

**MINUTES OF A REGULAR MEETING OF THE  
OVERSIGHT BOARD OF THE CITY AND  
COUNTY OF SAN FRANCISCO HELD ON THE  
10th DAY OF JANUARY 2022**

The members of the Oversight Board of the City and County of San Francisco met in a regular meeting via teleconference at 11:00 a.m. on the 10th day of January 2022.

In accordance with Governor Gavin Newsom’s statewide order for all residents to “Stay at Home” - and the numerous preceding local and state proclamations, orders and supplemental directions - aggressive directives have been issued to slow down and reduce the spread of the COVID-19 virus. Individuals are encouraged to participate in the meetings remotely by calling during the public comment section of the meeting.

**PUBLIC COMMENT CALL-IN: 1-415-655-0001 Access Code: 2480 088 8854**

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**1. CALL TO ORDER/ROLL CALL**

Meeting was called to order by Chair Van Degna at 11:00 a.m.

Roll call was taken.

Chair Anna Van Degna - present  
Vice-Chair Lydia Ely – present  
Board member Moses Corrette – present  
Board member Janice Li - present  
Board member Shanell Williams - absent

Board member Shanell Williams arrived late. All other Board members were present. It was noted that the seat for the City and County of San Francisco and the San Francisco Unified School District were still vacant.

Chair Van Degna requested that the agenda be taken out of order so that Item 5A could be heard first.

**5. REGULAR AGENDA**

- A. Resolution making findings to allow teleconferenced meetings under California Government Code Section 54953(e) (Discussion and Action) (Resolution No. 01-2022)

Presenters: Sally Oerth, Interim Executive Director

**PUBLIC COMMENT - None**

Board member Corrette motioned to move Item 5A and it was seconded by Vice-Chair Li.

Voice vote was taken for Item 5A.

Chair Van Degna - yes  
Vice-Chair Ely – yes  
Board member Corrette - yes  
Board member Li - yes  
Board member Williams - absent

**ADOPTION:** IT WAS VOTED BY FOUR BOARD MEMBERS WITH ONE ABSENCE THAT RESOLUTION NO. 01-2022, RESOLUTION MAKING FINDINGS TO ALLOW TELECONFERENCED MEETINGS UNDER CALIFORNIA GOVERNMENT CODE SECTION 54953(E), BE ADOPTED.

**2. APPROVAL OF MINUTES** - Regular Meeting of September 27, 2021

Secretary Cruz read instructions for the public to call in.

**PUBLIC COMMENT** – None

Board member Li motioned to move Item 2 and it was seconded by Board member Ely.

Voice vote was taken for Item 2.

Chair Van Degna - yes  
Vice-Chair Ely – yes  
Board member Corrette - yes  
Board member Li - yes  
Board member Williams - absent

**ADOPTION:** IT WAS VOTED BY FOUR BOARD MEMBERS WITH ONE ABSENCE THAT APPROVAL OF MINUTES FOR THE REGULAR MEETING OF SEPTEMBER 27, 2021, BE ADOPTED.

**3. ANNOUNCEMENTS**

A. The next scheduled Board meeting will be a regular meeting held remotely on Monday, January 24, 2022 at 11:00 am.

B. Announcement of Time Allotment for Public Comments

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Oversight Board adopts a shorter period on any item. Please note that during the public comment period, all dial-in participants from the public will be instructed to call a number and use their touch-tone phones to register any

desire to provide public comment. Comments will be taken in the order that it was received. Audio prompts will signal to dial-in participants when their audio input has been enabled for commenting. Instructions were given to call in for public comment.

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**4. CONSENT AGENDA – None**

**5. REGULAR AGENDA**

**B. Workshop on the Recognized Obligation Payment Schedule for July 1, 2022 to June 30, 2023 (ROPS 22-23) (Discussion)**

Presenters: Sally Oerth, Interim Executive Director; Mina Yu, Budget and Project Finance Manager; Elizabeth Colomello, Senior Development Specialist, Housing Division; Marc Slutzkin, Project Manager, Mission Bay; Benjamin Brandin, Project Manager, Transbay; Lila Hussain, Senior Project Manager, Hunters Point Shipyard/Candlestick Point; Aaron Foxworthy, Acting Real Estate Development Services Manager; Raymond Lee, Contract Compliance Supervisor; Bree Mawhorter, Deputy Director, Finance & Administration

**PUBLIC COMMENT - None**

Vice-Chair Ely requested an explanation for the developer fees which comprised a good portion of what was described as “Other” as a source for use. She inquired about under what conditions were developers paying into this fund and whether the amount generated for this ROPS year was typical, what kind of project would pay these fees, under what arrangement and when in their life cycle.

Ms. Yu responded that as part of their operations, they do bill their developers and when payment comes in, it comes in under the “Other Funds” classification. She explained they had in- lieu fees, such as job housing linkage fees, which paid for affordable housing projects and which were typically based on square footage and commercial development and which varied depending on the different projects. She added that they had a bank of fees which were disbursed as needed; however, this was not a steady state of expenditure but rather based on projects. She deferred to Ms. Colomello for more detail.

