INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Workshop on OCII’s Fiscal Year 2013-2014 Budget: Hunters Point Shipyard/Candlestick Point, Mission Bay North and South, and Transbay Redevelopment Project Areas

EXECUTIVE SUMMARY

Enclosed for your review is a draft of the portions of OCII’s proposed budget for Fiscal Year 2013-2014 that deal with the three Major Approved Development Projects: Hunters Point Shipyard/Candlestick Point, Mission Bay North and South, and Transbay (together the “MADP”), which will be presented in the workshop at the meeting on April 16th. Staff is continuing to work on the budgets related to OCII’s administrative, asset management, and affordable housing activities, which will be presented to the Commission in a second budget workshop at a special meeting on April 30th. The final budget will then be presented to the Commission for its approval on May 7th, after which it will be submitted to the Mayor’s Office and then ultimately to the Board of Supervisors for final approval.

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 (see Attachment A: Draft Budget Table - MADP). 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 30th. 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 Years 2013-2014 and 2014-2015 (see Attachment B: Draft Budget Narratives - MADP).

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.

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.
- **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.
- **Federal & State Grants/Program Income**: grant revenues or program income from grant funded assets.
- **City Reimbursements**: payments from other City departments to cover non-OCII related work done by OCII staff (e.g. OCII employees working at MOH who work on City-only projects).
- **Bond Proceeds**: estimated proceeds from a proposed bond issuance.
- **Fund Balance**: prior year funds needed for Fiscal Year 2013-2014 expenditures (NOTE: these funds are the subject of the Due Diligence Review process with the State Department of Finance, which is not yet complete; should any of these funds be required to be distributed to taxing entities then adjustments would be made to the Property Tax Increment request or other eligible sources).

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 30th workshop. Below are descriptions of the categories that impact the MADP budgets:

- **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; figures shown here are only those allocated to the MADP. The complete costs for these services will be presented on April 30th.
- **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 on April 30th.
- **Legal Services**: costs for retaining the City Attorney and other outside counsel.
- **Planning, Design Rvw, & Constr Mgmt Svs**: costs for City services required for design and construction review and monitoring (Department of Public Works, San Francisco Arts Commission, Planning Department), and for third party design, engineering, and other consultants.

- **Other Professional Services**: costs for other professional services consultants and City departments necessary to implement Project Area workplans.

- **Grants to Community-Based Organizations**: for the MADP the only cost is related to the Legacy Foundation as required by the Hunters Point Phase 1 Disposition and Development Agreement.

- **Payments to Other Public Agencies**: for the MADP the only cost is related to pass-through lease and common area maintenance payments to the U.S. Navy for use of Navy owned properties and buildings.

- **Other Current Expenses**: other miscellaneous administrative and operations costs for the MADP; majority of this line item relates to South Beach Harbor expenses (not shown here) which will be presented on April 30th.

*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; the relevant projects will be highlighted in the MADP budget workshop but the affordable housing budgets will be presented in full on April 30th.

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

- **Restricted Developer Fee Reserve**: the balance of the restricted developer payment related to the Transbay Block 6&7 project that will be paid in Fiscal Year 2013-2014 but will be committed in the second phase of the affordable housing project in a subsequent fiscal year.

- **Restricted Tax Increment Reserve**: the balance of the restricted tax increment from Mission Bay North that must be reserved per the Mission Bay Tax Increment Allocation Pledge Agreements until used for infrastructure or affordable housing in subsequent fiscal years.

- **Bldg Improvmts/Lead & Asbestos Abatement**: costs relating to building improvement and abatement activities for buildings in the Hunters Point Shipyard.

- **Public Art**: costs for the planning, fabrication, and installation of public art in Hunters Point Shipyard and Mission Bay.

- **Debt Service**: required debt service payments for bonds issued in prior years.
BUDGET NARRATIVES

The Budget Narratives describe the Project Areas as a whole and the relevant enforceable obligations that shape OC II’s workplans, as well as specific activities that staff anticipates undertaking in Fiscal Year 2013-2014. Projections for the Fiscal Year 2014-2015 workplans are also included. The Budget Narratives for the MADP include all activities, non-housing and housing. Descriptions of the affordable housing activities will be included in the workshop presentations, but a more in depth presentation on the overall housing workplans and budget will be presented on April 30th.

NEXT STEPS

At the special meeting on April 30th, staff will present a complete budget table showing all Project Areas and budget narratives for the following:

- Operations and Administrative Costs
- Affordable Housing (for all Project Areas)
- 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 7th. 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.

(Originated by Sally Oerth, Deputy Director)

Tiffany Böhee
Executive Director

Attachment A: Draft Budget Table - MADP
Attachment B: Draft Budget Narratives - MADP