MEMORANDUM

TO: Oversight Board
FROM: Tiffany Bohee, Executive Director
SUBJECT: Approval of the Recognized Obligation Payment Schedule for July 1, 2014 to December 31, 2014 (ROPS 14-15A), including the Administrative Budget for the Successor Agency, and supporting documentation

EXECUTIVE SUMMARY

Chapter 3 of Part 1.85 of ABx1 26 ("AB 26") describes the responsibilities required of Successor Agencies to dissolved Redevelopment Agencies, and the first requirement per section 34177(a)(1) is to “continue to make payments due for enforceable obligations.” AB 26 requires the creation of a Recognized Obligation Payment Schedule ("ROPS") to set forth the minimum payment amounts and due dates of payments required by those enforceable obligations for each six-month fiscal period. AB 1484 modified the requirements for preparing and submitting the ROPS by creating specific timeframes and procedures for submittal and imposing penalties for late submittals. Oversight Board approved ROPS are due to the State Department of Finance ("DOF"), the State Controller’s Office, and the City Controller no later than March 1st for ROPS covering the July to December period of a fiscal year (known as the “A” period ROPS) and by October 1st for ROPS covering the January to June period (known as the “B” period ROPS).

OCII must now prepare and seek approvals for “ROPS 14-15A”, which covers July through December 2014, or the first half of Fiscal Year 2014-2015. Staff provided informational workshops on the draft ROPS 14-15A to the OCII Commission on February 4, 2014 and to the Oversight Board on February 10, 2014. Staff is now seeking Oversight Board approval of the final ROPS 14-15A at the meeting on February 24, 2014.

Since the February 10th workshop, staff has learned new information from DOF on how expenditures made after a ROPS period may be accrued back to a given ROPS. In general, expenditures made up until the submittal of the “true-up” for a ROPS can be accrued to that given ROPS period. DOF has given further instructions on the use of DDR Retained Balances, how to reflect any “carry-over balances”, and how to accrue expenditures made after a ROPS period back to the originating ROPS period. The net effect of these new instructions has been a reduction in the Reserve and Other columns.
DISCUSSION

ROPS

Definition of Enforceable Obligations
The ROPS sets forth the payments required to be made under "enforceable obligations." The Dissolution Law (AB 26 & AB 1484, together, or "the Law") defines "enforceable obligations" to include bonds, loans, judgments or settlements, any "legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy," contracts or agreements necessary for the administration or operation of the Successor Agency, and certain "amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency," as well as certain other obligations.

The Dissolution Law requires that successor agencies complete approved development projects that are subject to enforceable obligations by mandating that successor agencies perform those obligations and continue to oversee development until the contracted work has been completed or the contractual obligations can be transferred to other parties. Importantly, the Law expressly requires that pledges of increment associated with enforceable obligations of former redevelopment agencies be honored. The Law also provides for Successor Agencies to make new pledges of property tax revenues (former tax increment) under pre-existing agreements comprising enforceable obligations, subject to approval of their oversight boards and review by the State Controller and State Department of Finance.

Successor Agencies may also request that DOF finally and conclusively determine that certain obligations are enforceable obligations under Dissolution Law. To date OCII has submitted four "Final and Conclusive Determination" requests ("F&C Request") and three of those four have been approved by DOF as follows: the Hunters Point Shipyard/Candlestick Point Project (December 2012), Transbay Project (April 2013), Mission Bay Project (January 2014), and Replacement Housing Obligation. DOF is currently reviewing the Replacement Housing Obligation F&C Request and has provided a response on the portion of the request relating to Item 235, the construction funding for the 200 6th Street project. Consistent with its denial of RPTTF for Item 235 in the ROPS 13-14B review, DOF also denied the portion of the Final & Conclusive Request dealing with Item 235. The remaining items in the F&C Request are still under review by DOF.

ROPS Background
At its meeting on August 26, 2011, the Commission of the former Redevelopment Agency adopted the first Enforceable Obligation Payment Schedule ("EOPS"). The EOPS showed the obligations of the Agency requiring payments for the months of September through December 2011. The Agency Commission approved six amendments to that original EOPS, with the last amendment occurring on January 31, 2012, which extended the payment period through June 30, 2012. The 6th Amended EOPS therefore became the basis for Initial ROPS, which focused only on the period of January through June 2012. The
Initial ROPS was approved by the Oversight Board and submitted to DOF on April 10, 2012. Since the Initial ROPS, OCII has completed four additional ROPS: ROPS II (July to December 2012), ROPS III (January to June 2013), ROPS 13-14A (July to December 2013) and ROPS 13-14B (January to June 2014).

**ROPS 14-15A Template**

The ROPS 14-15A Template provided by DOF is substantially in the form of the template used for ROPS 13-14B. There are still five separate worksheets: Summary, ROPS Detail, Report of Cash Balances, Prior Period Adjustments, and Notes. The main change is that the Report of Cash Balances worksheet was previously titled “Report of Fund Balances”. The funding categories are displayed in the same way as on ROPS 13-14B, divided into two main groups: funds that are not property tax increment (i.e. not “Redevelopment Property Tax Trust Funds”, or “RPTTF”), and funds that are RPTTF.

DOF has recently directed staff to only include expenditures on this ROPS that are not able to be accrued back to the ROPS 13-14B period. DOF has stated that a ROPS 13-14B expenditure can be made any time up until the 13-14B “true up” occurs (i.e. when the ROPS 14-15B, including the 13-14B Prior Period Adjustment report, is submitted by October 1, 2014). DOF has provided additional direction on the use of Reserves as described below.

