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OAKLAND

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AGENDA REPORT

TO: Sabrina B. Landreth
ORSA Administrator

FROM: Sarah T. Schlenk
Acting Budget Director

SUBJECT: Recognized Obligation
Payment Schedule 16-17 Amendment

DATE: August 22, 2015

ORSA Administrator
Approval

Date

8/31/16

RECOMMENDATION

Staff Recommends That The City Council As Governing Board Of The Oakland Redevelopment Successor Agency ("ORSA") Adopt A Resolution Approving The Submission Of An Amendment To The 2016-17 Recognized Obligation Payment Schedule For Payments Under The Fox Theater Loan Guaranty And The Uptown Apartments Tax Increment Rebate For January 1, 2017, Through June 30, 2017, To The Oakland Oversight Board And The State.

EXECUTIVE SUMMARY

Under recent amendments to the redevelopment dissolution law, a successor agency may submit one amendment to an approved Recognized Obligation Payment Schedule ("ROPS") to the California Department of Finance ("DOF") no later than October 1. The ROPS amendment may amend amounts requested for enforceable obligations for the January through June portion of the annual ROPS period. Staff is recommending an amendment to ROPS 16-17, see **Exhibit A** to the attached resolution, that adjusts anticipated payments for January 2017 through June 2017 on two line items -- ROPS line no. 95, the tax increment rebate for the Uptown Apartments Project, and ROPS line no. 98, the loan guaranty for the Fox Theater project (which is thoroughly addressed in a separate item on this same committee agenda).

BACKGROUND/LEGISLATIVE HISTORY

There has been substantial legislative history related to the dissolution of redevelopment dating back to 2011, including preparation and approval of ROPS. Most recently the first annual ROPS 16-17 was approved by the ORSA board and the Oakland Oversight Board in January 2016. ORSA received an initial determination from DOF for this ROPS in April 2016, which disallowed nearly \$7.3 million of requested Redevelopment Property Tax Trust Fund ("RPTTF") for various obligations. ORSA requested a meet and confer with DOF on nearly all of the disallowed amounts, including:

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1. Line No. 207 – 9451 MacArthur Blvd - Evelyn Rose Project totaling \$517,500
2. Line No. 426 – West Oakland Loan Indebtedness totaling \$2,717,524 (ROPS 16-17 request of 1,813,238)
3. Line No. 423 – Oak to 9th (Brooklyn Basin) affordable housing development totaling \$45,000,000 (ROPS 16-17 request of \$4,000,000)
4. Line No. 370 – Low & Moderate Income Housing Project Management costs totaling \$734,850 (specifically associated with Brooklyn Basin)

Following the formal meet and confer session and follow-up discussions under the leadership of Mayor Schaaf, the City and DOF agreed to a solution to fund most of ROPS line no. 423, the Brooklyn Basin affordable housing project. The agreement allows the City to change the funding source of two previously approved (and completed) projects (ROPS line no. 421, MacArthur BART Affordable Housing and ROPS line no. 422, Brooklyn Basin land acquisition) from 2011 Housing Bonds to RPTTF. This frees up \$37.5 million in reimbursed 2011 Housing Bond funds to be used for the vertical construction of affordable housing at Brooklyn Basin. Additionally, \$2.5 million previously available from remaining 2011 Housing Bonds would continue to be available, for a total of \$40 million in funding for Brooklyn Basin affordable housing. These bond funds would also need to cover Housing and Community Development (“HCD”) staff costs associated with the project (ROPS line no. 370) over the life of the project.

ROPS line nos. 207 and 426 remain disallowed by DOF. City staff is determining options for how to proceed in securing these funds.

ANALYSIS

Pursuant to the state law dissolving redevelopment agencies and the recent passage of SB 107 amending the dissolution law, ORSA is now required to prepare a ROPS on an annual basis (versus the previous requirement that a ROPS be submitted every six months). The ROPS is a list of the enforceable obligations of the former Redevelopment Agency, along with estimated payments for those obligations during the ROPS period and the source of funds for those payments. Under SB 107, a successor agency may submit one amendment to an approved ROPS to DOF no later than October 1. The amendment may only adjust amounts requested for payment of approved enforceable obligations during the second half of the ROPS period (i.e., January through June). The successor agency must first submit the proposed amendment to the Oversight Board, which must make a finding that the revision is necessary for the payment of approved enforceable obligations for this period.

