



## REGULAR 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, AUGUST 20, 2013  
2:00 P.M.

#### CALL TO ORDER

TIME: 2:02 P.M.

#### ROLL CALL

PRESENT: Boardmembers Addiego, Beaudin, Christensen,  
Farrales and Scannell, Vice Chairperson Ernsberger and  
Chairperson Cullen.

#### PLEDGE OF ALLEGIANCE

LED BY: Boardmember Beaudin

#### AGENDA REVIEW

None.

#### PUBLIC COMMENTS

Comments from members of the public on items not on this meeting agenda. The Chair may set time limit for speakers. Since these topics are non-agenda items, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board may refer items to staff for attention, or have a matter placed on a future agenda for a more comprehensive action report.

None.

#### MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes of the Regular Meeting of July 16, 2013.

Motion- Boardmember Scannell/Second- Boardmember Addiego: to approve the Minutes of the Regular Meeting of July 16, 2013. AYES: Boardmembers Addiego, Christensen, Farrales and Scannell, and Chairperson Cullen. NOES: None. ABSTAIN: Boardmember Beaudin and Vice

Chairperson Ernsberger. ABSENT: None.

2. Resolutions 15-2013 and 16-2013 approving amendments to the Lease Agreements with Sitike Counseling Center and the County of San Mateo for the facility at 306 Spruce Avenue.

Assistant City Manager Van Duyn presented staff's recommendation to extend for an additional year the respective Lease Agreements with Sitike Counseling Center and the County of San Mateo for the facility at 306 Spruce Avenue.

In response to Chair Cullen's query, Assistant City Manager Van Duyn advised there was no sublease agreement and that the last sentence indicated a final form lease agreement. Furthermore, revenue had been set aside and the lease payments would cover the cost of maintaining the buildings and lots.

Motion- Boardmember Scannell/Second- Boardmember Farrales: to approve Resolutions 15-2013 and 16-2013. Unanimously approved by voice vote.

3. Presentation on the preliminary parcelization and development feasibility analysis of the Successor Agency's Mission-Chestnut Area Properties.

Economic and Community Development Consultant Sanchez presented a PowerPoint Presentation detailing the Consultant's preliminary analysis of the parcelization and feasibility of the property owned by the Successor Agency in the Mission/Chestnut Avenue/PUC area.

He began with background on the properties explaining how each parcel was acquired to provide context moving forward. The acquisitions were intended to serve the RDA's main functions of improving infrastructure, supporting environmental remediation of polluted properties, assembling land so that major developments could come in, rezoning to encourage the type of development wanted and other elements such as housing and economic programs. In some of the City's Redevelopment Areas the mission was already or nearly complete. For example, in the Gateway and Shearwater areas some of the improvements included streets and access to the area, construction of the hook ramp that alleviated traffic for the region, water treatment expansion and environmental remediation. Consultant Sanchez explained the tremendous growth that occurred in these areas – the base valuation of Shearwater went from \$3.6 million to \$567 million. In percentage terms, that would be over 15,000%.

In regards to the El Camino-Chestnut Area, Consultant Sanchez noted that infrastructure improvements had been planned, including the Oak Avenue extension and extensive open space. A library had also been planned for the area. The Agency was heavily involved in land assemblage and an Area Plan was developed.

As far as the Downtown, the Agency had planned to move the Caltrain Station to be more accessible. Much more environmental remediation for the properties assembled in these areas was required. Council was in the process of rezoning the Downtown. Due to the Downtown area being heavily populated, other programs, including business assistance and enforcement programs were supported.

Consultant Sanchez focused back on the Mission/Chestnut Avenue/PUC properties. He described the properties as very challenging because of the incomplete nature of the land assemblage. The Agency had been unable to acquire three residential buildings and one office building that were essential for access to some of the parcels. This was exacerbated by the fact that the Oak Avenue extension was never developed, although plans exist. Other challenges presented by the El Camino Real frontage properties include building narrowness, site accessibility, depth and grade change. The Agency considered the possibility of closing off Antoinette Lane to add value to the properties, but underground utilities made the action cost prohibitive. While minimum and maximum zoning requirements are typically helpful to a Master Plan, such requirements would actually further complicate things in this instance involving disjointed properties.

