OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0432020-002

Agenda Item **No. 5(a)**
Meeting of June 2, 2020

TO: Commission on Community Investment and Infrastructure

FROM: Nadia Sesay, Executive Director

SUBJECT: Workshop on OCII's Fiscal Year 2020-21 Budget

EXECUTIVE SUMMARY

This memo describes the proposed budget for Fiscal Year ("FY") 20-21, 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 FY20-21 work plan.

The Office of Community Investment & Infrastructure ("OCII") staff will incorporate the Commission's feedback and present the revised budget on June 16, 2020. The Commission will take action on the proposed budget at that time. Pending Commission approval, staff will submit the FY20-21 budget to the Mayor on July 1, 2020. On August 1, 2020, the Mayor will submit OCII's FY20-21 budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's FY20-21 budget in August 2020. 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. Under Dissolution Law, the California Department of Finance has finally and conclusively approved the Disposition and Development Agreements for the Hunters Point Shipyard Phase 1 and for Candlestick Point-Hunters Point Shipyard Phase 2; the Mission Bay North and South Owner Participation Agreements, and the Transbay Implementation Agreement. These long-term master development agreements define the scope of OCII's work, including its affordable housing obligations. In addition, OCII is required to dispose of SFRA assets, manage pre-dissolution economic development agreements such as loans, and grants, and take other steps to wind down the activities of the former redevelopment agency.

The Proposed FY20-21 Budget totals $527.3 million, which is $5.9 million more than the FY19-20 budget of $521.3 million. Total expenditures in FY20-21 are $527.3 million. Table 1 shows a more detailed breakdown of FY20-21 expenditures. OCII will expend $362.2 million on direct programmatic needs and $165.1 million on indirect program spending. As shown in Table 1, of the $362.2 million budgeted to direct programmatic needs, OCII will expend $122.2 million on affordable housing, $237.5 million on infrastructure and other non-housing activities, and $2.5 million on community development and workforce activities. OCII will fund these expenditures primarily from Fund Balance and Prior Period Authority ("PPA"). Fund balance reflects funds received in a prior year that have not yet been budgeted or expended. PPA reflects budget authority approved in a prior year that OCII is expending over time. PPA includes multi-year capital projects like park design and construction or construction of affordable housing. Table 1 demonstrates that OCII expends the majority of its budget on direct expenditures for affordable housing and infrastructure (23.2 percent and 45.1 percent respectively).

Table 1: Proposed FY20-21 Budget Programmatic Summary, *Millions**

Uses	**Total**	*Percent*
Direct Program Spending		
Affordable Housing	$ **122.2**	*23.2%*
Infrastructure & Other Non-Housing	$ **237.5**	*45.1%*
Comm Dev & Workforce	$ **2.5**	*0.5%*
Direct Programmatic Subtotal	$ **362.2**	*68.7%*
Indirect Program Spending		
Asset Management	$ **4.4**	*0.8%*
Project Mgmt & Operations	$ **20.6**	*3.9%*
Debt	$ **118.6**	*22.5%*
TJPA Enforceable Obligation	$ **21.1**	*4.0%*
Other	$ **0.4**	*0.1%*
Indirect Programmatic SubTotal	$ **165.1**	*31.3%*
Total	$ **527.3**	*100.0%*

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

In order to support the delivery of these direct programmatic activities, the Proposed FY20-21 Budget includes funding for indirect program expenditures, such as asset management, project management and operations, debt, and pass-through of pledged property tax to the Transbay Joint Powers Authority ("TJPA"). Table 1 shows a total of $165.1 million budgeted to these indirect programmatic activities, which are primarily supported through property tax and developer payments.

Table 2 shows the total proposed FY20-21 budget of $527.3 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 projects, 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 FY20-21 Budget by Project Area/Cost Center, *Millions**

