OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0212026-002

Agenda Item **No.5(e)**
Meeting of April 7, 2026

INFORMATIONAL MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Workshop on OCII's Budget for the period July 1, 2026 through June 30, 2027

EXECUTIVE SUMMARY

This memorandum describes the proposed budget for the Office of Community Investment & Infrastructure's ("OCII") work as a Successor Agency under Redevelopment Dissolution Law for Fiscal Year 2026-2027 ("FY 26-27"). Expenditure authority under the proposed budget is pending review and approval of the Recognized Obligations Payment Schedule ("ROPS") by the California Department of Finance ("DOF"), which was submitted under Oversight Board Resolution No. 03-2026 (Jan. 26, 2026). DOF must make "its determination of the enforceable obligations and the amounts and funding sources" on the ROPS by April 15, 2026. Cal. Health & Safety Code § 34177 (o) (1), This memorandum presents a summary of the proposed Successor Agency's costs for enforceable obligations by sources, uses, and project areas ("Project Areas") of Hunters Point Shipyard Phase 1 and Phase 2 / Candlestick Point ("Hunters Point Shipyard / Candlestick Point" or "HPS/CP"), Mission Bay North ("MBN"), Mission Bay South ("MBS"), and Transbay ("TBY"), as well the proposed budgets for affordable housing, replacement housing, operations, and debt service related to those enforceable obligations. For each project or operational area, the proposed budget provides a project description and proposed FY 26-27 work plan.

This agenda item is a workshop, and OCII staff will incorporate the Commission's feedback and present any revisions to the budget on April 21, 2026 ("FY 26-27 OCII Budget"). The Commission will take action on the proposed budget at that time. Pending DOF approval of the ROPS and Commission approval, staff will submit the FY 26-27 OCII Budget to the Mayor on May 1, 2026. On June 1, 2026, the Mayor will submit the FY 26-27 OCII Budget to the City and County of San Francisco Board of Supervisors ("BOS"). The BOS will review and take action on the FY 26-27 OCII Budget in June or July 2026.

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OCII staff will update the Commission as the budget process evolves, see summary of dates below:

FY 26-27 OCII Budget Review and Approval Process

April 7, 2026:	Commission Workshop
April 21, 2026:	Commission Action
May 1, 2026:	Submit to the Mayor
June 1, 2026:	Submit to the BOS
June or July 2026:	BOS Action

DISCUSSION

On February 1, 2012, the State of California dissolved the former San Francisco Redevelopment Agency ("SFRA") along with all 400 redevelopment agencies in California under Cal. Health & Safety Code §§ 34170 et seq ("Dissolution Law"). Pursuant to Dissolution Law and to the BOS, Ordinance 215-12, OCII has assumed the enforceable obligations of SFRA and is charged with completing work related to those approved enforceable obligations. Under Dissolution Law, DOF has finally and conclusively approved the Disposition and Development Agreements ("DDAs") for HPS Phase 1 and for HPS/CP, the MBN and MBS Owner Participation Agreements ("OPAs"), and the TBY Implementation Agreement ("Implementation Agreement"). These long-term agreements define the scope of OCII's work, including its affordable housing obligations. In addition, OCII is required to dispose of SFRA assets, complete projects required under enforceable obligations, and take other steps to wind down its activities.

The Proposed FY 26-27 OCII Budget totals $676.4 million, which is $54.2 million more than the FY 25-26 budget of $622.2 million. Table 1 shows a detailed breakdown of FY 26-27 expenditures. OCII proposes to expend $497.3 million, or 73.5 percent of its budget, on direct program spending including $164.4 million on affordable housing, $148.8 million on replacement housing, $161.9 million on infrastructure and other non-housing activities, $20.8 million on project management and costs, and $1.4 million on community development and workforce activities. Table 1 demonstrates that OCII expends the majority of its budget on direct expenditures for affordable housing and infrastructure.

