

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - (Continued)

(11) SAN FRANCISCO REDEVELOPMENT AGENCY

The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and has nine redevelopment project areas now underway. In addition, the Agency is undertaking feasibility studies for five new redevelopment survey areas, designated by the Board of Supervisors of the City and County of San Francisco.

During the fiscal year ended June 30, 1998, the Agency was responsible for the Citywide Tax Increment Housing Program and relocation activities for the City and County of San Francisco. The Agency acts as the lead Agency in administering the HOPWA (Housing Opportunities for Persons with Aids) program which is funded by a grant from the Department of Housing and Urban Development. In addition, during the year the Agency has undertaken community economic adjustment activities under a grant with the Office of Economic Adjustment on behalf of the Department of Defense for planning the reuse of Hunters Point Naval Shipyard.

In July 1997 the Board of Supervisors approved the Hunters Point Shipyard Redevelopment Plan. The direction of the Hunters Point Shipyard Reuse Plan has been to build a new, vibrant, broadly welcoming place of employment and economic benefit for the Bayview Hunters Point community as a city and regional resource. Implementation of this goal has involved the preparation of plans for "Arts and Industry" and the Shipyard, a new mixed-use neighborhood and cultural district, a large industrial district, expansion by artists and artisans throughout the site, and a new residential neighborhood.

In October 1997, the site at 7th and Mission Streets became a redevelopment project area. In 1992, the City and federal government agreed in principal that the General Services Administration would construct a new federal office building in San Francisco to consolidate agencies that currently occupy leased quarters. The budget for the construction and development of the new 675,000 square foot building which will accommodate up to 3,000 employees is \$120 million. To facilitate this undertaking, the City agreed to donate a building site at no cost to the federal government.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency received \$25.3 million in property tax increment and recognized \$23.1 million as revenue, including amounts deferred in the prior year, in the Capital Projects Fund.

During fiscal year 1997-98, the City and County of San Francisco Redevelopment Financing Authority (Authority), a component unit of the Agency, had two bond issuances. The Authority sold \$16.6 million of Tax Allocation Revenue Bonds for which the net proceeds will be used for redevelopment activities in the Rincon Point-South Beach Project Area. The Agency expects that such moneys will be released to reimburse the owner of the new baseball park when certain conditions are met. The remainder of the funds will be used to fund certain costs relating to the issuance of the bonds and for reserve requirements. The Authority also sold \$21.7 million of Tax Allocation Revenue Bonds for which the net proceeds will be used for redevelopment projects, the Housing Fund, bond issuance costs and reserve requirements, and for the partial redemption of bonds issued in 1989, 1994, and 1995. The project areas that will benefit are the Rincon Point-South Beach Project Area, the Western Addition Project Area A-2, the Yerba Buena Center Project Area, the Hunter's Point Project Area, the India Basin Industrial Park Project Area, the

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South of Market Recovery Redevelopment Plan, and the Embarcadero-Lower Market ("Golden Gateway") Project Area.

The proceeds from issuance of Authority bonds are immediately loaned to the Agency. Loan payments to the Authority are equal to the debt service payments of the underlying debt. The bonds are secured by property tax increment revenues. Since the loans are entirely within the financial reporting entity, they have been eliminated in the general purpose financial statements. The Authority is accounted for as a debt service fund in the Agency's separately issued financial statements.

In fiscal year 1997-98, the Agency issued \$57.2 million of 1998 Series Hotel Tax Revenue Bonds. The bonds are special limited obligations of the Agency and are payable from, and secured by, certain amounts payable from the imposition of an Agency hotel tax upon occupancy of guest rooms in the hotels within six redevelopment project areas. Proceeds of \$46.5 million has been used to partially refund the Agency's Hotel Tax Revenue Bonds Series 1994. The remainder has been used for issuance costs, reserve requirements, and to fund projects.

Outstanding bond issues had interest accretion of approximately \$16 million during the current year. Interest accretion is included in interest and fiscal charges in the general purpose financial statements.

In order to facilitate construction and rehabilitation within the project areas, various construction loan notes, promissory notes and mortgage revenue bonds with an aggregate outstanding balance of approximately \$435 million at June 30, 1998, have been issued. When these obligations are issued, they are secured by the related mortgage indebtedness and in the opinion of management, are not considered obligations of the Agency or the City. Debt service payments will be made by developers or property owners.

The Agency has commitments under contracts for capital improvements of approximately \$24 million at June 30, 1998.