SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Annual Financial Report

For the Year Ended June 30, 2016

MGO Certified Public Accountants

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

For the Year Ended June 30, 2016

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Independent Auditor's Report

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share of the net pension liability and contributions for pension plan, and schedule of funding progress for postemployment healthcare plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control and compliance.

Macias Gini & O'Connell LLP

San Francisco, California
October 21, 2016

As management of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("Successor Agency"), we offer readers of the Successor Agency's basic financial statements this narrative overview and analysis of the financial activities of the Successor Agency for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section.

Financial Highlights

The Successor Agency's net position at June 30, 2016 was a deficit of $377.0 million when compared to a deficit of $425.4 million at June 30, 2015, a decrease in deficit of $48.4 million for fiscal year 2016.

The Successor Agency's additions for fiscal year 2016 were $237.5 million compared to $203.1 million for fiscal year 2015, an increase of $34.4 million. The increase was mainly due to the increases of $14.5 million for developer payments and $19.0 million net gain on the sale of the Jessie Garage, offset by a decrease of $5.5 million for redevelopment property tax revenues.

The Successor Agency's deductions for fiscal year 2016 were $189.1 million compared to $166.5 million for fiscal year 2015, an increase of $22.6 million. The increase was mainly due to the increases in affordable housing loan program costs of $15.9 million, salaries and benefits of $2.0 million due to the increase in employees, contracted services for Mission Bay North and South Project Area of $30.0 million, contracted services for other project areas of $4.1 million, offset by decreases in interest on debt of $5.0 million, $18.8 million of one-time prior year reinstatement of Supplemental Education Revenue Augmentation Funds (SERAF) borrowings from the City and County of San Francisco (City) and one-time prior year transfer of capital assets to the City of $4.6 million.

On April 21, 2016, the Successor Agency also issued Tax Allocation Bonds Series 2016 B (2016 Series B Bonds) for $45.0 million. The Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2016 A (2016 Series A Bonds) for $73.9 million, and 2) Tax Allocation Refunding Bonds Series 2016 C (2016 Series C Bonds) for $73.2 million.

Proceeds from the 2016 Series A Bonds, including original issue premium and funds on hand from the refunded bonds, were used to fully refund Tax Allocation Bonds Series 2005 Series D, 2006 Series B, 2009 Series C, and 2011 Series C in the amount of $12.9 million, $29.5 million, $25.3 million, and $25.7 million, respectively.

Proceeds from the 2016 Series C Bonds, including original issue premium of and funds on hand from the refunded bonds, were used to fully refund Tax Allocation Bond Series 2009 Series D and 2011 Series D in the amount of $45.0 million and $34.9 million, respectively.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Successor Agency's basic financial statements. The Successor Agency's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

Financial Analysis

The former Redevelopment Agency of the City and County of San Francisco ("Agency") and Successor Agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments. Once redevelopment projects that are public facilities are completed by the Successor Agency, the Successor Agency will obtain approval to transfer these assets along with the responsibilities for their continued maintenance and operations to an appropriate public entity such as the City and County of San Francisco (City).

Net position may serve over time as a useful indicator of a government's financial position. At June 30, 2016, Successor Agency has a deficit net position of $377.0 million. Shown below is a schedule that summarizes the Successor Agency's net position held in trust:

Statement of Fiduciary Net Position
(In thousands)

Assets	**June 30, 2016**	**June 30, 2015**	**$ Change**
Current and other assets	$ 444,242	$ 433,035	$ 11,207
Capital assets	165,221	188,096	(22,875)
Total assets	609,463	621,131	(11,668)
Deferred outflows of resources	31,242	3,295	27,947
Liabilities			
Other liabilities	41,878	42,523	(645)
Long-term liabilities	967,995	999,519	(31,524)
Total Liabilities	1,009,873	1,042,042	(32,169)
Deferred inflows of resources	7,874	7,793	81
Total net position held in trust	**$ (377,042)**	**$ (425,409)**	**$ 48,367**

Assets

The Successor Agency's assets at June 30, 2016 were $609.5 million when compared with $621.1 million at June 30, 2015, a decrease of $11.7 million for fiscal year 2016 primarily due to the following:

- Increase in unrestricted cash and investments of $18.7 million, from $275.8 million at June 30, 2015 to $294.5 million at June 30, 2016. The increase was mainly due to the receipt of developer payments for affordable housing projects scheduled in future years.

- Decrease in restricted cash and investments with trustees of $11.9 million, from $150.5 million at June 30, 2015 to $138.6 million at June 30, 2016. The decrease was mainly due to the usage of funds on hand from the refunded bonds for the current year bond refundings.

- Increase in interest and other receivables of $3.7 million, from $4.7 million at June 30, 2015 to $8.4 million at June 30, 2016. The increase was mainly due to timing of the receipt of developer payments.

- Decrease in capital assets of $22.9 million, from $188.1 million at June 30, 2015 to $165.2 million at June 30, 2016. The decrease was mainly due to the sale of Jessie Garage with book value of $18.5 million, current year depreciation of $5.5 million, offset by an increase of $1.1 million in construction in progress.

Liabilities

The Successor Agency's liabilities at June 30, 2016 were $1,009.9 million when compared with $1,042.0 million at June 30, 2015, a decrease of $32.1 million for fiscal year 2016 primarily due to the following:

- Increase in accounts payable of $2.5 million, from $19.3 million at June 30, 2015 to $21.8 million at June 30, 2016. The increase was mainly due to timing of the payment for eligible expenditures.

- Decrease in accrued interest payable of $4.0 million, from $20.1 million at June 30, 2015 to $16.1 million at June 30, 2016. The decrease was mainly due to impact of refunding of bonds in the current year.

