MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Public Hearing on the question of approving the amendment and restatement of the current rate and method of apportionment of special tax for the (i) Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements); Hunters Point Shipyard Project Area

Resolution Calling a Special Election to Amend and Restate the Amended and Restated Rate and Method of Apportionment of Special Tax for Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements); Hunters Point Shipyard Project Area (the “Resolution Calling Special Election (CFD No. 7)”)

Resolution Declaring Results of a Special Election to Change the Special Taxes for Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements); Hunters Point Shipyard Project Area (the “Resolution Declaring Results of Special Election (CFD No. 7)”)

Resolution Declaring Completion of Change Proceedings for Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements); Hunters Point Shipyard Project Area (the “Resolution Declaring Completion of Change Proceedings (CFD No. 7)”)

Introduction of an Ordinance Levying Special Taxes Within the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements) and Rescinding Ordinance No. 1-2008; Hunters Point Shipyard Project Area (“Ordinance (CFD No. 7)”)

Public Hearing on the question of approving the amendment and restatement of the current rate and method of apportionment of special tax for the (i) Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 8 (Hunters Point Shipyard Phase One Maintenance); Hunters Point Shipyard Project Area

Resolution Calling a Special Election to Amend and Restate the Rate and Method of Apportionment of Special Tax for Redevelopment Agency of the City and
EXECUTIVE SUMMARY

On April 1, 2014, the Commission commenced change proceedings ("Change Proceedings") under the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello-Roos Act"), with respect to Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements) ("CFD No. 7") and Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 8 (Hunters Point Shipyard Phase One Maintenance) ("CFD No. 8" and together with CFD No. 7, the "CFDs" and each, a "CFD"). The CFDs are located in the Hunters Point Shipyard (the "Shipyard") Phase 1. The Change Proceedings were commenced pursuant to the Resolutions of Change (as defined below) in which the Commission (i) approved a form of amendment and restatement of the current ("RMA") of special tax for each CFD and (ii) set a public hearing for May 6, 2014 for each CFD on the proposed changes (the "Public Hearings" and each, a "Public Hearing").

The amendments and restatements of each RMA of special tax are necessary to reflect the current development that is planned within the boundaries of the CFDs pursuant to the Phase 1 Disposition and Development Agreement ("Phase 1 DDA"), between the Office of Community Investment and Infrastructure ("OCII") as successor to the former Redevelopment Agency of the City and County of San Francisco and HPS Development Co., LP (the "Developer").

In order to complete the Change Proceedings the Commission will take a series of actions on May 6, 2014 after the Public Hearing for CFD No. 7 and CFD No. 8. Those actions include:
Adopting the Resolution Calling Special Election (CFD No. 7) and the Resolution Calling Special Election (CFD No. 8) (hereinafter referred to, collectively, as the "Resolutions Calling Special Elections")

Adopting the Resolution Declaring Results of Special Election (CFD No. 7) and Resolution Declaring Results of Special Election (CFD No. 8) (hereinafter referred to, collectively, as the "Resolutions Declaring Results of Special Elections")

Adopting the Resolution Declaring Completion of Change Proceedings (CFD No. 7) and Resolution Declaring Completion of Change Proceedings (CFD No. 8) (hereinafter referred to, collectively, as the "Resolutions Declaring Completion of Change Proceedings")

A first reading adopting Ordinance (CFD No. 7) and Ordinance (CFD No. 8) (hereinafter referred to, collectively, as the "Ordinances")

In connection with these actions, OCII staff also seeks the approval of new forms of amendments and restatements of each RMA of special tax, which are referred to below as the form of "Second Amended and Restated RMA (CFD No. 7)" and "Amended and Restated RMA (CFD No. 8)." The new forms are necessary to make a technical adjustment to exclude private and publicly owned streets, walkways, alleys, rights of way, parks and open spaces from the special tax levied within the CFDs, to allow for future potential adjustments in the location of Agency Affordable Housing Parcels to be reflected in each RMA, that OCII and the Developer have agreed to, and to make various conforming and clean-up changes. The forms of Resolutions Calling Special Election provide for the approval by the Commission of the Second Amended and Restated RMA (CFD No. 7) and Amended and Restated RMA (CFD No. 8).

Staff recommends adoption of the Resolutions Calling Special Elections, Resolutions Declaring Results of Special Elections, Resolutions Declaring Completion of Change Proceedings and Ordinances to complete the Change Proceedings in CFD No. 7 and CFD No. 8.

