The Commissioners of the Redevelopment Agency of the City and County of San Francisco met in a regular meeting at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 416, in the City of San Francisco, California, at 4:00 p.m. on the 19th day of July 2011, at the place and date duly established for holding of such a meeting.

President Swig called the meeting to order at 4:00 p.m.

Mr. Swig welcomed members of the public and radio listening audience and asked that all electronic devices including pagers and cellular telephones be turned off during the meeting. Mr. Swig asked members of the public who wished to address the Commission to fill out speaker cards, and to state their names for the record, and to limit their remarks to three minutes. Mr. Swig stated that the appropriate time for members of the public to address the Commission on matters not on the current Agenda, but related to general Agency business, would be Item 6 on the agenda. This portion of the Agenda is not intended for debate or discussion with the Commission or staff, and members of the public should simply state their business or matter they wish the Commission or staff to be aware of, and if they had questions, to follow-up with staff or Commissioners during a break or after adjournment. It is not appropriate for Commissioners to engage in a debate or respond on issues not properly set in a publicly-noticed meeting agenda.

1. **RECOGNITION OF A QUORUM**

The Commission Secretary announced the presence of a quorum with the following Commissioners present:

- Rick Swig, President
- Darshan Singh, Vice President
- Miguel M. Bustos
- Francee Covington
- Leroy King
- Agnes Briones Ubalde

And the following were absent:

- Rosario M. Anaya

Fred Blackwell, Executive Director, and staff members were also present.

2. **REPORT ON ACTIONS TAKEN AT PREVIOUS CLOSED SESSION MEETING, IF ANY:** No Reportable Action.

3. **MATTERS OF UNFINISHED BUSINESS:** None.
4. **MATTERS OF NEW BUSINESS:**

**CONSENT AGENDA:**

ALL MATTERS LISTED HEREUNDER CONSTITUTE A CONSENT AGENDA, ARE CONSIDERED TO BE ROUTINE BY THE REDEVELOPMENT AGENCY COMMISSION, AND WILL BE ACTED UPON BY A SINGLE VOTE OF THE COMMISSION. THERE WILL BE NO SEPARATE DISCUSSION OF THESE ITEMS UNLESS A MEMBER OF THE COMMISSION OR THE PUBLIC SO REQUESTS, IN WHICH EVENT THE MATTER SHALL BE REMOVED FROM THE CONSENT AGENDA AND CONSIDERED AS A SEPARATE ITEM:

(a) Approval of Minutes: Regular Meeting of May 17, 2011

(b) Approval of Minutes: Regular Meeting of June 7, 2011

(c) Authorizing the application for a U.S. Department of Housing and Urban Development Housing Opportunities for Persons With AIDS National HIV/AIDS Strategy Program grant in an amount not to exceed $1,375,000 to fund local HIV/AIDS planning and housing services; Housing Opportunities for Persons with AIDS Program. (Resolution No. 93-2011)

(d) Commissioner Covington stated that there were corrections to the minutes of May 17, 2011, which she had mentioned to the Commission Secretary earlier. On page 17 of 23, the exchange between President Swig and herself was incomplete. Also in the minutes of June 7, page 21 of 34, the vote of the President is not reflected in the listing of those who voted on the commission. With those corrections, Ms. Covington motioned to move the consent agenda.

President Swig indicated that it was an affirmative vote that he had made.

Commissioner Bustos seconded the item.

**ADOPTION:** IT WAS MOVED BY COMMISSIONER COVINGTON, SECONDED BY COMMISSIONER BUSTOS, AND UNANIMOUSLY CARRIED, THAT APPROVAL OF MINUTES FOR THE REGULAR MEETINGS OF MAY 17 AND JUNE 7, 2011, AND THAT RESOLUTION NO. 93-2011, AUTHORIZING THE APPLICATION FOR A U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS NATIONAL HIV/AIDS STRATEGY PROGRAM GRANT IN AN AMOUNT NOT TO EXCEED $1,375,000 TO FUND LOCAL HIV/AIDS PLANNING AND HOUSING SERVICES; HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM, BE ADOPTED.
REGULAR AGENDA

(e) Informational design workshop on the proposed new Salesforce corporate headquarters in Mission Bay; Mission Bay South Redevelopment Area.

Presenters: Kelly Kahn, Agency Staff; Ford Fish, Director of Campus Development, Salesforce; Evan Rose, Urban Design Plus; Victor Legorreta, Legorreta Architects.