- Decrease in long-term liabilities of $31.5 million, from $999.5 million at June 30, 2015 to $968.0 million at June 30, 2016. The decrease was mainly due to scheduled debt service payments paid during the year.

Deferred Outflows and Inflows of Resources

The Successor Agency's deferred outflows of resources at June 30, 2016 were $31.2 million when compared with $3.3 million at June 30, 2016, an increase of $27.9 million for fiscal year 2016. The increase is mainly due to the increase in loss on refunding of $28.0 million, from $1.7 million at June 30, 2015 to $29.7 million at June 30, 2016 due to the current year bond refundings.

The Successor Agency's net position increased by $48.4 million for fiscal year 2016. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

	Year Ended		
Additions	**June 30, 2016**	**June 30, 2015**	**$ Change**
Redevelopment property tax revenues	$ 119,302	$ 124,791	$ (5,489)
Developer payments	64,780	50,343	14,437
Charges for services	18,779	19,076	(297)
Hotel tax	5,022	5,102	(80)
Investment income	1,632	2,045	(413)
Grants	332	323	9
Other	27,637	1,426	26,211
Total additions	237,484	203,106	34,378
Deductions			
Salaries and benefits	8,841	6,853	1,988
Operating expenses	1,626	1,452	174
Affordable housing loan program costs	47,738	31,856	15,882
Contracted services:			
Hunters Point Shipyard / Candlestick Point	5,134	4,043	1,091
Mission Bay North and South	40,313	10,354	29,959
Transbay	3,257	3,891	(634)
Yerba Buena Center	6,179	4,423	1,756
Other	8,592	4,486	4,106
Community based programs	4,096	5,436	(1,340)
Distribution of pledged revenue to Transbay Joint Powers Authority	1,632	2,500	(868)
Depreciation	5,543	5,638	(95)
Interest on debt	52,204	57,183	(4,979)
Reinstatement of SERAF borrowing from the City	-	18,770	(18,770)
Other	3,962	4,974	(1,012)
Intergovernmental transfer of capital assets to the City	-	4,612	(4,612)
Total deductions	189,117	166,471	22,646
Change in net position	48,367	36,635	11,732
Net position, beginning of year	(425,409)	(462,044)	36,635
Net position, end of year	$ (377,042)	$ (425,409)	$ 48,367

Additions

The Successor Agency's additions to net position increased by $34.4 million, from $203.1 million for fiscal year 2015 to $237.5 million for fiscal year 2016 primarily due to the following:

- Decrease in redevelopment property tax revenues of $5.5 million, from $124.8 million for fiscal year 2015 to $119.3 million for fiscal year 2016. The decrease was mainly due to the timing of projects which impact the pledged property tax revenues received.

- Increase in developer payments of $14.5 million, from $50.3 million for fiscal year 2015 to $64.8 million for fiscal year 2016. The increase was mainly due to the increase of reimbursable project expenses.

- Increase in other additions of $26.2 million, from $1.4 million for fiscal year 2015 to $27.6 million for fiscal year 2016. The increase was mainly due to the gain on the sale of the Jessie Garage of $19.0 million and the receipt of $4.5 million of donation from Hamilton Family for housing projects.

Deductions

The Successor Agency's deductions to net position increased by $22.6 million, from $166.5 million for fiscal year 2015 to $189.1 million for fiscal year 2016 primarily due to the following:

- Increase in salaries and benefit of $1.9 million, from $6.9 million for fiscal year 2015 to $8.8 million for fiscal year 2016. The increase was mainly due to the hiring of employees for the increased project and administrative activities.

- Increase in affordable housing loan program costs of $15.9 million, from $31.8 million for fiscal year 2015 to $47.7 million for fiscal year 2016. The increase was mainly due to the timing of housing project predevelopment and construction activities

- Increase in contracted services primarily due to the following:

    - Increase in Mission Bay North and South Project Area of $30.0 million, from $10.3 million for fiscal year 2015 to $40.3 million for fiscal year 2016. The increase was mainly due to current year's increase in activities in the project areas that were funded by proceeds from the issuance of 2016 Series B Bonds and pledged property tax increment revenues.
    - Increase in Yerba Buena Center Project Area of $1.8 million from $4.4 million for fiscal year 2015 to $6.2 million, for fiscal year 2016. The increase was mainly due to current year's increase in activity in the project area.
    - Increase in other project areas of $4.1 million, from $4.5 million for fiscal year 2015 to $8.6 million for fiscal year 2016. The increase was mainly due to payment of $3.0 million for elevator upgrade in a housing project and an increase in payment of $1.1 million to the Port of San Francisco Port for South Beach Harbor services.

- Decrease in community based programs of $1.3 million, from $5.4 million for fiscal year 2015 to $4.1 million for fiscal year 2016. In fiscal year 2015, the Successor Agency provided one-time funding to African Dispora for $0.5 million and the Mexican Museum for $0.8 million.

- Decrease in interest on debt of $5.0 million from $57.2 million for fiscal year 2015 to $52.2 million on fiscal year 2016. The decrease was mainly due to the refunding of six bonds during the fiscal year

- Decrease in other deductions of $1.0 million from $5.0 million for fiscal year 2015 to $4.0 million on fiscal year 2016. The decrease was mainly due to impact of refunding of bonds in the current year.

- A one-time reinstatement of SERAF borrowing from the City in the amount of $18.8 million for fiscal year 2015. During the year ended June 30, 2015, the Oversight Board and the California Department of Finance (DOF) approved future repayments of the SERAF borrowing from the City for up to the maximum amount of $16.5 million plus accrued interest. During January 2015, the Successor Agency recorded the payable balance of $18.8 million, which was comprised of principal of $16.5 million and accrued interest of $2.3 million.

