MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Workshop on the Recognized Obligation Payment Schedule for July 1, 2014 to December 31, 2014 (ROPS 14-15A)

EXECUTIVE SUMMARY

Chapter 3 of Part 1.85 of ABx1 26 ("AB 26") describes the responsibilities required of Successor Agencies to dissolved Redevelopment Agencies, and the first requirement per section 34177(a)(1) is to “continue to make payments due for enforceable obligations.” AB 26 requires the creation of a Recognized Obligation Payment Schedule ("ROPS") to set forth the minimum payment amounts and due dates of payments required by those enforceable obligations for each six-month fiscal period. AB 1484 modified the requirements for preparing and submitting the ROPS by creating specific timeframes and procedures for submittal and imposing penalties for late submittals. Oversight Board approved ROPS are due to the State Department of Finance ("DOF"), the State Controller’s Office, and the City Controller no later than March 1st for ROPS covering the July to December period of a fiscal year (known as the “A” period ROPS) and by October 1st for ROPS covering the January to June period (known as the “B” period ROPS).

OCII must now prepare and seek approvals for “ROPS 14-15A”, which covers July through December 2014, or the first half of Fiscal Year 2014-2015. Staff is providing informational workshops on the draft ROPS 13-14A to the Commission on February 4, 2014 and to the Oversight Board on February 10, 2014. The Oversight Board is scheduled to take action on ROPS 14-15A at its next regularly scheduled meeting on February 24, 2014.

DISCUSSION

ROPS

Definition of Enforceable Obligations
The ROPS sets forth the payments required to be made under “enforceable obligations.” The Dissolution Law (AB 26 & AB 1484, together, or “the Law”) defines "enforceable obligations" to include bonds, loans, judgments or settlements, any "legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or
public policy," contracts or agreements necessary for the administration or operation of the Successor Agency, and certain “amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency,” as well as certain other obligations.

The Dissolution Law requires that successor agencies complete approved development projects that are subject to enforceable obligations by mandating that successor agencies perform those obligations and continue to oversee development until the contracted work has been completed or the contractual obligations can be transferred to other parties. Importantly, the Law expressly requires that pledges of increment associated with enforceable obligations of former redevelopment agencies be honored. The Law also provides for Successor Agencies to make new pledges of property tax revenues (former tax increment) under pre-existing agreements comprising enforceable obligations, subject to approval of their oversight boards and review by the State Controller and State Department of Finance.

Successor Agencies may also request that DOF finally and conclusively determine that certain obligations are enforceable obligations under Dissolution Law. To date OCII has submitted four “Final and Conclusive Determination” requests and three of those four have been approved by DOF as follows: (1) the Hunters Point Shipyard/Candlestick Point Project (December 2012), Transbay Project (April 2013), Mission Bay Project (January 2014), and Replacement Housing Obligation (pending).

ROPS Background
At its meeting on August 26, 2011, the Commission of the former Redevelopment Agency adopted the first Enforceable Obligation Payment Schedule (“EOPS”). The EOPS showed the obligations of the Agency requiring payments for the months of September through December 2011. The Agency Commission approved six amendments to that original EOPS, with the last amendment occurring on January 31, 2012, which extended the payment period through June 30, 2012. The 6th Amended EOPS therefore became the basis for Initial ROPS, which focused only on the period of January through June 2012. The Initial ROPS was approved by the Oversight Board and submitted to DOF on April 10, 2012. Since the Initial ROPS, OCII has completed four additional ROPS: ROPS II (July to December 2012), ROPS III (January to June 2013), ROPS 13-14A (July to December 2013) and ROPS 13-14B (January to June 2014).

ROPS 14-15A Template
The ROPS 14-15A Template provided by DOF is substantially in the form of the template used for ROPS 13-14B. There are still five separate worksheets: Summary, ROPS Detail, Report of Cash Balances, Prior Period Adjustments, and Notes. The main change is that the Report of Cash Balances worksheet was previously titled “Report of Fund Balances”. The funding categories are displayed in the same way as on ROPS 13-14B, divided into two main groups: funds that are not property tax increment (i.e. not “Redevelopment Property Tax Trust Funds”, or “RPTTF”), and funds that are RPTTF. More specifically, the funding categories are:
• NON-RPTTF
  o **Bond Proceeds**: proceeds from prior year or to be issued bonds. In ROPS 14/15A, all bond proceeds are either from bond issuances completed prior to Dissolution or are from the 2014 Mission Bay bonds for infrastructure costs that were approved by the Commission on January 21, 2014.
  
  o **Reserves**: amounts remaining from prior ROPS’ RPTTF deposits that are being rolled over to the next ROPS period or any tax increment or non-bond proceeds that were approved to be retained by the Due Diligence Reviews.
  
  o **Other**: non-bond proceeds, non-RPTTF, and non-Reserve funds, e.g., developer fees or reimbursements, lease revenues, other program income.

