SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Annual Financial Report

For the Year Ended June 30, 2014

MGO Certified Public Accountants.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

For the Year Ended June 30, 2014

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Office of Community Investment and Infrastructure
(Successor to the San Francisco Redevelopment Agency)

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November 4, 2014

107-0982014-290

Members of the Commission on Community Investment and Infrastructure
Residents of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Successor Agency of the Redevelopment Agency of the City and County of San Francisco ("Successor Agency"), also known as the San Francisco Office of Community Investment & Infrastructure ("OCII") for the fiscal year ended June 30, 2014, with the independent auditor's report, prepared in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board.

This letter provides a narrative of OCII's background and accomplishments during the year ended June 30, 2014. The Management's Discussion and Analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

1. BACKGROUND

The Office of Community Investment & Infrastructure ("OCII") is the Successor Agency to the San Francisco Redevelopment Agency. On February 1, 2012 the San Francisco Redevelopment Agency ("SFRA"), along with all 400 redevelopment agencies in California, was dissolved under Assembly Bill 26 ("AB 26") and order of the California State Supreme Court. In June of 2012, Assembly Bill 1484 was passed to further clarify certain aspects of the dissolution of redevelopment agencies, and together the two assembly bills are known as the "Dissolution Law". Pursuant to the Dissolution Law and to Board of Supervisors Ordinance 215-12, the City and County of San Francisco (City) has created the Office of Community Investment and Infrastructure ("OCII") as the Successor Agency to the San Francisco Redevelopment Agency. As Successor Agency, OCII succeeds to the organizational status of the former SFRA, but without any legal authority to participate in redevelopment activities except to complete work related to the approved enforceable obligations.

Those enforceable obligations are related to: (1) the Major Approved Development Projects (defined 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 the Yerba Buena Center and other real property and assets of the former 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 as well as fulfilling a Replacement Housing Obligation.

The Successor Agency Commission, also known as the Commission on Community Investment and Infrastructure, is the main governing body of OCII and is responsible for implementing and completing the enforceable obligations of the former redevelopment projects, 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.

The 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, and which 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 semi-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, subject to additional review by the California State Department of Finance. 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 Agency 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 District.

The Dissolution Law requires that OCII be a separate legal entity from the City and County of San Francisco, just as SFRA was. However, OCII is still subject to the governance of the City acting through its legislative capacity. Accordingly, the OCII's budget must be approved first by the Commission and subsequently approved by the Mayor and Board of Supervisors.

In addition to its role as Successor Agency to the City and County of San Francisco Redevelopment Agency, OCII also serves as administrator of six Community Facilities Districts ("CFDs"), formed under the California Mello-Roos Act.

2. ACCOMPLISHMENTS DURING THE FISCAL YEAR ENDING JUNE 30, 2014

A. Hunters Point Shipyard/Candlestick Point

The Hunters Point Shipyard (the "Shipyard") and Candlestick Point (together "HPS/CP") form approximately 770 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors originally adopted the Shipyard Redevelopment Plan in to provide for the integrated planning and development of the Shipyard and the Candlestick Point portion of the Bayview Hunters Point Redevelopment Project Area.

Pursuant to a disposition and development agreement ("DDA") with OCII, a master developer is completing the infrastructure for the first phase of the Shipyard's redevelopment ("Phase 1"), which will ultimately include up to 1,600 homes, 32% of which will be affordable, miles of new utilities, and 26 acres of open space. OCII will be seeking development teams and providing financing for a minimum of 218 units on designated stand-alone affordable housing sites in Phase 1. The HPS/CP project's full build out will occur over 20-25 years, with 800+ units of housing completed over the next five years in the Shipyard's first phase.

A master developer that is separate but affiliated with the Phase 1 developer will complete the remaining portion of the Shipyard infrastructure and also Candlestick Point area as one project under a separate DDA ("Phase 2"). The agreement for the Phase 2 development program provides for an additional 10,500 new housing units to be located on the Shipyard and Candlestick Point, 32% 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. Specifically, 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. The Phase 2 plan also includes approximately three million square feet of research and development and office uses as a hub for emerging technologies on the Shipyard, over 300 acres of parks and open space including a complete renovation of the Candlestick Point State Recreation area. In total, Phase 1 and Phase 2 will generate more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits.

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 DDA, and the Phase 2 DDA and tax increment pledge agreements, and both Phases' affordable housing requirements constitute enforceable obligations of OCII.

During the fiscal year ended June 30, 2014, significant accomplishments in the Hunters Point Shipyard/Candlestick Point project included:

- Approval of schematic designs for nearly 500 new housing units in the Shipyard's first phase.
- Groundbreaking for the first 250 units in the Shipyard's first phase.
- Approval of Schematic Designs for 130 new artist studios.
- Approval of a Major Phase application and Streetscape Plan for Candlestick Point.
- On-schedule infrastructure groundbreaking for the Alice Griffith affordable housing project revitalization.

- Successful refinancing of approximately $40 million in Community Facilities District bonds.

- Of the $181 million value of Shipyard design and construction contracts awarded as of June 30, 2014, more than $91 million (50%) were awarded to small businesses in furtherance of OCII's Small Business Enterprise policy, and $56 million (31%) were awarded to San Francisco-based small businesses.

- On Shipyard construction projects in progress on June 30, 2014, San Francisco residents had performed 122,800 hours of labor, representing 46% of the total construction hours worked. 28% of the hours were performed by Bayview Hunters Point residents.

B. Mission Bay North and South

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 6,400 residential units (almost 30% of which will be affordable), 4.4 million square feet of office and biotechnology space, 400,000 square feet of retail uses, a new University of California, San Francisco research campus and medical center, 250-room hotel, 49 acres of open space, library, school, police headquarters, and local police and fire department. Completion of the Mission Bay project is anticipated to occur over 25 to 30 years and 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.

On January 24, 2014, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code §34177.5 (i), that the Mission Bay North and South Owner Participation Agreements, tax increment pledge agreements and affordable housing requirements constitute enforceable obligations of OCII.

During the fiscal year ended June 30, 2014, significant accomplishments in Mission Bay North and South included:

- Completed the construction of about 460 new market rate residential units, with the ongoing construction of an additional 900 market rate residential units.

- Sold $58 million of Mission Bay South Series 2014A bonds to cover infrastructure costs.

- Finalized the construction of 150 new affordable housing units and conducted ongoing planning for the next 435 affordable housing units.

- Started design work on a new 18,000-seat sports arena planned to become the new home for the Golden State Warriors National Basketball Association (NBA) team and 500,000 square feet of new office space.

- Of the $432 million value of Mission Bay design and construction contracts awarded as of June 30, 2014, $138 million (32%) were awarded to small businesses in furtherance of OCII's Small Business Enterprise policy.

- On Mission Bay construction projects in progress on June 30, 2014, San Francisco residents had performed over 366,270 hours of labor, representing 27% of the total construction hours worked.

