OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0132024-002

Agenda Item **No. 5(b)**
Meeting of April 2, 2024

MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Workshop on OCII's Budget for the period July 1, 2024 through June 30, 2025

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 2024-2025 ("FY 24-25"). 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. 01-2024 (Jan. 24, 2024). This memorandum presents a summary of the proposed Successor Agency's costs for enforceable obligations by sources, uses, and project areas (together the "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, operations, and debt service related to those enforceable obligations. For each project or operational area, the proposed budget provides a project description, status update, and proposed FY 24-25 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 16, 2024 ("FY 24-25 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 24-25 OCII Budget to the Mayor on May 1, 2024. On June 1, 2024, the Mayor will submit the FY 24-25 OCII Budget to the City and County of San Francisco Board of Supervisors ("BOS"). The BOS will review and take action on the FY 24-25 OCII Budget in June or July 2024.

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

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

FY 24-25 OCII Budget Review and Approval Process

April 2, 2024:	*Commission Workshop*
April 16, 2024:	Commission Action
May 1, 2024:	Submit to the Mayor
June 1, 2024:	Submit to the BOS
June or July 2024:	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 certain obligations of SFRA.

OCII is charged with completing work related to approved enforceable obligations. Under Dissolution Law, DOF has finally and conclusively approved the Disposition and Development Agreements for HPS Phase 1 and for HPS/CP, the MBN and MBS Owner Participation Agreements, and the TBY 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 24-25 OCII Budget totals $685.2 million, which is $27.4 million less than the FY 22-23 budget of $712.5 million. Table 1 shows a detailed breakdown of FY 24-25 expenditures. OCII will expend $536.9 million on direct programmatic needs and $148.2 million on indirect program spending. As shown in Table 1, of the $536.9 million budgeted to direct programmatic needs, OCII will expend $342.9 million on affordable housing, $0.7 million on planning for replacement housing, $170.4 million on infrastructure and other non-housing activities, $21.0 million on project management and operations, and $1.9 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.

[Remainder of page intentionally left blank]

Table 1: Proposed FY 24-25 OCII Budget Programmatic Summary, *Millions**

Uses	Total	*Percent*
Direct Program Spending		
Affordable Housing	**$342.9**	*50.1%*
Replacement Housing Planning	**$0.7**	*0.1%*
Infrastructure & Other Non-Housing	**$170.4**	*24.9%*
Project Mgmt & Operations	**$21.0**	*3.1%*
Comm Dev & Workforce	**$1.9**	*0.3%*
Direct Programmatic Subtotal	**$536.9**	*78.4%*
Indirect Program Spending		
Debt	**$114.7**	*16.7%*
TJPA Pass-through	**$33.2**	*4.8%*
Other	**$0.4**	*0.1%*
Indirect Programmatic SubTotal	**$148.2**	*21.6%*
Total	**$685.2**	*100.0%*

**Note that Project Mgmt & Operation costs are a separate category in Table 1, but these costs are rolled into the cost centers in Table 2.*

To support the delivery of these direct programmatic activities, the Proposed FY 24-25 OCII Budget includes funding for indirect program expenditures, such as debt and Transbay Joint Powers Authority ("TJPA") Pass-Through, which is a pass-through of pledged property tax to the TJPA. Table 1 shows a total of $148.2 million budgeted to these indirect programmatic activities, which are primarily supported through property tax and developer payments.

Table 2 shows the total Proposed FY 24-25 OCII budget by project and cost center. The column headers describe Operations, Debt, and OCII's major active projects: HPS Phase 1 and HPS/CP, MBN, MBS, and TBY. Expenditures unrelated to the major active projects, Operations, or Debt are rolled up and shown in the Other column. Table 2 integrates the proposed budget for affordable housing into the appropriate project area, according to each project's location.