- A one-time intergovernmental transfer of land held for lease located at 200 Sixth Street to the City pursuant to the Dissolution Law of $4.6 million for fiscal year 2015.

Capital Assets and Debt Administration

Capital Assets
As discussed above, at June 30, 2016, Successor Agency had capital assets aggregating to $165.2 million, a decrease of $22.9 million from fiscal year 2015. The decrease was mainly due to the sale of Jessie Garage with book value of $18.5 million, current year depreciation of $5.5 million, offset by an increase of $1.1 million in construction in progress.

Long-Debt Debt
At June 30, 2016, Successor Agency had long-term debt outstanding aggregating to $950.1 million, a decrease of $32.1 million from fiscal year 2015. Below is a breakdown of the long-term debt is as follows (in thousands):

	June 30, 2016	June 30, 2015	$ Change
Long-Term Debt			
Bonds Payable			
Tax Allocation Bonds	$ 804,659	$ 849,709	$ (45,050)
Hotel Tax Revenue Bonds Series 2011	34,260	37,470	(3,210)
South Beach Harbor Series 1986 Issue A	675	1,995	(1,320)
Subtotal - Bonds Payable	839,594	889,174	(49,580)
Cal Boating Loans Payable	6,857	7,075	(218)
Accreted Interest Payable	42,215	37,501	4,714
Advances From the Primary Government	-	23,212	(23,212)
SERAF Borrowing From the Primary Government	14,602	16,022	(1,420)
Unamortized Premiums and Discounts	46,833	9,193	37,640
Total Long-Term Debt	**$ 950,101**	**$ 982,177**	**$ (32,076)**

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding tax allocation bonds as of June 30, 2016:

Type of Tax Allocation Bonds	S & P Ratings
Mission Bay South	A-
Mission Bay North	A
Subordinate RPTTF	A+
Cross Collateralizd (Others)	AA-

Revenues and Recognized Obligations Payment Schedule

Pursuant to AB X1 26, the Successor Agency is required to adopt a Recognized Obligation Payments Schedule ("ROPS"). A ROPS, which lists all enforceable obligations due and payable during the six-month period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund.

The semi-annual Administrative Budget for Successor Agency is presented and approved by the Successor Agency governing board and Successor Agency's Oversight Board, and subsequently approved as part of the ROPS by the DOF.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Successor Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of Community Investment and Infrastructure, One South Van Ness Avenue 5th Floor, San Francisco, California.

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SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position

June 30, 2016

(In Thousands)

Assets		
Unrestricted cash and investments	$	294,455
Restricted cash and investments with trustees		138,600
Interest and other receivables		8,357
Intergovernmental receivables (net of allowance for uncollectible amounts of $860)		404
Notes and mortgages receivable (net of allowance for uncollectible amounts of $109,008)		1,724
Other assets		702
Capital assets:		
Non-depreciable		56,589
Depreciable, net of accumulated depreciation		108,632
Total assets		609,463
Deferred outflows of resources		
Unamortized loss on refundings		29,748
Pension items		1,494
Total deferred outflows of resources		31,242
Liabilities		
Accounts payable		21,801
Payable to the City		2,611
Accrued interest payable		16,113
Other liabilities		1,353
Long-term obligations:		
Due within one year		50,579
Due in more than one year		900,853
Net pension liability		16,563
Total liabilities		1,009,873
Deferred inflows of resources		
Pension items		7,874
Net position held in trust	$	(377,042)

See accompanying notes to basic financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016

(In Thousands)

Additions:		
Redevelopment property tax revenues	$	119,302
Developer payments		64,780
Charges for services		18,779
Hotel tax		5,022
Investment income		1,632
Grants		332
Other		27,637
Total additions		237,484
Deductions:		
Salaries and benefits		8,841
Administrative and operating		1,626
Affordable housing loan program costs		47,738
Contracted services		63,475
Community based programs		4,096
Distribution of pledged revenue to Transbay Joint Powers Authority		1,632
Depreciation		5,543
Interest on debt		52,204
Other		3,962
Total deductions		189,117
Change in net position		48,367
Net position, beginning of year		(425,409)
Net position, end of year	$	(377,042)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) General

The Redevelopment Agency of the City and County of San Francisco (Agency) was a public body, corporate and politic, organized and existed under the Community Redevelopment Law of the State of California. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Project Area."

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind-down of redevelopment activity. On January 24, 2012, the Board of Supervisors of the City and County of San Francisco (City) elected to become the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) and elected to retain the former Agency's housing assets and functions, rights, powers, duties and obligations, effective February 1, 2012.

On June 27, 2012, the Dissolution Law was revised pursuant to Assembly Bill 1484 (AB 1484), in which the State clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency with the legal authority to participate in redevelopment activities only to the extent that it is required to complete the work related to an approved enforceable obligation. Therefore, the Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. However, the City remains the Housing Successor Agency. The Oversight Board is comprised of seven-member representatives from local government bodies: four representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; and one appointee each from the San Francisco Community College District, the Bay Area Rapid Transit District, and the San Francisco Unified School District.

On October 2, 2012, the City's Board of Supervisors created the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure (Commission), as the policy body of the Successor Agency and delegated to it the authority to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations and the authority to take actions that the Dissolution Law requires or allows on behalf of the Successor Agency. The Commission is comprised of five members appointed by the Mayor and confirmed by the Board of Supervisors, with two of the seats held by residents of the two supervisorial districts with the largest amounts of the Major Approved Development Projects.