C. Transbay

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 1,200 affordable housing units, or 35% of the new residential units constructed in the Project Area ("Transbay Affordable Housing Obligation"). OCII oversees the development of 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 Transbay Redevelopment Project Area Redevelopment Plan and related documents.

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 Transbay Affordable Housing Obligation, constitute enforceable obligations of OCII.

During the fiscal year ended June 30, 2014, significant accomplishments in Transbay included:

- Completed the Rene Cazenave Apartments, 120 units of affordable housing for formerly homeless individuals and the first residential project on the state-owned property.

- Sold Transbay Blocks 6/7 to the team of Golub Real Estate Corporation and Mercy Housing California for development of 564 residential units, including 155 affordable units.

- Executed an Exclusive Negotiation Agreement ("ENA") with the team of Avant Housing LLC and Bridge Housing Corporation for development of 545 residential units on Transbay Block 9, including 109 affordable units.

- Issued a Request for Proposals ("RFP") for Transbay Block 8 and executed an ENA with Related/Tenderloin Neighborhood Development Corporation for development of 653 residential units, 177 of which are affordable.

- Issued an RFP for an approximately 700,000 square foot commercial building on Transbay Block 5.

- Completed Schematic Designs for Under-Ramp Park, a new park that will be built under the bus and auto off-ramps from the Bay Bridge.

- Completed 50% Design Development Drawings for Folsom Street, including new buildouts, double row of trees, granite pavers, etc.

- Of the $166 million value of Transbay design and construction contracts as of June 30, 2014, $66 million (40%) were committed to small businesses, in furtherance of OCII's Small Business Enterprise policy.

- On Transbay construction projects in progress on June 30, 2014, San Francisco residents had performed 25,660 hours of labor, representing 25% of the total construction hours worked.

D. Affordable Housing Obligations

OCII has retained two major types of affordable housing obligations. First are those that are integrally related to the three critical redevelopment legacy projects consisting of Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay, referred to as the "Major Approved Development Projects" that OCII, as successor agency to SFRA, must continue to implement under enforceable obligations consistent with the Dissolution Law, which are described in detail within each relevant Project Area description of this budget. Second, OCII's Affordable Housing Obligations include the replacement of units that were destroyed by SFRA in the early years of redevelopment and must be replaced pursuant to Senate Bill 2113 ("SB 2113").

These obligations are referred to as OCII's "Retained Housing Obligations", pursuant to both the Dissolution Law and Board of Supervisors Ordinance 215-12. OCII will be managing the implementation of these Retained Housing Obligations through direct oversight along with services procured from the Mayor's Office of Housing and Community Development ("MOHCD") through a Memorandum of Understanding dated May 6, 2014. Since all completed affordable housing assets will be transferred to MOHCD as the Housing Successor Agency, OCII will coordinate with MOHCD on site programming and developer selections, and MOHCD will have the opportunity to review and provide comments on schematic designs, financing agreements, and ground lease documents. In general however, OCII will be responsible for directly managing the development of affordable housing projects through completion, but will be procuring the services and expertise of MOHCD's staff for construction monitoring, review and monitoring of marketing for both inclusionary and OCII funded projects, including implementation of the Certificate of Preference program which provides housing preference to households who were displaced SFRA actions, and 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.

During the fiscal year ending June 30, 2014, significant accomplishments in fulfilling OCII's housing obligations included the opening of 460 units of affordable housing in the following five projects for which OCII provided funding:

Project	Units	Population Served
Hunters View Phase I	107	HOPE SF
Mary Helen Rogers Senior Community	100	Very Low-Income Senior Rental
474 Natoma	60	Very Low-Income Family Rental
1075 Le Conte (Bayview Hill Gardens)	73	Formerly Homeless Families
Rene Cazenave Apartments	120	Formerly Homeless Individuals

These projects are valued at over $179 million. Approximately $71 million (40%) of the associated design and construction contracts were awarded to small businesses, with $40 million (22%) awarded to San Francisco-based small businesses. In addition, a total of 1.0 million construction work hours were performed to construct these housing units, of which 427,135 hours (42%) were performed by San Francisco residents.

E. Asset Management Outside Major Approved Development Projects

In addition to asset management work associated with the Major Approved Development Projects, OCII has significant asset management responsibilities in several active and expired redevelopment project areas, until these assets can be sold or transferred pursuant to the Dissolution Law. These asset management responsibilities include: (1) property management of physical land and buildings, (2) lease management, (3) loan management, (4) oversight of two public parking garages, (6) managing and monitoring development agreements, and (7) managing the Rincon Point/South Beach community facilities district.

OCII's asset management group is responsible for preparing and implementing a disposition plan for all of the Successor Agency's real property assets, known under Dissolution Law as the Long-Range Property Management Plan ("PMP"). That PMP was approved by the Oversight Board and submitted to the State Department of Finance ("DOF") in November 2013. Preparation of the PMP was a major accomplishment this fiscal year and involved developing disposition plans for the Transbay properties, the Hunters Point Shipyard properties, the Mission Bay properties, Yerba Buena Gardens, and all other properties. The DOF must approve OCII's PMP before OCII can begin transferring/selling its real property assets. As of October 2014, DOF is still reviewing OCII's PMP.

Other significant accomplishments in asset management during the fiscal year ended June 30, 2014, outside of those associated with the Major Approved Developments Projects, included:

- Executed a purchase and sale agreement for the public parking garage and OCII's last developable vacant parcel of land in the former Yerba Buena Center Redevelopment Project Area as part of a mixed-use residential tower development including the Mexican Museum at 706 Mission Street.

- Completed preliminary discussions with the City and community stakeholders for the transfer of Yerba Buena Gardens to the City.

- Developed a financing plan for capital improvements for Shoreview Park in the Bayview-Hunters Point neighborhood.

3. ACKNOWLEDGMENTS

I would like to express my appreciation to Leo Levenson, Deputy Director for Finance and Administration and Rosa Torres, Accounting Manager, and their staff for their leadership in the preparation of this report, and to the entire staff of OCII and the leadership of the Commission on Community Investment and Infrastructure for their hard work and accomplishments. I would also like to thank Macias Gini & O'Connell LLP and the Controller's Office of the City and County of San Francisco for their invaluable professional support in the preparation of these financial statements.

Respectfully submitted,

Tiffany Bohee
Executive Director

MGO Certified Public Accountants.

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Sacramento

Oakland

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Independent Auditor's Report

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1(l) to the financial statements, effective July 1, 2013, the Successor Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65. *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Successor Agency's basic financial statements. The letter of transmittal is presented for purposes of additional analysis and is not a required part of the basic financial statements. The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 4, 2014

As management of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("Successor Agency"), we offer readers of the Successor Agency's basic financial statements this narrative overview and analysis of the financial activities of the Successor Agency for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section. When applicable, prior year numbers have been reclassified to make them comparable to the current year numbers.