[Remainder of page intentionally left blank]

Table 2: Proposed FY 23-24 OCII Budget by Project Area/Cost Center, *Millions**

Cost Center	Operations	Debt	HPS / CP	MBN	MBS	TBY	Other	Total
Sources								
Property Tax	$ 10.1	$ 107.1	$ 2.6	$ -	$ 5.1	$ 35.2	$ 0.3	$ 160.4
Bonds	$ -	$ -	$ -	$ -	$ -	$ 64.0	$ -	$ 64.0
Developer Payments	$ -	$ -	$ 10.3	$ 0.0	$ 0.2	$ 94.1	$ -	$ 104.6
Other	$ 1.1	$ 4.7	$ 0.4	$ -	$ -	$ -	$ -	$ 6.2
Fund Balance	$ 0.5	$ 3.4	$ 5.8	$ 10.0	$ 15.0	$ 7.7	$ 1.7	$ 44.0
Prior Period Authority	$ -	$ -	$ 72.9	$ -	$ 43.9	$ 182.7	$ 6.6	$ 306.0
Total Budget Sources	**$ 11.7**	**$ 115.2**	**$ 91.9**	**$ 10.0**	**$ 64.2**	**$ 383.7**	**$ 8.5**	**$ 685.2**
Uses								
Uses - Operations								
Allocated Staff & Operating Expenses	$ (9.3)	$ 0.5	$ 3.6	$ 0.0	$ 2.5	$ 1.4	$ 1.2	$ (0.0)
Operational Salaries and Benefits	$ 10.3	$ -	$ -	$ -	$ -	$ -	$ -	$ 10.3
Affordable Housing Services	$ 1.3	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.3
Rent	$ 0.9	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.9
Retiree Health and Pension Costs	$ 3.9	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.9
Auditing & Accounting Services	$ 0.3	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.3
Legal Services	$ 0.3	$ -	$ 1.1	$ -	$ -	$ 0.0	$ -	$ 1.4
Planning & Infrastructure Rvw	$ 0.0	$ -	$ 5.0	$ -	$ -	$ -	$ -	$ 5.0
Real Estate Development Services	$ -	$ -	$ 0.0	$ -	$ -	$ -	$ -	$ 0.0
Workforce Development Services	$ 0.1	$ -	$ 0.1	$ -	$ -	$ -	$ -	$ 0.2
Other Professional Services	$ 1.5	$ -	$ 1.6	$ -	$ 3.6	$ 1.2	$ -	$ 7.9
Grants to Community-Based Organizations	$ -	$ -	$ 1.3	$ -	$ -	$ -	$ -	$ 1.3
Payments to other Public Agencies	$ -	$ -	$ 0.4	$ -	$ -	$ -	$ -	$ 0.4
Other Current Expenses	$ 2.3	$ -	$ -	$ -	$ -	$ -	$ -	$ 2.3
Subtotal Uses - Operations	**$ 11.7**	**$ 0.5**	**$ 13.0**	**$ 0.0**	**$ 6.1**	**$ 2.7**	**$ 1.2**	**$ 35.3**
Uses - Non-Operations								
Affordable Housing Loans	$ -	$ -	$ 4.0	$ -	$ 7.0	$ 100.5	$ -	$ 111.5
Replacement Housing	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.7	$ 0.7
Development Infrastructure	$ -	$ -	$ 1.5	$ 10.0	$ 22.6	$ 64.6	$ -	$ 98.8
Pass-through to TJPA	$ -	$ -	$ -	$ -	$ -	$ 33.2	$ -	$ 33.2
Debt Service - OCII TAB Bonds	$ -	$ 110.0	$ -	$ -	$ -	$ -	$ -	$ 110.0
Public Art	$ -	$ -	$ -	$ -	$ 1.0	$ -	$ -	$ 1.0
Other Debt	$ -	$ 4.7	$ -	$ -	$ -	$ -	$ -	$ 4.7
Subtotal Uses - Non-Operations	**$ -**	**$ 114.7**	**$ 5.5**	**$ 10.0**	**$ 30.6**	**$ 198.3**	**$ 0.7**	**$ 359.8**
Prior Period Authority - Housing	$ -	$ -	$ 72.8	$ -	$ 27.5	$ 131.1	$ -	$ 231.4
Prior Period Authority - Non-Housing	$ -	$ -	$ 0.5	$ -	$ -	$ 51.6	$ 6.6	$ 58.7
Subtotal Uses - Prior Period Authority	**$ -**	**$ -**	**$ 73.3**	**$ -**	**$ 27.5**	**$ 182.7**	**$ 6.6**	**$ 290.1**
Total Budget Uses	**$ 11.7**	**$ 115.2**	**$ 91.9**	**$ 10.0**	**$ 64.2**	**$ 383.7**	**$ 8.5**	**$ 685.2**