- **NON-RPTTF**
  - **Bond Proceeds**: proceeds from prior year or to be issued bonds. In ROPS 14/15A, all bond proceeds are either from bond issuances completed prior to Dissolution or are from the 2014 Mission Bay bonds for infrastructure costs that were approved by the Commission on January 21, 2014.
  - **Reserves**: Bond debt service reserves, Due Diligence Review approved retained balances, and prior period RPTTF that was encumbered to a contract in a prior period but will be paid out during the new ROPS.
  - **Other**: non-bond proceeds, non-RPTTF, and non-Reserve funds, e.g., developer fees or reimbursements, lease revenues, other program income.

- **RPTTF**
  - **Non-Admin RPTTF**: new tax increment funds requested for project costs.
  - **Admin**: new tax increment requested for administrative costs (known as the Administrative Cost Allowance, or “ACA”); restricted to 3% of the tax increment allocated to a successor agency for the fiscal year.
Description of ROPS 14-15A by Worksheet:

SUMMARY:
The Summary worksheet includes the totals from the other ROPS worksheets.

CASH BALANCES REPORT AS OF 12/31/2013

This worksheet shows starting and ending available fund balances for the ROPS 13-14A period, and projected ending balances after the ROPS 13-14B period, in order to give an idea as to how much resources from these balances will be available for the new ROPS 14-15A.

Row 3 Expenditures from ROPS 13-14A period come from the Prior Period Adjustments worksheet. They include funds encumbered or irrevocably pledged as well as expended.

Row 4 "Retention of Available Fund Balance (Actual 12/31/13) reflects available balances on an accrual basis, including cash on hand plus receivables, net of payables and funds that are encumbered or irrevocably pledged.

Columns C and D show available 12/31/13 balances for bond proceeds of:
- $74.5M for pre-2011 bonds and
- $34.1M for 2011 bonds

These include balances available for project expenditures and exclude funds held by trustee in bond reserve accounts.

Column E shows available prior ROPS period and DDR reserve balances as of 12/31/13 of $13.1M, which includes:
- $1.0M housing DDR balances programmed for Hunters View
- $7.9M housing DDR balances programmed for Alice Griffith
- $0.7M housing DDR balances for Mission Bay 7W
- $1.5M other DDR balances for the Mexican Museum
- $0.4M other DDR balances for Museum of African Diaspora
- $1.6M prior ROPS period balances retained

Column F is for bond reserves. This was not applicable until the ROPS 13-14B period, where we had $4,540,000 of RPTTF savings included as a reserve source for debt service payments.

Column G Other funds: $49M balances as of 12/31 includes:
- $34M in housing impact fees
- $10M in Yerba Buena Gardens funds
- $1M CDBG program income
$1M held for HPSY community benefits fund
$1M in South Beach Harbor fund
$1M in Jessie Square Garage Fund
$1M other miscellaneous

Column H RPTTF shows the $38.5M RPTTF received in the ROPS 13-14A period for project and administrative expenditures, of which $33.9M was expended and $4.54M saved to support a reserve for June 30, 2014 debt service payments (ROPS 13-14B Line 366), leaving $118K in net savings available for use toward ROPS 14-15A requirements.

PRIOR PERIOD ADJUSTMENT for ROPS 13-14A Period

- Shows actual spending or encumbrance of funds compared to authorized ROPS amounts.
- One supplemental line inadvertently not on original ROPS 13-14A reflects $11K loan repayment required to State Housing Finance Agency, made from bond proceeds.
- Shows savings of $4.66M RPTTF available to fund $4.54M reserve request toward debt service in ROPS 13-14B line 366 and a further $118K available to offset ROPS 14-15A RPTTF requirements.

DETAIL & NOTES WORKSHEETS:

SUMMARY OF OBLIGATIONS & PAYMENTS ON ROPS 14-15A

Administrative Budget
The ROPS 14-15A administrative budget request of $5.9 million covers lines 1, 4 and 9, and is based on a full year preliminary administrative budget of $11.9 million. As shown in Tables 1 and 2, this full year preliminary budget is $157 thousand less than that requested for FY 2013-14 in ROPS 13-14A and ROPS 13-14B.

The Successor Agency’s budget for the full Fiscal Year 2014-15 is budget will continue to be refined through the coming months for eventual approval by the Agency’s Commission and interim approval by the San Francisco Board of Supervisors in June 2014 and final approval by the Board of Supervisors in July 2014. To the extent that the Administrative Budget for FY 2014-15 changes from the assumptions used here, those changes will be reflected in the Successor Agency’s ROPS 14-15B request for the period January through June 2015.
Table 1, OCII Administrative Budget, by Funding Source, FY 13-14 Actual and FY 14-15 Proposed, $K

<table>
<thead>
<tr>
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<th></th>
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<tbody>
<tr>
<td>Bond Proceeds</td>
<td>$ 649</td>
<td>$ 473</td>
<td>$ 1,122</td>
<td>$ 348</td>
<td>$ 348</td>
<td>$ 696</td>
<td>$(426)</td>
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<tr>
<td>Reserve</td>
<td>80</td>
<td>80</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$(80)</td>
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<tr>
<td>Other</td>
<td>2,616</td>
<td>2,728</td>
<td>5,344</td>
<td>3,219</td>
<td>3,219</td>
<td>6,438</td>
<td>1,094</td>
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<tr>
<td>RPTTF Non-Admin</td>
<td>808</td>
<td>1,556</td>
<td>2,364</td>
<td>900</td>
<td>926</td>
<td>1,826</td>
<td>(538)</td>
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<tr>
<td>RPTTF Admin (ACA)</td>
<td>1,122</td>
<td>1,996</td>
<td>3,118</td>
<td>1,455</td>
<td>1,455</td>
<td>2,910</td>
<td>(208)</td>
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<tr>
<td><strong>Total Administrative Budget</strong></td>
<td><strong>$ 5,194</strong></td>
<td><strong>$ 6,833</strong></td>
<td><strong>$ 12,027</strong></td>
<td><strong>$ 5,922</strong></td>
<td><strong>$ 5,948</strong></td>
<td><strong>$ 11,870</strong></td>
<td><strong>$(157)</strong></td>
<td></td>
</tr>
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</table>