Given all the complications, the Consultants looked at many scenarios to decide how to best divide the land. The review ultimately concluded that the best way to approach it would be to have three subareas A, B, and C. A would be the commercial area, B would be the largely landlocked area and C would include roughly 4.5 acres of former golf range property. The Consultant decided that a 12 story building was not feasible and accordingly worked with the minimum development requirements. It was proposed that for site A, the most efficient thing would be to put residential over the ground floor and podium parking, specifically 194 units. Site B would have 100 units and Site C would have 420 units. Specifically, site A would have 32,000 square feet of retail space and 194 residential units. The residual land value would be roughly \$12 million or \$43 per square foot. Residual land value is the amount of money that a developer is willing to pay for a property. The Consultant found that condominiums would work on only some of the sites. These scenarios were based on the most optimistic assumptions in terms of the requirements. For example, if based on rentals, a park in lieu and 20% requirement for affordable housing would kick in, resulting in skyrocketing costs.

In response to an inquiry by Boardmember Scannell, Consultant Sanchez affirmed that this did not include low income housing due to the Palmer case in Los Angeles.

Consultant Sanchez had queried the Consultant regarding the possibility of selling everything individually, but the project Consultant rejected this possibility due to the fact that necessary structured parking cannot be built for the commercial space. All the sites were dependent on the BART Right of Way and Antoinette Lane for parking.

In response to Boardmember Scannell's query pertinent to the library, Consultant Sanchez noted that the General Plan originally located the library in the area. When staff completed the initial analysis after the demise of Redevelopment, it believed the Library should be taken out so as to remain neutral as to the taxing entities. However, the Consultant recommended maintaining the plans for a library in the area, since depending on the market conditions, the developer would make a marginal profit or loss. Further, being a public amenity, the library would enhance the benefit to the rest of the site. Accordingly, the plan to relocate the City's main library to this site was maintained.

Consultant Sanchez explained the Consultant's conclusion that due to the interdependency of the sites, the highest appraised value would be achieved by keeping the parcels in tact.

In response to Chair Cullen's query, Consultant Sanchez confirmed that the ideal situation would be

to sell the entire site to a single developer.

Regarding the Downtown properties, Consultant Sanchez explained a property assemblage in which a 5<sup>th</sup> and important parcel was not able to be acquired. While the property would be more valuable with the acquisition of the 5<sup>th</sup> property, ultimately it would make sense to develop the properties to maximize revenues in the long and short term.

Boardmember Christensen suggested using tax increment dollars to buy the 5<sup>th</sup> lot and complete the assemblage since it would be much more valuable to have the full site.

Consultant Sanchez concluded that the aim of the presentation was to help the Boardmembers understand the mechanisms involved in the property assemblage and determine what would make the best economic sense moving forward.

In response to Boardmember Farrales' query regarding the structure of the ultimate recommendation that would be presented to the Oversight Board, Consultant Sanchez advised a recommendation and options would be presented.

Chairman Cullen favored keeping all of the Mission/Chestnut/PUC properties together.

Boardmember Christensen suggested having the El Camino frontage property in the Chestnut Area appraised, since she believed it would be valuable for housing.

Boardmember Addiego agreed.

Consultant Sanchez noted that staff was limited by a \$25,000 cap for DOF review.

In response, Assistant City Manager Van Duyn suggested staff review appraisal options and bring anything over the \$25,000 cap back to the Board for approval.

The following developers identified themselves as being present to hear this topic: Mike Olmeady, President of Signature Development Group which is based in Oakland and his colleague Eric Harrison. Sheppard Heery, a consultant and developer from the Brookwood Group was also present.

