 - \$100,000 budget for City Attorney's Office legal support related to affordable housing projects;
 - \$75,000 budget for other legal support that may be required by OCII.

Note that there are \$1 million in additional project-specific budgets for City Attorney Office assistance.

- **Planning and Workforce Development Services:** The \$379,000 budget includes \$190,000 for planning services provided by the City of San Francisco City Planning Department and \$189,000 for contractor workforce development services provided by the City's Office of Economic and Workforce Development.
- **Other Professional Services:** The \$275,000 budget includes \$100,000 for public communications support, \$20,000 for records management support, \$15,000 for Office of Labor Standards Enforcement investigations support and \$140,000 contingency budget for unforeseen requirements that may come up during the year.
- **Other Current Expenses:** The \$611,000 budget includes:
 - \$259,000 for insurance premiums and deductibles;
 - \$97,000 for software licensing fees
 - \$83,000 for mail, e-mail, telephone, copy machine and records storage
 - \$77,000 for office supplies and employee training and field expenses
 - \$50,000 for Commission and Oversight Board meeting expenses, including audiovisual recording of Commission meetings by SFGOV TV.
 - \$45,000 for other expenses.

FY 2014-15 Budgeted Positions

Salary ranges shown are as of May 2014 and are subject to change based on negotiated labor agreements. Salary ranges are for information only-- should there be any discrepancy between the salary ranges shown here and negotiated labor agreements, the negotiated labor agreement amount would be determinative. In special circumstances, and in accord with OCII's Personnel Policy, individuals may receive higher salaries than the ranges shown below to reflect acting assignments or unusual recruitment conditions.

Positions with an asterisk are currently employed by the City and County of San Francisco ("City") General Services Agency and work full time for OCII, in accord with a Memorandum of Understanding between the agencies. Additional City staff support on an as-needed basis is provided through professional services agreements. The salary budget also includes \$300,000 for limited term temporary staff.

Class Title	Annual Salary Range	FTE
1380 Executive Director*	\$164,034 - \$199,368	1
1378 General Counsel*	\$144,430- \$175,578	1
0933 Dep Director, Finance & Admin*	\$120,042- \$153,218	1
060 Deputy Director	\$134,238- \$163,176	1
565 Senior Civil Engineer	\$120,900 - \$146,952	1
535 Development Services Manager	\$113,412 - \$137,878	1
535 Housing Program Manager	\$113,412 - \$137,878	1
550 Senior Project Manager	\$112,086 - \$136,266	2
635 Architect	\$104,442 - \$126,932	1
590 Project Manager	\$ 96,824 - \$117,702	3
990 Assistant Project Manager	\$ 91,078 - \$110,708	4
615 Development Specialist	\$ 91,078 - \$110,708	6
705 Assistant Development Specialist	\$ 78,702 - \$ 95,654	1
730 Associate Planner	\$ 81,822 - \$ 99,476	1
740 Harbormaster	\$ 91,338 - \$111,020	1
790 Assistant Harbormaster	\$ 57,304 - \$ 69,628	1
840 Harbor Attendant	\$ 49,270 - \$ 59,878	2
865 Harbor Office Assistant	\$ 43,420 - \$ 52,728	1.6
890 Harbor Security Officer	\$ 40,118 - \$ 48,646	2
970 Accounting Supervisor	\$105,742 - \$128,518	1
670 Financial Systems Accountant	\$ 87,594 - \$106,444	1
695 Accountant III	\$ 75,660 - \$ 91,962	1
775 Accountant II	\$ 62,823 - \$ 76,369	1
585 Contract Compliance Supervisor	\$ 97,370 - \$118,352	1
586 Contract Compliance Specialist III	\$100,126 - \$121,706	1
640 Contract Compliance Specialist	\$ 76,440 - \$ 92,924	1
630 Senior Financial Analyst	\$ 99,736 - \$121,212	1
720 Senior Programmer Analyst	\$ 78,468 - \$ 95,368	1
1030 Management Assistant III	\$ 71,162 - \$ 86,502	4
1035 Management Assistant II	\$ 62,088 - \$ 75,452	2

1040 Management Assistant I	\$ 54,704 - \$ 66,482	1
855 Records Specialist II	\$ 48,646 - \$ 59,124	1
895 Office Assistant I	\$ 41,782 - \$ 50,726	1
Total OCII Positions		50.6

4. Debt Service

Table 3 provides a summary of OCII's proposed \$111.4 million FY 2014-15 debt service budget:

Table 3. FY 2014-15 Debt Service Budget, \$Thousands

Sources	FY 13-14 Budget ¹	FY 14-15 Proposed	Diff
Property Tax Increment - Tax Allocation Bonds	\$ 96,215	\$ 97,283	\$ 1,068
Property Tax Increment - Debt Mgmt Services	514	144	(370)
Property Tax Increment - South Beach Harbor	500	300	(200)
South Beach Harbor Revs for Debt Service	1,402	1,615	213
Hotel Tax/Moscone Revs for Debt Service	15,909	11,805	(4,103)
Refunding Bond Cost of Issuance Reimbursement	-	300	300
Total Sources	\$114,540	\$111,448	\$ (3,092)
Uses	FY 13-14 Budget ¹	FY 14-15 Proposed	Diff
Allocated Staff & Operating Expenses	50	94	44
Other Professional Services	464	350	(114)
Debt Service	114,026	111,004	(3,023)
Total Uses	\$114,540	\$111,448	\$ (3,092)

¹ FY 2013-14 figures include addition of \$12,820K Moscone convention center pass-through revenue and debt service not included in published OCII budget.

Highlights of the budget include:

- **Property Tax Increment for Tax Allocation Bonds:** \$97.3 million requirement. This is for the debt service payments scheduled for August 2014 and February 2015.
- **Property Tax Increment for Debt Management Services:** The \$144,000 budget is for bond trustee expenses, as-needed consultants for arbitrage calculations, and for OCII allocated staffing costs.
- **Property Tax Increment for South Beach Harbor:** The \$300,000 budget is the estimated amount of property tax derived from boats and improvements at South Beach Harbor which is pledged toward repayment of a South Beach Harbor revenue bond.
- **South Beach Harbor Revenues for Debt Service:** The \$1.6 million budget represents the additional amount of South Beach Harbor revenues anticipated to be needed to supplement Harbor property tax increment in order to cover debt service related to the Harbor. This is reduced \$200,000 from the FY 2013-14 budget to reflect recent experience of actual receipts.
- **Hotel Tax/Moscone Revenues for Debt Service:** The \$11.8 million budget is for City and County of San Francisco Hotel Taxes and Moscone Center revenues pledged for repayment of revenue bonds issued by the former San Francisco Redevelopment Agency.

- Refunding Bond Cost of Issuance Reimbursement: The \$300,000 budget represents an allowance for reimbursing OCII for issuance costs related to a potential refunding bond planned for FY 2014-15. The bond will be issued only if market conditions allow for debt service savings.

5. Hunters Point Shipyard/Candlestick Point

Project Description & Status

The Hunters Point Shipyard (the “Shipyard”) and Candlestick Point (together “HPS/CP”) form approximately 770 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors originally adopted the Shipyard Redevelopment Plan in 1997 and amended it in 2010 along with the Bayview Hunters Point Redevelopment Plan in 2010 to provide for the integrated planning and development of the Shipyard and the Candlestick Point portion of the Bayview Hunters Point Redevelopment Project Area. The Shipyard property is divided into Parcels A through G. Transfer of property after environmental remediation from the U.S. Department of the Navy (the “Navy”) to OCII, and in turn, redevelopment of the property, occurs in phases. Candlestick Point is subject to State and local land transfer agreements that allow for the re-use of the stadium site and adjacent underutilized parklands.

Pursuant to a disposition and development agreement (“DDA”) with OCII, a master developer is completing the infrastructure for the first phase of the Shipyard’s redevelopment (“Phase 1”), which will ultimately include up to 1,600 homes, 32 percent of which will be affordable, miles of new utilities, and 26 acres of open space. OCII will be seeking development teams and providing financing for a minimum of 218 units on designated stand-alone affordable housing sites in Phase 1. The Shipyard’s full build out will occur over 20-25 years, but 800+ units of housing will be completed over the next five years in the Shipyard’s first phase.

A master developer that is separate but affiliated with the Phase 1 developer will complete the remaining portion of the Shipyard infrastructure and also Candlestick Point area as one project under a separate DDA (“Phase 2”). The agreement for the Phase 2 development program provides for an additional 10,500 new housing units to be located on the Shipyard and Candlestick Point, 32% of which will be below market rate, including the rebuilding of the Alice Griffith public housing development consistent with the City’s HOPE SF program. Specifically, the OCII sponsored affordable housing development consists of 504 public housing replacement and new affordable units through five phases of the Alice Griffith project, plus an additional 1140 units on 10 stand-alone sites. The Phase 2 plan also includes approximately three million square feet of research and development and office uses as a hub for emerging technologies on the Shipyard, over 300 acres of parks and open space including a complete renovation of the Candlestick Point State Recreation area. In total, Phase 1 and Phase 2 will generate more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately \$90 million in community benefits.

Selection of development teams and review of financial and other long-term agreements for the affordable housing sites will be coordinated with the Mayor’s Office of Housing and Community Development (“MOHCD”), since affordable housing assets will be transferred to MOHCD after the project is completed and occupied. Prior to the start of Fiscal Year 2014-15, OCII will be procuring additional services from MOHCD through a Memorandum of Understanding to assist in monitoring of construction, marketing, and financial disbursements.

