MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Adoption of a resolution approving the Recognized Obligation Payment Schedule for January 1, 2015 to June 30, 2015 (ROPS 14-15B) and supporting documentation, including the administrative budget for the Successor Agency, the expenditure of $2,950,968 in partial repayment to the Low and Moderate Income Housing Asset Fund of the City and County of San Francisco for amounts borrowed from the former Redevelopment Agency Low and Moderate Income Housing Fund, and the expenditure of up to $9,840,000 in excess bond proceeds and accrued interest to provide funds to the City and County of San Francisco for uses consistent with bond covenants.

EXECUTIVE SUMMARY

The attached resolution requests approval of the Successor Agency’s Recognized Obligation Payment Schedule (“ROPS”) 14-15B, for January through June 2015 and supporting documentation, the Successor Agency administrative budget for the ROPS 14-15B period, the expenditure of $2,950,968 in partial repayment of amounts borrowed from the former redevelopment agency Low and Moderate Income Housing Fund, and the expenditure of up to $9,840,000 in excess bond proceeds and accrued interest to provide funds to the City of San Francisco for uses consistent with bond covenants.

Staff provided informational workshops on the draft ROPS 14-15B to the Oversight Board on September 8, 2014 and to the Commission on Investment & Infrastructure on September 12, 2014.

Staff recommends approval of the resolution.

DISCUSSION

ROPS 14-15B is included with the resolution as Exhibit A and consists of 5 worksheets, each of which is discussed below.

1. ROPS 14-15B Detail
Exhibit A-1, the ROPS 14-15B Detail worksheet provides a list of all the Successor Agency payment obligations for the ROPS 14-15B period of January through June 2015, totaling $306.5 million, of which $67.5 million is projected to be expended from bond proceeds, $129.7 million...
from “Other” funds, including developer funds, lease revenues, grants and other sources, $107.8 million is proposed to come from RPTTF non-administrative funds, and $1.455 million from the RPTTF administrative cost allowance.

This worksheet was discussed at an Oversight Board workshop on September 8, 2014. Items separately called out in the resolution requiring distinct Oversight Board approval include:

a. Item 1 & 4 Administrative Budget

California Health and Safety Code §34177(j) requires Successor Agencies to prepare an administrative budget for Oversight Board approval for each six month ROPS period. The ROPS 14-15B administrative budget is included in lines 1 & 4 and comprises $5,484,000, of which $385,000 is from bond proceeds, $3,219,000 is from “other funds” (primarily developer reimbursements and lease revenues), $425,000 is from RPTTF for project management staff salaries and benefits not covered by other funding sources, and $1,455,000 is from the Agency’s Administrative Cost Allowance. This is $72,000 more than the budget in ROPS 14-15A, to cover anticipated increases in salaries and health benefit costs in the second half of the fiscal year and to allow for additional temporary staffing funded by developer reimbursements related to the proposed Warriors arena in Mission Bay and other development activity in approved development project areas.

The proposed administrative cost allowance of $1,455,000 is well below the $3.2 million maximum that would be authorized by Redevelopment Dissolution Law (3% of the non-administrative RPTTF request).

b. Item 12 $3 million partial repayment of $16.5 million Low and Moderate Income Housing Fund Loan

This ROPS 14-15B Item 12 includes $2,950,868 in RPTTF funding to make a partial repayment of the $16,483,000 borrowed by the former San Francisco Redevelopment Agency from the Low and Moderate Income Housing Fund in 2010 to make a Supplemental Educational Revenue Augmentation Fund payment to the State in that year. Under the provisions of Dissolution Law, such loans may be repaid to the housing successor agency (i.e. in our case, the City and County of San Francisco) Low and Moderate Income Housing Asset Fund. The $2,950,868 amount on the ROPS was budgeted by OCII for repayment during this fiscal year.

c. Items 384 – 388, Excess Bond Proceeds

Having received the Finding of Completion, the Successor Agency may include the use of excess pre-2011 bond proceeds on the ROPS, as long as the uses are consistent with the original bond covenants. The Successor Agency previously transferred $785,000 in Bayview Hunters Point excess bond proceeds for the Bayview Opera Plaza, pursuant to ROPS 13-14B Line 368. ROPS 14-15B includes proposals to transfer the remaining $9,840,000 in excess pre-2011 bond proceeds plus accrued interest to the City and County of San Francisco for other uses consistent with the bond covenants, as listed on ROPS Lines 384 -388.
2. **ROPS 14-15B Notes**
Exhibit A-2 provides notes to the ROPS 14-15B Detail worksheet.

3. **Prior Period Adjustment Worksheet for the ROPS 13-14B Period**
Exhibit A-3 is the Prior Period Adjustment Worksheet for the ROPS 13-14B period from January through June 2014, showing how much was authorized and actually expended during that period. The RPTTF columns show savings of $3,168,208 available to offset ROPS 14-15B RPTTF requirements.

Negative expenditures on housing project lines 165, 166, 174, and 228 represent a recharacterization of bond proceeds and other funds committed to housing loans that have not yet been expended yet. Those funds were reported as expended on a prior ROPS worksheet when the funds were committed to the loans. However, the Department of Finance has since clarified that we should back out any amounts not yet actually disbursed.

4. **Cash Balances Report**
Exhibit A-4, the “Cash Balances Report,” shows starting and ending available fund balances for the ROPS 13-14B period, and projected ending balances after the ROPS 14-15A period, in order to give an idea as to how much resources from these balances will be available for the new ROPS 14-15B.

