



December 12, 2019

Ms. Bree Mawhorter, Deputy Director of Finance and Administration  
City and County of San Francisco  
One South Van Ness Avenue, Fifth Floor  
San Francisco, CA 94103

Dear Ms. Mawhorter:

Subject: Amended Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1) (E), the City and County of San Francisco Successor Agency (Agency) submitted an Amended Recognized Obligation Payment Schedule for the period January 1, 2020 through June 30, 2020 (Amended ROPS 19-20B) to the California Department of Finance (Finance) on September 24, 2019. Finance has completed its review of the Amended ROPS 19-20B.

The Agency is requesting a total increase of \$53,244,069 in Redevelopment Property Tax Trust Fund (RPTTF) funding related to property tax allocation pledge agreements (Pledge Agreements) in connection with Mission Bay North Owner Participation Agreement (OPA), Mission Bay South OPA, Transbay Implementation Agreement, and Candlestick Point/Hunters Point Shipyard Phase 2 (CP/HPS2) Developer Disposition Agreement (collectively development agreements).

Specifically, the Agency is requesting amendments to increase amounts for eight line items on the basis that the Pledge Agreements are obligations to flow all former tax increment regardless of need because Finance issued a "Final and Conclusive" determination on each pursuant to HSC section 34177.5 (i). The Agency also submitted August 2019 property tax information by indicating that the Agency will receive higher RPTTF revenues than originally estimated on the Annual ROPS 19-20 and such revenues should be forwarded. While a final and conclusive determination pursuant to HSC section 34177.5 (i) solidifies the agreements as enforceable obligations, the designation does not equate to an obligation to flow all former tax increment regardless of need. As stated in HSC section 34177.5 (i), Finance is still required to determine if payment – separate from the pledge - is required by the obligation in the requested period.

Further, to be eligible to request an amendment to the ROPS under HSC section 34177 (o) (1) (E), the request must be for funds, which are necessary in order to make a payment on an approved enforceable obligation in the second half of the ROPS period.

Based on our review, Finance made the following determinations:

- Item Nos. 86, 88, 220, and 226 – Mission Bay North and Mission Bay South Pledge Agreements in the requested adjustments, totaling \$34,375,327, are partially allowed as follows:
  - Item Nos. 86 and 88 – The requested adjustments, totaling \$22,642,874, are allowed. The Agency provided the April 30, 2019 letter indicating \$11,595,000 and \$102,546,000 for Mission Bay North OPA and Mission Bay South OPA, respectively, is already expended, but is not reimbursed. The Agency stated

reimbursement invoices have been submitted and the Agency expects to pay a portion of this expenditure prior to June 30, 2020. The Agency further stated that if the full amount of the existing indebtedness is validated, it will need the amounts approved on prior ROPS as well as the requested adjustments. Based on the information provided by the Agency, the requested adjustments of \$139,354 and \$22,503,520 for Item Nos. 86 and 88, respectively, are allowed in RPTTF funding.