BACKGROUND

Phase 1 DDA; Transfer of Parcel A
In March 2004, the U.S. Department of the Navy transferred Parcel A (75 acres) at the Shipyard to the former Redevelopment Agency of the City and County of San Francisco ("SFRA") for development. In accordance with the Phase 1 DDA, in January 2005, the former Commission (the "Former Commission") authorized SFRA to transfer Parcel A to the Developer to begin grading, infrastructure and development of parks, commercial, and residential space in the Shipyard's first phase. Subsequent to the transfer of Parcel A, the Former Commission established CFD No. 7 and CFD No. 8 each with the same geographical boundaries around Parcel A (see the CFD boundary maps in Attachment A).

Prior Proceedings for CFD No. 7
In 2005 and in furtherance of the financing plan ("Financing Plan") for the Phase 1 DDA, the Former Commission authorized the formation of CFD No. 7, pursuant to the Mello-Roos Act, and issued $34,500,000 in variable rate special tax bonds (the "2005 Bonds"). The Financing Plan for Phase 1 calls for the revenue from the Developer's land sales and the 2005 Bonds to be
used to pay for (among other costs) the costs of the initial public improvements, such as streets, parks and utilities. The 2005 Bonds are payable only from special taxes levied in CFD No. 7, and are not payable from property tax increment allocated to OCII.

Prior Proceedings for CFD No. 8

In July 2008, the Former Commission commenced Change Proceedings with respect to CFD No. 7 by adopting Resolution No. 80-2008, entitled “Considering Amendment and Restatement of the RMA of Special Tax and Increases in the Authorized Principal Amount of Bonded Indebtedness and the Annual Appropriations Limit for Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements),” pursuant to which, among other things, the Former Commission:

(a) approved an amended and restated RMA for CFD No. 7 (the “Amended and Restated RMA (CFD No. 7)”) in the form attached thereto as Exhibit A, and

(b) declared the intention of the Former Commission, acting as the legislative body for CFD No. 7, to cause bonds of SFRA to be issued for CFD No. 7 pursuant to the Mello-Roos Act to finance in whole or in part the construction and/or acquisition of authorized facilities in the aggregate principal amount not to exceed $65,000,000 (which amount included the initial principal amount of the 2005 Bonds but not the principal amount of fixed interest rate bonds issued for the purpose of refunding the variable rate 2005 Bonds), which was an increase from the then existing maximum bonded indebtedness limit of $40,000,000, and

(c) approved an increased annual appropriations limit of $65,000,000.

At an election of the qualified electors in CFD No. 7 held on September 2, 2008, the qualified electors approved the proposed changes, including the Amended and Restated RMA (CFD No. 7).

Prior Proceedings for CFD No. 8

In 2008 and in furtherance of the financing plan for the Phase 1 DDA, the Former Commission authorized the formation of CFD No. 8, pursuant to the Mello-Roos Act. Taxes are levied in CFD No. 8 pursuant to a RMA of Special Tax. CFD No. 8 provides a source of revenue for open space maintenance in the Shipyard and will not issue bonds.

DISCUSSION

Commencement of Current Change Proceedings under the Mello-Roos Act

The Mello-Roos Act sets forth the procedures for changes to CFDs. On April 1, 2014, the Commission commenced Change Proceedings with respect to CFD No. 7 and CFD No. 8 to reflect the current development that is planned within the boundaries of the CFDs pursuant to the Phase 1 DDA. Such Change Proceedings were commenced by the Commission by its adoption on that date of Resolutions of Consideration by Resolution No. 24-2014 with respect to CFD No. 7 and Resolution No. 25-2014 with respect to CFD No. 8 (the “CFD No. 8 Resolution of
Consideration," and together with CFD No. 7 Resolution of Consideration, the “Resolutions of
Consideration”). On April 1, 2014, pursuant to the Resolutions of Consideration, the
Commission (i) approved the Initial Forms of Amended and Restated RMAs, and (ii) set the
Public Hearings.

Subsequent Changes to Forms of RMAs
Subsequent to the adoption of the Resolutions of Consideration by the Commission, (i) the
owners of taxable land in CFD No. 7 requested by written petition (“Written Petition,” Exhibit
B) that the Commission approve the proposed form of Second Amended and Restated RMA
(CFD No. 7), and (ii) the owners of certain taxable land in CFD No. 8 requested by Written
Petition that the Commission approve the proposed form of Amended and Restated RMA (CFD
No. 8), in each case to make a technical adjustment to exclude private and publicly owned
streets, walkways, alleys, rights of way, parks and open spaces from the special tax levied within
the CFDs, to allow changes in the location of Agency Affordable Housing Parcels and to make
various conforming and clean-up changes. The ability to make changes in the Agency Affordable
Housing Parcels allows for the RMA’s to stay consistent with the parcel designations and
locations in the event that OCII and the Developer desire to change the location of any of the
Agency parcels in the future. Copies of the Second Amended and Restated RMA (CFD No. 7)
and Amended and Restated RMA (CFD No. 8) are attached as Attachment A.