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Table 1: Proposed FY 26-27 OCII Budget Programmatic Summary, *Millions**

Sources / Uses	Property Tax	Developer Payments	New Bonds - Housing	New Bonds - Infra	Rent & Lease Revenue	Fund Balance	Prior Period Authority	Other	Total	*Percent*
Uses										
Direct Program Spending										
Affordable Housing	$ -	$ -	$ -	$ -	$ -	$ -	$ 112.4	$ 52.1	$ 164.4	*24.3%*
Replacement Housing	$ -	$ -	$ -	$ 135.0	$ -	$ -	$ 13.8	$ -	$ 148.8	*22.0%*
Infrastructure & Other Non-Housing	$ 1.3	$ 7.7	$ -	$ 102.0	$ -	$ 20.8	$ 30.1	$ -	$ 161.9	*23.9%*
Project Mgmt & Operations	$ 11.7	$ 2.5	$ -	$ -	$ -	$ 6.2	$ -	$ 0.5	$ 20.8	*3.1%*
Comm Dev & Workforce	$ -	$ -	$ -	$ -	$ -	$ 1.4	$ 0.0	$ -	$ 1.4	*0.2%*
Direct Programmatic Subtotal	**$ 13.0**	**$ 10.2**	**$ -**	**$ 237.0**	**$ -**	**$ 28.4**	**$ 156.3**	**$ 52.5**	**$ 497.3**	*73.5%*
Indirect Program Spending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	*0.0%*
Debt	$ 130.2	$ -	$ 10.0	$ -	$ -	$ 6.5	$ -	$ -	$ 146.7	*21.7%*
TJPA Pass-through	$ 32.0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 32.0	*4.7%*
Other	$ -	$ -	$ -	$ -	$ 0.4	$ -	$ -	$ -	$ 0.4	*0.1%*
Indirect Programmatic SubTotal	**$ 162.2**	**$ -**	**$ 10.0**	**$ -**	**$ 0.4**	**$ 6.5**	**$ -**	**$ -**	**$ 179.1**	*26.5%*
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	*0.0%*
Total	**$ 175.2**	**$ 10.2**	**$ 10.0**	**$ 237.0**	**$ 0.4**	**$ 34.9**	**$ 156.3**	**$ 52.5**	**$ 676.4**	*100.0%*
	25.9%	*1.5%*	*1.5%*	*35.0%*	*0.1%*	*5.2%*	*23.1%*	*7.8%*	*100.0%*	

**Dollar amounts will be slightly off due to rounding.*

The Proposed FY 2026-27 Budget includes funding for indirect program expenditures, such as debt service for OCII's prior bond issuances and property tax payments under the Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement ("Pledge Agreement") for the Transbay Terminal Project of the Transbay Joint Powers Authority ("TJPA"). Table 1 shows a total of $179.1 million budgeted to these indirect programmatic expenditures, which are primarily supported through property tax.

Table 2 (next page) shows the total Proposed FY 2026-27 Budget by Project Area and cost center. The table represents categories of OCII expenditures for Operations, Debt, and major active projects: HPS/CP, MBN, MBS, and TBY. Expenditures unrelated to the major active project areas, Operations, or Debt are rolled up and shown in the Other column. Table 2 integrates the proposed budget for affordable housing and replacement housing into the appropriate project area, according to each project's location.

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Table 2: Proposed FY 26-27 OCII Budget by Project Area/Cost Center, *Millions**

