

**MINUTES OF A REGULAR MEETING OF THE
COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE
OF THE CITY AND COUNTY OF SAN FRANCISCO HELD ON THE
4TH DAY OF NOVEMBER 2014**

The members of the Commission on Community Investment and Infrastructure of the City and County of San Francisco met in a regular meeting at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 416, in the City of San Francisco, California, at 1:00 p.m. on the 4th day of November 2014, at the place and date duly established for holding of such a meeting.

REGULAR MEETING AGENDA

1. Recognition of a Quorum

Meeting was called to order at 1:15 p.m. Roll call was taken.

Commissioner Bustos - absent
Commissioner Mondejar – present
Commissioner Singh – present
Chair Rosales – present

Commissioner Bustos was absent; all other Commission members were present.

2. Announcements

A. The next scheduled Commission meeting will be a regular meeting held on Tuesday, November 18, 2014 at 1:00 p.m. (City Hall, Room 416).

B. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting

Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

C. Announcement of Time Allotment for Public Comments

3. Report on actions taken at previous Closed Session meeting - None

4. Matters of Unfinished Business

5. Matters of New Business:

CONSENT AGENDA

a) Approval of Minutes: Special Meeting of October 10, 2014.

PUBLIC COMMENT – None

Commissioner Singh motioned to move Item 5 (a) and Chair Rosales seconded that motion.

Secretary Nguyen called for a voice vote on Item 5 (a).

Commissioner Bustos - absent
Commissioner Mondejar – abstained
Commissioner Singh – yes
Chair Rosales – yes

ADOPTION: IT WAS VOTED BY 2 COMMISSIONERS WITH ONE ABSENCE AND ONE ABSTENTION THAT THE MINUTES FROM THE SPECIAL MEETING OF OCTOBER 10, 2014 BE ADOPTED.

REGULAR AGENDA

- b) Conditionally authorizing the Executive Director to enter into an Assignment and Assumption Agreement with the City and County of San Francisco (the "City"), acting by and through the Mayor's Office of Housing and Community Development, so that a \$250,000 loan agreement between Mission Neighborhood Center and the Former Redevelopment Agency may be used for affordable housing purposes, consistent with Redevelopment Dissolution Law. (Discussion and Action) (Resolution No. 90-2014)

Presenters: Tiffany Bohee, Executive Director; Christine Maher, Senior Development Specialist, Real Estate Division; Victor Marquez, General Counsel, Mission Neighborhood Center (MNC); Teresa Yanga, Mayor's Office of Housing and Community Development (MOHCD)

PUBLIC COMMENT - None

Chair Rosales inquired as to whether Mr. Marquez would like to make any comments on this item.

Mr. Marquez stated that they had been working on this for a long time and had come to the mutual conclusion that in light of dissolution law, this was the best approach to resolving this issue. He explained that it would be highly unlikely that the State Department of Finance would approve an amendment to the loan agreement terms and conditions which would enable the Executive Director to forgive the loan. Mr. Marquez explained further that what the project intended to do was to use one residential dwelling which was never meant to remain as part of MNC's inventory, but was originally rented to Stanford students who never moved out after graduation and because of San Francisco's rent control laws, the MNC had no power to evict them. The only thing that would have allowed them to evict would have been an Ellis Act and in order to fulfill the economic development requirement to generate a commercial space there, the MNC would have had to get rid of the housing unit and obtain a special condition from the City to convert it into commercial space, which was impossible for them to do because it was against public policy. Mr. Marquez added that the key language in the assignment was that once they sold the asset, they would take a total of \$250,000 and apply it to the larger project for higher density housing for seniors or special needs residents of San Francisco, which, he pointed out, was greatly needed. He informed that the MNC had been working closely with the MOHCD and members of the community who were in support of this item. Mr. Marquez offered that this project would yield public space and a community center which would be complementary to the type of housing that would be built there. However, in order to move the project forward, they needed the support of the OCII. He stressed that this had become more complicated than it ought to be, but the good thing was that because MNC has been responsible and had kept the asset in working condition, it had created more jobs than expected for local residents and more than what was required in the grant agreement. Mr. Marquez stated that he believed they were moving in the right direction and pointed out that the MOHCD had identified this as one of four important

projects in the Mission District. He added that they would be meeting with the Mayor in the near future to discuss financing opportunities to get the project underway.

Commissioner Singh inquired as to whether this was a loan or a grant; inquired about what the conditions were in order for it to be forgiven.

Ms. Maher responded that it was structured as a loan but that it could be forgiven at the end of the loan term if all the conditions had been met. If not, then the loan would become due. Ms. Maher responded that the loan agreement stated that all conditions had to be met and added that the MNC had provided permanent jobs and additional support for the community. She explained that what they could not comply with was the condition regarding renting out the space for commercial purposes and rent to for-profit tenants.