**Row 3** Expenditures from ROPS 13-14B period come from the Prior Period Adjustments worksheet.

**Row 4** “Retention of Available Fund Balance (Actual 6/30/14) reflects cash on hand retained and restricted for such items as debt service reserves, housing loan commitments, tax increment pledged for a particular purpose, tenant deposits, etc.

**Row 5** “ROPS 13-14B Prior Period Adjustment” reflects the amount of leftover tax increment from ROPS 13-14B that can be applied to the request for new tax increment in ROPS 14-15B, and totals $3,168,208.

**Row 6** reflects the ending available cash balances as of June 30, 2014 (not including the ROPS 14-15A tax increment distributed on June 2, 2014 for use during July – December 2014, which is listed separately on Row 8).

**Column C Pre-2011 Bond Proceeds**

**Row 4:** $80M retained as of 6/30/14, consisting of:

- $47M debt service reserves held in trustee accounts
- $33M affordable housing funds pledged as part of financing packages and retained per the terms of AB 471, which allows for the approval of the full amount of affordable housing payment authority in a single ROPS period (even if the disbursements will occur over multiple ROPS periods) if that amount is
required to be committed by lenders, made up of:

- $17M for Hunters View affordable housing
- $15M for 5800 3rd Street affordable housing
- $1M for Alice Griffith affordable housing

**Row 6:** $55M available as of 6/30/2014, consisting of:

- $31M for affordable housing projects
- $10M excess bond proceeds proposed to be disbursed to the City of San Francisco in this ROPS 14-15B for uses consistent with the original bond indentures)
- $7.8M for the Mexican Museum tenant improvements
- $4.3M Transbay infrastructure bonds
- $1.2M is for Yerba Buena Center capital needs
- $0.5M for the Museum of African Diaspora

**Column D Post-2011 Bond Proceeds**

**Row 4:** $21M retained as of 6/30/2014, consisting of debt service reserves held in trustee accounts.

**Row 6:** $55M available as of 6/30/2014, consisting of:

- $28M Mission Bay 2011C and 2014A bond proceeds
- $12M Transbay 2011B bond proceeds
- $13M Alice Griffith affordable housing 2011A bond proceeds
- $2M Bayview and South of Market 2011A & B non-housing bonds, which according to current DOF instructions needs to be retained to defease post-2011 bonds not required to fund enforceable obligations.

**Column E RPTTF DDR Reserve Balances**

**Row 4:** $8.5M RPTTF Reserve Balances dating back to Redevelopment dissolution due diligence reviews (DDRs) retained as of 6/30/2014, consisting of

- $6.0M retained for Alice Griffith affordable housing
- $0.45M retained for 5800 3rd Street affordable housing
- $2.0M retained for Mission Bay South Block 7W affordable housing
## Column F RPTTF Prior ROPS Period Balances

**Row 4:** $2.7M RPTTF Reserve Balances from prior ROPS periods retained as of 6/30/2014, consisting of pledged Mission Bay revenue to be used for affordable housing projects.

## Column G Other Balances

**Row 4:** $62M Other Funds balances retained as of 6/30/2014, consisting of:

- $41M Housing fees and other revenue dedicated to affordable housing
- $12M Yerba Buena Center capital and funds for Mexican Museum, MOAD
- $4M South Beach Harbor and other Port properties
- $3M Hunters Point Shipyard (including community benefits funds)
- $1M Grant funds and program income
- $1M Deposits & Garage accounts

**Row 6:** $55K available Other Funds balance as of 6/30/2014 for general purposes.

## Column H RPTTF

**Row 4:** $35M RPTTF balances retained as of 6/30/2014, consisting of:

- $20M reserve for the August debt service payment
- $7M pledged Mission Bay RPTTF retained for infrastructure,
- $3M pledged Mission Bay RPTTF retained for affordable housing (in addition to specific project listed below)
- $2M pledged RPTTF for housing loan for Mission Bay 7W
- $3M pledged RPTTF to housing loans for Alice Griffith & Hunters View

**Row 6:** $10.6M available RPTTF as of 6/30/2014, consisting of:

- $7.4M savings from ROPS 13-14A being used to fund the ROPS 14-15A RPTTF request for the period July – December 2014.
- $3.2M savings from the ROPS 13-14B period, to be used to fund the RPTTF request in ROPS 14-15B period January – June 2015.

## 5. SUMMARY

Exhibit A-5 is the ROPS Summary worksheet, which brings together data from the other ROPS worksheets.
NEXT STEPS

Upon approval, ROPS 14-15B will be submitted to State and City Controller ("Controller"). DOF will complete its review of the ROPS within 45 days of submission.

Should the Agency wish to dispute any of DOF’s determinations on ROPS 14-15B, then the Agency may request an opportunity to meet and confer with DOF. The meet and confer request must be made within five business days of DOF’s determination, and DOF will notify the Agency and the Controller as to the outcome of that review at least 15 days before the January 2, 2015 property tax distribution. Staff will provide ongoing updates to the Oversight Board as we receive feedback from DOF on this ROPS.

Concurrently with DOF review, the Successor Agency will confer with the City and County of San Francisco Controller’s Office as to how much RPTTF is anticipated to be available for distribution on January 2, 2015, and whether there is likely to be a deficiency compared to the RPTTF request in ROPS 14-15B to meet debt service requirements. Should we identify a deficiency, Successor Agency staff will work with the City and County Controller and Treasurer’s Office to come forward with a proposal for a loan from the City to cover the deficiency, as allowed for by Redevelopment Dissolution Law. Such a loan would be conditional upon approval by the Oversight Board and DOF. In order to avoid triggering subordination of AB 1290 pass-throughs, such a loan would need to be approved prior to the ROPS 14-15B RPTTF distribution date of January 2, 2015.

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

Tiffany Bohrer
Executive Director