TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Approving a Budget for the period of July 1, 2016 through June 30, 2017 and authorizing the Executive Director to submit the Budget and interim Budget to the Mayor's Office and the Board of Supervisors

EXECUTIVE SUMMARY

The Commission reviewed the proposed budget for Fiscal Year 16-17 at two informational workshops, which were held on April 5, 2016 and April 19, 2016. On May 3, 2016 the Commission will review the final proposed budget, which is attached to the accompanying Resolution. The Resolution provides for the approval of the budget and authorizes the Executive Director to submit the approved budget to the Mayor and the Board of Supervisors for their review. OCII is scheduled to present its budget to the Budget and Finance Committee of the Board of Supervisors on June 8, 2016 and June 16, 2016. The resolution also authorizes the Executive Director to submit the interim budget, which is based on the annual budget, to the Board of Supervisors. By convention, the interim budget is in effect from July 1, 2016, until the full Board of Supervisors finally passes the budget on July 26, 2016.

Staff recommends approval of the budget for the period of July 1, 2016 through June 30, 2017 and recommends authorizing the Executive Director to submit the budget and interim budget to the Mayor's Office and the Board of Supervisors.

DISCUSSION

As discussed in the budget workshops, the budget document describes the activities that OCII will undertake in FY16-17 through narrative descriptions, workplans, and various tables. The key tables are Exhibit 1, which compares the Fiscal Year 15-16 sources and uses to the FY16-17 sources and uses, Exhibit 2, which shows the sources and uses of the programmatic budget, which is the OCII budget not including debt service and pass-through to the TJPA, and Exhibit 3, which shows sources and uses by Project Area.

The attached budget is substantially similar to the information presented in the workshops on April 5, 2016 and April 19, 2016. There are a small number of changes with policy implications. These changes are described below.

a. **Inclusion of Prior Budget Authority:** While prior budgets authorized the Executive Director to expend funds appropriated in prior years for affordable housing projects, community benefits grants, and Yerba Buena Gardens capital improvements, the budget tables did not explicitly display these amounts. In order to increase transparency, the

proposed FY16-17 budget displays revenue and expenditure authority from prior budget years as "Prior Period Authority."

b. **Updates to Excess Bond Proceeds Amounts:** The FY16-17 budget includes expenditure of excess bond process from bonds issued prior to Dissolution. These proceeds are being spent under the terms of the original issuance and under the authority of Memorandums of Understanding with various City Departments. These Memorandums of Understanding were approved by the Commission, Oversight Board, and Department of Finance. The proposed budget includes the current fund balances, including interest earned.

c. **Decrease in Mission Bay Debt Service and Increase in Mission Bay Tax Increment for Affordable Housing and Infrastructure Reimbursement.** Following the April 19, 2016 workshop, the Mission Bay North 2016A refunding bonds and Mission Bay South 2016C refunding bonds closed on April 21, 2016. Originally, these refundings were anticipated to generate approximately $13.5 million in net present value savings. Following upgrades to both the Mission Bay North and Mission Bay South Standard and Poor's ratings, and uniquely positive market conditions on the dates of sale, the two refundings generated approximately $35.4 million in net present value savings: $19.6 million in Mission Bay North and $15.8 in Mission Bay South. The accompanying reduction in debt service allows for greater use of Mission Bay tax increment for affordable housing and infrastructure reimbursement.

d. **Increase to Capital Improvements in Yerba Buena Gardens.** Following the April 19, 2016 workshop, MJM management, the property management company that manages Yerba Buena Gardens on behalf of OCII, notified the agency that $1.2 million dollars in capital repairs is required for the Crescent Pool. These repairs will be funded by restricted Community Development Block Grant fund balance.

e. **Increase to Construction Management for Affordable Housing Services.** Consistent with the increased construction monitoring workload related to OCII's Affordable Housing Pipeline, staff increased the Memorandum of Understanding for construction management services from the Mayor's Office of Housing and Community Development (MOHCD) and added 1 Full Time Equivalent Housing Construction Specialist to the budget. In the short-term, the larger Memorandum of Understanding with MOHCD will enable MOHCD to respond to the increased workload. In the long-term, as projects complete, construction monitoring will shift from MOHCD to OCII. Moving construction monitoring services within OCII will facilitate greater coordination with Project Management staff and a stronger linkage between development in the project area and development of individual affordable housing projects.

f. **Increase to Other Professional Services.** In reconciling the FY15-16 and FY16-17 budgets, staff determined that the FY15-16 budget did not include authority for OCII to make the annual transfer of developer reimbursements for security services to the Port. This authority was omitted on the assumption that South Beach Harbor would transfer to the Port in FY15-16. However, as State Lands has not yet approved this transfer, OCII must continue to make transfer these payments. The FY16-17 budget includes the authority to transfer the funds on a catch-up basis for FY15-16 as well as the FY16-17 transfer.

g. **Decrease in Administrate Fee from Administrative Services from $99, 589 to $25,000.** At the direction of the Commission, OCII has decreased the Administrative Fee from Administrative Services from $99,589 to $25,000, the amount of the fee in FY15-16. OCII will also inform Administrative Services that OCII will pay the fee at the end of FY16-17

proportional to the actual number of Administrative Services staff contracted to and funded by OCII throughout the fiscal year.

NEXT STEPS

Upon the Commission's approval, staff will submit the approved budget to the Mayor's Budget Office for review. OCII will present the approved budget to the Budget and Finance Committee on June 8, 2016 and June 16, 2016. The full Board of Supervisors will consider the budget recommended by the Budget and Finance Committee on July 12, 2016. Staff will bring any material changes to the Budget required by the Mayor or Board of Supervisors to the Commission for its review.

As the full Board of Supervisors does not consider the budget until July 12, 2016, which is after the start of the fiscal year, the Board routinely passes an interim budget based on OCII's annual budget submission. The resolution authorizes the Executive Director to submit this interim budget to the Board of Supervisors for its review. The interim budget is in place until the Board of Supervisors finally passes the annual budget on July 26, 2016.

(Originated by Bree Mawhorter, Deputy Director of Finance and Administration)

Tiffany Bohee
Executive Director

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 19-2016

APPROVING A BUDGET FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017, AND AUTHORIZING THE EXECUTIVE DIRECTOR TO SUBMIT THE BUDGET AND INTERIM BUDGET TO THE MAYOR'S OFFICE AND THE BOARD OF SUPERVISORS

WHEREAS, In accordance with Redevelopment Dissolution Law, Cal. Health & Safety Code § 34173, and San Francisco City and County Board of Supervisors ("Board of Supervisor's) Ordinance No. 215-12, the Office of Community Investment and Infrastructure ("OCII"), as Successor Agency to the San Francisco Redevelopment Agency, is recognized as a separate legal entity from the City and is subject to the governance of the Board of Supervisors acting in its legislative capacity. The Board of Supervisors has final budget approval authority over the OCII in its annual budget process in accordance with Section 33606 of the California Health and Safety Code; and,

WHEREAS, On April 5, 2016 and April 19, 2016, the OCII Commission held workshops on a proposed FY 2016-17 budget that the OCII Staff prepared and has included as Attachment A to this Resolution ("FY 2016-17 Proposed Budget"); and,

WHEREAS, In addition to the revenues included in the FY 2016-17 Proposed Budget, OCII may receive additional property tax increment related to the Mission Bay North and Mission Bay South Redevelopment Project Areas as a result of the correction of assessor records. This increment is pledged to specified uses under pledge agreements that constitute enforceable obligations as finally and conclusively determined by the California Department of Finance ("DOF"); and,

WHEREAS, In addition to the revenues included in the FY 2016-17 Proposed Budget, OCII may receive additional sales proceeds and property tax increment from formerly State-owned parcels in the Transbay Redevelopment Project Area that is pledged to be disbursed to the Transbay Joint Powers Authority under a pledge agreement that constitutes an enforceable obligation as finally and conclusively determined by DOF; and,

WHEREAS, In addition to the revenues included in the FY 2016-17 Proposed Budget, OCII may receive interest on bond proceeds and restricted Community Block Development Grant revenues that are associated with OCII's real property assets ; and,

WHEREAS, The FY 2016-17 Proposed Budget includes $215,000,000 of spending that is conditional upon the sale of tax allocation bonds and if the bonds are sold, there will be issuance costs paid from the bond proceeds; and,

WHEREAS, In addition to the activities programmed in the FY 2016-17 Proposed Budget, OCII may have opportunities to refund existing debt at lower interest rates to reduce debt service costs; and,

WHEREAS, OCII anticipates transferring the Yerba Buena Gardens and Shoreview Park to the City, which would necessitate the transfer of $20,000,000 and $2,000,000, respectively, in restricted Community Block Development Grant revenues, plus interest earned until the transfer date, that are On December 7, 2015, the California Department of Finance finally approved OCII's Long-Range Property Management Plan ("PMP"), which implements Redevelopment Dissolution Law and requires OCII to dispose of certain real property assets. In the next fiscal year, associated with those assets; and,

WHEREAS, OCII serves as the administrator of certain Community Facilities Districts ("CFDs") listed in Table A1 of the OCII Proposed FY 2016-17 Budget, created under the provisions of the Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (known as the "Mello-Roos Act") , and is responsible to make debt service payments and make other expenditures in fulfillment of other obligations associated with the CFDs; and,

WHEREAS, The timing of the full Board of Supervisor's consideration of the annual budget requires submission of an interim budget that is in place from July 1, 2016 until the Board of Supervisor's finally passes OCII's annual budget; and,

WHEREAS, The interim budget is based on the proposed annual budget; and,

WHEREAS, Approval of the FY 2016-17 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 this Commission authorizes OCII to accept and expend, subject to any ROPS or contract approval that may be necessary, the property tax and other revenues subject to the Mission Bay North Tax Increment Allocation Pledge Agreement, the Mission Bay South Tax Increment Allocation Pledge Agreement, the Tax Increment Allocation Pledge Agreement for Candlestick Point and Phase 2 of the Hunters Point Shipyard, and the Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement that may be received in excess of amounts included in the FY 2016-17 Budget; and be it further

RESOLVED, That this Commission authorizes OCII to expend the interest earned on bond proceeds for purposes consistent with the bond indentures, subject to consistency

with an approved ROPS, and provided that OCII has determined that such interest is not subject to Internal Revenue Service arbitrage restrictions; and be it further

RESOLVED, That this Commission authorizes OCII to transfer to the City, concurrent with the transfer of real property assets identified in the PMP, the restricted Community Development Block Grant Funds associated with those assets, including those amounts that may be received in excess of amounts included in the FY 2016-17 Budget; and be it further

RESOLVED, That this Commission authorizes OCII to direct the expenditure of any special taxes assessed for Community Facilities Districts ("CFDs") in its capacity as administrator for such CFDs.

RESOLVED, That the OCII Commission approves the Proposed Budget for the period July 1, 2016 through June 30, 2017 ("FY 2016-17 Budget"), attached to this Resolution as Attachment A, and furthermore authorizes the Executive Director to transmit the Proposed FY 2016-17 Budget, and accompanying interim budget, to the Mayor's Office and the Board of Supervisors for final budget approval, and to make any nonmaterial changes to the Proposed Budget 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; and be it further

RESOLVED, That this Commission authorizes, consistent with enforceable obligations, the Executive Director to reprogram funds between expenditure categories within the project areas and administrative budget shown as columns on Table 3 of the attached Proposed FY 2016-17 Budget, and to move appropriated budgets for allocated staffing and operating costs between projects, and to transfer appropriations between affordable housing projects in response to changes in project schedules; and to expend funds appropriated in prior years in reserve accounts designated for affordable housing projects, community benefits grants, and Yerba Buena Gardens capital account for their designated purposes; subject to the availability of funds and consistency with an approved ROPS.