Financial Highlights

The Successor Agency's net position at June 30, 2014 was a deficit of $439.6 million when compared to a deficit of $470.4 million at June 30, 2013, an increase of $30.8 million for fiscal year 2014.

The Successor Agency's additions for fiscal year 2014 was $194.4 million compared to $153.0 million for fiscal year 2013, an increase of $41.4 million. The increase was mainly due to the increases of $17.8 million for redevelopment property tax revenues and $23.3 million for developer payments.

The Successor Agency's deductions for fiscal year 2014 was $163.6 million compared to $135.0 million for fiscal year 2013, an increase of $28.6 million. The increase was mainly due to the increase of contracted service for Mission Bay North and South Project Areas of $39.2 million offset by the decreases in affordable housing loan program costs of $7.7 million, distribution of pledged revenue to Transbay Joint Powers Authority of $2.0 million, and interest on debt of $1.9 million.

During fiscal year 2014, the Successor Agency issued $56.2 million of Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014 A ("2014 Series A Bonds") to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area.

As of July 1, 2013, the Successor Agency implemented Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated the net position at June 30, 2013 in the amount of $13.4 million to write off the unamortized bond issuance costs previously reported as an asset. In addition, at July 1, 2013, the Successor Agency reclassified the unamortized loss on refunding in the amount of $3.4 million from a contra liability to a deferred outflows of resources.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Successor Agency's basic financial statements. The Successor Agency's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

Financial Analysis

The former Redevelopment Agency of the City and County of San Francisco ("Agency") and Successor Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments. Once redevelopment projects that are public facilities are completed by the Successor Agency, the Successor Agency will obtain approval to transfer these assets along with the responsibilities for their continued maintenance and operations to an appropriate public entity such as the City and County of San Francisco (City).

Net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014, Successor Agency has a deficit net position of $439.6 million. Shown below is a schedule that summarizes the Successor Agency's net position held in trust:

Statement of Fiduciary Net Position
(In thousands)

Assets	**June 30, 2014**	**June 30, 2013 (Restated)**	**$ Change**
Current and other assets	$ 434,595	$ 379,809	$ 54,786
Capital assets	197,714	201,682	(3,968)
Total assets	632,309	581,491	50,818
Deferred outflows of resources	2,926	3,388	(462)
Liabilities			
Other liabilities	54,026	37,315	16,711
Long-term liabilities	1,020,846	1,017,987	2,859
Total Liabilities	1,074,872	1,055,302	19,570
Total net position held in trust	**$ (439,637)**	**$ (470,423)**	**$ 30,786**

Assets

The Successor Agency's assets at June 30, 2014 were $632.3 million when compared with $581.5 million at June 30, 2013, an increase of $50.8 million for fiscal year 2014 primarily due to the following:

- Increase of cash and investments with the City Treasury of $21.2 million, from $190.8 million at June 30, 2013 to $212.0 million at June 30, 2014. The increase was mainly due to the receipt of developer payments for affordable housing projects scheduled in future years.

- Increase of restricted cash and investments with trustees of $34.0 million, from $170.2 million at June 30, 2013 to $204.2 million at June 30, 2014. The increase was mainly due to the receipt of bond proceeds of $56.2 million from the issuance of 2014 Series A Bonds for Mission Bay South Redevelopment Project, offset by disbursements of related eligible expenditures of $17.7 million from the 2014 Series A Bonds project account.

- Increase of other receivables of $8.8 million, from $4.1 million at June 30, 2013 to $12.9 million at June 30, 2014. The increase was mainly due to timing of the receipt of developer payments for affordable housing projects scheduled in future years.

- Decrease of intergovernmental receivables of $3.1 million, from $3.5 million at June 30, 2013 to $0.4 million at June 30, 2014. The decrease was mainly due to the decrease in grant funding and the set-up of allowance for $0.9 million for the receivable for Cal Reuse Grant in which collectability is uncertain.

- Decrease of capital lease receivable of $6.3 million, from $9.4 million at June 30, 2013 to $3.1 million at June 30, 2014. The decrease was mainly due to the receipt of capital lease payment for the George R. Moscone Convention Center for $7.6 million, offset by interest addition of $1.3 million.

- Decrease of capital assets of $4.0 million, from $201.7 million at June 30, 2013 to $197.7 million at June 30, 2014. The decrease was mainly due to current year depreciation of $5.5 million, offset by the increase of construction in progress of $1.5 million for capital improvement at the Yerba Buena Center Project Area.

Deferred Outflows of Resources
The Successor Agency implemented GASB Statement No. 65 and reclassified the unamortized loss on refunding in the amount of $3.4 million at June 30, 2013 from a liability to a deferred outflows of resources. The decrease of $0.5 million during fiscal year 2014 was due to the current year amortization of this balance.

Liabilities
The Successor Agency's liabilities at June 30, 2014 were $1,074.9 million when compared with $1,055.3 million at June 30, 2013, an increase of $19.6 million for fiscal year 2014 primarily due to the following:

- Increase of accounts payable of $17.6 million, from $14.2 million at June 30, 2013 to $31.7 million at June 30, 2014. The increase was mainly due to timing of the payment for eligible expenditures from the 2014 Series A Bonds project account for the Mission Bay South Redevelopment Project.

- Increase of long-term liabilities of $2.8 million, from $1,018.0 million at June 30, 2013 to $1,020.8 million at June 30, 2014. The increase was mainly due to the issuance of 2014 Series A Bonds for Mission Bay South Redevelopment Project for $56.2 million, offset by the scheduled debt service payments paid during the year.

The Successor Agency's net position increased by $30.8 million for fiscal year 2014. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

	Year Ended		
Additions	**June 30, 2014**	**June 30, 2013 (Restated)**	**$ Change**
Redevelopment property tax revenues	$ 131,744	$ 113,988	$ 17,756
Developer payments	37,666	14,381	23,285
Charges for services	18,864	16,688	2,176
Hotel tax	3,085	3,179	(94)
Investment income	1,812	2,275	(463)
Grants	91	1,179	(1,088)
Other	1,133	1,262	(129)
Total additions	194,395	152,952	41,443
Deductions			
Salaries and benefits	7,389	7,959	(570)
Operating expenses	2,440	1,764	676
Affordable housing loan program costs	27,526	35,267	(7,741)
Contracted services:			
Hunters Point Shipyard / Candlestick Point	2,864	2,695	169
Mission Bay North and South	40,473	1,264	39,209
Transbay	1,253	444	809
Yerba Buena Center	3,469	3,542	(73)
Other	5,259	5,048	211
Community based programs	5,330	4,730	600
Distribution of pledged revenue to Transbay Joint Powers Authority	4	2,000	(1,996)
Depreciation	5,499	5,506	(7)
Interest on debt	57,059	58,942	(1,883)
Other deductions	5,044	5,793	(749)
Total deductions	163,609	134,954	28,655
Extraordinary item from Redevelopment Agency Dissolution	-	190,131	(190,131)
Change in net position	30,786	208,129	(177,343)
Net position, beginning of year, as previously reported	(470,423)	(664,173)	193,750
Change in accounting principle	-	(14,379)	14,379
Net position, beginning of year, as restated	(470,423)	(678,552)	208,129
Net position, end of year	$ (439,637)	$ (470,423)	$ 30,786