Cost Center	Operations	Debt	HPS / CP	MBN	MBS	TBY	Other	Total
Sources								
Property Tax	$ 9.0	$ 91.6	$ 1.9	$ 0.4	$ 22.9	$ 24.0	$ 0.1	$ 149.9
New Bonds	$ -	$ 0.5	$ 15.0	$ -	$ -	$ -	$ -	$ 15.5
Developer Payments	$ -	$ 0.5	$ 13.0	$ 0.0	$ 0.6	$ 2.3	$ 0.1	$ 16.5
Other	$ 0.5	$ 6.0	$ 4.3	$ -	$ -	$ -	$ -	$ 10.8
Fund Balance	$ -	$ 6.1	$ 53.6	$ -	$ 40.2	$ 8.9	$ -	$ 108.7
Prior Period Authority	$ -	$ 1.4	$ 5.7	$ 42.7	$ 134.8	$ 23.9	$ 17.4	$ 225.9
Total Budget Sources	**$ 9.5**	**$ 106.0**	**$ 93.5**	**$ 43.2**	**$ 198.5**	**$ 59.1**	**$ 17.6**	**$ 527.3**
Uses								
Uses - Operations								
Allocated Staff & Operating Expenses	$ (11.1)	$ 0.7	$ 4.3	$ 0.4	$ 2.7	$ 2.7	$ 0.2	$ 0.0
Operational Salaries and Benefits	$ 10.4	$ -	$ -	$ -	$ -	$ -	$ -	$ 10.4
Affordable Housing Services	$ 1.4	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.4
Rent	$ 1.1	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.1
Retiree Health and Pension Costs	$ 4.2	$ -	$ -	$ -	$ -	$ -	$ -	$ 4.2
Auditing & Accounting Services	$ 0.3	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.3
Legal Services	$ 0.3	$ -	$ 1.0	$ -	$ -	$ 0.1	$ -	$ 1.4
Planning & Infrastructure Rvw	$ 0.1	$ -	$ 6.5	$ -	$ -	$ -	$ -	$ 6.7
Real Estate Development Services	$ 0.1	$ -	$ 0.0	$ -	$ -	$ -	$ -	$ 0.1
Workforce Development Services	$ 0.3	$ -	$ 0.1	$ -	$ -	$ -	$ -	$ 0.4
Other Professional Services	$ 1.2	$ -	$ 1.4	$ -	$ 1.4	$ 0.8	$ -	$ 4.6
Grants to Community-Based Organizations	$ -	$ -	$ 2.4	$ -	$ -	$ -	$ -	$ 2.4
Payments to other Public Agencies	$ -	$ -	$ 0.4	$ -	$ -	$ -	$ -	$ 0.4
Other Current Expenses	$ 1.2	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.2
Subtotal CY Uses - Operations	**$ 9.5**	**$ 0.7**	**$ 16.1**	**$ 0.4**	**$ 4.1**	**$ 3.6**	**$ 0.2**	**$ 34.6**
Uses - Non-Operations								
Affordable Housing Loans	$ -	$ -	$ 51.2	$ -	$ 38.5	$ 7.0	$ -	$ 96.8
Development Infrastructure	$ -	$ -	$ 16.1	$ 29.3	$ 135.6	$ 8.0	$ 7.8	$ 196.8
Pass-through to TJPA	$ -	$ -	$ -	$ -	$ -	$ 21.1	$ -	$ 21.1
Debt Service - OCII TAB Bonds	$ -	$ 97.3	$ -	$ -	$ -	$ -	$ -	$ 97.3
Public Art	$ -	$ -	$ -	$ -	$ 1.1	$ -	$ -	$ 1.1
Other Debt	$ -	$ 6.6	$ -	$ 13.4	$ -	$ -	$ -	$ 19.9
Subtotal CY Uses - Non-Operations	**$ -**	**$ 103.9**	**$ 67.3**	**$ 42.7**	**$ 175.3**	**$ 36.1**	**$ 7.8**	**$ 433.1**
Prior Period Authority - Housing	$ -	$ -	$ 5.7	$ -	$ 19.2	$ -	$ -	$ 24.9
Prior Period Authority - Non-Housing	$ -	$ 1.4	$ 4.4	$ -	$ -	$ 19.4	$ 9.6	$ 34.7
Subtotal CY Uses - Prior Period Authority	**$ -**	**$ 1.4**	**$ 10.1**	**$ -**	**$ 19.2**	**$ 19.4**	**$ 9.6**	**$ 59.6**
Total Budget Uses	**$ 9.5**	**$ 106.0**	**$ 93.5**	**$ 43.2**	**$ 198.5**	**$ 59.1**	**$ 17.6**	**$ 527.3**

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

The Proposed FY20-21 Budget, which staff will present at the June 16, 2020 Commission meeting, will describe the OCII FY20-21 workplan through narrative descriptions and various tables. Below are summaries of the FY20-21 activities and milestones for OCII's major active projects, Affordable Housing, Community Development and Workforce, and OCII's Operations.

