MEMORANDUM

TO: Oversight Board

FROM: Nadia Sesay, Executive Director

SUBJECT: Approving the Recognized Obligation Payment Schedule for July 1, 2019 to June 30, 2020 (ROPS 19-20) including the Administrative Budget for the Successor Agency and supporting documentation

EXECUTIVE SUMMARY

The proposed Oversight Board Resolution No. 1-2019 requests approval of the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") 19-20 for July 1, 2019 to June 30, 2020. Staff presented a draft ROPS 19-20 to the Oversight Board on January 14, 2019, and presented an informational memo regarding ROPS 19-20 to the Commission on January 15, 2019. Neither body recommended changes to the ROPS.

OCII is proposing minor changes to the draft ROPS presented to the Oversight Board on January 14, 2019. The proposed changes result in a total increase of $14,430,725 or 3.6 percent from the Workshop amount of $403,678,843 to $418,109,568. The change is composed of an increase of $14,192,437 in Bond Proceeds, an increase of $38,259 in Other Funds, and an increase of $55,575 in Redevelopment Property Tax Trust Fund ("RPTTF") Non-Admin and $144,454 in RPTTF Admin. This small increase totaling $200,029 in RPTTF has a minimal impact on the taxing entities.

The $14,192,437 increase in Bond Proceeds is due to two changes in OCII's workplan. First, a delay in the timing for the Folsom Streetscape Improvement Project ("FSIP") requires that OCII shift $13,792,083 in funding for FSIP from ROPS 18-19 to ROPS 19-20. Second, the developer for the affordable housing project Hunters View II is returning an additional $400,000 in unexpended loan funds for a total amount of $5,900,000 that remains after completion of the enforceable obligation. As allowed by Dissolution Law and requested by the housing successor, OCII will transfer these funds to the housing successor, the Mayor's Office of Housing and Community Development, to fund affordable housing project Hunters View III.

Both the $38,259 increase in Other Funds and the $55,575 increase in RPTTF Non-Admin are due to higher than expected health care costs, which impact the cost of retiree health care and current staffing. The $144,454 increase in RPTTF Admin is the result of a higher than expected January 2019 RPTTF distribution. As the amount of RPTTF Admin amount is determined by formula as a percent of the prior year's RPTTF Non-Admin distribution, any increase in the 2019 RPTTF Non-Admin distribution results in an increase in the 19-20 RPTTF Admin amount.

Including the proposed changes, the total proposed ROPS is $418,109,568, funded by $209,133,913 in Bond Proceeds, $42,015,725 in Other Funds, and $162,527,409 in RPTTF Non-Admin, and $4,432,521 in RPTTF Admin.

Staff recommends approval of the proposed resolution.

DISCUSSION

The proposed Oversight Board Resolution No. 1-2019 requests approval of the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") 19-20 for July 1, 2019 to June 30, 2020. Staff presented a draft ROPS 19-20 to the Oversight Board on January 14, 2019, and presented an informational memo regarding ROPS 19-20 to the Commission on January 15, 2019. Neither body recommended amendments to the ROPS.

Summary of Proposed Changes

OCII is proposing minor changes to the draft ROPS presented to the Oversight Board on January 14, 2019. The proposed changes result in a total increase of $14,430,725 or 3.6 percent from the Workshop amount of $403,678,843 to $418,109,568. Exhibit 1 details the proposed changes.

Exhibit 1: Detail of Proposed Changes

Line	Description	Workshop Proposed	Action Proposed	Difference	Percent Change	Explanation
1	Agency Admin Operations	$4,288,067	$4,432,521	$144,454	3.4%	Increase due to higher than expected January 2019 RPTTF Non-Admin distribution, which increases RPTTF Admin by formula.
9	Agency Admin Operations – Retirement Healthcare Costs	$2,177,000	$2,225,346	$48,346	2.2%	Increase due to higher than expected healthcare costs.
107	Streetscape and Open Space Improvements for Folsom	$9,358,762	$23,150,845	$13,792,083	147.4%	Increase due to timing delay for Folsom Streetscape Improvement project.
177	Hunters View Phase II-III Loan Agreement	$5,500,000	$5,900,000	$400,000	7.3%	Increase due to return of additional unexpended loan funds from Hunters View II. OCII will transfer to MOHCD.
345	Tax Allocation Bond Admin (ALL)	$622,085	$623,094	$1,009	0.2%	Increase due to higher than expected healthcare costs.
373	Asset Management & Disposition Costs	$318,088	$319,792	$1,704	0.5%	Increase due to higher Agency Admin Operations than expected healthcare costs.
411	Enforceable Obligation Support	$8,125,015	$8,168,144	$43,129	0.5%	Increase due to higher than expected healthcare costs.
Total		**$30,389,017**	**$44,819,742**	**$14,430,725**		

Following the ROPS Workshop on January 14, 2019, OCII received information that led to the proposed changes summarized above.