Additions

The Successor Agency's additions to net position increased by $41.4 million, from $153.0 million for fiscal year 2013 to $194.4 million for fiscal year 2014 primarily due to the following:

- Increase of redevelopment property tax revenues of $17.7 million, from $114.0 million for fiscal year 2013 to $131.7 million for fiscal year 2014. The increase was mainly due to the growth in pledged property tax revenue available for use in the Mission Bay North and South Project Areas, increased use of property tax revenues for affordable housing obligations, and the first draw of property tax from formerly state-owed parcels in the Transbay Project Area pledged to support the activities carried out by the Transbay Joint Powers Authority.

- Increase of developer payments of $23.3 million, from $14.4 million for fiscal year 2013 to $37.7 million for fiscal year 2014. The increase was mainly due to the receipt of impact fees of $21.6 million from developers for the future development at Transbay Blocks 6 and 7.

Deductions

The Successor Agency's deductions to net position increased by $28.7 million, from $135.0 million for fiscal year 2013 to $163.6 million for fiscal year 2014 primarily due to the following:

- Increase of contracted service for Mission Bay North and South Project Area of $39.2 million, from $1.3 million for fiscal year 2013 to $40.5 million for fiscal year 2014. The increase was mainly due to increased activities in the project areas that were funded by proceeds from the issuance of 2014 Series A Bonds and pledged property tax increment revenues.

- Decrease of affordable housing loan program costs of $7.8 million, from $35.3 million for fiscal year 2013 to $27.5 million for fiscal year 2014. The decrease was mainly due to the timing of housing project predevelopment and construction activities.

- One-time distribution of pledged revenue to Transbay Joint Powers Authority of $2.0 million made during fiscal year 2013.

Extraordinary item

During fiscal year 2013, the City returned housing assets, liabilities, and commitment of $201.7 million that would require future redevelopment property tax revenues to the Successor Agency to complete the affordable housing projects. Also, the California Department of Finance ("DOF") completed its review of the Due Diligence Reviews on the Successor Agency's "Low and Moderate Income Housing Fund" and "Other Funds and Accounts" and determined that the Successor Agency had $11.6 million of available funds due to the City Controller for distribution to the taxing entries. The Successor Agency recorded a one-time extraordinary gain of $190.1 million during fiscal year 2013 for these activities that are both 1) unusual in nature and 2) infrequent in occurrence. No such activities occurred during fiscal year 2014.

Capital Assets and Debt Administration

Capital Assets

As discussed above, at June 30, 2014, Successor Agency had capital assets aggregating to $197.7 million, a decrease of $4.0 million from fiscal year 2013. The decrease was mainly due to current year depreciation of $5.5 million, offset by the increase of construction in progress of $1.5 million for capital improvement at the Yerba Buena Center Project Area.

Long-Debt Debt

At June 30, 2014, Successor Agency had long-term debt outstanding aggregating to $1,018.7 million, an increase of $3.1 million from fiscal year 2013. Below is a breakdown of the long-term debt is as follows (in thousands):

	June 30, 2014	June 30, 2013 (Restated)	$ Change
Long-Term Debt			
Bonds Payable			
Tax Allocation Bonds	$ 902,603	$ 893,362	$ 9,241
Moscone Revenue Bonds Series 1992	1,426	4,347	(2,921)
Hotel Tax Revenue Bonds Series 2011	40,635	41,750	(1,115)
South Beach Harbor Series 1986 Issue A	3,270	1,117	2,153
Subtotal - Bonds Payable	947,934	940,576	7,358
Cal Boating Loans Payable	7,283	7,482	(199)
Accreted Interest Payable	39,385	46,282	(6,897)
Advances From the Primary Government	21,670	20,067	1,603
Unamortized Premiums and Discounts	2,382	1,117	1,265
Total Long-Term Debt	**$ 1,018,654**	**$ 1,015,524**	**$ 3,130**

On March 11, 2014, the Successor Agency issued $56.2 million of 2014 Series A Bonds to finance certain redevelopment activities in the Mission Bay South Redevelopment Project Area. This increase was offset by the scheduled debt service payments made during the year. See Note 4 to the basic financial statements for additional details of the long-term debt.

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding tax allocation bonds as of June 30, 2014:

	Ratings	
Type of Tax Allocation Bonds	**Moody's**	**S & P**
Mission Bay South	Not Rated	BBB+
Mission Bay North	Ba1	A-
Cross Collateralizd (Others)	Ba1	A

During February 2014, Standard & Poor's (S&P) upgraded the ratings on the Successor Agency's Mission Bay South tax allocation bonds from BBB to BBB+.

Revenues and Recognized Obligations Payment Schedule

Pursuant to AB X1 26, the Successor Agency is required to adopt a Recognized Obligation Payments Schedule ("ROPS"). A ROPS, listing all enforceable obligations due and payable in the six month coverage period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund.

The semi-annual Administrative Budget for Successor Agency is presented and approved by the Successor Agency governing board and Successor Agency's Oversight Board, and subsequently approved as part of the ROPS by the DOF.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Successor Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of Community Investment and Infrastructure, One South Van Ness Avenue 5th Floor, San Francisco, California 94103.

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SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position

June 30, 2014

(In Thousands)

Assets		
Cash and investments with the City Treasury	$	211,978
Restricted cash and investments with trustees		204,177
Interest receivables		280
Intergovernmental receivables (net of allowance for uncollectible amounts of $860)		444
Other receivables		12,907
Notes and mortgages receivable (net of allowance for uncollectible amounts of $84,000)		1,724
Capital lease receivable		3,085
Capital assets (net of accumulated depreciation):		
Non-depreciable		62,203
Depreciable, net		135,511
Total assets		632,309
Deferred outflow of resources - Deferred loss on refundings		2,926
Liabilities		
Accounts payable		31,736
Accrued interest payable		21,002
Other liabilities		1,288
Long-term obligations:		
Due within one year		60,490
Due in more than one year		960,356
Total liabilities		1,074,872
Net position held in trust	$	(439,637)

See accompanying notes to basic financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014
(In Thousands)

Additions:		
Redevelopment property tax revenues	$	131,744
Developer payments		37,666
Charges for services		18,864
Hotel tax		3,085
Investment income		1,812
Grants		91
Other		1,133
Total additions		194,395
Deductions:		
Salaries and benefits		7,389
Administrative and operating		2,440
Affordable housing loan program costs		27,526
Contracted services		53,318
Community based programs		5,330
Distribution of pledged revenue to Transbay Joint Powers Authority		4
Depreciation		5,499
Interest on debt		57,059
Other		5,044
Total deductions		163,609
Change in net position		30,786
Net position, beginning of year, as previously reported		(456,991)
Change in accounting principle		(13,432)
Net position, beginning of year, as restated		(470,423)
Net position, end of year	$	(439,637)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) General

The Redevelopment Agency of the City and County of San Francisco (Agency) was a public body, corporate and politic, organized and existed under the Community Redevelopment Law of the State of California. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Project Area."