4. Framework for determining former RDA Staffing composition for calculating unfunded retirement and retiree health liabilities.

Chair Cullen noted that he had previously sent a copy of his e-mails to Finance Director Steele, including the recommended format for addressing this topic, to the Board. His recommendation was that the Board discuss the positions still in question and agree on the former RDA Staffing composition for calculating unfunded retirement and retiree health liabilities. It could then direct staff to bring back the actuarial report based on the Board's direction. It would also direct staff on the number of ROPs to be used to compensate the City.

Finance Director Steele presented the report noting that the Board was grappling with 2 sets of questions, including the mechanical calculation and policy. He hoped that the Board could move

through today and informally vote on which positions to include in the actuarial analysis. Until that then, staff would not be able to get an accurate calculation of actuarial numbers. In the staff report, Director Steele noted two areas of previous Board concern, including Police Officers and Literacy Services positions. Director Steele explained staff's position that the RDA plan and language in the Health and Safety Code that governed Redevelopment justified the Police Officer positions in order to minimize crime related to blight in the Redevelopment Areas. Likewise, the Literacy Services positions enhanced Redevelopment functions by reaching out to residents and businesses in the Downtown area and assisting in reducing blight. This staff spoke Spanish and taught English and literacy to adults. This helped residents become employable as a part of the Economic Development component of Redevelopment. Director Steele understood that the Board's policy concerns. However, he offered the example of Redwood City, which had many of the same types of positions such as park workers, recreation workers, a portion of the city manager, portion of finance staff, planners and even a portion of the city attorney designated as part of the staffing composition for calculating unfunded retirement benefits and retiree health. With a tax increment of \$12.5 million, the Redwood City Oversight Board allocated 13.5 positions, which were also approved by the State. In contrast, in consideration of South San Francisco's tax increment of \$36 million, staff suggested allocating 17.95 positions in the highest year. On average, it was much less than that, including the two Police Officers and the Literacy Services positions. Staff believed that this was a reasonable allocation of positions. Director Steele was hopeful the Board would come to a consensus on positions so that staff could implement the final actuarial study.

In response to Boardmember Christensen's query regarding the remaining ROPS cycles, Finance Director Steele advised that since the Board would cease functioning in 2016 pursuant to the Health and Safety Code, five ROPS cycles remained.

Boardmember Christensen observed that a number of positions were added in 2011 and 2012. For example in the Finance Department staff was not proposing to charge for the Director of Finance but was charging for an Accountant.

Finance Director Steele explained that staff felt that it couldn't justify charging as many staff to the RDA in the earlier years. As time progressed and the RDA ramped up, so did the staff allocations. There were two full time employee accountants over the 17 years, which averages out to 2/17ths of a full time employee.

In response to further inquiry by Chair Cullen, Finance Director Steele responded that he believed all reports given to the Board were addressed in terms of full time employees. The last 3 years were based on payroll records demonstrating hours worked.

Boardmember Scannell returned to Boardmember Christensen's query and stated that he did not understand Finance Director Steele's response regarding the reason behind the jump in 2011 and 2012. Finance Director Steele advised that staff observed that full time employees were working on valid administrative functions for the Redevelopment Agency but could not justify or afford doing it earlier. Before the 2006 fiscal merger, each tax project area had to stand on its own and funds could not be mixed, because highly restrictive covenants established when Redevelopment was set up did not allow it. The fiscal merger allowed comingling of funds across all the project areas. Thus, staff was able to unleash the tax increment to a large extent starting in 2006-2007, which was previously

impossible. In sum, the jump was attributed to the fact that in the early years the funds were not available due to restrictions.

In response to Vice-Chair Ernsberger's inquiry into whether the accountants were new or reassigned to the RDA, Finance Director Steele clarified that the accountants had actually been working for the RDA for sometime, but only began coding time as such once the Agency could afford this mechanism. When the fiscal merger went through, not only did the Agency have more money, but the workload increased as the Agency had to account for those funds and all the new projects, invoices and assets that needed to be booked in the system.

