MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Approving an agreement with the Department of Public Works in an amount not to exceed $860,458 for South of Market Alleyway Improvements in compliance with the matching fund requirement of the Metropolitan Transportation Commission’s Transportation for Livable Communities grant in the amount of $1.38 million and with the bond covenants for use of tax-exempt bond proceeds

EXECUTIVE SUMMARY

On April 22, 2010, the San Francisco Redevelopment Agency (“Redevelopment Agency”) staff submitted an application to the Metropolitan Transportation Commission (“MTC”) for a grant from the Transportation for Livable Communities (“TLC”) Program. The program is funded through the federal government’s Congestion Mitigation and Air Quality Improvement Program (“CMAQ”) and administered regionally by the MTC. The grant application is for the South of Market Alleyways Improvements, Phase 2 (“Project”).

MTC staff completed its review of the applications on July 9, 2010, and the Project was included on a list of projects that were recommended for funding. MTC staff recommended that the Project receive funding in the amount requested in the Redevelopment Agency staff’s application, $1,381,000. This recommendation was approved by the MTC Programming and Allocations Committee on July 14, 2010, and by the full MTC on July 28, 2010. The Redevelopment Agency executed the TLC Grant Agreement on July 20, 2010. Per the terms of the grant application, a resolution of local support for the Project was required. Furthermore, the resolution required the Redevelopment Agency to commit to a 41% matching contribution for construction of the alleyway improvements, complete the Project per MTC policies, and pay for any cost increases. The Redevelopment Agency adopted the required resolution on August 3, 2010.

Under Assembly Bill No. X1 26 (“AB26”) and the California Supreme Court’s decision in California Redevelopment Association v. Matosantos, the Redevelopment Agency of the City and County of San Francisco, together with all other redevelopment agencies in the State of California, were dissolved. Consistent with AB26, the City became the successor agency of the San Francisco Redevelopment Agency (“Successor Agency”), and acquired its housing and non-housing assets, funds and enforceable obligations. As detailed below, the matching grant required for receipt of the $1.38 million MTC grant is an enforceable obligation under AB26 and should be transferred to DPW for implementation of the Project. The payment of the matching funds to DPW is shown on line SOMA 8 of the Recognized Obligation Payment Schedule.
Staff recommends approval of a Memorandum of Understanding with DPW in an amount not to exceed $860,458 for South of Market Alleyway Improvements in compliance with the matching fund requirement of the Metropolitan Transportation Commission’s Transportation For Livable Communities grant in the amount of $1.38 million and with the bond covenants for use of tax-exempt bond proceeds.

DISCUSSION

MTC Grant Description

As the congestion management agency for San Francisco, the San Francisco County Transportation Authority ("SFCTA") is responsible for coordinating San Francisco’s grant applications to the MTC. In November 2009, the SFCTA issued a call for projects for San Francisco’s county share of TLC program funds. The TLC program is one of many programs that Congress funds in six-year cycles out of the federal CMAQ funds. The purpose of the TLC program is to support community-based transportation and streetscape projects that bring new vibrancy to downtown areas, commercial cores, neighborhoods, and transit corridors, enhancing their amenities and ambiance and making them places where people want to live, work and visit. After considering the program objectives, the Redevelopment Agency submitted an application for the Project for preliminary consideration to the SFCTA in January 2010.

The total amount of TLC program funds available for San Francisco projects is approximately $8 million. SFCTA received 30 project applications requesting in excess of $40 million in TLC funds. After reviewing and evaluating eligible project applications, SFCTA staff developed a list of project priorities. Four projects including the South of Market Alleyways Improvements, Phase 2 were placed on the priority list to represent San Francisco County. On April 22, 2010, Redevelopment Agency staff submitted the completed TLC application to the MTC.

On July 9, 2010, Redevelopment Agency staff was notified that the Project was recommended for funding by MTC staff. This recommendation was approved by the MTC Programming and Allocations Committee on July 14, 2010, and by the full MTC on July 28, 2010. The Redevelopment Agency executed the TLC Grant Agreement on July 20, 2010. As part of the grant application, the Redevelopment Agency Commission adopted a resolution of support at the August 3, 2010 Commission meeting. The resolution of support was submitted as part of the grant application as required and contained five major points of commitment:

1. The Redevelopment Agency will provide $959,400 in non-federal matching funds;

2. The Redevelopment Agency understands that the CMAQ funding for the Project is fixed at the MTC approved programmed amount, and that any cost increases must be funded by the Redevelopment Agency from other funds, and that the Redevelopment Agency does not expect any cost increases to be funded with additional CMAQ funding;
3. The Redevelopment Agency understands the funding deadlines associated with these funds and will comply with the provisions and requirements of the Regional Project Funding Delivery Policy (MTC Resolution No. 3606, as revised);

4. The Project will be implemented as described in the complete application and in the resolution and, if approved, for the amount programmed in the MTC federal TIP; and

5. The Redevelopment Agency and the Project will comply with the requirements as set forth in the program.

The Project application requested 59% of the Project cost, or $1,381,000 of TLC program grant monies, with the remaining 41% to be funded through project area tax increment.