• RPTTF
  o **Non-Admin RPTTF**: new tax increment funds requested for project costs.
  
  o **Admin**: new tax increment requested for administrative costs (known as the Administrative Cost Allowance, or “ACA”); restricted to 3% of the tax increment allocated to a successor agency for the fiscal year.

Staff has prepared the ROPS Detail and Notes worksheets for the Commission workshop on February 4, 2014 (see Attachments 1 and 2). Note that items that were identified as “Retired” on ROPS 13-14B no longer appear on the ROPS 14-15A Template. Once an item has been retired, that item number can no longer be used; any new items must be added at the very end of the ROPS using new item numbers. Staff is still compiling the financial data for the Report of Fund Balances and Report of Prior Period Adjustments, which in turn affects the Summary page. Staff will provide the Commission with final set of ROPS 14-15A prior to the submittal to DOF.

**SUMMARY OF OBLIGATIONS & PAYMENTS ON ROPS 14-15A**

**Staffing and Administrative Operating Costs:**
The lines related to the staffing and administrative operating costs of the Successor Agency represent the payments needed to cover personnel and ongoing operating expenses for such items as rent, insurance, materials, supplies, general legal and accounting support, and other services supporting agency operations that are not charged directly to specific projects. On ROPS 14-15A most of these costs are included in lines 1 & 4, which together total $5,237,000 for the six-month ROPS period.

Line 1 budgets $4,449,000 for all Agency staffing costs, including general and project management and support services obtained through memoranda of understanding with the Mayor’s Office of Housing and Community Development, the Mayor’s Office of
Economic and Workforce Development, the Planning Department and the City Administrator’s Office.

Line 4 budgets $788,000 non-personnel administrative operating costs, which includes such items as rent, insurance, office equipment and supplies, software licenses, records storage costs, and general contracted services that are not billed directly to projects, including legal and accounting support from the City Attorney and Controller’s Office and others. The sources for Lines 1 & 4 include:

- **Non-RPTTF Other Funds:** $3,180K, or about 61% of Line 1 & 4 costs are expected to be allocated to projects and reimbursed through “Non-RPTTF Other Funds,” which includes developer reimbursements, lease revenues, South Beach Harbor berth rentals, and other sources of funds.

- **RPTTF Non-Administrative:** $371K, or about 7% of Line 1 and 4 costs are planned to be drawn down RPTTF non-administrative funds for projects management, which include an estimated $278K for work on Mission Bay Affordable Housing projects (drawing on the pledged increment for housing), $55K in project staff working on property disposition costs pursuant to the Property Management Plan, and $38K for bond management staffing costs.

- **Bond Proceeds:** $278K or about 6% of Line 1 and 4 costs are allocated to bond-funded projects that can be billed to bond proceeds.

- **Administrative Cost Allowance:** The remaining $1,349K or about 26% of Line 1 and 4 costs are allocated to the Agency’s Administrative Cost Allowance, which is limited to a maximum of 3% of approved RPTTF Non-Administrative costs.

Line 10 is the other active Administrative Operations line, which pertains to the Agency’s obligations to retirees for medical insurance subsidies. This line proposes $510K to be paid from RPTTF. Our current costs are about $80K/month. The $510K figure would allow for a modest increase in case of any additional retirements.

**Major Approved Development Projects:**

### Hunters Point Shipyard/Candlestick Point – Enforceable Obligations

Both Phases 1 and 2 of the Hunters Point Shipyard/Candlestick Point ("HPS/CP") Project are public/private partnerships that are considered enforceable obligations due to several existing, inter-related agreements between the former Redevelopment Agency, now the Successor Agency, and two separate (but related) master developers. Phases 1 and 2 each have a separate disposition and development agreement ("DDA") that generally provide for the transfer of land from the Successor Agency to the master developers, the master developers’ and the Successor Agency’s rights and obligations relating to the construction of specified improvements, and the financing mechanisms for completing these
development projects. The items on the ROPS in the next few years relate primarily to fulfilling the obligations described above with funds which are fully reimbursed by the master developers as required by the DDAs.

