

MEMORANDUM

September 21, 2018

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Victor Makras
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Request authorization to enter into a Grant Agreement with the Successor Agency to the former San Francisco Redevelopment Agency for the Port to accept and expend up to \$9,760,000 in Successor Agency bond proceeds for construction of the Mission Bay Ferry Landing Project

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

The Mission Bay Ferry Landing Project (Project) will support the thriving new Mission Bay neighborhood by expanding the modes of transportation available to the area's residents, workers and visitors. The Project will provide critical regional ferry service to and from Mission Bay, one of San Francisco's fastest growing neighborhoods, as well as the Dogpatch, Potrero Hill, Pier 70, and the Central Waterfront neighborhoods.

As directed by the Port Commission in Resolution No. 18-16, approved February 22, 2018, Port staff requested \$11.0 million from the City's General Fund to support the Mission Bay Ferry Landing Project's \$35.7 million construction budget. In response to the Port's request, the Mayor's Office budgeted \$1.24 million in General Fund support and a grant of \$9.76 million in tax-exempt bond proceeds held by the Successor Agency to the former San Francisco Redevelopment Agency (Successor Agency) in the Port's Fiscal Year 2018-19 capital budget for the Project. The Board of Supervisors approved the acceptance and expenditure of the grant funds (referred to as "grant funds" and "tax-exempt bond proceeds") from the Successor Agency via the City's Fiscal Year 2018-19 and 2019-20 Annual Appropriation Ordinance (AAO) approved on August 1, 2018.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

The Successor Agency requires that the Port enter into the proposed Grant Agreement to memorialize the obligations of the respective agencies and ensure that the Port will expend the Successor Agency's tax-exempt bond proceeds in compliance with the bond indenture.

STRATEGIC OBJECTIVES

This Grant Agreement with the Successor Agency for the Mission Bay Ferry Landing Project advances two aspects of the Port's Strategic Plan:

Stability: Securing non-Port revenue for this project is a key element of the Port's work to seek traditional and innovative solutions to the Port's capital plan funding gap by maximizing external sources for projects that serve City and regional needs.

Livability: Enabling water transportation access to this rapidly growing area of San Francisco improves the environment and quality of life for San Francisco residents and visitors. The project is part of the City's integrated transportation plan and will help ease traffic congestion along the waterfront and expand public transit.

BACKGROUND

The Mission Bay Ferry Landing will provide critical regional ferry service to and from the Mission Bay neighborhood, one of the fastest growing neighborhoods in San Francisco, as well as the Dogpatch, Potrero Hill, Pier 70, and the Central Waterfront neighborhoods. When completed, the Mission Bay Ferry Landing will provide the capability to berth two ferry boats simultaneously, handling up to 6,000 passengers per day. San Francisco Bay Area Water Emergency Transportation Authority (WETA) and Golden Gate Bridge Transportation District are both expected to provide service at the Landing.

The Ferry Landing will sit within a half mile of approximately 11,000 new housing units, seven million square feet of new office and commercial space, more than one million square feet of new retail space and 70 acres of public open space.

The Ferry Landing is essential to alleviate current regional transportation overcrowding, and to provide transportation resiliency in the event of an earthquake, BART or Bay Bridge failure, or other unplanned events. The Port and City fully funded the design and permitting of the Project.

To date, funding for the \$42.7 million Project has included \$3.5 million from the Port and \$3.5 million in General Fund support to complete the design and entitlements for the Project. The Port continues to work with WETA, its development partners, major employers in the area and the City to secure the \$35.7 million needed to construct the Ferry Landing. Regional Measure 3 (a regional ballot measure through which voters authorized increased bridge toll funds for transportation improvements), is the major funding source for the Project. Other funding sources include private donations and

exaction fees from the Pier 70 and Mission Rock development projects. The timing of both of these funding sources is uncertain and will likely not align with the construction schedule. To avoid delays to the Project due to timing of funding, the Port Commission approved Resolution No. 18-16 on February 22, 2018, directing Port staff to submit an \$11.0 million capital request of the City’s General Fund for the Mission Bay Ferry Landing Project.

