MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Approval of the Successor Agency’s Long-Range Property Management Plan (“PMP”) governing the disposition of real property under Redevelopment Dissolution Law

EXECUTIVE SUMMARY

Two companion bills passed by the California State Assembly, commonly known as AB 26 and AB 1484 (“Redevelopment Dissolution Law”) require successor agencies to redevelopment agencies to prepare a Long-Range Property Management Plan (“PMP”), which presents an inventory and disposition plan for all the property the successor agency owns or leases. Each PMP must be submitted to the successor agency’s Oversight Board and the State Department of Finance (“DOF”) for approval. DOF wants to make sure each successor agency is disposing of its real property pursuant to the restrictions of Redevelopment Dissolution Law and in a way that maximizes the benefits to the taxing entities.

The Successor Agency to the City and County of San Francisco (the “Successor Agency”), otherwise known as the Office of Community Investment and Infrastructure (“OCII”), has prepared its PMP in compliance with Redevelopment Dissolution Law. It is attached to Oversight Board Resolution No. 12-2013 as Exhibit A. For the most part, the contents of the PMP reflect the information already presented to the Oversight Board at two workshops on September 9, 2013 and October 28, 2013. However, certain disposition plans have changed slightly since the workshops, and these changes are highlighted in the next section by an asterisk. In addition, there is only one property that potentially may result in sales proceeds distributable to taxing entities, and that is the Commercial Air Rights Parcel at the Fillmore Heritage Center.

Staff is seeking the Oversight Board’s approval of OCII’s PMP, in compliance with Redevelopment Dissolution Law. At its meeting of November 19, 2013, the OCII Commission recommended the Oversight Board’s approval of the PMP (See Commission Resolution No. 53-2013, attached as Attachment C). The PMP must be submitted to DOF by November 29, 2013.

Staff recommends approval of OCII’s PMP.

DISCUSSION

The following summarizes the disposition plans included in OCII’s PMP, attached to Oversight Board Resolution No. 12-2013 as Exhibit A. Capitalized terms used below coincide with their
defined terms in the PMP. Disposition plans that have changed slightly since the two recent workshops are highlighted in this section by an asterisk.

Transbay

Under Transbay enforceable obligations, the Successor Agency is required to exercise its purchase options on the Transbay Property (which is comprised of Market-Rate Parcels, Affordable Housing Parcels, and Park Parcels), and own these parcels until they are either: (i) sold for private development, (ii) developed as affordable housing, or (iii) developed as public parks. The Successor Agency proposes the following disposition plan pursuant to Redevelopment Dissolution Law for the Transbay Property:

- **Market-Rate Parcels**
  - Future Ownership (Blocks 4, 5, 8, and 9 and Parcel F) — Acquire and sell at market value to third-party developers pursuant to the Transbay Implementation Agreement. The estimated sales dates are between 2014 and 2020.
  - Sales proceeds — Sales proceeds are restricted under the Transbay Pledge Agreement and must be used to help pay the cost of designing and constructing the new TTC (pursuant to the Transbay Pledge Agreement, the Transbay Implementation Agreement, and the Transbay Option Agreement).

- **Affordable Housing Parcels**
  - Current Ownership (Block 11A) — Retain until affordable housing is complete to fulfill Transbay enforceable obligations (i.e., to ensure funding and development of affordable housing to meet the state-mandated 35% affordable housing requirement in Transbay). Once the affordable housing is complete, the Successor Agency will transfer it to the City as Housing Successor pursuant to Redevelopment Dissolution Law. The estimated transfer date is 2014.
  - Current Ownership (a portion of Block 1) — Retain until parcel can be aggregated with adjacent private parcels, sell at market value to adjacent property owner, and use proceeds for, or require on-site development of, affordable housing. The estimated sales date is 2014.
  - Future Ownership (Blocks 2, 7 and 12 and portions of Blocks 4, 6, 8, and 9) — Acquire and retain to fulfill Transbay enforceable obligations (i.e., to ensure these parcels are developed into affordable housing to meet the state-mandated 35% affordable housing requirement in Transbay). Once the affordable housing is complete, the Successor Agency will transfer it to the City as Housing Successor pursuant to Redevelopment Dissolution Law. The estimated transfer dates are between 2014 and 2020.