In September 2015, the State passed the Senate Bill 107 (Bill) which contains additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill includes specific language to the Successor Agency that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the RPTTF that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill also declares that the Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point – Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(1) Summary of Significant Accounting Policies (Continued)

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency is allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported as a fiduciary fund (private-purpose trust fund).

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Commission serves as the governing board of the Financing Authority and the Financing Authority provides services entirely to the Successor Agency. A financial benefit or burden relationship exists between the Successor Agency and the Financing Authority and thus the Financing Authority is included as a blended component unit in the Successor Agency's financial statements.

(b) Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

(c) Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

(d) Investments

The Successor Agency's investments in municipal bonds are stated at fair value. Fair value has been obtained by using market quotes and reflects the values as if the Successor Agency were to liquidate the securities on that date. The Successor Agency's investments in the City's Treasurer's Pool and money market mutual funds are valued at amortized cost.

(e) Restricted Cash and Investments with Fiscal Agents

Certain proceeds of the former Agency's and the Successor Agency's bonds, and resources set aside for their repayment, are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate accounts and their use is limited by applicable bond covenants or for debt service payments.

(f) Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than $5 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and Equipment	3-20
Buildings and Improvements	15-40

(g) Notes and Mortgages Receivable

During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2016, the Successor Agency disbursed $47,738 to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions - affordable housing loan program costs in the financial statements. At June 30, 2016, the gross value of the notes and mortgage receivable was $110,732 and the allowance for uncollectible amounts was $109,008.

(h) Accrued Vacation and Sick Leave

It is the Successor Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when earned. For sick leave, all employees are allowed to accumulate up to 1,040 hours (130 days). For vacation, employees are allowed to accumulate up to the limit based on employees' service years as follows:

Employee Service years	Maximum number of hours
Less than 5 years	320
Between 5 to 15 years	360
More than 15 years	400

(i) Redevelopment Property Tax Revenues

Pursuant to the Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) administered by the City's Controller for the benefit of holders of enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the RPTTF to the extent not necessary to pay enforceable obligations of the Successor Agency, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City's Controller to the local agencies in the project area.

(1) Summary of Significant Accounting Policies (Continued)

Distributions are scheduled to be made twice each year on the following cycles:

Distribution Dates	Covers Recognized Obligation Payment Schedules to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six month period.

(j) Bond Premium, Discounts, and Loss on Refundings

Premiums and discounts on debt instruments are reported as a component of long-term debt. Loss on refundings is reported as a component of deferred outflows of resources. The premiums, discounts, and loss on refundings are amortized as a component of the interest expense in a systematic and rational matter over the remaining life of the debt instrument.

(k) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Successor Agency's Pension Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of fiduciary net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (deduction) until then. At June 30, 2016, the Successor Agency reported pension items and loss on refundings as deferred outflows of resources.

In addition to liabilities, the statement of fiduciary net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (addition) until that time. At June 30, 2016, the Successor Agency reported pension items as deferred inflows of resources.

(1) Summary of Significant Accounting Policies (Continued)

(m) Effects of New Pronouncements

During the year ended June 30, 2016, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. See Note 3 to the financial statements for related disclosure.

- In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68. The implementation of this statement did not have a significant impact to the Successor Agency.

- In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes Statement No. 55. The implementation of this statement did not have a significant impact to the Successor Agency.

- In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. The implementation of this statement did not have a significant impact to the Successor Agency.

- In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. Statement No. 82 addresses issues raised with respect to the GASB Statement No. 67, 68 and 73, regarding: (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a significant impact to the Successor Agency.

The Successor Agency is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. The requirements of this statement are effective for the Successor Agency’s year ending June 30, 2017.

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the Successor Agency’s year ending June 30, 2018.

(1) Summary of Significant Accounting Policies (Continued)

- In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (i) brief descriptive information; (ii) the gross dollar amount of taxes abated during the period; and (iii) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2017.

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2017.

- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2018.

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2018.

(n) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Cash and Investments

As of June 30, 2016, the Successor Agency follows the investment policy of the former Agency, which is governed by and is in compliance with the California Government Code (Code). On August 19, 2014, the Commission adopted an investment policy for the Successor Agency to reflect the use of the City Treasurer's Pool to manage the Successor Agency's funds. Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

(Dollars in thousands)

(2) Cash and Investments (Continued)

The table below identifies the investment types that are authorized for the Successor Agency by the California Government Code 53601 or the Successor Agency's investment policy, where the policy is more restrictive. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Successor Agency, rather than the general provisions of the California Government Code or the Successor Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None
Federal Agency or U.S. Government Sponsored Enterprise Obligations	5 Years	85% *	None
State of California and Local Government Agency Obligations	5 Years	20% *	5% *
Certificates of Deposit	13 months *	None	None
Negotiable Certificates of Deposits	5 Years	30%	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Medium-Term Notes	2 Years *	15% *	10% *
Repurchase Agreements	92 Days	None	None
Reverse Repurchase Agreements	45 Days *	Not to exceed 75 million	None
Money Market Funds	N/A	None	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
City Treasurer's Pool	N/A	None	None
Supranationals	5 Years	30%	None

* Represents restriction in which the Successor Agency's investment policy is more restrictive than the California Code.

Interest Rate Risk: Refers to the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Refers to the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations.