Chair Rosales inquired about whether the former San Francisco Redevelopment Agency (SFRA) or the parties involved knew about the fact that zoning would not allow for commercial purposes when that particular condition was imposed.

Mr. Marquez responded that they had discovered this condition five years earlier when they had approached the SFRA to have a part of the loan forgiven at that time and had scheduled the item to come before the Agency. He explained that then they decided it would be better to let the time run because it was going to be an impossibility to fulfill the obligation. He stated that this condition was not known until he reviewed the loan documents and brought it to the attention of General Counsel Morales and they discovered that it was an error made back in 1994.

Commissioner Mondejar inquired about what happened to the interest payments on the loan when they made the loan.

Ms. Maher responded that the interest payments were only due if MNC was found to be in default and the loan came due; otherwise there were no interest payments.

Chair Rosales announced that Commissioner Bustos was not available for this meeting due to a conflict of interest, but had expressed concern to Chair Rosales regarding this issue because he had been a previous member of the MNC Board as well as a commissioner of the SFRA. She stated that Mr. Bustos was very concerned over the fact that a community asset was being returned to the market. Ms. Rosales inquired about whether that asset when sold would be sold in the open market with no conditions in order to make it an affordable unit or could be retained as a community asset even if it was in the hands of MOH.

Ms. Maher responded that MNC's Board had voted to go ahead and authorize this sale and it is MNC's decision, but there could be further discussions about the sale once the loan transfers to MOHCD.

Mr. Marquez responded that MNC was in the business of providing childcare, youth and family services; not in the business of running residential units. He pointed out that the project being contemplated consisted of 35 units and would be run by Mercy Housing, not by MNC. Mr. Marquez explained that it had always been envisioned that this asset would be either incorporated into a larger project, sold or demolished, but because it was an historical asset, it could not be demolished. The Board therefore had voted that in order to comply with historical preservation laws and policies, it would not move to demolish the site, although there might have been an argument for it. Mr. Marquez further explained that this was one of the reasons why MNC had decided to sell it. It was a sizeable piece of property, consisting of 3500 square feet, and would take a lot of money to restore it, creating a greater liability for MNC by taking money from their programs to rehabilitate the property. Mr. Marquez claimed that the money would be better spent

in stabilizing services they currently provided as well as investing the money in a higher density project. He concluded by saying that by going in this direction, MNC would be able to bring 35 units on the market at the expense of one which would be sold in the open market.

Commissioner Singh inquired about whether there was anyone from the MOHCD to speak on this subject.

Ms. Yanga responded that they were looking forward to the assignment of this loan to their jurisdiction so that they could move forward with MNC in making the affordable housing project possible at their 24th Street site.

Commissioner Singh motioned to move Item 5(b) and Commissioner Mondejar seconded that motion.

Secretary Nguyen called for a voice vote on Items 5(b).

Commissioner Bustos - absent
Commissioner Mondejar – yes
Commissioner Singh – yes
Chair Rosales – yes

ADOPTION: IT WAS VOTED BY 3 COMMISSIONERS WITH ONE ABSENCE THAT RESOLUTION NO. 90-2014, CONDITIONALLY AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO AN ASSIGNMENT AND ASSUMPTION AGREEMENT WITH THE CITY AND COUNTY OF SAN FRANCISCO (THE "CITY"), ACTING BY AND THROUGH THE MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT, SO THAT A \$250,000 LOAN AGREEMENT BETWEEN MISSION NEIGHBORHOOD CENTER AND THE FORMER REDEVELOPMENT AGENCY MAY BE USED FOR AFFORDABLE HOUSING PURPOSES, CONSISTENT WITH REDEVELOPMENT DISSOLUTION LAW. BE ADOPTED.

- c) Conditionally Authorizing the Executive Director to execute a First Amendment to the Transbay Option Agreement for the Purchase and Sale of Real Property and a Subordination Agreement, and to take related actions to facilitate a loan agreement between the Transbay Joint Powers Authority and Goldman Sachs Bank USA that funds the Transbay Terminal construction, subject to the approval of the Board of Supervisors of the City and County of San Francisco, the Oversight Board of the City and County of San Francisco and the California Department of Finance; Transbay Redevelopment Project Area. (Discussion and Action) (Resolution No. 91-2014)

Presenters: Tiffany Bohee, Executive Director; Courtney Pash, Acting Project Manager, Transbay; Deborah Miller, General Counsel, Transbay Joint Powers Authority (TJPA); Bryant Jenkins, Sperry Capital, financial advisors to the TJPA

PUBLIC COMMENT – None

Commissioner Mondejar inquired as to whether the TJPA representatives were available for comment.

Ms. Miller thanked the OCII for their help and cooperation in negotiating this transaction. She explained that they had had been able to strike a balance allowing the TJPA to move forward with financing on an interim basis to allow construction to move forward as planned while protecting the OCII's interest in affordable housing and future development of Parcel F and Block 4.