Speakers: Corinne Woods, Oscar James, Ace Washington

Commissioner Bustos stated that he liked the design and even though he realized that the details are yet to come, he indicated that he really liked the way the project was laid out. With regards to the use of retail space, Mr. Bustos stated that there are some great San Franciscan restaurants that have been around for a long time and this would be a great opportunity to get them involved and give them a chance to have first dibs on some of these spaces. Mr. Bustos stated that this might be a great opportunity to support local hometown small mom and pop businesses and still give the flavor of San Francisco to those who will be working and living in that area. Mr. Bustos stated that he was very happy about the use of the space, and liked the fact that the design looks like there is life, is vibrant and colorful, and that communities will be able to use the public space which he thought was important. He stated that he wanted to continue that and really reach out to the communities. About Mr. James’ comments about opportunities, Mr. Bustos repeated his desire to give people who are from here the opportunity to build their own communities because when they do, they leave a lasting impression. One of the designs was of Levi’s Plaza, where Mr. Bustos now works and recalled that his father worked on the construction of that plaza in the 70’s. Mr. Bustos stated that his father would never have imagined that his son would one day be working in that building and Mr. Bustos is very proud of that fact. He wants other people to feel the same pride. Mr. Bustos noticed that there are lots of art pieces integrated into the designs and indicated that it would be great if some local folks could benefit from creating some of that art, the outside art as well as the inside art. Mr. Bustos indicated that there are wonderful artists native to San Francisco who have produced great work and this would give them an opportunity to add to the beauty of this city through their eyes and work. Mr. Bustos stated that looking at the slides, he sees a place, a location, a campus, a community that is very iconic and San Francisco is known for many of its iconic buildings. He stated that when you see those kinds of buildings, you know they are in San Francisco. Mr. Bustos commented that he looked forward to seeing more of the details and learning more about how to get the communities involved in this project.

Commissioner Ubalde echoed Commissioner Bustos’ comments on the design and the elements, the vibrancy, color and inclusion of the open space. Ms. Ubalde inquired about a childcare center for Salesforce employees and wanted to know more about the space itself. Ms. Ubalde inquired as to whether there
will be a safe loading/unloading area for parents to drop off their children at the center.

Mr. Fish responded that the childcare center was very high on their priority list. It will have space for 175 children, from infants to young children. They are working with a childcare consultant currently to help lay out the center and to be sure it is done according to regulation but that it is also a pleasing and exciting place to be. Mr. Fish indicated that the plan was to make sure that parents could drive up to the front door and drop off children. Mr. Fish stated that they have a couple of parking garages and the childcare center will be somehow connected to those garages with easy access. The requirements for childcare are that you have to have as much outside play area as inside and that is one of the biggest challenges. They are working to make that happen.

Commissioner Ubalde stated that it sounded like Salesforce’s commitment to the community was very high on the mission list and she wanted to echo her fellow commissioners in the statement about the 1% equity of giving and grants to various non-profits. Ms. Ubalde inquired about their efforts to support youth and workforce development and entrepreneurial opportunities. Ms. Ubalde repeated how Mr. James had mentioned integrating the opportunities to have youth involved and Salesforce is such an innovative company, she wanted to know if there will be grant funds for nonprofits that are providing those kinds of entrepreneurial opportunities for young people to be connected to Salesforce as well as other areas that could promote the city’s future workforce. Ms. Ubalde inquired as to how those dollars would be part of their next step in rolling out to other communities besides Mission Bay.

Mr. Fish responded that they have been working closely with the Agency in terms of the diversity hiring program, that there is a labor agreement there and a lot of push to really get the right kind of support for the community and embrace the community by including them in the entire project. Mr. Fish stated that they are making headway in that area. There was an outreach for RFP’s for putting the design team together and he stated that they don’t have many people on the design team yet because they are in the very beginning stages of putting that together. During the preliminary work, they had 350 firms that submitted RFP’s or RFQ’s to the team as a result of that effort and he thought that would yield a very high participation rate. Mr. Fish reiterated that they are committed to the diversity program in regard to construction hiring as well and all the local hiring and diversity hiring that goes along with that. As far as youth programs, he mentioned that through their foundation they have a good track record of reaching out to youth and developing them. Mr. Fish reiterated that this was a community effort and they want to be a part of that community.