The following is a summary of cash and investments as of June 30, 2016:

	Weighted Average Maturities for Investments					
	Less than 3 months	3 months to 1 year	1 to 5 years	Total Fair Value	Credit Rating	% allocation
Unrestricted cash and investments:						
Cash and investments with the City Treasury:						
Municipal bonds	$ -	$ 675	$ -	$ 675	Not rated	0.23%
Investment in the City Treasurer's pool	-	-	289,209	289,209	Not rated	99.77%
Total cash and investments with the City Treasury	-	675	289,209	289,884		100.00%
Cash deposits in bank				4,571	Not Applicable	
Total unrestricted cash and investments	-	675	289,209	294,455		
Restricted cash and investments with trustees:						
Money market mutual funds	138,195	-	-	138,195	Aaa	100.00%
Cash deposits with trustees				405	Not Applicable	
Total restricted cash and Investments with trustees	138,195	-	-	138,600		
Total cash and investments	$ 138,195	$ 675	$ 289,209	$ 433,055		

(2) Cash and Investments (Continued)

Custodial Credit Risk, Deposits: Refers to the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the procession of an outside party. The California Government Code requires California banks and savings and loan associations to secure the Successor Agency's deposits not covered by federal deposit insurance by pledging government securities as collateral. The market value of pledged securities must equal to at least 110% of the Successor Agency's deposits. The Successor Agency does not have any exposure to custodial credit risk for deposits because the collateral is held at the pledging bank's trust department in the Successor Agency's name.

Custodial Credit Risk, Investments: Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the Successor Agency's investment policy do not contain a legal or policy requirement that would limit the exposure to custodial credit risk for investments. At June 30, 2016, the Successor Agency's investment in the South Beach Harbor Bonds 1986 Issue A in the amount of $675 was exposed to custodial credit risk because they were separately managed by the City Treasury and registered in the name of the City.

Fair Value Hierarchy

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The Successor Agency's investment in municipal bonds are measured using level 2 inputs, while investment in the City's Treasurer's Pool and money market mutual funds are exempt from fair value measurement disclosures.

City's Treasurer's Pool

The Successor Agency maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2016, the Successor Agency's deposits and investments in the Pool is $289,209 and the total amount invested by all public agencies in the Pool is $7.8 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 1.02 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2016, the Pool consists of U.S. government and agency securities, State and local government agency obligations, negotiable certificates of deposit, medium term notes, public time deposits, and money market funds as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks), and fair value hierarchy for the City's Treasurer's Pool may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

(Dollars in thousands)

(3) Capital Assets

The following is a summary of changes in capital assets for the year-ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land held for lease	$ 54,769	$ -	$ -	$ 54,769
Construction in progress	633	1,187	-	1,820
Total capital assets not being depreciated	55,402	1,187	-	56,589
Capital assets being depreciated:				
Furniture and equipment	8,144	-	-	8,144
Building and improvements	227,843	-	(25,791)	202,052
Total capital assets being depreciated	235,987	-	(25,791)	210,196
Less accumulated depreciation for:				
Furniture and equipment	(8,093)	(11)	-	(8,104)
Building and improvements	(95,200)	(5,532)	7,272	(93,460)
Total accumulated depreciation	(103,293)	(5,543)	7,272	(101,564)
Total capital assets being depreciated, net	132,694	(5,543)	(18,519)	108,632
Total capital assets, net	$ 188,096	$ (4,356)	$ (18,519)	$ 165,221

During the year ended June 30, 2016, the Successor Agency sold a property with book value of $18,519 to a developer. The purchase price of the property totaled to $37,512, of which $25,222 was used to pay off the advances from the City, $8,931 was used to partially pay off the Tax Allocation Bonds Series 2003 B, and $3,359 was used to partially pay off the Tax Allocation Bonds Series 2014 A. The gain from the sale of the property was recorded as additions – other on the financial statements.

(Dollars in thousands)

(4) Long-Term Obligations

(a) Long-Term Obligations Summary

The following is a summary of changes in long-term obligations for the year-ended June 30, 2016:

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016	Due Within One Year
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1)	$ 12,915	2025	5.25% to 5.40%	$ 1,074	-	-	$ 1,074	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.20%	11,869	-	-	11,869	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B (1)	144,435	2019	5.18% to 5.41%	38,805	-	(18,090)	20,715	7,020
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects and Refunding Notes Series 2005B, D (1)	88,610	2016	Not Applicable	14,175	-	(14,175)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	34,991	-	(270)	34,721	285
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006B (1)	34,150	2016	Not Applicable	30,250	-	(30,250)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	109,215	-	(1,715)	107,500	1,835
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	44,140	-	(9,215)	34,925	9,700
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2024	7.38% to 8.25%	54,120	-	(5,435)	48,685	5,905
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1)	17,625	2039	5.00% to 6.63%	13,490	-	(1,045)	12,445	1,095
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009C (1)	25,715	2016	Not Applicable	25,565	-	(25,565)	-	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009D (1)	49,810	2016	Not Applicable	45,825	-	(45,825)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2039	6.10% to 8.41%	71,970	-	(145)	71,825	145
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1)	6,610	2039	3.25% to 5.75%	6,475	-	(65)	6,410	85
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1)	40,055	2041	4.11% to 7.13%	39,105	-	(315)	38,790	400
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1)	22,370	2042	5.25% to 9.00%	21,660	-	(290)	21,370	300
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2011B (1)	16,020	2042	6.13% to 6.63%	16,020	-	-	16,020	-

(Continued on next page)

