



AGENDA REPORT

TO: Justin D. Johnson
Oakland Redevelopment Successor
Agency (ORSA) Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Recognized Obligation Payment
Schedule Fiscal Year 2025-26

DATE: November 25, 2024

ORSA Administrator
Approval


Justin Johnson (Nov 25, 2024 20:15 PST)

Date **Nov 25, 2024**

RECOMMENDATION

Staff Recommends That The Oakland Redevelopment Successor Agency Adopt A Resolution Approving The Submission Of A Recognized Obligation Payment Schedule And Oakland Redevelopment Successor Agency Administrative Budget For July 1, 2025 Through June 30, 2026, And Transmission Of Both To The Countywide Oversight Board, The Alameda County Auditor-Controller And The State Department Of Finance For Approval

EXECUTIVE SUMMARY

Pursuant to Assembly Bill (AB) X1 26, the State legislation dissolving redevelopment agencies, the Oakland Redevelopment Successor Agency (ORSA) is required to prepare a Recognized Obligation Payment Schedule (ROPS) every year. The ROPS includes the remaining former Redevelopment Agency's enforceable obligations and associated costs of managing the obligations, such as project staff costs and debt service. **Exhibit A** to the attached resolution provides a detailed list of the remaining and anticipated payments for the July 1, 2025, through June 30, 2026, period.

The attached legislation also approves the ORSA administrative budget for submittal to the Alameda Countywide Oversight Board (Oversight Board) for July 1, 2025, through June 30, 2026. The administrative budget is limited to three percent of the amount claimed from the Redevelopment Property Tax Trust Fund (RPTTF) from the previous ROPS period. See **Exhibit B** to the attached resolution adopting the administrative budget. The Oversight Board also has the power to approve the administrative budget for submission to the state Department of Finance (DOF).

BACKGROUND/LEGISLATIVE HISTORY

Historical Background

The State of California passed [AB X1 26](#) to dissolve all redevelopment agencies effective October 1, 2011. Subsequently, there has been substantial legislation related to the dissolution of redevelopment agencies, including the preparation and approval of the ROPS.

The ROPS is a list of enforceable obligations from the former Redevelopment Agency. The ROPS contains the estimated payments of such obligations and the source of funds for the specified ROPS period. Under AB X1 26, ORSA can only make payments to satisfy the enforceable obligations listed and approved on the adopted ROPS.

Enforceable obligations that may be listed on the ROPS include:

1. Bond repayments;
2. Loan funds borrowed by the Redevelopment Agency;
3. Obligations to the State or Federal governments, or obligations imposed by State law;
4. Payments required in connection with employees;
5. Judgments or settlements;
6. Contracts necessary for the continued administration or operation of the successor agency; and,
7. Any other legally binding and enforceable agreement. These can include consultant contracts or other professional services contracts, construction contracts, commercial and affordable housing loans, and grant contracts under the City's Façade, Tenant Improvement, and Neighborhood Project Initiative programs.

Once developed, the ROPS must be approved by the Oversight Board, subject to review by the County Auditor-Controller (County), and submitted to the California Department of Finance (DOF) for approval before any eligible payments can be made.

In May of 2013, ORSA received its [Finding of Completion](#). The dissolution law entitles ORSA to certain benefits upon receiving its Finding of Completion, including:

1. **The use of pre-2011 excess bond proceeds.** A [Bond Expenditure Agreement](#) between ORSA and the City was approved by DOF and executed by the City and ORSA in November 2013. ORSA made a payment of approximately \$88 million in excess bond proceeds to the City pursuant to the Agreement and as authorized by ROPS FY 2013-14B in February 2014 and June 2014. Excess bond proceeds continue to be transferred to the City as they become available through projects being completed under budget, restricted land sales, and/or loan repayments.
2. **The repayment of outstanding loan indebtedness from the former Redevelopment Agency to the City.** In July 2013, the Oversight Board approved a resolution finding that approximately \$2.7 million in outstanding loan indebtedness from the Redevelopment Agency to the City for certain West Oakland projects was for legitimate redevelopment purposes and thus authorized placement of that obligation on the ROPS. Under the dissolution law, 20 percent of loan repayments must be deposited into the Low- and Moderate-Income Housing Asset Fund for affordable housing (Fund 1880).

Despite strong arguments for its inclusion in a meet and confer process, DOF disallowed the loan repayment on ROPS FY 2016-17. This item was appealed by the Oakland City

Attorney's office, and the petition was denied by the Court of Appeals. After seeking further review, the California Supreme Court denied reviewing the case.

3. **The submittal of a Long-Range Property Management Plan (LRPMP).** ORSA received approval for its [LRPMP](#) on May 29, 2014. The LRPMP governs the disposition of real property formerly owned by the Redevelopment Agency.

Litigation History

On December 5, 2018, the City of Oakland (City) and ORSA, collectively, brought a Writ of Mandate against the DOF in the Superior Court of California. The writ challenged DOF's:

- Denial of payments pursuant to validly reinstated loans between the City and ORSA (ROPS line 426);
- Denial of reimbursements for staff costs associated with ORSA housing assets (ROPS line 370);
- Refusal to authorize repayment of monies to the low- and moderate-income housing fund (ROPS line 207); and,
- Denial of payments to cover ORSA pension and OPEB liabilities (ROPS lines 7, 8, and 10).

On July 8, 2019, the Honorable James P. Arguelles ruled in favor of the previous DOF's determinations. The City appealed the ruling and continued challenging the DOF's denials of payments and reimbursements of these ROPS line-items. After many appeals, the City Attorney did not proceed with further litigation on the DOF's disallowance of ROPS lines 7,8,10, and 207. In the FY 2023-24 ROPS, these line items were retired, pushing ORSA closer to dissolution.