Staff will also work to ensure compliance with OCII's equal opportunity programs for workforce and contracting on all projects in the Project Area. Specifically, contract compliance staff will monitor all phases of construction, including hiring of local workers and the payment of prevailing wages. Staff will work closely with contractors themselves, as well as with the Citybuild program and other community based organizations, to foster job creation for local workers and to improve the opportunities for local, small, minority, and women owned businesses to participate on OCII projects.

On December 14, 2012, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5 (i), that the Phase 1 and 2 DDAs are enforceable obligations that survived the dissolution of the Redevelopment Agency. To implement these obligations, OCII must, among other things, receive and administer grants, execute leases, accept property, approve and amend consulting and construction contracts, and dispose of property. The work and major milestones that are anticipated to be completed in furtherance of these obligations over the course of the next two fiscal years are summarized below.

Fiscal Year 2014-15 Workplan

- 1. Hilltop Vertical Construction:** Monitor construction progress, developer's compliance with applicable workforce and contracting requirements and other obligations and provide inspection and approval as required by the Department of Building Inspection for Blocks 50, 51, 53, 54 and Block 49, a 59 unit multi-family development for low income families earning up to 50% AMI. Utilize MOHCD services to review, approve and monitor implementation of marketing plans of affordable units.
- 2. Major Phase Approval for Blocks 55W and 55E:** Complete review of design development and construction documents allowing construction to begin for residential projects on two blocks, for a total of 59 market rate for-sale units and 7 inclusionary affordable for-sale units serving low-income families earning up to 80% of AMI – consistent with the 6th Amendment to the Phase 1 DDA. Application for schematic design review and approval is expected to occur in late mid- to late- April, with construction commencing in spring of 2015.
- 3. Major Phase Approval for Block 52:** Complete review of design development and construction documents allowing construction to begin for residential projects on Block 52, for a total of 70 market rate for-sale units and 8 inclusionary affordable for-sale units serving low-income families earning up to 80% of AMI – consistent with the 6th Amendment to the Phase 1 DDA. Application for schematic design review and approval is expected to occur in summer 2014, with construction commencing in late 2015.
- 4. Major Phase Approval for Block 1:** Complete review of design development and construction documents allowing construction to begin for residential projects on Block 1, for a total of 204 market rate for-rent units and 21 inclusionary affordable for-rent units serving low-income families earning up to 80% of AMI – consistent with the 6th

Amendment to the Phase 1 DDA. Application for schematic design review and approval is expected to occur in summer 2014, with construction commencing in late 2015.

- 5. Design Review and Construction of Blocks 56 & 57:** Complete review of design development and construction documents allowing construction to begin for residential projects on two blocks, consisting of a total of four buildings with 88 market rate for-sale units and 10 inclusionary affordable for-sale units serving low-income families earning up to 80% of AMI – consistent with the 6th Amendment to the Phase 1 DDA, all units in Phase 1 being provided for families earning up to 50% AMI have been reallocated to Block 49. Construction is scheduled to begin in October 2014 and be completed in October 2016.
- 6. Design and Construction of the Hilltop Parks & Open Space:** Review and approve final construction drawings for nearly half of the 26 acres of parks & open space on Parcel A. With the Department of Public Works, monitor construction progress and developer’s schedule of performance as well as developer’s compliance with applicable workforce and contracting requirements. Park construction will progress concurrent with vertical development.
- 7. Design Refinement and Review for Block 48:** The site plan for Block 48, the Shipyard Hillside Lot within the Phase 1 area, will be evaluated to optimize utilization of the site for approximately 475 market-rate and affordable housing units. A new site plan and building typologies will be presented for the Commission’s consideration.
- 8. Fabrication and Installation of Shipyard Public Art:** Monitor the completion of remaining public art pieces funded through a federal grant from the U.S. Department of Commerce, Economic Development Administration (“EDA”) for a total of nine public artworks. Solicit proposals for installation contractors and manage the phased installation of the completed public art.
- 9. Construction of New Artist Studios and a Commercial Kitchen:** Construction of a commercial kitchen and a new artist building for existing Shipyard tenants.
- 10. Artist Relocation Plan:** Review and approve a Relocation Plan for the relocation of existing tenants from Parcel B and Building 110 (approximately 120 artists and a commercial kitchen) to the new facilities to be constructed on Parcel A.
- 11. Stabilization and Development of Building 813:** Release a request for construction bids for the EDA funded basic stabilization and life-safety improvements to Building 813. Improvements include a new roof, paint, window repair/replacement, and basic safety and security measures for the existing four-story, 275,000 square foot building. Building 813 will be retained for use as a research and development center as well as a business incubator for early-stage innovation companies in the fields of clean technology, life sciences and information technology. Upon completion of the improvements, solicit development proposals for the site.

- 12. Strategic Planning for the Legacy Foundation for Bayview Hunters Point:** Continue working with the Legacy Foundation's Interim Board to expend developer funds pledged for community uses ("Community Benefit Fund"). The Community Benefit Fund is funded under the Phase 1 and Phase 2 DDA for programs to benefit the Bayview Hunters Point area as a whole.
- 13. Revitalization of Alice Griffith Public Housing:** The Alice Griffith Project is the recipient of a \$30.5 million grant from the U.S. Department of Housing and Urban Development ("HUD") through its Choice Neighborhoods Initiative ("CNI Grant"). OCII's total funding for Phases 1 and 2 will be provided by the end of FY 2013-14 along with predevelopment funding for Phase 3. OCII will then need to provide construction funding for Phase 3 in FY 2014-15. Infrastructure construction will commence in August 2014 and construction of the first two blocks will commence in January 2015. Schematic design for Phase 3 will be reviewed and presented to the Commission in FY 2014-15.
- 14. Navy Parcel Transfer:** The Commission will be asked to accept the transfer of Navy Parcels D-2, IR 7/18, G, UC-1 and UC-2 (together approximately 67 acres) in furtherance of the Shipyard Phase 2 development. As permitted by the Navy access agreements, additional work may include pre-development activities such as building and land surveys, as well as lead and asbestos abatement of Navy buildings slated for removal.
- 15. State Lands Trust Lands Exchange and California State Parks Properties:** Transfer of portions of the Candlestick site that are currently owned by State Parks or the State Lands Commission to OCII for development under the Phase 2 DDA. The first portion of these lands is required for the Alice Griffith public housing site and surrounding infrastructure.
- 16. Hunters Point Shipyard Major Phase Application:** The first Major Phase application for Hunters Point Shipyard will be reviewed and presented to Commission for approval. The Major Phase application will confirm the locations for infrastructure, parks, and affordable housing as well as lay out the sub-phasing schedule for construction, the types and amounts of community benefits that will be paid out according to the Phase 2 DDA, and confirm any mitigation measures that are to be put in place as required under the California Environmental Quality Act ("CEQA").
- 17. Candlestick Point Center Schematic Design Review:** Following Commission's January 2014 approval of the CP Major Phase 1, staff will review sub-phase applications for the Candlestick retail center and adjoining mixed-use blocks as well as Alice Griffith. Seek Schematic Design approval for a regional retail center of up to 635,000 gross square feet in FY 2014-15.
- 18. Release Affordable Housing RFPs for Hilltop Block 54:** Issue the first RFP for an OCII stand-alone affordable housing development for Block 54 for approximately 60 family rental units for residents earning up to 50% AMI.

19. Off-Site Transportation Improvements Planning: Staff will coordinate circulation improvements to the following existing Bayview neighborhood streets to the new development:

- **Harney Way:** The Project will improve and reconfigure auto, transit and bike access between Candlestick Point and US 101.
- **Gilman:** Enhance streetscape improvements such as street trees, sidewalk plantings, furnishing and paving treatments to enhance pedestrian safety and to visually connect Bayview neighborhood to the new development.
- **Palou:** Similar to Gilman’s streetscape improvements with the addition of new traffic signals to transform Palou into a “Transit Priority Street”.
- **Innes:** Streetscape improvements including new sidewalks, striping, and lighting to create an attractive gateway into the Project site.

20. Recreation and Park Property Transfer (Candlestick Park Stadium): In order to effectuate the Phase 2 development program, the Candlestick Park Stadium will be transferred from the Department of Park and Recreation to OCII and subsequently transferred to Lennar for construction of new infrastructure to serve the future Candlestick Point housing, retail center and revitalized State Park.

21. Oversee Developer Construction of Infrastructure: Within the CP-01 subphase, Lennar will construct new streets, sewers, electricity and gas lines, storm drains, and a future park to support new housing at Alice Griffith. Staff will work with DPW to ensure that the new infrastructure meets City standards and is in conformance with the plan documents.

22. International African Marketplace: The Shipyard Phase 1 Disposition and Development Agreement’s Community Benefits Agreement requires the Shipyard’s Developer to provide for an interim and a permanent marketplace for local vendors called International African Marketplace (“IAM”). The IAM is a multi-faceted marketplace that should attract San Franciscans and other Bay Area residents to Bayview and the Shipyard for entertainment and shopping purposes. It is also a business development program that seeks to directly enhance the capacity of local vendors producing and selling cultural products of the African Diaspora, and increase business revenues for local merchants. OCII has \$79,000 in funds originally provided by the developer to assist with creation of the IAM. Due to OCII’s spending constraints under dissolution, the budget anticipates returning these funds to the Developer to be used in support of the IAM.

6. Mission Bay North and South Major Approved Development Projects

A. Project Description & Status

The Mission Bay North and South Redevelopment Project Areas were established in 1998 to create a vibrant, transit oriented, mixed-use community that will result in 6,350 residential units (29% of which will be affordable), 4.4 million square feet of office and biotechnology space, 400,000 square feet of retail uses, a new University of California, San Francisco research campus and medical center, 250-room hotel, 49 acres of open space, library, school, police headquarters, and local police and fire department. Completion of the Mission Bay project is anticipated to occur over 25 to 30 years and result in construction of more than \$700 million of new infrastructure, development of over \$8 billion in private vertical development, and creation of 31,000 permanent jobs.