The HPS/CP Project has two grants from the U.S. Economic Development Administration ("EDA"), totaling approximately $9 million and one grant from the State of California Pollution Finance Control Authority in the amount of approximately $5 million. Each of these grants is subject to grant agreements between the Successor Agency and the granting entities. The items on the ROPS related to these agreements relate primarily to completing the HPS/CP Public Arts program, environmental studies, and the stabilization of the former Navy facility, Building 813.

The contracts identified on the ROPS allow for the provision of the services, support, and resources ("Contracted Services") necessary to implement the Successor Agency's obligations under the Phase 1 and 2 DDA's. The wide range of Contracted Services include, but are not limited to, design and construction management and inspection of the infrastructure and parks construction; legal support for land transactions and financing; support for facilitating Shipyard artists' on-site relocation; real estate economics analysis of the fiscal and financial outcomes of the Shipyard's development along with administrative and community outreach support to ensure that there is neighborhood involvement and communication throughout the development process.

Virtually all costs associated with implementing the obligations described above are reimbursed, either from the master developers or the State or Federal Government. Therefore, the ROPS will list these expenditures under the "Other" funding source column with an explanation of the reimbursement source in the Notes field. A few exceptions exist whereby the Successor Agency has committed tax increment to ensure the proper implementation of the obligation, including a) where a local match is required by the EDA grants and b) where tax increment may be required to maintain Successor Agency assets during the wind-down period, c) where tax increment is required under the Phase 1 DDA to develop affordable housing, and d) where tax increment is irrevocably pledged under the Phase 2 DDA to the master developer for the infrastructure and other approved HPS/CP Project costs.

The ROPS includes payments for costs associated with the upcoming goals and milestones for the Successor Agency’s 2014/15 HPS/CP workplan under the following categories of activity:

- Leases and property management: $322,000
- Design review and document approval: $2.0 million
- Development of an “Arts & Technology District”: $4.5 million
- Transfer of Navy, State Parks, State Lands and Alice Griffith public housing development property: $550,000
- Pursuit of Federal and State financing for project components such as transportation improvements, parks, infrastructure, and other costs: $325,000
- Community benefits obligations: $1.9 million
Mission Bay – Enforceable Obligations

The Mission Bay project is a public/private partnership that is considered an enforceable obligation due to several existing, inter-related agreements between the former Redevelopment Agency, now the Successor Agency, and the Mission Bay Master Developer, FOCIL-MB, a private entity (“Master Developer”). The overarching enforceable obligation stems from the Mission Bay North and South Owner Participation Agreements (“OPAs”) and several related or attached documents including the Infrastructure Plans and the Tax Allocation Pledge Agreements (“Pledge Agreements”). Taken together, these agreements require that all available property tax increment generated in the project area, for the life of the Mission Bay Redevelopment Plans, is used to fund the construction of public infrastructure and affordable housing in Mission Bay. They require the Master Developer to construct the infrastructure consistent with an approved Infrastructure Plans. In turn, the Successor Agency is required to reimburse the Master Developer using available tax increment revenues.

The OPAs and their attachments outline other contractual obligations of the Successor Agency, such as requiring the Successor Agency to CFDs and issue CFD-backed debt; build affordable housing using property tax revenues; and process land use approvals and entitlements for vertical development. The OPAs require the prior consent of the Master Developer to amend the existing Mission Bay Redevelopments Plans and associated land use controls. The items on the ROPS for Mission Bay relate primarily to flow of tax increment funds pursuant to the Pledge Agreements, as well as other funding sources required to fund the Master Developer’s build out of the project.

The ROPS identifies that direct tax increment and existing bond balances will be used in both Mission Bay North and South to reimburse the Master Developer for infrastructure, pay existing debt, and fund affordable housing. In addition, new tax increment will be used in Mission Bay North to retire existing CFD#4 debt. The ROPS also include a line for funding of outside consultants to provide third party review of reimbursement requests. Finally, the ROPS includes a line to allow for the expenditure of Mission Bay Art Fees, which are required for any development with 25,000 square feet or more of commercial or retail space, for the installation of art in Mission Bay public open spaces.