First, OCII finalized the January 2019 RPTTF (e.g. property tax) distribution, which was higher than the expected amount reported at the Workshop. OCII's Administrative Cost Allowance ("ACA") for ROPS 19-20 is calculated by taking 3% of the total RPTTF distribution in 18-19, less the ROPS 18-19 ACA and prior year savings. This is the ACA calculation base. For the Workshop, OCII estimated that the ACA calculation base would be $142,935,566, and the 19-20 ACA would be 3% of this or $4,288,067. However, in January 2019, higher than expected RPTTF in Mission Bay, Hunters Point Shipyard/Candlestick Point, and Transbay increased the 18-19 distribution beyond what was projected. The recalculated ACA calculation base was $147,750,698, and 19-20 ACA was recalculated at 3% of this updated figure at $4,432,521, for an increase of $144,454. This change is reflected by a $144,454 increase in Agency Admin Operations (line 1).

Second, OCII received the 19-20 employee health care costs from CalPERS. These costs were higher than expected, impacting both the cost of retiree health care and the cost of health care for current staff. The increase to the cost of retiree health care is reflected by a $48,346 increase in line 9. The increase to the cost of health care for current staff is reflected in the lines that fund OCII's staffing costs-- e.g. a $1,009 increase to the staffing costs for Tax Allocation Bond Administration (line 345), a $1,704 increase to the staffing costs for Asset Management & Distribution Costs (line 373), and a $43,129 increase to staffing for Enforceable Obligation Support (line 411).

Third, the Department of Public Works informed OCII that, due to the construction challenges at the Transbay Terminal, there may be a delay in the award of the contract for the Folsom Street Improvement Project, pushing $13,792,083 in expenditure from ROPS 18-19 to ROPS 19-20 (line 107). The schedule change results in a delay in the timing of the project funding and does not increase the cost of the project.

Fourth, OCII learned that, due to cost savings and higher-than-expected equity pay-in at permanent conversion, the developer will return an additional $400,000 of unexpended bond proceeds from the Hunters View II affordable housing loan for a total of $5,900,000 that is available for other affordable housing purposes under Section 34176(g) of the Health and Safety Code. As per Dissolution Law, OCII will transfer these funds to the housing successor, the Mayor's Office of Housing and Community Development, for expenditure on the affordable housing project Hunters View III (line 177).

Exhibit 2: Impact of Proposed Changes on Sources

Sources	Workshop Proposed	Action Proposed	Difference	Percent Change	Explanation
Bond Proceeds	$194,941,476	$209,133,913	$14,192,437	7.3%	Increase due to timing delay for Folsom Streetscape Improvement project and return of additional unexpended loan funds from Hunters View II. OCII will transfer to the Mayor's Office of Housing and Community Development.
Reserve Funds	$0	$0	$0	-	No change.
Other Funds	$41,977,466	$42,015,725	$38,259	0.1%	Increase due to higher than expected healthcare costs.
RPTTF Non-Admin	$162,471,834	$162,527,409	$55,575	0.0%	Increase due to higher than expected healthcare costs.
RPTTF Admin	$4,288,067	$4,432,521	$144,454	3.4%	Increase due to higher than expected January 2019 RPTTF distribution, which increases RPTTF Admin by formula, and due to higher than expected healthcare costs.
Total Sources	**$403,678,843**	**$418,109,568**	**$14,430,725**	**3.6%**	

The total impact of the proposed changes is an increase of $14,430,725, or 3.6 percent from the Workshop amount. As shown in Exhibit 2, the largest change is in bond proceeds. Importantly, because the total increase to RPTTF is only $200,029, the proposed ROPS changes only minimally effect the taxing entities.

Exhibit 3: Impact of Proposed Changes on Uses

Sources	Workshop Amount	Action Proposed	Difference	Percent Change	Explanation
Affordable Housing	$132,521,388	$132,913,870	$392,482	0.3%	Increase due to return of additional unexpended loan funds from Hunters View II. OCII will transfer to the Mayor's Office of Housing and Community Development.
Mission Bay	$81,651,608	$81,651,608	$0	0.0%	No change.
Transbay	$28,659,847	$42,451,930	$13,792,083	48.1%	Increase due timing delay for Folsom Streetscape Improvement project.
HPS/CP	$15,972,926	$15,972,926	$0	0.0%	No change.
Asset Management	$7,785,119	$7,785,119	$0	0.0%	No change.
Debt	$118,510,092	$118,510,092	$0	0.0%	No change.
Operations	$18,577,863	$18,824,023	$246,160	1.3%	Increase due to higher than expected January 2019 RPTTF distribution, which increases RPTTF Admin by formula, and due to higher than expected healthcare costs.
Total Uses	**$403,678,843**	**$418,109,568**	**$14,430,725**	**3.6%**	

As shown in Exhibit 3, the largest change in expenditure occurs in Transbay, which increases by $13,792,083 or 48.1 percent from $28,659,847 to $42,451,930. As the increase is due to a schedule delay for FSIP, the change represents a shift in expenditure timing from ROPS 18-19 to ROPS 19-20, rather than an increase in the project cost.