- **Park Parcels**
  - Current Ownership (Block 11B) — Retain to fulfill an enforceable obligation (i.e., ensure Block 11B is developed into a park). Once the park is complete, the Successor Agency will transfer it to the City for a governmental purpose (i.e., a public park). The estimated transfer date is 2016.
Future Ownership (Block 3) — Acquire and retain to fulfill an enforceable obligation (i.e., ensure Block 3 is developed into a park). Once the park is complete, the Successor Agency will transfer it to the City for a governmental purpose (i.e., a public park). The estimated transfer date is 2019.

Mission Bay

Under Mission Bay development agreements, the developer is required, among other things, to develop Park Parcels on land owned by the City and County of San Francisco (the “City”). The Successor Agency is required to lease, in phases, the Park Parcels from the City (as they are developed into parks) and maintain them using funds generated from a community facilities district (the “Maintenance CFD”). Under the CFD formation documents, the Successor Agency administers the Maintenance CFD until fiscal year 2043-44. A 2001 Ground Lease with the City, which terminates in 2045, implements the Successor Agency’s obligation to lease and maintain the Mission Bay Park Parcels (the “Agency Lease”). To date, the Successor Agency has leased about 13.2 acres under the Agency Lease (the “Completed Parks”) and will lease an additional 27.3 acres when they are complete (the “Future Parks”).

In addition, the Mission Bay development agreements require the developer to contribute “building ready” Affordable Housing Parcels to the Successor Agency after the Developer has remediated hazardous materials, graded the sites, and provided infrastructure for the development of affordable housing. The Successor Agency is required to use the Affordable Housing Parcels solely for the development of affordable housing units using tax increment generated from Mission Bay.

In light of the Redevelopment Dissolution Law’s wind down of former redevelopment agency activities, the Successor Agency proposes the following disposition plan providing for the early termination of the Agency Lease for the Park Parcels, subject to the Mission Bay master developer’s consent, and the transfer of Affordable Housing Parcels to the City as Housing Successor after the Successor Agency fulfills its obligation to fund and develop affordable housing on the parcels:

- **Park Parcels** — Continue to lease the Completed Parks (Parks NP1-5, P1, P10, P16-18, and P21) under the Agency Lease and add Future Parks (Parks P2-3, P5-7, P8-9, P11, P11A, P12-13, P15, P19-20, P22-24, and P26-27) to the Agency Lease as they are developed into parks. The Successor Agency will ensure completion of all Future Parks and then terminate its leasehold interests and transfer the property management responsibility of all the Park Parcels to the City for a governmental purpose (i.e., a cohesive public park system). The estimated transfer date is 2022. Attachment A includes letters from Mission Bay stakeholders expressing their preferences for the future ownership and management of the Park Parcels.

- **Affordable Housing Parcels** — Acquire and retain the Affordable Housing Parcels (Blocks 3 East, 4 East, 6 East and West, 7 West, 9 and 9A, and 12 West) to fulfill the Successor Agency’s obligation under the OPAs to develop Affordable Housing Parcels and, upon completion of each specific development, transfer it to the City Housing
Successor, as required under Redevelopment Dissolution Law. The estimated transfer dates are between 2015 and 2022.

Please see Attachment A for support letters from Mission Bay stakeholders.

**Hunters Point Shipyard/Candlestick Point (the “Shipyard”)**

The Property (defined below) subject to this PMP includes property in Phase 1 and Phase 2 and is comprised of (1) property the Successor Agency owns or will own in the future and convey to the Developer for private development (i.e., residential and commercial) (the “Developer Property”) (2) property the Successor Agency owns or will own to develop affordable housing (the “Affordable Housing Parcels”), (3) property the Successor Agency owns or will own to develop public parks and open space (the “Park Parcels”), (4) property the Successor Agency owns or will own to develop public streets and transportation networks (the “Street Parcels”), and (5) property the Successor Agency owns or will own to develop community-serving uses (the “Community Facility Parcels”) (together, the “Property”).

Under the Shipyard enforceable obligations, the Successor Agency assembles most of the land for the project (except for certain privately owned parcels to be acquired directly by the Developer), and then must transfer property to the Developer for the private development, and retain the Affordable Housing Parcels, the Park Parcels, the Street Parcels and the Community Facilities Parcels (collectively, the “Public Property”) and ensure they are developed with these public uses consistent with the DDAs. In addition, the Successor Agency has obligations under state law to ensure that certain “public trust land” are developed and used for purposes consistent with the public trust. The Successor Agency may either transfer the entirety of a sub-phase to the Developer for horizontal development, with an obligation by the Developer to transfer back the Public Property once the streets and lots are completed, or the Successor Agency may retain all of the Public Property in a sub-phase and allow the Developer to access the Public Property as required to complete the streets and lots.