A summary of the spending activity is shown below:

- Infrastructure costs: $37.18 million
- Refinancing of CFD#4: $4.8 million
- Consultant costs: $600,000
- Art Fees: $1.3 million

Transbay – Enforceable Obligations

Similar to the Hunters Point Shipyard/Candlestick Point and Mission Bay, Transbay is subject to a number of existing, inter-related agreements that create an enforceable obligation. These agreements include, but are not limited to: 1) the 2008 Tax Increment
and Sales Proceeds Pledge Agreement between the Successor Agency, the Transbay Joint Powers Authority ("TJPA") and the City ("Pledge Agreement"), which irrevocably commits tax increment and sales proceeds from formerly State-owned parcels for the Transbay Transit Center; 2) the 2006 Transbay Redevelopment Project Implementation Agreement between the Successor Agency and the TJPA ("Implementation Agreement"), which requires the Successor Agency to prepare and sell, with TJPA reimbursement of staff costs, the formerly State-owned parcels and to construct and fund new infrastructure improvements (such as parks and streetscapes) and affordable housing obligations; and 3) AB 812 (codified in Section 5027.1 of the California Public Resources Code), which mandates that 25 percent of the residential units developed in the Project Area shall be available to low-income households and an additional 10 percent shall be available to moderate-income households. Based on these agreements, in 2010, the TJPA entered into a Transportation Infrastructure Finance and Innovation Act ("TIFIA") Loan Agreement with the United States Department of Transportation. The TIFIA loan is a necessary part of the funding package for the TTC.

On April 15, 2013, DOF issued a Final and Conclusive Determination that the Transbay Tax Increment Allocation and Sales Proceed Pledge Agreement, the Implementation Agreement, and the Affordable Housing Program under Calif. Public Resources Code § 5027.1 are enforceable obligations. In light of these enforceable obligations, the financial goals to maximize proceeds for the Transbay Transit Center and to provide funding for the public infrastructure and affordable housing continue to govern the Project and create the need for additional expenditures within the Transbay Project Area.

The 14-15A ROPS period includes the first RPTTF request pursuant to the Pledge Agreement of $1,500,000. This estimate is based on the land closing and construction commencement on Parcel T and Block 6. The other items on ROPS 14-15A for Transbay demonstrate the flow of funds between the Successor Agency and the various implementation components of Transbay pursuant to the above agreements. In addition to the pledged approximately $1.5 million, during the ROPS 14-15A time period the Successor Agency will spend approximately $37.5 million on affordable housing related activities, entirely funded by other sources such as developer fees and prior project surplus funds, and $6.5 million on other projects within the Transbay Redevelopment Project Area. This is comprised of $6.0 million from prior year funds ($4.6 million in 2009 and 2011 bond proceed, $1.4 million in prior year tax increment, $400,000 in developer fees), and $100,000 in new RPTTF. These funds will be spent on streetscape & open space design documents and approvals ($2.1 million), reconfiguration of the Folsom Street Off-Ramp ($3.5 million), and Inter-agency coordination & consulting services($900,000).

This total does not include any sales proceeds that will be received by the Successor Agency for the sale of Transbay Block 9 and immediately transferred to the TJPA pursuant to the Pledge Agreement.
ACTIVE PROJECT AREAS IN "WIND DOWN"

The only redevelopment project area that falls within this category is Rincon Point-South Beach, which doesn’t expire until January 5, 2021. The former redevelopment agency (the “SFRA”) completed its work program in this project area years ago, but never terminated a series of ground leases with the Port of San Francisco (the “Port”), which owns all the land along the waterfront. The Successor Agency’s remaining work in this project area is centered on (1) terminating the Port ground leases and transferring the property management responsibility for the waterfront land (including South Beach Harbor) back to the Port, and (2) closing-out the final development agreements that remain outstanding.

Terminating the Port ground leases. The ground leases allowed the SFRA to redevelop the Port’s property, in stages over time, in accordance with the Rincon Point-South Beach Redevelopment Plan. The SFRA’s redevelopment program included constructing a new small boat harbor and harbor services building (“South Beach Harbor”), building new waterfront parks and open spaces, including Rincon Park, installing a new children’s play area, rehabilitating commercial spaces, constructing two new affordable housing projects, and reconfiguring the network of streets and parking lots. The redevelopment program is essentially complete with the exception of repaying bond financing for South Beach Harbor and providing public access improvements on the perimeter of Pier 40. Completion of these improvements is required under permits issued by the Bay Conservation and Development Commission (“BCDC”) as part of BCDC’s approval of the South Beach Harbor/waterfront improvements.

