INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Update on Department of Finance Determinations on the Recognized Obligation Payment Schedule for January to June 2014 (ROPS 13-14B), the proposed Issuance of 2014 Mission Bay South Tax Allocation Bonds for infrastructure costs, and the Ground Lease with Carroll Avenue Senior Homes, L.P.

EXECUTIVE SUMMARY

In December DOF issued three determination letters regarding OCII actions. First, on December 17, 2013 the State Department of Finance (DOF) issued its final determination letter regarding ROPS 13-14B. DOF issued its initial determination letter on November 7, 2013, disallowing the use of funds for three items: Item 177 - Hunters View Phase II-III Loan Agreement, Item 235 – 200 6th Street Construction Loan Funding, and Item 364 – Bond Trustee Fees. OCII appealed the first two items through the meet and confer process and presented additional information to DOF in response to their questions. In the final determination letter on December 17, 2013, DOF reversed their initial determination on the Hunters View Item, but continued to disallow the use of RPPTF for the 200 6th Street affordable housing project. Through discussions with DOF, staff also requested the reclassification of certain bond administrative costs on Item 345, and DOF approved that reclassification.

On December 24, 2013 DOF issued two other determination letters. One approved the Oversight Board Resolution No. 11-2013, which allows for the issuance of the 2014 Tax Allocation Bonds for infrastructure costs in Mission Bay South. The Commission and Financing Authority may now take the necessary actions to complete the bond transaction, which is expected to take place at the meeting on January 21, 2014. The other letter approved Oversight Board 14-2103, which authorizes OCII to enter into a Ground Lease for the senior affordable housing site, located at 5800 3rd Street and Carroll Ave, with the affordable housing development partnership of Carroll Avenue Senior Homes, L. P. With this approval, this 121 unit affordable housing project for very-low income seniors, including a community serving senior services center, can now move forward with its financial closing and begin construction, expected this March.

DISCUSSION

ROPS 13-14B

OCII submitted ROPS 13-14B, which covers the period from January to June 2014, to DOF on September 23, 2013. DOF issued a determination letter on November 7, 2013, stating that three items did not qualify for RPPTF. OCII appealed two of the items through the meet and confer
process and DOF issued its final determination on these matters on December 17, 2013 (Attachment 1) as described below.

**Item 177 – Hunters View Phase II-III Loan Agreement**

DOF denied the request for a total of $3,768,243 in funding, comprised of $2.1 million in Redevelopment Property Tax Trust Fund ("RPTTF"), $1.5 million in Other funds, and a little over $164,000 in existing bond funds. DOF denied these funds on the assumption that OCII had already disbursed these amounts through ROPS 13-14A. At the meet and confer, staff provided DOF with evidence from OCII accounting records that actually no funds had been disbursed yet from the Hunters View Phase II-III Loan.

*Final Determination:*

DOF is now allowing the full disbursement of the requested funds for Item 177. The Disbursement Agreement for these funds was approved by the Commission at the meeting on January 7, 2014.

**Item 235 – 200 6th Street Construction Loan Funding**

OCII had requested $1.1 million in RPTTF, specifically SB 2113 tax increment, to be used on the 200 6th Street affordable housing project, which would have allowed OCII to designate 32 of the 66 affordable units in the project as replacement housing units under OCII’s Replacement Housing Obligation. DOF disallowed the $1.1 million RPTTF that OCII had requested in SB 2113 funds on the grounds that there was no contract yet in place for the $1.1 million and therefore the item was not considered an enforceable obligation under Dissolution Law.

Through the meet and confer process, staff presented information that demonstrated that Replacement Housing Obligation is in fact an enforceable obligation as Dissolution Law includes “obligations imposed by state law” in the definition of “enforceable obligation”. SB 2113 therefore created the obligation and OCII should be allowed to enter into a new contract to provide the SB 2113 funding to the project.

