

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 62 - 2015

APPROVING AN AMENDED BUDGET FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016, TO INCREASE, BY AN AMOUNT NOT TO EXCEED \$135,000,000, BOND PROCEEDS TO BE RECEIVED BY THE SUCCESSOR AGENCY AND TO INCREASE ITS EXPENDITURE AUTHORITY BY \$135,000,000 AND AUTHORIZING THE EXECUTIVE DIRECTOR TO SUBMIT THE BUDGET TO THE MAYOR'S OFFICE AND THE BOARD OF SUPERVISORS

BASIS FOR RESOLUTION

- WHEREAS, The Redevelopment Agency of the City and County of San Francisco (the "Former Redevelopment Agency") and FOCIL-MB, LLC (the "Master Developer"), as assignee of Catellus Development Corporation, are parties to a Mission Bay South Owner Participation Agreement executed November 16, 1998, and amended three times (as further amended, the "OPA"), which includes the "Mission Bay South Financing Plan" (the "Financing Plan") and which provides, among other things, that tax increment financing will be used to reimburse the Master Developer's expenditures for public infrastructure; and,
- WHEREAS, As part of the OPA, the Former Redevelopment Agency entered into a series of binding agreements, including the Mission Bay South Tax Increment Allocation Pledge Agreement executed November 16, 1998, by and between the City and County of San Francisco and the Former Redevelopment Agency (the "Pledge Agreement"), to which the Master Developer is an express third-party beneficiary; and,
- WHEREAS, On February 1, 2012, state law dissolved the Former Redevelopment Agency and required the transfer of certain of its assets and obligations to the Successor Agency to the Former Redevelopment Agency, commonly known as the Office of Community Investment and Infrastructure ("Successor Agency" or "OCII"), Cal. Health & Safety Code §§ 34170 et seq. ("Redevelopment Dissolution Law"); and,
- WHEREAS, The California Department of Finance has finally and conclusively determined that the OPA and Pledge Agreement are enforceable obligations that survived the dissolution of the Former Redevelopment Agency and that became the responsibility of the Successor Agency; and,
- WHEREAS, The OPA, including the Financing Plan and the Pledge Agreement, contain an irrevocable pledge of property tax increment (formerly tax increment revenues) to the payment of Mission Bay South Redevelopment Project Area Infrastructure Costs, as defined in the Financing Plan, ("Infrastructure Costs") and the Successor Agency is obligated, under the OPA, including the Financing Plan and the Pledge

Agreement, to issue bonds or incur other indebtedness secured by an irrevocable pledge of tax increment revenues to pay such Infrastructure Costs; and,

WHEREAS, The Master Developer has submitted a written request to the Successor Agency, Letter, November 14, 2014, and the Successor Agency staff, its consultants and bond counsel, and the Master Developer have met and conferred, over several months, and have determined that, pursuant to the Financing Plan and the Pledge Agreement, but subject to the approval of the Oversight Board and the California Department of Finance, the Successor Agency will issue additional Tax Allocation Debt to reimburse the Master Developer for Infrastructure Costs; and,

WHEREAS, Section 34177.5(a)(4) provides that a successor agency may, subject to the approval of the oversight board and the California Department of Finance, issue bonds or incur other indebtedness to make payments under enforceable obligations when the enforceable obligations include the irrevocable pledge of property tax increment, formerly tax increment revenues, or other funds and the obligation to issue bonds secured by that pledge; and,

WHEREAS, Under Redevelopment Dissolution Law, Cal. Health & Safety Code Section 34173, and San Francisco Ordinance No. 215-12 (Oct. 4, 2012), the OCII is a separate legal entity from the City and is subject to the governance of the Board of Supervisors of the City and County of San Francisco (“Board of Supervisor”), acting in its legislative capacity. Under Section 33606 of the California Health and Safety Code, the Board of Supervisors must approve the Successor Agency’s annual budget, which is required to include proposed revenues, expenditures, and indebtedness, and must also approve budget amendments; and,

WHEREAS, On May 5, 2015, this Commission approved, by Resolution 25-2015, a budget for FY 2015-16; subsequently, the Board of Supervisors approved, by Resolution No.278-15 (July 30, 2015), the Successor Agency budget for FY 2015-16 and authorized the issuance of bonds not to exceed \$51,000,000; and,

WHEREAS, Subsequent to the final approval of the Successor Agency’s FY 2015-16 budget, the Successor Agency has determined that the issuance of additional tax allocation debt is necessary and appropriate to fulfill its obligations under the OPA. The proposed issuance includes two series of tax allocation revenue bonds for Mission Bay South Redevelopment Project Area in an aggregate principal amount not to exceed \$135 million and increases budgetary expenditure by \$135 million (“Additional Tax Allocation Debt”); and,

WHEREAS, The proceeds of the bonds will, as required by the OPA, be used for the reimbursement of Infrastructure Costs and costs associated with the issuance of those bonds; and,

WHEREAS, The bonds will likely issue in two series: Series 2015C in a principal amount not to exceed \$45 million will be a “parity bond” issued on the same terms as the currently outstanding Mission Bay South Redevelopment Project Area tax-exempt tax allocation bonds; and Series 2015D subordinate bond in a principal amount

not to exceed \$90 million, the debt service on which will be payable only after the debt service on the parity bonds has been paid; and,

WHEREAS, Issuance of the Additional Tax Allocation Debt will require an amendment to the Successor Agency's budget for FY 2015-16 to receive and expend an additional \$135 million and will also require Board of Supervisors' authorization of the additional debt; and,

WHEREAS, Approval of the FY 2015-16 Budget is not a "Project," as defined by the California Environmental Quality Act ("CEQA") Guidelines Sections 15378(b)(4) and 15378(b)(5). The budget will provide administrative, technical assistance support, and funding for activities authorized under Redevelopment Dissolution Law. Actions related to the approval of the budget will not independently result in a physical change in the environment are not subject to environmental review under CEQA; now, therefore, be it

RESOLVED, That the Successor Agency approves amendments to its fiscal year budget for the period July 1, 2015 through June 30, 2016 ("FY 2015-16 Budget"), attached to this Resolution as Attachment A, to (1) increase the amount of bond proceeds to be received by the Successor Agency in an additional principal amount not to exceed \$135 million and (2) increase expenditure authority by \$135 million; and furthermore authorizes the Executive Director to transmit the FY 2015-16 Amended Budget to the Mayor's Office and the Board of Supervisors and to make any nonmaterial changes that may be proposed during review by the Mayor or Board of Supervisors, provided that the Executive Director shall seek Commission approval for any material changes to the budget.

Attachment A: OCII FY 2015-16 Budget, as amended

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of October 20, 2015.

Commission Secretary