Ms. Colomello stated that she had no additional information.

Vice-Chair Ely requested clarification as to who exactly were the developers referred to as “our developers” in the presentation. She inquired about whether these were regular inclusionary fees paid by developers in the project areas.

Interim Executive Director Oerth responded that in their master development agreements, the master developers were responsible for Agency costs, such as staff time and bills that came from other City departments to OCII, which were forwarded to the developer and which the developer was obligated to cover. These were referred to as developer reimbursement costs and she explained that they budgeted what they anticipated the costs to be, but payment was always based on the actual bills that were generated. This meant they would not have that cash in hand today, but rather, would seek that reimbursement should a bill actually appear. Regarding in-lieu fees, such as a development impact fee, developers paid over time based on a specific requirement for a particular project area or for a City requirement, where OCII was the designated recipient, and which OCII collected over time. This was considered cash they would have in hand and which usually carried restrictions, such as a jobs housing linkage, which would be for affordable housing uses only. Ms. Oerth wanted to distinguish between developer reimbursement, where they received money when they had realized the cost and developer in-lieu fees, where they might already have that cash from previous developer payments.

Vice-Chair Ely stated that she inquired because at MOHCD the impact fees had been delayed due to COVID19 impacts as projects had been delayed. She inquired about whether the fee amounts they were working with this year were still coming in or whether they were from previous years.

Interim Executive Director Oerth responded that the in-lieu fees for housing were from previous years. However, all of the other developer reimbursement costs, which were from the Master developers such as FOCIL in Mission Bay (MB), Lennar in Shipyard Phase I, Five Point in Shipyard Phase II and Candlestick and then the individual block developers in Transbay (TB), for instance, were covering staff costs and this waived only by the activity generated by OCII. So they were not reliant on the impact fees for ongoing operating costs as much as MOHCD might be.

Board member Li inquired about how ROPS would be affected by changes in project timelines, particularly by delays.

Interim Executive Director Oerth responded that, as with any budget, it was a projection based on the information available. She explained that they tried to make conservative and reasonable assumptions but as they had been doing this now for many years, they were able to hone in on appropriate cushions that may be necessary in order to be ready for any changes that might happen and of course, they could only spend money if the activity actually happened. If it didn't happen, they would roll that project forward and ask for that authority in subsequent ROPS years.

Board member Li hypothetically asked about a project which might be delayed a full year, including all the materials, design, construction, permits. She inquired about whether all of that money would just roll over and whether the additional costs due to inflation would be dealt with in future ROPS.

Interim Executive Director Oerth responded that in the case of a project actively in construction, the best practices would be to include various contingencies within the budget that would allow for that. She explained that many times a project internally adjusted and they would use those contingencies to cover price impacts that might come from a delay. But if it exceeded that amount, then they would need to seek additional authority and approvals in order to put more funding into a project that already had its contract in place. For projects in pre-development, Ms. Oerth explained, and if they had not already entered into the construction contract, they would have more flexibility and they would do their best to project based on trends. Contingencies were always important and now more than ever.

Board member Li added that in light of the fact that there were many OCII obligations and especially with affordable housing, it would be very helpful in the future to provide the current project status, how much money had been spent, those in the pipeline and also to provide timelines and changes to timelines, especially those in delay. She inquired about whether staff could give any high level updates regarding any major changes in timelines to affordable housing projects.

Interim Executive Director Oerth responded that there was no set timeline, especially for affordable housing, because many of the financing milestones they had to meet were outside of their control and they frequently had to apply through multiple rounds of state funding. So they made best guesses as to when a project might move forward, but if the project needed to apply multiple times, they just kept going until they got there. So there was no restrictive timeline but if something was missed, they would have to initiate an action to change it. Ms. Oerth added that it was a very complex time right now and they maintained a flexible approach to it all.

Ms. Colomello responded that a good example of this would be the two Shipyard projects: Blocks 52 and 54 and Block 56, which were both incorporating some escalation, assuming they would have to make multiple applications to the state for bond financing. Therefore, they had plugged some escalation into their gap numbers so they could go forward even if they had to apply multiple times. Ms. Colomello explained that Blocks 52 and 54 had already applied once to the State and were planning to apply again next month. Block 56 was planning to apply for the first time this year but they were trying to make some predictions that would allow for some escalation of cost into early next year, if needed.

Board member Li responded that those were helpful examples and thanked staff for their explanations.

Board member Williams referred to the Navy Shipyard cleanup and inquired about whether it was impacting the budget, requested more information about that process and inquired about what impact it had on the project. She stated that the cleanup process could take a significant amount of time, like

years, and inquired about how they were planning for that; inquired about whether there was any communication about moving forward on this.

Ms. Hussain responded that the cleanup did not impact the annual budget but it impacted the overall timeline of the project because of the delay of the transfer of the parcels due to delays in the development of those parcels. She explained that all this extended out the timeline of the project because of the delay in the cleanup.

