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, NOVEMBER 12, 2013
2:00 P.M.

CALL TO ORDER — Time: 2:00 p.m.

ROLL CALL — Present: Boardmembers Addiego*, Beaudin, Christensen, Farrales, Vice Chair Ernsberger and Chairperson Cullen.

Absent: Boardmember Scannell.

*Boardmember Addiego arrived at 2:05 p.m.

PLEDGE OF ALLEGIANCE — Led By: Finance Director Steele.

AGENDA REVIEW

None.

COMMUNICATIONS FROM STAFF

a. Status of response to Nawied Amin- public comment at the meeting of September 17, 2013.

Finance Director Steele informed the Board that an email had been sent to Nawied Amin in response to his questions.

b. Truing up of unfunded health costs.

In regards to Boardmember Scannell's query on the truing up unfunded costs, Finance Director Steele stated that it would be up to the Board to request the truing up or not. The costs could go up or down and typically actuarial studies were conducted every year or two. The staffing component would not change but one cost that would change would be the overall liability. Finance Director Steele suggested that if the Board so wished, an actuarial study could be done three months before the last ROPS and dissolution of the Board.

c. Residual in the Redevelopment Property Tax Trust Fund.

Finance Director Steele's understanding of Boardmember Christensen's inquiry was that since the RDA obligations had been paid down one would expect that the residuals transferred to the taxing agencies would go up. Conceptually that was right but on the other hand, obligations had been added. Entering into property disposition would add hundreds of thousands of dollars to the future ROPS. OPEB and PERS liabilities had also just been added. The Oyster Point DDA commitment was still being paid for and that was the biggest liability after debt service. Therefore, he did not believe that that costs would be going down dramatically.

PUBLIC COMMENTS

None.

MATTERS FOR CONSIDERATION

1. Further discussion of the draft Long Range Property Management Plan.

Consultant Sanchez noted that there were four primary issues that came up at the previous meeting. Firstly, in regards to governmental use properties, the Board requested that the deeds reflect that they would be used for governmental purposes and if they reverted to another use that there would be a revenue sharing agreement in place to compensate the taxing agencies. Secondly, as far as parcel mergers were concerned, staff inserted language so that when appropriate, parcels would be merged in one parcel so that the intended development would occur there. Thirdly, the Successor Agency and the City would enter into a Revenue Sharing Agreement whereby the taxing agencies would receive the net proceeds from the sale of the properties the City retained for future development. The agreement would be subject to the approval of the Oversight Board and DOF. Fourthly, in response to Boardmember Christensen's inquiry on the reasons behind certain properties not being moved to the for sale column, Consultant Sanchez noted that they could move in any direction the Board wanted but advised them to keep in mind that the property plan would be the final and conclusive settlement of the properties' disposition. He advised against creating any ambiguities in the plan. He understood that certain jurisdictions had submitted property plans with contingencies but there was no assurance on the DOF's position. Staff's interpretation and advice was that this plan should be conclusive document of where the properties will be. If it were the Board's desire to take that risk and enter contingencies, then that would be done not knowing where DOF would land on the matter.

In regards to the properties at 616, 700 and 905 Linden, Consultant Sanchez advised that once all the choice properties in the downtown area were gone, then there would be some movement for these properties that have had no activity. At that point in time it would make more sense for them to be put on the market. On its own, 315 Airport Boulevard which was a smaller lot, had some development potential. There were two underutilized lots next to that property, 309 Airport Boulevard which was an SRO Hotel and 305 Airport Boulevard which was an auto supply shop that had been closed for over a year. If a developer had a strong interest in these then it would make sense to pursue them. A good long-term plan would be to wait for a developer who could assemble these properties and pursue a development. In response to Boardmember Christensen's query on any interest expressed by developers, Consultant Sanchez stated that there was some interest shown for the property at 400 Airport Boulevard but not for the other properties.

In response to a discussion on the possibility of deeply discounted development, Successor Agency Counsel Donoghue explained that the city would not have that same ability that the RDA had due to the gift of public funds argument, but a case for affordable housing could possibly work. Consultant Sanchez clarified that the city would pursue a cooperation agreement where a loan would be provided for the value of the land and additional housing funds to bring a loan of $3 million into the deal. The development budget and loan would stay the same but the equity participation would drop to $4.5 million which would allow them to hit their threshold of 25 percent IIR. Considering the risks involved, mitigation risks would be taken to protect he city's investment. Under a cooperation agreement, the city's funds would go in first and come out last. The $3 million contribution by the city would grant a return of $67,000 annually and $9 million at year 10. This would return an internal rate of return of 14 percent for the city's investment, which is a relatively attractive return on a governmental project. In addition to the good return, 12-18 affordable units and 37- 43 market rate units would be created which would upgrade the area.

In terms of 400 Airport Boulevard, the property with the most development potential, the city could try to sell immediately. In response to Boardmember Farrales' inquiry into the process that would be undertaken if a property's category were to change, Counsel Labadie explained that a property designated for future development would transfer to the city and so it would be the city's responsibility to unify it for development or sell it and distribute the proceeds to the taxing agencies. Regarding the categorization of properties, Successor Agency Counsel Donoghue expressed concern about placing conditions on properties and advised the Board to insert language showing intent instead so as to avoid ambiguity with the DOF. Counsel Labadie agreed that this would be the best way to handle it. In order to maximize the benefit to the taxing agencies, it would be best for the Successor Agency not to proceed with the sale until the Downtown Plan was finalized. Finance Director Steele stated that it would be in the city's best interest to wait until the zoning was completed because the city would also get a larger share of taxes since their share is 17 percent of the property taxes. In response to a point of clarification by Chair Cullen, Consultant Sanchez explained that the zoning in place would dictate how those properties would be developed. Thus, the zoning would take precedence over the property disposition plan.

In response to Chairman Cullen's further inquiry into the matter, Boardmember Beaudin explained that there was an administrative draft of that document and all the uses mentioned by Consultant Sanchez were being contemplated. A specific plan was being proposed with General Plan amendments, zoning regulations and design guidelines built into the document. He clarified that Transit Oriented Development (TOD) was the umbrella statement used to describe something that is happening approximate to the station.

As far as the San Mateo County Health Center at 472 Grand Avenue, Boardmember Farrales stated that the county was committed to serving the needs of an underserved population but the property was not in an ideal location and had many deficiencies that needed to be fixed. She proposed that if there was a better location for health and other services, they would be more interested in moving.

After receiving some clarification, Boardmember Addiego expressed his content with the deed restrictions designating continued public use if the county deferred to the city and did not wish to take ownership of the property.

Boardmember Farrales expressed that she would like to meet with Counsel Labadie to discuss the health clinic's plans but Counsel Labadie responded that it would be difficult considering that the plan was scheduled to be approved the following week.

This item would be continued to the November 19th Regular Meeting of the Oversight Board, at which time the Board would consider taking action on the approval of the Long Range Property Management Plan.

2. Future Agenda Items.
   a) Consideration of revenue sharing agreement related to assignment of the Master Commercial Lease at 636 El Camino Real.

ADJOURNMENT

Motion- Boardmember Beaudin/ Second- Boardmember Addiego- to adjourn the meeting. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen, Farrales, Vice Chair Ernsberger and Chair Cullen; NOES: None; ABSTAIN: None; ABSENT: Boardmember Scannell.

Pursuant to the above motion, Chair Cullen adjourned the meeting at 3:07 p.m.

Submitted:

Kathryn Reodica, Deputy Clerk
Oversight Board for the Successor
Agency to the South San Francisco
Redevelopment Agency

Approved:

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