



MINUTES SPECIAL MEETING

OVERSIGHT BOARD FOR THE
SUCCESSOR AGENCY TO THE CITY OF
SOUTH SAN FRANCISCO
REDEVELOPMENT AGENCY

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

CITY HALL
LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, APRIL 16, 2013
2:00 p.m.

CALL TO ORDER

Time: 2:01 pm

ROLL CALL

Present: Boardmembers Beaudin,
Christensen, Farrales* and Scannell,
Alternate Boardmember Barry Nagel,
Alternate Vice Chairperson Ernsberger
and Chairperson Cullen.

*Boardmember Farrales arrived at 2:07
pm.

PLEDGE OF ALLEGIANCE

Led by Alternate Boardmember Nagel.

AGENDA REVIEW

None.

PUBLIC COMMENTS

Mita Saha spoke regarding the 636 El Camino Real leasehold issue and stated that she hoped to be a tenant and was anxiously waiting to sign the lease so she could bring her business back to South San Francisco. She remarked that she would greatly appreciate any actions taken to expedite the process.

MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes of the Regular Meeting of March 12, 2013.

Finance Director Steele proposed revisions to the minutes which were presented to the Board in redlined format.

Motion- Boardmember Beaudin/Second- Boardmember Christensen: to approve the Minutes of the Regular Meeting of March 12, 2013 as amended. Approved by the following voice vote: AYES: Boardmembers Beaudin, Christensen, Scannell and Alternate Boardmember Nagel, Alternate Vice Chair Ernsberger and Chair Cullen; NOES: None; ABSTAIN: None; ABSENT: Boardmember Farrales.

2. Resolution No 9-2013 setting the Regular Meeting of the Oversight Board as the third (3rd) Tuesday of the month at 2:00 p.m. in the City Manager's Conference Room at South San Francisco City Hall located at 400 Grand Avenue; and removing the former Regular Meeting Schedule which was established by Motion at the Board's April 10, 2012 Special Meeting.

Clerk Martinelli explained that in reviewing the Board's meeting history for 2013, it became evident that the third (3rd) Tuesday at 2:00 p.m. monthly was a more suitable time for the Board's Regular Meeting based on the flow of business from the Successor Agency to the Board.

Motion- Boardmember Beaudin/Second- Boardmember Christensen: to approve Resolution No.9-2013. Approved by the following voice vote: AYES: Boardmembers Beaudin, Christensen, Scannell and Alternate Boardmember Nagel, Alternate Vice Chair Ernsberger and Chair Cullen; NOES: None; ABSTAIN: None; ABSENT: Boardmember Farrales.

3. Report on State Department of Finance and County of San Mateo reviews of ROPS IV Items 13-14A and Report of State Department of Finance Review of Non-Housing Due Diligence Report.

Finance Director Steele presented the informational staff report requiring no Board action and reviewing the State Department of Finance ("DOF") and the County of San Mateo reviews of ROPS IV as well as the DOF review of the Non-Housing Due Diligence Report ("DDR"). It appeared that the agencies submitting the reviews intended to ensure Boardmembers were aware of certain items and had additional opportunity to ask questions pertinent to any potential concerns.

Regarding the DOF's review of ROPS IV, it disallowed several items. Two of these items were disallowed on timing grounds. First, was the \$2.3 million in housing bond proceeds. Second, the DOF disallowed a \$2 million payment to the San Mateo County Harbor District. Regarding the Harbor District payment, DOF stated that the Board should resubmit the payment request upon receipt of actionable reports demonstrating completion of certain tasks. Director Steele advised that in the meantime, a loan agreement with the City could be approved to fund the obligation.

Boardmember Scannell inquired as to the loan agreement funding mechanism.

Finance Director Steele explained that when the Department of Finance rejects an item on technical grounds, such as a timing issue, and an invoice on an enforceable obligation has to be paid in a timely fashion, the no-interest loan agreement with the City permits timely funding of the obligation. The loan then becomes an obligation of the Successor Agency reflected on the next ROPS cycle.

Assistant City Manager Van Duyn advised that in a meet and confer session, DOF had suggested this as the preferred mechanism for funding such obligations.

Finance Director Steele continued with the ROPS review by the DOF. He advised that DOF also disallowed \$42,660 of the \$74,162 loan agreement for accounts payable stating this portion of the loan agreement was not necessary since the Successor Agency received Redevelopment Property Tax Trust Funds ("RPTTF").

Finally, the State remarked that several line items should have been absorbed under administrative costs.