Attachment A: OCII Proposed FY 2016-17 Budget

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of May 3, 2016.

_____

Commission Secretary

Attachment A

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

Fiscal Year 2016-17 Budget

Submitted for Approval to the Commission on Community Investment and Infrastructure Meeting of May 3, 2016

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OFFICE OF COMMUNITY INVESTMENT & INFRASTRUCTURE
FY 2016-17 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 State of California dissolved, under Cal. Health & Safety Code §§ 34170 et seq (the Dissolution Law), the San Francisco Redevelopment Agency (SFRA), along with all 400 redevelopment agencies in California. Pursuant to the Dissolution Law and to Board of Supervisors Ordinance 215-12, the Office of Community Investment and Infrastructure (OCII) is 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 in Ordinance No. 215-12 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.

Governance

The Successor Agency Commission (also known as the Commission on Community Investment and Infrastructure) 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 Agency, 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.

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. The Oversight Board 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 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 OCII 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.

Dissolution Law establishes that OCII is a separate entity from the City and County of San Francisco, just as SFRA was. However, under the Community Redevelopment Law, as amended by Dissolution Law, the Board of Supervisors, in its capacity as the legislative body for the City and County of San Francisco, must still approve OCII's annual budget (Cal Health & Safety Code § 33606). 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

The proposed Fiscal Year (FY) 16-17 budget of $698.0 million represents an increase of $203.9 million compared to the FY15-16 budget of $494.1 million. These changes are shown in detail in Exhibit 1.

This change is primarily due to:

- A one-time correction to increase budget transparency by showing prior budget authority utilized in the budget year. While prior budgets have authorized the Executive Director to expend funds appropriated in prior years that are in reserve accounts designated for affordable housing projects, community benefits grants and Yerba Buena Gardens capital improvements, this new treatment increases OCII's fiscal transparency.

- An increase in the use of bond proceeds and a commensurate decrease in use of Property Tax Increment – Other to fund affordable housing and infrastructure. Following the passage of SB107, OCII is now authorized to issue tax allocation bonds to fund affordable housing and infrastructure. The increase in the use of bond proceeds is directly linked to the increase Property Tax Increment – Debt Service, which is property tax increment used to pay debt service on outstanding debt obligations.

- An increase in the amount of property tax increment generated by Mission Bay that is available to fund affordable housing, pay infrastructure costs on a pay-go basis, and issue future debt. Recent refundings in Mission Bay North and South decreased the amount of tax increment required to make debt service payments. As a result tax increment is available for other uses.

- The projected transfer of Yerba Buena Gardens and Shoreview Park to the City as per the Department of Finance approved Long Range Property Management Plan. Transferring these assets requires OCII to transfer restricted Community Development Block Grant funds concomitant with the property transfer.

- An increase in developer payments to reimburse OCII project costs. As the pace of development has increased, the project costs to fund this development have naturally increased.

- A reduction in revenue generated by property sales and a commensurate decrease in the pass-through to the Transbay Joint Powers Authority (TJPA). No land sales are planned in Transbay in FY16-17. In the absence of such sales, only the tax increment generated by the state-owned parcels is pledged to the TJPA.

Exhibit 1. FY 16-17 Proposed Budget vs. FY 15-16 Budget, *$ Thousands*

	Approved 15-16	Proposed 16-17	Difference
Sources			
Property Tax Increment - Debt Svc	$ 98,234	$ 106,891	$ 8,657
Property Tax Increment - ACA	$ 3,301	$ 2,991	$ (310)
Property Tax Increment - Other	$ 22,480	$ 5,650	$ (16,830)
Property Tax Increment - Mission Bay	$ 6,300	$ 18,240	$ 11,940
Property Tax Increment - Transbay	$ -	$ 1,809	$ 1,809
Subtotal Property Tax Increment	**$ 130,315**	**$ 135,582**	**$ 5,267**
Property Sales	$ 257,240	$ 6,195	$ (251,045)
New Bond Proceeds	$ 179,679	$ 184,461	$ 4,782
Developer Payments	$ 12,226	$ 22,724	$ 10,498
Rent, Lease & Garage Revenue	$ 16,009	$ 14,334	$ (1,675)
US Navy Cooperative Agreement	$ 350	$ 290	$ (60)
Loan Repayments	$ 50	$ -	$ (50)
City Reimbursements for OCII Staff	$ 303	$ 258	$ (45)
Hotel Tax	$ 5,024	$ 4,945	$ (79)
Subtotal Revenues	**$ 470,881**	**$ 233,206**	**$ (237,675)**
Fund Balance - Housing	$ 21,432	$ 38,763	$ 17,331
Fund Balance - Non-Housing	$ 6,338	$ 103,694	$ 97,356
Subtotal Fund Balance	**$ 27,770**	**$ 142,457**	**$ 114,687**
Prior Period Authority	0	$ 186,767	$ 186,767
Total Sources	**$ 628,966**	**$ 698,012**	**$ 69,046**
Uses			
Uses - Operations			
Salaries and Benefits	$ 7,616	$ 8,691	$ 1,075
Affordable Housing Services	$ 827	$ 967	$ 140
Rent	$ 454	$ 453	$ (1)
Retiree Health and Pension Costs	$ 1,577	$ 2,283	$ 706
Auditing & Accounting Services	$ 545	$ 758	$ 213
Legal Services	$ 2,215	$ 3,428	$ 1,213
Planning & Infrastructure Rvw	$ 2,415	$ 2,440	$ 25
Asset Management	$ 6,770	$ 5,711	$ (1,059)
Workforce Development Services	$ 250	$ 250	$ -
Other Professional Services	$ 4,058	$ 8,793	$ 4,735
Grants to Community-Based Organizations	$ 4,005	$ 4,974	$ 969
Payments to other Public Agencies	$ 4,177	$ 25,495	$ 21,318
Other Current Expenses	$ 2,002	$ 887	$ (1,115)
Subtotal Uses - Operations	$ 36,911	$ 65,130	$ 28,219
Uses - Non-Operations			
Affordable Housing Loans	$ 96,500	$ 59,370	$ (37,130)
Affordable Housing Unit Purchase	$ -	$ -	$ -
Development Infrastructure	$ 140,860	$ 148,177	$ 7,317
Pass-through to TJPA	$ 245,700	$ 1,552	$ (244,148)
Debt Service	$ 108,995	$ 129,433	$ 20,438
Fund Balance - Housing	$ -	$ 88,497	$ 88,497
Fund Balance - Non-Housing	$ -	$ 30,000	$ 30,000
Subtotal Uses - Non-Operations	$ 592,055	$ 457,029	$ (135,026)
Prior Period Authority	$ -	$ 175,853	$ 175,853
Total Budget Uses	**$ 628,966**	**$ 698,012**	**$ 69,046**

As shown in the exhibit below, excluding debt service and pass-throughs to the Transbay Joint Powers Authority, 50 percent of the OCII programmatic budget funds affordable housing, 40 percent funds infrastructure, 8 percent funds asset management, and only 3 percent is allocated to project management and operations costs.

Exhibit 2. Proposed FY 16-17 Programmatic Budget Summary, *$ Thousands*

Use	Property Tax	Developer Payments	New Bond Proceeds	Rent, Lease & Garage Revenue	Fund Balance / Prior Period Authority	Other	Total	Percent
Affordable Housing	$ 1,902	$ 3,100	$ 102,968	$ -	$ 174,015	$ -	$ 281,985	**50%**
Asset Management	$ 801	$ 253	$ -	$ 11,196	$ 30,143	$ 290	$ 42,682	**8%**
Project Mgmt & Operations	$ 7,463	$ 5,582	$ -	$ 298	$ 2,381	$ 158	$ 15,882	**3%**
Infrastructure	$ 10,955	$ 13,789	$ 81,493	$ 1,725	$ 118,386	$ 100	$ 226,447	**40%**
Programmatic SubTotal	**$ 21,120**	**$ 22,724**	**$ 184,461**	**$ 13,220**	**$ 324,925**	**$ 548**	**$ 566,997**	**100%**
Percent	**4%**	**4%**	**33%**	**2%**	**57%**	**0%**	**100%**	

Looking at the programmatic budget only, the 57 percent of the budget is funded by fund balance and prior period authority. In general, fund balances and the related prior period authority are cash balances from previously issued bonds, restricted Community Development Block Grant funds, developer contributions held in escrow for future disbursement as grants to community based organizations or expenditures related to public art, and authority related to grants. New bond proceeds account for 33 percent of funding sources. In FY16-17 new bonds will be issued to fund infrastructure in Transbay and Mission Bay South and housing throughout the major approved development project areas. The remaining 10 percent of sources are generated by property tax, development payments, rent, lease and garage revenue, and other sources.

The exhibit below provides a more detailed look at the proposed FY 16-17 budget, breaking out the budget by project area or cost center.