Cost center	Operations	Debt	HPS / CP	MBN	MBS	TBY	Other	Total
Sources								
Property Tax Increment - TAB Debt Service	$ -	$ 77,485,527	$ -	$ -	$ -	$ -	$ -	$ 77,485,527
Property Tax Increment - Mission Bay	$ -	$ 31,126,693	$ -	$ -	$ -	$ -	$ -	$ 31,126,693
Property Tax Increment - HPS2/CP	$ -	$ -	$ 1,439,486	$ -	$ -	$ -	$ -	$ 1,439,486
Property Tax Increment - State Owned TBY	$ -	$ -	$ -	$ -	$ -	$ 32,000,000	$ -	$ 32,000,000
Property Tax Increment - Other	$ 4,672,997	$ -	$ 131,780	$ -	$ -	$ 2,005,924	$ -	$ 6,810,701
Property Tax Increment - Residual	$ 1,144,280	$ 21,600,000	$ -	$ -	$ -	$ -	$ -	$ 22,744,280
Property Tax Increment - ACA	$ 3,558,851	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,558,851
New Bonds - Housing	$ -	$ 9,960,000	$ -	$ -	$ -	$ -	$ -	$ 9,960,000
New Bonds - Replacement Housing	$ -	$ -	$ -	$ -	$ 125,000,000	$ -	$ 10,000,000	$ 135,000,000
New Bonds - Infra	$ -	$ -	$ -	$ -	$ 42,321,526	$ 59,637,000	$ -	$ 101,958,526
Developer Payments	$ -	$ -	$ 9,764,833	$ -	$ 333,804	$ 60,000	$ -	$ 10,158,637
Rent & Lease Revenue	$ -	$ -	$ 395,100	$ -	$ -	$ -	$ -	$ 395,100
Payments from Other Gov Entities	$ 18,443	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,443
Special Tax	$ 463,654	$ -	$ -	$ -	$ -	$ -	$ -	$ 463,654
Fund Balance - Housing	$ -	$ 154,603	$ 5,512,111	$ -	$ 110,615,351	$ 10,573,668	$ 805,000	$ 127,660,733
Fund Balance - Non-Housing	$ 1,931,973	$ 7,161,495	$ 1,602,546	$ 10,856,350	$ 9,585,394	$ 1,921,116	$ 340,111	$ 33,398,985
Subtotal Budget Sources	**$ 11,790,198**	**$ 147,488,318**	**$ 18,845,855**	**$ 10,856,350**	**$ 287,856,075**	**$ 106,197,708**	**$ 11,145,111**	**$ 594,179,615**
Prior Period Authority - Housing	$ -	$ -	$ 20,446,228	$ -	$ 3,562,900	$ 28,047,079	$ -	$ 52,056,207
Prior Period Authority - Non-Housing	$ -	$ -	$ 7,385	$ -	$ 899,612	$ 29,234,845	$ -	$ 30,141,842
Subtotal Sources - Prior Period Authority	**$ -**	**$ -**	**$ 20,453,613**	**$ -**	**$ 4,462,512**	**$ 57,281,924**	**$ -**	**$ 82,198,049**
Total Sources	**$ 11,790,198**	**$ 147,488,318**	**$ 39,299,468**	**$ 10,856,350**	**$ 292,318,587**	**$ 163,479,632**	**$ 11,145,111**	**$ 676,377,664**
Uses								
Uses - Operations								
Allocated Staff & Operating Expenses	$ (9,628,748)	$ 816,098	$ 3,101,725	$ 52,053	$ 2,869,170	$ 2,449,592	$ 340,111	$ 1
Operational Salaries and Benefits	$ 11,535,009	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,535,009
Affordable Housing Services	$ 880,565	$ -	$ -	$ -	$ -	$ -	$ 805,000	$ 1,685,565
Rent	$ 999,068	$ -	$ -	$ -	$ -	$ -	$ -	$ 999,068
Retiree Health and Pension Costs	$ 4,672,997	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,672,997
Auditing & Accounting Services	$ 270,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 270,000
Legal Services	$ 90,700	$ -	$ 1,134,000	$ -	$ -	$ 10,000	$ -	$ 1,234,700
Planning & Infrastructure Rvw	$ -	$ -	$ 4,860,000	$ -	$ -	$ -	$ -	$ 4,860,000
Real Estate Development Services	$ -	$ -	$ 250,000	$ -	$ -	$ -	$ -	$ 250,000
Workforce Development Services	$ 50,000	$ -	$ 61,000	$ -	$ -	$ -	$ -	$ 111,000
Other Professional Services	$ 1,519,954	$ 9,960,000	$ 1,382,484	$ -	$ 3,089,994	$ 653,716	$ -	$ 16,606,148
Grants to Community-Based Organizations	$ -	$ -	$ 1,223,831	$ -	$ -	$ -	$ -	$ 1,223,831
Payments to Other Public Agencies	$ -	$ -	$ 395,100	$ -	$ -	$ -	$ -	$ 395,100
Other Current Expenses	$ 1,400,652	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,400,652
Subtotal Uses - Operations	**$ 11,790,198**	**$ 10,776,098**	**$ 12,408,140**	**$ 52,053**	**$ 5,959,164**	**$ 3,113,308**	**$ 1,145,111**	**$ 45,244,072**
Uses - Non-Operations								
Affordable Housing Loans	$ -	$ -	$ 5,015,000	$ -	$ -	$ 10,130,000	$ -	$ 15,145,000
Replacement Housing Loans	$ -	$ -	$ -	$ -	$ 138,789,141	$ -	$ 10,000,000	$ 148,789,141
Development Infrastructure	$ -	$ -	$ 1,294,000	$ 10,804,297	$ 47,393,801	$ 60,954,400	$ -	$ 120,446,498
Pass-through to TJPA	$ -	$ -	$ -	$ -	$ -	$ 32,000,000	$ -	$ 32,000,000
Debt Service - OCII TAB Bonds	$ -	$ 108,612,220	$ -	$ -	$ -	$ -	$ -	$ 108,612,220
Debt Service - Replacement Housing Bonds	$ -	$ 21,600,000	$ -	$ -	$ -	$ -	$ -	$ 21,600,000
Other Debt	$ -	$ 6,500,000	$ -	$ -	$ -	$ -	$ -	$ 6,500,000
Public Art	$ -	$ -	$ -	$ -	$ 782,062	$ -	$ -	$ 782,062
Subtotal Uses - Non-Operations	**$ -**	**$ 136,712,220**	**$ 6,309,000**	**$ 10,804,297**	**$ 186,965,004**	**$ 103,084,400**	**$ 10,000,000**	**$ 453,874,921**
Prior Period Authority - Housing	$ -	$ -	$ 20,446,228	$ -	$ 99,394,419	$ 28,047,079	$ -	$ 147,887,726
Prior Period Authority - Non-Housing	$ -	$ -	$ 136,100	$ -	$ -	$ 29,234,845	$ -	$ 29,370,945
Subtotal Uses - Prior Period Authority	**$ -**	**$ -**	**$ 20,582,328**	**$ -**	**$ 99,394,419**	**$ 57,281,924**	**$ -**	**$ 177,258,671**
Total Uses	**$ 11,790,198**	**$ 147,488,318**	**$ 39,299,468**	**$ 10,856,350**	**$ 292,318,587**	**$ 163,479,632**	**$ 11,145,111**	**$ 676,377,664**
Sources vs. Uses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Table 2 shows that OCII will fund its expenditures primarily from New Bonds, Fund Balance, and Pay-go Property Tax. Fund Balance are funds received in a prior year that have not been previously budgeted or spent. OCII will also fund its expenditures from Prior Period Authority and Developer Payments. Prior Period Authority ("PPA") reflects budget authority approved in a prior year that OCII is expending over time. PPA includes multi-year capital projects like park design and construction or construction of affordable housing. Developer Payments include fees and developer reimbursements.