As a result of such Written Petitions, OCII staff now seeks the approval of the Commission of
the Second Amended and Restated RMA (CFD No. 7) and Amended and Restated RMA (CFD
No. 8). The forms of Resolutions Calling Special Elections referenced below provide for such
approval.

The Secretary of the Commission caused the publication of the notice of the public hearing on
the question of approving the Second Amended and Restated RMA (CFD No. 7) and Amended
and Restated RMA (CFD No. 8) in accordance with the provisions of Section 53335 of the
Mello-Roos Act.

Special Elections and Related Actions
The Commission, acting as the legislative body of the CFDs, as a result of its adoption of the
Resolutions of Consideration, will be required to receive public testimony on the proposed
changes to the CFDs at the Public Hearings. If the proposed Second Amended and Restated
RMA (CFD No. 7) and Amended and Restated RMA (CFD No. 8) are not opposed at such
public hearings by more than 50 percent of the owners of the taxable property within each CFD,
then the Commission will be required to take the following additional steps with respect to each
CFD:

1) **Calling a Special Election:** Adopt a **resolution calling a special election** of the
landowners (the Developer and its affiliates as well as OCII are the current
landowners) within each CFD on the proposed Second Amended and Restated RMA
(CFD No. 7) and Amended and Restated RMA (CFD No. 8), substantially in the
forms of the Resolutions Calling Special Elections, as applicable. The current owners
of taxable property in each CFD will cast ballots at that time, which will be opened by
the Secretary of the Commission. Unlike in CFD No. 7, OCII owns land subject to
the special taxes levied pursuant to the current RMA of special tax for CFD No. 8.
Therefore, it is entitled to vote at the special election for CFD No. 8. As a result, the
Resolution Calling Special Election for CFD No. 8, among other things, also
authorizes the Executive Director or such other official of OCII to execute (i) a waiver
of all notices of election, applicable waiting periods under the Mello-Roos Act for
elections and all ballot arguments and analysis for the election to expedite the
completion of the proceedings for CFD No. 8 and permit the special election for such
CFD to occur on May 6, 2014 and (ii) a ballot for OCII approving the Amended and
Restated RMA (CFD No. 8).

2) Declaring the Results of the Special Election: Adopt a resolution declaring the
results of the special election for each CFD, substantially in the forms of the
Resolutions Declaring Results of Special Elections, as applicable. If two-thirds of the
ballots cast in each CFD are in the affirmative, the Commission will continue with the
adoption of two additional actions below with respect to the CFD.

3) Completion of the Change Proceedings: Adopt a resolution declaring completion of
the Change Proceedings and amending the current RMA of special tax for each
CFD, substantially in the forms of the Resolutions Declaring Completion of Change
Proceedings, as applicable. These resolutions will also direct recordation of a notice
of special tax lien for each CFD in the real property records of the City and County of
San Francisco.

4) Ordinance to Levy Special Taxes: Adopt (i) if two-thirds of the ballots cast in CFD
No. 7 are in the affirmative, Ordinance (CFD No. 7) to levy the special taxes
authorized by the Second Amended and Restated RMA (CFD No. 7) and to rescind
Ordinance No. 1-2008, and (ii) if two-thirds of the ballots cast in CFD No. 8 are in the
affirmative, Ordinance (CFD No. 8) to levy the special taxes authorized by the
Amended and Restated RMA (CFD No. 8) and to rescind Ordinance No. 2-2008. The
Commission will consider a second reading of the Ordinances on May 20, 2014.
Under the Mello-Roos Act the legislative body of the CFD (in this case the
Commission) is authorized to adopt an ordinance, specifically, to levy and collect the
Special Tax pursuant RMA.

Community Outreach
OCII staff provided a briefing on this CFD transaction for the Mayor’s Hunters Point Shipyard
Citizens Advisory Committee (“CAC”) and the community at the CAC’s meetings in March and
April and there was consensus to move this item forward to the Commission.

California Environmental Quality Act
The proposed changes to the CFDs are not “projects,” as defined by the California
Environmental Quality Act Guidelines Section 15378 and would not result in any significant
physical effect on the environment.
RECOMMENDATION
OCII staff recommends adoption of the Resolutions Calling Special Elections, Resolutions Declaring Results of Special Elections, Resolutions Declaring Completion of Change Proceedings and Ordinances to complete the change proceedings in CFD No. 7 and CFD No. 8.

(Originated by John Daigle, Sr. Financial Analyst and Thor Kaslofsky, Project Manager)

Tiffany Bohee
Executive Director

Exhibit A: Second Amended and Restated Rate and Method of Apportionment of Special Tax for CFD No. 7
Amended and Restated Rate and Method of Apportionment of Special Tax for CFD No. 8

Exhibit B: Written Petitions