Exhibit 3. Proposed FY 16-17 Budget by Project Area/Cost Center, *$Thousands*

	Operations	Debt Svc	HPSY / CP	MBN	MBS	TBY	YBC	YBG	Other	Total
Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Property Tax Increment - Debt Svc	$ -	$ 105,119	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,773	$ 106,891
Property Tax Increment - Mission Bay	$ -	$ -	$ -	$ 16,195	$ 2,045	$ -	$ -	$ -	$ -	$ 18,240
Property Tax Increment - Transbay	$ -	$ -	$ -	$ -	$ -	$ 1,809	$ -	$ -	$ -	$ 1,809
Property Tax Increment - Other	$ 2,283	$ 261	$ -	$ -	$ -	$ 1,594	$ -	$ -	$ 1,512	$ 5,650
Property Tax Increment - ACA	$ 2,991	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,991
Property Sales	$ -	$ 6,195	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,195
New Bond Proceeds	$ -	$ -	$ 80,250	$ -	$ 67,718	$ 36,493	$ -	$ -	$ -	$ 184,461
Developer Payments	$ -	$ -	$ 17,469	$ 701	$ 2,113	$ 1,588	$ 253	$ -	$ 600	$ 22,724
Rent, Lease & Garage Revenue	$ -	$ 1,114	$ 494	$ -	$ -	$ -	$ -	$ 10,376	$ 2,350	$ 14,334
US Navy Cooperative Agreement	$ -	$ -	$ 290	$ -	$ -	$ -	$ -	$ -	$ -	$ 290
Loan Repayments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City Reimbursements for OCII Staff	$ -	$ -	$ -	$ -	$ -	$ 100	$ -	$ -	$ 158	$ 258
Hotel Tax	$ -	$ 4,945	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,945
Fund Balance - Housing	$ -	$ -	$ 7,608	$ -	$ 23,452	$ 6,030	$ -	$ -	$ 1,673	$ 38,763
Fund Balance - Non-Housing	$ -	$ -	$ 969	$ -	$ 73,797	$ 2,800	$ -	$ 25,475	$ 653	$ 103,694
Budget Sources	**$ 5,274**	**$ 117,634**	**$ 107,080**	**$ 16,896**	**$ 169,125**	**$ 50,413**	**$ 253**	**$ 35,851**	**$ 8,719**	**$ 511,245**
Prior Period Authority	$ -	$ 4,299	$ 50,093	$ 261	$ 37,732	$ 73,581	$ 9,622	$ -	$ 11,180	$ 186,767
Total Budget Sources	**$ 5,274**	**$ 121,933**	**$ 157,173**	**$ 17,157**	**$ 206,857**	**$ 123,993**	**$ 9,875**	**$ 35,851**	**$ 19,899**	**$ 698,012**
Uses										
Uses - Operations										
Allocated Staff & Operating Expenses	$ (10,608)	$ 261	$ 3,426	$ 963	$ 1,706	$ 1,410	$ -	$ 298	$ 2,543	$ -
Salaries and Benefits	$ 8,691	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,691
Affordable Housing Services	$ 967	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 967
Rent	$ 453	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 453
Retiree Health and Pension Costs	$ 2,283	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,283
Auditing & Accounting Services	$ 398	$ -	$ -	$ 60	$ 300	$ -	$ -	$ -	$ -	$ 758
Legal Services	$ 1,198	$ -	$ 1,590	$ -	$ -	$ 600	$ -	$ 40	$ -	$ 3,428
Planning & Infrastructure Rvw	$ -	$ -	$ 2,440	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,440
Asset Management	$ -	$ -	$ 37	$ -	$ -	$ -	$ -	$ 4,150	$ 1,524	$ 5,711
Workforce Development Services	$ 50	$ -	$ 200	$ -	$ -	$ -	$ -	$ -	$ -	$ 250
Other Professional Services	$ 1,103	$ 30	$ 5,632	$ 250	$ 250	$ 1,528	$ -	$ -	$ -	$ 8,793
Grants to Community-Based Organizat	$ -	$ -	$ 969	$ -	$ -	$ -	$ -	$ 4,005	$ -	$ 4,974
Payments to other Public Agencies	$ -	$ -	$ 2,407	$ -	$ -	$ -	$ 253	$ 20,087	$ 2,748	$ 25,495
Other Current Expenses	$ 738	$ -	$ 79	$ -	$ -	$ -	$ -	$ 70	$ -	$ 887
Subtotal Uses - Operations	**$ 5,274**	**$ 291**	**$ 16,779**	**$ 1,273**	**$ 2,256**	**$ 3,538**	**$ 253**	**$ 28,651**	**$ 6,815**	**$ 65,130**
Uses - Non-Operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Affordable Housing Loans	$ -	$ -	$ 21,045	$ -	$ 32,295	$ 6,030	$ -	$ -	$ -	$ 59,370
Affordable Housing Unit Purchase	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Development Infrastructure	$ -	$ -	$ 50	$ 9,605	$ 119,765	$ 9,293	$ -	$ 7,200	$ 2,265	$ 148,177
Pass-through to TJPA	$ -	$ -	$ -	$ -	$ -	$ 1,552	$ -	$ -	$ -	$ 1,552
Debt Service	$ -	$ 121,642	$ -	$ 6,018	$ -	$ -	$ -	$ -	$ 1,773	$ 129,433
Fund Balance - Housing	$ -	$ -	$ 69,205	$ -	$ 19,292	$ -	$ -	$ -	$ -	$ 88,497
Fund Balance - Non-Housing	$ -	$ -	$ -	$ -	$ -	$ 30,000	$ -	$ -	$ -	$ 30,000
Subtotal Uses - Non-Operations	**$ -**	**$ 121,642**	**$ 90,300**	**$ 15,623**	**$ 171,351**	**$ 46,875**	**$ -**	**$ 7,200**	**$ 4,038**	**$ 457,029**
Prior Period Authority	$ -	$ -	$ 50,093	$ 261	$ 33,250	$ 73,581	$ 9,622	$ -	$ 9,047	$ 175,853
Total Budget Uses	**$ 5,274**	**$ 121,933**	**$ 157,173**	**$ 17,157**	**$ 206,857**	**$ 123,993**	**$ 9,875**	**$ 35,851**	**$ 19,899**	**$ 698,012**

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, 2016 are provided for informational purposes in Appendix 1.

3. Operations Budget and Budgeted Positions

OCII's proposed operations budget for FY 16-17 is $15.9 million; $13.6 in operating expenses and $2.3 million in retiree health and pension payments.

Of this $15.9 million, $8.7 million is comprised of staff salaries and benefits, including OCII staff and City Administrator staff contracted to and funded by OCII. Highlights of the operations budget include:

- Increase in salaries and benefits following the 3.25 percent Cost of Living Allowance negotiated in the 2015-2017 Memorandums of Agreement between OCII and its labor partners, the International Federation of Professional and Technical Engineers Local 21 and Service Employees International Union Local 1021, as well as equivalent increases for City Administrator staff contracted to and funded by OCII, as negotiated in the 2015-2017 Memorandums of Understanding between the City and its labor partners.

- Increase of $0.7 million in the cost to provide health benefits to retirees. This increase is due the rising cost of health care. The monthly cost to provide health benefits to retirees increased from approximately $112,000 per month in FY 15-16 to approximately $120,000 per month in FY 16-17. In addition OCII is making a $0.3 million payment to pay down the future retiree health liability.

- Addition of one full time equivalent Housing Construction Specialist to reflect the increased construction management workload related to OCII's Affordable Housing Pipeline.

- Addition of Limited Term Appointments to reflect the increased design review and contract compliance necessitated by the pace of OCII's work program.

The increases noted above are partially offset by the increase in the supplemental employee contribution to OCII's pension plan, which decreases OCII's cost to provide retirement benefits. As per the 2015-2017 Memorandums of Agreement negotiated between OCII and its labor partners, the International Federation of Professional and Technical Engineers Local 21 and Service Employees International Union Local 1021, the supplemental employee contribution will increase on July 1, 2016 by 1.25 percent from 2.25 percent of salary to 3.5 percent of salary.

Other items of note include:

- **Affordable Housing Services:** The proposed FY 16-17 budget includes $967,080 for affordable housing staffing support provided by the Mayor's Office of Housing and Community Development.

- **Retiree Health and Pension Unfunded Accrued Actuarial Liability (UAAL) contribution:** The proposed FY 16-17 budget includes approximately $1.7 million for retiree health insurance obligations, and $0.5 million for a payment against OCII's Unfunded Accrued Actuarial Liability (UAAL). This payment is made to reduce OCII's unfunded pension liabilities. The amount of the UAAL payment is determined by OCII's actuarial valuation. As mentioned above, OCII is also making a $0.3 million payment against unfunded retiree health liability.

- **Legal Services:** The proposed FY 16-17 legal budget of approximately $3.4 million includes:

    - $700,000 for legal support for the challenge to the Warriors Environmental Impact Review (EIR), provided by outside counsel and reimbursed by the developer,
    - $340,000 for specialized legal support, provided by outside counsel and funded by property tax increment, and

- $155,000 for general legal support, including housing program support, provided by the City Attorney and funded by property tax increment or bond proceeds.

Note that project-specific budgets include an additional $2.2 million for legal support in the Major Area Development Projects.

- **Other Professional Services:** The proposed FY 16-17 professional services budget of approximately $0.7 million for professional services includes:

  - $490,000 for professional services related to asset management,
  - $140,000 for general professional services,
  - $100,000 for public communications support,
  - $ 50, 000 for a Certificate of Preference Marketing study, and
  - $ 15,000 for Office of Labor Standards Enforcement investigations support.

  The need for professional services related to asset management is due to the Department of Finance's approval of OCII's Long Range Property Management Plan (PMP) in December 2015. The PMP is a plan for disposition of all real property assets and is required under Redevelopment Dissolution Law. Implementing the PMP will require the use of professional services such as title and escrow work, drafting transactional documents related to property sales or transfers, and lease assignments.

  Note that project-specific budgets include an additional $8.0 million for professional services in the Major approved Development Projects.

- **Other Current Expenses:** The proposed FY 16-17 budget of approximately $.7 million includes:

  - $400,000 for insurance premiums and allowance for deductibles,
  - $200,000 for virtual server maintenance, mail, e-mail, telephone, copy machine, records storage, technology infrastructure and support,
  - $ 40,000 for office supplies, employee training, and field expenses, and
  - $ 45,000 for Commission and Oversight Board meeting expenses, including audiovisual recording of Commission meetings by SFGOV TV.

Positions

Budgeted positions and salary ranges are shown in the exhibit below. These positions reflect OCII employees plus City Administrator staff contracted to and funded by OCII. These staff are former OCII employees who transferred to the City Administrator and continue to work full-time on OCII-related work. The proposed FY 16-17 budget contains 47 full-time equivalent positions (FTE), which is one more positions than in the FY 15-16 budget. The new position is a 1025 Housing Construction Specialist who will monitor construction of affordable housing to ensure the housing is built to OCII's specifications. As this position is directly related to project implementation, it is funded by sources other than property tax increment, including developer fees. The proposed budget also contains seven limited term appointments (LTA), which is an increase of five LTA over the FY 15-16 budget. As OCII continues to implement its work program, these positions may be converted to FTE in future budget years.

Exhibit 4: Proposed FY 16-17 Budgeted Positions and Salary Ranges

Class	Class Title	Biweekly Salary Range	FY 15-16 Adj Bgt	FY 16-17 Proposed	Difference
500	Executive Director	$193,134 - $ 234,754	1	1	0
520	General Counsel	$181,322 - $ 220,408	1	1	0
1060	Deputy Director, Finance and Administration	$169,059 - $ 205,482	1	1	0
1060	Deputy Director, Programs	$169,059 - $ 205,482	1	1	0
525	Deputy General Counsel	$146,015 - $ 177,478	1	1	0
565	Senior Civil Engineer	$136,781 - $ 166,267	1	1	0
930	Staff Associate V	$132,958 - $ 161,607	1	1	0
535	Development Services Manager	$128,298 - $ 155,959	1	1	0
540	Housing Program Manager	$128,298 - $ 155,959	1	1	0
1025	Housing Construction Specialist	$104,104 - $ 126,547	0	1	1
550	Senior Project Manager	$126,816 - $ 154,133	1	1	0
965	Human Resources Manager	$119,621 - $ 145,414	1	1	0
585	Contract Compliance Supervisor	$119,621 - $ 145,414	1	1	0
970	Accounting Supervisor	$119,621 - $ 145,414	1	1	0
1065	Contract Compliance Specialist III	$113,286 - $ 137,704	1	1	0
630	Senior Financial Analyst	$112,835 - $ 137,146	1	2	1
595	Senior Development Specialist	$110,838 - $ 134,719	3	4	1
590	Project Manager	$109,549 - $ 133,151	4	4	0
990	Assistant Project Manager	$103,063 - $ 125,270	2	2	0
615	Development Specialist	$103,063 - $ 125,270	8	6	-2
670	Financial Systems Accountant	$ 99,090 - $ 120,437	1	1	0
715	Sr. Personnel Analyst	$ 93,013 - $ 113,071	0	1	1
705	Assistant Development Specialist	$ 89,018 - $ 108,218	1	1	0
720	Senior Programmer Analyst	$ 88,782 - $ 107,917	1	1	0
640	Contract Compliance Specialist II	$ 86,505 - $ 105,146	1	1	0
695	Accountant III	$ 85,582 - $ 104,030	1	1	0
760	Senior Legal Secretary	$ 75,531 - $ 91,810	0	1	1
775	Accountant II	$ 70,785 - $ 86,054	1	1	0
810	Administrative Secretary	$ 65,137 - $ 79,182	0	1	1
855	Record Specialist II	$ 55,043 - $ 66,919	1	1	0
860	Senior Office Assistant	$ 55,043 - $ 66,919	1	0	-1
1030	Management Assistant III	$ 80,514 - $ 97,866	3	2	-1
1035	Management Assistant II	$ 70,227 - $ 85,367	3	2	-1
Total			**46**	**47**	**1**

Salary ranges shown are as of July 1, 2016. Salary ranges are for information only; should there be a discrepancy between the salary ranges shown here and the salary resolution, which reflects the salaries in the negotiated labor agreements, the salary resolution would be determinative. The Commission passed a salary resolution codifying the salaries in the 2015-2017 Memorandums of Agreement on June 16, 2015 (Resolution 39-2015). 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.