Under the ground leases, most of which run until 2050, the SFRA was allowed to sublease the Port’s land to entities interested in either developing the vacant land or renting the rehabilitated commercial space. Revenues generated from these subleases were used to pay rent to the Port under the ground leases, and offset property management costs on the Port’s property. Of the 16 Port leases, only six require rent payments to the Port.

The SFRA financed the construction of the waterfront improvements, including the small boat harbor, with $23.9 million in tax increment bond financing and three loans from the California Department of Boating and Waterways (“CalBoating”), one in the amount of $4.5 million, one in the amount $3.1 million and the other in the amount of $4.4 million. Of that $23.9 million in tax increment bond financing, about $3.4 million will remain an enforceable obligation of the Successor Agency after June 30. The three CalBoating loans included the Port as a co-borrower.

Port staff and Successor Agency staff are currently negotiating an agreement that describes the orderly transfer of the Port properties and the future management of South Beach Harbor. That agreement will require the approval of the Successor Agency Commission, the Oversight Board, and the State Department of Finance (“DOF”). Until this agreement

1 Prior to dissolution, the Board of Supervisors and the SFRA authorized the use of new tax increment financing from Rincon Point-South Beach exclusively for affordable housing to fulfill the Agency’s replacement housing obligations.
is fully approved, the Port leases remain in place and rent payments to the Port must continue to be made. Staff has assumed these leases will remain in place until December 2014. Staff costs associated with this work are covered by the administrative cost allowance, because currently the Agency has no other source of funds to cover such expenses.

**Closing-out the final development agreements.** The majority of the private development in Rincon Point-South Beach was developed under owner participation agreements, or OPAs, which are considered existing enforceable obligations. Only one OPA in this project area is still active, and that is for the development of 74 condominiums over a rehabilitated historic warehouse at 72 Townsend Street. That project is shown on the ROPS even though it does not involve any payments. Staff costs for this project will be reimbursed by the developer.

In addition, a 1995 Disposition and Development Agreement ("DDA") with The Gap required the retailer to build a waterfront park (now known as Rincon Park) and contribute $100,000 a year for 10 years (for a total of $1.0 million) for security services at the park. Rincon Park was completed in 2003 and the Gap began making its $100,000 annual payments that year. To date, the Gap has made seven payments for a total of $700,000, and that money has either been used to pay for security at Rincon Park or will be transferred to the Port for that purpose. The final $300,000 The Gap still owes to the Successor Agency under the DDA will be received under ROPS 14-15A, and transferred to the Port for security services at the park, under the spending authority given under ROPS 14-15A.

Given the above, the Rincon Point-South Beach items on the ROPS are for costs associated with the following activities:

- Rent payments -- Port ground leases (South Beach Harbor): $260,650
  - Figure represents payments for first six months of FY 2014-15
  - Source of funds: harbor revenues

- Rent payments -- Port ground leases (other Port-owned property): $617,400
  - Figure represents payments for first six months of FY 2014-15 and "catch up" payments for 12 months of FY 2013-14 when these three leases were mistakenly removed from ROPS 13-14A and ROPS 13-14B. These three leases have been added back into the ROPS as new lines on ROPS 14-15A.
  - Source of funds: sublease revenue

- Harbor operations: $869,000
  - Source of funds: harbor revenues

- Security for Rincon Park: $300,000
  - Source of funds: developer exaction

- Debt service on Calboating loans: $535,955
EXPired Project Areas

Hunters Point

In Hunters Point, the Successor Agency still has obligations as property owner of Shoreview Park. These costs include ongoing property management and capital improvements/deferred maintenance. In preparation for a transfer of Shoreview Park to the City (pursuant to the Successor Agency’s property management plan approved by DOF), the Successor Agency needs to complete certain deferred maintenance obligations and deferred capital improvements.

Given the above, the Hunters Point items on the ROPS are for costs associated with the following activities:

- Property management – Shoreview Park: $8,200
  - Figure represents $7,900 for property management services and $300 for water bills
  - Source of funds: RPTTF

- Capital improvements/deferred maintenance – Shoreview Park: $170,000
  - Figure includes (1) ripping out the non-working sprinkler system, putting in a new sprinkler system, rototilling the dirt and installing new sod throughout the park ($100,000), (2) installing some additional landscaping and replacing broken benches ($5,000), (3) pruning some trees and removing some trees ($8,000), (4) conducting an environmental assessment ($15,000), (5) removing the dangerous children’s play structure ($25,000), and (6) a 10% contingency.
  - Source of funds: Community Development Block Grant (“CDBG”) reserve balances approved under the Successor Agency’s DDR.