Mission Bay is currently undergoing a massive construction boom. By early 2015, Mission Bay will see the majority of the remaining market-rate residential units completed (1,190 units), with another 150 affordable units also finished. The remaining market-rate housing (about 520 units) and 200 additional affordable housing units are anticipated to be under construction by early 2015. The first phase of the new UCSF medical center will be completed by then, providing 289-new hospital beds. The 4th Street commercial corridor will be almost complete and filled with new, local serving commercial uses. The Public Safety Building will be open by end of 2014, providing additional security to the neighborhood with a local fire and police station, in addition to the San Francisco Police Headquarters. Planning for the next wave of commercial office space is anticipated to be underway in 2015. To serve all this new development, almost all of the remaining streets and underground utilities will be finished by early 2016, and there will be several new parks, including the new children's park and new parks along the bayfront.

Implementation of the Mission Bay project occurs through the Mission Bay North and South Redevelopment Plans and the Mission Bay existing obligations. The Mission Bay North and South Owner Participation Agreements, and several related or attached documents including the Infrastructure Plans, Financing Plans, and the Tax Increment Allocation Pledge Agreements, are enforceable obligations and outline the public/private partnership between OCII and the Mission Bay Master Developer, FOCIL-MB, LLC. On January 24, 2014, OCII received a Final and Conclusive Determination on the Mission Bay enforceable obligations from the State Department of Finance ("DOF").

OCII also is responsible for the management of the 41-acre planned Mission Bay Open Space System until 2043. Currently there are about 15 acres that are completed and operated by OCII. OCII has entered into a contract with MJM Management Group ("MJM") to do the day-to-day management of the parks. The costs for park management are paid with special taxes collected through Community Facilities District #5 (CFD#5), which OCII administers. The calendar year 2014 budget for CFD#5 and the park management is included in the OCII budget for informational purposes only.

Key responsibilities of OCII, and its Commission, related to the implementation of Mission Bay include financing of infrastructure, land use review and approvals provide financing for the

development of affordable housing on land donated by the Master Developer, maintenance of the 41-acre Mission Bay open space system, creation and implementation of a Mission Bay Art Program, and staffing of the Mission Bay Citizens Advisory Committee. Selection of development teams and review of financial and other long-term agreements for the affordable housing sites will be coordinated with the Mayor's Office of Housing and Community Development ("MOHCD"), since affordable housing assets will be transferred to MOHCD after the project is completed and occupied. Prior to the start of Fiscal Year 2014-15, OCII will be procuring additional services from MOHCD through a Memorandum of Understanding to assist in monitoring of construction, marketing, and financial disbursements.

Staff will also work to ensure compliance with OCII's equal opportunity programs for workforce and contracting on all projects in the Project Area. Specifically, contract compliance staff will monitor all phases of construction, including hiring of local workers and the payment of prevailing wages. Staff will work closely with contractors themselves, as well as with the Citybuild program and other community based organizations, to foster job creation for local workers and to improve the opportunities for local, small, minority, and women owned businesses to participate on OCII projects.

B. Fiscal Year 2014-15 Workplan

1. **Mission Bay North & South:** Provide funding for and/or ensure the development of approximately 1,800 total affordable housing units in Mission Bay South and Mission Bay North (of which 674 units have been constructed) pursuant to the Owner Participation Agreements with the master developer and the Tax Increment Pledge Agreements with the City.
2. **Block 6 East Affordable Housing:** Select development team and provide predevelopment funding for the affordable housing project on Block 6 East to develop the site into approximately 135 units of rental housing for very low-income families, which will also include a set-aside of 20 percent of the units for formerly homeless families referred by the Human Services Agency. The Request For Proposal ("RFP") is anticipated to be issued towards the end of Fiscal Year 2013-14.
3. **Block 3 East Affordable Housing:** Issue an RFP, select a development team, and provide predevelopment funding for the affordable housing projects on Block 3 East to develop the site into approximately 100 units of supportive rental housing for formerly homeless individuals to be referred by the Department of Public Health.
4. **Block 7 West Affordable Housing:** Complete financial closing for construction funds needed for the development of 200 units of affordable rental housing for low-income families on Block 7 West and begin construction.
5. **Block N4P3 Marketing Plan:** Utilize MOHCD services to review, approve and monitor implementation of marketing plans of inclusionary affordable units within the Block N3P4 residential project in Mission Bay North.

6. **Mission Bay Public Art Program:** Develop a public art program for art within Mission Bay open spaces, which may include utilizing expertise within the art community, such as the San Francisco Arts Commission or consultants to be hired by OCII. Current budget has almost \$1 million in funds, which would be expended over multiple budget years.
7. **Blocks 1:** Approve schematic designs for residential and hotel uses on Block 1.
8. **Design Review** – Continue to process the design development and construction drawings for Blocks 1, 5, 7, 11, 12 East, 13 West, 40, and N4P3.
9. **UCSF Blocks 33/34:** Work with work with UCSF on the design of Blocks 33/34.
10. **Golden State Warriors Arena Project:** Work with the Golden State Warriors to design Blocks 29 to 32 for an arena/office/retail project and complete an environmental impact report, major phase, and schematic designs for the site.
11. **Park P6 Children’s Park:** Complete the construction of a new children’s park on Park P6, using a \$1.37 million Catalyst Grant from the California Department of Housing and Community Development (“HCD”).
12. **Park P11-11a and P19:** Complete construction on Park P11-11a on the Mission Bay Commons and Park P19 along Terry Francois Boulevard.
13. **Bayfront Park P26 and P27:** Complete construction on Mariposa Park (P26) and P27 in the southern part of Mission Bay.
14. **Mission Creek Park P2:** Complete the construction of the replacement parking for the Mission Creek Harbor Association (“MCHA”) as part of Park P2, complete the construction drawings for the park, and finalize the maintenance agreements with MCHA for the community garden and parking area.
15. **Future Park Management Strategy:** Start working with City/Port/Public Utilities Commission on future park management strategy once the Property Management Plan is approved by the Department of Finance.
16. **Street Improvements:** Continue construction of the remaining Mission Bay roadway improvements, which will be funded in part by a TIGER IV federal grant and HCD Prop 1C Transit Oriented Development grant.

7. Transbay Major Approved Development Project

A. Project Description and Status

The Transbay Redevelopment Project Area (“Project Area”) was adopted in 2005 and consists of approximately 40 acres in downtown San Francisco surrounding the new Transbay Transit Center (“TTC”), which is currently under construction by the Transbay Joint Powers Authority (“TJPA”). The Project Area goals include the development of: 1) the new, multi-modal TTC and related public infrastructure; 2) a new, transit-oriented neighborhood on approximately 10 acres of publicly-owned property, most of which was formerly owned by the State of California (“State”); and 3) approximately 1,200 affordable housing units, or 35 percent of the new residential units constructed in the Project Area. OCII acts as the master developer for most of the formerly State-owned parcels in the Project Area, issuing requests for proposals and selecting developers to construct the improvements, as specified in the Redevelopment Plan for the Transbay Redevelopment Project Area (“Redevelopment Plan”) and related documents.

The new, transit-oriented neighborhood that will be developed by OCII on the 10-acres of formerly State-owned property in the Project Area will consist of more than 3,000 new housing units, including 1,200 affordable units, nearly 2 million square feet of new commercial space, and approximately 4 acres of new public open space. In addition, the new Transbay Transit Center site will include a 5.5-acre rooftop park and a 1.35-million-square-foot office tower. The development program for the Project Area embodies a balanced approach to density, with office and residential towers spaced apart to protect views and sunlight, and retail and townhouses to maintain visual interest at the ground level. The program includes significant widening and improvement of sidewalks, conversion of Folsom Street to two-way traffic, and reconfiguration of an Interstate 80 off-ramp, all with the goal of creating a safe and attractive pedestrian environment.

The TJPA is responsible for planning, constructing and eventually operating the new TTC. OCII is charged with implementing the Redevelopment Plan pursuant to its enforceable obligations, including: 1) the 2008 Tax Increment and Sales Proceeds Pledge Agreement between OCII, the City and County of San Francisco (“City”) and the TJPA (“Pledge Agreement”), which irrevocably commits land sale and tax increment revenue from formerly State-owned parcels for the TTC; 2) the 2006 Transbay Redevelopment Project Implementation Agreement between OCII and the TJPA (“Implementation Agreement”), which requires OCII to prepare and sell, with TJPA reimbursement of staff costs, the formerly State-owned parcels and to construct and fund new infrastructure improvements (such as parks and streetscapes) and affordable housing obligations; and 3) AB 812 (codified in Section 5027.1 of the California Public Resources Code), which mandates that 25 percent of the residential units developed in the Project Area shall be available to low-income households and an additional 10 percent shall be available to moderate-income households. On April 15, 2013, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5 (i), that the Pledge Agreement, the Implementation Agreement, and the AB 812, are enforceable obligations are enforceable obligations of OCII.