Note: reflects actual ROPS 13-14A and B ACA received of $1.1M and $2.0M, which was $0.9M less than $1.6M and $2.4M requests approved by Oversight Board and DOF) due to RPTTF being lower than requested in ROPS.

Table 1 presents the proposed full year 2014-15 administrative budget by source, showing:

- $696K (6%) from bond proceeds (primarily taxable bond proceeds used for affordable housing project management work).

- $6,438K (54%) from other sources (primarily developer reimbursements and lease revenues).

- $1,826K (15%) from property tax increment ("RPTTF") non-administrative funds. Of this amount, $1,046K is for the Successor Agency’s obligations to support its retiree medical insurance premiums (ROPS Line 9) while the $780K balance is for project management costs on enforceable obligations that do not have other sources of funding, including affordable housing projects and bond portfolio management costs.

- $1,164K from RPTTF Administrative Cost Allowance ("ACA"), for the remainder of administrative operating costs that cannot be otherwise reimbursed. This is considerably less than the projected cap allowed by dissolution law of 3% of RPTTF non-administrative requests. For the ROPS 14-15A period, the 3% cap would be 3% of $56,268K or $1,688K. The actual ROPS 14-15A request is $1,455K, representing 50% of the estimated annual requirement, and $233K less than the maximum.
Table 2, OCII Administrative Budget, by Spending Category, FY 13-14 Actual and FY 14-15 Proposed, $K

<table>
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<tr>
<th>ROPS Line 1 Staffing</th>
<th>FY 13-14 Actual</th>
<th>FY 14-15 Proposed</th>
<th>Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCII Staff &amp; Contracted General Management Services</td>
<td>$7,290</td>
<td>$8,106</td>
<td>$816</td>
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<tr>
<td>MOHCD Affordable Housing Project Management Services</td>
<td>1,368</td>
<td>585</td>
<td>(783)</td>
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<td>SF Planning Department Review Services</td>
<td>75</td>
<td>190</td>
<td>115</td>
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<tr>
<td>SF OEWD Workforce Policy Compliance Services</td>
<td>-</td>
<td>189</td>
<td>189</td>
</tr>
<tr>
<td><strong>Subtotal ROPS Line 1 Staffing</strong></td>
<td>8,733</td>
<td>9,070</td>
<td>337</td>
</tr>
</tbody>
</table>

| ROPS Line 4 Other Operating Expenses | |
|-------------------------------------|----------------|----------------|------|
| Audit and Accounting Services | 334 | 255 | (79) |
| Legal Services | 350 | 185 | (165) |
| Rent | 441 | 441 | - |
| General liability and property insurance | 420 | 259 | (161) |
| Software licensing fees | 262 | 97 | (165) |
| Other current expenses | 338 | 277 | (61) |
| Contingency to ACA in case of revenue shortfalls, disallowances | 240 | 240 | - |
| FY 2013-14 budget reduction to reflect reduced ACA availability | (128) | - | 128 |
| Subtotal ROPS Line 4 Other | 2,257 | 1,754 | (502) |

| ROPS Line 9 Retiree medical insurance | 1,037 | 1,046 | 9 |

| **Total Administrative Budget** | $12,027 | $11,870 | (157) |

Table 2 presents the proposed full year 2014-15 administrative budget by spending category, showing:

- $9,070K for staffing included on ROPS Line 1, including Successor Agency salaries and contracted general management and project management and support services from the City Administrator's Office, Mayor's Office of Housing and Community Development, Planning Department and the Office of Economic and Workforce Development. This represents a $377K (4%) increase from prior year request, reflecting among other factors, a 5% of salary increase in the Agency’s employer share contribution to CalPERS (from 12.86% in FY 2013-14 to 18.19% in FY 2014-15) and the filling of vacancies necessitated by the increasing pace of development in the Agency’s major approved development areas.

- $1,754K for other operating costs listed on ROPS Line 4. This represents a $502K (22%) decrease from the prior year request, reflecting among other factors:
• Reduced anticipated legal services and audit expenditures due to the successful receipt of the Successor Agency’s finding of completion in FY 2013-14.

• $161K reduction in insurance expenditures due to favorable rates being obtained from the Agency’s new liability insurance policy and the direct billing of certain property insurance premiums to project accounts.

• $165K reduction from renegotiation of certain software licensing fees.

• $61K reduction in other current expenses due to continuing efforts to find efficiencies and to budget realistically based on actual costs.

• The contingency budgeted in the ACA for potential revenue shortfalls or disallowances was left unchanged from the prior year at $240K.

• $1,046K for retiree medical insurance costs listed on ROPS Line 9. This represents a $9K increase from prior year, based on current spending trends and allowing for a 5% increase in health insurance premiums starting January 2015. The actual increase is not known yet. If it is higher than budgeted for here, the ROPS 14-15B request will be increased to reflect actual 2015 rates.

