INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Transmittal of The PFM Group’s final report and recommendation for the future ownership/management structure for Yerba Buena Gardens

PURPOSE OF INFORMATIONAL MEMORANDUM

Since July 2013, staff of the Office of Community Investment and Infrastructure ("OCII"), staff of the City and County of San Francisco (the "City"), and community stakeholders in Yerba Buena Gardens (the "Gardens") have been working together on disposition planning for the properties OCII owns in the Gardens. As part of this work, OCII has also engaged The PFM Group ("PFM") to inform the decision-making process regarding the future ownership/management of the Gardens. PFM has conducted extensive research and analysis on ownership/management structures of comparable urban mixed-use public spaces in San Francisco and elsewhere in the nation, and researched potential funding mechanisms for capital improvements in the Gardens going forward.

See Attachment 1, Recommendation for Future Ownership/Management Structure, which outlines PFM's research, analysis, and recommendation. Briefly, PFM’s research produced three primary ownership/management models, each of which is described below:

- **Model 1: City Ownership and Non-Profit Management Models** – Under this model, the City maintains full ownership of the assets but contracts the day-to-day management and operations to a non-profit organization (a 501(c)3). Depending on the type of agreement between the City and the non-profit, the City could maintain some level of control over the management and operations of the assets.

- **Model 2: Other Public Entity Ownership and Management Models** – Under this model, the City, through a legislative process, transfers full ownership and management responsibilities of the assets to a different public entity (such as an independent authority).

- **Model 3: City Ownership and City Management Models** – Under this model, the City maintains both ownership and management responsibilities over the assets. The City could choose to manage the assets in-house or contract with a private entity. Nationally, most public parks would fall into this category.

PFM recommended Model 2 as the future ownership/management structure for the Gardens. More detailed information about PFM’s reasoning and the criteria it used to evaluate the models and arrive at its recommendation can be found in the attached report.
In addition PFM looked at possible capital financing tools for the Gardens. In 1999, the former redevelopment agency established a capital reserve for the Gardens to ensure that adequate funds would be available to replace and renovate the public facilities at the Gardens over the coming decades. In the past, capital improvements were financed with periodic infusions of tax increment (which are no longer available) and a $590,000 annual set-aside from operating revenues, which is not enough to cover the expected cost of future capital improvements at the Gardens. There is currently about $5.5 million in the capital reserve, but OCII plans to spend $2.7 million of it this fiscal year, leaving $3.4 million as of July 1, 2014. The results of PFM’s capital financing research can be found in Appendix C (Alternative Capital Financing Tools for Yerba Buena Gardens) of the attached report.

NEX T STEPS

Beginning this month, the Yerba Buena Alliance (the “Alliance”) started organizing regular community meetings (previously organized by OCII staff) as a way to continue discussions with the City about the future ownership/management of the Gardens. OCII and City staff will be on hand to participate in this ongoing process. The first Alliance meeting will be held on January 30 and PFM’s report/recommendation will be the focus of that meeting. PFM will present, and OCII and City staff will participate in this meeting.

OCII intends to transfer YBG to the City pursuant to OCII’s property management plan, which still must be approved by the State Department of Finance (“DOF”), pursuant to redevelopment dissolution law. Once DOF approves OCII’s disposition plan for YBG (expected later this year), OCII staff can begin transferring the YBG assets to the City. Given the size and complexity of the YBG assets, this transfer should take several months. During that time, and likely post-transfer, YBG stakeholders will continue to work with City staff to determine which ownership/management model will be implemented by the City.

*(Originated by Denise Zermani, Development Specialist)*

Tiffany Bonee
Executive Director