MEET AND CONFER REQUEST FORM

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state “[Agency Name] Request to Meet and Confer”. Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance’s website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance’s Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

- [x] Successor Agency
- [ ] Housing Entity

AGENCY NAME: Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Office of Community Investment and Infrastructure)

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

- [ ] Housing Assets Transfers
- [ ] Due Diligence Reviews
- [x] ROPS Period 14-15A

DATE OF FINANCE’S DETERMINATION LETTER: April 3, 2014

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

- [x] Meeting at Finance
- [ ] Conference Call
DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

On Line #140 of ROPS 14-15A, the Successor Agency for the San Francisco Redevelopment Agency (the “Successor Agency”) has listed an expenditure of $400,000 in Other Funds (i.e., lease revenues/user fees/developer exactions) for capital improvements in Yerba Buena Gardens (“YBG”), which the Successor Agency owns. YBG consists of a complex portfolio of assets, including public facilities and gardens above a convention center, in downtown San Francisco. The Successor Agency has proposed, in its Long-Range Property Management Plan (“PMP”), to transfer YBG to the City and County of San Francisco (the “City”) because of its governmental use purpose. The capital repair and replacement costs for the heavily-used YBG are significant. Of the $400,000 expenditure in ROPS 14-15A, $330,550 is a developer exaction required under a pre-dissolution Owner Participation Agreement to be used for open space and childcare improvements and the balance ($69,450) is lease revenues/user fees generated from the YBG properties that are restricted by pre-dissolution enforceable obligations for maintenance of YBG.

The State Department of Finance (“Finance”), in a letter to the Successor Agency dated April 3, 2014, mischaracterized the $400,000 capital expenditure as a deposit to a reserve account and denied the Successor Agency’s use of the funds on grounds that “further deposits” to the YBG capital reserve was not an enforceable obligation under California Health and Safety Code Section 34171 (d). Finance also directed the Successor Agency to use the $400,000 in Other Funds to pay for other Successor Agency costs, citing California Health and Safety Code Section 34177(l)(1)(E) which states that Redevelopment Property Tax Trust Funds (“RPTTF”) may only be used as a funding source if no other funding sources are available. Finance redirected the $400,000 in Other Funds on Line #140 to Line #9 (Agency Admin Operations), and reduced the Successor Agency’s RPTTF request for Line #9 by $400,000.

The Successor Agency disputes Finance’s determination that Line #140 is for “further deposits” into the YBG capital reserve. Line #140 is for payments to the Successor Agency’s property manager to cover capital repairs/deferred maintenance costs in YBG. Not only does Redevelopment Dissolution Law acknowledge successor agencies’ obligations to maintain their properties prior to disposition (California Health and Safety Code Section 34171(d)(1)(F)) but pre-dissolution enforceable obligations restrict the funding for the proposed expenditure ($330,550 in developer exactions and the $69,450 in YBG lease revenues/user fees) to open space and childcare improvements and maintenance of YBG, respectively. Accordingly, the Successor Agency also disputes Finance’s reprogramming of the $400,000 for the Successor Agency’s administrative costs (Line #9) because of the restricted sources of these funds.

B. Background/History *(Provide relevant background/history, if applicable.)*

The Successor Agency’s YBG real property assets are located in the central three blocks (“CB-1,” “CB-2” and “CB-3”) of the former Yerba Buena Center Redevelopment Project Area (the “YBC Project Area”) (See Attachment 1, Map of YBG). Although these assets span three blocks, the Successor Agency only funds operations and maintenance, including capital repairs/replacements, for its CB-2 and CB-3 assets (a tenant of the Successor Agency funds operations/maintenance on CB-1).