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016	Due Within One Year
(Continued from previous page)								
Tax Allocation Revenue Bonds, Mission Bay North Redevelopment Project Series 2011C (1)	27,335	2016	Not Applicable	26,020	-	(26,020)	-	-
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2011D (1)	36,485	2016	Not Applicable	35,350	-	(35,350)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011E (1)	9,455	2032	8.13% to 8.63%	9,445	-	-	9,445	-
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014A (1)	56,245	2044	4.00% to 5.00%	56,245	-	(695)	55,550	720
Tax Allocation Refunding Bonds, San Francisco Redevelopment Project Series 2014B (1)	67,955	2036	0.57% to 4.87%	67,955	-	(8,005)	59,950	7,170
Tax Allocation Refunding Bonds, San Francisco Redevelopment Project Series 2014C (1)	75,945	2029	2.00% to 5.00%	75,945	-	(14,700)	61,245	9,630
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2016A (1)	73,890	2042	3.00% to 5.00%	-	73,890	-	73,890	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2016B (1)	45,000	2044	2.00% to 5.00%	-	45,000	-	45,000	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2016C (1)	73,230	2042	2.00% to 5.00%	-	73,230	-	73,230	-
Agency Revenue Bonds:								
Hotel Tax Revenue Bonds, Series 2011 (3)	43,780	2025	4.00% to 5.00%	37,470	-	(3,210)	34,260	3,265
Financing Authority Refunding Bonds:								
Refunding Bond 1986 Issue A (4)	23,900	2017	3.50%	1,995	-	(1,320)	675	675
Subtotal Bonds Payable				889,174	192,120	(241,700)	839,594	48,230
Unamortized issuance premiums				13,558	37,924	(1,701)	49,781	-
Unamortized issuance discounts				(4,365)	-	1,417	(2,948)	-
Subtotal Bonds Payable, including unamortized premium and discounts				898,367	230,044	(241,984)	886,427	48,230
Accreted interest payable *				37,501	4,714	-	42,215	-
Cal Boating loans payable (5)				7,075	-	(218)	6,857	227
Advances from the primary government				23,212	3,572	(26,784)	-	-
SERAF borrowing from the primary government				16,022	353	(1,773)	14,602	1,773
Other postemployment benefit obligation				833	796	(1,199)	430	-
Accrued vacation and sick leave				639	349	(87)	901	349
Total long-term obligations				$ 983,649	$ 239,828	$ (272,045)	$ 951,432	$ 50,579

*Amount represents interest accretion on Capital Appreciation Bonds.

(4) Long-Term Obligations (Continued)

Debt service payments for long-term obligations are made from the following sources:

(1) Redevelopment property tax increment revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay and Mission Bay North project areas.
(2) Capital lease payments from the City and existing debt service funds.
(3) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.
(4) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues transferred from the capital projects fund.
(5) South Beach Harbor Project revenues.

The proceeds from the issuance of Financing Authority bonds were immediately loaned to the former Agency. Loan payments to the Financing Authority are equal to the debt service requirements of the underlying debt. The bonds are secured by property tax increment revenues. Since the loan transactions are entirely within the financial reporting entity, they have been eliminated in the financial statements.

Issuance of Successor Agency Bonds

Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance bonds by the Successor Agency.

On April 21, 2016, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2016 A (2016 Series A Bonds) for $73,890 and 2) Tax Allocation Refunding Bonds Series 2016 C (2016 Series C Bonds) for $73,230.

Proceeds from the 2016 Series A Bonds, including original issue premium of $15,602, and funds on hand from the refunded bonds in the amount of $17,254, were used to fully refund 2005 Series D, 2006 Series B, 2009 Series C, and 2011 Series C in the amount of $12,920, $29,465, $25,335, and $25,715, respectively. The refunding resulted in net present value savings of $19,644 and an accounting loss of $11,500. The 2016 Series A Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity of August 1, 2041.

Proceeds from the 2016 Series C Bonds, including original issue premium of $13,861, and funds on hand from the refunded bonds in the amount of $11,340, were used to fully refund 2009 Series D and 2011 Series D in the amount of $44,985 and $34,930, respectively. The refunding resulted in net present value savings of $15,853 and an accounting loss of $17,166. The 2016 Series C Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity of August 1, 2041.

On April 21, 2016, the Successor Agency issued $45,000 of Tax Allocation Bonds, Mission Bay South Redevelopment Project Series 2016 B (2016 Series B Bonds) to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 B Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity date of August 1, 2043.

(4) Long-Term Obligations (Continued)

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1,458,725. The redevelopment property tax revenues recognized during the year ended June 30, 2016 was approximately $119,302 as against the total scheduled debt service payment of $97,934.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $43,113. The hotel tax revenue recognized during the year ended June 30, 2016 was $5,022 which equaled to the total debt service payment.

Advances from the City

In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. In accordance with Health and Safety Code (HSC) Section 34191.4(b)(3), interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have accrued interest at the State of California Local Agency Investment Fund (LAIF) rate, which was less than the statutory rate, as of June 30, 2015. During the year ended June 30, 2016, the Successor Agency retroactively applied the 3% interest rate and increased the balance by $2,193. For the year ended June 30, 2016, the City advanced $746 in property tax revenues to the Successor Agency for debt service payments. Interest in the amount of $633 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $26,784 to the City to fully pay off the advances.

Supplemental Education Revenue Augmentation Funds Borrowing from the City

During the year ended June 30, 2010, the former Agency borrowed $16,483 from the Low and Moderate Income Housing Fund (LMIHF) as part of the funding to make a payment of $28,733 to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State’s Proposition 98 obligations to schools. Upon the dissolution of the former Agency, the City elected to become the Housing Successor Agency and retain the former Agency’s housing assets and functions, rights, powers, duties and obligations. Interest will be accrued quarterly at an annual rate of 3% on the principal balance due to the City in accordance with HSC Section 34191.4(b)(3). For the year ended June 30, 2016, interest in the amount of $353 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $1,773 to the City. At June 30, 2016, the outstanding payable balance was $14,602, which was comprised of principal of $11,759 and accrued interest of $2,843.