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind-down of redevelopment activity. On January 24, 2012, the Board of Supervisors of the City and County of San Francisco (City) elected to become the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) and elected to retain the former Agency's housing assets and functions, rights, powers, duties and obligations, effective February 1, 2012.

On June 27, 2012, the Dissolution Law was revised pursuant to Assembly Bill 1484 (AB 1484), in which the State clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency with the legal authority to participate in redevelopment activities only to the extent that it is required to complete the work related to an approved enforceable obligation. Therefore, the Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. However, the City remains the Housing Successor Agency. The Oversight Board is comprised of seven-member representatives from local government bodies: four representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; and one appointee each from the San Francisco Community College District, the Bay Area Rapid Transit District, and the San Francisco Unified School District.

On October 2, 2012, the City's Board of Supervisors created the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure (Commission), as the policy body of the Successor Agency and delegated to it the authority to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations and the authority to take actions that the Dissolution Law requires or allows on behalf of the Successor Agency. 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.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency is allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported as a fiduciary fund (private-purpose trust fund).

(1) Summary of Significant Accounting Policies (Continued)

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Commission serves as the governing board of the Financing Authority and the Financing Authority provides services entirely to the Successor Agency. A financial benefit or burden relationship exist between the Successor Agency and the Financing Authority and thus the Financing Authority is included as a blended component unit in the Successor Agency's financial statements.

(b) Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

(c) Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

(d) Investments

The Successor Agency's investments are stated at fair value. Fair value has been obtained by using market quotes and reflects the values as if the Successor Agency were to liquidate the securities on that date.

(e) Restricted Cash and Investments with Fiscal Agents

Certain proceeds of the former Agency's and the Successor Agency's bonds, and resources set aside for their repayment, are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate accounts and their use is limited by applicable bond covenants or for debt service payments.

(f) Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

(1) Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and Equipment	3-20
Buildings and Improvements	15-40

(g) Notes and Mortgages Receivable

During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2014, the Successor Agency disbursed $27,526,000 to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as affordable housing loan program costs in the basic financial statements. At June 30, 2014, the gross value of the notes and mortgage receivable was $85,724,000 and the allowance for uncollectible amounts was $84,000,000.

(h) Accrued Vacation and Sick Leave

It is the Successor Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when earned. For sick leave, all employees are allowed to accumulate up to 1,040 hours (130 days). For vacation, employees are allowed to accumulate up to the limit based on employees' service years as follows:

Employee Service years	Maximum number of hours
Less than 5 years	320
Between 5 to 15 years	360
More than 15 years	400

(i) Redevelopment Property Tax Revenues

Pursuant to the Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) administered by the City's Controller for the benefit of holders of enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the RPTTF to the extent not necessary to pay enforceable obligations of the Successor Agency, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City's Controller to the local agencies in the project area.

(1) Summary of Significant Accounting Policies (Continued)

Distributions are scheduled to be made twice each year on the following cycles:

Distribution Dates	Covers Recognized Obligation Payment Schedules to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six month period.

(j) George R. Moscone Convention Center

The City is responsible for the construction management, operation, maintenance, repair and expansion of the George R. Moscone Convention Center, which has been partially financed with lease revenue bonds issued by the former Agency. The City has entered into a lease agreement with the former Agency whereby the City remits periodic lease rental payments to the former Agency to provide for the debt service of the former Agency's Moscone Convention Center Lease Revenue Bonds. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds. The bonds are special limited obligations of the Successor Agency and payable solely from the lease payments from the City.

(k) Bond Premium, Discounts, and Loss on Refundings

Premiums and discounts on debt instruments are reported as a component of long-term debt. Loss on refundings is reported as a component of deferred outflows of resources. The premiums, discounts, and loss on refundings are amortized as a component of the interest expense in a systematic and rational matter over the remaining life of the debt instrument.

(l) Effects of New Pronouncements

During the year ended June 30, 2014, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify certain items (that were previously reported as assets and liabilities) as deferred outflows of resources or deferred inflows of resources, and recognizes certain items (that were previously reported as assets and liabilities) as outflows of resources or inflows of resources. As of July 1, 2013, the Successor Agency implemented this statement and restated the beginning net position in the amount of $13,432,000 to write off the unamortized bond issuance costs previously reported as an asset. In addition, at July 1, 2013, the Successor Agency reclassified the unamortized loss on refunding in the amount of $3,388,000 from a contra liability to a deferred outflow of resources.

  GASB Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local

(1) Summary of Significant Accounting Policies (Continued)

government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This statement did not have a significant impact to the Successor Agency's financial statements.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement did not have a significant impact to the Successor Agency's financial statements.

The Successor Agency is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2012, the GASB issued a new standard, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees.

  Key changes include:

  - Separating how the accounting and financial reporting is determined from how pensions are funded.
  - Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
  - Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
  - Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.

(1) Summary of Significant Accounting Policies (Continued)

- Recording of a liability in the financial statements of employers for defined-benefit plans.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. Application of this statement is effective for Successor Agency's year ending June 30, 2015.

- In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for Successor Agency's year ending June 30, 2015.

- In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* which resolves transition issues in GASB Statement No. 68. This statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement 68. This statement requires that when a state or local government is transitioning to the new pension standards, that it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. Application of this statement is effective for Successor Agency's year ending June 30, 2015.

(m) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Cash and Investments

As of June 30, 2014, the Successor Agency follows the investment policy of the former Agency, which is governed by and is in compliance with the California Government Code (Code). On August 19, 2014, the Commission adopted an investment policy for the Successor Agency to reflect the use of the City Treasurer's Pool to manage the Successor Agency's funds. Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

The table below identifies the investment types that are authorized for the Successor Agency by the California Government Code 53601 or the former Agency's investment policy, where the policy is more restrictive. The former Agency's Investment Policy is more restrictive than the California Government Code in the following areas: 1) reverse repurchase agreements, which requires the specific approval of the Oversight Board; 2) commercial paper, which the maximum maturity is 180 days; and 3) investment in corporate notes may not exceed 15% of the Successor Agency's portfolio. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Successor Agency, rather than the general provisions of the California Government Code or the former Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
U.S. Treasury Notes, Bonds, or Bills	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
Federal Agency or U.S. Government Sponsored Enterprise Obligations	5 Years	None	None
Repurchase Agreements	92 Days	None	None
Reverse Repurchase Agreements	92 Days	None - approval required	None
State of California Obligations	5 Years	None	None
Notes or Bonds of Other U.S. States	5 Years	None	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	180 Days	25%	None
Medium-Term Notes	5 Years	30% in general - 15% for corporate notes	None
Certificates of Deposit	1 Year	None	None
Negotiable Certificates of Deposits	5 Years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program	N/A	None	None
Insured Savings and Money Market Accounts	N/A	None	None
Shares of Beneficial Interest (Money Market Funds)	N/A	20%	10%

* Excludes amounts held by fiscal agents or trustees that are not subject to Code restrictions.