The Successor Agency submits the following disposition plan pursuant to Redevelopment Dissolution Law for the Property:

- **Land Assembly.** Acquire the property in Phase 2 from the Navy once the properties have been remediated to their intended land use per the enforceable obligations for the Project and from the City and the State as needed in connection with the development of the Project, and then transfer them in accordance with the DDAs (with other assembled land from the City and the State) to the Developer for development. The transfer dates are expected to occur between 2016 and 2039.

- **Affordable Housing Parcels.** Retain Affordable Housing Parcels in Phase 1 and acquire and retain Affordable Housing Parcels in Phase 2 to fulfill the Successor Agency’s enforceable obligations under the DDAs to develop the Affordable Housing Parcels. The Successor Agency intends to provide the affordable housing developer for each

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1 All references in this PMP to the Successor Agency’s “retention” of property include the possibility of transfer to the Developer with a mandated transfer back to the Successor Agency when the Developer completes the streets, infrastructure, mapping, and lots, i.e., after the Developer has completed all horizontal obligations.
Affordable Housing Parcel with a ground lease to provide site access to construct the affordable housing, as well as apply long term affordability restrictions to the project. Upon completion of each specific vertical development, the land and the vertical housing project will be transferred to the City as the Housing Successor Agency, as required under Redevelopment Dissolution Law. In the case of the Affordable Housing Parcels and vertical housing projects associated with the Alice Griffith Public Housing Replacement Project, the Successor Agency will transfer these parcels and projects to the San Francisco Housing Authority ("SFHA") for a governmental purpose, pursuant to the Project’s enforceable obligations. The estimated transfer dates are expected to occur between 2018 and 2039.

- **Park Parcels.** Retain Park Parcels in Phase 1 and acquire and retain Park Parcels in Phase 2 to fulfill the Successor Agency’s enforceable obligations under the DDAs to ensure the Developer completes the park improvements on the Park Parcels. U.S. Department of Commerce’s Economic Development Administration ("EDA") grant funds were used in 2011 to construct a community facility building within a Phase 1 park. The building is part of the park’s program. The Successor Agency has an enforceable obligation to ensure the Park Parcels are developed and maintained consistent with the DDA’s park designs, the EDA grant, are financially self-sustaining, and to use the funding from the parks operations community facility district set up for this purpose. Upon completion of each specific “major phase and sub phase” of development, the finished interlocking Park Parcels will be transferred to the City for a governmental purpose; provided, however, that if the Park Parcels are subject to the Public Trust, the transfers shall be approved by the State Lands Commission under SB 792; and provided further if the Park Parcels are subject to the Phase 2 DDA, the transfer shall not materially adversely impair the Developer’s or a Vertical Developer’s performance under the Phase 2 DDA. The estimated transfer dates are between 2020 and 2039.

- **Street Parcels.** Retain Street Parcels in Phase 1 and acquire and retain Street Parcels in Phase 2 to fulfill the Successor Agency’s obligations under the DDAs to ensure the Developer completes the street improvements on the Street Parcels. The DDAs include an Acquisition Agreement under which the Developer will construct and the City will accept infrastructure which includes but is not limited to utilities, roads, sidewalks, street furniture, and components of transportation systems. Upon completion of each specific “major phase and sub phase” of development, the finished Street Parcels will be transferred to the City for a governmental purpose consistent with the DDAs’ requirements for acquisition and payment of Street Parcels. The estimated transfer dates are between 2015 and 2039.

- **Community Facilities Parcels**
  - **Vacant Land.** Retain the vacant land in Phase 1, and acquire and retain additional raw land in Phase 2, all of which has been designated for community facilities (including but not limited to school and fire station properties). Upon completion of each specific “major phase and sub phase” of development, these Community Facilities Parcels will be transferred to the City as finished developable lots for future development potentially with a community development corporation, community land trust, public entity, or not for-profit organization with the requirement that the
City facilitate the timely development of these facilities in a manner consistent with the DDAs. The estimated transfer dates are between 2015 and 2039.

