OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-2232019-002

Agenda Item **No. 5(e)**
Meeting of April 16, 2019

**MEMORANDUM**

**TO:** Community Investment and Infrastructure Commissioners

**FROM:** Nadia Sesay, Executive Director

**SUBJECT:** Workshop on OCII's Fiscal Year 2019-2020 Budget

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## EXECUTIVE SUMMARY

This memo describes the proposed budget for Fiscal Year ("FY") 19-20, showing a summary of the proposed costs by sources, uses, and project areas of Hunters Point Shipyard/Candlestick Point, Mission Bay North, Mission Bay South, and Transbay, as well the proposed budgets for affordable housing, asset management, operations, and debt service. For each project or operational area, the proposed budget provides a project description, status update, and proposed FY19-20 work plan.

The Office of Community Investment & Infrastructure ("OCII") staff will incorporate the Commission's feedback and present the revised budget on May 7, 2019. The Commission will take action on the proposed budget at that time. Pending Commission approval, staff will submit the FY19-20 budget to the Mayor on May 7, 2019. On June 1, 2019, the Mayor will submit OCII's FY19-20 budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's FY19-20 budget in July 2019. OCII staff will update the Commission as the budget process evolves.

## DISCUSSION

On February 1, 2012, the State of California dissolved the San Francisco Redevelopment Agency ("SFRA") along with all 400 redevelopment agencies in California under Cal. Health & Safety Code §§ 34170 et seq ("Dissolution Law"). Pursuant to the Dissolution Law and to Board of Supervisors ("BOS") Ordinance 215-12, the Office of Community Investment & Infrastructure ("OCII") is the Successor Agency to the SFRA.



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OCII is charged with completing work related to approved enforceable obligations. Those enforceable obligations are related to: (1) the Projects defined in BOS Ordinance No. 215-12 as the Mission Bay North and South Projects, the Transbay Project, and the Hunters Point Shipyard/Candlestick Point Project; (2) management of SFRA assets, 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 Affordable Housing Obligations.

The Proposed FY19-20 Budget totals $641.1 million, which is $103.9 million less than the FY18-19 budget of $745.0 million. OCII will expend $499.1 million on direct program spending and $141.9 million on indirect program spending. As shown in Table 1, of the $499.1 million budgeted to direct programmatic needs, OCII will expend $286.4 million on affordable housing, $210.0 million on infrastructure and other non-housing activities, and $2.7 million on community development and workforce activities. OCII will fund these expenditures will primarily from Fund Balance and Prior Period Authority ("PPA"). Fund balance reflects funds on hand that OCII will not expend in FY19-20 but in future years. PPA reflects budget approved in prior year that OCII will expend over time. Table 1 demonstrates that OCII expends the majority of its budget on direct expenditures for affordable housing and infrastructure (44.7 percent and 32.8 percent respectively).

**Table 1: Proposed FY19-20 Budget Programmatic Summary, *Millions****

| **Uses** | | **Total** | *Percent* |
|---|---|---|---|
| **Direct Program Spending** | | | |
| Affordable Housing | $ | **286.4** | *44.7%* |
| Infrastructure & Other Non-Housing | $ | **210.0** | *32.8%* |
| Comm Dev & Workforce | $ | **2.7** | *0.4%* |
| **Direct Programmatic Subtotal** | $ | **499.1** | *77.9%* |
| | | | |
| **Indirect Program Spending** | | | |
| Asset Management | $ | **4.7** | *0.7%* |
| Project Mgmt & Operations | $ | **18.7** | *2.9%* |
| Debt Service | $ | **109.5** | *17.1%* |
| Pass-through to TJPA | $ | **8.6** | *1.3%* |
| Other | $ | **0.4** | *0.1%* |
| **Indirect Programmatic SubTotal** | $ | **141.9** | *22.1%* |
| | | | |
| **Total** | $ | **641.1** | *100.0%* |

**Dollar amounts will be slightly off due to rounding.*

In order to support the delivery of these direct programmatic activities, the Proposed FY19-20 Budget includes funding for indirect program expenditures, such as asset management, project management and operations, debt service, and pass-through of pledged property tax to the Transbay Joint Powers Authority ("TJPA"). Table 1 shows a total of $141.9 million budgeted to these indirect programmatic expenditures, which are primarily supported through property tax and developer payments.