Interest Rate Risk: Refers to the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Refers to the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations.

(2) Cash and Investments (Continued)

The following is a summary of cash and investments as of June 30, 2014 (in thousands):

	Investment and Weighted Average Maturities					
	Less than 3 months	3 months to 1 year	1 to 5 years	Total Fair Value	Credit Rating	% allocation
Cash and investments with the City Treasury:						
Municipal bonds	$ -	$ -	$ 3,270	$ 3,270	Not rated	1.54%
Investment in the City Treasurer's pool	-	-	208,708	208,708	Not rated	98.46%
Total unrestricted cash and investments	-	-	211,978	211,978		100.00%
Restricted cash and investments with trustees:						
Money market mutual funds	204,177	-	-	204,177	Aaa	100.00%
Total cash and investments	$ 204,177	$ -	$ 211,978	$ 416,155		

Custodial Credit Risk, Investments: Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the former Agency's investment policy do not contain a legal or policy requirement that would limit the exposure to custodial credit risk for investments. At June 30, 2014, Successor Agency's investment in the South Beach Harbor Bonds 1986 Issue A in the amount of $3,270,000 was exposed to custodial credit risk because they were separately managed by the City Treasury and registered in the name of the City.

City's Treasurer's Pool

The Successor Agency maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2014, the Successor Agency's deposits and investments in the Pool is $208,708,000 and the total amount invested by all public agencies in the Pool is approximately $6.0 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 1.9 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2014, the Pool consists of U.S. government and agency securities, state and local government agency obligations, negotiable certificates of deposit, medium term notes, public time deposits, and money market funds as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

(3) Capital Assets

The following is a summary of changes in capital assets for the year-ended June 30, 2014 (in thousands):

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land held for lease	$ 59,381	$ -	$ -	$ 59,381
Construction in progress	1,292	1,530	-	2,822
Total capital assets not being depreciated	60,673	1,530	-	62,203
Capital assets being depreciated:				
Furniture and equipment	8,144	-	-	8,144
Building and improvements	225,022	-	-	225,022
Total capital assets being depreciated	233,166	-	-	233,166
Less accumulated depreciation for:				
Furniture and equipment	(8,056)	(20)	-	(8,076)
Building and improvements	(84,100)	(5,479)	-	(89,579)
Total accumulated depreciation	(92,156)	(5,499)	-	(97,655)
Total capital assets being depreciated, net	141,010	(5,499)	-	135,511
Total capital assets, net	$ 201,683	$ (3,969)	$ -	$ 197,714

(4) Long-Term Obligations

(a) Long-Term Obligations Summary

The following is a summary of changes in long-term obligations for the year-ended June 30, 2014 (in thousands):

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014	Due Within One Year
Financing Authority Bonds:								
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1993B (1)	$ 57,934	2019	4.75% to 5.75%	$ 5,074	$ -	$ (475)	$ 4,599	$ -
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1)	12,915	2025	5.25% to 5.40%	3,145	-	(1,066)	2,079	1,005
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.00% to 5.20%	16,014	-	(485)	15,529	510
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B, C (1)	144,435	2019	5.08% to 5.41%	66,180	-	(12,905)	53,275	10,120
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2004A, C, D (1)	136,610	2031	3.75% to 6.00%	102,325	-	(6,450)	95,875	8,265
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects and Refunding Notes Series 2005A, B, C, D (1)	88,610	2036	3.50% to 5.20%	63,890	-	(3,530)	60,360	6,965
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	47,081	-	(830)	46,251	830
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006B (1)	34,150	2037	4.00% to 5.00%	31,730	-	(725)	31,005	755
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	112,325	-	(1,460)	110,865	1,650
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	61,005	-	(8,225)	52,780	8,640
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2024	6.55% to 8.25%	63,760	-	(4,325)	59,435	5,315
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1)	17,625	2039	4.00% to 6.63%	15,335	-	(905)	14,430	940
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009C (1)	25,715	2039	4.00% to 6.50%	25,715	-	(25)	25,690	125
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009D (1)	49,810	2039	4.50% to 6.63%	47,395	-	(770)	46,625	800
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2039	5.12% to 8.41%	72,135	-	(35)	72,100	130

(Continued on next page)

(4) Long-Term Obligations (Continued)

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014	Due Within One Year
(Continued from previous page)								
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1)	$ 6,610	2039	4.00% to 5.75%	$ 6,525	$ -	$ (20)	$ 6,505	$ 30
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1)	40,055	2041	2.92% to 7.13%	39,730	-	(310)	39,420	315
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1)	22,370	2042	3.50% to 9.00%	22,130	-	(220)	21,910	250
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2011B (1)	16,020	2042	6.13% to 6.63%	16,020	-	-	16,020	-
Tax Allocation Revenue Bonds, Mission Bay North Redevelopment Project Series 2011C (1)	27,335	2042	3.00% to 6.75%	26,875	-	(470)	26,405	385
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2011D (1)	36,485	2042	3.00% to 7.00%	36,145	-	(390)	35,755	405
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011E (1)	9,455	2032	8.13% to 8.63%	9,445	-	-	9,445	-
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014A (1)	56,245	2044	4.00% to 5.00%	-	56,245	-	56,245	-
Agency Revenue Bonds:								
Moscone Convention Center Lease, Series 1992 (2)	100,275	2015	7.05%	4,347	-	(2,921)	1,426	1,426
Hotel Tax Revenue Bonds, Series 2011 (3)	43,780	2025	4.00% to 5.00%	41,750	-	(1,115)	40,635	3,165
Financing Authority Refunding Bonds:								
Refunding Bond 1986 Issue A (4)	23,900	2017	3.50%	4,500	-	(1,230)	3,270	1,275
Subtotal Bonds Payable				940,576	56,245	(48,887)	947,934	53,301
Unamortized issuance premiums				6,323	1,868	(858)	7,333	-
Unamortized issuance discounts				(5,206)	-	255	(4,951)	-
Subtotal Bonds Payable, including unamortized premium and discounts				941,693	58,113	(49,490)	950,316	53,301
Accreted interest payable *				46,282	5,286	(12,183)	39,385	6,398
Cal Boating loans payable (5)				7,482	-	(199)	7,283	208
Advances from the primary government				20,067	3,745	(2,142)	21,670	-
Other postemployment benefit obligation				1,221	912	(1,266)	867	-
Accrued vacation and sick leave				1,242	666	(583)	1,325	583
Total long-term obligations				$ 1,017,987	$ 68,722	$ (65,863)	$ 1,020,846	$ 60,490

*Amount represents interest accretion on Capital Appreciation Bonds.