- Item Nos. 220 and 226 – The requested adjustments for the housing portion of these Pledge Agreements, totaling \$11,732,453, are not allowed. The Agency stated it seeks to fund, to the greatest extent possible, *future* expenditures on a "pay go" basis and avoid costs associated with bond issuance. The Agency also stated that the request is to reserve funds to pay future expenditures. However, no information was provided that there are any costs coming due during the ROPS 19-20 period. As a result, the request does not meet the statutory requirement that the amendment is necessary for the payment of costs coming due in the ROPS 19-20B period. The requested adjustments of \$609,536 and \$11,122,917 for Item Nos. 220 and 226, respectively, are not allowed in RPTTF funding.
- Item Nos. 49 and 219 – CP/HPS2 Pledge Agreement in the requested adjustments totaling \$903,344, are partially allowed as follows:
  - Item No. 49 – The requested adjustment of \$631,794 is allowed. Section 1 (Purpose of the Agreement) of the CP/HPS2 Pledge Agreement states that all net available increment generated in the project site shall be irrevocably pledged to finance or refinance Qualified Project Costs. Further, the Agency provided the June 19, 2019 letter from the CP/HSP2 developer requesting payment of \$51,741,842 for pre-agreement costs, which reflect certain pre-development project costs. Therefore, the requested adjustment of \$631,794 in RPTTF funding is allowed.
  - Item No. 219 – The requested adjustment of \$271,550 for the housing portion of the CP/HPS2 Pledge Agreement is not allowed. The Agency provided its estimate to fund the future housing costs and stated it needs to retain all of the net tax revenue pledged under the Pledge Agreement to fulfill housing obligations. However, the Agency has not demonstrated that the Agency is obligated to retain funds for future housing costs nor that it needs funds to pay costs in the upcoming period. Therefore, the request of \$271,550 in RPTTF funding does not meet the statutory requirement that the funds are necessary for the payment of costs coming due in the ROPS 19-20B period and the request is not allowed.
- Item No. 102 – Transbay Pledge Agreement in the requested adjustment of \$14,640,768 is allowed. Section 1 of the Transbay Pledge Agreement with Transbay Joint Powers Authority (TJPA) states that "TJPA may bond or pledge tax revenues as security, use them as cash, loan repayments, or for any other purpose of the Transbay Terminal Project..." In January 2010, TJPA obligated the pledged property tax revenues under the Transbay Pledge Agreement and entered into a Collateral Agreement with the Agency and U.S. Department of Transportation (DOT) to secure a \$171 million federal loan under the Transportation Infrastructure Finance and Innovation Act Loan. Section 5 of the Collateral Agreement states TJPA instructed the Agency to make all payments of net tax increment revenues to the Collateral Agency. Upon receipt, the Collateral Agent shall immediately deposit all net tax increment revenues into the net increment revenues account for the purpose of making loan repayments to DOT. The Agency also provided the November 22, 2019 letter and invoice from TJPA indicating a payment of \$18,943,766 is for the period of July 1, 2019 through June 30, 2019. Therefore, the requested adjustment of \$14,640,768 in RPTTF funding is allowed.
- Item No. 237 – Affordable Housing Production in the requested adjustment of \$3,324,630 is not allowed. The Agency claims that section 2.1 (d) of the Transbay Implementation

Agreement obligates the Agency to comply with the project's affordable housing programs as authorized by California Public Resources Code, section 5027.1. However, no information was provided that a payment is necessary to fund costs due in the upcoming period. Consequently, the requested adjustment of \$3,324,630 in RPTTF funding does not meet the statutory requirement that the funds are necessary for the payment of costs coming due in the ROPS 19-20B period and is not allowed.

The Agency's amended maximum approved RPTTF distribution for the ROPS 19-20B period is \$164,491,369 as summarized in the Approved RPTTF Distribution table (See Attachment).

Please refer to the ROPS 19-20B schedule used to calculate the total RPTTF approved for distribution:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This is Finance's determination related to the funding of enforceable obligations reported on your Amended ROPS 19-20B. Please note there is not a Meet and Confer option for the Amended ROPS process, so Finance's determination is final. This determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this Amended ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Manager, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER  
Program Budget Manager

cc: Ms. Nadia Sesay, Interim Executive Director, City and County of San Francisco  
Mr. James Whitaker, Property Tax Manager, San Francisco County

**Attachment**

<b>Approved RPTTF Distribution January 2020 through June 2020</b>	
Authorized RPTTF on ROPS 19-20B	\$ 126,575,933
Authorized Administrative RPTTF on ROPS 19-20B	0
<b>Total Authorized RPTTF on ROPS 19-20B</b>	<b>126,575,933</b>
<b>Total Requested 19-20B RPTTF Adjustments</b>	<b>53,244,069</b>
<b>Finance RPTTF Adjustments</b>	
Item No. 219	(271,550)
Item No. 220	(609,536)
Item No. 226	(11,122,917)
Item No. 237	(3,324,630)
<b>Total Authorized 19-20B RPTTF Adjustments</b>	<b>37,915,436</b>
<b>Total Amended ROPS 19-20B RPTTF approved for distribution</b>	<b>164,491,369</b>