Phase 1 of the TTC, including the above-ground bus station and the box for the below-ground train station, is under construction and is scheduled to be completed in 2017. Four of the publicly-owned parcels in the Project Area are in various stages of development and pre-development. Block 11A (the portion of Block 11 along Folsom Street) is a 120-unit supportive housing project completed construction and lease-up in Fiscal Year 13/14 and, like all completed affordable housing assets, will be transferred to the Mayor's Office of Housing and Community Development ("MOHCD") as Housing Successor pursuant to Dissolution Law. The TJPA sold Parcel T to Hines in Fiscal Year 12/13 to develop a 1,070-foot high-rise office tower. Because Parcel T is in Zone 2 of the Project Area and under the jurisdiction of the City, it was reviewed and approved by the San Francisco Planning Commission and started construction in April 2013. The former Redevelopment Agency selected Golub Real Estate Corp. ("Golub") and Mercy Housing California ("Mercy") for a market-rate and affordable housing development on Blocks 6/7 in December 2011. The site was sold to Golub in October 2013 and staff will seek final construction funding and approval of a long-term air-rights lease for the affordable housing portion of the project by the end of Fiscal Year 13/14. OCII selected Avant Housing ("Avant") and Bridge Housing ("Bridge") for a market-rate and affordable housing development on Block 9 in May 2013, and anticipates bringing both a Disposition and Development Agreement and a financing agreement to provide funding (from funds provided by the Block 9 developer) to the affordable housing portion of the project in Fiscal Year 14/15. Staff issued a request for proposals for Block 8 in October 2013 and will recommend a development team for the Commission consideration before the end of Fiscal Year 13/14. Staff also intends to issue a request for proposals for Block 5 before the end of Fiscal Year 13/14. Per the Implementation Agreement, OCII is also developing infrastructure plans for the new neighborhood, including new streetscape improvements on Folsom Street and two major new public parks within the Project Area.

Selection of development teams and review of financial and other long-term agreements for future affordable housing sites will be coordinated with MOHCD. Prior to the start of Fiscal Year 2014-15, OCII will be procuring additional services from MOHCD through a Memorandum of Understanding to assist in monitoring of construction, marketing, and financial disbursements.

Staff will also work to ensure compliance with OCII's equal opportunity programs for workforce and contracting on all projects in the Project Area. Specifically, contract compliance staff will monitor all phases of construction, including hiring of local workers and the payment of prevailing wages. Staff will work closely with contractors themselves, as well as with the Citybuild program and other community based organizations, to foster job creation for local workers and to improve the opportunities for local, small, minority, and women owned businesses to participate on OCII projects.

Pursuant to the Implementation Agreement, the TJPA funds all of OCII's staff and consultant costs related to the development of the State-owned parcels in the Project Area. Once a development team is selected, then OCII can charge the developer for staff and consultant costs instead of the TJPA. The staffing and construction costs for all infrastructure projects described in the tasks below are financed with tax increment. Note that the proposed Mello-Roos

Community Facilities District will pay for the TTC and other infrastructure improvements in addition to those described below.

B. Fiscal Year 2014-15 Proposed Workplan

1. **Block 6 Construction and Marketing:** Land sale closed in October 2013. Approval of construction funding and a long-term air rights lease anticipated in May/June 2014. Working with MOHCD, monitor the construction of a residential development on Block 6, consisting of approximately 409 market-rate units and 70 affordable rental units (at 50% of AMI) in a 300-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking. Using MOHCD's services, review, approve and monitor the implementation of the marketing and lease-up of all affordable units.
2. **Block 7 Air Rights Lease and Construction:** Approval of construction funding and a long-term air rights lease with the selected development team for an affordable residential development on Block 7 consisting of approximately 77 affordable rental units (at 50% of AMI) in two podium buildings and adjacent townhouses, including a ground-floor child care facility and open space.
3. **Block 9 DDA, Air Rights Lease and Construction Loan:** Approval of a disposition and development agreement (DDA), air rights lease and construction loan with the developers of Block 9 for a residential project consisting of approximately 456 market-rate units and 114 affordable rental units (at 50% of AMI) in a 400-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking.
4. **Block 8 DDA:** Selection of development team and exclusive negotiations agreement (ENA) anticipated in May 2014. Execute a DDA with the selected developers of Block 8 for a residential project consisting of approximately 476 market-rate units and 177 affordable rental units (at 50% of AMI) in a 550-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking.
5. **Block 1 ENA, OP/DDA, and Predevelopment Funding:** Execute an ENA and owner participation/disposition and development agreement (OP/DDA) with the current owner of the three private parcels adjacent to OCII's parcel (Block 3720, Lot 027). Approval of predevelopment funding for the affordable housing units.
6. **Block 5 ENA/DDA:** Issuance of a request for proposals anticipated in April 2014. Select a development team and execute an ENA and DDA with the developer of Block 5 for an approximately 700,000-sf commercial office project in a 550-foot tower.
7. **Folsom Streetscape Improvements:** Complete construction documents for a set of streetscape improvements on Folsom Street. Issue request for bids through letter agreement with DPW. Select contractor and begin construction.

8. **Under-Ramp Park:** Complete schematic design and design development documents for a 2.4-acre park under the Interstate 80 off-ramp and TTC bus ramps between Folsom and Howard Streets in the Project Area. Complete negotiations with TJPA and Caltrain.
9. **Folsom Street Off-Ramp Reconfiguration:** Design and construction documents completed in February 2014. Issuance of bid documents anticipated in June 2014. Select contractor and begin construction of a reconfiguration of the existing Folsom Street Off-Ramp on Block 8 in order to create a better pedestrian environment and increase the value of the parcel. OCII has a letter agreement with the San Francisco County Transportation Authority, the City's congestion-management agency, to provide technical services for this task.
10. **Rincon-Hill/Transbay CBD:** Work with an outside consultant and a steering committee composed of neighborhood property owners to create a community benefit district to provide funding for future maintenance of the new public parks to be constructed by OCII within the Project Area.
11. **Transbay CFD:** Work with the TJPA and the City to create a Mello-Roos Community Facilities District to provide funding for the TTC and other infrastructure improvements within and adjacent to the Project Area.
12. **TJPA Support:** Assist the TJPA with various financial and market analyses, as required by the TJPA's funding partners and the TJPA Board of Directors.
13. **Transbay CAC:** Provide staff support to the Transbay Citizens Advisory Committee, which provides advice and recommendations to the Commission on all major activities of OCII in the Project Area.

8. Affordable Housing Obligations

Affordable Housing Obligations Summary

OCII has retained two major types of Affordable Housing Obligations. First are those that are integrally related to the three critical redevelopment legacy projects referred to as the “Major Approved Development Projects” that OCII, as successor agency to SFRA, must continue to implement under enforceable obligations consistent with the Dissolution Law, which are described in detail within each relevant Project Area description of this budget. Second, OCII’s Affordable Housing Obligations include the replacement of units that were destroyed by SFRA in the early years of redevelopment and must be replaced pursuant to Senate Bill 2113 (“SB 2113”).

These obligations are referred to as OCII’s “Retained Housing Obligations”, pursuant to both the Dissolution Law and Board of Supervisors Ordinance 215-12. OCII will be managing the implementation of these Retained Housing Obligations through direct oversight along with services procured from the Mayor’s Office of Housing and Community Development (“MOHCD”) through a Memorandum of Understanding that is to be completed prior to the start of Fiscal Year 2014-15. Since all completed affordable housing assets will be transferred to MOHCD as the Housing Successor Agency, OCII will coordinate with MOHCD on site programming and developer selections, and MOHCD will have the opportunity to review and provide comments on schematic designs, financing agreements, and ground lease documents. In general however, OCII will be responsible for directly managing the affordable housing projects through completion, but will be procuring the services and expertise of MOHCD’s staff for construction monitoring, review and monitoring of marketing for both inclusionary and OCII funded projects (including implementation of the Certificate of Preference program), and assisting with the fiscal management and disbursement of OCII’s funds pursuant to the relevant project’s financing agreements, and other ancillary tasks as needed.

Key Accomplishments

2013 saw the opening of 460 units of affordable housing in 5 different projects for which OCII provided funding. These projects include:

Project	Total Units	Population Served
Hunters View Phase I	107	HOPE SF
Mary Helen Rogers Senior Community	100	Very Low-Income Senior Rental
474 Natoma	60	Very Low-Income Family Rental
1075 Le Conte (Bayview Hill Gardens)	73	Formerly Homeless Families
Rene Cazenave Apartments	120	Formerly Homeless Individuals

Commitment to the Mayor’s Plan for 10,000 Affordable Units by 2020

OCII’s obligations are a key part of the Mayor’s plan to create 30,000 units by 2020, with one-third, or 10,000, of them as permanently affordable. In fact OCII’s Retained Housing Obligations will result in almost 2,750 affordable units by 2020 through both stand-alone projects funded with OCII subsidy as well as inclusionary affordable units provided through private development. This includes several OCII sponsored projects mentioned above, 474 Natoma St, 1075 Le Conte Avenue, and Rene Cazenave Apartments, which received completion permits just before the close of 2013, and opened their doors to welcome new residents in 253 affordable units in early 2014. Below is a summary of OCII’s contribution to the Mayor’s plan to create this vitally important resource for San Francisco.

Mayor’s Plan for 10,000 Affordable Units by 2020: OCII Pipeline

Project Status	Total Stand-Alone Units	Total Inclusionary Units	Totals
Completed & Leased Up Early 2014	253		253
In Construction	341	43	384
In Predevelopment	871	95	966
In Preliminary Planning	1,068	76	1,144
Totals	2,533	214	2,747

Major Approved Development Project Affordable Housing

Each of the Major Approved Development Projects is subject to a series of interlocking master development agreements which obligate OCII to provide funding and facilitate the development of a required amount affordable housing units:

- **Hunters Point Shipyard / Candlestick Point:** provide funding for and ensure the development of approximately 218 affordable housing units in Phase 1, and a total of 1644 affordable units in Phase 2 (comprised of: 256 public housing replacement units at Alice Griffith, 248 new affordable units at Alice Griffith and 1140 new affordable units on stand-alone sites), pursuant to the Development and Disposition Agreements with the master developer and the Phase 2 DDA Tax Increment Pledge Agreement with the City. (DOF has finally and conclusively determined that the affordable housing programs for Phase 1 and Phase 2 are OCII’s enforceable obligations.)
- **Mission Bay North & South:** provide funding for and ensure the development of approximately 1,445 affordable housing units in Mission Bay South and Mission Bay North (of which 674 units have been constructed) pursuant to the Owner Participation

Agreements with the master developer and the Tax Increment Pledge Agreements with the City. (DOF has finally and conclusively determined that the affordable housing programs for Mission Bay North and South are OCII's enforceable obligations.)