Commissioner Ubalde inquired about the rooftops and that it was mentioned during the presentation that they hoped to be able to use less on the roof. Ms. Ubalde asked for an explanation about that comment because she was thinking of maximizing use on the roof for things like gardens, etc. to promote the use of the rooftop area.
Mr. Fish explained that there are two buildings that have fitness centers on the roofs and open areas with pools and outdoor workout areas. Mr. Fish also mentioned that they will have a lot of outdoor terracing with landscaping. So the actual rooftops themselves have a lot of large mechanical equipment and what he was proposing was to use a different technology to chilled beam and heat pumps that cut down dramatically on rooftop equipment. What they want to see is a lot of silver panels and not a lot of equipment.

Commissioner Covington stated that it was a pleasure to be able to spend some time with the team as well as looking at the model for this project. Ms. Covington wanted to compliment everyone for their vision and innovation. She mentioned that this was not bland and was not business as usual and was more of a reflection of the kind of innovative company that Salesforce is and is more reflective of San Francisco as a city within a region known for its innovation. She thought that the entire project was a great reflection on the city and will also be very attractive to people who are now taking the bus or driving. She mentioned that it is amazing that there are 14 acres involved in this project because otherwise they would be left with a colorful stand-alone building but this project constitutes an entire strip along major thoroughfares that people can see as a cohesive and exciting design which will be a pleasure to the eyes. Ms. Covington stated that she was happy Salesforce chose San Francisco because they could have chosen a site anywhere and she is always happy to hear about the commitment to the city. There are a number of long-term families in this city who have taken their headquarters elsewhere and Ms. Covington expressed happiness that Salesforce is here and about their commitment to employment, workforce development, and grant giving to the youth of the city. Ms. Covington inquired as to what Salesforce is and what it does and stated that she was inquiring for people listening at home.

Mr. Fish introduced Bruce Francis to answer those questions about Salesforce.

Mr. Francis, Salesforce, responded that Salesforce is cloud computing for business and explained that cloud computing is accessing services via the browser on your computer, like buying on Amazon or having a g-mail account. Mr. Francis explained that Salesforce has almost 100,000 small, medium and large customers around the world who use Salesforce to manage their sales teams, customer service operations, and to collaborate on projects all across their businesses. Salesforce tries to make that easier for them so they don’t have to install big server farms and use lots of energy. Salesforce runs those services more energy-efficiently in their data center at a much lower cost and makes it much easier to use. Mr. Francis stated that they are publicly traded on the NY Stock Exchange under the symbol CRM, which stands for Customer Relationship Management, which was the core application that they started out with and have broadened since then.

Commissioner Covington asked what the purchase price was for the 14 acres.
Mr. Francis responded that it was $278 million.

Commissioner Covington inquired whether it was correct to state that this is the site that was originally planned for a biotech company.

Ms. Kelley Kahn responded that part of the vision in Mission Bay South was to grow a biotechnology cluster and that all the private parcels surrounding the UCSF Mission Bay campus are zoned for both office and biotech and life science. In Mission Bay South they already have a very robust cluster with about 35 biotech companies there, including Fibrogen, Merck, Cellgene, etc. With this purchase of 14 acres and approximately 2 million sq. ft., which is going to be all office, there is already about 1.1 million sq. ft. of biotech uses there and in the pipeline there is another 900,000 sq. ft. that could be used for biotech. Ms. Kahn stated that the two uses are very compatible.

Commissioner Covington inquired about how many pavilions there would be and how large would they be.

Mr. Legorreta responded that there are three pavilions and the idea is to offer more public use for them so one will have a restaurant, one will have meeting rooms and the other will have an auditorium. Their sizes range from 1500 to 3000 sq. ft. Mr. Legorreta stated that they want to keep them flexible because the idea is to collaborate with an artist and wanted to give the artist the flexibility for his own expression. He sees them as playful structures and more playful than the other structures.

Commissioner Covington inquired if they were envisioning a competition for the pavilion design or if they already knew who those companies might be.

Mr. Legorreta responded that they do have some artists in mind that can work on them but no one has been commissioned yet and will not be until they discuss it with the Agency. They wanted to make sure it was someone who can work on a team so they are looking for very talented artists as well as people who can work on this kind of campus.

Commissioner Covington asked Mr. Legorreta if he was a senior or junior.

Mr. Legorreta responded that he was the junior and that his father was the other partner on the team.

Commissioner Covington inquired as to whether there was a Legorreta III.

Mr. Legorreta responded yes, but that he was 12 years old.

Commissioner Covington stated that she probably would not be on the commission when Legorreta III comes before the Agency someday. She inquired if he had had an opportunity to discuss with his team on how to include some of San Francisco’s local talent. Ms. Covington stated that they
were very deep in talent in this area for architecture and other design projects but stated that wherever there are opportunities to highlight local talent, it would fantastic.