(Dollars in thousands)

(b) Repayment requirements

As of June 30, 2016, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows:

	Tax Allocation Revenue Bonds		Hotel Tax Revenue Bonds	
June 30,	Principal	Interest *	Principal	Interest
2017	$ 44,290	$ 39,831	$ 3,265	$ 1,680
2018	48,185	39,903	3,280	1,550
2019	57,205	37,572	4,610	1,386
2020	43,112	38,308	3,365	1,155
2021	28,997	37,256	3,510	987
2022-2026	136,073	197,291	16,230	2,095
2027-2031	132,422	132,443	-	-
2032-2036	142,419	93,881	-	-
2037-2041	127,701	34,719	-	-
2042-2044	44,255	2,862	-	-
TOTAL	$ 804,659	$ 654,066	$ 34,260	$ 8,853

	Refunding Bond 1986 Issue A		California Deptartment of Boating and Waterway Loan	
June 30,	Principal	Interest	Principal	Interest
2017	$ 675	$ 12	$ 227	$ 309
2018	-	-	238	298
2019	-	-	248	288
2020	-	-	260	276
2021	-	-	271	265
2022-2026	-	-	1,550	1,130
2027-2031	-	-	1,932	748
2032-2036	-	-	2,108	272
2037	-	-	23	1
	$ 675	$ 12	$ 6,857	$ 3,587

* Including payment of accreted interest.

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

(c) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2016.

(5) Pension Plan

(a) General Information about the Pension Plan

Plan Descriptions – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor agency assumed the former Agency's Pension Plan. All qualified permanent and probationary employees are eligible to participate in the Successor Agency's Pension Plan, cost-sharing, multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plan are established by State statute and Successor Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The State passed the California Employees' Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specific by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	22.755%	9.516%

(Dollars in thousands)

(5) Pension Plan (Continued)

Contributions – The Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Successor Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2016, the Successor Agency's actuarially determined contractually required contribution was $828.

(b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The Successor Agency's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Successor Agency's proportion of the net pension liability was actuarial determined as of the valuation date. The Successor Agency's proportionate share of the net pension liability for the Plan was 0.24131% or $16,563, an increase of $693 from prior year.

For the year ended June 30, 2016, the Successor Agency recognized pension expense of $1,682. At June 30, 2016, the Successor Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 828	$ -
Difference between expected and actual experience	39	-
Change in assumptions	-	366
Net differences between projected and actual earnings on plan investments	-	184
Changes in employer's proportion	627	4,565
Differences between the employer's contribution and the employer's proportionate share of contribution	-	2,759
Total	$ 1,494	$ 7,874

(Dollars in thousands)

(5) Pension Plan (Continued)

At June 30, 2016, the Successor Agency reported $828 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (2,704)
2018	(2,673)
2019	(2,066)
2020	235
Total	$ (7,208)

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations, which were rolled forward to June 30, 2015, were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, includes Inflations.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Mortality	Derived using CalPERS Membership Data for all Funds. (1)

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in Assumptions - GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

(Dollars in thousands)

(5) Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Year 1-10 (a)	Real Return Year 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period
(b) An expected inflation of 3.00% used for this period

(Dollars in thousands)

(5) Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Successor Agency's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the Successor Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Decrease Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Decrease Rate + 1% (8.65%)
Proportionate Share of Net Pension Liability	$ 31,054	$ 16,563	$ 4,600

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

(6) Postemployment Healthcare Plan

Plan Description – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by CalPERS and is an agent multiple-employer trust. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed. Based on the July 1, 2015 actuarial valuation, the Successor Agency's ARC for the year ended June 30, 2016 is the sum of (a) normal cost of $74 and (b) level dollar amortization of the July 1, 2015 UAAL of $739.

(6) Postemployment Healthcare Plan (Continued)

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2016, and the changes in the net OPEB obligation:

Annual required contribution	$ 813
Interest on OPEB obligation	58
Adjustment to annual required contribution	(75)
Annual OPEB cost (expense)	796
Contributions made	(1,199)
Decrease in net OPEB obligation	(403)
Net OPEB obligation, beginning of year	833
Net OPEB obligation, end of year	$ 430

Three-year historical trend information for the annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2013	$ 912	139%	$ 867
6/30/2014	918	104%	833
6/30/2015	796	151%	430

Funded Status and Funding Progress–The funded status of the plan of the Successor Agency as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 10,998
Actuarial value of plan assets	2,833
Unfunded actuarial accrued liability (UAAL)	$ 8,165
Funded ratio (actuarial value of plan assets/AAL)	25.8%
Covered payroll (active plan memebers)	$ 4,261
UAAL as a percentage of covered payroll	191.6%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes of the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

(6) Postemployment Healthcare Plan (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution for the year ended June 30, 2016 and the funding status of the plan was determined based on the July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include: (a) investment return and discount rate of 7%; (b) healthcare cost trend rate of 4%; (c) inflation rate of 2.75%; (d) payroll growth of 2.75%; and (e) 2014 CalPERS active mortality table for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 22 years, respectively.

(7) Mortgage Revenue Bonds and Other Conduit Debt

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2016, the Successor Agency had outstanding community district facility bonds totaling $191.4 million.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10,000 per occurrence ($5,000 for employment practices liability) and a $25 deductible per occurrence.

The Successor Agency has been named as defendant in several legal actions. In the opinion of the Successor Agency's management and legal counsel, the outcome of these actions will not have a material adverse effect on the financial position of the Successor Agency.

(b) Operating Leases

The Successor Agency has entered into operating leases for its office sites and a Master Lease Option Agreement (through the City) with the Port of San Francisco (Port), which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2016, the Successor Agency has exercised several of the lease options.

(Dollars in thousands)

(8) Commitments and Contingent Liabilities (Continued)

Total future minimum operating lease payments are as follows:

Year ending June 30:		
2017	$	1,341
2018		870
2019		870
2020		870
2021		870
2022-2026		4,351
2027-2031		4,351
2032-2036		4,351
2037-2041		4,351
2042-2046		4,351
2047-2051		2,828
	$	29,404

Total rent payments for operating leases totaled $1,384 for the year ended June 30, 2016.