As shown below, a number of positions have been converted from their FY 15-16 classification to new classification that better reflects OCII's work program. These conversions include:

- 1 FTE Management Assistant III to 1 FTE Senior Personnel Analyst,
- 1 FTE Senior Office Assistant to 1 FTE Administrative Secretary,
- 1 FTE Development Specialist to 1 FTE Senior Development Specialist,
- 1 FTE Development Specialist to 1 FTE Senior Financial Analyst, and
- 1 FTE Management Assistant II to 1 FTE Senior Legal Secretary.

4. Debt Service

OCII's proposed debt service budget is $121.9 million, of which $121.6 million is debt service payments on outstanding bonds and loans. The remaining $0.3 million is professional services required to issue debt and to perform specialized bond accounting functions.

Highlights of the debt service budget include:

- **Property Tax Increment for Debt Service on Tax Allocation Bonds:** $106.7 million for debt service payments scheduled for August 2016 and February 2017.

- **Property Tax Increment for South Beach Harbor:** $0.1 million in Harbor property tax derived from boats and improvements at South Beach Harbor to repay a South Beach Harbor revenue bond. OCII will make its last debt service payment in December 2016.

- **South Beach Harbor Revenue for Debt Service:** $0.5 million in South Beach Harbor revenues needed to supplement Harbor property tax increment to pay debt service related to the Harbor and $0.5 million in South Beach Harbor revenues to pay Cal boating loans made to South Beach Harbor. OCII will make its last debt source payment on both obligations in December 2016.

- **Hotel Tax for Debt Service:** $5.0 million in City and County of San Francisco Hotel Taxes to pay debt service on revenue bonds issued by the former San Francisco Redevelopment Agency.

In FY 16-17 OCII plans to issue both new money bonds and refunding bonds. As described below, some bonds will be tax allocation bonds, the credit for which is property tax increment generated by redevelopment areas. Some bonds will be Community Facilities District (CFD) bonds, the credit for which is a special tax levied, with the approval of the property owners, on the properties within the CFD. The proposed new money issuances are summarized and approximated below:

- $103 million in housing bonds, the proceeds of which will be expended in FY 16-17 and FY 17-18,
- $ 45 million in infrastructure bonds in Mission Bay South, the proceeds of which will be used to reimburse the developer for completed infrastructure such as streets and parks, and

- $ 37 million in infrastructure bonds in Transbay, the proceeds of which will be spent in FY 16-17 and 17-18, to fund construction of Folsom Streetscape, Transbay Park, Under-Ramp Park, and Essex Park, and
- $ 30 million in CFD bonds for a new CFD in Hunters Point Shipyard / Candlestick Point.

In addition, OCII plans to monitor the housing and Hunters Point Shipyard Phase 1 CFD debt portfolios to determine if market conditions favor refunding bonds. Currently OCII projects refunding $75 million in housing bonds. The proposed refundings will be issued in accordance with OCII's debt policy and will decrease the amount of tax increment required to fund debt service, thereby increasing the tax increment available to finance future debt or pay housing and development expenses on a pay-go basis. OCII may also refund $36 million in Hunters Point Shipyard Phase 1 CFD bonds. The proposed refundings will be issued in accordance with OCII's debt policy and will decrease the amount of special tax required to fund debt service, enabling OCII to issue additional CFD debt to generate proceeds available to pay for infrastructure improvements. The amounts of the proposed refundings will be determined and presented to the Commission at the time of the refunding. OCII's budget resolution will reflect this market uncertainty and will authorize staff to refund bonds in accordance with OCII's debt policy and upon approval of the Commission, the Oversight Board, and Department of Finance.

5. Hunters Point Shipyard/Candlestick Point Major Approved Development Project Area

The Hunters Point Shipyard (the Shipyard) and Candlestick Point (together HPS/CP) form approximately 780 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, 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 to OCII and subsequent development occur in phases, after environmental remediation from the U.S. Department of the Navy (the Navy). 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.

Project Description and Status

HPS/CP is being developed in two phases, HPS Phase 1 and HPS Phase 2.

<u>HPS Phase 1</u>

The Phase 1 Disposition and Development Agreement (HPS Phase 1 DDA) between OCII and master developer HPS Development Co, LP implements the first phase of development of the Hunters Point Shipyard (Phase 1). The Phase 1 development program includes the construction of infrastructure, 26 acres of parks and open space, and up to 1,600 housing units, of which a minimum of 27 percent and a maximum of 40 percent, will be affordable. Under the HPS Phase 1 DDA, HPS Development Co, LP is required to build the infrastructure and parks, and then sell land to various vertical developers, either Lennar affiliates or third-parties. OCII has not yet funded any stand-alone affordable housing, but will be seeking development teams and providing financing for a minimum of 218 units on designated stand-alone affordable housing sites in Phase 1. Phase 1 is divided into two areas, the Hilltop and Hillside.

The Hilltop consists of Block 1 and Blocks 49 to 57. Vertical developers have received Major Phase Approvals for all private development blocks on the Hilltop, with the exception of Block 1, for a total of 898 units of housing. To date, 118 units of housing, have been completed on Blocks 50, 51, 53, and 54, of which, 12 are Inclusionary Below Market Rate units (BMR) at 80 percent of Area Median Income (AMI). Site permits for construction have been issued on an additional 443 units of housing, of which 37 are BMR units at 80 percent AMI on Blocks 52, 53, 54, 55, 56, and 57. Additionally, construction is almost complete on Block 49, a 60 unit BMR multi-family rental development for low-income families earning up to 50 percent AMI that is sponsored by the master developer and fulfills the Phase 1 50 percent AMI Inclusionary housing requirement. All the 80 percent AMI Inclusionary BMR units are ownership units. OCII has 3 stand-alone affordable housing sites on Hilltop, Blocks 52, 54, and 56, which will provide at least 143 BMR units at up to 60 percent AMI. The FY 16-17 budget includes funding for predevelopment on OCII's Block 54, which will accommodate up to 50 low income units.

The Hillside consists of Block 48, which will be developed in 6 phases. To date, vertical developers have received Major Phase Approvals for all private development blocks on the Hillside, for a total of 404 housing units, 56 of which will be inclusionary affordable ownership units serving low-income families earning between 80-120 percent AMI. Block 48 will start construction in summer of 2016 and will be completed in fall 2018. OCII has two stand-alone affordable housing sites on Hillside, which will accommodate up to 85 low-income BMR units. The stand-alone Hillside sites will be developed after OCII"s affordable housing sites on the Hilltop are complete.

CP/HPS Phase 2

The Disposition and Development Agreement (HPS Phase 2 DDA) between OCII and CP Development Co., LP, which is separate but affiliated with the Phase 1 developer, implements the Candlestick Point and Hunters Point Shipyard Phase 2 Project (CP/HPS Phase 2). The agreement for the CP/HPS Phase 2 development program provides for an additional 10,500 housing units, 32 percent 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. Of the 32 percent below market rate housing units, 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 1,140 units on 10 stand-alone sites. In March 2015, the first two phases of the Alice Griffith public housing project development broke ground. These first two phases of development include 184 units of replacement and new affordable housing. Both phases are scheduled to be completed by fall 2016. The third phase of the Alice Griffith project, which includes 122 units of replacement and new affordable housing, received OCII funding and started construction in February 2016. The fourth phase of Alice Griffith will receive predevelopment funding in FY 16-17.

In March 2016, the Commission approved an amended first Major Phase of development for Candlestick Point, revisions to the Candlestick Design for Development standards, amendments to the Candlestick Streetscape Master Plan, and corresponding changes to exhibits in the HPS Phase 2 DDA. The Major Phase proposes 2,214 units of housing, of which 42 percent will be below market rate, including construction of the Alice Griffith project described above. In FY 15-16 OCII completed review of the next three sub-phases of development on Candlestick, CP-02, 03, and 04. Sub-Phase CP-02 will contain up to 635,000 square foot regional retail center,

570 units of housing, including a 210 unit residential tower and 58 BMR housing units, 42,000 square foot film and art center, and 220 room hotel. CP-03 and 04 are mixed-use development with 130,000 square feet of ground floor neighborhood commercial with 1,140 housing units. Sub-Phases CP-03 and 04 each contain a stand-alone agency affordable lot which will accommodate 290 BMR units on parcels CPS 11a and CPN 10a, predevelopment for these parcels will be funded in FY 16-17. In fall 2015, the master developer and their joint venture partner, The Macerich Company, submitted Schematic Design applications for a regional retail center and five housing developments. Schematic Design review and approval of the retail center and other private development blocks within Sub-Phases CP-02, 03, and 04 will continue throughout FY 16-17.

On September 2015, OCII received the first Phase 2 land transfer for the US Navy in a decade. The transfer consisted of 14 acres of land, which includes property necessary for the development of the Replacement Artists Studio building. Construction of utilities to the serve the Replacement Artists Studio and Replacement Commercial Kitchen began in early 2016 and will be complete before the end of FY 15-16, enabling the relocation of the commercial kitchen operator out of Building 110. Building 110 will be demolished in FY 16-17 to permit the construction of the Replacement Artists Studio building.

The CP/HPS Phase 2 plan also includes approximately 3 million square feet of research and development and office uses as a hub for emerging technologies on the Shipyard, over 325 acres of parks and open space including a complete renovation of the Candlestick Point State Recreation area. In addition, the CP/HPS Phase 2 plan includes an investment of more than $2.7 billion in infrastructure and transportation improvements to the project site. In FY 16-17 the master developer will submit the first Major Phase application for development on Hunters Point Shipyard Phase 2.

In total, HPS Phase 1 and CP/HPS Phase 2 will generate more than 12,000 permanent jobs, hundreds of new construction jobs each year, and an additional $86 million in other community benefits including, investment in homeowner assistance, workforce development and job training, scholarship and educational improvement, community builders, and construction of the South East Health Center.

As affordable housing assets will be transferred to the Mayor’s Office of Housing and Community Development (MOHCD) after completion, OCII will coordinate selection of development teams and review of financial and other long-term agreements for the affordable housing sites with MOHCD. MOHCD will also assist in monitoring construction, marketing, and financial disbursements, consistent with OCII’s 2014 Memorandum of Understanding with MOHCD.

OCII staff will ensure compliance with OCII's equal opportunity programs for workforce and contracting on all the projects under the DDAs. Specifically, contract compliance staff will monitor all phases of construction, including hiring of local workers and payment of prevailing wages. OCII staff will work closely with contractors as well as with the Office of Economic and Workforce Development (OEWD) 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. 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 budget year are summarized below.