Mr. Fish indicated that there was a significant art budget that goes along with the project, with 1% of the project being dedicated to art. Mr. Fish stated that while they have the three pavilions that will be integrated into the project and will work with Agency to find artists to work on them, it still leaves a huge art budget and they would certainly look to engage local artists to help with that process and will work with the Agency to come up with a way to do that.

Commissioner Covington stated that that would give the local art community quite a boost and stated that she looked forward to hearing more about those details as they become available. Ms. Covington thanked the team for incorporating all the outdoor public spaces and stated that she believed it was essential not to be closed off from the larger community. Ms. Covington inquired about whether there is also interior public space available.

Mr. Fish responded that besides the retail space, which is open to the public, they intend to have a 500-seat auditorium in the facility which will be open for public events and to the extent that the pavilions end up being meeting rooms of some kind, that could also be open to the public.

Commissioner Covington thanked everyone for their work on this project and stated that she looked forward to the ground-breaking and the ribbon-cutting.

Commissioner Singh inquired about what the structure was in the center that looked like a windmill.

Mr. Legorreta responded that it was a tower which came as part of a SF tradition of having vertical towers in front of the bay and the idea of having sustainable function inside the building. They are working with a wind consultant about whether there can be wind turbines inside the buildings to produce energy for electricity for the public areas.

Commissioner Singh asked if anyone will be working inside the building.

Mr. Legorreta responded that the towers are meant to serve to guide people through the open spaces and serve as symbols to just mark the two entrances from the sea and from 3rd Street.

Commissioner Singh stated that the color combination was beautiful and inquired as to whether the colors will be same as what is shown in the pictures.

Mr. Legorreta responded that right now they are proposing those colors but the final colors are still under consideration. He stated that the idea is to have terracotta and stone as the base and then to have the accent colors on the roofs.
of each of the buildings. Also the pylons will have lights so they work as an urban lantern.

Commissioner Singh stated that he noticed that Salesforce has 2500 people working in San Francisco already and inquired how many people will be working there when the building is completed.

Mr. Legorreta responded that the campus is designed for 8,000-9,000 people when it is completed.

Commissioner Singh inquired where the other Salesforce offices are.

Mr. Fish responded that Salesforce is a global company and that they have offices all over the world, throughout the United States, in Europe and in Asia. San Francisco is their headquarters and where they have the majority of their workforce.

Commissioner King stated that he thought that this time Ace Washington was correct. Mr. King accused Salesforce of going out into a community that is really a black community and not wanting to include any blacks in the project. Mr. King stated he did not know how the Agency and the staff had allowed Salesforce to come here and not try to get somebody black from that area because it’s a black community and he was ashamed of them coming here and figuring that they were just going to run over our community without even giving them an opportunity to be a part of it. Mr. King directly asked why Salesforce did not do that.

Mr. Fish responded that they were following the program that the Agency laid out. Mr. Fish stated that they only have a couple of people on the initial design team so far. Their intention is to work with the Agency and to meet all the diversity hiring requirements and stated that they have come a long ways in that regard. Mr. Fish stated that they are at the beginning of the process but they are committed to meeting what the city has set out as requirements for diversity hiring and he guaranteed that in future meetings they will have a more diverse group. He stated that today only a few people were there from the team in the very first step in the project and that there is a long way to go. Mr. Fish stated that Salesforce has worked closely with George Bridges from the very beginning to make sure that they do meet the diversity hiring requirements because they believe in them. Mr. Fish reiterated that Salesforce is very committed to the community and to the Mission Bay community especially.

Commissioner King inquired whether they went before the PAC.

Mr. Fish responded that they did go before the community group in Mission Bay.

Commissioner King inquired if any of those people asked why Salesforce does not have one black on their staff or part of their team. Mr. King stated that he
could not understand how the Agency staff did not ask that question. He stated that here is an organization that comes into their city and does not even try to recognize what is in that community. He stated that he thought Ace Washington laid it out clearly as far as what was out there and the kinds of people who lived there. Mr. King stated that he even lived out there many years ago. He stated that he believed staff should have done more to tell Salesforce to do more research but stated that he hoped that they do before they come back before the commission because Mr. King said he was not enthused about the project right now. He stated that so far it was a beautiful project but they must have some of the people from the community as a part of their team, and they should go out there and interview some people and talk to them and find out what’s going on.

Mr. Fish responded that they will do that, that right now they are less than 1% on the journey but that they hear him.

Commissioner Ubalde inquired about evening uses of the spaces and about what the hours of operations will be at night. Regarding security, Ms. Ubalde inquired as to what measures they are considering in terms of public safety that will be integrated into the evening spaces that will be available to the public.