WORKSHEETS

The ROPS 19-20 contains four worksheets, which are included as appendixes to this memo and described below.

ROPS 19-20 Detail Worksheet

Exhibit A-1, ROPS Detail Worksheet, shows the total ROPS 19-20, including proposed changes. The total proposed ROPS is $418,109,568, funded by $209,133,913 in Bond Proceeds, $42,015,725 in Other Funds, $162,527,409 in RPTTF Non-Admin, and $4,432,521 in RPTTF Admin.

ROPS 19-20 Notes Worksheet

Exhibit A-2, ROPS 19-20 Notes Worksheet, provides notes to the ROPS 19-20 Detail worksheet. This is an optional form that provides additional information or explains unique circumstances.

ROPS 19-20 Cash Balances Report

Exhibit A-3, Cash Balances Report, shows the change in the cash balances for Bond Proceeds, Reserve Balances, Other Funds, and RPTTF Non-Admin and RPTTF Admin from July 1, 2016, to June 30, 2017. The balances are detailed below.

- $40,838,431 in Bond Proceeds for Bonds Issued on or before 12/31/10
- $231,688,644 in Bond Proceeds for Bonds Issued on or after 01/01/11
- $0 in Prior ROPS period balances and Due Diligence Review RPTTF balances retained
- $2,693,468 in Prior ROPS RPTTF distributed as reserve for future period(s)
- $85,938,381 in Other Funds
- $88 in RPTTF Non-Admin and Admin

The Cash Balances Report reflects a $6,079,251 savings from ROPS 16-17. This savings represents the difference between the amount of RPTTF requested in ROPS 16-17 and the amount expended. As required by Dissolution Law, this amount will reduce the ROPS 19-20 distribution, thereby increasing the amount of RPTTF flowing to the taxing entities.

ROPS 19-20 Summary

Exhibit A-4, ROPS 19-20 Summary, brings together data from the other ROPS worksheets. The Summary shows current period enforceable obligations of $418,109,568.

NEXT STEPS

Pending Oversight Board approval, staff will submit the ROPS prior to February 1, 2019. 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, 2019 property tax distribution. Staff will provide updates to the Oversight Board as necessary.

(Originated by Mina Yu, Financial Reporting & Management Analyst)

Nadia Sesay
Executive Director

Attachment 1: Oversight Board Workshop Informational Memo

107-2022019-002 Agenda Item **No. 5(A)**
Meeting of January 14, 2019

INFORMATIONAL MEMORANDUM

TO: Oversight Board

FROM: Nadia Sesay, Executive Director

SUBJECT: Workshop on the Recognized Obligation Payment Schedule for July 1, 2019 to June 30, 2020 (ROPS 19-20)

EXECUTIVE SUMMARY

Redevelopment Dissolution Law required Successor Agencies to create a Recognized Obligation Payment Schedule ("ROPS") to set forth the revenue sources and payment amounts for enforceable obligations. Successor Agencies prepare the ROPS for a twelve-month fiscal period that begins July 1 and ends June 30. ROPS are due to the Department of Finance ("DOF") and the County Auditor Controller on February 1 of each year. SB107 authorizes the Oversight Board to amend the ROPS one time per twelve-month period.

The Office of Community Investment and Infrastructure ("OCII"), operating as Successor Agency to the San Francisco Redevelopment Agency, is seeking approval for the ROPS 19-20, which covers July 1, 2019 through June 30, 2020.

The total requested ROPS 19-20 is $403.7 million, which includes $194.9 million in Bond Proceeds, $42.0 million in Other Funds, $162.5 million in Redevelopment Property Tax Trust Fund ("RPTTF") Non-Admin, and $4.3 million in RPTTF Admin. OCII will expend the majority of these funds on affordable housing loans and its debt program.

In ROPS 19-20, OCII will expend $166.8 million in RPTTF Non-Admin and RPTTF Admin, which is an increase of $37.7 million or a 29.2% increase from the amended ROPS 18-19 request of $129.1 million. The primary factors driving this increase are growth in pledged RPTTF Non-Admin and debt service for planned bond issuances. In addition, use of housing pledge fund balance, which is funded by RPTTF Non-Admin, to fund affordable housing and RPTTF Non-Admin to fund a public park in Transbay ("Transbay Park"), result in an increased RPTTF Non-Admin request compared to ROPS 18-19.

Staff will incorporate Oversight Board input into the draft ROPS and will present the final version to the Oversight Board for its approval on January 28, 2019. Pending Oversight Board Approval, staff will submit the ROPS to DOF on or before February 1, 2019.

