October 12, 2012

Ms. Tiffany Bohee, Executive Director
City and County of San Francisco
One South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Ms. Bohee:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City and County of San Francisco successor agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 59 – The Grant Agreement for Bayview Opera House in the amount of $200,000. This is an agreement between the City and County of San Francisco and the Agency. HSC section 34171 (d) (2) states agreements, contracts, or arrangements between the city that created the Agency are not enforceable obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 68.01 through 68.21 – EDA Grant Agreements in the amount of $9.3 million. HSC Section 34163 (c) (2) states that an Agency shall not amend or modify existing agreements, obligations, or commitments with any entity, which includes modifying terms and conditions of existing agreements, obligations, or commitments. The Agency received two Financial Assistance Awards, which had expiration dates of April 21, 2011 and August 2, 2012. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

- Item Nos. 84 through 86.01 – The Folsom Street Off-Ramp Project in the amount of $3.9 million. There are no contracts in place to support these expenditures. The Agency requested bond proceeds for these items. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

- Item No.123.04 – 5800 3rd Street, Carroll Avenue Senior Tax Increment Loan Agreement in the amount of $3.3 million. This item is an amendment to the original loan agreement.
HSC 34163 (c) (2), states the agency shall not amend or modify existing agreements, obligations, or commitments with any entity, which includes modifying terms and conditions of existing agreements, obligations, or commitments. Therefore, this item is not an enforceable obligation and not approved for Low and Moderate Income Housing Funds on this ROPS.

- Although enforceable, Item Nos. 1 through 41 and 45 through 51 totaling $857,652 are administrative in nature and has been reclassified.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance’s website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $102,623,312 as summarized below:

<table>
<thead>
<tr>
<th>Approved RPTTF Distribution Amount</th>
<th>For the period of January through June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total RPTTF funding requested for obligations</td>
<td>$ 101,266,193</td>
</tr>
<tr>
<td>Less: Six-month total for item(s) denied or reclassified as administrative cost</td>
<td></td>
</tr>
<tr>
<td>Items 1 through 41 and 45 through 51*</td>
<td>857,652</td>
</tr>
<tr>
<td>Item 68.01 through 68.21</td>
<td>226,895</td>
</tr>
<tr>
<td>Total approved RPTTF for enforceable obligations</td>
<td>$ 100,171,646</td>
</tr>
<tr>
<td>Plus: Allowable RPTTF distribution for administrative cost for ROPS III</td>
<td>2,451,666</td>
</tr>
<tr>
<td>Total RPTTF approved:</td>
<td>$ 102,623,312</td>
</tr>
</tbody>
</table>

*Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.
Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Sally Oerth, Deputy Director, City and County of San Francisco
Mr. James Whitaker, Property Manager, San Francisco County