- **Transbay:** provide funding for and ensure the development of 35% of all housing units in the Transbay Project Area as affordable housing units (projected to be approximately 1,200 units) pursuant to the obligation that is imposed by State law, namely Section 5027.1 of the California Public Resources Code, and the Transbay Redevelopment Project Implementation Agreement between OCII and the Transbay Joint Powers Authority. (DOF has finally and conclusively determined that Section 5027.1 housing requirement is OCII's enforceable obligation.)

Fiscal Year 2014-15 Workplan – Major Approved Development Projects

The Affordable Housing Projects within the Major Approved Development Projects are more fully described within the specific Project Area section of the budget. OCII will be sponsoring approximately 5,700 affordable units, through either direct subsidy on stand-alone affordable sites or through inclusionary housing requirements, for the remaining Retained Housing Obligations.

Below is a summary of those workplan activities for OCII and MOH staff in FY 2014-15:

A. Hunters Point Shipyard / Candlestick Point:

- a. **Alice Griffith Project:** The Alice Griffith Project is the recipient of a \$30.5 million grant from the U.S. Department of Housing and Urban Development (“HUD”) through its Choice Neighborhoods Initiative (“CNI Grant”). OCII's total funding for Phases 1 and 2 will be provided by the end of FY 2013-14 along with predevelopment funding for Phase 3. OCII will then need to provide construction funding for Phase 3 in FY 2014-15. Infrastructure construction will commence in August 2014 and construction of the first two blocks will commence in January 2015. Schematic design for Phase 3 will be reviewed and presented to the Commission in FY 2014-15.
- b. **Dr. George W. Davis Senior Housing and Senior Center (3rd & Carroll Senior Housing):** monitor construction and review and approve marketing plan utilizing MOHCD staffing services
- c. **HPSY Phase 1 Block 54:** Issue an RFP, select a development team, and provide predevelopment funding for the affordable housing projects on Block 54, the first OCII funded affordable housing site in Phase 1, to develop the site into approximately 53 units of family rental housing.

B. Mission Bay:

- a. **Block 6 East Affordable Housing:** Select development team and provide predevelopment funding for the affordable housing project on Block 6 East to develop the site into approximately 135 units of rental housing for very low-income families, which will also include a set-aside of 20 percent of the units for formerly homeless families referred by the Human Services Agency. The Request For Proposal (“RFP”) is anticipated to be issued towards the end of FY 2013-14.
- b. **Block 3 East Affordable Housing:** Issue an RFP, select a development team, and provide predevelopment funding for the affordable housing projects on Block 3 East to develop the site into approximately 100 units of supportive rental housing for formerly homeless individuals to be referred by the Department of Public Health.
- c. **Block 7 West Affordable Housing:** Complete financial closing for construction funds needed for the development of 198 units of affordable rental housing for low-income families, plus 2 managers’ units, on Block 7 West and begin construction.

C. Transbay:

- a. **Block 6:** Approval of construction funding and a long-term air rights lease anticipated in May/June 2014. Working with MOHCD, monitor the construction of a residential development on Block 6, consisting of approximately 409 market-rate units and 69 affordable rental units (at 50% of AMI), plus 1 manager’s unit, in a 300-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking. Using MOHCD’s services, review, approve and monitor the implementation of the marketing and lease-up of all affordable units.
- b. **Block 7 Construction Funding & Air-Rights Lease:** Approval of construction funding and a long-term air rights lease with the selected development team for an affordable residential development on Block 7 consisting of approximately 76 affordable rental units (at 50% of AMI), plus 1 manager’s unit, in two podium buildings and adjacent townhouses, including a ground-floor child care facility and open space.
- c. **Block 9 DDA, Air Rights Lease and Construction Loan:** Approval of a disposition and development agreement (DDA), air rights lease and construction loan with the developers of Block 9 for a residential project consisting of approximately 456 market-rate units and 113 affordable rental

units (at 50% of AMI), plus 1 manager's unit, in a 400-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking.

- d. **Block 8 DDA:** Selection of development team and exclusive negotiations agreement (ENA) anticipated in May 2014. Execute a DDA with the selected developers of Block 8 for a residential project consisting of approximately 476 market-rate units and 174 affordable rental units (at 50% of AMI), plus 1 manager's unit, in a 550-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking.
- e. **Block 1 ENA, OP/DDA, and Predevelopment Funding:** Execute an ENA and owner participation/disposition and development agreement (OP/DDA) with the current owner of the three private parcels adjacent to OCII's parcel (Block 3720, Lot 027). Approval of predevelopment funding for the affordable housing units.

D. Hunters View Public Housing Revitalization – Phase II Construction Monitoring: The Hunters View Public Housing Revitalization Project is not within one of the Major Approved Development Projects, but is an enforceable obligation since the former SFRA Commission authorized a loan to provide funding for Phases II and III of this HOPE SF project in April of 2011. OCII approved the disbursement of the funds needed for Phase II in FY 2013-14, and vertical construction is scheduled to begin in FY 2014-15. OCII staff will utilize services from MOHCD to monitor that construction.

E. Transfer of Excess Tax-Exempt Housing Bond Proceeds

The Low and Moderate Income Housing Fund included approximately \$8.1 million in tax-exempt bond proceeds that were issued for affordable housing purposes but were not able to be expended prior to dissolution, primarily due to the combination of federal Internal Revenue Service restrictions for tax-exempt bonds and current Low Income Housing Tax Credit (LIHTC) financing structures. Tax-exempt bonds must be granted, and not loaned, but most affordable housing projects utilizing LIHTC financing need local subsidies in the form of a loan and not a grant. All of the upcoming Retained Housing Obligation sites that will require OCII funding are anticipated to be rental housing that will need to use the LIHTC financing structure and will thus face similar challenges in using any of the remaining tax-exempt bond proceeds.

While OCII does not have any eligible uses for these proceeds due to post-Dissolution pipeline constraints, MOHCD is working to identify potential funding opportunities, including acquisition, rehabilitation, or preservation of affordable housing. Under Redevelopment Dissolution Law, OCII may expend the \$8.1 million

by transferring them to MOHCD by identifying them as “Excess Proceeds” on a ROPS, and having the Oversight Board approve the use (which must be consistent with the governing bond covenants). These funds could be provided to MOHCD through a grant agreement that would fully describe the programming and use of these funds, which would take place in the second half of FY 2014-15, pending approval of the transfer through ROPS 2014-15B in Fall 2014.

- F. **Marketing of Inclusionary Units:** Now that Hunters Point Shipyard Phase 1 has begun vertical development on the privately developed parcels, the marketing and sales of the inclusionary units to first-time homebuyers will be underway for Blocks 50, 51, 53, and 54 in FY 14/15. Block 49 in HPSY Phase 1 will also begin preparing to market its inclusionary rental units in FY 14/15, along with the last Mission Bay North site at Parcel N4P3, pending further project approvals. OCII will be engaging the services of the Below Market Housing team at MOHCD to help monitor and implement the marketing and sales or leasing of these units.

G. Replacement Housing Obligation (SB 2113)

Since 1977, State law has required the replacement of lower income housing that is destroyed or removed from the housing market as part of a redevelopment project. Under Senate Bill No. 2113 (“SB 2113”) the State legislature in 2000 provided San Francisco with the authority to finance the construction of housing that would replace units destroyed prior to 1977. SB2113 authorized San Francisco to extend the tax increment authority of older project areas for the exclusive purpose of receiving tax increment and incurring indebtedness to replace the destroyed affordable housing in San Francisco. In 2003, the California Department of Housing and Community Development certified that SFRA had destroyed 6709 affordable housing units prior to 1977 and had not yet replaced them (the “Replacement Housing Obligation”). Notably, the vast majority of lost affordable units were from three project areas: Yerba Buena Center (3217 units), Western Addition A-1 (3208 units) and Golden Gateway (1301 units).

In Fiscal Year 2004-05, SFRA began utilizing tax increment pursuant to SB 2113 to fund affordable housing to satisfy the Replacement Housing Obligation. The project areas which have implemented the SB2113 legislation are Golden Gateway, India Basin, and Hunters Point, Rincon Point-South Beach, Western Addition A-2, and Yerba Buena Center (excluding the Emporium Site sub-area). With the exception of Rincon Point-South Beach and the Emporium Site sub-area of Yerba Buena Center, all of the redevelopment plans for those Project Areas are expired.

To date, 867 units of affordable housing have been funded with tax increment allocated to SFRA under SB 2113 (“SB 2113 Funds”), leaving 5842 units remaining to be funded; of the 867 units already funded, 765 of those have either been completed or are under construction, and the remaining 132 units are in predevelopment. Affordable housing projects utilizing SB 2113 funds are typically

used in conjunction with other sources of funding, such as tax increment from non-SB 2113 Project Areas or other local funds provided by the City through the Mayor's Office of Housing. Units are classified as Replacement Units based on the pro-rata share of SB 2113 Funds as part of the total amount of SFRA's, and now OCII's, funding provided to the project. Therefore the final number of SB2113 units within a project isn't fully determined until all OCII funds are committed to the project.