DISCUSSION

Definition of Enforceable Obligations

The ROPS sets forth the payments required to be made under "enforceable obligations," which Dissolution Law (Cal. Health & Safety Code § 64710 et seq.) defines as bonds, loans, judgments or settlements, any "legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy," "contracts or agreements necessary for the administration or operation of the Successor Agency", and certain "amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency," as well as certain other obligations.

Dissolution Law requires that Successor Agencies complete approved development projects that are subject to enforceable obligations by mandating that Successor Agencies perform those obligations and continue to oversee development until the contracted work is complete or the contractual obligations are transferred to other parties. Importantly, Dissolution Law expressly requires Successor Agencies honor pledges of increment associated with enforceable obligations of former redevelopment agencies. Dissolution Law also provides for Successor Agencies to make new pledges of property tax revenues (formerly tax increment) under pre-existing agreements comprising enforceable obligations, subject to approval of their Oversight Board and review by the State Controller and DOF.

Successor Agencies may also request that DOF finally and conclusively determine that certain obligations are enforceable obligations under Dissolution Law. To date DOF has approved three requests for a "Final and Conclusive Determination" as follows:

- Hunters Point Shipyard/Candlestick Point ("HPS/CP") Project (approved December 2012);
- Transbay Project (approved April 2013); and
- Mission Bay Project (approved January 2014).

In December 2015, DOF also approved OCII's Long Range Property Management Plan, which governs disposition and use of the Former San Francisco Redevelopment Agency's real property and interests in real property.

Successor Agencies may only expend funds related to the completion of approved enforceable obligations. To ensure that Successor Agencies comply with this restriction, DOF requires Successor Agencies submit ROPS for DOF approval. Successor Agencies prepare the ROPS for a twelve-month fiscal period that begins July 1 and ends June 30. Successor Agencies are required to obtain Oversight Board approval of the ROPS and to submit the approved ROPS to the DOF and the County Auditor Controller on February 1 of each year. SB107 authorizes the Oversight Board to amend the ROPS one time per twelve-month period.

ROPS Funding Sources

Dissolution Law requires that OCII categorize the payment source for each expenditure into one of five sources defined by DOF. The payments sources are:

- **Bond Proceeds** Bond proceeds from bonds issued or to be issued
- **Reserve Funds** Property tax increment approved to be retained by DOF at Dissolution
- **Other Funds** Funds that are not bond proceeds, reserve amounts, RPTTF Non-Admin, or RPTTF Admin
- **RPTTF Non-Admin** Property tax increment requested to fund enforceable obligations
- **RPTTF Admin** Property tax increment requested to fund administrative costs

There are two kinds of RPTTF Non-Admin: 1) RPTTF Non-Admin and 2) Pledged RPTTF Non-Admin. RPTTF Non-Admin is property tax increment requested to fund enforceable obligations. Pledged RPTTF Non-Admin is property tax pledged by development agreements to fund project costs. OCII receives the total amount of pledged RPTTF Non-Admin generated each year, less required distributions to government entities, such as the school district, that are legally entitled to a share of the property tax. OCII allocates pledged RPTTF Non-Admin to fund balance for future expenditure according to the funding guidelines of the pledge.

RPTTF Admin is property tax increment requested to fund administrative costs. As per Dissolution Law, RPTTF Admin is restricted by formula to the amount of the prior ROPS period RPTTF Non-Admin distribution less the prior ROPS RPTTF Admin distribution less Prior Period Adjustment Savings. Prior Period Adjustment Savings is requested but unexpended RPTTF Non-Admin funds from the fiscal period two years prior.

Summary ROPS 19-20

The total projected ROPS 19-20 expenditure is $403.7 million. The largest funding sources will be Bond Proceeds and RPTTF Non-Admin. This distribution is consistent with prior ROPS and is consistent with OCII's financial structure. OCII typically funds large expenditures like affordable housing loans and project infrastructure reimbursements with bond proceeds and funds its debt service with RPTTF Non-Admin.

ROPS 19-20 Sources

Sources	Proposed Amount (M)
Bond Proceeds	$194.9
Reserve Funds	$0.0
Other Funds	$42.0
RPTTF Non-Admin	$162.5
RPTTF Admin	$4.3
Total Sources	**$403.7**

In ROPS 19-20, OCII's largest expenditure areas are affordable housing and costs related to debt. OCII issues bonds to fund affordable housing loans and to fund project infrastructure reimbursements, and the bonds are repaid from property tax revenues. OCII's smallest expenditure will be on Operations.

ROPS 19-20 Uses

Uses	Proposed Amount ($M)
Affordable Housing	$132.5
Mission Bay	$81.6
Transbay	$28.7
HPS/CP	$16.0
Asset Management	$7.8
Debt	$118.5
Operations	$18.6
Total	**$403.7**

For further detail, see attachments. Attachment A-1: ROPS 19-20 – Detail Worksheet shows the projected revenue sources and payment amounts for July 1, 2019-June 30, 2020. Attachment A-2: ROPS 19-20 – Notes Worksheet justifies the payment amounts and provides greater detail where required.