**Major Approved Development Projects:**

**Hunters Point Shipyard/Candlestick Point – Enforceable Obligations**

Both Phases 1 and 2 of the Hunters Point Shipyard/Candlestick Point (“HPS/CP”) Project are public/private partnerships that are considered enforceable obligations due to several existing, inter-related agreements between the former Redevelopment Agency, now the Successor Agency, and two separate (but related) master developers. Phases 1 and 2 each have a separate disposition and development agreement (“DDA”) that generally provide for the transfer of land from the Successor Agency to the master developers, the master developers' and the Successor Agency's rights and obligations relating to the construction of specified improvements, and the financing mechanisms for completing these development projects. The items on the ROPS in the next few years relate primarily to fulfilling the obligations described above with funds which are fully reimbursed by the master developers as required by the DDAs.

The HPS/CP Project has two grants from the U.S. Economic Development Administration (“EDA”), totaling approximately $9 million and one grant from the State of California Pollution Finance Control Authority in the amount of approximately $5 million. Each of these grants is subject to grant agreements between the Successor Agency and the granting entities. The items on the ROPS related to these agreements relate primarily to completing
the HPS/CP Public Arts program, environmental studies, and the stabilization of the former Navy facility, Building 813.

The contracts identified on the ROPS allow for the provision of the services, support, and resources ("Contracted Services") necessary to implement the Successor Agency’s obligations under the Phase 1 and 2 DDA’s. The wide range of Contracted Services include, but are not limited to, design and construction, legal support for land transactions, real estate economics analysis of the fiscal and financial outcomes, and administrative and community outreach support to ensure neighborhood involvement and communication throughout the development process.

Virtually all costs associated with implementing the obligations described above are reimbursed, either from the master developers or the State or Federal Government. Therefore, the ROPS will list these expenditures under the “Other” funding source column with an explanation of the reimbursement source in the Notes field. A few exceptions exist whereby the Successor Agency has committed tax increment to ensure the proper implementation of the obligation, including a) where a local match is required by the EDA grants and b) where tax increment may be required to maintain Successor Agency assets during the wind-down period, c) where tax increment is required under the Phase 1 DDA to develop affordable housing, and d) where tax increment is irrevocably pledged under the Phase 2 DDA to the master developer for the infrastructure and other approved HPS/CP Project costs.

The ROPS includes payments for costs associated with the upcoming goals and milestones for the Successor Agency’s 2014/15 HPS/CP workplan under the following categories of activity:

- Development of an “Arts & Technology District”: $6,195,845
- Community benefits obligations: $1,850,000
- Design review and document approval: $1,345,000
- Leases and property management: $583,143
- Transfer of Navy, State Parks, State Lands and Alice Griffith public housing development property: $515,000
- Pursuit of Federal and State financing for project components such as transportation improvements, parks, infrastructure, and other costs: $130,000
- Administrative Expenses, Contract Compliance, and Community Outreach $91,000

Mission Bay – Enforceable Obligations

The Mission Bay project is a public/private partnership that is considered an enforceable obligation due to several existing, inter-related agreements between the former Redevelopment Agency, now the Successor Agency, and the Mission Bay Master Developer, FOCl-MB, a private entity ("Master Developer"). The overarching enforceable obligation stems from the Mission Bay North and South Owner Participation
Agreements ("OPAs") and several related or attached documents including the Infrastructure Plans and the Tax Allocation Pledge Agreements ("Pledge Agreements"). Taken together, these agreements require that all available property tax increment generated in the project area, for the life of the Mission Bay Redevelopment Plans, is used to fund the construction of public infrastructure and affordable housing in Mission Bay. They require the Master Developer to construct the infrastructure consistent with an approved Infrastructure Plans. In turn, the Successor Agency is required to reimburse the Master Developer using available tax increment revenues.

The OPAs and their attachments outline other contractual obligations of the Successor Agency, such as requiring the Successor Agency to CFDs and issue CFD-backed debt; build affordable housing using property tax revenues; and process land use approvals and entitlements for vertical development. The OPAs require the prior consent of the Master Developer to amend the existing Mission Bay Redevelopment Plans and associated land use controls. The items on the ROPS for Mission Bay relate primarily to flow of tax increment funds pursuant to the Pledge Agreements, as well as other funding sources required to fund the Master Developer's build out of the project.

The ROPS identifies that direct tax increment and existing bond balances will be used in both Mission Bay North and South to reimburse the Master Developer for infrastructure, pay existing debt, and fund affordable housing. In addition, new tax increment will be used in Mission Bay North to retire existing CFD#4 debt. The ROPS also include a line for funding of outside consultants to provide third party review of reimbursement requests. Finally, the ROPS includes a line to allow for the expenditure of Mission Bay Art Fees, which are required for any development with 25,000 square feet or more of commercial or retail space, for the installation of art in Mission Bay public open spaces.

A summary of the spending activity is shown below:

- Infrastructure costs: $42.5 million
- Refinancing of CFD#4: $2 million
- Consultant costs: $600,000
- Art Fees: $300,000

**Transbay — Enforceable Obligations**

Similar to the Hunters Point Shipyard/Candlestick Point and Mission Bay, Transbay is subject to a number of existing, inter-related agreements that create an enforceable obligation. These agreements include, but are not limited to: 1) the 2008 Tax Increment and Sales Proceeds Pledge Agreement between the Successor Agency, the Transbay Joint Powers Authority ("TJPA") and the City ("Pledge Agreement"), which irrevocably commits tax increment and sales proceeds from formerly State-owned parcels for the Transbay Transit Center; 2) the 2006 Transbay Redevelopment Project Implementation Agreement between the Successor Agency and the TJPA ("Implementation Agreement"), which requires the Successor Agency to prepare and sell, with TJPA reimbursement of staff costs, the formerly State-owned parcels and to construct and fund new infrastructure improvements (such as parks and streetscapes) and affordable housing obligations; and 3)
AB 812 (codified in Section 5027.1 of the California Public Resources Code), which mandates that 25 percent of the residential units developed in the Project Area shall be available to low-income households and an additional 10 percent shall be available to moderate-income households. Based on these agreements, in 2010, the TJPA entered into a Transportation Infrastructure Finance and Innovation Act ("TIFIA") Loan Agreement with the United States Department of Transportation. The TIFIA loan is a necessary part of the funding package for the TTC.