Proposed FY 16-17 Workplan

- **Hilltop and Hillside 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. OCII will utilize MOHCD services to review, approve and monitor implementation of marketing plans of the 155 affordable units serving low-income families earning between 50-120 percent AMI. Approximately 850 units of housing will be under construction on HPS Phase 1 Blocks 48, 49, 52, 53, 54, 55, 56, and 57 in FY 16-17.

- **Major Phase Approval for Hilltop Block 1:** Review and seek Commission approval for a Major Phase application on Block 1. Staff anticipates a residential development proposal with a total of 200 market rate for-rent units and 24 for-rent inclusionary units serving low-income families earning up to 80 percent AMI. Review and approval of design development and construction documents could occur in the second half of FY 16-17. Hilltop Block 1 is the only private development block on HPS Phase 1 awaiting Major Phase Approval. Hilltop Block 1 is a Community Builder Block assigned to Tabernacle Community Development Corporation, which has elected to be an independent developer.

- **Hilltop Block 54 RFP & Predevelopment Funding:** Issue an RFP, select a development team, and provide predevelopment funding for the affordable housing project on HPS Phase 1 Hilltop Block 54. The site could accommodate approximately 50 units of affordable rental housing.

- **Completion & Construction of the Hilltop Parks & Open Space:** Work with the master developer to complete construction of Hillpoint Park, a regional park which includes five of OCII's commissioned art pieces. OCII staff will work with the Department of Public Works (DPW) to monitor construction progress and developer's schedule of performance as well as developer's compliance with applicable workforce and contracting requirements. Staff will develop a parks and open space management plan, as well as solicit and contract for maintenance services. The master developer has substantially completed development of Innes Court Park and several pocket parks on the Hillside.

- **Shipyard Arts Complex:** Work with the master developer on the demolition on Building 110 and the construction of the new artist building. The new artist building will be completed by the end of 2018. Staff will also oversee capital repairs for Building 101, an existing artist's studio building which will be retained. OCII will develop a management plan for the Shipyard Arts Complex, which will encompass Building 101, the replacement artist studio and commercial kitchen, gallery space, and connecting plazas. OCII will issue solicitations for the management entity in FY 16-17. The first development on HPS Phase 2 includes the construction of replacement facilities for the artists currently occupying studio spaces on

Navy Parcel B and a commercial kitchen in Building 110 on Navy Parcel A.

- **Community Facilities Parcels and Community Facilities Space:** Work with City departments, including OEWD, San Francisco Fire Department, San Francisco Police Department, San Francisco Public Library, as well as the San Francisco Unified School District, to program development for the Community Facilities Parcels on Candlestick Point and Hunters Point Shipyard. The master developer is required to provide eight Community Facilities Parcels to OCII to be used for public uses or otherwise to benefit the community. CP-03 contains one, one-acre Community Facilities Parcel; the remaining seven parcels are on future phases of development. The master developer is also required to provide 65,000 square feet of Community Facilities Space within new retail development to OCII-recommended tenants rent-free. Sub-Phases CP-02, -03, and -04 will contain 35,000 square feet of Community Facilities Space within the regional retail center and neighborhood serving retail. The Phase 2 DDA requires the Community Facilities Space to include an International African Marketplace (IAM), San Francisco Public Library reading rooms, and a Candlestick Point State Recreation Area Welcome Center. OCII staff will work with the community and the developer to implement the IAM by working with retail consultants to develop a business plan and financial model. Additional uses for the Community Facilities Space include childcare, senior services, social services, education, the arts and other community services and public safety facilities. OCII staff is working with the Office of Early Childcare and Education to identify locations within the Project site to encourage the expansion of childcare facilities. OCII staff will work with the Commission, the Legacy Foundation Board, the Hunters Point Citizens Advisory Committee, and the public to develop solicitations for the Community Facilities Spaces.

- **Strategic Planning for the Legacy Foundation for Bayview Hunters Point:** Bring the Legacy Foundation Board's Strategic Plan to the Commission. The Strategic Plan outlines programs and funding goals for the Community Benefit Fund for 2016 – 2021. If approved, OCII staff will implement the Strategic Plan's recommendations through competitive processes. The Community Benefit Fund is funded under the HPS Phase 1 and HPS Phase 2 DDAs for programs to benefit the Bayview Hunters Point area as a whole. To date, the developer has provided $1 million in funding required under the HPS Phase 1 DDA. The HPS Phase 2 Community Benefits Plan obligates each vertical developer to contribute 0.5 percent of the sales price of the initial sale of each market rate unit to the Community Benefits Fund. The earliest Phase 2 market rate units will complete construction is 2019. No additional funds for the Community Benefit Fund are anticipated in FY 16-17.

- **Revitalization of Alice Griffith Public Housing:** Provide construction funding and review and present schematic design for Phase 4. The Alice Griffith Public Housing 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 was provided in FY 13-14, as well as predevelopment funding for Phase 3. Phases 1 and 2 will be completed in Fall 2016. Construction on Phase 3 will continue throughout FY 16-17.

- **Navy Parcel Transfer**: Work with the U.S. Navy and regulators to complete land transfers and, as permitted by the U.S. Navy access agreements, perform pre-development activities such as building and land surveys and lead and asbestos abatement of Navy buildings slated for removal. After receiving authorization from the environmental regulators, the U.S. Navy

will request the Commission to accept the transfer of Navy Parcels B-1, G, and IR17/18 (together approximately 75 acres) in furtherance of the HPS Phase 2 development.

- **State Lands Trust Lands Exchange and California State Parks Properties:** Development on Candlestick requires the acquisition of property currently owned by State Parks or the State Lands Commission for development of Harney Way offsite improvements and future housing development. Pursuant to the CP/HPS Phase 2 DDA, OCII will work with staff from both state agencies to complete the transfer of properties. OCII staff will work with the master developer and State Parks to prioritize capital improvements to the Candlestick State Park Recreation Area to be funded through the State Park land transfer. The first exchange occurred in FY 14-15. The second exchange, which covers 14.5 acres, will occur in early FY 16-17. On HPS Phase 2, OCII staff will implement the State Trust agreement as property is conveyed from the Navy to OCII.

- **Hunters Point Shipyard Major Phase Application:** Review and present the first Major Phase application for Hunters Point Shipyard 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 HPS Phase 2 DDA, and confirm any mitigation measures that are required under the California Environmental Quality Act (CEQA).

- **Hunters Point Shipyard Open Space and Off-Site Planning:** Continue to implement the community outreach process started in FY 15-16 and coordinate with affected City departments for the review and approval of the plans. The Major Phase Application for Hunters Point Shipyard will also include the Schematic Designs for approximately 15 acres of parks and open space, including Northside Park and Shipyard Hillside Open Space. The application will include initial construction drawings for off-site improvements for Innes Avenue, Paul Avenue, Griffith Street, Thomas Avenue, and Ingalls Street.

- **Hunters Point Shipyard Infrastructure Development and Mapping:** Work with the DPW Infrastructure Task Force on the review and approval of infrastructure to support the development of HPS Phase 2. Staff will work towards Board of Supervisors approval of a Final Map and Public Infrastructure Agreement(s) and City approvals of infrastructure construction drawings and permits.

- **Candlestick Schematic Design Review:** Review schematic design approvals for developments contained in Candlestick Sub-Phases CP-02, -03, and 04. For Sub-Phase CP-02, complete review of schematic design and present to the Commission for approval the CP Retail Center, which includes 635,000 gross square feet of regional retail, film and art center, and up to 570 units of housing of which 58 will be BMR Inclusionary units. For Sub-Phases CP-03 and -04, review the schematic design of up to eight mixed-use development blocks, which includes 1,140 units of housing (including a 320 foot residential tower) and 130,000 square feet of neighborhood serving retail.

- **Candlestick Point Blocks 10a & 11a RFP & Predevelopment Funding:** Complete solicitation process for affordable housing in Sub-Phases CP-03 and -04, each of which include an agency affordable housing lot, and CPS 11a (150 units) and CPN 10a (140 units), respectively, which will be available at a range of affordability up to 60 percent AMI. OCII staff released a solicitation for the development of these blocks in FY 15-16. The solicitation

process will be completed in FY 16-17 with the selected developers being recommended to the Commission for approval.

- **Candlestick Infrastructure Development and Mapping:** Work with DPW, PUC, SFMTA, and other city agencies to ensure that the new infrastructure described below meets City standards and is in conformance with the plan documents. Within the CP-01, CP-02, CP-03, and CP-04 sub-phases, Lennar will construct new streets, sewers, electricity and gas lines, and storm drains to support new development. New infrastructure development includes new, sustainable infrastructure such as a recycled water system, automated waste collection system, and Best Management Practice measures for storm water treatment including flow-through planters, soil cells, and bio-retention basins. Staff will also work with the DPW Infrastructure Task Force on the review and approval by the Board of Supervisors of a Final Map and Public Infrastructure Agreement(s).

- **Community Facilities District Formation/Refinancing:** Refinance CFD #7 in HPS Phase 1 and form a CFD in Candlestick Point. The Finance Plans for HPS Phase 1 and CP/HPS Phase 2 both call for the formation of Community Facilities Districts (CFD) to reimburse the master developer for eligible costs associated with the development of infrastructure and costs for the operations and maintenance of public facilities, including parks and open space.

- **Support Alternative Financing.** OCII is obligated in the HPS Phase 2 DDA to find alternative sources of financing for the master developer's obligations. OCII obtained such alternative financing, including grants from the U.S. Department of Commerce, Economic Development Administration (EDA) for capital repairs for Building 101 and California Pollution Control Financing Authority CalReUSE grant for lead and asbestos abatement on the HPS Phase 2. OCII staff will continue to administer these two grants and will work with the master developer to pursue financing through the Transportation Infrastructure Financing Innovation Act (TIFIA) and Transportation Investment Generating Economic Recover (TIGER).

6. Mission Bay North and South Major Approved Development Project Areas

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 6,404 residential units (29 percent of which will be affordable), 4 million square feet of office and biotechnology space, 419,000 square feet of retail uses, a new University of California, San Francisco research campus and medical center, 250-room hotel, library, school, police headquarters, and a local police and fire department. The Mission Bay North and South Redevelopment Project Areas also contain 49 acres of open space, approximately 41 of which are owned by OCII/City and approximately eight of which are owned by UCSF. Completion of the Mission Bay project is anticipated to occur over 25 to 30 years and will 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.

Project Description and Status

Mission Bay is currently undergoing a massive construction boom, with the completion of 219,000 square feet of office space in spring 2016, and the anticipated completion of another

680,000 square feet by mid-2017. This fiscal year will also see construction starts on the Golden State Warriors Event Center and another 950,000 square feet of office space. The remaining market-rate housing (about 350 condos and 129 rental units) and the next 200-unit affordable housing project on Block 7 West will be completed in FY 16-17. In addition, construction will start on another 143 units of rental housing for very low-income families at Block 6E. Design and financing work is also underway for another 206 units of affordable housing on Blocks 3E and 6W. The 4th Street commercial corridor is almost complete and filled with new, local serving commercial uses. To serve this new development, approximately eighty percent of the remaining streets and underground utilities will be finished by early 2017. In FY 15-16 construction for several new parks was completed, including the new children's park, Mariposa Park, which is anticipated to open in spring 2016. OCII anticipates that construction for new parks along the bayfront in will begin in 2017.