Boardmember Christensen inquired as to the disallowance of housing bond proceeds and whether the bond proceeds could be used when the findings of completion were in hand or whether signed contracts were required.

Finance Director Steele responded that the rejection was on a dual basis. Once findings of completion and signed agreements were in hand, the DOF would entertain review of the obligations on future ROPS.

Finance Director Steele turned to the County's review of ROPS IV, in which it flagged any line item with more than a 20% or \$10,000 difference from a prior ROPS as well as new items that hadn't been on prior ROPS.

Regarding the Non-Housing DDR, the DOF issued its final determination letter. The review letter noted that ROPS I, row 74 outlined an estimated prepayment of \$5.3 million for the Housing and Urban Development (HUD) and Certificates of Participation (COPS) debt, while the actual prepayment consisting of \$407,517.20 in cash with fiscal agent and \$5,216,643.92 in Successor Agency held reserves exceeded the \$5.3 million estimate by \$324,161. Use of the funds was necessary to call the bonds per the Board's direction. The additional amount would be a future loan agreement item for Board approval.

In response to a query by Boardmember Christensen relating to the DOF's comments on the acquisition of the former Ford properties, Finance Director Steele responded that DOF was pointing out that the properties are now properly listed as assets of the Successor Agency with no net impact to the taxing entities.

The DOF also pointed out that there were 3 items that were included in both loan agreements and the DDR. This was due to the fact that staff was not sure where to place them at the time and wanted to

make sure they were presented to DOF in some manner. Since the loans are on ROPS IV, staff will remove them from the DDR.

Finally, DOF did not allow the funds that were approved by the Board to be set aside for calling the 2006 RDA bonds. Staff included an item on this Agenda to rectify this circumstance at DOF's suggestion by asking the Board to adopt a resolution to make findings that the escrow agreement is in the taxing entities' best financial interest.

4. Resolution 10-2013 approving a Loan Agreement in the amount of \$5,445.87 with the City of South San Francisco to allow the Successor Agency to make payment for a Non-housing Recognized Obligation Payment expense shown on ROPS IV but incurred during ROPS III.

Finance Director Steele presented the staff report noting an obligation for train station improvements on ROPS IV with a cost that came due during ROPS III. Accordingly, staff was recommending that the Board approve a loan agreement in which the City would be making the payment presently due, which would then be paid back out of future RPTTF. He anticipated such agreements would become commonplace at every Board meeting.

As a point of clarification, Boardmember Scannell observed that since it was disallowed on ROPS IV and the City had already funded the obligation, the loan document was essentially a clean-up measure.

Finance Director Steele affirmed that point and added that the loan was without interest.

Motion- Boardmember Scannell/Second- Alternate Boardmember Nagel: to approve Resolution No. 10-2013. Unanimously approved by voice vote.

5. Resolution 11-2013 of the Oversight Board Authorizing an Escrow Deposit and Trust Agreement with the Bank of New York Mellon Trust Company, N.A. Related to the 2006 RDA Bonds and Making Related Findings Pursuant to Health and Safety Code Section 34181(e).

Finance Director Steele presented the staff report recommending approval of a resolution making findings pursuant to Health and Safety Code Section 34181(e) consistent with the actions that the Board made on May 17, 2012 for funding an Escrow Deposit and Trust Agreement to call the 2006 RDA Bonds in September 2016. At the time, the Board directed staff to hold the funds in order to pay-off the redevelopment bonds at their first call date in 2016. This course of action was approved on the ROPS, not to exceed \$60 million. Since the books have now closed, the actual amount has been certified as slightly over \$50 million. The DOF was seeking to ensure the Board reviewed this transaction and was fully aware of any economic consequences to the taxing entities. Accordingly, it was asking the Board to formally adopt certain findings. Director Steele observed the findings mirrored the Board's earlier discussions previous to approval of the agreement. He directed Boardmembers to Page 3 of the redlined resolution, which identified minor text changes to clarify for DOF that the Board had made the determination as was required and additionally called out the benefits to the taxing entities. He assured the Board the agreement was still intact and the funds

remained in the escrow account.

City Attorney Mattas advised that a meet and confer request on this issue had been filed with DOF providing additional information, including a copy of the draft resolution.

In response to Boardmember Scannell's inquiry into the reasoning behind a meet and confer in light of the current resolution, City Attorney Mattas responded this resolution was specifically responsive to what DOF requested notwithstanding the fact that it already approved this item and now refused to acknowledge its own approval. Attorney Mattas opined it would be best for the Board's position if DOF changed its determination that the trust agreement was not an enforceable obligation.