Affordable Housing

In ROPS 19-20, OCII anticipates expending $132.5 million to support affordable housing development required by OCII's Retained Housing Obligation. The largest expenditure is on predevelopment and gap loans that fund design and construction of affordable housing. The second largest expenditure is funds allocated to Housing Pledge Fund Balance. OCII apportions funds to Housing Pledge Fund Balance when the timing of revenue receipt prohibits expenditure in the current ROPS period or when outside funding sources, such as developer fees, are available for expenditure. OCII retains Housing Pledge Fund Balance to expend on affordable housing in future ROPS periods. The smallest expenditure is Affordable Housing Support, which includes restricted affordable housing sources to be transferred to and expended by the Mayor's Office of Housing ("MOH") consistent with Dissolution Law.

ROPS 19-20 Affordable Housing Expenditure

Sources ($M) Uses	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Admin	Total
Gap Loan	$83.7		$0.5	$7.0		$91.2
Predevelopment Loan	$14.8		$7.0			$21.8
Housing Pledge Fund Balance				$13.8		$13.8
Affordable Housing Support	$5.7					$5.7
Total	**$104.2**	**$0.0**	**$7.5**	**$20.8**	**$0.0**	**$132.5**

OCII's development agreements require the agency to produce over 7,670 affordable housing units, approximately 4,771 of which must be funded by OCII. This obligation is known as the Production Obligation. In ROPS 19-20, OCII will provide funding for approximately 1,142 units, which is about 24.0 percent of the total number of units it is obligated to fund.

The majority of expenditure will occur in Mission Bay, followed by HPS/CP, then Transbay. The table below details expenditure by project area.

ROPS 19-20 Expenditure by Project Area

Project	Type	Amount ($M)	Number of Units
HPS Blocks 52/54	Predevelopment & Gap Loans	$46.8	113 units
Alice Griffith Phase 4	Gap Loan Amendment	$1.0	31 units
HPS Block 56	Predevelopment Loan	$3.5	70 units
CP Block 11a	Predevelopment Loan	$2.4	176 rental units
CP Block 10a	Predevelopment Loan	$1.8	156 rental units
Housing Pledge Fund Balance	Pledged RPTTF	$0.1	-
HPS/CP Total		**$55.6**	**546 units**
MBS 9	Predevelopment & Gap Loans	$43.4	141 units
MBS 12 West	Predevelopment Loan	$3.5	145 units
MBS 9A	Predevelopment Loan	$3.5	63 units
Housing Pledge Fund Balance	Pledged RPTTF	$9.1	-
Mission Bay Total		**$59.5**	**349 units**
TBY Block 2 West	Predevelopment Loan	$3.5	78 units
TBY Block 2 East	Predevelopment Loan	$3.5	169 units
Housing Pledge Fund Balance	Pledged RPTTF	$4.7	-
Transbay Total		**$11.7**	**247 units**
Total		**126.8M**	**1,142 units**

Consistent with OCII's financial structure, OCII will fund the majority of expenditure with bond proceeds and RPTTF Non-Admin. Bond proceeds fund primarily predevelopment and gap loans and RPTTF Non-Admin funds gap loans and Housing Pledge Fund Balance. Other Funds, which are comprised of developer fees, also fund gap loans and predevelopment loans.

Mission Bay Project Area

The Mission Bay project area was established in 1998 and is comprised of two redevelopment project areas: Mission Bay North and Mission Bay South. At completion, the Mission Bay project area will be a vibrant transit-oriented and mixed-use community consisting of 6,404 residential units (29 percent of which will be affordable), 4 million square feet of office and biotechnology space, 419,000 square feet

of retail uses, a new University of California San Francisco ("UCSF") research campus and medical center, 18,000-seat event center, 250-room hotel, library, school, police headquarters, and a local police and fire department. The project area will contain 49 acres of open space, approximately 41 of which will be owned by OCII/City and approximately eight of which will be owned by UCSF. Completion of the Mission Bay project area will result in construction of more than $700.0 million of new infrastructure, development of over $8.0 billion in private vertical development, and creation of 31,000 permanent jobs.

In ROPS 19-20, OCII anticipates expending $81.6 million to continue its work in the Mission Bay project area. The largest expenditure is on infrastructure, specifically developer infrastructure reimbursements. The large expenditure on infrastructure reimbursements reflects Mission Bay's maturity as a project area. The project area generates sufficient property tax increment to support bond issuances and OCII's development partner has constructed sufficient infrastructure to require large infrastructure reimbursements. The second largest expenditure is Infrastructure Pledge Fund Balance. OCII funds Infrastructure Pledge Fund Balance with pledged RPTTF Non-Admin and holds the funds for future infrastructure reimbursements once bond proceeds are expended. The smallest expenditures are related to professional services and the art program. Professional services expenditures largely fund third party review of infrastructure reimbursement requests. The art program reflects expenditure of developer fees received to fund art installation in Mission Bay public open spaces, per San Francisco Planning Code.