The YBG properties are by far the largest and most complicated portfolio of properties that the Successor Agency owns and manages. See Attachment 2 for a full description of the Successor Agency’s YBG real estate assets. The CB-2 and CB-3 assets were constructed by the former San Francisco Redevelopment Agency (the “SFRA”) between 1993 and 1998 and include commercial and retail properties, cultural facilities, recreational venues (i.e., an ice skating center and a bowling center), a childcare center, and vast amounts of public open space with fountains, terraces, outdoor...
performance spaces, children’s play areas, an historic carousel, public artwork, and many other attractions (the “Gardens”). These public assets sit on top of the City’s underground convention center. See Attachment 3 for photographs of the Gardens on CB-2 and CB-3.

The Successor Agency uses a software program to forecast and budget for known cyclic repair and replacement requirements that extend the life of the Gardens’ buildings and systems and maintain them in usable condition. The Gardens were built over an underground convention center so maintaining the waterproofing barriers between the structures of this 20-year old facility has been a significant expense for the Successor Agency over the past few years and is projected to be an ongoing expense in future fiscal years as the properties continue to age. See Attachment 4, which illustrates the relationship between the underground convention center and the Gardens on CB-2.

Based on output from the capital forecasting software program, the capital repair and replacement needs in YBG total about $32 million over the next 20 years. For fiscal year 2014-15, the capital repair and replacement needs are estimated to total $2.1 million (the Successor Agency proposed to pay for only $400,000 of this amount during the ROPS 14-15A period). These capital repairs include: (1) repairing multiple water leaks (in the waterproof barriers) throughout the Gardens, (2) completing required code/safety repairs to the children’s garden fountain/play stream, (3) replacing the childcare center’s defective pedestrian elevator (used daily by children to access the facility), (4) installing security improvements to the perimeter of the childcare center (to prevent unauthorized access to the facility), (5) removing and replacing trees that are in danger of falling, (6) repairing paved surfaces throughout the Gardens to prevent tripping hazards, (7) overhauling electrical systems that are at the end of their useful life and in risk of failing, and (8) other capital repairs.

Due to the age of the Successor Agency’s YBG assets, and the complexity of the YBG facilities and systems, significant and expensive capital repairs must be made over the next few years (estimated to be more than $8.0 million over the next three fiscal years) just to maintain the useful life of these assets. As a result, the Successor Agency needs all of its reserve funds for this purpose (as identified in the Successor Agency’s Due Diligence Review), as well as all of the lease revenues/user fees generated off these assets on an annual basis, to pay for these upcoming capital repairs/replacements.

YBG is governed by a set of interlocking agreements that govern how YBG is to be operated and maintained by the Successor Agency. One of those agreements, which the Successor Agency is a party to and is an enforceable obligation under Redevelopment Dissolution Law, is the March 31, 1998 Amended and Restated Construction, Operation and Reciprocal Easement Agreement and Agreement Creating Liens (the “CB-1 REA”). The CB-1 REA required the SFRA to establish a separate account for the purpose of depositing “any revenue … received by SFRA in connection with the use of any other portion” of CB-1 or “any portion of CB-2 or CB-3.” (Section 7.7 (2) and (3) of the CB-1 REA).

Furthermore, the CB-1 REA also states that all money in the separate account shall be used first “to the payment of all costs of maintenance, operation and security of gardens and open space uses developed by SFRA on CB-2 and CB-3” and second “to the payment by SFRA to SFRA’s cultural tenants or operators, in such amount as SFRA shall be obligated to pay such cultural tenants and/or operators for operating, maintaining, repairing and securing SFRA-owned cultural parcels and/or SFRA's subleased property located on CB-2 . . . .” (Section 7.7 (2) of the CB-1 REA). Thus, all money generated from the Successor Agency’s YBG properties on CB-1, CB-2, and CB-3 must be deposited into the YBG separate account and used to fund the operations and maintenance of YBG. For the full excerpt from the CB-1 REA, see Attachment 5.
Also, as mentioned, the $400,000 in Other Funds that is needed to make improvements to the Gardens’ open spaces and childcare facility was partially funded with developer exactions received by the Successor Agency under an April 1, 2008 Owner Participation Agreement between the SFRA (and now the Successor Agency) and Hawthorne Folsom Place, LLC, a Delaware limited liability company (the “Folsom Developer”), for an office project at 680-690 Folsom Street (the “OPA”). Under the OPA, the Developer paid the Successor Agency $110,550 as a “Child Care Fee” and $220,000 as a “Downtown Park Fee” in July 2013 in satisfaction of the Yerba Buena Center Redevelopment Plan (the “YBC Plan”) which required developers to pay certain City development exactions referenced in Planning Code Sections 139 and 314, explained in more detail below:

- Planning Code Section 139, Downtown Park Special Fund, provides the City with the “financial resources to acquire and develop public park and recreational facilities which will be necessary to serve the burgeoning daytime population” in downtown office districts, including the YBC Project Area. Section 139 of the Planning Code imposed a one-time “Downtown Park Fee” on developers of high-rise office buildings which was to be used for this purpose. Under the OPA, the Folsom Developer was required to pay this fee to the Successor Agency (See Attachment 6 for Article 6.6 of the OPA).

- Planning Code Section 314.4, Imposition of Child Care Requirement, “mitigate[s] the impact on the availability of child-care facilities which will be caused by the employees attracted to the proposed development project” and imposes an in-lieu fee on office and hotel development projects to be “used exclusively to foster the expansion of and ease access to child-care facilities affordable to households of low or moderate income.” Under the OPA, the Folsom Developer was required to pay this one-time fee to the Successor Agency (See Attachment 6 for Article 6.5 of the OPA).

C. **Justification** *(Provide additional attachments to this form, as necessary.)*

Under Redevelopment Dissolution Law, the Successor Agency is allowed to make the kinds of necessary repairs to the Gardens noted above until the Gardens is disposed of in accordance with the Successor Agency’s PMP. California Health and Safety Code Section 34171(d)(1)(F) states that “Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, . . . the costs of maintaining assets prior to disposition” are enforceable obligations under Redevelopment Dissolution Law. Therefore, the Successor Agency is allowed under Redevelopment Dissolution Law to spend $400,000 on capital repairs in the Gardens through its contract with its Gardens property manager, as the Successor Agency requested under Line #140 on its ROPS 14-15A.

In addition, the $400,000 the Successor Agency requested under Line #140 is restricted money that can only be used to fund the operations and maintenance of YBG, and for open space and childcare improvements. The $400,000 is comprised of:

1. $330,550 in restricted development exactions from the Folsom Developer that can only be used to pay for improvements to open spaces and childcare facilities pursuant to the OPA, which is an enforceable obligation under Redevelopment Dissolution Law. These funds cannot be used for other purposes, and therefore, cannot be used to fund the Successor Agency’s administrative costs; and

2. $69,450 in restricted YBG lease revenue/user fees that can only be used to pay for the operation and maintenance of the Gardens, pursuant to the CB-1 REA, which is an enforceable obligation under Redevelopment Dissolution Law. These funds cannot be used for other purposes, and therefore, cannot be used to fund the Successor Agency’s administrative costs. In addition, the capital repair and replacement costs for YBG’s complex portfolio of assets, which include public facilities and gardens above a convention center, are significant, and all the YBG reserve funds and
lease revenues/user fees generated off the Successor Agency’s YBG assets on an annual basis are needed to fulfill
the Successor Agency’s obligations to operate and maintain YBG under the CB-1 REA.

Therefore, the Successor Agency requests that Finance allow the Successor Agency to spend $400,000 on Gardens
capital repairs (Line#140) during the ROPS 14-15A period, using $330,550 in Other Funds (i.e., the restricted developer
exactions) and $69,450 in Other Funds (i.e., the restricted YBG lease revenues/user fees).

The Successor Agency also requests that Finance allow the Successor Agency to fund the $510,000 in administrative
costs in Line #9 with $510,000 in RPTTF, since no other funding sources are available.
## Agency Contact Information

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## Department of Finance Local Government Unit Use Only

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Form DF-MC (Revised 9/10/12)