Mr. Fish responded that they have not yet worked out a program for operation because it is too early in the process. He stated that Salesforce has a workforce that works a wide range of hours from early in the morning into the evening so he expected that there will be activities going on all the time. He anticipated with having retail in some of the spaces, that activity will continue well beyond the normal work day and after 5pm.

Mr. Legorreta reinforced that comment and also wanted to respond to Commissioner Bustos regarding the food. He stated that the food will not be just for Salesforce, but the idea is that the restaurants will be open to everybody. Mr. Legorreta stated that Salesforce Chairman Mark Benninghoff wants to have people from the community open their own restaurants and not just large franchises but have culturally diverse restaurants run by locals. As far as security, no decisions have been made as to a time for closure late at night but indicated that the area will be open most of the day.

President Swig thanked everyone for their presentation and stated how exciting it was. Mr. Swig stated that he had had the opportunity to have a private viewing earlier and it is a very thrilling project. For the purposes of the listening public as well as for the commission, Mr. Swig inquired about a timeline on development, construction, opening, phasing, etc.

Mr. Fish responded that they are at the beginning of the timeline and that it will take awhile to get through all the approval processes and get the drawings together, but he anticipates starting construction in the summer of 2012. The first two buildings would open up approximately two years later with the second two buildings opening up quickly after that. Mr. Fish stated that their
intention is to focus on the center of the campus, the four blocks that are in the middle.

President Swig inquired what the total construction period would be for the entire campus.

Mr. Fish responded that he did not know the full campus construction period yet but it could stretch out seven years or so depending upon several things.

President Swig stated that what he was looking for was a 1-3, 3-5, 5-7, 7-9 or 15-year period.

Mr. Fish stated that hopefully they will be in there in 3 years because they want to get in as quickly as possible with the beginning of the campus and then stretch on over several years after that.

President Swig inquired about the MTA issue to the Executive Director. Mr. Swig stated that he agreed with the community speaker today that currently there are 9,000 staff members, who are just Salesforce staff, but adding in restaurants, custodial, etc., that will total a lot of people using that space. Mr. Swig added that there will be a hospital opening up across the street with hundreds to thousands of people there, significant residential being added plus more commercial office area as well and maybe even the public who will come down to enjoy the retail spaces along 4th Street and a reinvigorated shoreline. The Muni metro 4th Street train will not be able to handle all those people so Mr. Swig inquired as to when the Agency will begin engaging the MTA and when does the MTA begin engaging this project.

Mr. Blackwell deferred to Kelly Kahn, project manager, to respond.

Ms. Kahn responded that the 3rd Street light rail does travel through the center of Mission Bay which opened in 2005 in anticipation of this project. The MTA does have plans, however, to increase bus service to Mission Bay, the 22 line, and either the 30- or 45-line are being planned to come to Mission Bay as well. The MTA is in the process of seeking funding for this and Ms. Kahn stated that now is the time to put some pressure on the MTA to work on this project because it is the MTA’s obligation to find the money to expand their services for this project. Ms. Kahn stated that there is another opportunity for transenhancement there, which the MTA is also seeking funding for, which is called the Mission Bay Loop, on the T-line. They want to be able to fund the infrastructure for a turnaround loop for the T-line which would effectively double the T-line service for Mission Bay. But at the moment, that is another funding shortfall that they are seeking funding for. Ms. Kahn repeated that now is the time for the Agency to begin conversations with the MTA to get this going.