Projects Summary

In FY 26-27, OCII's primary activity will be funding and complying with contractual obligations requiring the delivery of housing, infrastructure, and other public benefits in the Project Areas. Below are brief summaries of the FY 26-27 program highlights in these three major development projects.

Mission Bay North and South

In 1998, the Board of Supervisors approved the project areas of Mission Bay North and Mission Bay South, together referred to as Mission Bay, to create a vibrant transit-oriented and mixed-use community that will result in 6,535 residential units (29% of which will be affordable), 5.2 million square feet of office and biotechnology space, 560,000 square feet of retail uses, a University of California San Francisco ("UCSF") research campus and medical center including a 550-bed hospital, 18,000-seat event center, 129-room and 300-room hotels, library, school, police headquarters, and a local police and fire department. Mission Bay contains 49 acres of open space, approximately 41 of which are owned by the City and approximately eight of which are owned by UCSF. The master developer of the Mission Bay Project, FOCIL MB, is responsible for constructing public infrastructure and parks pursuant to two OPAs. OCII reimburses the developer for constructed infrastructure with property tax revenues, special tax assessments of community facilities districts ("CFD"), and bond proceeds secured by those revenues and assessments. OCII is responsible for approving the land uses and designs of both the public and private development projects in Mission Bay, which is generally not subject to the Planning Code. OCII directly funds affordable housing in Mission Bay, which is provided on specific sites contributed by FOCIL MB and identified in the OPAs. Completion of the Mission Bay Project is anticipated in three years and will result in construction of more than $800 million of infrastructure, development of over $8 billion in private vertical development, and creation of 31,000 permanent jobs. The Mission Bay Redevelopment Plans will expire in late 2028.

FY 26-27 Mission Bay Work Program

In FY 26-27, the Mission Bay work program includes the following activities:

- OCII will monitor predevelopment for OCII-sponsored affordable residential projects on Mission Bay South Block 4E, which includes 165 units in Phase 1 and 233 units in Phase 2.
- OCII will provide a gap loan for Phase 1 and a predevelopment loan for Phase 2. OCII will continue administering infrastructure reimbursements for streets and parks, including Parks P19 and P2/P8, intersection improvements at 5th and King Streets, a pedestrian-focused midblock, and a stormwater pump station at 4th and Channel Streets.
- OCII will oversee plans and permit reviews for residential and commercial uses, coordinate infrastructure for future park parcels, and reimburse City agencies for

infrastructure review.
- OCII will fund a public art program in Park P2 through a memorandum of understanding with the Arts Commission using developer in-lieu fees.

