INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Workshop on OCII’s Fiscal Year 2014-2015 Budget: Mission Bay North and South, Transbay Redevelopment Project Areas, and Hunters Point Shipyard/Candlestick Point, and Retained Housing Obligations

EXECUTIVE SUMMARY

Enclosed for your review is a draft of the portions of OCII’s proposed budget for Fiscal Year 2014-2015 that deal with the three Major Approved Development Projects (Hunters Point Shipyard/Candlestick Point, Mission Bay North and South, and Transbay, together the “MADP”) and OCII’s Retained Housing Obligations, which will presented in the workshop at the Commission meeting on April 1, 2014. Staff is continuing to work on the budgets related to OCII’s administrative and asset management activities, which will be presented to the Commission in a second budget workshop at a special meeting on April 15th. The final budget will then be presented to the Commission for its approval on May 6th, after which it will be submitted to the Mayor’s Office and then ultimately to the Board of Supervisors for final approval. In addition, the budget amounts for the various projects and programs may undergo further refinements through the ROPS 14-15B ROPS approval processes, which will be taking place in late 2014.

DISCUSSION

The budget document itself describes the activities that OCII will be undertaking relating to each of the Project Areas in two different ways. First, it includes a table displaying the various sources and uses by Project Area. Included in this submission is the proposed budget for the MADP and related Housing activities (see Attachment 1: Draft Budget Table – MADP & Housing). Staff is continuing to refine the remaining budget figures and therefore the revenues and expenditures for those remaining areas will be provided for the workshop on April 15th. The second way the budget document provides information related to OCII activities in the upcoming fiscal years is through narrative descriptions of the Project Area workplans for Fiscal Year 2014-2015 (see Attachment 5: Draft Budget Narratives – MADP & Housing).

Together the Hunters Points Shipyard/Candlestick Point, Mission Bay, and Transbay Project Areas comprise the bulk of OCII’s remaining enforceable obligations. In each of these Project Areas, OCII must facilitate the funding of infrastructure improvements, affordable housing, and various other community benefits using a combination of funding sources, including tax increment funds, bond proceeds, developer payments, and State and Federal Grants.
Draft Budget Table: Major Approved Project Areas

The Draft Budget Table is divided into three main sections: Sources, Uses-Operations, Uses-Non-Operations. Overall the budget for the MADP is approximately $218.2 million, with the following subtotals by Project Area:

<table>
<thead>
<tr>
<th>Project Area Total (Non-Housing &amp; Housing)</th>
<th>FY 14/15 Budget (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunters Point Shipyard Phase 1:</td>
<td>$6.1</td>
</tr>
<tr>
<td>Hunters Point Shipyard Phase 2/Candlestick Pt:</td>
<td>$49.2</td>
</tr>
<tr>
<td>Mission Bay North</td>
<td>$6.9</td>
</tr>
<tr>
<td>Mission Bay South</td>
<td>$31.2</td>
</tr>
<tr>
<td>Transbay</td>
<td>$124.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$218.2</strong></td>
</tr>
</tbody>
</table>

A separate breakout summarizing the sources and uses that are attributable to OCII’s affordable housing activities is included as Attachment 2. Of the $218.2 million in MADP shown above, approximately $165 million is programmed for affordable housing uses, plus an additional $11.6 million in non-MADP sources (primarily non-MADP prior year fund balance), for a total of $176 million.

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

- **Property Tax Increment - Programs:** new tax increment deposited into the Redevelopment Property Tax Trust Fund for non-housing and housing programs.
- **Rent & Lease Revenues:** any revenues to be collected from OCII owned properties.
- **Developer Payments for Affordable Housing:** developer payments and fees restricted for affordable housing uses as required by master development agreements, developer fee exactions, etc.
- **Developer Payments - Other:** developer reimbursements for non-housing OCII costs as required by master development agreements, developer fee exactions, etc.
- **US Navy Security Cooperative Agreement:** reimbursement from the US Navy for security services at the Hunters Point Shipyard.
- **Fund Balance (Housing and Other):** prior year funds needed for Fiscal Year 2014-2015 expenditures
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. Many of these uses will be presented as whole in the April 15th workshop. Below are descriptions of the categories that impact the MADP budgets:

- **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; the overall Staff & Operating Expense budget will be presented at the April 15th Commission meeting.
- **Legal Services**: costs for retaining the City Attorney and other outside counsel.
- **Planning & Construction Management Services**: costs for services required for design and construction review and monitoring
- **Other Professional Services**: costs for other professional services consultants and City departments necessary to implement Project Area workplans.
- **Grants to Community-Based Organizations**: community benefits payments as required by the Community Benefits Agreements of the Hunters Point Shipyard Phase 1 and Phase 2 Development and Disposition Agreements.
- **Payments to Other Public Agencies**: for Hunters Point Shipyard, this references the pass-through lease and common area maintenance payments to the U.S. Navy for use of Navy owned properties and buildings; for Transbay, this references the pass-through payment of tax increment to the Transbay Joint Powers Authority.
- **Other Current Expenses**: other miscellaneous administrative and operations costs for the MADP

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 in FY 14/15.
- **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.
- **Debt Service**: for Mission Bay North, this references the repayment of principal owed on the Community Facilities District #4 bond; the budget for debt service
related to tax increment bonds will be presented at the April 15th Commission meeting.