ROPS 19-20 Mission Bay Expenditure

Sources ($M) Uses	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Admin	Total
Infrastructure	$59.8					$59.8
Professional Services			$1.0			$1.0
Art Program			$1.1			$1.1
Infrastructure Pledge Fund Balance				$19.7		$19.7
Total	**$59.8**	**$0.0**	**$2.1**	**$19.7**	**$0.0**	**$81.6**

In ROPS 19-20, OCII staff will continue to facilitate completion of infrastructure including parks and streets, manage existing parks and open space, collaborate with the developer and City staff to complete the Chase Event Center. Staff will also prepare an amendment to the Redevelopment Plan, Owner Participation Agreement, and Design for Development to increase entitlements for office space and housing.

OCII will fund the majority of Mission Bay expenditure with bond proceeds, which fund infrastructure reimbursements, and pledged RPTTF Non-Admin, which funds Infrastructure Pledge Fund Balance. OCII will use Other Funds, which are developer fees, to fund professional services and the art program.

Transbay

The Transbay project area was established in 2005. At completion, the Transbay project area will contain more than 3,200 new housing units, including approximately 1,400 affordable units, approximately 2.4 million square feet of new commercial space, and approximately 4 acres of new public open space. In addition, the new Salesforce Transit Center ("STC") includes a 5.4-acre rooftop park. The development program embodies a balanced approach to density with office and residential towers spaced apart to protect views and sunlight and with retail and townhouses to maintain visual interest at the ground level. The program includes significant widening and improvement of sidewalks, converting Folsom Street to two-way traffic, and reconfiguring an Interstate 80 off-ramp, all with the goal of creating a safe and attractive pedestrian environment.

In ROPS 19-20, OCII anticipates expending $28.7 million to continue its work in the Transbay project area. The largest expenditure will be on infrastructure, specifically the construction of Folsom streetscape improvements and design of the Under Ramp and Transbay parks. The second largest expenditure will be the Transbay Joint Powers Authority ("TJPA") Pledge. The TJPA Pledge is codified by the Tax Increment and Sales Proceeds Pledge Agreement, which irrevocably commits net tax increment and sales proceeds from formerly State-owned parcels to the STC. Consistent with this agreement, in ROPS 19-20 OCII will transfer pledged RPTTF Non-Admin to the TJPA to fund the STC. The smallest expenditure will be on professional services, which consist of design, real estate consulting, and other miscellaneous professional services.

19-20 Transbay Expenditure

Sources ($M) Uses	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Admin	Total
Infrastructure	$13.0		$4.8	$2.0		$19.8
Professional Services	$0.2		$0.1	$0.0		$0.3
TJPA Pledge				$8.6		$8.6
Total	**$13.2**	**$0.0**	**$4.9**	**$10.6**	**$0.0**	**$28.7**

In ROPS 19-20, OCII staff will review and process a Redevelopment Plan Amendment, a Development and Disposition Agreement, Schematic Designs, Design Guidelines amendment, and development documentation for Transbay Block 4, and will monitor construction of Blocks 1, 8, and 9. OCII will also oversee environmental and legal services related to block development.

OCII will fund the majority of Transbay expenditure with bond proceeds, which fund infrastructure, and pledged RPTTF Non-Admin, which will fund infrastructure or be transferred to the TJPA. OCII will utilize Other Funds, which are developer fees, to fund infrastructure and professional services.

Hunters Point Shipyard/Candlestick Point

The Hunters Point Shipyard ("Shipyard") and Candlestick Point (together "HPS/CP") are composed of approximately 780 acres along the southeastern waterfront of San Francisco. The Shipyard Redevelopment Plan and the Bayview Hunters Point Redevelopment Plan provide for the integrated planning and development of the Shipyard and the Candlestick Point portion of the Bayview Hunters Point Redevelopment Project Area. The San Francisco Board of Supervisors originally adopted the Shipyard Redevelopment Plan in 1997, and the Shipyard Phase 1 Project approvals followed in the early 2000s. The Bayview Hunters Point Redevelopment Plan was adopted in 2000, and Candlestick/Shipyard Phase 2 Project approvals followed through Redevelopment Plan Amendments in 2010 and 2018. In connection with the Shipyard, the U.S. Department of the Navy ("Navy") performs environmental remediation and transfers property to OCII for subsequent development. Candlestick Point is subject to state and local land transfer agreements that allow for the re-use of the stadium site and adjacent underutilized parklands.

At completion, HPS/CP will generate more than 12,000 permanent jobs; hundreds of new construction jobs each year; and an additional $86.0 million in other community benefits including investment in homeowner assistance, workforce development and job training, scholarship and educational improvement, community builders, and construction of the South East Health Center.