Transbay

The Transbay Project was established in 2005 and is located primarily between Folsom and Howard Streets, east of 2nd Street, and west of Spear and Main Streets. A small portion of the Transbay Project extends south of Folsom Street along Essex Street to Harrison Street, and west of Harrison Street to Second Street. The Transbay Project consists of two zones. Zone 1 is under the land use authority of OCII and consists of twelve blocks of land, eleven of which were formerly owned by the State. Zone 2 is under the City Planning Department's jurisdiction and includes the Salesforce Transit Center and two former State-owned parcels. OCII is responsible for funding the design and construction of two parks, streetscape improvements on Folsom Street, selling designated formerly State-owned parcels to fund construction of the Salesforce Transit Center and Portal project, forming partnerships with for-profit and non-profit developers to build housing, and directly funding affordable housing. Of all new housing units in the Transbay Project Area, 35% will be affordable. After the entirety of all the former State-owned and OCII parcels have been fully built out, the Transbay Project will have contributed approximately 3,900 residential units, 2.5 million square feet of office, 94,000 square feet of retail, and 9 acres of open space to the neighborhood.

In Zone 1, all of the office space is complete, and 2,347 residential units have been built. In FY 2026-27, approximately 314 (Block 4W) units in Zone 1 will be in the planning phase. These units consist of a project that will occupy a portion of the northern end of the former Transbay Temporary Bus Terminal site. An RFP for a mixed-income development on the east side of Block 4 will be issued in the future based on conducive market conditions.

<u>FY 26-27 Transbay Work Program</u>
In FY 26-27, the Transbay work program includes the following activities:

- OCII will continue the planning, design and permitting of the Under Ramp Park project.
    - The Under Ramp Park project team consists of CMG Landscape Architecture (primarily design and permitting) San Francisco Public Works ("SFPW") helping with planning and predevelopment services for the project. Those predevelopment services include environmental testing at the park site to determine whether there are contaminants requiring remediation as part of the park's development.
    - OCII plans to finalize the agreements with our Under Ramp Park partners – the TJPA, Caltrans, and the East Cut Community Benefit District – agreements with each are needed to begin construction of the park.
    - Due to the uncertainty stemming from the environmental status of a portion of the Under Ramp Park site, the project's overall scope and funding will need to be evaluated once the additional testing is complete.
- OCII will also continue our Transbay property management duties, which include supporting the interim activation of Blocks 3 and 4 on the former Temporary Transbay Terminal site and the continued funding of a maintenance contract for the Essex St. Open Space parcel.

Hunters Point Shipyard and Candlestick Point

The Hunters Point Shipyard/Candlestick Point ("HPSCP") Project comprises approximately 770 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors adopted the Shipyard Redevelopment Plan in 1997, and the Bayview Hunters Point Redevelopment Plan in 2006. In 2010, the Board of Supervisors amended both redevelopment plans, and the Redevelopment Agency approved a DDA that included the Candlestick Point portion of the Bayview Hunters Point Redevelopment Plan and Phase 2 of the Hunters Point Shipyard. The Hunters Point Shipyard will be developed by different master developers under two separate DDAs: Lennar, which is developing Hunters Point Shipyard Phase 1, and FivePoint, which is developing Hunters Point Shipyard Phase 2/Candlestick Point. Together, the entire Hunters Point Shipyard/Candlestick Point Project will generate 12,100 units of housing (of which approximately one-third will be affordable), 337 acres of parks and open space, approximately 6.7 million square feet of commercial space, and roughly $86 million of community benefits such as homeowner assistance, workforce development, educational assistance, and health and wellness programming. To date, 842 units have been built at Hunters Point Shipyard Phase 1 and Candlestick Point, including the first four phases of a revitalized Alice Griffith public housing revitalization.

In 2024, OCII amended the Bayview Hunters Point Redevelopment Plan (Reso No. 25-2024), the Hunters Point Shipyard Redevelopment Plan (Reso No. 26-2024), and the Hunters Point Shipyard Phase 2/Candlestick Point DDA (Reso No. 27-2024) in response to delays in the US Department of Navy's ("Navy") cleanup of the Hunters Point Shipyard, shifts in the commercial real estate market, and expiring time limits on the Redevelopment Plans. The amendments provide flexibility to the Candlestick Point land use program while HPS cleanup continues by transferring up to 2,050,000 square feet of research and development and office space from HPS to Candlestick Point, and also allows entertainment and hotel uses throughout the Candlestick Point Project Area. The amendments also extended time limits for incurring debt to finance the project (2054 for Candlestick Point), receiving property tax increment and repaying debt (2069 for Candlestick Point) and increases the amount of bonded indebtedness for HPS/CP to $5.9 Billion for both Project Areas). HPS Redevelopment time and financing limits commence following the transfer of all Hunters Point Shipyard parcel(s) required to complete the 1st Major Phase from the Navy to FivePoint. These adjustments provide the flexibility needed to keep the redevelopment moving forward while addressing the challenges of cleanup delays and shifting market conditions.