Implementation of the Mission Bay project occurs through the Mission Bay North and South Redevelopment Plans and the Mission Bay enforceable 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 is responsible for the management of the 41-acre planned Mission Bay Open Space System until 2043. Currently there are over 15 acres that are completed and operated by OCII. OCII has entered into a contract with MJM Management Group (MJM) to perform 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 2016 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, financing 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 the Mission Bay Citizens Advisory Committee. OCII will coordinate selection of development teams and review of financial and other long-term agreements for the affordable housing sites with MOHCD. MOHCD will also assist in monitoring construction, marketing, and financial disbursements, consistent with OCII's 2014 Memorandum of Understanding with MOHCD.

Staff will 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 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.

Proposed FY 16-17 Workplan

- **Block 6 East Affordable Housing Construction**: Approve ground lease in summer 2016 and start construction in fall 2016 of approximately 143 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.

- **Block 3 East Affordable Housing Schematic Design and Construction Funding**: Approve schematic design, provide construction funding, and complete financial closing for construction funds needed for the development of Block 3 East into approximately 101 units of supportive rental housing for low income families and veterans, including formerly homeless veterans.

- **Block 7 West Affordable Housing Construction & Marketing Plan Review**: Complete construction of 200 units of affordable rental housing for low-income families on Block 7 West.

- **Block 6 West Affordable Housing RFP & Predevelopment Funding**: OCII will issue an RFP to select a development team and provide predevelopment funding for Block 6 West, which could accommodate approximately 105 affordable family rental units.

- **Block N4P3 Marketing Plan**: Complete this 129 unit project, known as 360 Berry Street, which includes 26 affordable inclusionary rental units at 90 percent AMI. This project started construction in spring 2015 and is expected to be complete by late 2016. Utilizing MOHCD services, OCII will review, approve and monitor implementation of marketing plans.

- **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. The current budget has almost $1 million in funds, which would be expended over multiple budget years.

- **Golden State Warriors Event Center**: Process design development documents for the design and environmental approvals that occurred in November 2015. Start construction in the second half of the fiscal year.

- **Blocks 26/27 Design Development & Construction**: Approve schematic designs in spring 2016 for the new Uber headquarters on Blocks 26/27 for approximately 423,000 gross square feet of office space. Process design development and construction drawings for estimated construction start in the second half of fiscal year.

- **Block 40 Construction**: Process construction addenda for Block 40, a 667,500 gross square foot office building with 15,000 gross square feet of retail space, which started construction in spring 2016.

- **UCSF Blocks 33/34 Design Reviews:** Work with UCSF on the design of Blocks 33/34 on the first phase of the 500,000 gross square foot office project pursuant to the Memorandum of Understanding between OCII and UCSF.

- **Block 1 Residential Construction**: Continue to process construction documents through completion of construction. Construction on the 350 for-sale residential units on the triangular parcel that fronts Mission Creek and the future Park P3 started in late 2015. The 350 market-rate, for-sale units paid an affordable housing in-lieu fee in FY 15-16 to be used for the funding of OCII-sponsored affordable housing in Mission Bay.

- **Block 1 Hotel Project Design Development**: Continue to process the design development and construction drawings for a 250-room hotel on Block 1. The hotel is expected to start construction in the first half of fiscal year.

- **Park P3 Construction Start**: Complete construction drawings and start construction on the 1.17-acre Park P3, which forms an esplanade along the southern bank of Mission Creek and is directly adjacent to Block 1.

- **Park P19 Completion**: Complete construction of the 0.55-acre Park P19 along Terry Francois Boulevard. Park P19 is designed for passive recreation and stormwater treatment, as well as providing a buffer between the neighboring residential building, an OCII-sponsored affordable housing site, and Terry Francois Boulevard.

- **Bayfront Park P22 Schematic Design & Construction Drawings**: Work with the Mission Bay community to design the future Bayfront Park P22, a 5-acre waterfront park along the San Francisco Bay. Approve schematic designs complete construction drawings for the park. Park P22 will provide flexible open space, similar to Chrissy Fields, to allow for local and regional activities. With its location adjacent to the future Golden State Warriors site, it will also provide opportunities for coordinated events with the Golden State Warriors Event Center.

- **Parks P23 and P24 Completion**: Complete construction on Parks P23 and P24, which make up 1.89 acres of parkland in the southern part of Mission Bay along Terry Francois Boulevard. Parks P23 and P24 will contain plazas, a half basketball court, picnic facilities, lawn areas, and stormwater treatment facilities.

- **Mission Creek Park P2 Parking Completion, Construction Drawings, & Maintenance Agreements**: Complete the construction of the replacement parking for the Mission Creek Harbor Association (MCHA) as part of Park P2, which will ultimately be 1.5 acres in size. Complete the construction drawings for the entire park. Finalize the maintenance agreements with MCHA for the community garden and parking area. P2 is located on the southern boundary of Mission Creek and will contain a community garden and will be one of the final links for the Mission Creek park loop.

- **Future Park Management Strategy**: Continue working with the City, Port and Public Utilities Commission, the current owners of Mission Bay Parks, on the future park management strategy according to OCII's approved Property Management Plan. The OCII Property Management Plan was approved by the Department of Finance in December 2015.

- **Street Improvements**: Continue construction of the remaining Mission Bay roadway improvements. All streets in the southern portion of Mission Bay will either be completed, under construction, or in the final planning stages in FY 16-17. These improvements include the surface roadway and sidewalk improvements, as well as the underground utilities.

Completion of the street grid system will significantly improve the local connectivity of Mission Bay.

7. Transbay Major Approved Development Project Area

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 1,400 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.

OCII will develop a new, transit-oriented neighborhood on the 10 acres of formerly State-owned property in the Project Area. This neighborhood will consist of more than 3,200 new housing units, including approximately 1,300 affordable units, approximately one million square feet of new commercial space, and approximately four 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, converting Folsom Street to two-way traffic, and reconfiguring 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. The City has approved a Mello-Roos community facilities district that will provide funding for the TTC and other infrastructure costs.

Of the publicly owned parcels over which OCII has jurisdiction, one parcel is fully complete and six parcels are in various stages of development and pre-development. The sale of various sites has generated more than $500 million in funding for construction of the Transbay Transit Center.

- **Block 11A:** The portion of Block 11 along Folsom Street (25 Essex Street), known as the "Rene Cazenave Apartments," is a 120-unit supportive housing project that is available to households earning up to 50 percent of AMI. The project was funded by OCII and completed construction and lease-up in FY 13-14. The project will, as with all completed affordable housing assets, be transferred, upon final permanent financing by the State, to MOHCD as Housing Successor pursuant to Dissolution Law.

- **Parcel T:** The TJPA sold Parcel T to Hines in FY 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, with expected completion in 2017.

- **Blocks 6/7:** In December 2011**,** OCII selected Golub Real Estate Corp. (Golub) and Mercy Housing California (Mercy) for a market-rate and affordable housing development on Blocks 6/7, which are known as 280 and 222 Beale Street respectively. The site was sold to Golub in October 2013 for $54.8 million. Block 6 consists of 479 units, of which 70 units are affordable to households earning up to 50 percent of AMI. The Block 6 tower is currently under construction and is scheduled to be complete in FY 15-16. The construction of the affordable building within Block 6, was funded by OCII and is now complete. Block 7 consists of 120 rental units affordable to households earning up to 50 percent of AMI. OCII recently approved construction funding and a long-term air-rights lease with Mercy. Construction is anticipated to begin in FY 15-16.

- **Block 9:** OCII selected a team comprised of TMG, Essex Property Trust, and BRIDGE Housing for a market-rate and inclusionary affordable housing development on Block 9, known as 500 Folsom Street. This project consists of 545 units, of which 109 units will be affordable to households earning up to 50 percent of AMI. OCII executed the Disposition and Development Agreement in December 2014 and closed the land sale closed in February 2015 for $43.6 million. Construction is anticipated to begin in FY 15-16.

- **Block 8:** OCII selected Related California (Related) and Tenderloin Neighborhood Development Corporation (TNDC) for a market rate and affordable housing development on Block 8, known as 400 Folsom Street, consisting of 546 units of which 150 units will be affordable to households earning up to 50 percent of AMI (composed of both inclusionary and OCII-funded units). OCII executed a Disposition and Development Agreement (DDA) in April 2015 and closed escrow on the land for $71 million in December 2015. Construction is anticipated to begin in FY 15-16.

- **Block 5:** OCII selected the development team of Golub and John Buck Company for an office project on Block 5, known as 250 Howard Street, and executed an Owner

Participation/Disposition and Development Agreement (OP/DDA) in June 2015. OCII closed escrow on the land for $172.5 million in September 2015. Construction of the 767,000 square-foot office building began in December 2015.

- **Block 1:** OCII intends to execute an Owner Participation/Disposition and Development Agreement with Tishman Speyer for Block 1, known as 160 Folsom Street, in mid-2016 for a residential housing development consisting of 391 units, of which 156 units will be affordable to households earning 80 to 120 percent of AMI. The affordable units will be comprised of both inclusionary and OCII-funded units. OCII anticipates closing escrow on the land for $19.2 million in FY 16-17.

Per the Implementation Agreement, OCII is developing infrastructure plans for the new neighborhood, including new streetscape improvements on Folsom Street and two major new public parks within the Project Area. The Folsom Street freeway off-ramp completed in July 2015.

As affordable housing assets will be transferred to MOHCD after the projects are completed and occupied, OCII coordinates selection of development teams and review of financial and other long-term agreements for the affordable housing sites with MOHCD. MOHCD will also assist in monitoring of construction, marketing, and financial disbursements, consistent with OCII's 2014 Memorandum of Understanding with MOHCD.

Staff will 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 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 through the selection of a development team. After selection, the developer provides funds for staff and consultant costs.. The staffing and construction costs for all infrastructure projects described in the tasks below are financed with tax increment.

Proposed FY 16-17 Workplan

- **Block 6 Construction and Marketing:** Land sale closed in October 2013 and construction began in 2014 on the residential project, comprised of 409 market rate units and 70 OCII funded affordable units, at 50 percent AMI, in a 300-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space, and underground parking. Construction on the affordable units was completed in 2015. The market rate units are expected to be complete in 2016.

- **Block 7 Financial Closing, Construction Start, and Marketing Plan Review:** The financial closing and construction start of the affordable residential development on Block 7, consisting of approximately 120 affordable rental units (at 50 percent of AMI), funded by OCII, in two podium buildings and adjacent townhouses, including a ground-floor child care

facility and open space, is expected to occur in FY 15-16. The developer will submit a marketing plan to OCII and MOHCD staff review within a month after construction start. OCII will oversee project permitting and monitor construction to insure the project is built consistent with the approved plans and meets the schedule required in the DDA.

- **Block 9 Construction and Marketing Plan Review:** Prior to construction, OCII will continue to process construction plans, assist with plan processing by City agencies, and oversee project permitting. OCII will monitor construction of approximately 436 market-rate units and 109 inclusionary affordable rental units, (at 50 percent of AMI) in a 400-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking. Construction is expected to begin in spring 2016. OCII will monitor construction progress to insure the project is built consistent with the approved plans, and meets the schedule required in the DDA. Also, the developer will submit a marketing plan to OCII and MOHCD within a month of construction start. OCII will coordinate and assist with MOHCD's issuance of tax exempt mortgage revenue bonds for the inclusionary affordable units.

- **Block 5 Construction:** The land sale for Block 5, an approximately 800,000-sf commercial office project in a 550-foot tower, closed escrow in September 2015. Construction began in December 2015. OCII will monitor construction progress to insure the project is built consistent with the approved plans, and meets the schedule required in the Disposition and Development Agreement.