In ROPS 19-20, OCII anticipates expending $16.0 million to continue its work in the HPS/CP project area. The largest expenditure is on professional services such as design and construction management, legal support for land transactions, on-site relocation of Shipyard artists, and real estate economic analysis of the fiscal and financial outcomes of the HPS/CP development. OCII will also expend funds on infrastructure, specifically to stabilize and rehabilitate Building #101, and will retain funds on hand to fund community benefits such as scholarship and educational improvement and homeownership assistant grants. The smallest expenditures are for lease payments to the Navy for Building #606 and pledged RPTTF Non-Admin that OCII will retain as Infrastructure Pledge Fund Balance and to be used for future infrastructure reimbursements.

ROPS 19-20 Hunters Point Shipyard/Candlestick Expenditure

Sources ($M) / Uses	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Admin	Total
Infrastructure			$4.3	$0.4		$4.7
Professional Services			$7.8			$7.8
Community Benefits			$3.1			$3.1
Lease Payments to Navy			$0.1			$0.1
Infrastructure Pledge Fund Balance				$0.3		$0.3
Total	**$0.0**	**$0.0**	**$15.3**	**$0.7**	**$0.0**	**$16.0**

In ROPS 19-20, OCII staff will collaborate with the developer to complete five public parks in HPS Phase 1, finalize designs for four development blocks in HPS Phase 1, re-design the Candlestick Point Retail Center site and supporting infrastructure, implement the HPS/CP DDAs' Community Benefits Agreements, and monitor the Navy's re-testing and clean-up of HPS Phase 2 parcels.

OCII will fund the majority of HPS/CP expenditure with Other Funds, which are developer fees and funds from a federal grant to stabilize and rehabilitate Building #101. In addition, OCII will expend RPTTF Non-Admin to meet the matching requirement of the federal grant and fund developer reimbursements from Infrastructure Pledge Fund Balance.

Asset Management

OCII anticipates expending $7.8 million in bond proceeds, pursuant to a grant agreement with the Mexican Museum to fund tenant improvements on the planned Mexican Museum located in the 706 Mission Street project in the Yerba Buena Center former project area.

In ROPS 19-20, OCII staff will manage on-going development obligations outside of the three major project areas and will implement the Long-Range Property Management Plan, which is the plan for disposition of all OCII's real property assets and was approved by DOF in December 2015.

Debt

In ROPS 19-20, OCII anticipates expending $118.5 million on its debt program. The largest expenditure will be for debt service on existing and new tax allocation bonds ("TAB"), which are bonds issued against property tax revenues and are OCII's primary debt instrument. The second largest expenditure will be reimbursing the Port for expenditure related to the Ferry Landing Terminal pursuant to a grant agreement approved by the Oversight Board in September 2018. The smallest expenditure will be for debt service on other debt instruments such as hotel tax bonds and outstanding loans.

ROPS 19-20 Debt Service

Sources ($M) / Uses	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Admin	Total
Debt Service - Existing TAB Bonds	$0.0			$98.3		$98.3
Debt Service – New TAB Bonds	$0.8			$3.6		$4.4
Other Debt			$5.1	$1.7		$6.8
Other: Ferry Landing Terminal	$9.0					$9.0
Total	**$9.8**	**$0.0**	**$5.1**	**$103.6**	**$0.0**	**$118.5**

In ROPS 19-20, OCII anticipates issuing two new money tax allocation bonds (TAB): 2019A SB107 Housing Bond for $25.3 million and 2019B HPS/CP Infrastructure Bond for $15.3 million. Proceeds from the 2019A OCII SB107 Housing Bond will fund affordable housing loans for approximately 113 units in HPS 52/54. Proceeds from 2019B HPS/CP Infrastructure Bond will fund infrastructure reimbursements in HPS/CP.

Operating Costs

In ROPS 19-20, OCII will expend $18.6 million to fund its operational costs. Specifically, OCII expects to expend $9.6 million on salaries and benefits, which reflects labor costs for 54 full-time equivalent ("FTE") staff. OCII will expend the remaining $5.1 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. In addition to staffing and non-labor expenses, OCII will expend $3.9 million in RPTTF Non-Admin on its retirement obligations, including accrued pension liability, health benefits for current retirees, and accrued retiree health liability.

ROPS 19-20 Operating Costs

Operations	Amount ($M)	% of Total
Sources		
Bond Proceeds	$0.1	0.6%
Other Funds	$7.1	38.2%
Reserve Funds	$0.0	0.0%
RPTTF Non-Admin	$7.1	38.2%
RPTTF Admin	$4.3	23.1%
Total	**$18.6**	**100.0%**
Uses		
Salaries and Benefits	$9.6	51.6%
Non-Labor	$5.1	27.4%
Retiree Health and Pension	$3.9	20.9%
Total	**$18.6**	**100.0%**

OCII will fund the majority of its operating costs with RPTTF Non-Admin and Other Funds, which are developer fees. RPTTF Admin will fund administrative costs that are not directly related to enforceable obligations. Bond Proceeds will fund staff time required to issue bonds.