<u>FY 26-27 HPSCP Work Program</u>

In FY 26-27, the HPCSP work program includes the following activities:

- Infrastructure planning, design, permitting, and subdivision mapping actions for Candlestick Point Major Phase 2 will be complete, with construction anticipated to begin in late 2026.
- At Hunters Point Shipyard Phase 1, OCII will focus on completing the transfer of completed parks and open space to San Francisco Parks and Recreation, and will work with both Lennar and City Departments for acceptance of completed streets and utilities. Both Lennar and FivePoint have made monetary contributions by their respective Community Benefits Agreements.
- Additionally, OCII will continue to expend or execute new contracts with community partners to implement various community benefit programs, including scholarships, contractor assistance, down payment assistance, workforce development, neighborhood building, and college readiness and career development programming.

- OCII is in the final round of a five-year scholarship program and will expend the remaining funds of approximately $119,000 this year.
- OCII will also work with the Mayor's Office of Housing and Community Development ("MOHCD") to spend the remaining $86,000 for downpayment assistance.
- OCII will work with the Legacy Foundation to expend remaining balances for contractor assistance/surety bond program ($500,000), college readiness and career development funds ($200,000), and neighborhood building (approximately $16,000).

Affordable Housing Summary

Each fiscal year, OCII funds a significant amount of affordable housing in stand-alone projects which typically serve low or very low-income households (up to 60% or 50% area median income). The sources of funding for OCII's affordable housing include taxable housing bonds, pay-go tax increment, and developer fees such as job-housing linkage fees. OCII makes direct loans to affordable housing developers in the form of predevelopment and construction loans.

FY 26-27 Work Program

To fulfill its production obligation, OCII anticipates expending $164.4 million in FY 2026-27, as shown in Exhibit 8. Of this amount, OCII will expend $147.9 million on continued affordable housing loans, $15.1 million on new loans, and $0.8 million for City assistance in completing OCII affordable housing obligations and support for the Certificate of Preference program.

In FY 2026-27, OCII plans to fund up to five loans (including CP Block 7, CP 11A additional predevelopment) and continue to manage up to eleven loans (including CP 10a, CP 11a, HPS 52/54, HPS 56, TBY 4W, 2W and 2E, MBS 4E Phase 1). These loans will result in construction of housing that serves a wide variety of housing needs, including family rental units, and senior and supportive housing units.

Replacement Housing Summary

The Community Redevelopment Law ("CRL") required redevelopment agencies to construct affordable units whenever it destroyed or removed units that had been occupied by low- or moderate-income households. Cal. Health & Safety Code § 33413 (a). This requirement became effective January 1, 1976, and applied only to future actions of a redevelopment agency and established several standards for the type of housing developed as replacement housing.

Prior to 1976, SFRA had destroyed, as part of federally-funded urban renewal, 14,207 affordable units, but only produced 7,498 affordable units. In 2000, at the urging of SFRA and the City, the California legislature adopted Senate Bill No. 2113 (Burton) (Chapter 661 of the Statutes of 2000) authorizing SFRA to use tax increment financing to fund and develop affordable housing to replace those units destroyed by the Former Agency. Cal. Health & Safety Code § 33333.7. Under SB 2113, HCD certified, in 2003, "a net loss of 6,709 units the Agency must replace."

Prior to its dissolution, SFRA was only able to approve and develop 867 replacement units out of the total 6,709, leaving an outstanding balance of 5,842 affordable units that needed to be replaced. Since the

2012 dissolution of SFRA, the City and OCII unsuccessfully sought on several occasions to establish that the Replacement Housing Obligation was required to continue after the dissolution of SFRA.

SB 593 authorizes OCII, to create new enforceable obligations for the construction of 5,842 units of replacement housing. Unlike other enforceable obligations, OCII is only authorized to use the amounts of property tax increment that would be available to the City after other OCII obligations are paid.