(4) Long-Term Obligations (Continued)

Debt service payments for long-term obligations are made from the following sources:

(1) Redevelopment property tax increment revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay and Mission Bay North project areas.
(2) Capital lease payments from the City and existing debt service funds.
(3) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.
(4) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues transferred from the capital projects fund.
(5) South Beach Harbor Project revenues (subordinated to Refunding Bonds 1986 Issue A).

The proceeds from the issuance of Financing Authority bonds were immediately loaned to the former Agency. Loan payments to the Financing Authority are equal to the debt service requirements of the underlying debt. The bonds are secured by property tax increment revenues. Since the loan transactions are entirely within the financial reporting entity, they have been eliminated in the financial statements.

Issuance of Successor Agency Bonds

Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance of Successor Agency bonds. On March 11, 2014, the Successor Agency issued $56,245,000 of Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014 A (2014 Series A Bonds) to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2014 Series A Bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of August 1, 2043.

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1,682,670,000. The redevelopment property tax revenues recognized during the year ended June 30, 2014 was approximately $131,744,000 as against the total debt service payment of $95,209,000.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the fiscal year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately $6,705,000. The Successor Agency received $12,820,000 in advance from the City during the year ended June 30, 2013 for current year’s total debt service payment of $12,820,000. The lease payments received during the year ended June 30, 2014 were $6,705,000 which represents the advance payment from the City for fiscal year 2015’s total debt service payment.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $53,233,000. The hotel tax revenue recognized during the year ended June 30, 2014 was $3,085,000 which equaled to the total debt service payment.

(4) Long-Term Obligations (Continued)

Advances from the City and County of San Francisco

In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. For the year ended June 30, 2014, the City advanced $3,698,000 in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of $47,000 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $2,142,000 to the City.

(b) Repayment requirements

As of June 30, 2014, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows (in thousands):

	Tax Allocation Revenue Bonds		Moscone Convention Center Lease Revenue Bonds		Hotel Tax Revenue	
June 30,	Principal	Interest *	Principal	Interest *	Principal	Interest
2015	$ 47,435	$ 50,939	$ 1,426	$ 5,279	$ 3,165	$ 1,935
2016	49,540	47,507	-	-	3,210	1,809
2017	51,160	44,947	-	-	3,265	1,680
2018	54,225	42,266	-	-	3,280	1,550
2019	63,240	39,235	-	-	4,610	1,387
2020-2024	156,848	205,880	-	-	18,650	4,015
2025-2029	122,851	162,167	-	-	4,455	222
2030-2034	137,767	114,162	-	-	-	-
2035-2039	135,782	62,507	-	-	-	-
2040-2044	83,755	10,457	-	-	-	-
TOTAL	$ 902,603	$ 780,067	$ 1,426	$ 5,279	$ 40,635	$ 12,598

	Refunding Bond 1986 Issue A		California Deptartment of Boating and Waterway Loan	
June 30,	Principal	Interest	Principal	Interest
2015	$ 1,275	$ 103	$ 208	$ 328
2016	1,320	58	218	318
2017	675	12	227	309
2018	-	-	238	298
2019	-	-	248	288
2020-2024	-	-	1,419	1,260
2025-2029	-	-	1,769	911
2030-2034	-	-	2,205	475
2035-2037	-	-	751	46
TOTAL	$ 3,270	$ 173	$ 7,283	$ 4,233

* Including payment of accreted interest.

(4) Long-Term Obligations (Continued)

(c) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2014.

(5) Retirement Plan

Plan Description – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's retirement plan. All full-time and certain other qualifying employees of the Successor Agency are eligible to participate in the Public Employees' Retirement Fund (the Fund) of the State of California's Public Employees' Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Effective with the June 30, 2012 valuation, CalPERS converted the Successor Agency's defined benefit retirement plan from an agent-multiple employer plan to a cost sharing multiple-employer plan. The Successor Agency's retirement plan is under the CalPERS Miscellaneous 2% at 55 Risk Pool for classic members (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the CalPERS system) and 2% at 62 Risk Pool for new members (employees hired after January 1, 2013 and are new entrants to the CalPERS system), cost-sharing multiple employer plans. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by Successor Agency resolution. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

Funding Policy – For classic and new members, employees are required to contribute 7% and 6.25%, respectively, of their monthly salaries to CalPERS. The Successor Agency is required to contribute the actuarially determined remaining amounts necessary to fund the 2% at age 55 retirement plan benefits for its classic members and 2% at 62 retirement plan benefits for its new members under the California Employees' Pension Reform Act provisions. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Based on the June 30, 2011 actuarial valuation, the required employer contribution rate of the Successor Agency for the year ended June 30, 2014 was 12.86% of annual covered payroll for both classic and new members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The Successor Agency's contributions to CalPERS for the years ended June 30, 2014, 2013, and 2012, including contributions by the former Agency, were $522,000, $498,000, and $1,197,000, respectively, which equal to the required contributions for each year.

(6) Postemployment Healthcare Plan

Plan Description – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by CalPERS and is an agent multiple-employer trust. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed. Based on the June 30, 2013 actuarial valuation, the Successor Agency's annual required contribution for the year ended June 30, 2014 is the sum of (a) normal cost of $110,000 and (b) level dollar amortization of the June 30, 2013 UAAL of $822,000.

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2014, and the changes in the net OPEB obligation (in thousands):

Annual required contribution	$ 932
Interest on OPEB obligation	89
Adjustment to annual required contribution	(109)
Annual OPEB cost (expense)	912
Contributions made	(1,266)
Decrease in net OPEB obligation	(354)
Net OPEB obligation, beginning of year	1,221
Net OPEB obligation, end of year	$ 867

(6) Postemployment Healthcare Plan (Continued)

Three-year historical trend information for the annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
1/31/2012 *	$ 747	65%	$ 733
6/30/2012 **	533	65%	921
6/30/2013	1,306	77%	1,221
6/30/2014	912	139%	867

* Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.
** For the period February 1, 2012 through June 30, 2012

Funded Status and Funding Progress–The funded status of the plan of the Successor Agency as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 11,378
Actuarial value of plan assets	2,154
Unfunded actuarial accrued liability (UAAL)	$ 9,224
Funded ratio (actuarial value of plan assets/AAL)	18.9%
Covered payroll (active plan memebers)	$ 4,048
UAAL as a percentage of covered payroll	227.9%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes of the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution for the year ended June 30, 2014 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include: (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) healthcare cost trend rate of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CalPERS mortality table for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 24 years, respectively.