Commissioner Singh stated that he would like to hear comments from the financial advisor; inquired about the term of the loan; inquired how it would be repaid; inquired about what the interest rate would be.

Mr. Jenkins stated that, as evidenced in an earlier staff report to the TJPA Board, when TJPA staff identified a need for funding, they reached out to the TIFIA lender (US Department of Transportation) and asked for an amendment that would allow them to draw down the TIFIA loan before they could meet the conditions precedent, which was agreed to, and which allowed them to seek interim financing. He explained that they had held a competition with an evaluation panel including members of the San Francisco Office of Public Finance and they interviewed 6 out of the 9 entities that submitted responses, reviewing the entire spectrum of direct loans with a bank, capital markets, short & long term transactions and private placements. Mr. Jenkins stated that at that time the Goldman Sacks Bank proposal for direct loan was the most certain in terms of execution and the amount of due diligence they had done. All others had offered suggestions which might have worked but were uncertain at that time. Mr. Jenkins responded that the term of the loan was four years. Mr. Jenkins responded that repayment concerns was one of the reasons that they were before the OCII. The TIFIA loan was supported by a pledge of tax increment revenue which they had been getting from the land sales of Parcels T and 6 as well as additional capital contributions from AC Transit. However, the amount that they expected to get from both those sources was less than \$15 million and not enough to pay the \$171 million. With that in mind, Mr. Jenkins explained that one of the components of the bridge financing was that they would capitalize interest. On day one they would have enough in the account to pay off the interest requirements for investors and the assumption would be that by third quarter of next year they would be able to meet the TIFIA conditions precedent, get their disbursement from TIFIA and take out the bridge financing. Mr. Jenkins responded that this was a loan based on 3-month LIBOR, which was currently .22 or .23% , plus a credit spread which in the first year would be 225 basis points, so that the overall amount would be a little below 2.5%. He added that there was also a requirement that in order to structure the capitalized interest, they would have to enter into a hedging agreement or an interest rate cap and that cost would be imbedded within the bridge financing.

Chair Rosales stated that she presumed that the OCII interim General Counsel and the City Attorney's Office had reviewed this process and could ensure that the OCII was fully protected.

Executive Director Bohee responded that Carol Wong, from the City Attorney's Office was representing the City Department of Real Estate and that Jim Morales was representing OCII as interim General Counsel. She explained that this had been a daily and rigorous due diligence review activity by the OCII and the TJPA. Ms. Bohee indicated that they had reviewed this loan and did expect that the bridge loan would be paid back by TIFIA proceeds, but, in any case, they were planning for the worst case scenario. In the event that this happened, there were provisions in the loan, such as a lien release price, so that the OCII would still be able to move forward on both Parcel F and Block 4. However, the likelihood of that happening was low because Block 4 was being used for the temporary terminal and Parcel F was being used for the bus ramp reconstruction. OCII would not be able to move forward unless those sites were vacated by the TJPA, because those conditions were embedded in the state agreements. Ms. Bohee added that in the worst case, the lien release price could still be achieved and stated that this had already been vetted. She believed that they had done sufficient due diligence and were ready for that possibility.

Commissioner Singh motioned to move Item 5(c) and Commissioner Mondejar seconded that motion.

Secretary Nguyen called for a voice vote on Items 5(c).

Commissioner Bustos - absent
Commissioner Mondejar – yes
Commissioner Singh – yes
Chair Rosales – yes

ADOPTION: IT WAS VOTED BY 3 COMMISSIONERS WITH ONE ABSENCE THAT RESOLUTION NO. 91-2014, CONDITIONALLY AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A FIRST AMENDMENT TO THE TRANSBAY OPTION AGREEMENT FOR THE PURCHASE AND SALE OF REAL PROPERTY AND A SUBORDINATION AGREEMENT, AND TO TAKE RELATED ACTIONS TO FACILITATE A LOAN AGREEMENT BETWEEN THE TRANSBAY JOINT POWERS AUTHORITY AND GOLDMAN SACHS BANK USA THAT FUNDS THE TRANSBAY TERMINAL CONSTRUCTION, SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO, THE OVERSIGHT BOARD OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE CALIFORNIA DEPARTMENT OF FINANCE; TRANSBAY REDEVELOPMENT PROJECT AREA, BE ADOPTED.

6. Public Comment on Non-agenda Items – None

7. Report of the Chair

Chair Rosales stated that she had no report.

8. Report of the Executive Director

Executive Director Bohee directed Commissioners to the forward calendar in their packets and announced that there was still a rigorous work program awaiting them until the end of the year and to please bring up any items or questions with the Chair for agenda setting.

PUBLIC COMMENT – None

9. Commissioners' Questions and Matters

Commissioner Singh commended Secretary Nguyen for doing a good job.

10. Closed Session – None

11. Adjournment

The meeting was adjourned by Chair Rosales at 2:00 p.m.

Respectfully submitted,


Lucinda Nguyen, Interim Commission Secretary