Projects Summary

In FY 20-21, 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 20-21 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, 560,000 square feet of retail uses, a new University of California San Francisco ("UCSF") research campus and medical center including a 550-bed hospital, 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 eight 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 FY20-21 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 hotel and commercial/industrial uses
- Community Development & Workforce: Study business capacity issues; on-going implementation of Small Business Enterprise ("SBE") and workforce programs

The FY20-21 Program Milestones include:

- Infrastructure Completions: 3 parks (P3, P27 and P19), street improvement work at 5th and King and a storm water pump station (SWPS #3)
- Commercial Completions: Uber Headquarters, UCSF medical buildings
- Housing Completions: 152 units in Mission Bay Block 6W

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 FY20-21 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
- 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 FY20-21 Program Milestones include:

- Infrastructure Completions: Folsom Street Improvement Project
- 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. The Hunters Point Shipyard area is divided into two phases of development. 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 FY20-21 activities include:

- Infrastructure: coordination on street permits, mapping and public utilities designs.
- Plan & Permit Approvals: close out open space and residential construction permits
- Affordable Housing Funding: make new predevelopment and construction loans; disburse existing loans
- Asset Management: upgrade Artists Building 101 and enter into a Shipyard Phase 1 Parks Management contract
- Planning: review schematic designs for vertical development at Candlestick Point and Shipyard Phase 1.
- Community Development & Workforce: make grants to community-based organizations; on-going implementation of SBE and workforce programs

The FY20-21 Program Milestones include:

- Infrastructure Completions: 7 parks (Shipyard Phase 1)
- Housing: Commence construction on approximately on approximately 353 units.

Affordable Housing Summary

Table 4 integrates the proposed budget for affordable housing into the appropriate Project area, according to each Project's location. Table 4 shows affordable housing projects receiving new funding in FY20-21 and indicates the proposed housing type for each project.

Table 4: OCII-Funded New Affordable Housing by Housing Type, *Millions*

	Family Rental	Senior Rental Housing	Supportive Housing	Total
Mission Bay South Block 9 Predevelopment/Construction			*$35.0*	*$35.0*
Mission Bay South Block 12W Predevelopment	*$3.5*			*$3.5*
Transbay 2E and 2W Predevelopment	*$3.5*	*$3.5*		*$7.0*
Hunters Point Shipyard Phase 1, Blocks 52/54 Construction	*$47.7*			*$47.7*
Hunters Point Shipyard Phase 1, Block 56 Predevelopment	*$3.5*			*$3.5*
Total	$58.2	$3.5	$35.0	$96.8

In addition to the $96.8 million in new affordable housing loans, OCII will expend $24.9 million on existing affordable housing loans. Table 5 shows affordable housing projects receiving continuing funding in FY20-21 and indicates the housing type for each project.

Table 5: OCII-Funded Existing Affordable Housing by Housing Type, *Millions*

	Family Rental	Family Ownership	Total
HPS Block 52/54 Predevelopment	$2.3		$2.3
CP Block 11a Predevelopment	$1.2		$1.2
CP Block 10a Predevelopment	$1.6		$1.6
Alice Griffith 4 Construction	$0.5		$0.5
MBS 6E Construction	$1.6		$1.6
MBS 6W Construction	$14.1		$14.1
MBS 9a Predevelopment		$3.5	$3.5
Total	$21.3	$3.5	$24.8

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 as part of the enforceable obligations (i.e. master development agreements) that the Department of Finance has approved. 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, but must be consistent with the DOF-approve enforceable obligations.

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 1,000 local and small businesses since 2012.

In FY20-21, 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.

In Other, the FY20-21 activities include:

- Administer Developer Obligations: 706 Mission Street

Debt Summary

In FY20-21, OCII anticipates expending $118.6 million on its debt program. The largest expenditure will be for debt service on existing and new tax allocation bonds (“TAB”), which are bonds issued against property tax revenues and are OCII’s primary debt instrument. The second largest expenditure will be debt service on OCII’s Other or non-TAB debt, including hotel bonds, the Low Moderate Income Housing Fund loan, and cost of issuance for one planned new money bond issuance.

