MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Workshop on the Recognized Obligation Payments Schedule for January 1, 2013 to December 31, 2013

EXECUTIVE SUMMARY

ABx1 26 ("AB 26") requires that successor agencies to former redevelopment agencies “continue to make payments due for enforceable obligations” based on an approved list of obligations. Cal. Health & Safety Code § 34177(a)(1). AB 26 requires this Oversight Board to review and approve a Recognized Obligation Payment Schedule ("ROPS") that lists anticipated payments required by those enforceable obligations for each upcoming six-month fiscal period. The Oversight Board approved the initial ROPS for January through June 2012 by Resolution No. 5-2012, and that ROPS was subsequently approved by the California Department of Finance ("DOF"). The Oversight Board approved the second ROPS, covering the period from July through December 2012, by Resolution No. 6-2012, and then approved a First Amendment to that ROPS by Resolution No. 10-2012. Both were subsequently approved by DOF.

On June 27, 2012, the Governor signed AB 1484, which established September 1, 2012 as the deadline for submitting an Oversight Board approved ROPS covering January to June 2013. On August 1, 2012, DOF issued a new required format for the ROPS, including some new data fields. In order to facilitate the Oversight Board’s review of the ROPS, staff will present an informational workshop on the new format, along with a draft version of the ROPS, at the meeting of August 21, 2012. Staff then will return to seek the Oversight Board’s approval of a final version of the ROPS at the meeting of August 28, 2012.

CHANGES IN ROPS FORMAT

As mentioned above, DOF issued a new template for the ROPS along with instructions (see Exhibits A & B) on August 1, 2012. There are now five sections included in the new ROPS template. These sections are as follows:

1. **CONTACT INFO** (Exhibit A-1): Basic contact information

2. **SUMMARY** (Exhibit A-2): Provides summary of amounts from ROPS and estimated, actual, and anticipated Redevelopment Property Tax Trust Fund ("RPTTF") funds.

3. **ROPS** (Exhibit A-3): DOF is requiring all Successor Agencies to submit the ROPS using the new format. The following chart summarizes the new ROPS sections:
<table>
<thead>
<tr>
<th>Field Name</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item #</td>
<td>Numeric only (1, 2, 3 etc). DOF now requires all enforceable obligations to be reported on one form regardless of funding source or project area; so Staff will no longer split the ROPS into tabs (Non-Housing, Housing, Bonds, etc). Once an Item # is used, it cannot be reused. Staff had created a line numbering system that referenced the Project Area (e.g. HPSY-1) and also created a sub-numbering system (e.g., HPSY-1.1, 1.2) to identify obligations that flow from a master obligation. Staff will still use the sub-numbering system in order to link sub-obligations to the master obligation. For the benefit of the Oversight Board, Staff will also include the previous line number as well as differentiate the former tab categories through formatting within the form.</td>
</tr>
<tr>
<td>Project Name/Debt Obligation</td>
<td>Same as previous ROPS</td>
</tr>
<tr>
<td>Contract/Agreement Execution Date</td>
<td>New field</td>
</tr>
<tr>
<td>Contract/Agreement Termination Date</td>
<td>Already included in previous ROPS under “Contract End Date”</td>
</tr>
<tr>
<td>Payee</td>
<td>Same as previous ROPS</td>
</tr>
<tr>
<td>Description/Project Scope</td>
<td>Same as previous ROPS</td>
</tr>
<tr>
<td>Project Area</td>
<td>Same as previous ROPS</td>
</tr>
<tr>
<td>Total Outstanding Debt or Obligation</td>
<td>New field. Staff is estimating what the balance of the total outstanding debt or obligation will be as of January 1, 2013. Some lines show a master obligation, such as a development agreement, owner participation agreement, or tax allocation pledge agreement. Under these master obligations are sub-obligations related to the master obligations. In order to prevent double counting of the total outstanding debt or obligation, an amount is only included for the master obligation (not the related sub-obligation). This amount estimates the total expenditures that may reasonably be expected to be incurred by the Successor Agency in fulfilling its obligations under the master obligation over time. For example, see Item 67, the master EDA Grant Agreement for HPSY, and Items 67.01-67.21 for the sub-obligations.</td>
</tr>
<tr>
<td>Funding Source</td>
<td>DOF is requiring that amounts per funding source be identified separately. On the previous ROPS some items listed multiple funding sources (e.g. funding an obligation through both bond proceeds and tax increment), therefore those amounts must now be appropriately distributed across the new Funding Source columns.</td>
</tr>
</tbody>
</table>
4. **NOTES** (Exhibit A-4): Per the new format, notes are to be shown in a separate section from the enforceable obligations on Exhibit A-3. However, for ease of use, staff has replicated the notes from Exhibit A-4 into the last column of Exhibit A-3.

