



SPECIAL MEETING MINUTES

SUCCESSOR AGENCY
TO THE FORMER REDEVELOPMENT
AGENCY

of the
CITY OF SOUTH SAN FRANCISCO
P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

CITY HALL
LARGE CONFERENCE ROOM
400 GRAND AVENUE
SOUTH SAN FRANCISCO, CA 94080

MONDAY, DECEMBER 31, 2012
9:01 A.M.

1. Call to Order. Time: 9:18 am
2. Roll Call. PRESENT: Boardmembers Addiego, Garbarino and Gupta, Vice Chairwoman Matsumoto and Chairman Gonzalez

ABSENT: None.
3. Agenda Review.

None.
4. Public Comments – *comments are limited to items on the Special Meeting Agenda.*

None.
5. Resolution No. 20-2012 approving an Escrow Deposit and Trust Agreement between the Successor Agency and the Bank of New York Mellon Trust Company for the Trust Account Related to the Oyster Point Ventures Disposition and Development Agreement.

Counsel Mattas presented the staff report recommending approval of an agreement which would establish an escrow and trust agreement between the South San Francisco Successor Agency and Bank of New York Mellon Trust. He explained the City had entered into an agreement with Oyster Point Ventures pursuant to which the former Redevelopment Agency, now the Successor

Agency, would provide financial assistance for public improvements at Oyster Point Harbor in the amount of \$29,632,000. The Oversight Board was interested in making sure that this financial obligation was funded in advance if possible and has been setting aside money with each approval of the ROPS. To date, \$9 million of \$29 million had been set aside. To ensure that funds are appropriately held in trust, the Oversight Board has worked with the Bank of New York Mellon Trust to establish a trust account into which those funds would be deposited. This is similar to what was done with bond defeasance with the 2006 bonds- \$52 million had been set aside and the plan was to have enough funds set aside to pay them off when callable in 2016. By funding on a pay-as-you-go basis as is being done with each ROPS, interruptions to taxing entities are avoided by not having large amounts of property taxes taken out of their revenues at a time that might be more problematic from a budgeting standpoint. Counsel Mattas explained that with that said, this agreement was put together with a modest administrative cost of \$1000 as an initial fee, \$1200 annual fee and \$25 for each transaction. He noted that he had been working with Finance Director Steele on this matter, and it was recommended that the agreement be approved. As to the form of agreement, it would be finalized and the funds would be transferred into the trust account as was done with the 2006 bond funds.

Vice Chairwoman Matsumoto questioned the precise ownership of Oyster Point. She further queried the relevancy of the King Leases to the property in question.

Staff responded that the City and the rarely cited Park and Recreation District own the property. Counsel Mattas explained that Oyster Point Ventures DDA is the agreement that would permit the City to buy the King Leases. He explained that at the Marina, the City owns property that sits on a former landfill. The harbor is operated there pursuant to the agreement with the Harbor District. The Harbor District has the ability, or had it historically, to lease out the property. It thereby entered into long-term leases, with an entity called King, for the purpose of constructing hotels. However, those hotels have not been constructed. There is a long-term lease on the property to which the Harbor District is a party and the City is a party as the owner of the property along with the Park and Recreation District. The presence of those leases on the property makes it difficult for one person to be able to develop in the comprehensive way that the Council wanted to do. When the DDA was negotiated with the developer, the developer had already bought the leases from Mr. King. If the development moves forward, then certain property transfers would be achieved and the King Leases would be absolved. The result would be clear title for everybody owning the property. If however, the developer does not go forward with the development, then the DDA gives the former RDA the ability to purchase those leases. Oyster Point Ventures paid \$7.5 million for those leases and if it goes all the way through 2019, then the Agency can buy those leases for \$6 million.

Boardmember Gupta noted that the circumstance involved certain City owned land that is managed by the Harbor District. Out of that management came the King Leases. He assumed that those leases would be an entitlement to build on the land for payment of rent. He questioned whether the King Leases still exist.

Counsel Mattas responded that the King leases exist and are owned by Oyster Point Ventures. Oyster Point Ventures, which is a joint venture of SKS and Shorenstein, jointly owns and operates the hotel and controls the leases presently on the property. A lot of the buildings on the

property right now are owned and managed, pursuant to the lease, by King Ventures, which is Oyster Point Ventures. It is receiving revenue off that right now, but the leases themselves were set up initially with the expectation that hotels would be built and the City would be receiving even more revenue. The Harbor District has been receiving the minimum rent percentage from the hotel rent. However, when those agreements were approved there was anticipation that they would not only be receiving the minimum rent percentage, but that they would also be receiving rent from the hotels that were never developed. That is why the Harbor District is interested in different development-because revenue potential is not being maximized.

In response to Vice Chairwoman Matsumoto's follow-up question as to whether bond debt had been issued, Counsel Mattas responded that it had not.

Motion- Vice Chairwoman Matsumoto/ Second- Boardmember Garbarino: to approve Resolution No. 20-2012. Unanimously approved by voice vote.

6. Adjournment.

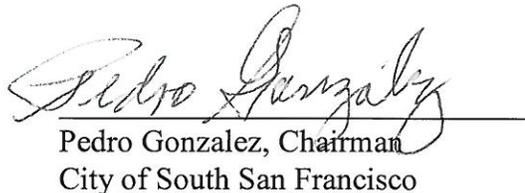
Being no further business Chairman Gonzalez adjourned the meeting at 9:40 a.m.

Submitted:

Approved:



Krista J. Martinelli, Clerk
City of South San Francisco



Pedro Gonzalez, Chairman
City of South San Francisco