OCII initiated its Replacement Housing Program in FY 2024-25 with a modest amount of tax increment revenues for predevelopment activities. For FY 2026-27, OCII will continue its predevelopment work and seeks $0.3 million for staffing costs to plan for replacement units. In the future, OCII will issue a replacement housing bond that will fund an approximately 235-unit affordable housing project on Mission Bay Block 4 East Phase 2, which is currently in predevelopment.

The proposed FY 2026-27 Budget includes expenditures related to bond financing for affordable housing projects in Mission Bay South including gap financing for MBS Block 4E Phase 2 and Freedom West.

Table 3 provides a breakdown of OCII-funded affordable and replacement housing loans by loan type.

Table 3: OCII-Funded Affordable and Replacement Housing Loans, *Millions*

Project	Type	Amount ($M)	Number of Units
HPS Blocks 52/54	Gap Loans	$9.7	112 units
HPS Block 56	Gap Loan	$6.8	73 units
CP Block 11a*	Predevelopment Loan	$3.7	176 units
CP Block 10a	Predevelopment Loan-On hold	$0.3	156 units
CPN Block 7	Predevelopment Loan	$5.0	100 units
HPS/CP Total		**$25.5**	**617 units**
TB Block 2 West	Gap Loan	$19.0	151 units
TB Block 2 East	Gap Loan	$9.1	184 units
TB Block 4W**	Predevelopment Loan	$10.0	325 units
Transbay Total		**$38.10**	**660 units**
MBS Block 4E Phase 1	Gap Loan	$99.4	165 units
Mission Bay Total		**$99.4**	**165 units**
MBS Block 4E Phase 2***	Gap Loan	$128.8	233 units
MBS Block 12W Phase 1***	Predevelopment Loan	$5.0	157 units
MBS Block 12W Phase 2***	Predevelopment Loan	$5.0	161 units
Freedom West****	Predevelopment and Gap Loan	$10.0	250 units
Replacement Housing Obligation Total		**$148.8**	**801 units**
Total		**$311.8**	**2243 units**

* In FY 24/25, the Master Developer finalized a revised land use plan and obtained approvals for corresponding amendments to a variety of plan documents. Based on the revised plan CPN 11A will restart predevelopment and CP 7 will start predevelopment in FY 26/27. CP Block 11A includes additional predevelopment funds to further predevelopment.

** In FY 25/26 OCII solicited a development team for up to 325 affordable units on the west side of Transbay Block 4, FY 25/26 expenditures include predevelopment loans for this, and those loans will continue to be spent in FY 26/27.
*** The Mission Bay South OPA's Housing Program designates sites for the development of OCII-sponsored affordable housing projects and establishes a maximum number of affordable units (1,218) that may be developed. The Former Agency and OCII have developed most of the affordable units and OCII only has authorization to develop the remaining balance of 165 units. However, in furtherance of Citywide housing production goals and in acknowledgement that there may be capacity for additional affordable units on Block 4E and Block 12W. OCII has secured amendments to the OPA and the Redevelopment Plan, for Block 4E to increase the allowable number of units and may do so in the future for Block 12W if necessary, to increase the allowable number of units on that block. Any such amendments are subject to the consent of FOCIL-MB LLC ("Master Developer"), as well as approval of the Commission, the Oversight Board, and the City Board of Supervisors. Gap funding for any units in excess of 165 units would also be subject to further Commission approval pursuant to SB 593. Similarly, the issuance of bonds to finance replacement affordable housing units is subject to further Commission approvals.
**** The budget includes predevelopment and/or gap financing for replacement housing projects. Funding for these projects is subject to further Commission review and approval.

Debt Summary

OCII's debt portfolio contains pre-Dissolution bonds issued by SFRA to fund previous projects, bonds issued by OCII to fund affordable housing obligations and public infrastructure, and refunding bonds issued by both SFRA and OCII to reduce debt service on outstanding debt. The outstanding principal balance on OCII's bonds is $814.2 million as of January 1, 2026.

All of this amount is Tax Allocation Bonds ("TABs") secured by property taxes generated in the Project Areas. These outstanding bonds represents a fixed long-term obligation for OCII that is reduced each year by semi-annual debt service payments of principal and interest. The annual cost of OCII's bond portfolio is shown as OCII's annual debt service.

In FY 2026-27, OCII anticipates expending $146.7 million on its bond program. The largest expenditure will be for debt service TABs, which are bonds issued against property tax revenues and are OCII's primary debt instrument.

Dissolution Law imposes limitations on the debt OCII can issue. OCII issues debt to finance the construction of affordable housing or infrastructure required by specified agreements or to refund outstanding debt.