On April 15, 2013, DOF issued a Final and Conclusive Determination that the Transbay Tax Increment Allocation and Sales Proceed Pledge Agreement, the Implementation Agreement, and the Affordable Housing Program under Calif. Public Resources Code § 5027.1 are enforceable obligations. In light of these enforceable obligations, the financial goals to maximize proceeds for the Transbay Transit Center and to provide funding for the public infrastructure and affordable housing continue to govern the Project and create the need for additional expenditures within the Transbay Project Area.

The 14-15A ROPS period includes the first RPTTF request pursuant to the Pledge Agreement of $1,500,000. This estimate is based on the land closing and construction commencement on Parcel T and Block 6. The other items on ROPS 14-15A for Transbay demonstrate the flow of funds between the Successor Agency and the various implementation components of Transbay pursuant to the above agreements. In addition to the pledged approximately $1.5 million, during the ROPS 14-15A time period the Successor Agency will spend approximately $37.5 million on affordable housing related activities, entirely funded by other sources such as developer fees and prior project surplus funds, and $5.5 million on other projects within the Transbay Redevelopment Project Area. This is comprised of $4.6 million from prior year bond proceeds ($3.6 million in 2009 and $1.0 million 2011 bond proceed), $150,000 in prior year previously encumbered tax increment, $530,000 in new RPTTF, and $250,000 from other sources. These funds will be spent on streetscape & open space design documents and approvals ($1.75 million), reconfiguration of the Folsom Street Off-Ramp ($3.35 million), and Inter-agency coordination & consulting services ($450,000).

This total does not include any sales proceeds that will be received by the Successor Agency for the sale of Transbay Block 9 and immediately transferred to the TJPA pursuant to the Pledge Agreement.

ACTIVE PROJECT AREAS IN "WIND DOWN"

The only redevelopment project area that falls within this category is Rincon Point-South Beach, which doesn’t expire until January 5, 2021. The former redevelopment agency (the "SFRA") completed its work program in this project area years ago\(^1\), but never terminated

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\(^1\) Prior to dissolution, the Board of Supervisors and the SFRA authorized the use of new tax increment financing from Rincon Point-South Beach exclusively for affordable housing to fulfill the Agency's replacement housing obligations.
a series of ground leases with the Port of San Francisco (the "Port"), which owns all the land along the waterfront. The Successor Agency’s remaining work in this project area is centered on (1) terminating the Port ground leases and transferring the property management responsibility for the waterfront land (including South Beach Harbor) back to the Port, and (2) closing-out the final development agreements that remain outstanding.

**Terminating the Port ground leases.** The ground leases allowed the SFRA to redevelop the Port’s property, in stages over time, in accordance with the Rincon Point-South Beach Redevelopment Plan. The SFRA’s redevelopment program included constructing a new small boat harbor and harbor services building ("South Beach Harbor"), building new waterfront parks and open spaces, including Rincon Park, installing a new children’s play area, rehabilitating commercial spaces, constructing two new affordable housing projects, and reconfiguring the network of streets and parking lots. The redevelopment program is essentially complete with the exception of repaying bond financing for South Beach Harbor and providing public access improvements on the perimeter of Pier 40. Completion of these improvements is required under permits issued by the Bay Conservation and Development Commission ("BCDC") as part of BCDC’s approval of the South Beach Harbor/waterfront improvements.

Under the ground leases, most of which run until 2050, the SFRA was allowed to sublease the Port’s land to entities interested in either developing the vacant land or renting the rehabilitated commercial space. Revenues generated from these subleases were used to pay rent to the Port under the ground leases, and offset property management costs on the Port’s property. Of the 16 Port leases, only six require rent payments to the Port.

The SFRA financed the construction of the waterfront improvements, including the small boat harbor, with $23.9 million in tax increment bond financing and three loans from the California Department of Boating and Waterways ("CalBoating"), one in the amount of $4.5 million, one in the amount $3.1 million and the other in the amount of $4.5 million. Of that $23.9 million in tax increment bond financing, about $3.4 million will remain an enforceable obligation of the Successor Agency after June 30. The three CalBoating loans included the Port as a co-borrower.

Port staff and Successor Agency staff are currently negotiating an agreement that describes the orderly transfer of the Port properties and the future management of South Beach Harbor. That agreement will require the approval of the Successor Agency Commission, the Oversight Board, and the State Department of Finance ("DOF"). Until this agreement is fully approved, the Port leases remain in place and rent payments to the Port must continue to be made. Staff has assumed these leases will remain in place until December 2014. Staff costs associated with this work are covered by the administrative cost allowance, because currently the Agency has no other source of funds to cover such expenses.

**Closing-out the final development agreements.** The majority of the private development in Rincon Point-South Beach was developed under owner participation agreements, or OPAs, which are considered existing enforceable obligations. Only one OPA in this
project area is still active, and that is for the development of 74 condominiums over a rehabilitated historic warehouse at 72 Townsend Street. That project is shown on the ROPS even though it does not involve any payments. Staff costs for this project will be reimbursed by the developer.