- **Block 8 Construction, Marketing Plan Review:** The sale of the land for Block 8 closed in December 2015. Block 8 is a residential project consisting of approximately 440 market-rate units and 163 affordable rental units (at 50 percent of AMI), a portion of which will be OCII funded. The project is a 550-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking. OCII approved an affordable housing loan and air rights lease governing the affordable podium project in March 2016. Construction will start mid-2016. OCII will continue to process construction plans, assist with plan processing by City agencies, oversee project permitting, monitor construction progress to insure the project is built consistent with the approved plans and meets the construction schedule required in the DDA. Lastly, OCII will monitor the Block 8 developer's progress in procuring a grocery store tenant for the project, as required in the DDA. The developer will submit a marketing plan for the affordable units to OCII and MOHCD staff for review within a month of construction start.

- **Block 1 OP/DDA and Financing:** The Block 1 condominium project includes 235 market rate units and 156 units affordable to households earning 80 to 120 percent of AMI. The project is comprised of a 400-foot tower and adjacent podium and townhouse buildings. An 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) is expected to come before the OCII Commission in mid-2016. OCII will continue to process design development and construction plans, assist with plan processing by City agencies, oversee project permitting, and monitor construction progress to ensure the project construction start meets the construction schedule required in the OP/DDA. OCII will also provide funding for the affordable homeownership units in the podium building in FY 16-17.

- **Block 2 Affordable Housing:** Subject to the availability of future funding, OCII may issue an RFP to select development teams and provide predevelopment funding for Block 2, which could accommodate approximately 250 affordable rental units, and would be developed in multiple buildings across the block. Currently the site is occupied by the Transbay Temporary Bus Terminal, which is slated to be removed upon the opening of the TTC in 2017.

- **Folsom Streetscape Improvements Bid Process & Construction Start:** Complete construction documents for streetscape improvements on Folsom Street. Issue request for bids through letter agreement with DPW. OCII will select contractor and begin construction.

- **Under-Ramp Park Design Approvals:** 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 Caltrans to lease space under freeway ramps.

- **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.

- **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

OCII has retained Affordable Housing Obligations integrally related to the three MADP. OCII manages these affordable housing obligations through direct oversight along with services procured from MOHCD through a 2014 Memorandum of Understanding. In general, OCII is responsible for directly managing the affordable housing projects through completion, and procures services from MOHCD staff for construction monitoring, review and monitoring of marketing for both inclusionary and OCII funded projects (including implementation of the Certificate of Preference program), 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.

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. OCII's affordable housing projects will result in over 3,400 affordable units by 2020 through both stand-alone projects funded with OCII subsidy as well as inclusionary affordable units provided through private development. Three market rate projects brought on-line 13 inclusionary homeownership projects, including the first two new developments in the Hunters Point Shipyard Phase 1 development. Another 328 OCII-sponsored affordable units were completed and occupied in 2014, including 120 units at Rene Cazenave Apartments in Transbay, 59 units at 474 Natoma Street, and 149 units at 1180 4th Street in Mission Bay South. In 2015, 280 Beale Street (the Transbay Block 6 OCII affordable component) completed construction and 69 affordable units were occupied.

Below is a summary of OCII's contribution to the Mayor's plan to create this vitally important resource for San Francisco. In order to achieve this goal, the FY 16-17 Budget includes authority for funding to advance ten new sites: Alice Griffith Phase 3c, Alice Griffith Phase 4,

Mission Bay 3 East, Mission Bay 6 West, Candlestick Point 10A, Candlestick Point 11A, Shipyard Block 54, Transbay Block 1, Transbay 2 West, and Transbay 2 East.

Exhibit 5. Mayor's Plan for 10,000 Affordable Units by 2020:

OCII Pipeline

Project Status	Affordable Stand-Alone Units	Affordable Inclusionary Units	Totals
Completed & Occupied	397	13	**410**
In Construction	829	96	**925**
In Predevelopment	847	265	**1,112**
In Preliminary	592	369	**961**
Totals:	**2,665**	**743**	**3,408**

FY 16-17 Workplan

The Affordable Housing Projects within the Major Approved Development Projects are more fully described within the specific Project Area section of the budget. Currently over 6,300 affordable units remain to be completed through OCII sponsorship: 4,754 through direct subsidy on stand-alone affordable sites and 2,805 through inclusionary housing requirements. The table below describes these obligations in greater detail.

Exhibit 6: OCII Affordable Housing FY 16-17 Workplan

	Total Affordable Units	Shipyard & Candlestick	Mission Bay	Transbay	Other*
			OCII Sponsored Funded Units		
Production Obligation	**4,754**	**1,843**	**1,512**	**870**	**529**
Completed Prior FY13-14/14-15	407	-	407	-	-
Completed FY13-14/14-15	506	-	149	120	237
Completed FY 15-16	69	-	-	69	-
In Construction	793	303	198	-	292
Predev & Prelim Planning	1,241	536	347	358	-
Future Sites	1,735	1,004	408	323	-
Remaining Obligation Subtotals	**3,769**	**1,843**	**953**	**681**	**292**
			OCII Sponsored Inclusionary Units		
Production Obligation	**2,805**	**1,893**	**291**	**605**	**16**
Completed Prior FY13-14/14-15	265	-	265	-	-
Completed FY13-14/14-15	-	-	-	-	-
Completed FY 15-16	-	10	-	-	-
In Construction	132	90	26	-	16
Predev & Prelim Planning	831	386	-	445	-
Future Sites **	1,568	1,407	-	161	-
Remaining Obligation Subtotals	**2,531**	**1,883**	**26**	**606**	**16**
REMAINING OBLIGATION TOTALS:	**6,300**	**3,726**	**979**	**1,287**	**308**

** Projects in Bayview Hunters Point, Rincon Point-South Beach, South of Market, or Western Addition A-2*
*** OCII Inclusionary Units in HPSII/CP include 892 workforce units at 121-160% AMI. While higher than 120% AMI affordable definition, these units are expected to be well below market rate.*

Hunters Point Shipyard / Candlestick Point

- **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 was provided in FY 13-14 along with predevelopment funding for Phase 3. Construction of Phases 1 and 2 is expected to be complete in December 2016. OCII committed construction financing for Phase 3 in FY 14-15 and construction commenced in March 2016. Phase 3 is comprised of 93 public housing replacement units and 28 new affordable units (at 50 percent AMI). A subsequent smaller component (31 units) to Phase 3 will seek schematic design approval as well as OCII construction funding early FY 16-17. During FY 16-17, OCII will provide predevelopment funding for Phase 4, which will be comprised of 47 new public housing replacement units. Phase 5 will consist of 132 new affordable units. As the Phase 5 development site will not be available until 2019, OCII will seek predevelopment funding approval in FY 17-18.

- **HPSY Phase II/Candlestick Point Blocks 10a & 11a**: OCII issued one RFP that included both CP Block 10a and CP Block 11a. In FY 16-17, OCII will enter into an exclusive negotiations agreement to select development teams for each project. OCII will also implement predevelopment funding requests for both CP Block 10a and CP Block 11a. Both larger developments, CP Block 10a will consist of 140 affordable units and CP Block 11a will consist of 150 affordable units. Each of the parcels is located adjacent to the proposed new Candlestick Park Retail Center.

- **HPSY Phase 1/Block 54**: OCII will issue an RFP, select a development team, and provide predevelopment funding for the affordable housing project on Block 54, which is located on the Hilltop portion of Phase 1 of the Shipyard. The site could accommodate approximately 40 units of affordable rental housing.

- **Marketing of Phase 1 Inclusionary Units**: Now that Hunters Point Shipyard Phase 1 has completed its first vertical developments on the privately developed parcels, the marketing and sales of the inclusionary units to first-time homebuyers continues for Blocks 53 and 54. Block 49 completed construction in April 2016, and marketing and occupancy of these inclusionary rental units will be completed in early FY 16-17. OCII is engaging the services of the Below Market Housing team at MOHCD to help monitor and implement the marketing and sales or leasing of the Phase 1 inclusionary units.

Mission Bay

- **1300 4th Street (Block 6 East) Affordable Housing**: The developer team, led by TNDC, is proceeding with predevelopment activities for the affordable housing project at 1300 4th Street to develop the site into approximately 143 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. TNDC successfully secured funding in the first round of the Affordable Housing and Sustainable Communities (AHSC) program through the state Housing and Community Development (HCD) office, also known as "cap and trade" funds. This funding award helps to maximize the leverage of OCII subsidy and ultimately allows OCII to fund additional affordable housing. In FY 15-16, staff obtained

approval of the schematic design. OCII anticipates receiving approval for construction funding in FY 15-16, and construction is expected to commence in August 2016.

- **Block 3 East Affordable Housing**: Subsequent to a competitive RFP process, OCII approved an exclusive negotiation agreement and predevelopment loan with the developer team led by Chinatown Community Development Corporation and Swords to Plowshares. The project will include approximately 101 units; 50 units will be supportive rental housing for formerly homeless veterans and 50 units will be occupied by low-income families. The formerly homeless veterans will be referred by the Human Services Agency. The project received a private donation of approximately $4.5 million, which helped accelerate development of the site. In FY 16-17, OCII staff will seek schematic design and construction funding approval and will collaborate with the developer to apply for capital funding from the Veterans Housing and Homelessness Prevention program through the state Housing and Community Development (HCD) office.

- **588 Mission Bay Boulevard North (Block 7 West) Affordable Housing**: OCII committed gap funding in FY 14-15 and approved the OCII ground lease in 2015. Construction of 198 units of affordable rental housing for low-income families, plus 2 managers' units, and ground floor retail space will complete in November 2016. OCII and MOHCD are reviewing the developer's marketing plan.

- **Block N4P3 Inclusionary Housing**: This 129 unit project, which includes 26 affordable inclusionary rental units serving households earning up to 90 percent AMI, is under construction and will complete in November 2016. Utilizing MOHCD services, OCII will review, approve and monitor implementation of marketing plans of inclusionary affordable units within the Block N3P4 residential project in Mission Bay North.

- **Block 6 West Affordable Housing**: OCII will issue an RFP to select a development team and provide predevelopment funding for Block 6 West, which could accommodate approximately 105 affordable family rental units and will include a childcare facility.

Transbay

- **Block 6 Affordable Housing**: OCII approved construction funding and a long-term air rights lease in FY 13-14 for the affordable component of Block 6 (280 Beale Street), which completed construction in summer 2015 and was fully leased and occupied by September 2015. Project marketing resulted in six Certificate of Preference holders successfully securing housing, which comprised 9 percent of the total available units. Block 6 consists of 409 market-rate units and 69 affordable rental units (at 50 percent 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. MOHCD reviews, approves, and monitors the implementation of the marketing and lease-up of all affordable units. The market rate component of Block 6 is projected to complete construction in early FY 16-17.

- **Block 7 Affordable Housing**: In FY 15-16, OCII approved construction funding and a long-term air rights lease with the selected development team for an affordable rental residential development on Block 7. Due to innovative construction methods and improved economies of scale, the affordable unit count increased from 77 units to 120 units (at 50 percent of AMI) including 1 manager's unit, in two podium buildings and adjacent townhouses, including a

ground-floor child care facility and open space. The increase in the number of units helps OCII meet the mandate that 35 percent of the residential units in Transbay be affordable. Construction is scheduled to begin in spring 2016, and the developer will submit a marketing plan for OCII and MOHCD staff review one month later.