RPTTF Request

In ROPS 19-20, OCII will expend $166.8 million in RPTTF Non-Admin and RPTTF Admin, which is an increase of $37.7 million or a 29.2% increase from the amended ROPS 18-19 request of $129.1 million. The primary factors driving this increase are growth in pledged RPTTF Non-Admin and debt service for planned bond issuances. In addition, use of Housing Fund Balance, which is funded by

RPTTF Non-Admin, to fund affordable housing and RPTTF Non-Admin to fund Transbay Park result in an increased RPTTF Non-Admin request compared to the ROPS 18-19 request.

ROPS 18-19 RPTTF vs. ROPS 19-20 RPTTF

Uses	ROPS 18-19 Amount ($M)	ROPS 19-20 Proposed ($M)	Difference ($M)	Percent Change	Explanation
Affordable Housing	$8.2	$20.8	$12.6	154.1%	Increase due to use of housing pledge fund balance.
Mission Bay	$6.3	$19.7	$13.4	211.9%	Increase due to growth in pledged RPTTF Non-Admin.
Transbay	$5.8	$10.6	$4.8	82.5%	Increase due to use of RPTTF Non-Admin for Transbay Park and growth in pledged RPTTF Non-Admin.
HPS/CP	$0.7	$0.7	$0.0	4.2%	No change.
Asset Management	$0.3	$0.0	($0.3)	-100.0%	Decrease due to transfer of South Beach Harbor.
Debt	$97.9	$103.6	$5.7	5.9%	Increase due to debt service for three planned issuances.
Operations	$9.9	$11.4	$1.5	15.2%	Increase due to higher unfunded liability for pension and retiree health obligations and enhancements to debt administration program.
Total	**$129.1**	**$166.8**	**$37.7**	**29.2%**	

Changes in ROPS Lines

OCII retires or adds lines to the ROPS to reflect completed or new enforceable obligations.

Retired Lines

In ROPS 19-20, OCII will retire 11 lines due to asset transfers and completion of affordable housing projects.

- Lines 140,141, 142, 143,144, 414 Transfer of Yerba Buena Gardens.
- Line 239 Completion of TBY Blocks 6 and 7.
- Line 374 Completion of TBY Block 8.
- Line 393 Construction project completion of MBS 6E.
- Lines 20, 418 Transfer of 345 Williams, deemed transferred by DOF.
- Line 426 Deferral of 2018A Mission Bay Housing Bond.

In general, retiring lines signifies that OCII has completed the enforceable obligation and is winding down, as required by Dissolution Law. In the case of Line 426, OCII is retiring the 2018A Mission Bay Housing Bond because it was able to fund all housing expenditure in Mission Bay with existing funds and therefore did not issue the bond.

New Lines

In ROPS 19-20, OCII will add five new lines. OCII adds lines when it creates new payment obligations related to existing enforceable obligations. OCII is adding line 428 to fund the MBS Block 12 Predevelopment loan, which furthers OCII's efforts to complete its Production Housing Obligation. OCII is adding Line 429 for debt service for the proposed 2019A SB107 Housing Bond and Line 430 for debt service for the proposed 2019B HPS Infrastructure Bond. OCII is adding Line 431 Design and Construction of Transbay Park and Line 432 Streetscape Improvements for Folsom Streetscape to reflect MOUs signed with the Department of Public Works pursuant to the enforceable obligations previously reflected in Line 108 Streetscape and Open Space Improvements. When first created, line 108 contained payments related to all the planned Transbay improvements: Folsom Streetscape, Under Ramp Park, Transbay Park, and Essex Park. As these obligations move closer to completion, OCII creates new lines to reflect the individual contracts and memorandums of understanding entered into in order to implement specific project elements.

NEXT STEPS

Staff will incorporate Oversight Board input into the draft ROPS and will present the final version to Oversight Board for its approval on January 28, 2019. Pending Oversight Board Approval, staff will submit the ROPS to the DOF on or before February 1, 2019. 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 on ROPS 19-20, OCII may request an opportunity to meet and confer with DOF. The meet and confer request must be made within five business days of DOF's determination. DOF will notify OCII and the Controller as to the outcome of the meet and confer at least 15 days before the June 2019 property tax distribution. Staff will update the Oversight Board on the final actions of the ROPS process.

During ROPS 19-20, OCII may request one amendment to ROPS 19-20. OCII must make the request before October 1, 2019 and must be for payments made in the B period.

(Originated by Mina Yu, Financial Reporting and Management Analyst)

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Executive Director

Attachment A-1: ROPS 19-20 – Detail Worksheet
Attachment A-2: ROPS 19-20 – Notes Worksheet