The Mayor’s Office identified an opportunity to meet a portion of the Port’s request through available tax-exempt bond proceeds held by the Successor Agency and issued prior to dissolution of the Redevelopment Agency. Under the laws governing dissolution of the redevelopment agencies, the Successor Agency must expend remaining bond proceeds and excess cash reserves from refinanced (“defeased”) bonds consistent with the provisions of the original bond indenture. The Mayor’s Office and the Successor Agency identified Mission Bay Ferry Landing Project as an appropriate use for these funds because Mission Bay is a former redevelopment area, the Project will serve as a key transit node for the neighborhood, providing public benefits consistent with the use of tax-exempt bond proceeds, and the Project will be ready for construction in less than a year.

PROJECT FUNDING PLAN

As detailed below, the Port and City fully funded the \$7.0 million planning and design phase of the Project. The construction budget is \$35.7 million. To date, the Port has secured \$11.0 million, including \$1.24 million from the General Fund and the proposed grant of \$9.76 million from the Successor Agency toward the construction phase. The Port continues to work with the City, WETA, its development partners, other major employers in the area and the San Francisco County Transportation Authority to secure the remaining \$24.7 million needed for construction.

Funding Sources	(\$ millions)
Secured - Planning and Design Phase Budget	\$7.0
<i>Port capital</i>	\$3.5
<i>General Fund support FY 2017-18</i>	\$3.5
Secured - Construction Phase Budget*	\$11.0
<i>General Fund support FY 2018-19</i>	\$1.2
<i>Successor Agency bond funds</i>	\$9.8
Pledged - Construction Phase Budget	\$24.7
<i>Private contributions</i>	\$4.0
<i>Regional Measure 3, up to \$25M</i>	\$20.7
Total Planned Sources	\$42.7

* Previously the funding plan included \$6.0 million in developer transportation fees. Because these fees will be collected over six years, they will not be available for the construction of the Project. Instead, the City identified alternative resources. When the City collects the developer transportation fees from Port projects, the City will direct those funds toward other priority transportation projects.

PROPOSED AGREEMENT

The Successor Agency is a state-authorized local entity governed by two bodies, the Oversight Board of the Successor Agency and the Commission on Community Investment and Infrastructure. To transfer the available bond funds to the Port, the Successor Agency requires a grant agreement to ensure compliance with the terms of the bond indenture. The proposed Grant Agreement represents a binding agreement between the Port, on behalf of the City, and the Successor Agency. The proposed Grant Agreement specifies the material terms for the Successor Agency's transfer and the Port's use of funds not to exceed \$9,760,000 in tax-exempt bond proceeds for the construction phase of the Project. The material terms and conditions of the Grant Agreement are as follows:

- The Port shall use grant funds solely for the construction of the Mission Bay Ferry Landing;
- The Port shall cooperate and coordinate with the Successor Agency to ensure compliance with Internal Revenue Service requirements regarding the management and expenditure of tax-exempt bond proceeds;
- Following expenditure of the grant funds, the Port shall provide to the Successor Agency invoices for review and approval;
- Upon approval of the Port's expenditure invoices, the Successor Agency will disburse funds within five days of confirmation that the expenditures comply with Internal Revenue Service requirements, with total disbursement not exceeding \$9,760,000;
- The Port agrees to defend, hold harmless and indemnify the Successor Agency from any claims and damages arising out the Grant Agreement, including any liabilities associated with the Port's management of tax-exempt bond funds and associated interest arising from Internal Revenue Service audits;
- All funds are to be expended by August 1, 2020. If by or before February 1, 2020 the Port no longer has a reasonable expectation of drawing down the grant funds to pay a portion of the costs related to the Project on or before August 1, 2020, the Successor Agency, in its sole and absolute discretion, may identify alternate, eligible projects at the Port or elsewhere, including Successor Agency projects, upon which the Grant Amount or remainder thereof can be spent; and
- The ferry landing Project and any other infrastructure financed with the grant funds disbursed by the Successor Agency to the Port shall at all times be owned and operated by a governmental entity so long as is necessary to ensure compliance with the Section 103 of the Internal Revenue Code.

The San Francisco Board of Supervisors approved the acceptance and expenditure of the Successor Agency grant funds via the City's Fiscal Year 2018-19 and 2019-20 Annual Appropriation Ordinance approved on August 1, 2018. The City Risk Manager has approved the indemnity provision in the grant.