Table 2 shows the total proposed FY19-20 budget of $641.1 million by Project and cost center. The column headers describe Operations, Debt, and OCII's major active projects: Hunters Point Shipyard Phase 1 and Phase 2 / Candlestick Point ("Hunters Point Shipyard / Candlestick Point" or "HPS/CP"), Mission Bay North ("MBN"), Mission Bay South ("MBS"), and Transbay ("TBY"). Expenditures unrelated to the major active project areas, Operations, or Debt are rolled up and shown in the Other column. Table 2 integrates the proposed budget for affordable housing into the appropriate project area, according to each project's location.

**Table 2: Proposed FY19-20 Budget by Project Area/Cost Center, *Millions****

| COST CENTER | Operations | Debt | HPS / CP | MBN | MBS | TBY | Other | Total |
|---|---|---|---|---|---|---|---|---|
| **SOURCES** | | | | | | | | |
| Property Tax | $ 8.8 | $ 104.2 | $ 1.1 | $ 9.1 | $ 20.6 | $ 13.9 | $ 0.3 | $ 158.0 |
| New Bonds | $ - | $ 0.9 | $ 39.8 | $ - | $ - | $ - | $ - | $ 40.7 |
| Developer Payments | $ - | $ - | $ 11.6 | $ - | $ 6.0 | $ 2.4 | $ 0.1 | $ 20.2 |
| Other | $ 0.1 | $ 5.1 | $ 4.7 | $ - | $ - | $ - | $ 5.9 | $ 15.8 |
| Fund Balance | $ 0.5 | $ - | $ 27.6 | $ - | $ 45.1 | $ 86.3 | $ 25.1 | $ 184.6 |
| Prior Period Authority | $ - | $ - | $ 12.5 | $ 24.1 | $ 136.8 | $ 31.5 | $ 17.0 | $ 221.8 |
| **Total** | **$ 9.4** | **$ 110.1** | **$ 97.3** | **$ 33.2** | **$ 208.5** | **$ 134.2** | **$ 48.4** | **$ 641.1** |
| | | | | | | | | |
| **USES** | | | | | | | | |
| **Uses - Operations** | | | | | | | | |
| Allocated Staff & Operating Expenses | $ (9.7) | $ 0.6 | $ 3.6 | $ 0.2 | $ 2.3 | $ 2.7 | $ 0.4 | $ 0.0 |
| Operational Salaries and Benefits | $ 9.3 | $ - | $ - | $ - | $ - | $ - | $ - | $ 9.3 |
| Affordable Housing Services | $ 1.8 | $ - | $ - | $ - | $ - | $ - | $ - | $ 1.8 |
| Rent | $ 0.7 | $ - | $ - | $ - | $ - | $ - | $ - | $ 0.7 |
| Retiree Health and Pension Costs | $ 3.9 | $ - | $ - | $ - | $ - | $ - | $ - | $ 3.9 |
| Auditing & Accounting Services | $ 0.2 | $ - | $ - | $ - | $ - | $ - | $ - | $ 0.2 |
| Legal Services | $ 0.3 | $ - | $ 1.0 | $ - | $ - | $ - | $ - | $ 1.4 |
| Planning & Infrastructure Rvw | $ - | $ - | $ 5.4 | $ - | $ - | $ - | $ - | $ 5.4 |
| Real Estate Development Services | $ 0.2 | $ - | $ - | $ - | $ - | $ - | $ - | $ 0.2 |
| Workforce Development Services | $ 0.1 | $ - | $ 0.1 | $ - | $ - | $ 0.1 | $ - | $ 0.4 |
| Other Professional Services | $ 0.9 | $ - | $ 1.6 | $ - | $ 1.0 | $ 0.1 | $ - | $ 3.6 |
| Grants to Community-Based Organizations | $ - | $ - | $ 1.7 | $ - | $ - | $ - | $ - | $ 1.7 |
| Payments to other Public Agencies | $ - | $ - | $ 0.4 | $ - | $ - | $ - | $ 5.9 | $ 6.3 |
| Other Current Expenses | $ 1.1 | $ - | $ - | $ - | $ - | $ - | $ - | $ 1.1 |
| **Subtotal CY Uses - Operations** | **$ 8.9** | **$ 0.6** | **$ 13.8** | **$ 0.2** | **$ 3.3** | **$ 3.0** | **$ 6.3** | **$ 36.1** |
| | | | | | | | | |
| **Uses - Non-Operations** | | | | | | | | |
| Affordable Housing Loans | $ - | $ - | $ 49.5 | $ - | $ 42.4 | $ 7.0 | $ - | $ 98.9 |
| Development Infrastructure | $ - | $ - | $ 15.3 | $ 30.6 | $ 95.4 | $ 3.4 | $ 7.8 | $ 152.5 |
| Pass-through to TJPA | $ - | $ - | $ - | $ - | $ - | $ 8.6 | $ - | $ 8.6 |
| Debt Service - OCII TAB Bonds | $ - | $ 101.9 | $ - | $ - | $ - | $ - | $ - | $ 101.9 |
| Public Art | $ - | $ - | $ - | $ - | $ 1.1 | $ - | $ - | $ 1.1 |
| Other Debt | $ - | $ 7.6 | $ - | $ - | $ - | $ - | $ - | $ 7.6 |
| Fund Balance - Housing | $ - | $ - | $ 0.8 | $ 2.3 | $ 10.4 | $ 74.4 | $ 24.8 | $ 112.8 |
| Fund Balance - Non-Housing | $ - | $ - | $ 1.4 | $ - | $ - | $ 0.0 | $ 0.3 | $ 1.7 |
| **Subtotal CY Uses - Non-Operations** | **$ -** | **$ 109.5** | **$ 67.0** | **$ 32.9** | **$ 149.3** | **$ 93.5** | **$ 32.9** | **$ 485.2** |
| | | | | | | | | |
| Prior Period Authority - Housing | $ - | $ - | $ 11.8 | $ - | $ 55.9 | $ 0.9 | $ 0.2 | $ 68.8 |
| Prior Period Authority - Non-Housing | $ 0.5 | $ - | $ 4.7 | $ - | $ - | $ 36.8 | $ 9.0 | $ 50.9 |
| **Subtotal CY Uses - Prior Period Authority** | **$ 0.5** | **$ -** | **$ 16.5** | **$ -** | **$ 55.9** | **$ 37.7** | **$ 9.2** | **$ 119.8** |
| | | | | | | | | |
| **Total Budget Uses** | **$ 9.4** | **$ 110.1** | **$ 97.3** | **$ 33.2** | **$ 208.5** | **$ 134.2** | **$ 48.4** | **$ 641.1** |