In addition, a 1995 Disposition and Development Agreement ("DDA") with The Gap required the retailer to build a waterfront park (now known as Rincon Park) and contribute $100,000 a year for 10 years (for a total of $1.0 million) for security services at the park. Rincon Park was completed in 2003 and the Gap began making its $100,000 annual payments that year. To date, the Gap has made seven payments for a total of $700,000, and that money has either been used to pay for security at Rincon Park or will be transferred to the Port for that purpose. The final $300,000 The Gap still owes to the Successor Agency under the DDA will be received under ROPS 14-15A, and transferred to the Port for security services at the park, under the spending authority given under ROPS 14-15A.

Given the above, the Rincon Point-South Beach items on the ROPS are for costs associated with the following activities:

- Rent payments -- Port ground leases (South Beach Harbor): $260,650
  - Figure represents payments for first six months of FY 2014-15
  - Source of funds: harbor revenues

- Rent payments -- Port ground leases (other Port-owned property): $617,400
  - Figure represents payments for first six months of FY 2014-15 and "catch up" payments for 12 months of FY 2013-14 when these three leases were mistakenly removed from ROPS 13-14A and ROPS 13-14B. These three leases have been added back into the ROPS as new lines on ROPS 14-15A.
  - Source of funds: sublease revenue

- Harbor operations: $869,000
  - Source of funds: harbor revenues

- Security for Rincon Park: $300,000
  - Source of funds: developer exaction

- Debt service on Calboating loans: $535,955
  - Source of funds: harbor revenues

- Debt service on bond financing: $684,225
  - Source of funds: harbor revenues
EXPIRED PROJECT AREAS

Hunters Point
In Hunters Point, the Successor Agency has an enforceable obligation to maintain Shoreview Park until this property is disposed of pursuant to the Successor Agency’s DOF-approved property management plan. This maintenance obligation includes ongoing property management costs and costs associated with capital improvements/deferred maintenance to correct health and safety/disability access issues, and to replace broken benches, a malfunctioning irrigation system, and a hazardous play structure.

Given the above, the Hunters Point items on the ROPS are for costs associated with the following activities:

- Property management – Shoreview Park: $8,300
  - Figure represents $8,000 for property management services and $300 for water bills
  - Source of funds: RPTTF

- Capital improvements/deferred maintenance – Shoreview Park: $1,150,000
  - A 2010 estimate for this work totaled $1.25 million. Escalating that figure by 3% a year yields a current cost estimate of about $1.4 million. This money will either be: (1) transferred to the City to use for this purpose when Shoreview Park is transferred to the City, pursuant to the DOF-approved property management plan or (2) spent by the Successor Agency for this purpose prior to transferring Shoreview Park to the City.
  - Source of funds: DDR-approved reserve balances of Community Development Block Grant (“CDBG”) funds ($370,902), plus additional CDBG program income generated from the Cala Foods (“Foodsco”) ground lease (ROPS Line Item #20) since July 1, 2012 (about $779,098).

Western Addition
In the Western Addition, the Successor Agency still has obligations as property owner of portions of the Fillmore Heritage Center (i.e., the garage and commercial parcel), until these properties are disposed of pursuant to the Successor Agency’s DOF-approved property management plan. The Successor Agency’s remaining work in this project area is limited to (1) managing these properties, and (2) closing-out the final development agreements that remain outstanding.

2 Prior to dissolution, the Board of Supervisors and the SFRA authorized the continuing use of tax increment from the Western Addition to fund affordable housing because of the Agency’s unfulfilled replacement housing obligations.
Given the above, the Western Addition items on the ROPS are for costs associated with the following activities:

- Property management – Fillmore Heritage Center Garage: $207,500
  - Reimbursable expenses for this garage include operating costs, common area maintenance charges, insurance, parking taxes, and a modest garage management fee for the operator. In total, these costs run about $34,500 a month.
  - Source of funds: garage revenues

- Property management – Fillmore Heritage Center Garage: $12,000
  - Figure represents operating deficit for six months at $2,000/month
  - Source of funds: RPTTF

- Property management – Fillmore Heritage Center Commercial Parcel: $60,000
  - Figure represents common area maintenance charges for six months for two tenants currently not paying CAM charges (i.e., Yoshi’s SF and the Jazz Heritage Center)
  - Source of funds: RPTTF

There are also several contractual obligations, such as owner participation agreements, disposition and development agreements, and loan agreements, which do not include financial obligations but are nevertheless enforceable obligations that require various levels of ongoing enforcement and monitoring. These are also shown on the ROPS. These obligations currently include owner participation agreements for unfinished private development at 1450 Franklin Street and 1301 Divisadero, disposition and development agreements (i.e., 1210 Scott Street and Fillmore Heritage Center), and economic development loans for Yoshi’s jazz club and restaurant, 1300 on Fillmore restaurant, Sheba Lounge, and Rasselas jazz club and restaurant. Staffing costs are associated with the ongoing enforcement and monitoring of these agreements. Some of these costs are reimbursed by project sponsors; others are funded by the administrative cost allowance.