The proposed amendment to ROPS 16-17 is required to adjust two line items:

1. ROPS Line No. 95: The Lease Disposition and Development Agreement (“LDDA”) for the Uptown Apartments Project entitles the developer to an annual tax increment rebate, with the amount of the rebate calculated as a base reimbursable amount, plus projected gross receipts taxes. Any reimbursement for gross receipts taxes beyond the base amount is applied to past shortfalls. Since rents at the project have been rising rapidly, the amount of projected gross receipts taxes is estimated to increase, increasing the rebate from \$1,617,383 to \$1,652,383. Thus, the proposed amendment will adjust the payment amount for this line upwards by \$35,000.

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2. ROPS Line No. 98: In 2006, the Redevelopment Agency authorized a Disposition and Development Agreement (“DDA”) with Fox Oakland Theater, Inc. (“FOT”) to ground lease and undertake the restoration of the Fox Theater and to provide loans to carry out the restoration. The DDA included loans, loan guaranties and tax credit guaranties. This included a guaranty for a \$6,500,000 conventional construction loan to Fox Theater Landlord LLC (“FTLL”), an entity set up by FOT to generate tax credit equity for the project. The \$6,500,000 commercial loan has a 10 year term with a balloon payment at the end of the ten year term for the outstanding principal and interest remaining on this loan. The amount of the balloon payment is estimated to be approximately \$4,600,000 at the time this payment is due, which is December 20, 2016.

The proposed subordinations, assignment and loan guaranty for the Fox Theater project that are the subject of another item on this agenda will help to prevent ORSA from having a \$4.6 million payment from the next RPTTF distribution under the existing loan guaranty. However, if the loan is unable to be refinanced, the \$4.6 million payment will be due and RPTTF funds will be necessary to cover this expense. Therefore, the proposed amendment to ROPS 16-17 will include a \$4.6 million RPTTF payment for this line item under the former Redevelopment Agency’s loan guaranty.

FISCAL IMPACT

The RPTTF is a fund administered by the County that holds property tax funds that formerly would have been the tax increment funds distributed to the Redevelopment Agency. Money from this fund is available to cover ROPS enforceable obligations. Any RPTTF left after all obligations are covered is distributed to the taxing entities. The City, as one of those taxing entities, receives approximately 29 percent of the residual amount (often referred to as “boomerang” funds).

If the City is successful in refinancing the Fox Theater loan, the impact to the City from the ROPS amendment will be minimal – approximately \$10,150 less in residual RPTTF for the City due to the increase in the Uptown Apartments tax increment rebate. However, if the Fox Theater loan is not refinanced and RPTTF is required for the balloon payment, the City’s share of residual RPTTF would be reduced by approximately \$1,334,000. With the payment guaranty on the \$4.6 million loan, this payment is likely to be prevented, and, with time, the liability would be eliminated, since it is expected that FOT will have sufficient funds to repay the full \$4.6 million refinanced loan from revenues generated by the facility.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for this informational report beyond the standard City Council agenda noticing procedures.

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COORDINATION

Staff consulted with the City Attorney's Office, the Department of Housing and Community Development, and the Economic and Workforce Development Department in preparing the attached ROPS amendment and related legislation. This report and resolution were submitted to the City Attorney's Office and Controller's Bureau for review and approval.

SUSTAINABLE OPPORTUNITIES

Economic: The various projects and programs on the ROPS have numerous economic opportunities for Oakland businesses, including contracts for construction and professional services, grants for property owners and businesses and development of key sites to grow existing and attract new businesses.

Environmental: The City's goal to develop a "Sustainable and Healthy Environment" is applied to the individual ROPS project. Each of the projects will incorporate as many "environmental sustainability" features into the design and construction of the project as are practical and financially feasible.