NEXT STEPS

Port staff seeks Port Commission authorization for the Executive Director to enter into the proposed Grant Agreement with the Successor Agency to accept and expend up to \$9,760,000 in tax-exempt bond proceeds for the construction of Mission Bay Ferry Landing. The Successor Agency staff is seeking approval from its Commission and Oversight Board to enter into the Grant Agreement. Upon the Port Commission's approval and approval from the Successor Agency's Commission and Oversight Board, the parties will proceed with execution of the Grant Agreement and the Port will be able to commence expenditure of funds.

Prepared by: Ananda Hirsch, Capital Manager, Finance and
Administration Division

and

Meghan Wallace, Finance and Procurement
Manager, Finance and Administration Division

For: Katharine Petrucione, Deputy Director
Finance and Administration Division

Attachment 1: Grant Agreement by and between the Successor Agency to the
Redevelopment Agency and the City and County of San Francisco, through the
Port of San Francisco for the Mission Bay Ferry Landing Project

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 18-51

- WHEREAS, The Mission Bay Ferry Landing (“Ferry Landing”) is a priority project for the City and County of San Francisco and the Port of San Francisco; and
- WHEREAS, The Port requested \$11,000,000 from the City’s General Fund Capital Budget for Fiscal Year 2018-2019 for the construction phase of the Ferry Landing; and
- WHEREAS, Pursuant to the decision of the California Supreme Court on December 29, 2011 (*California Redevelopment Association et al. v. Ana Matosantos*) and Assembly Bill 1 x26, the San Francisco Redevelopment Agency was dissolved on February 1, 2012, and in response to the dissolution and Assembly Bill 1424, the City and County of San Francisco created the Commission on Community Investment and Infrastructure as the Successor Agency to the San Francisco Redevelopment Agency (“Successor Agency”); and
- WHEREAS, Under state legislation governing the dissolution of the former Redevelopment Agency (Assembly Bills 26 and 1484), the Successor Agency is authorized to implement certain major redevelopment projects that were previously administered by the former Redevelopment Agency, including the Mission Bay South Redevelopment Project Area which encompass the location of the Mission Bay Ferry Landing project; and
- WHEREAS, Through approval of the City’s Annual Appropriation Ordinance for Fiscal Year 2018-19 on August 1, 2018, the City Board of Supervisors has authorized and appropriated \$9,760,000 of Successor Agency bond proceeds for the Ferry Landing Project; and
- WHEREAS, The City and the Successor Agency have identified up to \$9,760,000 in available bond proceeds, generated from a cash reserve from refinanced “defeased” bonds 2007B (referred to herein as “bond proceeds”), that are eligible for expenditure on construction of the Ferry Landing; and
- WHEREAS, As a state-authorized local entity, the Successor Agency requires the Port to enter into a Grant Agreement for the expenditure of the bond proceeds that includes a provision for the Port to indemnify the Successor Agency for any claims, demands, costs, damages, actions, and liabilities, arising out of the Grant Agreement, and any of the Port’s activities, including liabilities associated with the Port’s management of

tax-exempt bond funds and associated interest arising from Internal Revenue Service audits; and

WHEREAS, The City Risk Manager has approved the indemnity provision in the Grant Agreement; and

WHEREAS, The Successor Agency must also gain approval from its Commission and Oversight Board prior to entering in to the Grant Agreement; now therefore, be it

RESOLVED, That the Port Commission hereby urges the Successor Agency's Commission and Oversight Board to approve and authorize the Successor Agency to enter into the Grant Agreement with the Port for utilization of up to \$9,760,000 in Successor Agency bond proceeds for the Mission Bay Ferry Landing Project; and, be it further

RESOLVED, That the Port Commission hereby authorizes the Port Executive Director or her designee to enter into a Grant Agreement with the Successor Agency to accept and expend up to \$9,760,000 in Successor Agency bond proceeds on the terms and conditions recited in the accompanying staff memorandum; and be it further

RESOLVED, That the Port Commission further authorizes the Port Executive Director to enter into other any additions, ancillary agreements, extensions, augmentations, or amendments thereof necessary to implement the transaction contemplated by the Grant Agreement which, when taken as a whole, the Executive Director determines, in consultation with the City Attorney, are in the best interests of the Port, do not materially decrease the benefits or materially increase the obligations or liabilities of the Port, and are necessary or advisable to complete the transaction that the Grant Agreement contemplates.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 25, 2018.

Secretary