(c) Pending Transfer of Assets and Operations to the Port

A portion of the Rincon Point South Beach Project Area is within the Port Area and the Successor Agency held leasehold interests to certain Port properties. The Successor Agency and the Port have negotiated a memorandum of agreement for the transfer of certain assets and operations of the Rincon Point South Beach Project to the Port. While the agreement has been approved by Port Commission, the Successor Agency's Commission and Oversight Board, and the DOF before June 30, 2015, the assets and operations were not transferred to the Port as of June 30, 2016.

(d) Transbay Transit Center Agreements

In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2016, the Successor Agency received $1,632 from a developer and distributed the funds to the TJPA. The payment was recorded as deduction – distribution of pledged revenue to TJPA on the financial statements.

(8) Commitments and Contingent Liabilities (Continued)

(e) Encumbrances

The Successor Agency uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of funds are encumbered to allocate a portion of applicable appropriations. Encumbrances still open at period end are not accounted for as expenses and liabilities. At June 30, 2016, the Successor Agency had outstanding encumbrances totaling $62,988.

(f) Long Range Property Management Plan

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to HSC Section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC Section 34179.6, subdivisions (d) or (e) and HSC Section 34183.5. The receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (PMP) to the Oversight Board and the DOF for approval. The PMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within 6 months of receipt of the Finding of Completion.

On July 22, 2013, the Successor Agency submitted Part 1 of the PMP to request approval for the disposition of the property located at 706 Mission Street. On October 4, 2013, the DOF approved Part 1 of the PMP. The property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement during fiscal year 2016. The Commission and the Oversight Board approved on November 19, 2013 and November 25, 2013, respectively, the submission of the remaining PMP to the DOF for approval. The Successor Agency received feedback and comments on the submitted PMP from the DOF during September 2015. The Successor Agency revised the PMP and resubmitted it to the Oversight Board and the DOF for final approval. The revised PMP was approved by the Oversight Board on November 23, 2015 and by the DOF on December 7, 2015.

(9) Rental Income

Noncancelable Operating Leases

The Successor Agency has noncancelable operating leases within project areas. The terms of these leases will expire in fiscal year 2050. The Successor Agency also has three noncancelable operating subleases at Pier 40, in the South Beach Harbor project area. The terms of these leases will expire in fiscal year 2023.

(Dollars in thousands)

(9) Rental Income (Continued)

The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2016:

Year ending June 30:		
2017	$	4,506
2018		4,486
2019		4,362
2020		4,248
2021		4,269
2022-2026		22,000
2027-2031		21,757
2032-2036		22,830
2037-2041		20,037
2042-2046		19,834
2047-2050		2,819
	$	131,148

For the year ended June 30, 2016, operating lease rental income from noncancelable operating leases was $11,262. Within the operating lease rental income, $7,067 represents contingent rental income received. The lease rental income was recorded as a component of charges for services on the financial statements. At June 30, 2016, the leased assets had a net book value of $35,294.

(10) Related Party Transactions

(a) Due to the City and County of San Francisco

At June 30, 2016, the Successor Agency has a payable to the City in the amount of $2,611 which consists of $554 for Jessie Square cost reimbursements and $2,057 for other services provided. The balance is recorded as payable to the City on the financial statements.

(b) Payments to the City and County of San Francisco

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling $13,245 for the year ended June 30, 2016, have been included in various deductions line items on the financial statements.

(11) Subsequent Event

Issuance of Tax Allocation Bonds

On September 20, 2016, the Successor Agency issued $74,652 of Tax Allocation Bonds, Mission Bay South Redevelopment Project Series 2016 D (2016 Series D Bonds) to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 Series D Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity date of August 1, 2043.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited)

Schedule of the Successor Agency's Proportionate Share of the Net Pension Liability

As of June 30, 2016

Last 10 Years *

(Dollars In Thousands)

Fiscal year	2014-15	2015-16
Measurement period	2013-14	2014-15
Proportion of net pension liability	0.25504%	0.24131%
Proportionate share of the net pension liability	$ 15,870	$ 16,563
Covered payroll	$ 3,962	$ 3,427
Proportionate share of the net pension liability as a percentage of covered payroll	400.56%	483.31%
CalPERS Miscellaneous Plan's fiduciary net position as a percentage of total pension liability	80.43%	78.40%

Notes to Schedule:

Change in benefit terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information are shown.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited)

Schedule of Contributions - Pension Plan

June 30, 2016

Last 10 Years *

(Dollars In Thousands)

Fiscal year	2013-14	2014-15	2015-16
Contractually required contribution (actuarially determined)	$ 591	$ 598	$ 828
Contractually in relation to the actuarially determined contributions	(591)	(598)	(828)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 3,962	$ 3,427	$ 3,769
Contributions as a percentage of covered payroll	14.92%	17.45%	21.97%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2015-16 contribution rates are as follows:

Valuation date:	6/30/2013
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Asset Valuation Method	15 year smoothed market
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information are shown.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited)

Schedule of Funding Progress - Postemployment Healthcare Plan

(In Thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
6/30/2011	$ 1,856	$ 14,390	$ 12,534	12.9%	$ 4,185	299.5%
6/30/2013	2,154	11,378	9,224	18.9%	4,048	227.9%
7/1/2015	2,833	10,998	8,165	25.8%	4,261	191.6%

See Note 6 to the basic financial statements for actuarial assumptions and other information related to the schedule of funding progress.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Francisco, California
October 21, 2016