*Final Determination:*

DOF continued to deny the request for $1.1 million in RPTTF for the 200 6th Street project on the grounds that “obligations associated with former redevelopment agency’s previous statutory housing obligations are not enforceable obligations”. Furthermore DOF stated that statutory housing obligations should have been transferred to the Housing Successor Agency, as well as stating that the on-going enforceable obligation to fund the Replacement Housing Obligation is contrary to the wind down directive in Dissolution Law.

Since OCII had submitted a Request for a Final and Conclusive Determination regarding the Replacement Housing Obligation in October 2013 that is still pending with DOF, staff sought clarification from DOF management as to the impact of their ROPS 13-14B determination for Item 235 on the overall Replacement Housing Obligation request. DOF indicated that the December 17, 2013 ROPS determination was solely for Item 235 and they had not completed their review of the Replacement Housing Obligation Final and Conclusive Request. OCII staff asked DOF in its review of the Final & Conclusive Determination Request to consider the specific nature of San Francisco’s Replacement Housing Obligation, which is different from...
other housing-related obligations that Dissolution Law may have repealed. The legislative intent of SB 2113 was to address the specific harm that was created by the removal of the approximately 6,700 affordable housing units by the former Redevelopment Agency in the 1960's and 1970's which is a statutory obligation that was not relieved by Dissolution Law. Staff will continue to update the Commission as information becomes available regarding DOF's review of the Replacement Housing Obligation Final and Conclusive Determination Request.

**Item 364 – Bond Trustee Fees**

OCII had received authority for $21,694 for Bond Trustee Fees through ROPS 13-14A, and had requested an additional $22,000 in RPTTF funding for the ROPS 13-14B period. However during DOF’s initial review of the ROPS, staff determined that OCII's annual obligation is $37,504, meaning that the ROPS 13-14B request created an excess of $5,365 over the total annual amount needed. DOF denied the excess $5,365 in RPTTF in the November 7, 2013 initial determination letter and OCII staff did not dispute that determination.

**Item 345 – Tax Allocation Bond Administrative Costs**

Staff had initially requested $300,000 in RPTTF to cover administrative costs related to the issuance of tax allocation bonds, specifically for the upcoming bonds to be issued for infrastructure costs in Mission Bay South. During DOF’s initial review of the ROPS staff determined that these costs will actually be covered by the proceeds generated by the bond sale; staff then requested that DOF allow those funds be moved from the RPTTF column of the ROPS to the Bond Proceeds column. DOF has allowed this reclassification.

**Administrative Cost Allowance**

OCII requested $2,436,000 in Administrative Cost Allowance ("ACA") in ROPS 13-14B. In the initial determination letter in November, DOF adjusted the ACA downward by a little over $57,000 after determining that our requested amount was over the 3% annual maximum for the ACA once the RPTTF that was denied on Items 177, 235, and 364 and reclassified on Item 345 was taken into account. In the final determination letter on December 17th, Item 177 (Hunters View) was no longer being challenged, thus the $2,436,000 that was requested was within the 3% annual maximum when added to the ACA distributed for ROPS 13-14A, and no change was made to the ACA request. However the actual amount distributed by the Controller on January 2, 2014 was somewhat less as discussed below.

**Actual RPTTF Distribution**

Dissolution Law requires that RPTTF be distributed twice a year: on June 1st for each "A period" or July-December ROPS, and January 1st for each "B period" or January-June ROPS. The amounts on the ROPS are often estimates of project tax increment, and the actual distributions form the City’s Controller’s Office can sometimes vary from the approved ROPS amounts if the actual collected amounts are less than the estimates.

