107-0442021-002

Agenda Item **No. 5(B)**
Meeting of January 24, 2022

MEMORANDUM

TO: Oversight Board

FROM: Sally Oerth, Interim Executive Director

SUBJECT: Action on the Recognized Obligation Payment Schedule for July 1, 2022 to June 30, 2023 (ROPS 22-23)

EXECUTIVE SUMMARY

The proposed Oversight Board Resolution No. 1-2022 requests approval of the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") 22-23 for July 1, 2022 to June 30, 2023. Staff presented a draft ROPS 22-23 to the Oversight Board on January 10, 2022 and presented an informational memo regarding ROPS 22-23 to the Commission on January 18, 2022. The total proposed ROPS is $706,877,431 funded by $324,079,209 in Bond Proceeds, $32,303,453 in Reserve, $168,432,295 in Other Funds, and $178,192,651 in Redevelopment Property Tax Trust Fund (RPTTF) Non-Admin, and $3,869,823 in RPTTF Admin. OCII will expend the majority of these funds on affordable housing loans and debt service.

OCII is proposing minor changes to the draft ROPS presented to the Oversight Board on January 10, 2022. As the proposed changes shift funding sources from RPTTF Admin to Other, the total ROPS amount remains $706,877,431, which is the same as the ROPS presented to the Oversight Board at the Workshop. The proposed changes move $2,513,375 in funding for Transbay projects from RPTTF Non-Admin to Other. The decrease in RPTTF Non-Admin has a positive impact on the taxing entities because the decrease in OCII's portion will result in a higher property tax distribution to the taxing entities.

Staff recommends approval of the proposed resolution.

DISCUSSION

The proposed Oversight Board Resolution No. 1-2022 requests approval of the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") 22-23 for July 1, 2022 to June 30, 2023. Staff presented a draft ROPS 22-23 to the Oversight Board on January 10, 2022 and presented an informational memo regarding ROPS 22-23 to the Commission on January 18, 2022. Neither body recommended amendments to the ROPS.

The total projected ROPS 22-23 expenditure is $706,877,431. The largest funding sources will be Bond Proceeds and RPTTF Non-Admin. The largest expenditure areas are affordable housing and debt. This distribution of sources and uses is consistent with prior ROPS and is consistent with OCII's financial structure. OCII typically issues bonds to fund affordable housing and uses RPTTF Non-Admin to pay debt service on bonds. Exhibit 1 summarizes the proposed sources and uses. For detailed information on project and program sources and uses see attached ROPS 22-23 OSB Workshop Memo.

Exhibit 1: ROPS 22-23 Sources and Uses

Project / Program	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Admin	Total
Affordable Housing	$128,016,167	$13,967,522	$130,772,028	$0	$0	$272,755,717
Mission Bay	$45,647,029	$17,209,390	$2,104,747	$13,270,000	$0	$78,231,166
Transbay	$95,675,544	$0	$9,831,875	$37,063,138	$0	$142,570,557
HPS/CP	$0	$135,246	$12,060,318	$1,217,543	$0	$13,413,107
Asset Management	$0	$0	$0	$0	$0	$0
Debt	$54,636,598	$0	$7,076,178	$119,455,553	$0	$181,168,329
Operations	$103,871	$991,295	$6,587,149	$7,186,417	$3,869,823	$18,738,555
Total	**$324,079,209**	**$32,303,453**	**$168,432,295**	**$178,192,651**	**$3,869,823**	**$706,877,431**

**The majority of RPTTF Non-Admin funds for the Transbay project area will be remitted to the TJPA to pay for debt service on bonds issued to refund the Transportation Infrastructure Finance and Innovation Act Loans.*

Work Program

In ROPS 22-23, OCII will expend $706,877,431 to complete its enforceable obligations. Critical activities include:

- Entering into seven new affordable housing loans, two for pre-development and five for construction,
- Completing Bay Front Park and Mission Creek Park and amending the development documents to increase housing entitlements in Mission Bay,
- Completing design of two new parks and facilitating mixed income housing development in Transbay,
- Accepting and managing new parks in Hunters Point Shipyard Phase 1,
- Monitoring the Navy's re-testing and clean-up of Hunters Point Phase 2,
- Re-designing infrastructure for the first sub-phase in Candlestick Point, and
- Issuing $165.4M in tax allocation bonds.

For additional detail on OCII's 22-23 work program, see attached ROPS 22-23 OSB Workshop Memo.

Year Over Year Comparison Between ROPS 21-22 and ROPS 22-23

Including the proposed changes, the total proposed ROPS is $706,877,431 funded by $324,079,209 in Bond Proceeds, $$32,303,453 in Reserve, $168,432,295 in Other Funds, and $178,192,651 in RPTTF Non-Admin, and $3,869,823 in RPTTF Admin. The table below shows the comparison between the ROPS 21-22 and the ROPS 22-23, for a total increase of $157,295,142.

Exhibit 2: Year Over Year Comparison by Sources

Sources	Amended ROPS PY Amount	ROPS CY Proposed	Difference	Percent Change	Explanation
Bond Proceeds	$260,894,604	$324,079,209	$63,184,605	24.2%	Increase due to use of new bond proceeds for Transbay infrastructure projects and technical requirements for refunding the 2016D bonds.
Reserve Funds	$48,675,396	$32,303,453	($16,371,943)	-33.6%	Decrease due to spend down of Reserve.
Other Funds	$91,662,299	$168,432,295	$76,769,996	83.8%	Increase due to affordable housing projects: TBY 2E, TBY 2W, TBY 4, MBS 4W, and MBS 12E.
RPTTF Non-Admin	$144,085,415	$178,192,651	$34,107,236	23.7%	Increase due to affordable housing staffing and debt service payments on new bond issuances.
RPTTF Admin	$4,264,575	$3,869,823	($394,752)	-9.3%	Decrease due to formula.
Total Sources	**$549,582,289**	**$706,877,431**	**$157,295,142**	**28.6%**	

The table below shows a year-over -year comparison by use. In ROPS 22-23, the largest expenditure areas are affordable housing and debt service, which is consistent with the prior ROPS and OCII's financial structure.