5. **PRIOR PERIOD PAYMENT** (Exhibit A-5): This is a new report. Successor agencies must now report the difference between actual payments and past estimates shown on the ROPS for previous periods. The report due with this ROPS will cover the period of the Initial ROPS (January – June 2012). Similar to the new ROPS format, funding sources must be broken out separately, both for the estimate originating from the Initial ROPS and for the actual payment.

**NEW ENFORCEABLE OBLIGATIONS & PAYMENTS**

The majority of the enforceable obligations and payments listed within this ROPS were included on the July-December 2012 ROPS. However, there are some new obligations, which are summarized below.

1. **New Non-Housing Obligations**

   **Finance Obligations**
   
   Item 31 (FIN 4): New line for auditors as required by AB 26 for up to $10,000 over the 6-month ROPS period.

   **Real Estate Obligations**
   
   Item 54 (RE 6): New line to document the Successor Agency’s obligation to continue implementing outstanding agreements (i.e., owner participation, land disposition, and disposition and development agreements) and issue a certificate of completion when requested by a developer. This line will also enable Successor Agency staff to complete real estate work including ongoing transactional and title work.

   **Bayview Hunters Point Obligations**
   
   Item 63 (BVHP 11): New line to reflect staff time associated with implementation and close-out of a Ground Lease Agreement with Cala Foods in the former BVHP project area. This asset will be included in the Successor Agency's property management plan.

   **Hunters Point Shipyard Obligations**
   
   Item 64.08 (HPSY 1.08): Interim Lease with Lennar. Pursuant to HPSY Phase 1 Development and Disposition Agreement (“Phase 1 DDA”), Lennar is required to fund or provide security services. There are no payments directly associated with this line; instead it is being added to provide additional information regarding the various obligations under the Phase 1 DDA.
Items 67.13 & 67.14 (HPSY 4.12 A & B): Building #813 Stabilization/Improvements. Funded by economic development grants from the U.S. Department of Commerce’s Economic Development Administration for the study and creation of an “Arts and Technology District” at the HPSY. These lines are for two separate contractors who will be working on stabilizing Building 813, which will be used for an innovation technology center.

Item 69.05 (HPSY 6.06): Security Cooperative Agreement. Pursuant to the HPSY Conveyance Agreement with the U.S. Navy, the Agency is required to provide security services. This is the Navy’s contractual obligation to provide funding to Agency in order to make the payments shown in Item 64.06 (HPSY 1.06).

**South of Market Obligations**

Item 81 (SOMA 14): Reflects Successor Agency obligation to implement, monitor, enforce and close out loans made under the “Six on Sixth” forgivable tenant improvement loan program.

Item 82 (SOMA 15): Relocation assistance to be paid to Overland, Pacific & Cutler, a relocation assistance firm, for an outstanding invoice for services rendered in August 2011 for a project at Sixth and Mission Streets.

**Transbay Obligations**

Item 85.08 (TRAN 4.09): Pursuant to the Transbay Implementation Plan, funding is to be provided for the Rincon Hill Transbay Community Benefit District (“CBD”) formation. The CBD will ultimately pay for the maintenance of the parks built within the Transbay Project Area.

Item 85.09 (TRAN 4.10): This line has been added to enable Successor Agency staff to contract with outside consultants for as-needed services required for implementation of the Transbay Plan.

**Western Addition Obligations**

Items 90, 90.01 and 90.02 (WA 6, 6.01 and 6.02): These lines have been added to clarify the Successor Agency’s obligations to enforce a Disposition and Development Agreement, Ground Lease and Reciprocal Easement Agreement for the Fillmore Heritage Center in the Western Addition. The Successor Agency’s enforcement of these agreements will require staff time to manage and close-out the project, including property management, common area maintenance, mediation and other landlord responsibilities.