**Dollar amounts will be slightly off due to rounding.*

The Proposed FY19-20 Budget, which will be provided at the May 7, 2019 Commission meeting, will describe the activities that OCII will undertake in FY19-20 in greater detail through narrative descriptions, workplans, and various tables. Below are summaries of the FY19-20 activities and milestones for each of the major active Projects, Affordable Housing, Community Development and Workforce, Other Project Areas, Debt, Operations and Budgeted Positions, and CFDs.

**Projects Summary**

In FY 19-20, OCII's primary activity will be funding and facilitating the delivery of affordable housing, infrastructure, and other public benefits including implementing OCII's small business enterprise and workforce programs in the project areas of Mission Bay North and South, Transbay, and Hunters Point Shipyard/Candlestick Point. Below are brief summaries of the FY 19-20 program highlights in these three major development Projects.

***Mission Bay***

The project areas of Mission Bay North and Mission Bay South, together referred to as Mission Bay, were established in 1998 to create a vibrant transit-oriented and mixed-use community that will result in 6,514 residential units (29 percent of which will be affordable), 49 acres of open space, 4 million square feet of office and biotechnology space, 419,000 square feet of retail uses, a new University of California San Francisco ("UCSF") research campus and medical center, 18,000-seat event center, 250-room hotel, library, school, police headquarters, and a local police and fire department. Completion of Mission Bay is anticipated in six to 10 years and will result in construction of more than $900 million of new infrastructure, development of over $8 billion in private vertical development, and creation of 31,000 permanent jobs.

In Mission Bay North and South, the FY19-20 activities include:

- Infrastructure Reimbursement: pay Master Developer for completed public infrastructure
- Plan & Permit Approvals: process commercial, open space, and residential projects
- Affordable Housing Funding: make new predevelopment and construction loans; disburse existing loans
- Public Art Program: work with San Francisco Arts Commission to expend public art fees
- Parks Management: manage existing third party parks management contract
- Entitlement Changes: process potential actions for additional commercial, hotel and residential uses
- Community Development & Workforce: Study business capacity issues; on-going implementation of Small Business Enterprise ("SBE") and workforce programs

The FY19-20 Program Milestones include:

- Infrastructure Completions: 5 parks (P11, P2, P23/24, P27 and P19)
- Commercial Completions: Chase Center, Uber Headquarters, 3 UCSF medical buildings
- Housing Completions: 119 units in Mission Bay Block 3E

***Transbay***

The project area of Transbay was established in 2005 and is located primarily between Folsom and Howard Streets, east of 2nd Street, and west of Spear and Main Streets. A small portion of the Transbay Project extends south of Folsom Street along Essex Street to Harrison Street. The Transbay Project consists of two zones: Zone 1 is under the land use authority of OCII and consists of twelve blocks of land, eleven of which were formerly owned by the State, while Zone 2 is under the City Planning

Department's jurisdiction. When Zone 1 is fully built out, there will be approximately 3,200 residential units (of which 35 percent will be affordable project area wide), 800,000 square feet of office, 75,000 square feet of retail, and 3.5 acres of open space.