Exhibit 3: Year Over Year Comparison by Uses

Uses	Amended ROPS PY Amount	ROPS CY Proposed	Difference	Percent Change	Explanation
Affordable Housing	$251,586,000	$272,755,717	$21,169,717	8.4%	Increase due to affordable housing project portfolio.
Mission Bay	$91,974,859	$78,231,166	($13,743,693)	-14.9%	Decrease due to spend down of Pledged RPTTF Non-Admin on Reserve.
Transbay	$49,012,729	$142,570,557	$93,557,828	190.9%	Increase due to Transbay Park and Under Ramp Park.
HPS/CP	$18,564,120	$13,413,107	($5,151,013)	-27.7%	Decrease due to spend down of Pledged RPTTF Non-Admin on Reserve, EDA grant, and Community Benefits Agreement.
Asset Management	$6,785,119	$0	($6,785,119)	-100.0%	Decrease due to spend down of bond proceeds on Mexican Museum.
Debt	$112,855,706	$181,168,329	$68,312,623	60.5%	Increase due to technical requirement of refunding 2016D bond, offset by planned decrease in planned debt service schedule.
Operations	$18,803,756	$18,738,555	($65,201)	-0.3%	Decrease due to identified cost efficiencies and prior year payments to reduce long-term liabilities.
Total Uses	**$549,582,289**	**$706,877,431**	**$157,295,142**	**28.6%**	

Summary of Proposed Changes

OCII is proposing minor changes to the draft ROPS presented to the Oversight Board on January 10, 2022. As the proposed changes shift funding sources from RPTTF Admin to Other, the total ROPS amount remains $706,877,431, which is the same as the ROPS presented to the Oversight Board at the Workshop.. OCII identified $2,513,375 in Other funds available for the ROPS 22-23 expenditures and moved funding sources for Transbay expenditures from RPTTF Non-Admin to Other. The decrease in RPTTF Non-Admin has a positive impact on the taxing entities because the decrease in OCII's portion will result in a higher property tax distribution to the taxing entities.

Exhibit 4: ROPS 22-23 Workshop v. Action

Sources	Workshop Proposed	Action Proposed	Difference	Percent Change	Explanation
Bond Proceeds	$324,079,209	$324,079,209	$0	0.0%	No change.
Reserve Funds	$32,303,453	$32,303,453	$0	0.0%	No change.
Other Funds	$165,918,920	$168,432,295	$2,513,375	1.5%	Increase due to identification of additional Other Funds to allocate to TBY park and professional services.
RPTTF Non-Admin	$180,706,026	$178,192,651	($2,513,375)	-1.4%	Decrease due to identification of additional Other Funds to allocate to TBY park and professional services.
RPTTF Admin	$3,869,823	$3,869,823	$0	0.0%	No change.
Total Sources	**$706,877,431**	**$706,877,431**	**$0**	**0.0%**	

WORKSHEETS

The ROPS 22-23 contains four worksheets, which are included as appendixes to this memo and described below. The OSB Workshop Memo is also included as an appendix to this memo for reference.

ROPS 22-23 Detail Worksheet

Exhibit A-1, ROPS Detail Worksheet, to Resolution 1-2022 shows the total ROPS 22-23, including proposed changes. The total proposed ROPS is $706,877,431, funded by $324,079,209 in Bond Proceeds, $32,303,453 in Reserve, $168,432,295 in Other Funds, and $178,192,651 in RPTTF Non-Admin, and $3,869,823 in RPTTF Admin.

ROPS 22-23 Notes Worksheet

Exhibit A-2, ROPS 22-23 Notes Worksheet, to Resolution 1-2022 provides notes to the ROPS 22-23 Detail worksheet. This is an optional form that provides additional information or explains unique circumstances.

ROPS 22-23 Cash Balances Report

Exhibit A-3, Cash Balances Report, to Resolution 1-2022 shows the change in the cash balances for Bond Proceeds, Reserve Balances, Other Funds, and RPTTF Non-Admin and RPTTF Admin from July 1, 2019, to June 30, 2020. The balances are detailed below.

- $0 in Bond Proceeds for Bonds Issued on or before 12/31/10
- $0 in Bond Proceeds for Bonds Issued on or after 01/01/11
- $0 in Prior ROPS RPTTF and Reserve Balances retained for future period(s)
- $0 in Other Funds
- $0 in RPTTF Non-Admin and Admin

The Cash Balances Report demonstrates that all OCII funds have been allocated to expenditure on enforceable obligations and OCII has no unallocated cash.

ROPS 22-23 Summary

Exhibit A-4, ROPS 22-23 Summary, to Resolution 1-2022 brings together data from the other ROPS worksheets. The Summary shows current period enforceable obligations of $706,877,431.

NEXT STEPS

Pending Oversight Board approval, staff will submit the ROPS prior to February 1, 2022. DOF will make its determination of the enforceable obligations, and the amounts and funding sources of the enforceable obligations, within 45 days of submission.

Should OCII wish to dispute any of DOF's determinations, OCII may request a meet and confer with DOF. The meet and confer request must be made within five business days of DOF's determination, and DOF will notify OCII and the Controller as to the outcome of that review at least 15 days before the June 1, 2022 property tax distribution. Staff will provide updates to the Oversight Board as necessary.

(Originated by Mina Yu, Budget & Project Finance Manager)

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Sally Oerth
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Sally Oerth
Interim Executive Director