INFORMATIONAL MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Workshop on OCII’s Fiscal Year 2013-2014 Budget: OCII’s asset management, affordable housing, and administrative activities

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 OCII’s 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), affordable housing for all project areas, and OCII’s administrative activities budget, including staffing and other operations costs. This is a follow-up to the budget workshop item at the April 16, 2013 Commission meeting when the budgets for the three Major Approved Development Project (“MADP”) areas of Hunters Point Shipyard, Mission Bay and Transbay were reviewed. The final budget will 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. A Board of Supervisors hearing on OCII’s budget is currently scheduled for Monday, June 17, 2013.

DISCUSSION

The budget document describes the activities that OCII will be undertaking relating to asset management, affordable housing and administrative activities in two different ways. First, it includes various table displaying the sources and uses. Table 1 in Attachment A (Draft Budget Narrative – Administrative, Asset Management, and Affordable Housing) displays the Fiscal Year 2013-14 Sources and Uses as compared to the prior year as well as to the projected Fiscal Year 2014-2015 budget. Table 2 shows the sources and uses by Project Area, including an updated view of the MADP budgets presented at the April 16, 2013 meeting. The second way the budget document provides information related to OCII activities in the upcoming fiscal years is through narrative descriptions of the anticipated workplans.

BUDGET TABLES:

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, Housing, and Other (i.e. non-housing, non-debt service uses).

• **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 for either housing or non-housing (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. 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**: office space rent.

• **Retiree Health Insurance**: costs for retiree health insurance.

• **Auditing & Accounting Services**: costs for additional accounting services for various audits and other financial reports.
- **Bond Management Services**: costs associated with the management of OCII's outstanding bonds (consultants, trustee fees, etc.)

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

- **Planning, Design Rvw, & Constr Mgmt Svcs**: 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.

- **Property Management**: costs for maintaining OCII owned property

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

- **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 a disbursement to the Legacy Foundation as required by the Hunters Point Phase 1 Disposition and Development Agreement.

- **Payments to Other Public Agencies**: for Yerba Buena Center, this consists of payments of Jessie Square Garage revenues to the City of San Francisco. This category also includes Hunters Point Shipyard 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, 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.

- **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 Imprvmts/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 relevant enforceable obligations that shape OCII’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. 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, Western Addition A-2, Rincon-Point South Beach, Bayview Hunters Point, Hunters Point, Bayview Industrial Triangle, and South of Market Project Areas. The Affordable Housing section includes the affordable housing projects that were detailed in the MADP narratives but also includes other affordable housing obligations retained by OCII, including OCII’s Replacement Housing Obligation, as well as details on how OCII will retain the services of the Mayor’s Office of Housing to implement those retained housing obligations.

NEXT STEPS
After incorporating Commission feedback, staff will present a final Fiscal Year 2013-2014 budget for the Commission’s consideration 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. A hearing on OCII’s budget is currently scheduled for the Board of Supervisors Budget Committee calendar for Monday, June 17, 2013.

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

Tiffany Bohee
Executive Director

Attachment A: Draft Budget Narratives – Administrative Operations, Asset Management, and Affordable Housing