In Transbay, the FY19-20 activities include:

- Streetscape Improvement: fund construction of Folsom Street Improvement Project
- Plan & Permit Approvals: process open space and residential projects
- Affordable Housing Funding: make new predevelopment loans; disburse existing loan
- Entitlement Changes: process potential height increase on a residential project
- Community Development & Workforce: Study business capacity issues; on-going implementation of SBE and workforce programs

The FY19-20 Program Milestones include:

- Infrastructure Completions: none (streetscape and open space construction has not yet begun)
- Commercial Completions: n/a (Block 5 is the only commercial block and is already complete),
- Housing Completions: 929 units in Transbay Blocks 9 and 1

***Hunters Point Shipyard/Candlestick Point***

The Hunters Point Shipyard/Candlestick Point Project is composed of approximately 780 acres along the southeastern waterfront of San Francisco. Originally adopted in 1997 and amended in 2010, the Hunters Point Shipyard will be developed in two distinct phases. At full build out, the entire Hunters Point Shipyard/Candlestick Point Project will generate more than 12,100 units of housing (approximately one-third of which will be affordable), 326 acres of parks, over 4.4 million square feet of commercial space, and approximately $89 million of community benefits such as homeowner assistance, workforce development, job training, educational assistance, and contributions to South East Health Center.

In Hunters Point Shipyard/Candlestick Point, the FY19-20 activities include:

- Infrastructure Reimbursement: pay Master Developer for completed public infrastructure
- Plan & Permit Approvals: process Shipyard Ph.1 open space and residential projects
- Affordable Housing Funding: make new predevelopment and construction loans; disburse existing loans
- Asset Management: upgrade Artists Building 101
- Parks Management: initiate OCII management of Shipyard Ph.1 parks through new contractor
- Entitlement Changes: re-program portions of Candlestick
- Community Development & Workforce: Make grants to community-based organizations; study business capacity issues; on-going implementation of SBE and workforce programs

The FY19-20 Program Milestones include:

- Infrastructure Completions: 6 parks (Shipyard Ph. 1)
- Commercial Completions: none (commercial development has not yet begun)
- Housing Completions: 66 units in Shipyard Ph 1 Block 55

## Affordable Housing Summary

Table 2 integrates the proposed budget for affordable housing into the appropriate Project area, according to each Project's location. Table 3 shows affordable housing projects receiving new funding in FY19-20 and indicates the proposed housing type for each project.

### Table 3: OCII-Funded Affordable Housing by Housing Type, *Millions*

| OCII Funded Project | Family Rental Housing | 1st Time Home-ownership Housing | Senior Rental Housing | Supportive Housing | Total |
|---|---|---|---|---|---|
| Mission Bay South Block 9 Construction | | | | $38.9 | **$38.9** |
| Mission Bay South Block 9a Predevelopment | | $3.5 | | | |
| Transbay Blocks 2E & 2W Predevelopment | $3.5 | | $3.5 | | **$7.0** |
| Hunters Point Shipyard Phase 1 Blocks 52/54 Construction | $45.0 | | | | **$45.0** |
| Hunters Point Shipyard Phse 1 Blocks 56 Predevelopment | $3.5 | | | | **$3.5** |
| Alice Griffith Phase 4 Additional Construction Funding | $1.0 | | | | **$1.0** |
| **Total Funding** | **$53.0** | **$3.5** | **$3.5** | **$38.9** | **$98.9** |

## Community Development and Workforce Summary

OCII, as the successor agency to the SFRA, has a long history of promoting equal opportunity in contracts for professional design and construction services and in the workforce of contractors performing work on OCII-administered contracts. OCII adopted and continues to actively implement the Equal Opportunity Programs ("EOP") of the prior SFRA. These programs are comprehensive and mirror ordinances enacted by the City, including nondiscrimination in contracts and benefits, health care accountability, minimum compensation, prevailing wage, local hiring, and small business contracting.

OCII administers the EOP program on all stages of a project from design through construction. As an economic driver, OCII's SBE program has benefited over 995 local and small businesses since 2012.

In FY19-20, OCII will continue to facilitate economic development by implementing and monitoring equal opportunity programs in all OCII-sponsored projects, as well as continuing to contract with OEWD to support local hire efforts on OCII Projects. OCII will also provide grant funding of community-based organizations, as well as engaging in other workforce development activities and study business capacity issues. These costs are embedded into the project and operations costs.