**Project Description**

This Project is consistent with the recommendations of the South of Market Redevelopment Plan and the City’s Eastern Neighborhoods Plan to create safer pedestrian spaces in underutilized alleys that connect major commercial corridors. Streetscape improvements have been completed throughout the Project Area. On Sixth Street, the Redevelopment Agency completed the Sixth Street Corridor Improvements Project in 2006, including new, widened sidewalks, new street trees and new street lights. The new streetscapes have improved the appearance of Sixth Street and helped to attract new businesses to the corridor.

Based on the success of the Sixth Street Corridor Improvement Project, the Redevelopment Agency and DPW developed plans for improvements to the mixed-use alleyways in the Project Area. These alleyways serve as both residential and commercial streets and have a range of low- and mid-rise buildings. Prior to completion of Phase 1 of the alleyway improvement project, most of the alleyways in the Project Area were characterized by broken pavement and a lack of street trees and lighting. In addition, the layout of the alleyways encouraged automobile traffic to travel at high speeds. Construction on Phase 1 of the Alleyway Improvements Project was completed in February 2011 and included new street trees, new street lights, special roadway paving, raised crosswalks, chicanes (alternating-side-of-street parking), a new public plaza and art enrichment on the alleyways between Sixth and Seventh Streets and Mission and Harrison Streets. The primary goals were to improve the appearance of the alleyways, improve the quality of life for residents and visitors and to slow automobile traffic in order to make the streets safer for pedestrians and bicycles.

The goal of Phase 2 is to continue the concepts that were included in Phase 1 throughout the Project Area. However, while many of the design elements will be carried over into Phase 2, specific design elements such as the placement of streetscape improvements and opportunities for art enrichment have not been determined. Phase 2 of the Alleyway Improvements Project will include the alleyways in the Project Area that were not covered in Phase 1: Minna, Natoma, Clementina, Tehama, Shipley and Clara Streets from Fifth to Sixth Streets. The total estimated budget for Phase 2, as presented to MTC, is detailed below:
The Redevelopment Agency Commission approved a letter agreement with the DPW for design, permitting, and construction management of the Project for $266,200 on December 7, 2010. DPW has prepared 100% construction drawings and has been paid $98,942 from the Redevelopment Agency in accordance with this letter agreement. The letter agreement has since expired; however, $167,258 is still owed to DPW for these services. In order to reach the $959,400 matching requirement, a total of $860,458 must be transferred to DPW so that this Project can move forward and not be at risk of losing the MTC grant. Upon execution of this MOU, the lump sum balance of the matching funds in the amount of $860,458 shall be transferred to DPW.

ENFORCEABLE OBLIGATION ANALYSIS

Under Assembly Bill 26, the Successor Agency has an enforceable obligation to provide matching funds under the TLC grant agreement, which compels the Successor Agency to expend approximately $959,400 in matching funds in order to receive the approximately $1.38 million grant from MTC.

The Successor Agency must commit these funds prior to the end of the 2012 calendar year in order to receive the federal matching funds. Foregoing the $1.38 million grant would be fiscally imprudent to both the City of San Francisco and the rest of the Bay Area as the federal funds could have been otherwise allocated. In addition, the Redevelopment Agency issued tax-exempt bonds backed by tax increment generated within the South of Market Project Area to pay for this Project. Therefore the transfer of these funds fulfills the Successor Agency’s enforceable obligation to provide the matching funds.

The matching funds are listed on the ROPS for the period of January 1, 2012 – June 30, 2012. The ROPS was approved by the Oversight Board and subsequently the State Department of Finance. The source of the $860,458 in matching funds is tax-exempt bond proceeds that the Agency received for public improvements within the South of Market Project Area, pursuant to the following tax-exempt bond loan agreements: the Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area / South of Market Earthquake Recovery Project Area / Federal Office Building Project Area Loan Agreement, dated as of May 1, 2000 (the "Series A Loan Agreement"), the South of Market Redevelopment Project Area Loan Agreement, dated as of September 1, 2009 (the "Series B Loan Agreement"), and the South of Market Redevelopment Project Area Loan Agreement, dated as of December 1, 2009 (the "Series F Loan Agreement"). The use of these funds for the Project thus complies with the bond covenants requiring that the tax-exempt bond proceeds be used for public improvements in the South of Market Project Area.
CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approval of the MOU with DPW authorizing the transfer of matching funds will facilitate completion of the Alleyways Improvements Project Phase 2, consistent with the goals and objectives of the South of Market Redevelopment Plan. The activities under the Alleyways Improvements Project Phase 2 are categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15301(c). The activities involve minor alteration of existing streets and would not cause a significant change in the physical environment.

RECOMMENDATION

Attached, as Exhibit 1, is a Memorandum of Understanding ("MOU") between two departments within the San Francisco City Administrator’s Office, The Department of Public Works and The Successor Agency to the Redevelopment Agency. The MOU includes the budget required to complete the Project. DPW will receive $860,458 (the original matching commitment of $959,000 less the already paid $98,942) to complete the design and engineering, contractor solicitation, construction management and support, and public outreach for the Project.

(Originated by Courtney Pash, Assistant Project Manager)

[Signature]

Tiffany Bohée
Executive Director

Exhibit 1: Memorandum of Understanding ("MOU") between two departments within the San Francisco City Administrator’s Office, the Department of Public Works and the Successor Agency to the Redevelopment Agency