Western Addition

In the Western Addition, the Successor Agency still has obligations as property owner of portions of the Fillmore Heritage Center (i.e., the garage and commercial parcel). The Successor Agency’s remaining work in this project area is limited to (1) managing these properties, and (2) closing-out the final development agreements that remain outstanding.

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2 Prior to dissolution, the Board of Supervisors and the SFRA authorized the continuing use of tax increment from the Western Addition to fund affordable housing because of the Agency’s unfulfilled replacement housing obligations.
Given the above, the Western Addition items on the ROPS are for costs associated with the following activities:

- **Property management – Fillmore Heritage Center Garage:** $352,200
  - Figure represents $33,000/month in reimbursements, $14,400/month in common area maintenance charges, $5,100/month in insurance costs, and $6,200/month in taxes
  - Source of funds: garage revenues

- **Property management – Fillmore Heritage Center Garage:** $12,000
  - Figure represents operating deficit for six months at $2,000/month
  - Source of funds: RPTTF

- **Property management – Fillmore Heritage Center Commercial Parcel:** $60,000
  - Figure represents common area maintenance charges for six months for two tenants currently not paying CAM charges (i.e., Yoshi’s SF and the Jazz Heritage Center)
  - Source of funds: RPTTF

There are also several contractual obligations, such as owner participation agreements, disposition and development agreements, and loan agreements, which do not include financial obligations but are nevertheless enforceable obligations that require various levels of ongoing enforcement and monitoring. These are also shown on the ROPS. These obligations currently include owner participation agreements for unfinished private development at 1450 Franklin Street and 1301 Divisadero, disposition and development agreements (i.e., 1210 Scott Street and Fillmore Heritage Center), and economic development loans for Yoshi’s jazz club and restaurant, 1300 on Fillmore restaurant, Sheba Lounge, and Rasselas jazz club and restaurant. Staffing costs are associated with the ongoing enforcement and monitoring of these agreements. Some of these costs are reimbursed by project sponsors; others are funded by the administrative cost allowance.

**Yerba Buena Center**

In Yerba Buena Center (“YBC”), the Successor Agency still has obligations as property owner of the Jessie Square Garage and grant administration obligations associated with the Mexican Museum site, which the Successor Agency still owns. Both of these properties will be transferred to the developer of the 706 Mission Street/Mexican Museum project under a purchase and sale agreement (“PSA”) that was approved by the Successor Agency Commission, the Oversight Board, and DOF in 2013. Until that happens (expected later this year), the Successor Agency must continue to pay operating costs and debt service payments associated with Jessie Square Garage. Also, as part of the PSA, the developer was required to fund the cost ($86,400) of a pilot program to provide traffic enforcement services near 706 Mission Street. This payment is expected to come to the Successor Agency in the summer of 2014, and the Successor Agency is required under the PSA to either (1) contract with the city for these services, or (2) contract with the community benefit district for these services. The payment of $86,400 is shown on the ROPS under the line item for the PSA.
Given the above, the YBC items on the ROPS are for costs associated with the following activities:

- **Property management – Jessie Square Garage:** $1,900,000
  - Figure represents reimbursements to the garage operator for garage-related expenses, parking taxes to the City, and debt service payments on the garage construction bonds
  - Source of funds: garage revenues

- **Grant administration – Mexican Museum:** $1,030,881
  - Figure represents payments during this ROPS period to the Mexican Museum under a grant agreement to fund predevelopment work and tenant improvements associated with a new museum at 706 Mission Street. This money is for predevelopment work.
  - Source of funds: DDR-approved reserve balances (general funds and a small amount of tax increment). Staff has assumed that $780,881 in general funds from ROPS 13-14B is carried forward to ROPS 14-15A, and an additional $250,000 ($75,000 in tax increment + $175,000 in general funds) in new reserve balances will also be used during ROPS 14-15A, for a total amount of $1,030,881.

In addition to enforceable obligations related to the Successor Agency’s responsibility as property owner, there are other enforceable obligations in YBC. The Agency was instrumental in helping to establish the Museum of the African Diaspora (“MoAD”) as a new cultural institution in YBC. An existing operating agreement with MoAD requires the Successor Agency to provide annual operating support ($100,000 a quarter for FY 2014-15, funded with DDR-approved reserve balances) and some funds for capital improvements ($303,000), funded with tax exempt bond financing. These funding commitments to MoAD are included in this ROPS as approximately $503,000.