In FY 2026-27, OCII plans to issue four series of bonds:

- 2026 Transbay taxable, which will fund Under Ramp Park;
- 2026 Mission Bay South, which will be used to fund developer reimbursements;
- 2027 Housing taxable, which will be used to fund affordable housing; and
- 2027 Replacement Housing taxable which will be used to fund replacement affordable housing loans.

The total principal amount of these four bond series is estimated at $398.4 million.

OCII also plans to issue refunding bonds in an estimated principal amount of $131.0 million to refund its tax-exempt series 2014A, 2016B, and 2016C bonds (the "Refunded Bonds"). The Refunded Bonds were issued to fund, or refund prior bonds that funded, infrastructure in Mission Bay South. OCII will also monitor its bond portfolio to determine if market conditions favor refunding additional bonds. As per OCII's debt policy, refunding bonds must achieve at least 3% net present value debt service savings.

Operations & Budgeted Positions Summary

In FY 2026-27 OCII will expend $21.2 million to fund its operational costs, which is $1.2 million more than FY 2025-26. This increase is due to Cost of Living Adjustments and an increase in OCII's retiree health and pension expenditures, offset by a reduction in non-labor costs based on a review of prior year expenditures. The $21.2 million in operational costs reflect:

- $11.5 million on salaries and benefits, which reflects labor costs for 54 Full-Time Equivalent staff;
- $5.2 million on non-labor expenses such as services from City departments, consulting services for legal and other professional services, insurance, materials and supplies, employee training, and software licensing fees; and
- $4.5 million on retirement obligations, which are retiree healthcare and pension costs.

Table 4 details the sources and uses for OCII's operations. OCII will fund the majority of its operating costs with property tax and other funds, which includes developer fees. Bond proceeds will fund staff time on bond-related projects.

Table 4: FY 26-27 Operations, YOY Sources by Uses, *Millions*

	PY Amount ($M)	CY Amount ($M)	YOY Change	% Change
Sources				
Bond Proceeds	$1.0	$0.9	($0.1)	*-10.0%*
Reserve Funds	$1.2	$0.6	($0.6)	*-50.0%*
Other Funds	$6.9	$7.7	$0.8	*11.6%*
Property Tax	$10.8	$12.0	$1.2	*11.1%*
Total	**$20.0**	**$21.2**	**$1.2**	*6.0%*
Uses				
Salaries and Benefits	$10.2	$11.5	$1.3	*12.7%*
Non-Labor	$5.6	$5.2	($0.4)	*-7.1%*
Retiree Health and Pension	$4.2	$4.5	$0.3	*7.1%*
Total	**$20.0**	**$21.2**	**$1.2**	*6.0%*

City Budget Challenges

OCII is not a General Fund department, but OCII is sensitive to the City's current budget challenges and the City's directive to reduce budgets citywide. Tax increment generated in OCII's current and former Project Areas that exceed the amounts requested in OCII's Recognized Obligation Payment Schedule ("ROPS") are released to the City and other taxing entities. Additionally, OCII reviews its funding request of property taxes closely with the City Controller's Office ("CON") every six months. Before each tax distribution in January and June, OCII works with CON to determine any savings OCII has under the approved ROPS, and CON will reduce the property tax increment distribution accordingly. These savings have downstream positive impacts to the City's General Fund.

Additionally, after a fiscal year close, CON reviews and reports OCII's actual expenditures to the state Department of Finance ("DOF") in the Prior Period Authority ("PPA") report. DOF reviews the PPA to ensure appropriate expenditures occurred, and property tax received and unspent are p[laced on reserve for OCII's budget in subsequent years. This has additional downstream positive impacts to the General Fund, as it reduces future property tax increment requests by the reserve amounts. Because of the review and adjustment processes and controls, OCII does not and cannot take property tax increment for which it does not have a demonstrated use.

NEXT STEPS

OCII staff will incorporate Commission feedback from this workshop and present the Proposed FY 26-27 OCII Budget on April 21, 2026, for Commission review and approval. Pending DOF approval of the ROPS and Commission approval, staff will submit the Proposed FY 26-27 OCII Budget to the Mayor on May 1, 2026. Following Mayor's Budget Office review, on June 1, 2026, the Mayor will submit OCII's Proposed FY 26-27 OCII Budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's budget in June or July 2026. OCII staff will update the Commission as the budget process evolves.

(Originated by Grace Longardino, Accountant IV)

DocuSigned by:

Thor Kaslofsky

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Thor Kaslofsky
Executive Director