- **Artist Studios.** Retain Building 101, and acquire and retain a new artist studio building (the “Artist Replacement Building”), both of which have been designated as permanent artist studio space to ensure the Developer completes the Artist Replacement Building and the permanent infrastructure serving both buildings. Upon completion of the Developer’s obligations (and once artists have moved into the Artist Replacement Building), these Artist Replacement Buildings will be transferred to the City to ensure continued affordability of the Artist Studios as required by the Phase 2 DDA. The estimated transfer dates are between 2015 and 2022.

- **Building 813.** Acquire and rehabilitate Building 813 as described in the Phase 2 DDA. Upon the completion of the Developer’s obligation to construct infrastructure to serve the building, Building 813 will be transferred to the City so that the City may oversee the development of a center for the incubation of emerging businesses and technologies. The estimated transfer dates are between 2014 and 2026.

The Successor Agency also leases a number of buildings from the Navy for temporary facilities (i.e., artist studios, storage/construction staging, and for the San Francisco Police Department (the “Temporary Facilities”). The Successor Agency will continue leasing the Temporary Facilities until the applicable land is conveyed to the Developer for development as described above. Lease terminations are expected to occur between 2016 and 2021.

**Yerba Buena Gardens (“YBG”)**

The YBG Properties are a collection of urban mixed-use spaces that include commercial and retail properties, cultural facilities, performance venues, recreational venues, and vast amounts of public open space that includes garden areas, plazas, children’s play areas, artwork, a historic carousel, and fountains.

The Successor Agency proposes to transfer the YBG Properties to the City for a governmental purpose (i.e., parks, recreational facilities, children’s facilities, cultural facilities), since the properties were constructed with public funds and used for a public purpose. The City has agreed to accept the YBG Properties for a governmental purpose and manage them as a single, unified set of properties using a restricted revenue source generated from the YBG Properties. The Successor Agency’s restricted revenue stream and related enforceable obligations will be transferred along with the YBG Properties to the City, so the City can continue to fulfill the Successor’s Agency’s long-term obligations. Since the YBG Properties will be transferred to the City for a governmental purpose, the transfer value is zero.

The YBG Properties are by far the largest and most complicated portfolio of properties that the Successor Agency owns and manages. Therefore, the Successor Agency is estimating the transfer date of the YBG Properties in either 2014 or 2015. Attachment B includes letters from YBG stakeholders expressing their preferences for the future ownership and management of the YBG Properties.

Please see Attachment B for support letters from YBG stakeholders.
Other Properties

A. Fillmore Heritage Center - Garage Parcel and Commercial Air Rights Parcel*. The disposition plan for the Garage Parcel is a sale at market value. Because the land is part of the Garage Parcel, any proceeds from a sale will be considered Community Development Block Grant ("CDBG") program income because the land was purchased with federal urban renewal grant funds.2 The disposition plan for the Commercial Air Rights Parcel is a transfer to the City to continue enforcing the ground lease with the developer. The ground lease has a 35-year term, and allows the developer to pay the remaining balance of the purchase price for the land (about $3.0 million) to the Successor Agency over the term of the ground lease, after the developer pays off its loan to the City. Any payments the Successor Agency receives pursuant to the ground lease would be available for purposes consistent with Redevelopment Dissolution Law. The Successor Agency believes a governmental purpose exists in this case because of the significant investment of federal funds in the property and the obligation to repay the City’s loan with the U.S. Department of Housing and Urban Development, or HUD (the “HUD Loan”). In the likely event that the City forecloses on its leasehold interest in the Commercial Air Rights Parcel, the Successor Agency will sell the Commercial Air Rights Parcel at market value with the proceeds distributed first to the City to repay the HUD Loan and second to the Successor Agency for purposes consistent with Redevelopment Dissolution Law.

B. Land Leased to Kroger’s Grocery Store*. The Successor Agency currently ground leases land to Kroger’s grocery store chain to operate a grocery store at 345 Williams Street. The ground lease is an enforceable obligation that could remain in effect until 2031 if Kroger’s exercises each of its remaining options. The Successor Agency could attempt to sell the land at fair market value, with the ground lease in place. It is very unlikely, however, that there would be interest in the land given that it is encumbered, potentially until 2031, with a below-market ground lease. If a buyer was found, the proceeds from the sale would be considered CDBG program income because the land was purchased with CDBG funds, and would not be distributable to the taxing entities.

Given these restrictions, the Successor Agency has a property management function that preserves the community development purposes for the land, a function that the City could assume as the administrator of the CDBG program. Accordingly, the Successor Agency proposes transferring the land to the City so the City can assume the obligation of managing the property and the ground lease. Transferring the land to the City would also ensure that the original economic development purpose for acquiring the land — that is, to develop a full-service supermarket in an underserved neighborhood — continues to be met, particularly in the event that Kroger’s does not exercise its remaining options.

