INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Workshop #2 on OCII's Fiscal Year 2014-2015 Budget, Including Administration, Debt Service, and Asset Management Obligations outside Major Approved Development Project Areas: Yerba Buena Center, Rincon Point – South Beach, Western Addition A-2, South of Market, Hunters Point, and Bayview Industrial Triangle

EXECUTIVE SUMMARY

Enclosed for your review is a draft of the portions of OCII's proposed budget for Fiscal Year 2014-15 that cover OCII's administrative budget, debt service, and asset management obligations outside major approved development project ("MADP") areas, including Yerba Buena Center, Rincon-Point South Beach, Western Addition A-2, South of Market, Hunters Point, and Bayview Industrial Triangle.

This is a follow-up to the budget workshop item at the April 1, 2014 Commission meeting when the budgets for the three MADP areas of Hunters Point Shipyard, Mission Bay and Transbay, including the Retained Housing Obligations were reviewed. The final budget will be presented to the Commission for its approval on May 6, 2014, after which it will be submitted to the Mayor's Office and the Board of Supervisors for final approval. A Board of Supervisors hearing on OCII's budget is currently scheduled for Wednesday, June 18, 2014.

DISCUSSION

The budget document describes the activities that OCII will be undertaking relating to administration, debt service and property management.

Table 1 shows sources and uses by Project Area or Cost Center. This workshop will address the non-shaded items that were not discussed in Budget Workshop #1.

The Budget Tables are divided into three main sections: Sources, Uses-Operations, Uses-Non-Operations.

Sources:
The first section at the top shows the proposed revenues by source. Those sources are:

- **Property Tax Increment**: new tax increment deposited into the Redevelopment Property Tax Trust Fund. These funds are shown in three different categories: tax increment needed for Debt Service, Administrative Allowance, and Other.
- **Hotel Tax/Moscone Revs for Debt Service**: Hotel tax and Moscone Convention Center revenues used for revenue bond debt service.
• **Rent & Lease Revenues:** any revenues to be collected from OCII owned properties.

• **Developer Payments:** developer reimbursements for OCII costs as required by master development agreements, developer fee exactions, etc. These are further divided into developer payments for affordable housing uses and for other uses.

• **US Navy Cooperative Agreement:** US Navy contributions toward operating costs in Hunters Point Shipyard project area.

• **Garage Revenues:** Revenues from the OCII-owned Jessie Square Garage and Fillmore Garage used to support Garage operations.

• **City Reimbursements for OCII staff:** payments from other City departments to cover non-OCII related work done by OCII staff (e.g. OCII employees working on MOHCD projects).

• **Loan Repayments:** Repayments on loans issued by the former San Francisco Redevelopment Agency.

• **New Bond Proceeds:** proceeds from a potential tax allocation bond refunding planned to take place in Fiscal Year 2014-15 that could be used to support costs associated with the refunding effort.

• **Fund Balance:** Unappropriated funds anticipated to be in hand prior to the start of the Fiscal Year 2014-15 that are proposed to be appropriated for Fiscal Year 2014-15 expenditures. These are divided into balances to be used for housing or non-housing purposes.

**Uses: Operations**

The second section of the budget shows proposed uses that are classified as “operations”. This includes costs associated with the administration and operations of OCII, including salaries, general administration, legal services, property management, other professional services, etc.

Below are descriptions of the categories:

• **Allocated Staff & Operating Expenses:** OCII staff and operating expenses that are allocated out to project areas and are paid for either by developer payments, grants funds, or direct tax increment.

• **Salaries and Benefits:** staff salaries and fringe benefits.

• **General Administrative & Mgmt Services:** cost of staff support provided by the City Administrator’s Office.

• **Affordable Housing Services:** proposed costs associated with engaging the Mayor’s Office of Housing to provide services to assist in implementing OCII’s affordable housing obligations.

• **Rent:** Rent paid to the City for OCII’s 101 South Van Ness administrative office space.

• **Retiree Health Insurance:** costs for retiree health insurance.
• **Auditing & Accounting Services**: costs for additional accounting services for various audits and other financial reports.

• **Legal Services**: costs for retaining the City Attorney and other outside counsel.

• **Planning & Workforce Development Services**: costs for City services required for design and environmental review and workforce development.

• **Asset Management**: costs for maintaining and disposing of OCII owned property.

• **Other Professional Services**: costs for other professional services consultants necessary to support OCII’s operations.

• **Grants to Community-Based Organizations**: these include museum operating and capital grants connected to Yerba Buena Center and Yerba Buena Gardens, including the Mexican Museum, Museum of the African Diaspora, Yerba Buena Center for the Arts and the Children’s Creativity Museum. This category also includes community benefit payments required by the Hunters Point Phase 1 Disposition and Development Agreement.

• **Payments to Other Public Agencies**: this includes parking tax payments for OCII’s garages, additional payments to the City of surplus Jessie Square Garage revenues pursuant to various agreements, payments to the Port of San Francisco for management services associated with South Beach Harbor, payment of business district assessment fees, Hunters Point Shipyard pass-through lease and common area maintenance payments to the U.S. Navy for use of Navy owned properties and buildings, and Transbay pass-through payments to the Transbay Joint Powers Authority.

• **Other Current Expenses**: other miscellaneous administrative and operations costs, including the operating expenses for South Beach Harbor.

**Uses- Non-Operations**

The third section of the Draft Budget Table shows the uses that are not related to operations. These uses are:

• **Affordable Housing Loans**: amounts projected to be loaned by OCII to affordable housing developers for either pre-development or construction of affordable housing projects.

• **Affordable Housing Reserve**: amounts projected to be collected in FY 14/15 for affordable housing purposes but won’t be expended until subsequent fiscal years.

• **Development Infrastructure**: costs associated with the construction and installation of public infrastructure.

• **YBG Capital Reserve**: reserve for major capital expenditures required at the Yerba Buena Gardens.

• **Community Grants Reserve**: reserve for Hunters Point Shipyard community benefits developer contributions to be received in the budget year but programmed to be expended in future years after completion of a community planning process.
- **Other Use of Bond Proceeds:** anticipated transfer to the City of remaining tax-exempt bond proceeds for projects outside Major Approved Development Project areas, as allowed by Redevelopment Dissolution Law.

- **Debt Service:** required debt service payments.

**Budget Narratives**

The Budget Narratives describe the relevant enforceable obligations that shape OCII’s workplans, as well as specific activities that staff anticipates undertaking in Fiscal Year 2014-15. Attachment A includes the introductory narrative providing background on Redevelopment Dissolution and OCII’s governance, as well as details on the administrative, staffing, and debt service costs. The Asset Management section provides information on OCII’s asset management activities in Yerba Buena Center/Yerba Buena Gardens, South Beach Harbor, and Western Addition A-2 and other non-MADP areas.

**NEXT STEPS**

After incorporating Commission feedback, staff will present a final Fiscal Year 2014-15 budget for the Commission’s consideration on May 6th. Upon the Commission’s approval, the budget will then be submitted to the Mayor’s Office for review, and then to the Board of Supervisors. Staff will apprise the Commission of any significant changes made to the budget as it undergoes the City’s review and approval process. A hearing on OCII’s budget is currently scheduled for the Board of Supervisors Budget Committee calendar for Wednesday, June 18, 2014.

*(Originated by Leo Levenson, Deputy Director for Finance and Administration)*

Attachment A: Draft Budget Table and Narratives – Administrative Operations, Debt Service, and Asset Management