Table 2 shows that OCII will fund its expenditures primarily from Prior Period Authority, Property Tax, 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. A smaller portion of OCII's Budget will be funded by Fund Balance, which reflects funds received in a prior year that have not yet been budgeted or expended.

<u>Projects Summary</u>

In FY 24-25, OCII's primary activity will be funding and complying with contractual obligations requiring the delivery of affordable housing, infrastructure, and other public benefits in the Project Areas. Below are brief summaries of the FY 24-25 program highlights in these three major development projects.

Mission Bay North and South

The project areas of MBN and MBS, together referred to as Mission Bay, were established in 1998 to create a vibrant transit-oriented and mixed-use community that will result in 6,535 residential units (29 percent of which will be affordable), 49 acres of open space, approximately 41 of which are owned by the City and approximately eight of which are owned by UCSF, 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, 300-room and 129-room hotels, library, school, police headquarters, and a local police and fire department station. Completion of Mission Bay is anticipated on or before the expiration of the Mission Bay Redevelopment Plans in late 2028 and will result in construction of more than $900 million of new infrastructure, development of over $8 billion in private vertical development, and creation of 31,000 permanent jobs.

In Mission Bay North and South, the FY 24-25 activities include:

- Infrastructure: reimburse Master Developer for completed public infrastructure.
- Plan & Permit Approvals: process commercial, open space, and residential projects.
- Affordable Housing Funding: disburse existing loan for the 148 unit for-sale project on MBS 9a, and make new predevelopment loan (MBS 4E).
- Public Art Program: work with San Francisco Arts Commission to expend public art fees in Park P2.
- Entitlement Changes: process potential actions for additional housing on remaining land dedicated to affordable housing.
- Community Development & Workforce: implement Small Business Enterprise ("SBE") and workforce programs.

The FY 24-25 Program Milestones include:

- Infrastructure: complete 2 parks (P22 & P19) and street improvements at 5th Street and King Street.
- Commercial: complete construction of UCSF medical building (Block 34), and construction of the 1450 Owens Street life sciences building. Increase entitlements to add 103,000 sf to the Gladstone Institute at 1650 Owens Street.
- Housing: complete construction of 148 affordable units (MBS 9A), begin predevelopment on MBS 4E and 12W, and increase entitlements for affordable housing.

Transbay

The Transbay project area 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 along 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, while Zone 2 is under the City Planning Department's jurisdiction. When the Transbay Project Area is fully built out, OCII staff estimates that approximately 3,900 residential units (of which at least 35 percent will be affordable), 800,000 square feet of office, 75,000 square feet of retail, and 3.5 acres of open space will have been created. The Transbay project area will expire in 2035.

In Transbay, the FY 24-25 activities include:

- Infrastructure: finalize planning for the TB Block 3 Park and related Infrastructure and for Under Ramp Park, and begin construction of Block 3-related streetscape and utility relocation improvements.
- Plan & Permit Approvals: advance design and permitting of Under Ramp Park project.
- Affordable Housing: disburse existing new construction loans (TB Blocks 2E and 2W) for a total of 335 units of affordable housing; stand ready to proceed with TB Block 4 project for a total of 202 units of affordable housing upon developer's exercise of option.
- Interim Uses: Manage license for temporary activating uses on TB Blocks 3 & 4, manage existing parks management contracts for Essex Open Space parcels.
- Community Development & Workforce: implement SBE and workforce programs.