Preservation of the supermarket on the land remains critical and a high priority for the City.3 Even with this grocery store, portions of the Bayview-Hunters Point neighborhood

2 See Closeout Agreement by and between the Redevelopment Agency and the City Relating to Western Addition Area Two Redevelopment Project (June 16, 2982) which requires that all “proceeds from the sale or lease of such property after financial settlement . . . shall be treated as program income to the Community Development Block Grant Program” (the “Closeout Agreement”).
3 In September 2013, the San Francisco Board of Supervisors adopted the Health Food Retailer Ordinance, the goal of which is to protect “public health by ensuring that healthy, fresh, sustainable, and affordable food is accessible to
still have very limited access to fresh, healthy and affordable food. Approximately half of the neighborhood has been designated as a “food desert” by the U.S. Department of Agriculture. Similarly, the City’s Department of Public Health gave the Bayview-Hunters Point neighborhood a “food market score” of only 33 out of 100, one of the lowest in the City.

C. Remnant Parcels. The Successor Agency proposes the following disposition plan for these remnant parcels:

India Basin Industrial Park
- Burke Street Parcels – The Successor Agency proposes to transfer these parcels to the City for a governmental purpose (i.e. public streets).
- Cargo Way Sidewalk Parcels – The Successor Agency proposes to transfer these parcels to the City for a governmental purpose (i.e. public sidewalks).

Yerba Buena Center
- Sliver Parcels – The Successor Agency proposes to sell two slivers of land at fair market value to the San Francisco Housing Authority, which owns the adjacent land under Clementina Towers and the Eugene Coleman Community House.
- Bonifacio and Rizal Sidewalk Parcels – The Successor Agency proposes to transfer these parcels to the City for a governmental purpose (i.e. public sidewalks).

Western Addition
- Ellis Street Driveway Parcel – The Successor Agency proposes to sell this parcel at fair market value.

D. Land Leased from the Port of San Francisco. The Successor Agency continues to lease a large swath of waterfront land from the Port of San Francisco (the “Port”) in the Rincon Point-South Beach Redevelopment Project Area (the “Leased Land”). Since 1984, the Port entered into 16 different leases with the SFRA (the “Port Leases”) to allow the SFRA to develop the Port’s property over time, and in stages, in accordance with the Rincon Point-South Beach Redevelopment Plan (the “RP-SB Plan”). The SFRA undertook significant waterfront improvements, including the development of South Beach Harbor.

Given that the Leased Land is subject to the public trust, state law and the Port Leases establish certain standards for the termination of the Port Leases prior to, or upon,

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4 Food Deserts are defined by the USDA as “as urban neighborhoods and rural towns without ready access to fresh, healthy, and affordable food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that offer few healthy, affordable food options.” http://apps.ams.usda.gov/fooddeserts/foodDeserts.aspx.

5 The Food Market Score is a combined measure of the quality, quantity, and proximity of all retail food resources near any one point. A high Food Market Score indicates that a neighborhood is geographically close to a range of different food store types. http://www.sustainablecommunitiesindex.org/city_indicators/view/45
completion of the redevelopment program that is described in the RP-SB Plan and related documents. The Successor Agency proposes to terminate the Port Leases (and other ancillary agreements) and transfer the Leased Land back to the Port, pursuant to state law and the Port Leases (along with any balance in the South Beach Harbor operating bank account that is used for receiving harbor-related revenues and paying harbor-related bills), subject to any approvals required by the State Lands Commission and the San Francisco Bay Conservation and Development Commission ("BCDC"). At the same time the Port Leases are terminated, all subleases with the Successor Agency will convert to direct leases with the Port. The estimated transfer date is June 2014.

E. Westbrook Health Clinic and Garage. The Successor Agency owns two parcels located at 227-255 Seventh Avenue in the former South of Market Redevelopment Project Area that comprise a portion of Westbrook Plaza, a mixed-use project containing affordable housing and a neighborhood-serving health clinic. Westbrook Plaza contains three parcels: (1) Block 3731, Lot 240, which is currently owned by the Successor Agency and includes land and an underground garage serving the project; (2) Block 3731, Lot 241, an airspace parcel currently owned by the Successor Agency that is leased to and contains the South of Market Health Center ("SMHC"); and (3) Block 3731, Lot 242, an airspace parcel that is owned by the Housing Successor Agency, leased to Mercy Housing California ("Mercy Housing") and contains 48 units of affordable housing for low-income families.