(7) Mortgage Revenue Bonds and Other Conduit Debt

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2014, the Successor Agency had outstanding community district facility bonds totaling $198.4 million.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

For the period from July 1, 2013 to July 18, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10,000,000 per occurrence ($5,000,000 for employment practices liability) and a $25,000 deductible per occurrence.

The Successor Agency has been named as defendant in several legal actions. In the opinion of the Successor Agency's management and legal counsel, the outcome of these actions will not have a material adverse effect on the financial position of the Successor Agency.

(b) Operating Leases

The Successor Agency has entered into operating leases for its office sites and a Master Lease Option Agreement (through the City) with the San Francisco Port Commission, which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2014, the Successor Agency has exercised several of the lease options.

Total future minimum operating lease payments are as follows (in thousands):

Year ending June 30:		
2015	$	1,311
2016		870
2017		870
2018		870
2019		870
2020-2024		4,351
2025-2029		4,351
2030-2034		4,351
2035-2039		4,351
2040-2044		4,351
2045-2049		4,351
2050-2051		1,088
	$	31,985

Total rent payments for operating leases totaled $1,272,000 for the year ended June 30, 2014.

(8) Commitments and Contingent Liabilities (Continued)

(c) Transbay Transit Center Agreements

In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2014, the Successor Agency completed the Rene Cazenave Apartments project, the first residential project on the State-owned parcels for the construction of 120 units of affordable housing for formerly homeless individuals. The Successor Agency also received impact fees in the amount of $21,578,000 from developers for the future development of 564 residential units including 155 affordable units at Transbay Blocks 6 and 7 and is recorded as additions – developer payments on the financial statements.

(d) Encumbrances

The Successor Agency uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of funds are encumbered to allocate a portion of applicable appropriations. Encumbrances still open at period end are not accounted for as expenses and liabilities. At June 30, 2014, the Successor Agency had outstanding encumbrances totaling approximately $78,865,000.

(e) Long Range Property Management Plan

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. The receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (PMP) to the Oversight Board and the DOF for approval. The PMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within 6 months of receipt of the Finding of Completion. On July 22, 2013, the Successor Agency submitted Part 1 of the PMP to request approval for the disposition of the property located at 706 Mission Street with a book value of $0 at June 30, 2014. On October 4, 2013, the DOF approved Part 1 of the PMP. The property will be transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement in fiscal year 2015. The Commission and the Oversight Board approved on November 19, 2013 and November 25, 2013, respectively, the submission of the remaining PMP and the updated Housing Asset Transfer list to the DOF to review and approve the transfer of assets to the City. As of November 4, 2014, the DOF is in the process of reviewing the submitted documents.

(9) Rental Income

(a) Noncancelable Operating Leases

The Successor Agency has noncancelable operating leases within project areas. The terms of these leases will expire in fiscal year 2050. The Successor Agency also has three noncancelable operating subleases at Pier 40, in the South Beach Harbor project area. The terms of these leases will expire in fiscal year 2023. The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2014 (in thousands):

Year ending June 30:		
2015	$	4,644
2016		4,660
2017		4,362
2018		4,287
2019		4,178
2020-2024		20,408
2025-2029		21,787
2030-2034		23,659
2035-2039		20,260
2040-2044		20,804
2045-2049		10,392
2050		494
	$	139,935

For the year ended June 30, 2014, operating lease rental income from noncancelable operating leases was $10,945,000. Within the operating lease rental income, $6,528,000 represents contingent rental income received. The lease rental income was recorded as charges for services in the basic financial statements. At June 30, 2014, the leased assets had a net book value of $40,794,000.

(b) Capital Lease

The former Agency has entered into a capital lease with the City for use of land and facility space pertaining to the George R. Moscone Convention Center. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds that were issued by the former Agency to finance the construction and expansion of the George R. Moscone Convention Center. The capital lease is recorded as a receivable and the corresponding lease revenue bonds are recorded as liabilities of the Successor Agency. The principal portion of the lease payments is recorded as a reduction of the capital lease receivable, and the principal payments on the lease revenue bonds are recorded as a reduction of the debt. The interest portion of the lease is recognized as rental income, and the interest payments on the lease revenue bonds are recognized as interest expense. The capital lease will expire during fiscal year 2015.

The lease agreement for the George R. Moscone Convention Center provides for deferred base rental payments commencing in May 1996 for $870,000 per year until the termination date of the lease during fiscal year 2018. Deferred base rental represents a portion of the fair rental value of the project, which has been deferred by the agreement, to a date when monies are anticipated to be available.

(9) Rental Income (Continued)

Amounts to be provided from the capital lease are as follows (in thousands):

Year ending June 30:		
2015	$	870
2016		870
2017		870
2018		870
Total minimum lease payments		3,480
Less amounts representing interest		(395)
Present value of maximum lease payments	$	3,085

Total lease receipts from capital leases totaled $7,575,000 for the year ended June 30, 2014.

(10) Related Party Transactions

(a) Due to the City and County of San Francisco

At June 30, 2014, the Successor Agency has a payable to the City in the amount of $1,075,000, which consists of $878,000 for Jessie Square cost reimbursements and $197,000 for other services provided. The balance is recorded as component of accounts payable on the financial statements.

(b) Payments to the City and County of San Francisco

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling $8,286,000 for the year ended June 30, 2014, have been included in various deductions line items on the financial statements.

(11) Subsequent Event

Intergovernmental Transfer of Capital Assets to the City

On June 2, 2014, the Oversight Board approved the transfer of land held for lease located at 200 Sixth Street with a book value of $4,612,000 and related loans receivable from the Successor Agency to the City pursuant to the Dissolution Law. On September 23, 2014, the City's Board of Supervisor approved the acceptance of the assets and the quitclaim deed was filed on October 9, 2014.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited)

Schedules of Funding Progress and Employer Contributions - Postemployment Healthcare Plan

(In Thousands)

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
6/30/2009	$ 493	$ 13,790	$ 13,297	3.6%	$ 10,515	126.5%
6/30/2011	1,856	14,390	12,534	12.9%	4,185	299.5%
6/30/2013	2,154	11,378	9,224	18.9%	4,048	227.9%

See Note 6 to the basic financial statements for actuarial assumptions and other information related to the schedule of funding progress.

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (a)	Actual Contribution (b)	Percentage Contributed (b/a)
6/30/2009 *	$ 1,307	$ 1,239	94.8%
6/30/2010 *	1,306	1,205	92.3%
6/30/2011 *	1,359	1,519	111.8%
6/30/2012 **	1,286	829	64.5%
6/30/2013	1,320	1,006	76.2%
6/30/2014	932	1,266	135.8%

* Represents information for the former Agency.

** Represents information for the former Agency for the period July 1, 2011 through January 31, 2012 and the Successor Agency for the period February 1, 2012 through June 30, 2012.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated November 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 4, 2014