There are also numerous contractual obligations, such as owner participation agreements, disposition and development agreements, and operating agreements, some of which do not include financial obligations but are nevertheless enforceable obligations that require various levels of ongoing enforcement and monitoring. These are also shown on the ROPS. The obligations currently include owner participation agreements (i.e., 680 Folsom Street and Bloomingdales) and disposition and development agreements (i.e., the Paramount Apartments, the Contemporary Jewish Museum, and the Whole Foods store on Harrison Street).

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3 Prior to dissolution, the Board of Supervisors and the SFRA authorized the continuing use of tax increment from Yerba Buena Center to fund affordable housing because of the Agency’s unfulfilled replacement housing obligations.
Yerba Buena Gardens
Yerba Buena Gardens ("YBG") is part of Yerba Buena Center, but given its size and complexity, the Successor Agency breaks out its budget and expenditures separately. The Successor Agency still has obligations as property owner of YBG, until this interconnected portfolio of properties is transferred to the City pursuant to the Successor Agency’s DOF-approved property management plan. Some of these obligations include (1) handling property management, (2) funding cultural operators/cultural programming, and (3) making necessary capital improvements.

Given the above, the YBG items on the ROPS are for costs associated with the following activities:

- Property management – $1,688,000
  - Figure represents operating costs (maintenance, operations, and security) for YBG, payments to YBG’s on-site property management firm (MJM Management Group), legal services, and payments to a community benefit district.
  - Source of funds: restricted lease revenues

- Cultural operations/programming – $2,130,000
  - Figure represents ongoing operating payments to Yerba Buena Center for the Arts, the Children’s Creativity Museum, and Yerba Buena Center for the Arts.
  - Source of funds: restricted lease revenues

- Capital improvements – $400,000
  - This figure represents 50% of the annual budget for capital improvements. The $800,000 annual budget is broken down as follows: $220,000 to replace/prune redwood trees and complete other park hardscape improvements, $110,500 to complete improvements/upgrades to the YBG childcare center, $350,000 to repair the expansion joint at the Children’s Creativity Museum, and $119,500 as a contingency for unexpected capital repairs during the fiscal year.
  - Source of funds: developer exactions/restricted lease revenues. If new restricted lease revenues do not materialize as expected, the Successor Agency will use reserve balances to cover any unfunded capital improvements.

Disposition Costs
The Successor Agency will be incurring certain costs associated with its disposition of property, assuming DOF approves the Successor Agency's long-range property management plan on or before this ROPS period. These costs include appraisal costs, consultant costs, title and escrow costs, legal costs, marketing costs, and other costs associated with the disposition process. The Successor Agency has estimated these costs could potentially be $75,000 during this fiscal year (half is expected this ROPS period under a new line item number). The $75,000 cost is broken down as follows: $26,000 for outside appraisals, $14,000 for outside title work, $15,000 in legal bills, and $20,000 for marketing costs.
AFFORDABLE HOUSING:
OCII is requesting a total of approximately $1.3 million in RPTTF for affordable housing projects, with another $8.4 million coming from existing Bond Proceeds, $7.7 million in Reserve funds, and $45.5 million in Other funds, for a total of $63 million for ROPS 14-15A.

Major Approved Development Projects:

Hunters Point Shipyard/Candlestick Point:
- Line 161- Alice Griffith Revitalization: $8.4 million
  - These existing bond proceeds are for OCII's Phase 3 construction funds
- Line 361- Alice Griffith Revitalization; $12 million
  - This is the subsidy to be provided by Lennar for its share of the Alice Griffith costs.

Mission Bay South:
- Line 228 - Block 7 West Construction Funding: 14.9 million
  - These funds appear on ROPS 13-14B and are currently scheduled for Commission approval in June 2014, but are carried forward to ROPS 14-15A in the event the Commission action is delayed until July.
- Line 220 & 226- Blocks 6 East & 3 East Predevelopment Funding: $4 million
  - Staff anticipates releasing an RFP for Block 6 East in Spring 2014, with the next affordable block, tentatively planned to be Block 3 East, in Summer or Fall 2014.
  - Of the $4 million total, the $2.7 million in Reserves is the ROPS 13-14B RPTTF; shown here in the event the Block 6 East predev loan does not occur before the end of June.
  - The remaining $1.3 million in RPTTF is the amount estimated for Mission Bay North and South net of debt services and pass throughs, and would be used for predevelopment costs for Block 3 East.