Chair Cullen was hesitant to include Police positions because the policing was done in areas of business which he saw as a typical City Police requirement.

Boardmember Addiego responded that the Police faced the problem of SRO residents in the business district due to Redevelopment. The relevant Officers' focus was to interface on behalf of merchants.

Assistant City Manager Van Duyn added that there was a corridor of development very near residential neighborhoods where there was a lot of activity at the time, which forged the relationship with Redevelopment. The Agency owned properties along the corridor as well and the Neighborhood Response Team that the City funded was directly linked to the Police Substation that was put into the Miller Avenue Parking Garage, which was funded by the Agency in the Downtown District. This Substation was established so that there would be more Police proximity as well as a launch point to serve the problematic areas of the Downtown District.

In response to a query by Chair Cullen, Finance Director Steele noted that the General Fund was now receiving \$6 million more in property taxes than during the RDA period and the City did not have to conduct lay offs.

Finance Director Steele clarified for Boardmember Ernsberger that the liabilities were calculated only to the point the RDA was dissolved.

Boardmember Beaudin sought a sense of where the Board was and noted that there seemed to be two specific positions that were still a concern, the Police Officers and the Literacy Services positions.

Boardmember Scannell questioned the relevance of the Parking Enforcement Officer to the RDA.

Finance Director Steele advised there was a direct relationship between the ability of people to park and have easy access to the Downtown without having people parked for three hours in a one hour stall. This primarily helped small downtown businesses.

Chair Cullen noted that there seemed to be a consensus that all the other positions were acceptable to all members of the Board except Literacy Service positions, Parking Enforcement and Police Officers. He suggested taking a motion on the positions on which the Board agreed and then discussing the remainder.

Motion- Boardmember Scannell/Second- Boardmember Addiego: to agree to direct staff to include

all of the positions in the Actuarial Calculation with the exception of the Parking Enforcement Officer, the Police Officers and the Literacy Services positions, which would be subject to immediate further discussion for inclusion. Unanimously approved by voice vote.

Boardmember Christensen believed further discussion was warranted related to the Parking Enforcement Officer and Police Officers.

Chair Cullen suggested each Boardmember express their respective opinions related to these positions.

Boardmember Christensen supported the Parking Enforcement and Police Officers being included in the calculation, but did not support including the Literacy Services positions.

Boardmember Addiego opined that there was good justification for Police and what was being achieved, but that Literacy Services was a stretch.

Boardmember Beaudin agreed with Boardmembers Addiego and Christensen.

Boardmembers Farrales and Scannell wished to exclude them all.

Vice Chairperson Ernsberger believed that the Police Officer full time employee allocation seemed reasonable but the Parking Enforcement allocation seemed high.

Chair Cullen supported including the Police Officers but not the Literacy Services and Parking Enforcement positions.

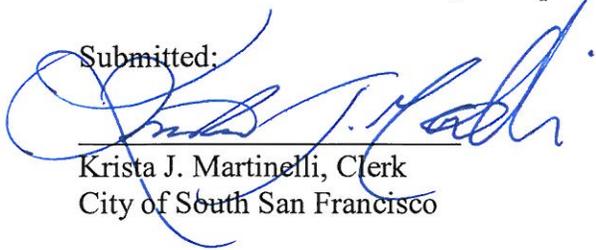
Motion – Boardmember Addiego/Second –Boardmember Christensen: to agree to direct staff to include the Police Officer positions in the Actuarial Calculation and exclude the Parking Enforcement Officer and the Literacy Services positions. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen, Vice-Chair Ernsberger and Chair Cullen. NOES: Boardmembers Farrales and Scannell. ABSTAIN: None. ABSENT: None.

ADJOURNMENT

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

Pursuant to the above motion, Chairperson Cullen adjourned the meeting at 3:35 p.m.

Submitted:



Krista J. Martinelli, Clerk  
City of South San Francisco

Approved:



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