

# Mission Bay South – Blocks 33 and 34



**Budget and Finance Committee: April 30, 2014**

# Proposed Legislation

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- **Consenting to the transfer of Blocks 33 and 34 to the UC Regents, a tax exempt entity, for the future development of 500,000 gross square feet in Mission Bay South**
- **Required by Section 14.7 of the Mission Bay South Owner Participation Agreement**

# Mission Bay South

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- **303 acres of land comprise two redevelopment project areas: Mission Bay North and South**
- **South governed by Redevelopment Plan, Owner Participation Agreement, and related agreements**
- **FOCIL obligated to construct infrastructure under South OPA**
- **Pledge Agreement obligates OCII to reimburse FOCIL using tax increment**
- **Pledge Agreement also dedicates approx. 20% of tax increment to affordable housing program in South Redevelopment Plan**

# Redevelopment Dissolution Law

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- **Amendments to enforceable obligations, such as South OPA, must create a benefit to taxing entities**
- **OCII required to allocate funding to fulfillment of enforceable obligations – namely, affordable housing and public infrastructure**

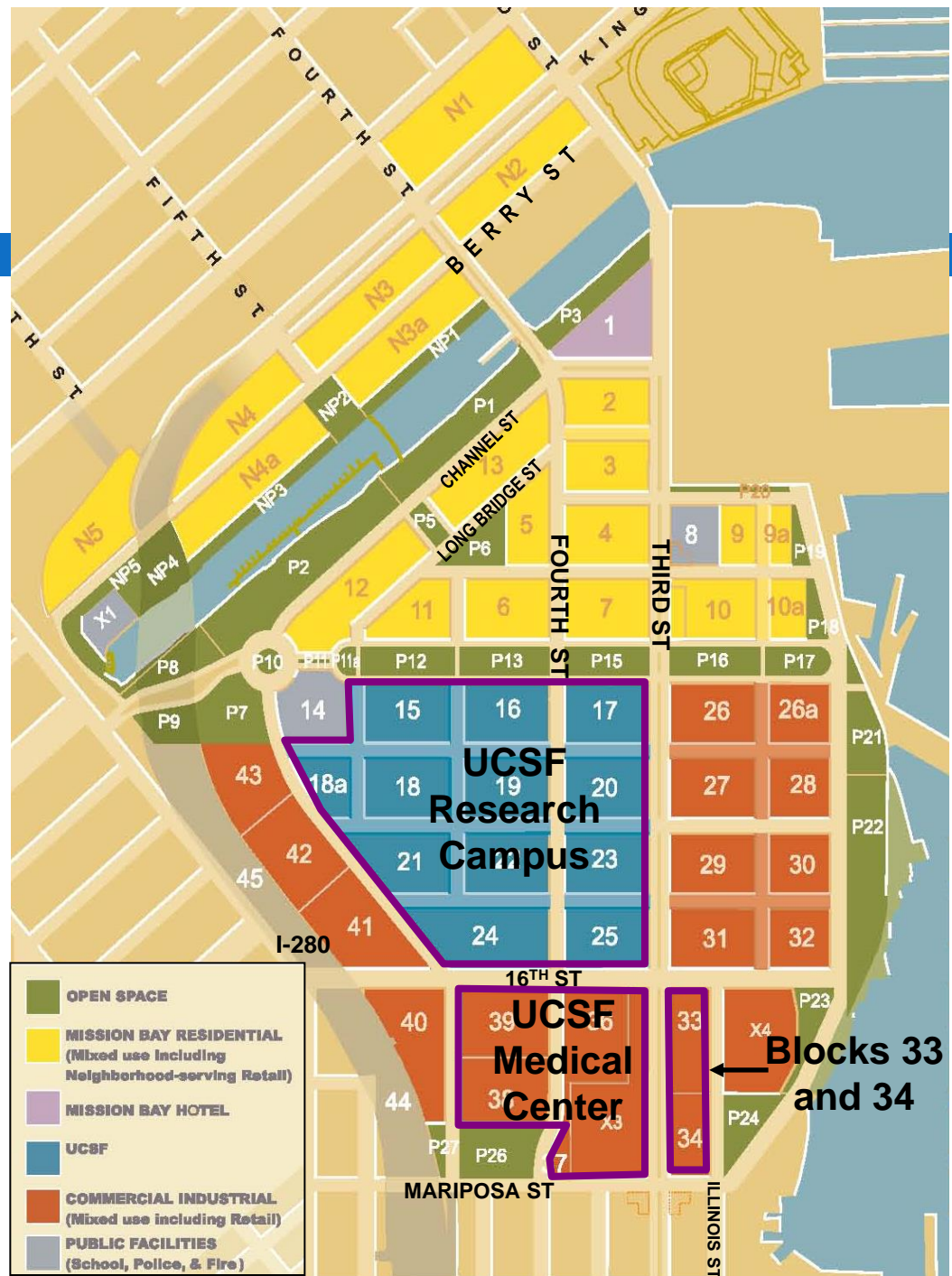
# Transfer of Blocks 33 and 34 to UCSF

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- ❑ **UCSF already owns 43-acre Campus Site and Medical Center site**
- ❑ **Under contract to acquire Blocks 33-34 from salesforce.com for office uses related to the Campus Site**
- ❑ **Exempt under State Constitution from local land use and redevelopment regulations and from local property taxes**
- ❑ **Subject to third party contractual obligations, such as South OPA**

# Location Map

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# Section 14.7 of South OPA

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- **Prohibits transfer of property to tax-exempt entity without:**
  1. **a contractual commitment from tax exempt entity to make a payment in lieu of taxes (PILOT) equal to the full amount of taxes that would otherwise have been assessed**
- OR**
- 2. **Obtaining the written consent of OCII and the City**
- **Primary intent: maintain the ability to fund construction of the infrastructure and affordable housing under South OPA**
- **Blocks 33-34 currently subject to a PILOT Agreement**
  - **Requires any tax exempt entity to make CFD payments and payments in lieu of property taxes primarily for affordable housing and infrastructure**