Motion- Boardmember Beaudin/Second- Boardmember Scannell: to approve Resolution No.11-2013. Unanimously approved by roll call vote.

6. Resolutions making findings that the Commercial Space at 636 El Camino Real is an integral and indivisible part of a housing asset and shall not be subject to subdivision or a revenue sharing arrangement between the City and the Successor Agency and the assignment of the Commercial Master Lease for 636 El Camino Real by the Successor Agency of the Redevelopment Agency of the City of South San Francisco.

Assistant City Manager Van Duyn presented the staff report recommending approval of resolutions: 1) approving the assignment of the Commercial Master Lease for 636 El Camino Real by the Successor Agency to the City of South San Francisco; and 2) making findings that the Commercial Space at 636 El Camino Real is an integral and indivisible part of a housing asset and shall not be subject to subdivision or a revenue sharing arrangement between the City and the Successor Agency. The recommendation was to move the leasehold interest under the direct control of the City as property owner so that DOF would not have to be routinely consulted for leasehold related matters. The second objective related to whether or not a revenue sharing agreement outlining sharing between the Agency and the City of South San Francisco would be necessary in the disposal of this asset.

Consultant Sanchez outlined the objectives further. With respect to the leasehold interest in the retail space, it was requested to enable the facilitation of improvements and expedite the signing of leases for the space. It was staff's belief that assigning the lease to the City would speed up the process and benefit the entire community. In terms of a revenue sharing agreement, the retail space was an investment of minimal value, if any. Despite that, the City of South San Francisco went through with the project because it would provide community services and amenities. It invested \$2 million to create the space, but only \$100,000 would be realized annually. Clearly the investment would not pay for itself in the near future. Additionally, there would be roughly half a million dollars in tenant improvements required to bring the space online. The City hoped for at least a refund on the housing portion exclusive of the \$1.5 million that went into creating the shell, the retail space and almost 7000 square feet of surface parking. The crux of the argument against a revenue sharing agreement was that it was a terrible investment and there was no money to be made.

In response to a question by Boardmember Christensen, Consultant Sanchez advised that after certain funds were put in reserve, the remaining funds from the leases would go into the housing fund.

Chairperson Cullen shared his concern that it seemed from the report that MidPeninsula had committed to financing the tenant improvements if it had money left over from the construction, which it did. By reading the report, it seemed to him, that MidPen was being released of this obligation.

Consultant Sanchez clarified that this was not the case. In fact, it would be deducted from the \$9 million loan.

In response to Boardmember Christensen's inquiry, Consultant Sanchez advised the rent was close to \$2.00 per square foot for commercial space in the respective area. He reiterated the importance of expediting leases for the space and believed the revenue sharing discussion could be delayed. Nevertheless, the lease of the commercial space would not be a moneymaker. Indeed the space was installed as part of a City requirement to ensure certain amenities were available to occupants and abide by mixed-use housing standards. He restated that a discussion of how losses could be shared over time could be postponed, but urged a determination on the leasehold interest was a priority at this time.

In response to Boardmember Beaudin's query into revenue generation, Consultant Sanchez confirmed that after the \$510,000 ceiling was reached, the revenue would be shared amongst the housing fund, the City and the Successor Agency. That formula could be determined in the future with another discussion.

Chairperson Cullen expressed an interest in adopting the Resolution assigning the leasehold interest and deferring a determination on a revenue sharing agreement.

Boardmembers agreed and directed that the proposed resolution approving the assignment of the master lease be modified to delete the "Whereas" clause referring to the proposed resolution declining a revenue sharing agreement and include a "Whereas" clause confirming the Board's direction to bring the revenue sharing issue for reconsideration at a later date.

Motion- Boardmember Christensen/Second- Boardmember Beaudin: to approve Resolution No. 12-2013 assigning the Commercial Master Lease for 636 El Camino Real by the Successor Agency of the Redevelopment Agency of the City of South San Francisco to the City of South San Francisco. Unanimously approved by voice vote.

7. Future Agenda Items.
 - a) Long Range Property Management Plan.
 - b) Employee Staffing Report.

ADJOURNMENT

Motion- Boardmember Scannell /Second- Boardmember Beaudin: to adjourn the meeting.
Unanimously approved by voice vote.

Pursuant to the above motion, Chairperson Cullen adjourned the meeting at 3:13 p.m.

Submitted:



Krista J. Martinelli, Clerk
City of South San Francisco

Approved:



Neil Cullen, Chairperson
Oversight Board for the Successor Agency to the
South San Francisco Redevelopment Agency