Social Equity: The Public Works projects, i.e. parks, public facilities, and streetscapes, will need to comply with the City's contracting programs, including the Small/Local Business Construction Program, the Small/Local Business Professional Services Program (L/SLBE) and the Local Employment Program. All of the workers performing construction work for the City funded Project component must be paid prevailing wages.

For questions regarding this report, please contact Sarah T. Schlenk, Acting Budget Director at (510) 238-3982.

Respectfully submitted,



SARAH T. SCHLENK,
Acting Budget Director

Attachment (1): **Resolution Approving the ROPS 16-17B Amendment**
- **Exhibit A:** ROPS 16-17B Amendment

FILED
OFFICE OF THE CITY CLERK
OAKLAND

APPROVED AS TO FORM AND LEGALITY:

2016 SEP - 1 AM 10: 22

BY:

ORSA COUNSEL

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

RESOLUTION No. 2016- _____

**RESOLUTION APPROVING THE SUBMISSION OF AN
AMENDMENT TO THE 2016-17 RECOGNIZED OBLIGATION
PAYMENT SCHEDULE FOR PAYMENTS UNDER THE FOX
THEATER LOAN GUARANTY AND THE UPTOWN APARTMENTS
TAX INCREMENT REBATE FOR JANUARY 1, 2017, THROUGH
JUNE 30, 2017, TO THE OAKLAND OVERSIGHT BOARD AND THE
STATE**

WHEREAS, California Health and Safety Code Section 34177(o), as amended, requires a successor agency to prepare a Recognized Obligation Payment Schedule ("ROPS") listing the former redevelopment agency's recognized enforceable obligations, payment sources, the successor agency's excess bond proceeds obligations, and related information for each fiscal year period; and

WHEREAS, the Oakland Redevelopment Successor Agency ("ORSA") passed Resolution No. 2016-001 on January 19, 2016, approving a ROPS for Fiscal Year 2016-17, otherwise referred to as "ROPS 16-17"; and

WHEREAS, following a meet and confer process, the California Department of Finance approved, with a few exceptions, ROPS 16-17 on May 19, 2016; and

WHEREAS, Item #98 on ROPS 16-17 concerns payments under a loan payment guaranty for the Fox Theater project; and

WHEREAS, Item #95 on ROPS 16-17 concerns payments under a tax increment rebate for the Uptown Apartments project; and

WHEREAS, California Health and Safety Code Section 34177(o)(1)(E) permits a successor agency to submit one amendment to a ROPS to change the amount requested for payment of approved enforceable obligations if the oversight board makes a finding that a revision is

necessary for the payment of approved enforceable obligations during the second one-half of the ROPS period (i.e., January 1 to June 30); and

WHEREAS, ORSA has prepared a amendment to ROPS 16-17 that changes the amount requested for payment of approved enforceable obligations associated with the Fox Theater loan guaranty and the Uptown Apartments tax increment rebate; and

WHEREAS, the ORSA Board wishes to submit said ROPS amendment to the Oakland Oversight Board and the Department of Finance for review and approval, as required; now, therefore be it

RESOLVED: That the ORSA Board finds and determines that it is necessary to submit an amendment to ROPS 16-17 to change the amount requested for payment of approved enforceable obligations associated with the Fox Theater loan guaranty and the Uptown Apartments tax increment rebate for January 1, 2017, through June 30, 2017, in order to allow the payment of those obligations listed as necessary per the terms of those enforceable obligations; and be it further

RESOLVED: That the ORSA Board hereby approves that amendment to ROPS 16-17 attached to this Resolution as *Exhibit A* for submission to the Oakland Oversight Board and the California Department of Finance for review and approval per state law; and be it further

RESOLVED: That the ORSA Board hereby appropriates funds for the additional payments authorized under the amendment to ROPS 16-17, up to the amount of \$4,635,000, conditioned upon approval of the amendment by the California Department of Finance; and be it further

RESOLVED: That the approved amendment to the ROPS shall supplement authorized payments by ORSA during the ROPS 16-17 period as authorized by Resolution No. 2016-001; and be it further

RESOLVED: That the ORSA Administrator is authorized to revise the submitted ROPS amendment based on changes required as part of the oversight board and state review and approval process or new information, and take any other action with respect to the ROPS amendment consistent with this Resolution and its basic purposes.