President Swig made an official request to Director Blackwell that they begin engaging with MTA about this project. Mr. Swig stated that he was not around
when the Mission Bay EIR was approved, but he is familiar with the Bayview Hunters Point EIR and that transportation was a major piece of it. Mr. Swig stated that he spent many hours reviewing and chatting about transportation and that the transportation segment is a cornerstone for that community and that the community will fail without the transportation component. Mr. Swig stated that he was sure there is also a transportation section within the Mission Bay EIR and that it needs to be addressed now. He stated that all the work on this project could be seriously handicapped for lack of transportation and the whole issue of the environmental sensitivity of this will simply invite cars and their smoke, noise, etc. Mr. Swig also agreed with Commissioner Bustos and Covington in regards to the artistic talent in San Francisco, there is the San Francisco Art Institute, the Cal College of Arts & Crafts (CCAC), several design colleges, a very fertile arts community in the city, leading museums, international artists, artists for metal sculptures, and echoed the other commissioners’ request to Salesforce to include local talent for this project. Mr. Swig stated that with this magnificent architectural design they have presented to the commission, it is not about San Francisco, this is new design and new territory for San Francisco. However, Mr. Swig suggested that there be a sense of place within the project so that this is not just a magnificent piece of architecture that lands from Mars on Mission Bay and has no relationship to the city. Mr. Swig invited them to bring in local artists to give Salesforce a sense of place as a part of San Francisco. And to echo Commissioners Ubalde and King, the community training piece is critical. Mr. Swig stated that Salesforce will be coming back before Agency numerous times and Mr. Swig promised Salesforce that when they come back they will continue to hear about community jobs, training, enrichment, embracing the community, no matter what color. Mr. Swig repeated that the Agency is absolutely sensitive to what Commissioner King was talking about—that the southeast corner of San Francisco which happens to be populated significantly by African Americans but is also populated by Latinos and Asians and all the people who need to be brought into the new Mission Bay community. Mr. Swig mentioned that Mr. Benninghoff is to be commended for creating the philanthropic projects that he has as an infrastructure as part of his company but Mr. Swig hoped that they would share that philanthropy in supporting community training and embracing the local community, black as well as any other race or culture in Mission Bay. Mr. Swig inquired about the use of the rooftops as a San Franciscan who went to a city school that had playgrounds on the rooftops and suggested that they use the rooftops as play spaces for children.

Commissioner Covington stated that everyone knows that workforce is near and dear to her heart and stated that they also have George Bridges who would help inform the Commission on the continuing discussions about the Agency’s push to make sure San Francisco citizens is well-represented.

George Bridges, Senior Contract Compliance Specialist, stated that they do take the workforce MBEWB Minority Business Program very seriously and that it has been a great opportunity working with Salesforce to create diversity and offer opportunities to all ethnic groups. Mr. Bridges stated that only 1% of
the contract in dollars has gone out and they are currently waiting for proposals to come in over the next few weeks to begin reviewing those proposals. He stated he was confident that Salesforce will create a team that reflects the diversity of the city and county of San Francisco. Mr. Bridges directed his comments to Commissioner King and stated that if Mr. King has consultants that he would like them to incorporate into the project as well as on the construction side, they are open to his suggestions. Mr. Bridges mentioned that on the initial RFQ, they sent notice to all of the CAC’s and the PAC’s so that they would know that Salesforce is looking for those opportunities, especially in the southeastern sector of the city.

President Swig wrapped it all up by saying that if only 1% is completed, it is already spectacular and can’t wait for the remaining 99% and that the commission looks forward to repeated visits by Salesforce before the Agency to get this project passed and moving forward and fully occupied as soon as possible.

5. MATTERS NOT APPEARING ON AGENDA

6. PERSONS WISHING TO ADDRESS THE MEMBERS ON NON-AGENDA, BUT AGENCY RELATED MATTERS.

Speakers: Michael Hamman

7. REPORT OF THE PRESIDENT

President Swig stated that he would like Director Blackwell to report on the Sacramento update and what is on the horizon for the Agency. Mr. Swig stated that he would like to advise the public, including the speaker who just informed the Agency of his needs, that the Agency will be in a stalemate until they can resolve issues with the State. Mr. Swig explained that the Agency cannot take on any new projects and cannot do many of the things that they would like to be doing and the next couple of months will be slow-moving, which the entire Agency is very sad about, and the commission is very sorry that they will not be able to move on items as quickly as they would like. However, Mr. Swig stated that the commission appreciates the public’s patience and the current issues at hand will be resolved and he looks forward to a better and more productive future.

Mr. Swig welcomed and acknowledged a new intern working for the Agency for the remainder of the summer, Medina Ott, who comes from the Coro Foundation and looked forward to her working at the Agency.

8. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Blackwell provided an update for where things stand with Sacramento and apologized for being redundant from the last meeting. The Governor signed two bills into law as part of the State budget, Assembly Bills 26 & 27. AB 26 essentially
eliminates redevelopment agencies statewide and AB 27 allows for agencies to be exempt from the elimination bill if they pay their proportionate share of the $1.7 billion directly to the schools in the upcoming fiscal year and a smaller proportionate share on an ongoing basis directly to the schools as well. Mr. Blackwell stated that he would like to summarize both bills and then move on to next steps, particularly with regard to the second bill and the city’s pursuit of exemption from elimination for redevelopment locally. AB 26 says that agencies are eliminated effective October 1, 2011 and between the period where the Governor signed the bill and October 1, agencies are prohibited from entering into any new agreements and are only able to work on things that are enforceable obligations entered into before June 29. Mr. Blackwell explained that enforceable obligations are loans, bond payments, and contractual obligations that were entered into prior to that date, and any new activities that the Agency is prohibited from entering into are: new loans, new contracts, amending any existing contracts and acquiring any property or doing any work associated with the adoption of new project areas and the amendment of existing project areas. Between now and when the Agency becomes exempt, those are the things that the Agency can and cannot do. AB 27 allows for agencies to pay to become exempt from elimination and Mr. Blackwell indicated that there are a few things that need to happen in order for that to occur. The first thing is that agencies are required to adopt, prior to October 1, continuation ordinances and what is important to note about them is that it is the local host jurisdiction for redevelopment agencies that is responsible for adopting these ordinances and making the payments. Mr. Blackwell stated that this is really important to know because that signifies that it is not the commission or the Redevelopment Agency that is responsible for signaling to the state that they intend to pay nor is it the responsibility of the Agency for actually making the payment. If there is a release valve on the October 1 date, and that release valve means that if a jurisdiction adopts a resolution saying that they intend to adopt the ordinance, they are given an extra 30 days to adopt the ordinance, which means that they then are able to adopt the ordinance and continue operations by November 1 rather than October 1. Mr. Blackwell indicated that his advice to both the Mayor and the members of the Board of Supervisors (the Board) that he had had the opportunity to brief was that they adopt the resolution expressing their intent to adopt the ordinance. The reasons for that are: 1) it is a non-binding resolution and so the Agency can back out of it if necessary and it does not mean that they have to wait until November 1 to adopt the ordinance, but it just gives the Agency the time to do so; 2) the Agency may need the time. The Board goes on recess for the entire month of August and then once they come back, there is an expectation that they will take a deliberate and transparent pathway to adopting this ordinance which means that it will go through committee and there will likely be discussion about the payment strategy, etc.; and 3) the payment is complicated. Jurisdictions are given a variety of options with no restrictions on how to make the payment. If you are a local jurisdiction, payment can come from general funds, tax increment or any other source of funds that the host jurisdiction thinks it can tap into in order to make the payment, so the Agency needs to come up with a strategy that makes sense from a financial as well as a political point of view. Making sense from a political point of view means that they need to employ the principle that all project areas and work programs need to share the pain equally or in some way on this.
officially reached the point that the Agency is no longer able to make payments to the state without feeling some pain. They will have to postpone and forego projects, look at unencumbered monies, and turn over all the rocks in order to make these payments, the first of which is between $21 and $26 million and the ongoing payment will be between $4 and $6 million. The first installment will be due January 15 and the second payment will be due May 15. The Agency staff is working with the Comptroller’s Office and with the Mayor’s Budget staff to develop a payment strategy and have gotten strong support from members of the Board as well as the Mayor’s office to continue operations. Evidence of that is that today they introduced the resolution expressing their intent to adopt the ordinance and the resolution was co-sponsored by 9 of the 11 supervisors, so people are paying attention and are supportive of the moves the Agency is making. The Agency’s intent is to introduce the continuation ordinance on August 2, which is the last opportunity to do so before the Board goes on recess. That is the ideal introduction date because it would allow the Agency to introduce the ordinance and also allow the Board’s 30-day clock to start ticking while they go on recess. The ideal scenario in terms of introduction is that the Agency would not only introduce the ordinance but also introduce a budget amendment that signals what the payment strategy is. That way, the Agency can be clear with the Board not only in terms of expressing intent, but also how they plan to make the first payment which is due on January 15. If the Agency is unable to meet that date, they may have to ask for relief from the 30-day time clock or rule and introduce after recess which would allow the Agency to still meet the timeframe but ideally they would introduce in August before the Board goes on recess because that would allow for the most deliberative process to go forward and give the Agency all the room necessary to go through the respective committees. Lastly, Mr. Blackwell mentioned that there will be lawsuits. Today the California Redevelopment Association (CRA) and the California League of Cities (CLC) filed their lawsuits with two plaintiffs—the city of Union City and the city of San Jose. The lawsuit basically contends that the elimination move that the state took was unconstitutional and that the so-called voluntary payment strategy is also unconstitutional because it violates Proposition 22. In that filing the plaintiffs have asked for a stay so that neither AB 26 nor 27 would go into effect while this issue is being considered by the courts. They have requested that a decision be made on the stay by mid-August and have requested that this particular case go directly to the California Supreme Court (CSC) and leapfrog the lower courts and have requested that the CSC make a decision on this issue before the end of the year. Mr. Blackwell stated that those are very ambitious goals on the part of the plaintiffs, both on the stay as well as getting to the CSC and getting a decision by the end of the year. If this case does not go directly to the CSC, it could take a significant amount of time for the judicial process to run its course. Mr. Blackwell stated that he will continue to provide updates and they are moving forward with the resolution and with the ordinance regardless of what decisions get made by the courts over the next few months. Obviously it would be great if a stay is granted, and it would be greater if a decision is granted before the end of the year, but nonetheless, they are marching forward under the terms that are currently in place.
9. COMMISSIONERS' QUESTIONS AND MATTERS