The FY 24-25 Program Milestones include:

- Infrastructure: fund the long-term plant establishment for the Folsom Street Improvement Project.
- Housing: Continue construction on TB 2E and 2W, prepare and release a request for proposals/qualifications for TB Block 12, an affordable housing site that will provide no less than 80 new units of housing, for a development partner to coordinate with OCII and the TJPA for vent infrastructure on the project site which will impact the number of housing units available.

Hunters Point Shipyard/Candlestick Point

The Hunters Point Shipyard/Candlestick Point Project is composed of approximately 770 acres along the southeastern waterfront of San Francisco. The Hunters Point Shipyard area is divided into two phases of development. At full build out, the entire Hunters Point Shipyard/Candlestick Point Project will generate more than 12,100 units of housing (approximately one-third of which will be affordable), 326 acres of parks, over 4.8 million square feet of commercial space, and approximately $86 million of community benefits such as homeownership assistance, workforce development, job training, educational assistance, and contributions to the Southeast Health Center. At completion, HPS/CP will generate more than 12,000 permanent jobs. Development at HPS Phase 1 is on-going; however, Hunters Point Shipyard Phase 2 is delayed while the U.S. Department of the Navy ("Navy") concludes environmental re-testing of several Navy-owned parcels. The schedule for development at Hunters Point Shipyard Phase 2 is uncertain and is being revised for Candlestick Point.

In Hunters Point Shipyard/Candlestick Point, the FY 24-25 activities include:

- Infrastructure: facilitate City and OCII acceptance of completed streets and parks; complete horizontal infrastructure for several new streets in HPS Phase 1.
- Plan & Permit Approvals: process residential construction permits for HPS Phase 1.
- Candlestick Point: process potential entitlement changes, and other project document amendments related to development at Candlestick Point.
- Affordable Housing Funding: continue to disburse permanent loans for construction of HPS Blocks 52/54 and Block 56, prepare and release a request for proposals/qualifications for HPS Block 48.
- Asset Management: maintain HPS Phase 1 parks with Community Facilities District funds. Work to transition park management to the City and County of San Francisco.
- Community Benefits: OCII in collaboration with Legacy Foundation, administers disbursement of community benefits in accordance with the Legacy Foundation Strategic Plan and Disposition Development Agreement for both HPS Phase 1 and HPSCP 2. This includes disburse scholarship, neighborhood building and contractor assistance funds and monitor on-going developer programs.
- Community Development & Workforce: implement SBE and workforce programs.
- Navy: review and monitor, along with regulatory agencies and City, Navy ongoing remedial plans.

Affordable Housing Summary

In FY 24-25, OCII will expend $342.9 million on its Affordable Housing program. OCII plans to provide new predevelopment loans for one block in Mission Bay, potentially two blocks in Transbay, and one in Hunters Point Shipyard Phase 1. OCII will continue to disburse funds for six loans made in previous years. Table 3 below shows the amounts and number of units for each of OCII's active projects in FY 24-25.

The predevelopment loans for MBS Blocks 12 West, 4 East, and Hunters Point Shipyard Block 48 are in anticipation of future increases in permissible residential density, entitlement, and funding authority. The proposed increased density of these blocks would address the City's dire need for affordable housing and its obligation under the Housing Element to produce 46,000 units of affordable housing. In addition to the affordable housing loans shown below, the budget includes $400,000 for Certificate of Preference ("COP") program enhancements to fund OCII's on-going efforts to locate COP holders and determine their housing needs as part of implementing OCII's contractual obligations to deliver affordable housing.