H. SERAF Loan Repayment to Low-Moderate Income Housing Asset Fund

As a result of OCII's Finding of Completion from DOF, Redevelopment Dissolution Law, Health & Safety Code Section 34191.4 authorizes OCII to repay amounts borrowed from the Low and Moderate Income Housing Fund loans to pay Supplemental Educational revenue Augmentation Fund (SERAF) assessments. In Fiscal Year 2019-10, the former SFRA borrowed \$16.483 million from the Low and Moderate Income Housing Fund (LMIHF) to pay its SERAF assessment. Based on a DOF formula, OCII may make an initial repayment of up to \$2.95 million to the City as Housing Successor Agency, for deposit into the City's Low and Moderate Income Housing Asset Fund. Additional payments will be authorized of up to 50% of the increase in tax increment residuals released to taxing entities compared to the amount released in FY 2012-13. The \$2.95 million allowed in FY 14/15 is included in this budget. Actual release of the funds is contingent upon receiving a request from the City and approval of the payment by the Oversight Board and DOF.

9. Asset Management Outside Major Approved Project Areas

In addition to the Major Approved Project Areas, OCII has significant asset management responsibilities in several active and expired redevelopment project areas. These asset management responsibilities include: (1) property management of physical land and buildings, (2) lease management, (3) loan management and administration, (4) oversight of public parking garages, (5) landlord and creditor responsibilities in bankruptcies, (6) managing and monitoring development agreements, (7) managing a 700-berth boat harbor, (8) managing a community facilities district, (9) general asset management and problem-solving, and (10) implementing OCII's Long-Range Property Management Plan, which is a plan for disposition of all real property assets and is required under Redevelopment Dissolution Law (the "PMP").

The PMP was approved by OCII's Commission and the Oversight Board in the fall of 2013, and was submitted to the State Department of Finance ("DOF") in November 2013. DOF is still reviewing the PMP. Successor Agency staff are hopeful DOF will approve the PMP during the 2014-15 fiscal year (or sooner), and authorize staff to begin implementing it during the 2014-15 fiscal year and beyond. This work would include, among other things, title and escrow work, drafting transactional documents related to property sales or transfers, lease assignments, and shepherding properties through the approvals process.

Some of OCII's asset management work is funded using asset revenues (i.e., lease rental revenue, loan payments, harbor revenues, garage parking revenue). Some of this work is funded using developer reimbursements. In cases where no outside funding source exists, this work is funded using OCII's administrative cost allowance. The following briefly describes OCII's asset management responsibilities in several active and expired redevelopment project areas.

Activities described in the work plans are funded with a combination of new revenues and prior year fund balances and appropriations.

Yerba Buena Center (Expired Project Area)

Project Description & Status

The Yerba Buena Center ("YBC") Redevelopment Plan was adopted by the Board of Supervisors in 1966 and expired on January 1, 2011¹. YBC is an 87-acre area south of Market Street that formerly consisted of dilapidated hotels and commercial and industrial buildings. The redevelopment of YBC was a highly successful effort, and the area has been central to the economic growth and vitality of San Francisco over the past two decades.

Major commercial developments included (1) the expansion of Westfield's Shopping Centre onto the site of the former historic Emporium department store on Market Street and development of a new Bloomingdales fronting Mission Street as part of that project, and (2) development of new hotels including the Marriott Hotel, the Four Seasons, the W Hotel, the

¹ The Redevelopment Plan for the Emporium Site (the redeveloped Bloomingdales/Westfield Mall expansion) remains in place and tax increment funds from this site are directed to affordable housing projects.

Westin San Francisco Market Street, and the St. Regis Hotel, totaling over 2,500 new hotel rooms in YBC. Major YBC residential development projects included the Paramount Apartments, the St. Regis and Four Seasons condominiums, and over 1,400 senior affordable units throughout YBC. Altogether about 3,100 new residential units were created.

Today, YBC is one of San Francisco's major cultural and convention/visitor districts. Major cultural facilities -- such as the San Francisco Museum of Modern Art, the Museum of the African Diaspora, the Contemporary Jewish Museum, Yerba Buena Center for the Arts, the Mexican Museum (still in planning) -- were developed by or in partnership with the SFRA. The Moscone Convention Center was developed in partnership with the City, when the SFRA issued lease revenue bonds to finance the construction of the convention center.

In 2009, in anticipation of the expiration of the Yerba Buena Center Redevelopment Plan (the "YBC Plan"), the YBC Plan was amended pursuant to SB 2113. Adoption of this amendment lifted the "cap" on the aggregate amount of tax increment which can be collected from the YBC project area and extended the period for repayment of debt. As required by SB 2113, all new tax increment funds are used only for affordable housing development.

Since January 1, 2011, no new development could be initiated in YBC and OCII moved into an asset management role for its numerous real property assets in YBC. The assets include the last developable parcel of land in the Yerba Buena neighborhood (the future Mexican Museum site), Jessie Square Garage and Plaza, Yerba Buena Lane and adjacent commercial parcels, open space, recreational spaces, museums, and other land and buildings comprising the three-block area known as Yerba Buena Gardens.

Fiscal Year 2014-15 Workplan

- a. **Jessie Square Garage:** In June 2013, OCII entered into a purchase and sale agreement with an affiliate of Millennium Partners for the sale of the Jessie Square Garage, a 161,000-square-foot, four-level underground public parking structure with about 450 parking spaces. The developer purchased the garage as part of the development of the 706 Mission Street/Mexican Museum project (see below). Title has not yet transferred to Millennium Partners, so OCII continues to manage the garage. OCII expects to collect about \$3.8 million in revenue from this garage this fiscal year, which all goes toward garage-related expenses, including management fees to the garage operator and reimbursements to the City for debt service payments. Some staff time is involved in overseeing the garage's management and is charged to garage operations.
- b. **706 Mission Street/Mexican Museum Project:** OCII, Millennium Partners, and the Mexican Museum have formed a public-private partnership to build a residential tower at 706 Mission Street that would include a new museum space in the tower's base. As mentioned above, OCII entered into a purchase and sale agreement with Millennium Partners in June 2013 to sell land and a garage to the developer as part of the development of the 706 Mission Street/Mexican Museum project. OCII also has an exclusive negotiation agreement and grant agreement with the museum. Work includes drafting transaction and escrow documents, assisting with project approvals, disbursing

\$1.03 million to the museum for predevelopment expenses, overall project management, and legal representation. Staff time will be reimbursed by the developer. The budget also reflects anticipated developer contributions in the amount of \$2.8 million to be used for affordable housing, improvements to South of Market open spaces including Yerba Buena Gardens, and traffic enforcement personnel near the project site.

- c. **Development Agreements:** Staff monitors two development agreements in this project area. Development is nearing completion under an owner participation agreement to create new and rehabilitated office space at 680 Folsom Street. Agency work will include the close-out of the agreement, as well as the administration of \$2.8 million of impact fees, contributed by the developer of 680 Folsom, that will be used for affordable housing and improvements to open spaces and a child care facility in Yerba Buena Gardens. Staff also has been working to close out obligations under a disposition and development agreement with the developer of The Paramount apartments. Work includes negotiating the final terms of a lease buy-out deal with Paramount's tenant that includes repayment of the developer's land discount. The budget reflects the first of four \$250,000 payments from the developer pursuant to the lease buy-out deal. This money is Community Development Block Grant program income to be transferred to the Mayor's Office of Housing and Community Development. Any work not funded by the project sponsor will be covered by OCII's administrative cost allowance.

- d. **Yerba Buena Gardens Asset Management:** Yerba Buena Gardens ("YBG") includes cafes, fountains – including the Martin Luther King Jr. Memorial Fountain – performance venues, children's play areas, a child development center, a historic carousel, recreational venues such as an ice skating center and a bowling center, public artwork, and many other attractions. YBG is owned and operated by OCII, which supports the operations, capital expenditures, and programming of the YBG open spaces, cultural facilities and children's play areas using funds generated from existing short- and long-term commercial and ground leases, operating leases, and an annual development fee from the St. Regis Hotel. This fiscal year, OCII is projecting about \$13.3 million revenue for YBG, which comes from leases, developer contributions (from the St. Regis Hotel and 680 Mission Street), and a one-time payoff amount associated with the termination of the Moscone North lease. This money will be spent on (1) property management expenses (\$3.4 million), (2) programmed events in YBG's open space area (\$75,000); (3) operating subsidies for Yerba Buena Center for the Arts (\$3.3 million); (4) operating subsidies for the Children's Creativity Museum (\$600,000); (5) business improvement district assessments (\$68,000); (6) legal and risk management services (\$103,127); (7) staffing costs (\$228,093); (8) \$2.3 million in capital improvements; and (9) capital reserves (\$3.2 million). As of June 30, 2014, the capital reserve is expected to total approximately \$4.0 million. If the one-time payoff amount associated with the termination of the Moscone North lease is paid during FY 2014-15, the reserve would increase by about \$3.2 million, which would be used to support anticipated capital expenditures during FY 2015-16.

Capital improvements planned for this fiscal year include (1) expansion joint work at the Children's Creativity Museum and preliminary expansion joint work in other areas of YBG; (2) required code/safety repairs to the children's garden fountain/play stream; (3)

replacement of the Child Development Center's elevator and security improvements; (4) replacement of boilers in several YBG buildings; (5) major landscaping projects including removal and replacement of trees and plantings at the end of their lifecycle, and hardscape projects including widespread repair of paved surfaces throughout YBG; (6) major repairs/replacements to electrical, irrigation, and other mechanical equipment throughout YBG; (7) the purchase of new capital equipment (cardboard bailer, sweeper) in order to conserve water and reduce operating fees; and (8) other miscellaneous capital work at YBG. Work done by OCII staff this fiscal year includes a wide range of asset management responsibilities, including implementation activities related to the disposition of Yerba Buena Gardens to the City (pending California Department of Finance approval of OCII's Long Range Property Management Plan), and transfer to the City of the Moscone North lease premises once the City pays outstanding bond and rental payments.