The Successor Agency proposes to transfer Block 3731, Lots 240 and 241 (the "Site") to the Housing Successor Agency pursuant to Redevelopment Dissolution Law. Section 34176 (f) of the Redevelopment Dissolution Law states: "If a development includes both low- and moderate-income housing that meets the definition of a housing asset under subdivision (e) and other types of property use, including, but not limited to, commercial use, governmental use, open space, and parks, the oversight board shall consider the overall value to the community as well as the benefit to taxing entities of keeping the entire development project intact or dividing the title and control over the property between the housing successor and the successor agency or other public or private agencies."

The City's Housing Successor already owns Block 3731, Lot 242, the airspace parcel that includes the affordable housing development. Transferring Block 3731, Lots 240 and 241, to the Housing Successor Agency would keep the entire development project intact. The overall value of Westbrook Plaza is enhanced by keeping it intact as was originally intended. The affordable housing complements the vision of the health clinic to serve the needs of low-income households, and the residents of the affordable housing benefit from having the clinic within their building. In addition, because the two uses share various operating expenses, having the entire development owned by a single entity will result in greater management efficiency.

F. Shoreview Park and Mini-Parks. The Successor Agency owns seven mini-parks located in the former Hunters Point Redevelopment Project Area (the "Mini-Parks"). The seven Mini-Parks are identified by their former redevelopment disposition parcel names (i.e., D-2, DD-4 (Shoreview Park), E-2, E-4, F-2, FF-7, and HH-2). The former redevelopment agency (the "SFRA") acquired the Mini-Parks as part of a larger land acquisition from the San Francisco Housing Authority ("SFHA") and the City in the late 1960s/early 1970s to fulfill the redevelopment program contained in the Hunters Point Redevelopment Plan (the
“HP Plan”). The land was acquired at little or no cost and then sold to residential developers to create the new Hunters Point community. New open spaces and parks were also built, and the SFRA was able to transfer other park lands it owned to adjacent property owners. It was unable to transfer the seven Mini-Parks for a variety of reasons and continues to own them. Due to their irregular shapes and topographical challenges, the Mini-Parks are not useable for anything other than open space. They were all improved with open space areas, pedestrian walkways and stairs, and are currently maintained by either the City and County of San Francisco (the “City”) or the adjacent property owners. Only one Mini-Park (DD-4), otherwise known as Shoreview Park, is still maintained by the Successor Agency.

The Successor Agency proposes the following disposition plan. Two Mini-Parks (DD-4 and FF-7) are adjacent to parks owned and maintained by the City. These two Mini-Parks will be transferred to the City for a governmental purpose. The remaining five Mini-Parks (D-2, E-2, E-4, F-2, and HH-2) primarily serve as open space and walkways for the adjacent affordable housing projects. These Mini-Parks will be sold at fair market value to the adjacent property owners. The fair market value is estimated to be zero because they have no development potential and have already been improved with open space areas, pedestrian walkways and stairs. The transfer date is expected in 2014/2015.

G. Contemporary Jewish Museum Air Rights Parcel. The Successor Agency owns an airspace parcel that is located both above and below the Contemporary Jewish Museum (the “Jewish Museum”) (the “Museum Airspace Parcel”). The SFRA originally acquired the land on which the Jewish Museum sits during the 1960s and 1970s with federal urban renewal funds, and was required to use the federal funds to carry out redevelopment activities in accordance with the Yerba Buena Center Redevelopment Plan (the “YBC Plan”) and the federal standards for urban renewal under Title I of the Housing Act of 1949. Toward that end, the SFRA entered into a disposition and development agreement with the Jewish Museum in 1995 for the development of a 63,000-square-foot museum on the site, which included a historic brick power station, known as the “Jessie Street Substation” (as amended and restated, the “DDA”). In 2006, the SFRA sold the land and the airspace for the future Jewish Museum to the Jewish Museum, but retained ownership of the Museum Airspace Parcel. The Jewish Museum opened in 2008, and included space in the renovated Jessie Street Substation and new construction.

The Successor Agency proposes to sell the Museum Airspace Parcel to the Jewish Museum, as the only interested buyer, for fair market value. The Museum Airspace Parcel has no market value, because it is undevelopable. The Jewish Museum has expressed an interest in purchasing the Museum Airspace Parcel with use restrictions that allow museum and ancillary uses only.