## Other Project Area Activities Summary

OCII continues to wind down activities in other project areas, including the disposition of any OCII assets pursuant to the approved Long Range Property Management Plan, along with disbursing any remaining funds in existing agreements. OCII anticipates having remaining loan proceeds remaining after the completion of a Hunters View Phase 2 project, which the Mayor's Office of Housing and Community Development has requested as the City's Housing Successor Agency.

In Other, the FY19-20 activities include:

- Bond Proceeds Disbursement: Mexican Museum Grant
- Excess Proceeds Disbursement to Housing Successor: Hunters View Phase II Excess Loan Proceeds
- Administer Developer Obligations: 706 Mission Street

**Debt Summary**

The FY19-20 Proposed Budget includes new debt issuances of $40.6 million, consisting of $25.3 million for affordable housing and $15.3 million for infrastructure reimbursements in HPS/CP, subject to Commission, Oversight Board, and Department of Finance approvals.

**Operations & Budgeted Positions Summary**

In FY19-20, OCII will expend $18.7 million to fund its operational costs. Specifically, OCII will expend $9.3 million on salaries and benefits, which reflects labor costs for 55 Full-Time Equivalent (“FTE”) and Limited Term Assignment (“LTA”) staff. OCII will expend the remaining $5.4 million on non-labor expenses such as services from City departments, consulting services for legal and other professional services, insurance, materials and supplies, employee training, and software licensing fees. In addition to staffing and non-labor expenses, OCII will expend $3.9 million on its retirement obligations, including accrued pension liability, health benefits for current retirees, and accrued retiree health liability.

Table 4 details the sources and uses for OCII’s operations. OCII will fund the majority of its operating costs with property tax and developer fees. Bond Proceeds will fund staff time required to issue bonds.

**Table 4: FY 19-20 Operations, Sources by Uses*, *Millions***

| Sources | Amount |
|---|---|
| Bond Proceeds | $0.1 |
| Developer Fees | $7.2 |
| Property Tax | $11.4 |
| **Total** | **$18.7** |

| Uses | Amount |
|---|---|
| Salaries and Benefits | $9.3 |
| Non-Labor | $5.4 |
| Retiree Health and Pension | $3.9 |
| **Total** | **$18.7** |

**Numbers slightly off due to rounding*

Table 5 provides details on the non-labor uses in the FY19-20 budget.

**Table 5: FY 19-20 Non-Labor Uses, *Millions***

| Non-Labor Use | Amount |
|---|---|
| Affordable Housing Services | $1.9 |
| Auditing & Accounting Services | $0.2 |
| Insurance | $0.5 |
| Legal Services | $0.3 |
| Other Current Expenses | $0.7 |
| Other Professional Services | $0.9 |
| Rent | $0.7 |
| Software Licensing Fees | $0.2 |
| Workforce Development Services | $0.1 |
| **Total** | **$5.4** |

The budgeted positions reflect OCII employees plus two City Administrator staff contracted to and funded by OCII. City Administrator staff are former OCII employees who transferred to the City Administrator post-dissolution and continue to work full-time on OCII-related work. The proposed FY19-20 budget contains 55 Full Time Equivalent ("FTE"s) and Limited Term Assignment ("LTA") staff. The LTA appointment is for a retired staff member who works part-time. The FY19-20 budgeted positions will be included in the Proposed FY19-20 Budget Narrative, which will be provided at the May 7, 2019 Commission meeting.

## CFDs Summary

OCII administers six Community Facilities Districts ("CFD"s) created under California's Mello-Roos Act. These CFDs support infrastructure and maintenance activities in project areas with special tax revenue. The CFD spending plans, annual levies, and outstanding debt as of June 30, 2018 will be included in Appendix 1 to the Proposed FY19-20 Budget Narrative, which will be provided at the May 7, 2019 Commission meeting.

## NEXT STEPS

OCII staff will incorporate Commission feedback from this workshop and present the revised budget on May 7, 2019. The Commission will take action on the Proposed FY19-20 Budget on May 7, 2019. Pending Commission approval, staff will submit the Proposed FY19-20 Budget to the Mayor on May 7, 2019. Following Mayor's Budget Office review, on June 1, 2019, the Mayor will submit OCII's Proposed FY19-20 Budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's budget in July 2019. OCII staff will update the Commission as the budget process evolves.

*(Originated by Mina Yu, Financial and Reporting Analyst)*

Nadia Sesay
Executive Director