Additionally, at the direction of the City Council, acting as the legislative body for both the City and ORSA, the City Attorney's Office proceeded with an appeal of the denied ROPS items 370 and 426. The petition was denied by the Court of Appeals. Staff petitioned for further review by the California Supreme Court; however, the review request was denied. Therefore, litigation matters for ROPS items 370 and 426 have concluded. During the FY 2023-34 ROPS, staff recommended retiring these line items and charging these costs off as bad debt. City Council approved the request to charge off the unpaid outstanding obligations for the West Oakland Loan Indebtedness (Line 426- \$2,749,243) reflected on the City of Oakland's general ledger, which resulted in a decrease of the net position of the General-Purpose Fund (1010) by \$2,749,243. The total outstanding obligations for the Construction Monitoring Services (Line 370 - \$3,395,096, currently retired, will not be reimbursed by RPTTF and will continue to be covered by the 1885 – Subordinated Housing Fund.

ANALYSIS AND POLICY ALTERNATIVES

The dissolution law requires a successor agency to submit a ROPS approved by its oversight board to DOF by February 1st of each year prior to the ROPS period. DOF must provide its determination by April 15th of each year. Most recently, the Fiscal Year (FY)2024-25 ROPS was approved by the ORSA Board and the Alameda County Oversight Board in January 2024 via [ORSA Resolution 2023-003](#). ORSA received a determination from the DOF for the FY 2024-25 ROPS on April 5, 2024.

The FY 2025-26 ROPS (currently proposed ROPS) includes approximately 40 remaining obligations, including operations and staffing, bonds and other debt, grants, and Disposition and Development Agreements.

ORSA will pay the obligations listed in the ROPS from several former Redevelopment Agency sources, including bond proceeds, reserve balances, administrative cost allowances, and Redevelopment Property Tax Trust Fund (RPTTF). The RPTTF is a fund administered by the County that holds property tax funds that formerly would have been the tax increment funds of the Redevelopment Agency. Money from this fund will be made available to cover ROPS enforceable obligations only if other funding sources are not available or if payment from property tax revenues is required.

As of November 1, 2024, the total outstanding obligations on the ROPS are approximately \$290.1 million. ORSA anticipates approximately \$34.1 million in payments for the ROPS period of July 1, 2025, through June 30, 2026, which will be used towards agency-wide administrative items, debt service, projects, and programs from eight redevelopment areas, as well as execution of the Bond Expenditure Agreement. The estimated administrative allowance for FY 2025-26 is approximately \$634,946. The administrative budget only includes the general administrative costs of the successor agency. It does not include project staffing or other project costs, which are instead included in the ROPS as separate enforceable obligations.

In September 2013, bond rating agencies and bond counsel informed staff that, according to the bond covenants, all bond debt service for the calendar year must be fully funded before any other obligations are paid. As a result, debt service payments must be “front-loaded” in the first ROPS request of the year (the ROPS “B” period) to ensure that the full annual debt service amount is covered using available RPTTF funds.

Therefore, the ROPS “B” request for January–June 2026 includes the required reserves for calendar year 2026 bond debt service payments. However, this does not apply to the 2015 Tax Exempt Refunding Bonds (ROPS line 644) and the 2018 Taxable Refunding Bonds (ROPS line 651), which are requested on a semi-annual basis for this current ROPS. For all other debt service payments due during the ROPS “A” period (July–December 2025), the amounts are shown as coming from reserve balances, as those funds were already received in the previous ROPS (FY 2024-25).

Adopting this proposed resolution will advance the Citywide priority of being a **responsive, trustworthy government** by dwindling the business of ORSA pursuant to AB X1 26.

FISCAL IMPACT

To the extent that the requests on the ROPS are approved by DOF, the City will not be obligated to use its General-Purpose Fund (GPF) to pay for any of the obligations listed in the FY 2025-26 ROPS including the administrative budget that is approved by the Countywide Oversight Board and DOF. The approved obligations will be paid from existing or future funding sources of ORSA, including RPTTF. However, if the requests on the ROPS are denied by the DOF, other funding sources would need to be identified as part of the FY 2025-26 budget, including both GPF and non-GPF sources.

PUBLIC OUTREACH / INTEREST

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

COORDINATION

Staff in the Finance Department worked with the Department of Housing and Community Development, the Economic and Workforce Development Department, and the City Attorney's Office in preparing the attached ROPS and resolution. The report and resolution were submitted to the City Attorney's Office and City Administrator's Office for review and approval.

SUSTAINABLE OPPORTUNITIES

Economic: The various projects and programs have numerous economic opportunities for Oakland businesses, including contracts for construction and professional services, grants for property owners and businesses, and the 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 each 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.

Race and Equity: A racial equity analysis has not been conducted. However, all public works and infrastructure projects, i.e., parks, public facilities, and streetscapes, will need to comply with the City's contracting requirements, including the Small/Local Business Construction Program, the Local/Small Local Business Enterprise Program (L/SLBE) and the Local Employment Program.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The Oakland Redevelopment Successor Agency Adopt A Resolution Approving The Submission Of A Recognized Obligation Payment Schedule And Oakland Redevelopment Successor Agency Administrative Budget For July 1, 2025 Through June 30, 2026, And Transmission Of Both To The Countywide Oversight Board, The Alameda County Auditor-Controller And The State Department Of Finance For Approval

For questions regarding this report, please contact Brittany Hines, Assistant to the Director, Finance Department at (510) 238-7078.

Respectfully submitted,



Erin Roseman (Nov 25, 2024 16:42 PST)

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