- e. **Moscone Convention Center Expansion:** In the first quarter of this fiscal year, the City expects to complete its environmental review process and secure final approvals for a major expansion of the Moscone Convention Center. The expansion would add approximately 358,000 square feet to the existing convention center. Staff work includes assisting with project approvals, facilitating community outreach efforts, providing input into project design, title research, and other project work. Staff time is expected to be paid by the convention center.
- f. **Museum of the African Diaspora("MoAD"):** OCII has a museum operating agreement with MoAD, which includes funds for operations, maintenance, and tenant improvements related to the museum. The agreement expires at the end of the 2014-15 fiscal year. The budget reflects \$357,467 to be paid to MoAD to assist with operations, and \$303,000 for capital funding. Work includes processing payments and working with MoAD to approve a plan for expenditure of the capital funds. This work is paid through OCII's administrative cost allowance.

Rincon Point – South Beach (Active Project Area)

Project Description & Status

The Redevelopment Plan for this project area does not expire until January 5, 2021; however, the former redevelopment agency's ("SFRA's") work program has been largely completed, and therefore its activities are of an asset management nature.² Since 1981, the area has been transformed into a new mixed-use neighborhood. The majority of the private development was developed under owner participation agreements, or OPAs, which are considered existing enforceable obligations. Only one OPA in this project area is still active, and that is for the development of 74 condominiums over a rehabilitated historic warehouse at 72 Townsend Street, which should be completed by the start of the 2014-15 fiscal year.

² The Board of Supervisors for the City and County of San Francisco (the "Board of Supervisors") and the SFRA authorized the use of new tax increment financing from the Rincon Point-South Beach Redevelopment Project Area exclusively for affordable housing to fulfill the SFRA's replacement housing obligations.

This project area also includes various parcels along the waterfront, some of which include open space and parks, under OCII's management through a lease structure with the City and County of San Francisco (the "City"), acting by and through the Port of San Francisco (the "Port"). OCII then subleases some of this Port-owned land to various subtenants. OCII also manages South Beach Harbor, a 700-berth facility that is fully occupied, and a community facilities district that pays for additional landscaping and property maintenance on some of the project area's open spaces.

Fiscal Year 2014-15 Workplan

- a. **Port-Owned Property:** Since July 1, 2012, when OCII transferred most of its property management responsibilities in the former Rincon Point-South Beach Redevelopment Project Area to the Port, the Port has been managing the leases that still exist on Port-owned property and handling the property management responsibilities. To formalize this arrangement, Port staff and Successor Agency staff are negotiating a memorandum of understanding that describes the transfer of these responsibilities back to the Port and describes the future management of South Beach Harbor (the "MOU"). Even after OCII terminates the underlying ground leases with the Port and transfers the properties back to the Port, OCII will still have the responsibility to (1) pay off the outstanding debt associated with the construction of the harbor facilities, and (2) pay OCII staff working at South Beach Harbor. The MOU will define these ongoing Successor Agency responsibilities and provide for the Port's long-term management of South Beach Harbor. Staff hopes to bring the MOU before the OCII Commission and the Oversight Board for their approval before June 30, 2014.

However, to be conservative, staff has assumed for budget purposes that the transfer does not occur until the end of FY 2014-15. Therefore, the FY 2014-15 budget shows \$410,000 in ground lease payments to the Port under three Port leases (Site J, Site K, and Site M-3, M-4, S-1D).

- b. **South Beach Harbor:** The South Beach Harbor budget also includes continuing ground lease payments to the Port on three harbor-related ground leases in the amount of \$521,000 (Port Leases N-2, N1-A and N1-B). Harbor staffing and other operating costs (less debt service payments) at South Beach Harbor are budgeted at \$2.2 million.
- c. **Development Agreements:** Staff currently monitors two development agreements in this project area. Development is proceeding under an owner participation agreement to build 74 condominiums over a rehabilitated warehouse at 72 Townsend Street. Agency work on this project includes ensuring agreed-upon affordable housing requirements and contract compliance. The project sponsor will pay for staff time. Staff also expects to issue a certificate of completion for Rincon Park for The Gap related to a disposition and development agreement for The Gap headquarters building on The Embarcadero. The budget reflects a \$300,000 payment from The Gap for security at Rincon Park, which is The Gap's final remaining obligation under the disposition and development agreement. OCII will give this money to the Port, as part of the termination of the Port leases, and the Port will use the

money for security at Rincon Park. Staff time on this project will be covered by the administrative cost allowance.

- d. **Community Facility District #1:** Staff manages a community facilities district that taxes property owners to maintain streetscape improvements in the South Beach neighborhood. The streetscape improvements include landscaping (i.e., street trees, lawns, ground cover, shrubs, flowers, etc.), irrigation and lighting systems, and street improvements (i.e., benches, plazas, and a stairway). Work includes managing the contract with a landscape maintenance firm that does the work and managing the maintenance funds paid by the property owners. The budget for this work for this fiscal year is about \$100,000.

Western Addition A-2 (Expired Project Area)

Project Description & Status

The Redevelopment Plan for the former Western Addition A-2 Redevelopment Project Area (the “Western Addition”) expired on January 1, 2009.³ The former San Francisco Redevelopment Agency (the “SFRA”) implemented a development program for the Western Addition that included thousands of units of new and rehabilitated housing, the revitalization of the Nihonmachi and Fillmore business districts, public infrastructure improvements, small business assistance, job training, and workforce development. Since January 1, 2009, no new economic development programs could be initiated and the SFRA moved into an asset management role for both its real property assets as well as other contractual obligations, such as owner participation agreements for unfinished private development, disposition and development agreements, and economic development loan agreements.

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- a. **Fillmore Heritage Center Garage:** The Fillmore Heritage Center is a mixed-use project the SFRA helped finance about 10 years ago to stimulate economic development along the lower Fillmore Street commercial corridor. The project includes 80 condominiums, ground-floor commercial space (which currently houses a music venue/restaurant and a second restaurant), and a 112-space public parking garage. The SFRA built the garage primarily to serve the two commercial tenants, and OCII continues to own this asset. Pacific Park Management operates the garage for OCII under a garage management agreement that runs until May 1, 2014 (Staff are bringing an extension of this agreement to the Commission for its consideration on April 15, 2014).

The proposed budget for FY 2014-15 includes \$449,000 in expenses related to the garage. These expenses, which are paid with garage revenues (and some new property tax revenue received this fiscal year), include operating costs, common area maintenance charges, insurance, parking taxes, and a modest garage management fee for the operator.

³. The Board of Supervisors and the SFRA authorized the use of new tax increment financing from the Western Addition A-2 Redevelopment Project Area exclusively for affordable housing to fulfill the SFRA’s replacement housing obligations.

In total, these costs run about \$37,500 a month. Under this contract, the operator must be reimbursed for any deficits every six months. These amounts assume that OCII continues to own the garage this fiscal year, and that the current contract is extended until the PMP is approved by DOF. Work includes general asset management duties and implementing the disposition plan. Staff time will be paid out of OCII's administrative cost allowance.

- b. **Fillmore Heritage Center Commercial Parcel:** OCII also owns the commercial space within the Fillmore Heritage Center. The commercial space is leased to a master tenant ("FDC"), who subleases it to a jazz club/restaurant and another restaurant. The commercial space pays common area maintenance ("CAM") charges to the homeowners' association, which manages the entire building and the common areas. Pursuant to the ground lease, FDC is responsible for paying the CAM charges on the commercial parcel. If FDC fails to make these payments, for whatever reason, OCII, as owner of the commercial parcel, is responsible for paying any outstanding CAM charges. Two tenants have not been paying CAM charges (which run about \$10,000 a month), due to financial problems and bankruptcy proceedings. Therefore, the budget includes \$120,000 to cover this expense for 12 months, if necessary. Staff is working to recover this money in the bankruptcy/mediation negotiations with FDC. Work includes managing the master tenant and subtenants, resolving problems with the homeowners' association, dealing with property management issues of the common areas, conducting analyses associated with a tenant's bankruptcy, and other asset management duties. Work also will include implementing the disposition plan. Staff time is paid from OCII's administrative cost allowance.
- c. **Development Agreements:** Staff monitors two development agreements in this project area. Development is proceeding on an owner participation agreement to build new condominium units at 1450 Franklin Street. Agency work on this project includes reviewing construction documents, design review and contract compliance. Staff also monitors a disposition and development agreement for a school gymnasium and classroom space at 1210 Scott Street. Any work not funded by the project sponsors will be covered by the administrative cost allowance.
- d. **Tenant Improvement Loan Agreements:** OCII is currently the party to several tenant improvement loan agreements with businesses along Fillmore Street. Work includes loan administration and monitoring, analyses associated with two borrower bankruptcies and borrower negotiations. Any loan payments received (budgeted at \$105,500 for FY 2014-15) pay for staff time and legal expenses associated with the Fillmore Heritage Center.

Other Active and Expired Redevelopment Project Areas

- a. **South of Market (Active Project Area):** The Redevelopment Plan for this project area does not expire until 2020, but Redevelopment Dissolution Law severely curtailed the SFRA's work program for this project area. Several planned projects and economic development programs have either been cancelled or not renewed, and the ongoing

alleyway improvement project was transferred to the City to complete. OCII has very few enforceable obligations left in this project area.

There are still several active façade and tenant improvement loan agreements that were executed under OCII's "Six on Sixth" Loan Program. These loan agreements require some staff time until they are forgiven pursuant to their terms. Work includes processing subordination requests, monitoring the schedules for forgiving the loans, processing deeds of reconveyance, and consulting with legal counsel. This work is paid through OCII's administrative cost allowance.