# Memorandum of Understanding

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- **Considered and approved by OCII's Commission on April 29**
- **Releases UCSF from certain obligations under the South Plan, South OPA, and PILOT to reflect exempt status**
- **Key financial terms:**
  1. **Affordable Housing Payment**
    - \$10.2 million
    - One-time, up front-payment to OCII
  2. **Infrastructure Payment**
    - \$21.9 million
    - One-time, up front-payment to FOCIL
  3. **CFD Payments**
    - CFD No. 5 – maintenance of parks and open space
    - CFD No. 6 – infrastructure costs



# Net Present Value of Payments

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- **OClI hired ALH Economics to independently determine NPV of increment that would have been generated by UCSF's development to 2043**

<b>Estimated NPV of PILOT</b>	<b>\$39.8 million</b>
<b>Payments under MOU</b>	
Affordable Housing	\$10.2 million
Infrastructure	\$21.9 million
	<b>\$32.1 million</b>
<b>Difference</b>	<b>\$7.7 million</b>

# Benefit Findings

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- **Immediately available funds for affordable housing and infrastructure**
  - **Accelerates completion of development**
  - **Frees up property tax revenues more quickly**

# Additional Policy Considerations

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- **Potential consolidation of UCSF's operation and relocation from remote SF locations**
  - Return properties to tax rolls and generate general fund and tax revenues
- **Employment**
  - UCSF is one of the City's largest employers, with a paid workforce of approximately 22,500 employees
  - Project will create new construction jobs
- **UCSF contributes over \$60 million annually in direct sales spending in the City**
  - About \$700 million with multiplier effects of direct spending and wages
- **UCSF is a catalyst for the developing biotech industry**
- **UCSF provides valuable education and medical services**
- **UCSF has already made a substantial investment in the Campus Site and Medical Center**

# Approvals

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- **Board of Supervisors –**
  1. **Consenting to transfer under Section 14.7 of OPA as regulatory body of City**
  2. **Consenting to the affordable housing provisions of the MOU, Fifth OPA Amendment, and Release Agreement as the legislative body of OCII**
- **Oversight Board and Department of Finance – Fifth OPA Amendment**