**Yerba Buena Center**

In Yerba Buena Center ("YBC"), the Successor Agency still has obligations as property owner of the Jessie Square Garage and grant administration obligations associated with the Mexican Museum site, which the Successor Agency still owns. Both of these properties will be transferred to the developer of the 706 Mission Street/Mexican Museum project under a purchase and sale agreement ("PSA") that was approved by the Successor Agency Commission, the Oversight Board, and DOF in 2013. Until that happens (expected later this year), the Successor Agency must continue to pay operating costs and debt service payments associated with Jessie Square Garage. Also, as part of the PSA, the developer was required to fund the cost ($86,400) of a pilot program to provide traffic enforcement services near 706 Mission Street. This payment is expected to come to the Successor Agency in the summer of 2014, and the Successor Agency is required under the PSA to either (1) contract with the city for these services, or (2) contract with the community.
benefit district for these services. The payment of $86,400 is shown on the ROPS under the line item for the PSA.

Given the above, the YBC items on the ROPS are for costs associated with the following activities:

- Property management – Jessie Square Garage: $1,900,000
  - Figure represents reimbursements to the garage operator for garage-related expenses, parking taxes to the City, and debt service payments on the garage construction bonds
  - Source of funds: garage revenues

- Grant administration – Mexican Museum: $1,030,881
  - Figure represents payments during this ROPS period to the Mexican Museum under a grant agreement to fund predevelopment work and tenant improvements associated with a new museum at 706 Mission Street. This money is for predevelopment work.
  - Source of funds: DDR-approved reserve balances (general funds and a small amount of tax increment). Staff has assumed that $780,881 in general funds from ROPS 13-14B is carried forward to ROPS 14-15A, and an additional $250,000 ($75,000 in tax increment + $175,000 in general funds) in new reserve balances will also be used during ROPS 14-15A, for a total amount of $1,030,881.

In addition to enforceable obligations related to the Successor Agency’s responsibility as property owner, there are other enforceable obligations in YBC. The Agency was instrumental in helping to establish the Museum of the African Diaspora (“MoAD”) as a new cultural institution in YBC. An existing operating agreement with MoAD requires the Successor Agency to provide annual operating support ($100,000 a quarter for FY 2014-15, funded with DDR-approved reserve balances) and some funds for capital improvements ($303,000), funded with tax exempt bond financing. These funding commitments to MoAD are included in this ROPS as approximately $503,000.

There are also numerous contractual obligations, such as owner participation agreements, disposition and development agreements, and operating agreements, some of which do not include financial obligations but are nevertheless enforceable obligations that require various levels of ongoing enforcement and monitoring. These are also shown on the ROPS. The obligations currently include owner participation agreements (i.e., 680 Folsom Street and Bloomingdales) and disposition and development agreements (i.e., the Paramount Apartments, the Contemporary Jewish Museum, and the Whole Foods store on Harrison Street).

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3 Prior to dissolution, the Board of Supervisors and the SFRA authorized the continuing use of tax increment from Yerba Buena Center to fund affordable housing because of the Agency’s unfulfilled replacement housing obligations.
Yerba Buena Gardens

Yerba Buena Gardens ("YBG") is part of Yerba Buena Center, but given its size and complexity, the Successor Agency breaks out its budget and expenditures separately. The Successor Agency still has obligations as property owner of YBG, until this interconnected portfolio of properties is transferred to the City pursuant to the Successor Agency’s DOF-approved property management plan. Some of these obligations include (1) handling property management, (2) funding cultural operators/cultural programming, and (3) making necessary capital improvements.

Given the above, the YBG items on the ROPS are for costs associated with the following activities:

- Property management – $1,688,000
  - Figure represents operating costs (maintenance, operations, and security) for YBG, payments to YBG’s on-site property management firm (MJM Management Group), legal services, and payments to a community benefit district.
  - Source of funds: restricted lease revenues

- Cultural operations/programming – $2,130,000
  - Figure represents ongoing operating payments to Yerba Buena Center for the Arts, the Children’s Creativity Museum, and Yerba Buena Center for the Arts.
  - Source of funds: restricted lease revenues

- Capital improvements – $400,000
  - This figure represents 50% of the annual budget for capital improvements. The $800,000 annual budget is broken down as follows: $220,000 to replace/prune redwood trees and complete other park hardscape improvements, $110,500 to complete improvements/upgrades to the YBG childcare center, $350,000 to repair the expansion joint at the Children’s Creativity Museum, and $119,500 as a contingency for unexpected capital repairs during the fiscal year.
  - Source of funds: developer exactions/restricted lease revenues. If new restricted lease revenues do not materialize as expected, the Successor Agency will use reserve balances to cover any unfunded capital improvements.

Disposition Costs

The Successor Agency will be incurring certain costs associated with its disposition of property, assuming DOF approves the Successor Agency’s long-range property management plan on or before this ROPS period. These costs include appraisal costs, consultant costs, title and escrow costs, legal costs, marketing costs, and other costs associated with the disposition process. The Successor Agency has estimated these costs could potentially be $75,000 during this fiscal year (half is expected this ROPS period under a new line item number). The $75,000 cost is broken down as follows: $26,000 for
outside appraisals, $14,000 for outside title work, $15,000 in legal bills, and $20,000 for marketing costs.

AFFORDABLE HOUSING:
OCII is requesting a total of approximately $1.3 million in RPTTF for affordable housing projects, with another $8.4 million coming from existing Bond Proceeds, $7.7 million in Reserve funds, and $45.5 million in Other funds, for a total of $63 million for ROPS 14-15A.