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

Project	Type	Amount ($M)	Number of Units
HPS Blocks 52/54	Gap Loans	$43.6	112 units
HPS Block 56	Gap Loan	$27.9	73 units
HPS Block 48****	Predevelopment Loan	$4.0	144 units
CPS Block 11a*	Predevelopment Loan-On hold	$1.2	176 units
CPN Block 10a*	Predevelopment Loan-On hold	$1.6	156 units
HPS/CP Total		**$76.8**	**661 units**
TB Block 2 West	Gap Loan	$61.8	151units
TB Block 2 East	Gap Loan	$69.3	184 units
TB Block 4**	Predevelopment & Gap Loan-On hold	$97.0	202 units
TB Block 12	Predevelopment Loan	$3.5	80 units
Transbay Total		**$231.6**	**617 units**
MBS Block 12W***	Predevelopment Loan	$7.0	318 units
MBS Block 4E***	Predevelopment Loan	$7.0	273 units
MBS Block 9A	Gap Loan and Additional Gap Loan	$20.5	148 units
Mission Bay Total		**$34.5**	**739 units**
Total		**$342.9**	**2,017 units**

*The Candlestick Point Project Master Developer plans to submit a revised land use plan in 2024 which will require corresponding amendments to the DDAs and other documents. Depending on the revised plan these projects could start predevelopment in FY 2025/2026.

**The Transbay Block 4 project is on hold due to current market conditions. Pursuant to Resolution No. 17-2023, OCII and the project's developer F4 Transbay Partners LLC ("Block 4 Developer") have entered into an Option Agreement with a term of 6 months with 2 possible 6-month extensions. The first extension was approved in December 2023. During or prior to FY 2024/2025 the Block 4 Developer may exercise the Option and begin the entitlement process. If so, ROPS FY 2024/25 includes an estimated $93.5M in gap funds that would be provided through funding from the Block 4 Developer pursuant to the terms of the Commission approved Disposition and Development Agreement, and OCII would then lend those funds to the affordable developer of the stand-alone affordable component of Block 4. ROPS FY 2024/25 also includes an allowance for a predevelopment loan that would be funded with Bond Funds in the event market conditions do not improve and the Block 4 Developer or OCII terminates the Option Agreement.

.

*** 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 may pursue amendments to the OPA and the Redevelopment Plan, if necessary, to increase the allowable number of units on Block 4E and 12W. Any such amendments would be subject to the consent of FOCIL-MB LLC (successor in interest to Catellus Development Corporation and "Master Developer"). Funding for any units in excess of 165 units would be subject to authority to fund Replacement Housing units under SB 593.

****The Hunters Point Shipyard Phase 1 DDA Housing Program designates sites for the development of OCII-sponsored affordable housing projects and establishes a maximum number of affordable units that may be funded (218). The Former Agency and OCII have developed most of the affordable units and OCII only has authorization to develop the remaining balance of 33 units. Funding for any units in excess of 33 units would be subject to authority to fund Replacement Housing units under SB 593.

Replacement Housing

OCII is working with DOF and the City to set up a review and approval process for Replacement Housing funding, which is available from tax increment funds that would otherwise be distributed to the City after OCII's other obligations are paid.

OCII will fund replacement housing expenditures over time with RPTTF Residual. These expenditures are proposed to add additional units of affordable housing beyond the current enforceable obligation on parcels designated for affordable housing within existing project areas of Mission Bay South and Hunters Point Shipyard Phase 1. In ROPS 24-25, $0.7 million will be used to fund staffing costs and professional services costs related to replacement housing. Staff will undertake the procurement of a financing team for the first phase of replacement housing bonds.

FY 24/25 Replacement Housing Expenditure

Uses	Bond Proceeds	Reserve Funds	Other Funds	RPTTF Non-Admin	RPTTF Residual	RPTTF Admin	Total
Admin	$0.0	$0.0	$0.4	$0.0	$0.3	$0.0	$0.7
Total	$0.0	$0.0	$0.4	$0.0	$0.3	$0.0	$0.7

Debt Summary

In FY 23-24, OCII anticipates expending $114.7 million on its debt program, which consists of repayment of bonds (debt service) that were issued to fund OCII's prior projects required under enforceable obligations, e.g. repayment of 30-year bonds that provided proceeds for affordable housing construction loans. The largest expenditure will be for debt service on existing tax allocation bonds ("TABs"), which are bonds issued against property tax revenues and are OCII's primary debt instrument.