The Controller’s Office distributed $66,525,872 in non-administrative RPTTF and 1,995,776 in ACA on January 2, 2014 for the ROPS 13-14B period. The differences between the requested
amounts and the distributed amounts are mainly due to the fact that the prior year "corrections" for Mission Bay were less than anticipated. The smaller amount means that less funds are available to reimburse the Mission Bay master developer for infrastructure from direct tax increment in this ROPS period; however OCII will be issuing bonds for infrastructure costs in Mission Bay South during this ROPS periods. There is approximately $354,000 less available for affordable housing, however, staff believes this will not significantly impact the affordable housing work program for the remainder of Fiscal Year 13/14 as there will still be sufficient funds for the construction of Block 7 West as well as provide initial predevelopment funding for the next parcel, anticipated to be Block 6 East.

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<tr>
<th>Type of RPTTF</th>
<th>Approved ROPS</th>
<th>Actual Distribution</th>
<th>Delta</th>
<th>Notes</th>
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<td>Non-Admin RPTTF</td>
<td>$79,797,513</td>
<td>$66,525,872</td>
<td>($13,271,641)</td>
<td>Prior year &quot;corrections&quot; for Mission Bay were less than estimated for the ROPS</td>
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<td>ACA</td>
<td>$2,436,000</td>
<td>$1,995,776</td>
<td>($440,224)</td>
<td>3% of Actual Non-Admin RPTTF Distributed</td>
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<td>TOTAL RPTTF</td>
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<td>$68,521,648</td>
<td>($13,711,865)</td>
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Mission Bay South 2014 Tax Allocation Bonds

OCII had provided for the issuance of bonds to reimburse FOCIL, the Mission Bay master developer, for costs related to infrastructure in Mission Bay South. In order to generate those proceeds through a bond sale, OCII had to also seek separate approvals on the bond transaction itself. OCII received Commission approval for the issuance of up to $70 million in tax allocation bonds on November 5, 2013, and the Oversight Board then approved the issuance through Oversight Board Resolution No. 11-2013 on November 13, 2013. Staff submitted that Oversight Board resolution including a draft bond indenture, to DOF that same day. DOF triggered a review within the required 5-day period after submittal, and DOF then issued a letter approving the Oversight Board resolution on December 24, 2013 (Attachment 2). With that approval from DOF, OCII may now seek the final approvals from the Commission to complete the transaction, which is scheduled to take place at the meeting on January 21, 2014.

Ground Lease with Carroll Avenue Senior Homes, L.P.

The affordable senior rental housing project located at 1751 Carroll Avenue (the "Project"), and described as 5800 3rd/Carroll Avenue Senior Housing on ROPS 13-14A, will be comprised of 120 units of very low income senior housing plus one managers unit and will also include a ground floor senior services center for the residents as well as the larger community. This Project also serves as the first phase of the federal Choice Neighborhood Initiatives Grant funding the Alice Griffith revitalization as it will provide units for seniors currently residing at the Alice Griffith public housing site who may want to live in a dedicated senior housing community instead of the redeveloped Alice Griffith project.
In compliance with approvals on ROPS 13-14A, the Commission authorized a $19 million loan to construct the site in September of 2013. The developer of the site, Carroll Avenue Senior Homes, L.P., which includes McCormack Baron Salazar and the Bayview Hunters Point Multipurpose Senior Services Inc. (the "Developer"), then sought Commission approval of a long term ground lease of this OCII owned parcel. After Commission approval on November 19, 2013, the Oversight Board approved the ground lease through Oversight Board Resolution No. 14-2013 on November 25, 2013. Staff submitted that Oversight Board resolution to DOF that same day. DOF triggered a review within the required 5-day period after submittal, and DOF then issued a letter approving the Oversight Board resolution on December 24, 2013 (Attachment 3). With that approval, the Developer may now move forward with the financial closing on the project and begin construction, scheduled for March 2014.

(Originated by Sally Oerth, Deputy Director)

Tiffany Bohe
Executive Director

Attachment 1: ROPS 13-14B – DOF Approval Letter, December 17, 2013


Attachment 3: Ground Lease with Carroll Avenue Senior Homes L.P. – DOF Approval Letter, December 24, 2013