BY SUCCESSOR AGENCY, OAKLAND, CALIFORNIA, _____, 2016

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID,
and CHAIRPERSON GIBSON McELHANEY,

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
Secretary of the Oakland
Redevelopment Successor Agency

EXHIBIT A

AMENDMENT TO ROPS 16-17

(attached)

Amended Recognized Obligation Payment Schedule (ROPS 16-17B) - Summary

Filed for the January 1, 2017 through June 30, 2017 Period

Successor Agency: Oakland
 County: Alameda

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	ROPS 16-17B Authorized Amounts	ROPS 16-17B Requested Adjustments	ROPS 16-17B Amended Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ 2,367,425	\$ -	\$ 2,367,425
B Bond Proceeds	2,367,425	-	2,367,425
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 47,977,415	\$ 4,635,000	\$ 52,612,415
F RPTTF	46,763,227	4,635,000	51,398,227
G Administrative RPTTF	1,214,188	-	1,214,188
H Current Period Enforceable Obligations (A+E):	\$ 50,344,840	\$ 4,635,000	\$ 54,979,840

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (o) of the Health and Safety
 code, I hereby certify that the above is a true and accurate
 Recognized Obligation Payment Schedule for the above
 named successor agency.

 Name Title
 /s/ _____
 Signature Date

Oakland Amended Recognized Obligation Payment Schedule (ROPS 16-17B) - ROPS Detail
January 1, 2017 through June 30, 2017
 (Report Amounts in Whole Dollars)