Currently, OCII's debt portfolio contains pre-Dissolution bonds issued by SFRA to fund enforceable obligations, bonds issued by OCII to fund enforceable obligations for affordable housing and public infrastructure, and refunding bonds, issued by both the former SFRA and OCII, to refinance and reduce debt service on outstanding debt. The outstanding principal balance on OCII's bonds was $868.4 million as of August 31, 2023.

Of this amount, $723.6 million are TABs and $8.7 million are Hotel Occupancy Tax Revenue Refunding Bonds secured by hotel occupancy tax revenues. This outstanding debt represents a fixed long-term cost for OCII that is reduced each year by semi-annual debt service payments of principal and interest. The annual cost of OCII's debt portfolio is represented by OCII's annual debt service.

Operations & Budgeted Positions Summary

In FY 24-25, OCII will expend $21.0 million to fund its operational costs, which is $1.0 million more than FY 23-24. Specifically, OCII will expend $10.3 million on salaries and benefits, which reflects labor costs for 55 Full-Time Equivalent ("FTE") staff. This number is equivalent to the number of FTE in the FY 23-24 budget. The FY 24-25 budgeted positions will be included in the Proposed FY 24-25 OCII Budget Narrative, which will be provided at the April 16, 2024 Commission meeting. OCII will expend $6.8 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 on its retirement obligations.

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, the majority of which are developer fees. Bond proceeds will fund staff time required to issue bonds.

Table 4: FY 23-24 Operations, Sources by Uses, *Millions*

Sources	**FY 23-24**	**FY 24-25**	**Change**	**% Change**
Bond Proceeds	$0.1	$0.9	$0.8	800.0%
Reserve Funds	$0.6	$1.0	$0.4	66.7%
Other Funds	$10.2	$5.9	($4.3)	-42.2%
Property Tax	$9.1	$13.2	$4.1	45.1%
Total	**$20.0**	**$21.0**	**$1.0**	5.0%
Uses				
Salaries and Benefits	$9.9	$10.3	$0.4	4.0%
Non-Labor	$6.6	$6.8	$0.2	3.0%
Retiree Health and Pension	$3.5	$3.9	$0.4	11.4%
Total	**$20.0**	**$21.0**	**$1.0**	5.0%

<u>City Budget Challenges</u>

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. OCII reviews its funding request of property taxes closely with the City Controller's Office ("CON") on a biannual basis. Tax increment available in the OCII current and former Project Areas that exceeds the amounts needed in the Recognized Obligation Payment Schedule ("ROPS") gets released to the City as savings to the City's General Fund and is more than $100M annually.

Before each tax distribution (January and June every year), OCII works with CON to determine any savings OCII has, and CON will reduce the property tax increment distribution accordingly and accrues those savings to the City's General Fund. Additionally, actual expenditures against the state budget ROPS are reviewed annually by CON then submitted to the state Department of Finance ("DOF") in a report called the PPA or Prior Period Authority. DOF reviews the PPA to ensure that OCII has spent at or under the ROPS authority amount and by the correct source of funds, and any unspent property tax increment becomes savings in OCII's ROPS in subsequent years.

Thus, OCII does not take property tax it does not have a demonstrated use for, and the FY 24-25 budget only requests property tax for mandatory uses.

NEXT STEPS

OCII staff will incorporate Commission feedback from this workshop and present the Proposed FY 24-25 OCII Budget on April 16, 2024, for Commission review and approval. Pending DOF approval of the ROPS and Commission approval, staff will submit the Proposed FY 24-25 OCII Budget to the Mayor on May 1, 2024. Following Mayor's Budget Office review, on June 1, 2024, the Mayor will submit OCII's Proposed FY 24-25 OCII Budget to the BOS. The BOS will review and take action on OCII's budget in June or July 2024. OCII staff will update the Commission as the budget process evolves.

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

DocuSigned by:
Thor Kaslofsky
B10961FA8449406...

Thor Kaslofsky
Executive Director