**Transfers In/Out Between Projects**

For certain affordable housing projects, staff is proposing to use both new developer fees and remaining balances from the Low and Moderate Income Housing Fund ("LMIHF") that were retained through the LMIHF Due Diligence Review, both of which originated in different project areas than where the funds will be spent. In order to accurately display both the source and use of that funding by project area, the budget table identifies these inter-project area transfers by a "Transfer In" line in the Sources section of the budget table, and a "Transfer Out" line in the Uses.

Specifically, staff is budgeting the use of $2.8 million in remaining Citywide balances from the LMIHF for predevelopment funding for Mission Bay South Block 3 East and $170,000 in LMIHF balances for predevelopment for Hunters Point Shipyard Phase 1 Block 54 ("HPSY 54"), as staff anticipates issuing Requests for Proposals ("RFP") for both of these projects in FY 14/15.

There are two developments in the Yerba Buena Center project area that are providing developer fees for affordable housing: $2.4 million from 680 Folsom Street, and just over $1 million from 706 Mission. Staff is budgeting the 680 Folsom Street project for both HPSY 54 and for Mission Bay South Block 6E predevelopment funding ("MBS 6E"), and all of the 706 Mission fee for MBS 6E. The RFP for MBS 6E anticipated by end of FY 13/14). Please see Attachment 3, Budget Transfer Summary for further details regarding these transfers.

**BUDGET NARRATIVES**

The Budget Narratives describe the Project Areas as a whole and the relevant enforceable obligations that shape OCII’s workplans, as well as specific activities that staff anticipates undertaking in Fiscal Year 2014-2015. The Budget Narratives for the MADP include all activities, non-housing and housing, but a separate narrative consolidating all the affordable housing in the MADP, as well as some other affordable housing activities is also included.

Information about the affordable housing projects is also included in Attachment 4, the OCII Affordable Housing Pipeline, which shows that OCII will sponsoring 5,736 affordable units through either direct subsidy on stand-alone affordable sites or through inclusionary housing requirements. The Pipeline is comprised of the following:

- **Section 1: Active OCII Capital Funded Projects:** projects which are either under construction, currently in predevelopment, or will be in the preliminary planning phase during FY 14/15, and estimated to be completed by 2018.
### Section 2: Remaining Affordable Housing Sites by Project Area

A summary of affordable units on future stand-alone OCII sponsored affordable housing sites by Project Area.

<table>
<thead>
<tr>
<th>Project Area</th>
<th>Affordable Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>HPSY Phase I</td>
<td>165</td>
</tr>
<tr>
<td>HPSY II/CP</td>
<td>1140</td>
</tr>
<tr>
<td>Mission Bay</td>
<td>758</td>
</tr>
<tr>
<td>Transbay</td>
<td>424</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2487</strong></td>
</tr>
</tbody>
</table>

### Section 3: Inclusionary Housing Projects

Private projects which will include inclusionary affordable housing projects as required by the relevant enforceable obligations.

<table>
<thead>
<tr>
<th>Status – Active Pipeline</th>
<th>Affordable Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recently Completed/ To Transfer to MOHCD</td>
<td>33</td>
</tr>
<tr>
<td>In Construction</td>
<td>370</td>
</tr>
<tr>
<td>In Predevelopment</td>
<td>287</td>
</tr>
<tr>
<td>In Preliminary Planning</td>
<td>376</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1066</strong></td>
</tr>
</tbody>
</table>

Future Inclusionary in HPSY Phase 2/CP: 809

Grand Total Inclusionary Affordable: 1007
NEXT STEPS

At the next Commission meeting on April 15th, staff will present a complete budget table showing all Project Areas and budget narratives for the following:

- Operations and Administrative Costs
- Asset Management (Yerba Buena Center/Yerba Buena Gardens, Western Addition, Rincon-Point South Beach, Bayview Hunters Point, Hunters Point, Bayview Industrial Triangle, and South of Market)

After incorporating Commission feedback, staff will present a final Fiscal Year 2013-2014 budget for the Commission’s approval 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. In addition, the budget amounts for the various projects and programs may undergo further refinements through the ROPS 14-15B ROPS approval processes, which will be taking place in late 2014.

(Originated by Sally Oerth, Deputy Director)

Tiffany Bohee
Executive Director

Attachment 1: Draft Budget Table – MADP & Housing
Attachment 2: Affordable Housing Budget Summary
Attachment 3: Summary of Transfers between Projects
Attachment 4: Housing Pipeline
Attachment 5: Draft Budget Narratives – MADP & Housing