Major Approved Development Projects:

Hunters Point Shipyard/Candlestick Point:
- Line 161- Alice Griffith Revitalization for Phase 3 construction funds:
  - $1.7 million in DDR Retained Balances (last amount of funds retained for ROPS II and III)
  - $6.7 million in existing bond proceeds

- Line 361- Alice Griffith Revitalization: $20.1 million in subsidy to be provided by Lennar for its share of the Alice Griffith costs

Mission Bay South:
- Line 220 & 226- Blocks 6 East & 3 East Predevelopment Funding: $1.3 million in RPTTF, based on the amount of housing tax increment estimated for Mission Bay North and South, net of debt services and pass throughs, that would be used for predevelopment costs for the next Mission Bay South affordable housing blocks to be constructed. Staff anticipates issuing the RFP for Block 6 East in Spring 2014, and the RFP for Block 3E in Summer 2014.

Transbay
- Line 363- Block 9 Construction Funding: $20.6 million in developer fee that will be due under the Block 9 Development and Disposition Agreement
- Line 374- Block 8 Predevelopment Funding: $3 million in Transbay Jobs Housing Linkage Fees to allow for predevelopment funding for Block 8, which is being offered through a current Request For Proposal

In addition to the affordable housing projects referenced above, OCII has a Replacement Housing Obligation related to the over 6,700 affordable units that were destroyed by the former Redevelopment Agency in the 1960's and 1970's and not replaced. The “SB 2113” funding, so called for Senate Bill 2113 that allowed the former Agency to convert Project Areas that had either expired or had reached its debt limit to allow for the continued collection of tax increment solely for the creation of replacement housing. Through ROPS 13-14B, DOF denied the use of SB 2113 RPTTF for the 200 Sixth Street affordable housing project, stating that one of the reasons for denial was that there was no pre-
Dissolution contract for that specific obligation. OCII submitted a request for a Final and Conclusive Determination on our Replacement Housing Obligation in October of 2013. Consistent with the ROPS 13-14B determination, DOF has denied the portion of the Replacement Housing F&C Request for Item 235, however all of the remaining items are still currently under review.

The 200 Sixth Street project will move ahead without the funds requested in ROPS 13-14B, using funding from the Mayor’s Office of Housing and Community Development. At this time, OCII does not have any other stand-alone replacement housing obligation projects on ROPS 14-15A. However, staff anticipates that RPTTF from SB 2113 areas will be used in the future for Alice Griffith funding. The Alice Griffith obligation does have an existing contract in place, specifically the Hunters Point Shipyard Phase II/Candlestick Point Disposition and Development Agreement.

BONDS & PASS-THROUGH PAYMENTS

Bonds
Debt service and associated costs included in the ROPS 14-15A lines 258 – 348 and 364-366 total $74.5M. Of this amount:

- $31.3M comes from funds reserved during the prior ROPS 13-14A period in order to ensure that the Agency would have sufficient funding to make its full debt service payments due to trustees on June 30, 2014 and to bondholders in August, 2014.

- $1.1M in “Other” funds represents South Beach Harbor revenues to pay for Harbor-related debt service costs (ROPS Lines 346-348).

- $300K allowance for bond proceeds on Line 345 would be to cover the potential costs of bond counsel and other consultants for refunding bonds being issued during this ROPS period, if market conditions continue to be favorable. The purpose of the refunding would be to reduce future debt service costs.

- The remaining $41.8M proposed to come from RPTTF would cover the rest of the debt service costs during the ROPS period. This includes $38K for trustee and arbitrage rebate calculation fees (Lines 364 and 365), along with a $50K allowance for any other professional services needs related to management of our debt portfolio (Line 345).

USE OF EXCESS BOND PROCEEDS

Having received the Finding of Completion, OCII may include the use of excess bond proceeds on the ROPS, as long as the uses are consistent with the original bond covenants. ROPS 13-14B included two lines, Items #’s 367 & 368, which provided for the granting of
Bayview Hunters Point bond proceeds for streetscape improvements through MOHCD's Model Block program and public plaza improvements for the Bayview Opera House through MTA. There remains a little over $1.1 million excess non-housing tax exempt bond proceeds from the South of Market, Western Addition A-2 and Bayview Hunters Point areas. Staff has had initial discussions with various City departments, such as the Office of Economic and Workforce Development and the Invest in Neighborhoods Initiative, and other City stakeholders, and has identified potential uses of these funds with the City. These potential uses are included lines in ROPS lines 384 through 386, and indicate that the specific Payee within the City (i.e. the appropriate City department who will be responsible for expending the funds through a future grant agreement approved by the OCII Commission and Oversight Board) is to be determined. Staff will continue to work with the related City departments to refine the proposals for the use of these funds, and the expenditure of these funds will be further discussed through OCII and the City's Fiscal Year 2014-2015 budget approval process. The actual agreements to provide these funds to the appropriate City department would then be considered for approval by the OCII Commission and Oversight Board.

NEXT STEPS

This ROPS must be approved by the Oversight Board and submitted to the State and City Controller ("Controller") no fewer than 90 days before the date of the next property tax distribution. For the "A" period ROPS, the property tax distribution occurs on June 1st of each year, which usually means a March 1st ROPS deadline. Because March 1st occurs on a Saturday, the ROPS 14-15A deadline is March 3, 2014. The Oversight Board will take action on the item at its regular meeting on February 24th and upon approval, staff will then transmit the ROPS to the State and Controller immediately thereafter. DOF will make its determination of the enforceable obligations, and the amounts and funding sources of the enforceable obligations, within 45 days of submission.

Should the Agency wish to dispute any of DOF's determinations on ROPS 14-15A, 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 June 1, 2014 property tax distribution. Staff will provide ongoing updates to the Oversight Board as we receive feedback from DOF on this ROPS.

(Originated by Sally Oelth, Deputy Director)

Tiffany Bolee
Executive Director