H. Moscone Convention Center (North). The Successor Agency continues to own Moscone Convention Center North (“Moscone North”). In 1988, the SFRA and the City entered into a lease for Moscone North to facilitate the expansion and financing of the Moscone Center (the “Lease”). The SFRA issued $140 million in lease revenue bonds to build Moscone North, which opened in 1992. Since then, the City has operated the convention facilities pursuant to the Lease. The premises under the Lease includes the following land and improvements: (1) the esplanade ballroom and administration building on the rooftop
surface (i.e., the land) of Central Block-3, and (2) an above-ground lobby on the Central Block-2 side of Howard Street, (3) an underground portion of Howard Street connecting the Moscone North and South buildings on both sides of Howard Street, and (4) an expansive underground section of land on Central Block-2.

The Successor Agency proposes to transfer Moscone North to the City pursuant to an enforceable obligation (i.e., the Lease). According to the Lease with the City, Moscone North must transfer to the City once the City pays off the construction bonds and deferred rental payments. That is expected to happen in 2014. At that time, and assuming agreement can be reached on outstanding deferred rental payments, the property would transfer to the City pursuant to this enforceable obligation.

I. Golden Gateway Easement.* The SFRA, and now the Successor Agency, holds an easement on behalf of Pacific Telephone & Telegraph Company and its successor-in-interest, AT&T (collectively, “AT&T”) along a portion of former Jackson Street that was vacated in the early 1960s as part of the redevelopment program implemented according to the former Embarcadero-Lower Market Approved Redevelopment Plan (Golden Gateway), which expired by its own terms on January 1, 2011 (the “Easement”). AT&T does not maintain facilities within the easement and has no future requirements for its use. Nonetheless, the use of the Easement is restricted under the terms of a Purchase and Sale Agreement between the Port and San Francisco Waterfront Partners approved by the Port Commission (Resolution No. 12-47) and the Board of Supervisors (No. 226-12). Under these approved agreements, the area subject to the Easement must be dedicated as a public street for park and open space purposes only. The Successor Agency therefore proposes to transfer the Easement to the City for a governmental use purpose.

J. Affordable Housing — 5800 Third Street. This property is an approximately 64,360-square-foot unimproved parcel on Carroll Avenue at Third Street that will be developed into 121 units of very low-income senior rental housing. The disposition plan is to retain the property to fulfill the enforceable obligation to fund and complete the project, and provide the affordable housing developer with a ground lease to provide site access to construct 121 units of senior rental housing available to very low-income households over the age of 62 years, as well as provide long term affordability restrictions to the project. Upon completion of the project, currently estimated in 2015, the Successor Agency will transfer the fee interest in the land, the ground lease, and the related loan agreement to the City as Housing Successor.

K. Affordable Housing — 200 6th Street and 474 Natoma Street. These two affordable housing properties are related to the Successor Agency’s enforceable obligation to replace affordable housing units that it previously destroyed and did not replace. These “Replacement Housing Properties” are: (1) an approximately 9,997-square-foot parcel with a vacant building slated for demolition at the northwest corner of 6th Street and Howard Street that will be developed into 66 units of very low-income family rental housing (the “200 6th Street Family Housing Site”), and (2) an 11,875-square-foot parcel located on Natoma Street between 5th and 6th Streets that is currently nearing completion of the construction of 60 units of low- and very low-income family rental housing (the “474 Natoma Family Housing Street Site”).
The Replacement Housing Properties are being developed in fulfillment of the Successor Agency’s obligation to replace 6,709 units destroyed and never replaced by the SFRA prior to 1976 ("Replacement Housing Obligation"). The State Legislature enacted special legislation in 2000 acknowledging that the SFRA had an unfulfilled replacement housing obligation resulting from its destruction of housing that had been occupied by lower income persons. This legislation is Senate Bill No. 2113, Statutes 2000, Chapter 661 § 1 and is codified at California Health & Safety Code § 33333.7 ("SB 2113"). (All future statutory references are to the California Health and Safety Code.) Pursuant to SB 2113, SFRA has collected tax increment from designated redevelopment project areas ("SB 2113 Funding") for the purpose of creating affordable housing units to offset the Replacement Housing Obligation. A Final and Conclusive Determination Request regarding the Successor Agency’s Replacement Housing Obligation was submitted to the Department of Finance ("DOF") on October 21, 2013. The 200 6th Street Family Housing and 474 Natoma Family Housing projects utilize SB 2113 funding and the completion of those projects results in replacement units that go toward fulfilling the Successor Agency’s Replacement Housing Obligation. The disposition plan for these properties is as follows:

**200 6th Street Family Housing Site:** Retain the property to fulfill the enforceable obligation to fund and complete the project, and provide the affordable housing developer, Mercy Housing California, with a ground lease to provide site access to construct 66 units of family rental housing available to very low-income households, as well as provide long term affordability restrictions to the project. Upon completion of the project, currently estimated in 2016, the Successor Agency will transfer the fee interest in the land, the ground lease, and the related loan agreement to the City as Housing Successor under Section 34181(c).

**474 Natoma Family Housing Site:** Retain the property to fulfill the enforceable obligation to fund and complete the project. Upon completion of the project, which is comprised of 60 units of family rental housing available to low- and very low-income households, and is scheduled for early 2014, the Successor Agency will transfer the fee interest in the land, the existing ground lease (dated April 19, 2011 between SFRA and the affordable housing developer, 474 Natoma LLC, a BRIDGE Housing company), and the related loan agreement to the Housing Successor Agency under Section 34181(c).

**COMMUNITY OUTREACH**

Ongoing discussions about the PMP have been occurring at the regularly scheduled monthly meetings of the citizen advisory committees in Mission Bay, Transbay, and Hunters Point Shipyard. Special meetings in Yerba Buena Gardens have been occurring every two weeks with community stakeholders, OCII staff, and City representatives.

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6 The Replacement Housing Obligation is also the subject of Oversight Board Resolution No. 5-2012 (April 10, 2012) (finding that the Successor Agency had assumed the “former SFRA’s enforceable obligations . . . [to] develop approximately 6700 affordable housing units . . . to replace affordable housing units that the SFRA previously destroyed and did not replace as part of an obligation imposed by state law under Sections 33413 (a), 33333.8 and 33333.7 of the California Health and Safety Codes.”), and particular expenditures on previous ROPS that DOF has approved, see e.g. Line 146 of ROPS III.
OCII staff has also met with members of other affected communities who have requested a meeting to discuss a specific property. For example, (1) OCII staff met with members of the Hunters Point community on October 31, 2013 to discuss the future of Shoreview Park, (2) OCII staff met with members of the South Beach community on November 7, 2013 to discuss the future of South Beach Harbor, and (3) OCII staff attended a community meeting in the Western Addition on November 9, 2013 to discuss the future of the Fillmore Heritage Center.

CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA")

The Oversight Board’s approval of OCII’s PMP is exempt from CEQA on the following grounds: (1) under Section 15262 of the State CEQA Guidelines, the PMP is a planning study for a future action that has not yet been approved and does not legally bind the Successor Agency to transfer the Agency Property; (2) under Section 15061 (b) (3) of the CEQA Guidelines, the PMP does not have the potential for causing a significant effect on the environment because it merely provides documentation for pre-disposition and planning activities; and (3) under Section 15268 of the CEQA Guidelines, the PMP is a ministerial act required under the Redevelopment Dissolution Law.

NEXT STEPS/TIMING OF PMP APPROVALS

Redevelopment Dissolution Law requires each successor agency to submit an oversight board-approved disposition plan, or PMP, to DOF within six months of receiving a “finding of completion” from DOF. That “finding of completion” is DOF’s approval of the successor agency’s audits and the amount of money the successor agency transmitted to the state for distribution to the taxing entities, as a result of those audits. OCII received its “finding of completion” from DOF on May 29, 2013. That means OCII must submit its Oversight Board-approved PMP to DOF by November 29, 2013.

At its meeting of November 19, 2013, the OCII Commission recommended the Oversight Board’s approval of the PMP (See Commission Resolution No. 53-2013, attached as Attachment C). Assuming the Oversight Board approves the PMP, staff will submit it to DOF before the above deadline. DOF does not have a deadline for approving OCII’s PMP. Staff will keep the Oversight Board informed of DOF’s approval process.

(Originated by Tracie Reynolds, Manager, Real Estate and Development Services)

Tiffany Behee
Executive Director

Attachment A: Mission Bay Parks Support Letters
Attachment B: Yerba Buena Gardens Support Letters
Attachment C: Commission Resolution No. 53-2013