- Commissioner Covington through the Chair to Director Blackwell inquired as to which committee on the Board this process would go to.
  - Mr. Blackwell responded that he did not know yet but thought it would most likely go to Budget and Finance but it was up to the Board President to decide that.

- Commissioner Covington stated then that President Chiu would make that decision. Ms. Covington indicated that Mr. Blackwell had stated that the payment of monies can come from the general fund, tax increment or any other source. Ms. Covington inquired as to what other source would there be potentially.
  - Mr. Blackwell responded that the redevelopment agencies can take out a general fund loan, use bond proceeds in order to make the payment, which is another form of tax increment or lease revenues. Mr. Blackwell stated that there may be other cities that have other sources to tap, like grant funds, but stated that the Agency is not restricted in terms of making payments.

- Commissioner Covington inquired at what point will the Agency budget come back to the commission for review and mid-year approval after the August 2nd Board meeting.
  - Mr. Blackwell stated that if the Agency submits a budget amendment, they will be back on August 2 for the commission to consider a budget amendment.

- Commissioner Covington stated that the number keeps inching up by a million here and a million there, so that they are now at $21 to $26 million, whereas two weeks ago they were at $20-$25 million and stated that that is a “big chunk of change” as they say.
  - Mr. Blackwell clarified that they believed the number will be at the low end of that. The $26 million figure is the high-end of what was estimated by the CRA. He stated that he did not know if there was any discussion at the last meeting about what the formula is but the formula to calculate the Agency’s proportionate share is to look at the proportion of the Agency’s jurisdictions gross tax increment compared to the state overall. They also look at the proportion of the Agency jurisdiction’s net tax increment compared to the state overall and the net increment is the gross increment minus pass-throughs minus debt payments and they take the average of the two to come
up with the payment. Mr. Blackwell indicated that the process is complicated and he thought the amount will go down because he believed the CRA underestimated the Agency’s debt payments and since the Agency has more debt, it means they will actually pay less.

- Commissioner Covington requested that the Commission Secretary mail out the formula that Mr. Blackwell just outlined because she wanted to look at that in order to understand it. Ms. Covington stated that she really wanted to avoid putting the commission in the position where they have to approve cuts, transfers, bonds, etc. of up to $26 million. She had not heard heretofore any possible assignment as to how these monies are going to be apportioned, where they are going to come from and she stated she was getting very nervous. Ms. Covington stated that she did not want to be confronted with a bunch of figures that had to be cut from various line items in the Agency’s $211 million budget at the 11½ hour. Ms. Covington wanted to state that they would need a heads-up about it.
  - Mr. Blackwell promised that as soon as they figure out the strategy, the commission will be the first to know.

- Commissioner Covington responded that they should hurry it out and at least let her see some possible strategies. On an entirely different matter, Ms. Covington stated that she continues to get calls concerning Hunters View and the employment situation there. She knows that at the last meeting Mr. Blackwell had stated that there is 61.8% San Francisco workforce and 42% for Hunters View. Ms. Covington requested that Mr. Blackwell issue an informational memo that gives the breakdown of the jobs, the job titles and who has been hired there, because the calls she is getting are about the people at Hunters View not being hired even though the numbers say something different. Ms. Covington stated that she needed to have a drill-down on this one because it keeps resurfacing.
  - Mr. Blackwell responded that they will definitely do that but stated that just so the Commission knows, he has been to that site twice over the past month, the last time being last Friday, and has personally been spending time there eyeballing the workforce and having conversations with people working there. Mr. Blackwell indicated that in addition to the memo, he will also be able to personally report on what it looks like in addition to what the data says.

10. **CLOSED SESSION**: NONE
11. **ADJOURNMENT:**

It was moved by Commissioner Bustos, seconded by Commissioner Covington, and unanimously carried that the meeting be adjourned at 6:00 p.m.

Respectfully submitted,

Gina E. Solis
Agency Secretary

**ADOPTED:**