Interim Executive Director Oerth responded that this was something they paid close attention to; however, they had no control over the federal agencies involved in the cleanup process. She explained that what they were trying to do in the meantime was to advance all the other work that they could move forward in the Shipyard or at Candlestick and do whatever other work they could do to be ready. Ultimately, development would not happen until all the regulators were satisfied that the parcels were clean and safe for development. She pointed out that none of those transfers would take place during this ROPS period and that it would be several years away before any parcel would be ready for transfer. However, as that time approached, they would be updating the Board on that progress. Ms. Oerth reported that the Shipyard Phase II portion of that development was officially on pause because they recognized that this was a situation wherein neither the master developer or OCII could move forward. However they were trying to focus on other activities within that community for now. She responded that there had been communication from the Mayor on down that they wanted to get this done but it needed to be done right in order to ensure the safety of San Francisco residents. Ms. Oerth reported that the Navy just had a large community meeting at the end of October to communicate with the community members regarding the cleanup process. This was a very complicated process and they wanted to make sure that the federal agencies were doing all they could do to move this along.

Board member Corrette thanked staff for the presentation as well as the Project Managers for being there today. He referred to the debt program and had general questions as well as specific questions about new bonds to be issued this year. Mr. Corrette noted that this was the second largest expenditure and inquired about whether what they were doing right now was the most efficient way to go about it or whether there was another option. He noted that the new bond program was at 7% and inquired whether that was on par with where other bonds for a government agency would be.

Ms. Mawhorter responded that they had done a large re-funding in 2017, where they harvested all the opportunities to re-fund debt at a lower price, which meant they would have to wait a few years until other bonds came into a position where they could be refundable. She explained that the one exception was 2016-D which was a private placement debt in 2016, which would be eligible for re-funding in 2022 and which was the re-funding that Ms. Yu had mentioned during the presentation. Ms. Mawhorter stated that they were actively monitoring their portfolio to reduce debt when they could. She responded that 7% was quite high; their last issuance was under 3% but they used 7%

because that was a 10-15 year average and the ROPS was an outer expenditure authority. She explained that if they estimated too low, they wouldn't have enough room to issue it so they estimated very high to give themselves enough room to work within changing market conditions. She added that there was a lot of volatility right now reflected in the financial markets. Ms. Mawhorter emphasized that they only expended what actually happened in the financing process. So if, as they expected, interest rates came in around 3%, then the actual expenditure that would occur would be at the actual level that the debt was issued at, so it would look and feel like a savings with respect to the ROPS. She pointed out that the Board does approve all their debt issuances so the Board would see this again 90 days before the proposed issuance date and by that time OCII would be more certain about what the parameters of the issuance would be. She reported that normally they would try to come back to the Board in August/September to have the Board review the bond issuances for the year for issuance around Thanksgiving, which was another reason why they gave themselves such a high estimate because within a year from now, a lot of things could happen.

Board member Corrette inquired about what the COLA percentage for staff was assumed to be.

Ms. Mawhorter responded that it was 3%, which was what they generally used in the past. She explained that the MOU's were up for negotiation this year so they were using historical data to make sure they had enough room. She deferred to Ms. Yu for more detail.

Ms. Yu responded that they actually used 4% as a cushion. She explained that in other years they were at 3.5% or more and they had put it at 4% this year to be more conservative and also to be consistent with what the City used in its projections.

Chair Van Degna referred to the proposed TB bond issue and inquired about whether any of the bond proceeds would go toward interim activation of the temporary terminal.

Mr. Brandin responded in the negative. He explained that OCII had a PTE or Permit To Enter with East Cut Landing Partners for their interim activation use on the terminal site. So OCII was not expending dollars to help fund that project. East Cut was doing that on their own. Mr. Brandin reported that prior to the interim activation, OCII was using its own funds to manage the site, but at this point, the activation is independent of the Agency. He responded that the forthcoming bond issuance dollars would not be used to fund that work.

Chair Van Degna referred to the refinancing for MB 2016-D and noted that the debt service was \$5.3 million. She inquired about how that would relate to the existing debt service; inquired about whether they were both shown on the ROPS or whether that was an increase.

Ms. Mawhorter responded that both were shown on the ROPS. She explained that the ROPS did not change throughout the year. Once the amount was approved, it would be approved, but they wouldn't make the expenditure and then in the next ROPS, it would be zeroed out.

Chair Van Degna thanked staff for the presentation and for answering all their questions.

**6. NEW MATTERS FOR FUTURE CONSIDERATION - None**

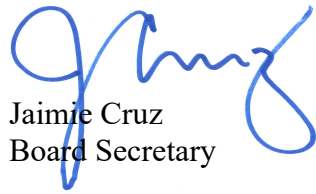
**7. PUBLIC COMMENT ON NON-AGENDA ITEMS - None**

**8. ADJOURNMENT**

Board member Williams motioned to move Item 8 and it was seconded by Board member Corrette.

The meeting was adjourned by Chair Van Degna at 12:06 p.m.

Respectfully submitted,



Jaimie Cruz  
Board Secretary

**ADOPTED:**