Item #	Project Name/Debt Obligation	Obligation Type	Total Outstanding Balance	AUTHORIZED AMOUNTS					REQUESTED ADJUSTMENTS						
				Fund Sources					Fund Sources						
				Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	Total
			\$ 902,630,910	\$ 2,367,425			\$ 46,763,227	\$ 1,214,188		\$ 50,344,840				\$ 4,635,000	\$ 4,635,000
3	Oak Center Debt	City/County Loans On or	\$ -							\$ -					\$ -
5	Property Management, Maintenance, & Insurance Costs	Property Maintenance	\$ 250,000				25,000			\$ 25,000					\$ -
6	Administrative Cost Allowance	Admin Costs	\$ 25,648,890							\$ -					\$ -
7	PERS Pension obligation	Unfunded Liabilities	\$ 22,438,717				658,942			\$ 658,942					\$ -
8	OPEB unfunded obligation	Unfunded Liabilities	\$ 11,319,631				332,808			\$ 332,808					\$ -
10	Unemployment obligation	Unfunded Liabilities	\$ 1,256,443							\$ -					\$ -
14	B/M/SP project & other staff/operations, successor agency	Project Management Costs	\$ 2,048,616				263,822			\$ 263,822					\$ -
17	B/M/SP 2006C T Bonds Debt Service	Bonds Issued On or Before 12/31/10	\$ 14,453,860				912,050			\$ 912,050					\$ -
18	B/M/SP 2010 RZEDB Bonds Debt Svc	Bonds Issued On or Before 12/31/10	\$ 18,010,185				585,930			\$ 585,930					\$ -
19	B/M/SP 2006C TE Bonds Covenants	Bonds Issued On or Before 12/31/10	\$ -							\$ -					\$ -
20	B/M/SP 2006C T Bonds Covenants	Bonds Issued On or Before 12/31/10	\$ 737,665							\$ -					\$ -
21	B/M/SP 2010 RZEDB Bonds Covenants	Bonds Issued On or Before 12/31/10	\$ 99,418							\$ -					\$ -
23	B/M/SP 2006C T Bonds Administration, Bank & Bond Payments	Fees	\$ 80,000							\$ -					\$ -
24	B/M/SP 2010 RZEDB Bonds Administration, Bank & Bond Payments	Fees	\$ 171,250							\$ -					\$ -
26	MacArthur Transit Village/Prop 1C Infill	OPA/DDA/Construction	\$ 907,045							\$ -					\$ -
27	MacArthur Transit Village/OPA (Non Housing)	OPA/DDA/Construction	\$ 734,730							\$ -					\$ -
28	MacArthur Transit Village/OPA (Non Housing)	OPA/DDA/Construction	\$ 99,418							\$ -					\$ -
30	MacArthur Transit Village/OPA (Non Housing)	Legal	\$ 60,000							\$ -					\$ -
54	Central District project & other staff/operations, successor agency	Project Management Costs	\$ 10,073,184				1,297,233			\$ 1,297,233					\$ -
60	Yoshi's/Jack London Square/Security Deposit	Miscellaneous	\$ 13,500							\$ -					\$ -
61	Regal Cinemas/Jack London Square/Security Deposit	Miscellaneous	\$ 25,000							\$ -					\$ -
66	Central District Bonds (9835) DS	Bonds Issued On or Before 12/31/10	\$ 14,095,435				1,497,896			\$ 1,497,896					\$ -
67	Central District Bonds (9836) DS	Bonds Issued On or Before 12/31/10	\$ 34,465,625				6,782,550			\$ 6,782,550					\$ -
68	Central District Bonds (9714) 1986 Bond Covenants	Bonds Issued On or Before 12/31/10	\$ 93,682							\$ -					\$ -
70	Central District Bonds (9716) 2003 Bond Covenants	Bonds Issued On or Before 12/31/10	\$ 471,964							\$ -					\$ -
71	Central District Bonds (9717) 2005 Bond Covenants	Bonds Issued On or Before 12/31/10	\$ 273,742							\$ -					\$ -
72	Central District Bonds (9718) 2006T Bond Covenants	Bonds Issued On or Before 12/31/10	\$ 1,035							\$ -					\$ -
73	Central District Bonds (9719) 2009 Bond Covenants	Bonds Issued On or Before 12/31/10	\$ 5,706							\$ -					\$ -
74	Central District Bonds (9710) Administration, Bank & Bond Payments	Fees	\$ 192,981							\$ -					\$ -
75	Uptown - Prop 1C	Improvement/Infrastructure	\$ 4,048,083							\$ -					\$ -
77	1728 San Pablo DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
79	17th Street Garage Project	OPA/DDA/Construction	\$ -							\$ -					\$ -
80	City Center DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
81	East Bay Asian Local Development Corporation	OPA/DDA/Construction	\$ -							\$ -					\$ -
82	Fox Courts DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
84	Franklin 88 DDA	OPA/DDA/Construction	\$ 264,000							\$ -					\$ -
85	Houseswives Market Residential Development	OPA/DDA/Construction	\$ -							\$ -					\$ -
86	KeySystem Building DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
87	Oakland Garden Hotel	OPA/DDA/Construction	\$ -							\$ -					\$ -
88	Rafunda DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
89	Sears LDDA	OPA/DDA/Construction	\$ 1,575,000							\$ -					\$ -
90	Swans DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
91	IT-10 Residential Project	OPA/DDA/Construction	\$ -							\$ -					\$ -
92	UCOP Administration Building	OPA/DDA/Construction	\$ -							\$ -					\$ -
93	Uptown LDDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
94	Uptown LDDA Admin Fee	Fees	\$ 3,500,000							\$ -					\$ -
95	Uptown Apartments Project	Business Incentive Agreements	\$ 6,114,161							\$ -			35,000		\$ 35,000
96	Victorian Row DDA	OPA/DDA/Construction	\$ -							\$ -					\$ -
97	Fox Theatre	OPA/DDA/Construction	\$ -							\$ -					\$ -
98	Fox Theatre	Business Incentive Agreements	\$ 5,379,526							\$ -			4,600,000		\$ 4,600,000
99	Fox Theatre	Business Incentive Agreements	\$ 12,090,000							\$ -					\$ -