Transbay
- Line 363- Block 9 Construction Funding: $20.6 million
  - The source of these funds is the developer fee that will be due under the Block 9 Development and Disposition Agreement
- Line 374- Block 8 Predevelopment Funding: $3 million
  - This new line has been added to allow for predevelopment funding for Block 8, which is being offered through a current Request For Proposal. The source of the funds is Transba12+8.4
  - Jobs Housing Linkage Fees.
In addition to the affordable housing projects referenced above, OCII has a Replacement Housing Obligation related to the over 6,700 affordable units that were destroyed by the former Redevelopment Agency in the 1960’s and 1970’s and not replaced. The “SB 2113” funding (so called for Senate Bill 2113 that allowed the former Agency to convert Project Areas that had either expired or had reached its debt limit to allow for the continued collection of tax increment solely for the creation of replacement housing. Through ROPS 13-14B, DOF denied the use of SB 2113 RPTTF for the 200 Sixth Street affordable housing project, stating that one of the reasons for denial was that there was no pre-Dissolution contract for that specific obligation. OCII submitted a request for a Final and Conclusive Determination on our Replacement Housing Obligation in October of 2013, and it is still pending before DOF.

The 200 Sixth Street project will move ahead without the funds requested in ROPS 13-14B, using funding from the Mayor’s Office of Housing and Community Development. At this time, OCII does not have any other stand-alone replacement housing obligation projects on ROPS 14-15A. However, RPTTF from SB 2113 areas is being used to fund a portion of the Alice Griffith public housing revitalization project, i.e. the new affordable units that are being developed in addition to the public housing replacement units. The Alice Griffith obligation does have an existing contract in place, specifically the Hunters Point Shipyard Phase II/Candlestick Point Disposition and Development Agreement.

## BONDS & PASS-THROUGH PAYMENTS

### Bonds

Debt service and associated costs included in the ROPS 14-15A lines 258 – 348 and 364-366 total $74.5M. Of this amount:

- $31.3M comes from funds reserved during the prior ROPS 13-14A period in order to ensure that the Agency would have sufficient funding to make its full debt service payments due to trustees on June 30, 2014 and to bondholders in August, 2014.

- $1.1M in “Other” funds represents South Beach Harbor revenues to pay for Harbor-related debt service costs (ROPS Lines 346-348).

- $300K allowance for bond proceeds on Line 345 would be to cover the potential costs of bond counsel and other consultants for refunding bonds being issued during this ROPS period, if market conditions continue to be favorable. The purpose of the refunding would be to reduce future debt service costs.

- The remaining $41.8M proposed to come from RPTTF would cover the rest of the debt service costs during the ROPS period. This includes $38K for trustee and arbitrage rebate calculation fees (Lines 364 and 365), along with a $50K allowance for any other professional services needs related to management of our debt portfolio (Line 345).
NEXT STEPS

This ROPS must be approved by the Oversight Board and submitted to the State and City Controller ("Controller") no fewer than 90 days before the date of the next property tax distribution. For the "A" period ROPS, the property tax distribution occurs on June 1st of each year, which usually means a March 1st ROPS deadline. Because March 1st occurs on a Saturday, the ROPS 14-15A deadline is March 3, 2014. In order to meet that deadline, staff will be presenting the draft ROPS to the Oversight Board at a special meeting on February 10th. The Oversight Board will take action on the item at its regular meeting on February 24th and staff will then transmit the ROPS to the State and Controller immediately thereafter. DOF will make its determination of the enforceable obligations, and the amounts and funding sources of the enforceable obligations, within 45 days of submission.

Should the Agency wish to dispute any of DOF's determinations on ROPS 14-15A, then the Agency may request an opportunity to meet and confer with DOF. The meet and confer request must be made within five business days of DOF's determination, and DOF will notify the Agency and the Controller as to the outcome of that review at least 15 days before the June 1, 2014 property tax distribution. Staff will provide ongoing updates to the Commission as we receive feedback from DOF on this ROPS.

(Originated by Sally Oerth, Deputy Director)

Tiffany Bohoe
Executive Director

Attachment A: Draft ROPS 14-15A - ROPS Detail Worksheet
Attachment B: Draft ROPS 14-15A - Notes Worksheet