The FY20-21 Proposed Budget includes one new debt issuance of $15.0 million and $0.5 million in associated issuance costs, subject to Commission, Oversight Board, and Department of Finance approvals. Proceeds from the issuance will fund reimbursement of Pre-Agreement costs in Hunters Point Shipyard/Candlestick Point, as per the Financing Plan.

As of June 30, 2019, OCII had long-term debt outstanding of $998.5 million. Of this amount, $860.0 million was Tax Allocation Bonds secured by property taxes generated in the redevelopment project area and $23.1 million was Hotel Occupancy Tax Revenue Refunding Bonds secured by occupancy tax revenues from the occupancy of guest rooms in the hotels within the City.

Operations & Budgeted Positions Summary

In FY20-21, OCII will expend $20.6 million to fund its operational costs. Specifically, OCII will expend $10.4 million on salaries and benefits, which reflects labor costs for 55 Full-Time Equivalent (“FTE”) staff, which is equivalent to the number of FTE in the 19-20 budget. The FY20-21 budgeted positions will be included in the Proposed FY20-21 Budget Narrative, which will be provided at the June 15, 2020 Commission meeting.

OCII will expend the remaining $6.0 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 $4.2 million on its retirement obligations.

Table 6 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 6: FY 20-21 Operations, Sources by Uses, *Millions*

	Amount
Sources	
Bond Proceeds	$0.2
Other Funds	$6.9
Property Tax	$13.5
Total	**$20.6**
Uses	
Salaries and Benefits	$10.4
Non-labor	$6.0
Retiree Health and Pension	$4.2
Total	**$20.6**

Table 7 provides details on the non-labor uses in the FY20-21 budget.

Table 7: FY 20-21 Non-Labor Uses, *Millions*

Use	Amount
Work Orders with City Departments	$3.6
Professional Services	$0.8
Software and Information Technology	$0.3
Other Current Expenses	$0.5
Insurance	$0.5
Legal	$0.3
Total	**$6.0**

CFDs Summary

OCII administers seven Community Facilities Districts ("CFDs") created under California's Mello-Roos Act. Special taxes are levied in the various districts to support maintenance of open space and provide reimbursement of infrastructure in the project areas. Although the Redevelopment Agency or OCII originally formed the CFDs, OCII's administration of the CFDs is subject to the Mello-Roos Act and not the Redevelopment Dissolution Act. OCII's activities as a CFD are not subject to review by the Board of Supervisors, the Oversight Board, or the Department of Finance. As noted below, OCII currently has $176.2 million in outstanding CFD bonds in connection with three of the seven CFDs in Mission Bay North, Mission Bay South, and Hunters Point Shipyard Phase 1. Table 8 summarizes the CFD annual levies and outstanding debt.

Table 8:OCII's Community Facilities Districts, *Millions*

CFD	Project Area	2020 est. Tax Levy (M)	FY20-21 Debt Service (M)	2/20/2020 Principal Outstanding (M)	Final Bond Maturity	Purpose
CFD #1	Rincon Point	$0.2	n/a	n/a	n/a	Maintenance & Infrastructure
CFD #4*	Mission Bay North	$0.0	$0.5	$19.5	8/1/2031	Infrastructure
CFD #5	Mission Bay North & South	$2.7	n/a	n/a	n/a	Maintenance
CFD #6	Mission Bay South	$11.0	$8.9	$123.5	8/1/2043	Infrastructure
CFD #7	Hunters Point Shipyard Phase 1	$2.6	$2.0	$33.2	8/1/2036	Infrastructure
CFD #8	Hunters Point Shipyard Phase 1	$1.2	n/a	n/a	n/a	Maintenance
CFD #9	Hunters Point Shipyard Phase 2/Candlestick Point	$0.4	n/a	n/a	n/a	Maintenance & Infrastructure

**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)*

NEXT STEPS

OCII staff will incorporate Commission feedback from this workshop and present the revised budget on June 16, 2020. The Commission will take action on the Proposed FY20-21 Budget on June 16, 2020. Pending Commission approval, staff will submit the Proposed FY20-21 Budget to the Mayor on July 1, 2020. Following Mayor's Budget Office review, on August 1, 2020, the Mayor will submit OCII's Proposed FY20-21 Budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's budget in August 2020. OCII staff will update the Commission as the budget process evolves.

(Originated by Mina Yu, Financial and Reporting Analyst)

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