- **Block 9 Affordable Housing**: The Block 9 land sale closed in February 2015, subsequent to the execution of a disposition and development agreement. The Block 9 residential project consists of 436 market-rate rental units and 109 affordable inclusionary rental units (at 50 percent of AMI), including 1 manager's unit, in a 400-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking. In FY 15-16, OCII coordinated with MOHCD, with MOHCD acting as the issuer, on a tax-exempt housing bond issuance for the inclusionary component of the project. Construction will commence in early FY 16-17 and one month after construction begins the developer will submit an early outreach and marketing plan to OCII for MOHCD's review and approval.

- **Block 8 Affordable Housing**: OCII executed a DDA in spring 2015 with the selected developer of Block 8 for a residential project consisting of approximately 396 market-rate units and 150 affordable rental units (at 50 percent of AMI), including 1 manager's unit, in a 550-foot tower and adjacent podium and townhouse buildings, including ground-floor retail, open space and underground parking. In FY 15-16 OCII committed permanent gap financing and approved an air rights lease for the standalone affordable podium building. Construction is expected to begin in June 2016, and the developer will submit a marketing plan for the affordable units for OCII and MOHCD staff review within one month of the start of construction.

- **Block 1 Affordable Homeownership Housing**: OCII will execute an 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). The Block 1 condominium project includes 235 market rate units and 156 affordable units if the tower is built at 400 feet. The OP/DDA will incorporate a structure such that the developer's consideration for OCII's parcel at Block 1 will be constructing and delivering the 76 affordable podium units. The 156 below market rate units will be affordable to moderate income homebuyers earning from 80 percent to 120 percent AMI.

- **Block 2 Affordable Housing**: Subject to the availability of future funding, OCII may issue and RFP to select development teams and provide predevelopment funding for Block 2, which could accommodate approximately 286 affordable rental units and would be developed in multiple buildings across the block. Currently the site is occupied by the Transbay Temporary Bus Terminal, which is slated to be removed after the opening of the Transbay Terminal Center in late 2017.

- **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 as the former SFRA Commission authorized a loan to provide funding for Phases II and III of this HOPE SF project in April 2011, it is considered an enforceable obligation. OCII approved the disbursement of the funds needed for Phase II in FY 13-14, which includes 106 new housing units (80 public housing replacement units and 26 new affordable units). Vertical construction commenced in January 2015. OCII staff is utilizing services from MOHCD to monitor construction.

SERAF Loan Repayment to Low-Moderate Income Housing Asset Fund

In FY 09-10, the former SFRA borrowed $16.483 million from the LMIHF Low and Moderate Income Housing Fund (LMIHF) to pay its SERAF assessment. Under Dissolution Law, the Mayor's Office of Housing and Community Development may receive repayments of the LMIHF loan into the City's Low and Moderate Income Housing Asset Fund. As of June 30, 2016, the current balance due is $14,337,616. The FY 16-17 budget includes a payment of $1.77 million. This amount is the same as the FY 15-16 amount.

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 community facilities district, (8) general asset management and problem-solving, and (9) 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 (PMP).

The PMP was approved by the State Department of Finance in December 2015. OCII staff has begun implementing the PMP with a focus on three priority projects for FY 16-17: Fillmore Heritage Center (Garage and Commercial Parcel), Yerba Buena Gardens, and Shoreview Park, all of which are discussed in further detail below. This work includes, 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. The proposed FY 16-17 budget includes $0.8million in tax increment for this purpose.

The following briefly describes OCII's asset management responsibilities in several active and expired redevelopment project areas.

Yerba Buena Center (Expired Project Area)

Project Description and Status

The Yerba Buena Center (YBC) Redevelopment Plan was adopted by the Board of Supervisors in 1966 and expired on January 1, 2011[1]. 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 former San Francisco Redevelopment Agency (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.

With the expiration of the YBC Redevelopment Plan on January 1, 2011, 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.

FY 16-17 Workplan

- **706 Mission Street/Mexican Museum Project/Jessie Square Garage:** OCII, Millennium Partners, and the Mexican Museum 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. OCII entered into a purchase and sale agreement with Millennium Partners in July 2013 to sell land and the Jessie Square 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. OCII staff anticipates that title to the land will transfer to Millennium Partners before the start of FY 16-17, but OCII will continue administration of the exclusive negotiation agreement and grant agreement with the museum after the transfer of the land.

- **Paramount Apartments:** In 2014, the Commission approved a lease buy-out deal with Paramount's tenant that includes repayment of the developer's land discount. The budget reflects the third 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 asset management and disposition budget.

  New capital improvements planned for this fiscal year include (1) retrofitting light fixtures in the public open spaces; (2) upgrading interior doors, benches, and equipment furnishings at the bowling center; (3) upgrading the air conditioning and dehumidification system and

installing new restroom partitions in the ice skating center; (4) installing new HVAC systems and new gallery lighting at YBCA; (5) repairing exterior doors and upgrading wall/ceiling finishes at CDC; (6) replacing the freight elevator and some doors in the underground maintenance area, (7) repairing exterior roof/windows and interior lighting and furnishings at the YBG management office; (8) refinishing floors, elevator modernization and HVAC work at CCM; (9) repair work on Crecent Pool and, (10) minor capital work as needed throughout the year.

Staff anticipates that the transfer of YBG to the City pursuant to the PMP will occur in FY 16-17.

Rincon Point – South Beach (Active Project Area)

Project Description and Status

The Redevelopment Plan for this project area does not expire until January 5, 2021and 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 72 Townsend, which began selling units in 2016. This project contains 74 condominiums over a rehabilitated historic warehouse; of those, seven are affordable to those earning no more than 95 percent of area median income. OCII also manages a community facilities district that pays for additional landscaping and property maintenance on some of the project area's open spaces.

FY 16-17 Workplan

- **Port-Owned Property, including South Beach Harbor:** OCII and the Port have negotiated a Memorandum of Agreement (MOA) that would terminate all OCII leases of Port property and transfer the associated improvements to the Port of San Francisco. This MOA was approved by the Commission on March 3, 2015, the Oversight Board on March 27, 2015, and the Department of Finance on April 29, 2015. The MOA is conditional upon approval by the State Lands Commission, which is still pending. Obtaining State Lands Commission approval is the purview of the Port. Staff anticipates the leases will be terminated in the first half of FY 16-17, however since the exact timing is not known at the time of the budget approval, the budget includes the full fiscal year amounts consistent with the FY 15-16 budget.

  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 bonds associated with the construction of the harbor facilities. The source of funds for this payment will be tax increment from the Harbor, fund balance remaining in the South Beach Harbor account at the time of lease termination, and if necessary, Harbor revenues transferred to OCII by the Port pursuant to the terms of the MOA. The bonds will be fully paid off in December 2016.

[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.

- **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.

Western Addition A-2 (Expired Project Area)

Project Description and Status

The Redevelopment Plan for the former Western Addition A-2 Redevelopment Project Area (the Western Addition) expired on January 1, 2009.[3] 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.

FY 16-17 Workplan

- **Fillmore Heritage Center Garage:** The Fillmore Heritage Center is a mixed-use project the SFRA helped finance over 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 June 30, 2016. Staff anticipates bringing an extension of this agreement to the Commission for its consideration prior to its expiration.

  The proposed budget for FY 16-17 includes $1.0 million in expenses related to the garage. These expenses, which are paid with garage revenues and some new property tax revenue include: 1) $415,000 for operating expenses and 2) $600,000 for operating deficits and capital reserves. These amounts assume that OCII continues to own the garage during the entirety of the FY 16-17, however staff anticipates that that the garage will be transferred to the City, pursuant to the PMP, prior to the end of FY 16-17. Work includes general asset management duties and implementing the disposition plan. Staff time will be paid out of OCII's asset management and disposition budget.

- **Fillmore Heritage Center Commercial Parcel:** OCII also owns the commercial space within the Fillmore Heritage Center. Previously, the commercial space was leased to a master tenant (FDC), who subleased it to Yoshi's jazz club/restaurant (subsequently renamed The Addition), and another restaurant, 1300 on Fillmore. The Addition closed in January 2015.

[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.

The master lease with FDC was terminated in June 2015, and was immediately assumed by the City. 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, the master tenant, now the City, is responsible for paying the CAM charges on the commercial parcel. If the master tenant fails to make these payments, for whatever reason, OCII, as owner of the commercial parcel, is responsible for paying any outstanding CAM charges. To be prudent, OCII is assuming that it will pay all of the CAM charges for the commercial parcel, which run about $15,000 per month. Therefore, the budget includes $180,000 to cover this expense for 12 months. 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; as noted above, OCII staff anticipates that the Commercial Parcel will be transferred to the City prior to the end of FY 16-17. Staff time will be paid out of OCII's asset management and disposition budget.

- **1450 Franklin and 1210 Scott Street Development Agreements:** Staff monitors two development agreements in this project area. Development is proceeding on an owner participation agreement to build 67 new condominium units at 1450 Franklin Street. Of those units, nine will be affordable to households earning up to 100 percent of area median income. OCII 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. Work will be funded by the project sponsors.

- **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. This work is paid through OCII's administrative cost allowance.

South of Market (Active Project Area)

Project Description and Status

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 funded by OCII's administrative cost allowance.

Hunters Point (Expired Project Area)

Project Description and Status

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 pays property management expenses for Shoreview Park, the one property it owns in this project area. The other mini-parks OCII owns in this project area are maintained by either the City or adjacent property owners. OCII anticipates transferring Shoreview Park to the City pursuant to the PMP during FY 16-17, but will continue to maintain the park until the transfer occurs. Accordingly the budget includes about $20,000 for property management for Shoreview Park. Work includes managing the property management contract with a property management firm and implementing a disposition strategy pursuant to the PMP, which is a transfer to the City in FY 16-17.

In addition, OCII is carrying forward $1.6 million in prior year budget authority and budgeting a further $500,000 for capital improvements and deferred maintenance at Shoreview Park. The source of funds is CDBG program income mostly generated from a parcel of land OCII owns at 345 Williams Avenue. The capital improvement funds will be transferred to the City at the same time as the transfer of the property.

Bayview Industrial Triangle (Active Project Area)

Project Description and Status

The Redevelopment Plan for this project area doesn't expire until 2020 but the SFRA's redevelopment program for this project area, which was 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 several new mixed-use projects on privately-owned parcels at 4040 Third Street, 4101 Third Street, 4128 Third Street, and 1615 Jerrold Street. Work includes design review, zoning checks, and shepherding entitlement approvals through the Commission. Staff time will be reimbursed by the project sponsors.

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.

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

	FY 2017 Tax Levy	FY 16-17 Exps - Debt Svc	FY 16-17 Exps - Operation	Bonds Outstanding 6/30/16	Final Bond Maturity	Purpose
CFD#1	0.2	N/A	0.2	0.0	N/A	Park Maintenance
CFD#4[1]	0.0	0.0	0.0	19.6	8/1/2031	Infrastructure
CFD#5	2.2	N/A	2.4	N/A	N/A	Park Maintenance
CFD#6	10.3	8.3	2.0	135.0	8/1/2043	Infrastructure
CFD#7	2.0	2.0	0.0	36.4	8/1/2036	Infrastructure
CFD#8	0.6	N/A	0.6	N/A	N/A	Park Maintenance

1. 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)