- b. **Hunters Point (Expired Project Area):** The Redevelopment Plan for this project area expired in 2009 and the SFRA's redevelopment program for this project area was complete. The redevelopment program focused on creating a new residential community for low- to moderate-income residents with supporting commercial, educational and recreational uses. OCII continues to own several min-parks in this project area, and one larger park known as Shoreview Park.

OCII only pays property management expenses for one property it owns in this project area (Shoreview Park). The other mini-parks OCII owns in this project area are maintained by either the City or adjacent property owners. This fiscal year, staff expects to spend about \$16,000 on property management for Shoreview Park and about \$600 for water for the park's landscaping. Work includes managing the property management contract with a property management firm and implementing a disposition strategy, once approved by DOF. Staff time and property management costs are paid from OCII's administrative cost allowance.

In addition, OCII is budgeting \$1.3 million this fiscal year for capital improvements and deferred maintenance at Shoreview Park, using Community Development Block Grant ("CDBG") program income mostly generated from a parcel of land OCII owns at 345 Williams Avenue. OCII leases this land to The Kroger Company to operate a 29,000-square-foot Foodsco supermarket (the "Ground Lease"). The SFRA acquired the land with CDBG funds in 1990 specifically for the development of a full-service supermarket in the Bayview-Hunters Point neighborhood. Currently, the Ground Lease generates about \$25,700 a month.

The \$1.3 million equals money generated, or will be generated, from the Ground Lease between February 1, 2012, when the SFRA was dissolved, and June 30, 2015. Staff propose to use this money for improvements to the park, including a new irrigation system, replacement of existing turf with a smaller turf area and native, drought-tolerant ground cover around the park edges, a new children's play structure, a swing set, toddler play equipment, a climbing wall, replaced picnic benches and barbecue areas, a children's flower garden, a community mural and children's tile mosaic project, and an additional space that could be used as a community garden or other planted space, depending on community support for a community garden concept. This redesign was based on feedback received at several community workshops held between 2008 and 2010, and is also intended to lower future property management costs.

A 2010 estimate for this work (from the City's Department of Public Works) totaled \$1.25 million. Escalating that figure by 3% a year yields a current cost estimate of about \$1.4 million. The \$1.3 million in CDBG program income would nearly fund this entire cost. The balance of the funds (about \$100,000) could be requested by OCII on future requests to DOF, or contributed by the City or other entities. OCII will either: (1) transfer this money to the City to use for this purpose when Shoreview Park is transferred to the City, pursuant to OCII's DOF-approved PMP, or (2) spend this money itself for this purpose (using DPW or a private contractor hired through a competitive procurement process) prior to transferring Shoreview Park to the City.

- c. **Bayview Industrial Triangle (Active Project Area):** The Redevelopment Plan for this project area doesn't expire until 2020 but the SFRA's redevelopment program for this project area (i.e., to create a new industrial park) was largely complete. OCII occasionally receives requests for land use approvals in this project area. Development is proceeding on a mixed-use building containing 32 new residential units and ground-floor commercial space on a vacant, privately-owned lot at 4101 Third Street. Work includes design review, zoning checks, and shepherding entitlement approvals through the Commission. Staff time will be reimbursed by the project sponsor.

Use of Excess Tax-Exempt pre-2011 Bond Proceeds

As a result of OCII's Finding of Completion from the California Department of Finance (DOF), Redevelopment Dissolution Law allows OCII to use excess balances from pre-2011 bonds that are not encumbered to enforceable obligations for other purposes consistent with original bond covenants. The FY 2014-15 budget anticipates granting the City \$8.1 million in excess housing tax-exempt bond proceeds (discussed in Affordable Housing Section 8E above). The budget also anticipates granting the City a further \$1.1 million in non-housing tax exempt bond proceeds from the following project areas: South of Market (\$591,000), Western Addition A-2 (\$83,000) and Bayview Hunters Point (\$434,000). Based on initial discussions with City departments, potential projects include:

- **South of Market (SOMA):** Façade, streetscape, pedestrian safety, open space or alleyway improvements;
- **Western Addition A-2:** Façade and community and cultural center building improvements;
- **Bayview Hunters Point:** Streetscape, façade, or health center improvements.

Staff will continue to work with the related City departments to refine the proposals for the use of these funds. The actual agreements to provide these funds to the appropriate City department would then be considered for approval by the OCII Commission and Oversight Board.

Appendix 1. Community Facilities Districts

Community Facilities Districts (“CFDs”) are special taxing districts formed under the California Mello-Roos Act. The revenues supporting the activities and/or bond obligations of these districts come solely from special taxes, voted by electors within the district at the time of its formation. The OCII acts only as administrator of the CFDs and has no financial obligation. Disbursements from these CFDs are not part of the OCII budget and are included here for informational purposes only.

Table A1: Community Facilities District Annual Tax Levies and Bond Balances

District Number	District Name	Fund Balance 2/28/14	Estimated FY 2015 Tax Levy, \$M	FY 14-15 Exps - Debt Svc, \$M	F Y14-15 Exps - Operations, \$M	Bonds Outstanding 6/30/14, \$M	Final Bond Maturity	Purpose
CFD#1 ¹	South Beach Harbor	0.50	0.04	N/A	0.14	\$ -	N/A	Park Maintenance
CFD#4 ²	Mission Bay North	9.38	0.00	2.50	N/A	\$ 23.44	8/1/2031	Infrastructure
CFD#5	Mission Bay North and South	2.63	1.55	N/A	1.55	N/A	N/A	Park Maintenance
CFD#6 ³	Mission Bay South	16.06	9.90	7.90	2.00	140,415	8/1/2043	Infrastructure
CFD#7 ⁴	Hunter's Point Shipyard	0.00	3.02	3.02	0.00	\$ 34.50	8/1/2036	Infrastructure
CFD#8 ⁵	Hunter's Point Shipyard	0.00	0.00	N/A	N/A	N/A	N/A	Park Maintenance
1. Tax Levy will resume in 2015. FY2014 expense cover by bond surplus. 2. Debt Service for CFD#4 is paid from tax increment pledged under the Financing Plan of the Mission Bay North Owner Participation Agreement (11/16/98). Floating Rate Bonds, debt service estimated. 3. "Operations" includes reimbursement of developer infrastructure expenditures. Fund Balance includes bond debt service reserve funds. 4. Debt Service estimated, fixed rate refunding bond expected to issue July 2014. 5. Maintenance District not yet in operation.								

Appendix 2. Tax Allocation Bond Debt Service Schedule

Table A2: OCII Tax Allocation Bond Debt Service Obligations, \$ Millions

FY	Total Debt Svc	Reserve avail	Net Debt Svc	Diff to PY	RPSB	WA2	YBC	HP	IB	GG	SOMA	MBN	MBS	HPSY	Bayview	Trans bay
2013-14	\$98.1	\$1.1	\$97.0	\$0.7	14.9	13.0	26.5	0.7	0.5	15.5	1.8	9.0	9.4	0.0	2.6	4.2
2014-15	\$98.3	\$0.0	\$98.3	\$1.3	15.0	10.9	26.5	0.7	0.5	15.4	1.6	9.0	11.8	0.0	2.7	4.2
2015-16	\$97.4	\$0.0	\$97.4	(\$0.9)	15.0	10.1	26.4	0.7	0.5	15.4	1.6	9.0	11.8	0.0	2.8	4.2
2016-17	\$97.9	\$0.0	\$97.9	\$0.4	15.0	10.3	26.6	0.7	0.5	15.4	1.6	9.0	11.8	0.0	2.8	4.2
2017-18	\$104.1	\$9.0	\$95.1	(\$2.7)	15.0	11.1	32.9	0.8	0.6	14.5	1.6	9.0	11.8	0.0	2.8	4.2
2018-19	\$84.1	\$7.6	\$76.5	(\$18.6)	15.0	10.6	19.1	0.7	0.5	8.8	1.6	9.0	11.8	0.0	2.8	4.2
2019-20	\$68.2	\$0.0	\$68.2	(\$8.3)	15.0	8.6	6.5	0.5	0.5	8.4	1.6	9.0	11.8	0.0	2.1	4.2
2020-21	\$71.1	\$0.0	\$71.1	\$2.9	15.0	8.6	9.3	0.6	0.5	8.4	1.6	9.0	11.8	0.0	2.1	4.2
2021-22	\$71.8	\$0.2	\$71.5	\$0.5	15.0	8.9	9.8	0.7	0.3	8.4	1.6	9.0	11.8	0.0	2.1	4.2
2022-23	\$71.5	\$0.2	\$71.4	(\$0.2)	14.7	8.9	9.8	0.7	0.3	8.4	1.6	9.0	11.8	0.0	2.1	4.2
2023-24	\$71.4	\$3.2	\$68.2	(\$3.1)	14.6	8.9	9.8	0.7	0.3	8.4	1.6	9.0	11.8	0.0	2.1	4.2
2024-25	\$54.3	\$1.2	\$53.1	(\$15.1)	8.8	6.3	2.0	0.4	0.3	8.4	1.6	8.4	11.8	0.0	2.1	4.2

Notes

RPSB = Rincon Point South Beach, WA2 = Western Addition Area 2, YBC = Yerba Buena Center, HP = Hunters Point, IB = India Basin, GG = Golden Gateway, SOMA = South of Market, MBN = Mission Bay North, South MBS = Mission Bay South, HPSY = Hunters Point Shipyard, Bayview = Bayview Hunters Point.

OCII is also responsible for the South Beach Harbor bond, secured by a combination of Harbor revenues and tax increment on boats and berths at the Harbor, and for three loans provided by the California Department of Boating and Waterways (“Cal Boating”) secured by Harbor revenues. Annual debt service on the bond of \$1.3 million is due through Fiscal Year 2016-2017, when the bond is scheduled to be paid off. Annual Cal Boating loan payments of \$536,000 per year are due through Fiscal Year 2035-2036.