Items 91 through 100 (WA 7 through 16): Similar to the Successor Agency’s obligations to the Fillmore Heritage Center, the Successor Agency maintains a variety of loans, development agreements, and easement agreements within the former Western Addition project area. These lines have been added to capture the property management, enforcement, and monitoring activities that will be required of the Successor Agency to implement and close-out these agreements.
Yerba Buena Center Obligations

Items 112, 112.01 and 112.02 (YBC 13, 13.01, and 13.02): These lines have been added to show the Successor Agency’s overarchign obligations under an Amended and Restated Exclusive Negotiations Agreement with 706 Mission Street Co LLC for the development of a mixed-use project, including a residential tower and new museum space for The Mexican Museum, and related sub-obligations providing for The Mexican Museum’s participation in the mixed-use project. Successor Agency staff is required to negotiate transaction documents and work with developer and The Mexican Museum to obtain regulatory approvals for the project.

Items 113 through 120 (YBC 14 through 21): The Successor Agency maintains a variety of assets, loans, development agreements, and easement agreements within the former Yerba Buena Center project area. These lines have been added to capture the property management, asset management, enforcement, and monitoring activities that will be required of the Successor Agency to monitor, implement and close-out these obligations.

2. New Housing Obligations

Citywide Housing

Item 170 (CH-55): Costs associated with potential reimbursement to single family homebuyers to offset loss of down-payment and closing costs pursuant to Limited Equity Program Declaration of Restrictions.

UNSPENT BOND PROCEEDS

AB 26 was ambiguous about the authority for successor agencies to expend unspent bond proceeds not otherwise obligated by enforceable obligations on the ROPS, but which are still bound by the original bond covenants. Nonetheless, it has been the Successor Agency’s practice to list the unspent bond proceeds as attachments to the ROPS. AB 1484 now provides a clearer pathway for dealing with unspent bond proceeds issued prior to 2011 and creates a process to allow successor agencies to spend these types of funds in a manner consistent with the original bond covenants.

For non-housing bond proceeds (Exhibit A-6), AB 1484 states that these funds cannot be spent until after DOF has issued a “Finding of Completion.” The Finding of Completion can be issued after DOF concludes a review of the Successor Agency’s available cash assets and ensures that all required payments have been made to the taxing entities. Therefore, staff recommends including these balances as part of the ROPS submittal until the Finding of Completion process has been concluded.

For housing bonds (Exhibit A-7), these funds may be spent on eligible housing activities after approval of the ROPS by the Oversight Board and DOF. The Mayor’s Office of Housing notified the Successor Agency of its intent to use some unspent tax-exempt bond proceeds for an affordable housing project and have shown it on Item # 171.
CALIFORNIA ENVIRONMENTAL QUALITY ACT

Adopting the ROPS is not a project as defined by California Environmental Quality Act ("CEQA") Guidelines Sections 15378(b)(4) and 15378(b)(5). The ROPS fulfills a state law requirement and provides for payment of enforceable obligations as defined by state law, and therefore, is an Agency administrative and fiscal activity that will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

NEXT STEPS

Once approved by the Oversight Board, the ROPS will be submitted to DOF by September 4, 2012 (the statutory deadline of September 1, 2012 falls on a Saturday; therefore the State has extended the submission date to Tuesday, September 4, 2012). Pursuant to AB 1484, DOF has a total of 45 days to review and approve the enforceable obligations, amounts and funding sources on the ROPS. Prior to AB 1484, DOF had 3 business days after submission to request a review. If DOF requested a review, it had 10 days to complete the review.

Beginning with the July-December 2013 ROPS, AB 1484 establishes new submittal deadlines for the remaining ROPS. Successor agencies must submit Oversight Board approved ROPS no later than 90 days prior to the semi-annual distribution to the RPTTF. The new deadlines are shown below:

<table>
<thead>
<tr>
<th>ROPS Period</th>
<th>DOF Submittal Deadline</th>
<th>RPTTF Distribution Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>July to December</td>
<td>March 3</td>
<td>June 1</td>
</tr>
<tr>
<td>January to June</td>
<td>October 4</td>
<td>January 2</td>
</tr>
</tbody>
</table>

(Originated by Sally Oerth, Deputy Director)

Tiffany Bonce
Executive Director

Exhibit A: Draft of the January – June 2013 ROPS Package

Exhibit A-1: Contract Information
Exhibit A-2: Summary
Exhibit A-3: Recognized Obligation Payment Schedule
Exhibit A-4: Notes
Exhibit A-5: Prior Period Payments
Exhibit A-6: Unspent Bond Proceeds: Non-Housing
Exhibit A-7: Unspent Bond Proceeds: Housing

Exhibit B: DOF Instructions for Completing the ROPS