April 3, 2014

Ms. Sally Oerth, Deputy Director
City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Dear Ms. Oerth:

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 14-15A) to the California Department of Finance (Finance) on February 24, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 does not qualify as an enforceable obligation for the reasons specified:

Item No. 140 – Yerba Buena Gardens Capital Improvements in the total amount of $31,018,900. The Agency indicates they require a conservative reserve of two percent of the portfolio value for future capital improvements. However, as of the end of the ROPS for the July through December 2013 period the reserve account exceeded five percent of the portfolio value. Therefore, further deposits to this account are not in the best interest of the affected taxing entities and the request to deposit $400,000 of Other Funds to the reserve account is not approved.

Based upon the above, the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

Item No. 9 – Agency Admin Operations in the amount of $400,000. The Agency requests $510,000 of RPTTF; however, Finance is reclassifying $400,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has $400,000 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $110,000 and the use of Other Funds in the amount of $400,000, totaling $510,000.
On multiple items, the Agency requested the use of RPTTF received in prior periods to be used during the ROPS 14-15A period. The amounts of RPTTF not spent in prior periods should be adjusted for through the prior period adjustment rather than held in Reserve Balances. Therefore, with Agency approval, Finance will reclassify the funding source from Reserve Balances to RPTTF, increasing the request for RPTTF by $12,081,562, for the following obligations and amounts:

- Item Nos. 51 through 59, 61, 62, and 65 – “Arts and Technology District” Obligations totaling $519,089.
- Item No. 76 – Property Management in the amount of $400.
- Item No. 107 – Streetscape and Open Space Improvements in the amount of $150,000.

The Agency has also requested that Finance adjust the following:

- Item No. 257 – Rincon Point – South Beach Harbor Operations in the amount of $608,350 of Other Funds. The Agency has advised that $260,650 was duplicated from Item Nos. 250 through 252 and requested that Finance decrease the amount of Other Funds requested from $869,000 to $608,350.
- Item No. 26 – Hunters’ Point Shipyard Project Area Phase 1 Disposition and Development Agreement - Community Benefits Agreement in the amount $500,000. Agency has requested that Finance change the request for $500,000 of Other Funds to Reserve Balances. Therefore, Finance is approving $500,000 of Reserve Balances.
- Item No. 372 – Deferred Maintenance and Capital Improvements for Shoreview Park totaling $1,400,000. Agency requested that Finance reclassify $370,902 of Other Funds to Reserve Balances. Therefore, Finance is approving $779,080 of Other Funds, and $370,902 of Reserve Balances, totaling $1,400,000.

HSC section 34177 (a) (3) states that only those payments listed in the ROPS may be made by the Agency, from the funds specified in the ROPS. Although the HSC does not permit the Agency to make payments that exceed the amounts authorized by Finance, we note that the Agency’s expenditures have inappropriately exceeded the Finance authorization for Bond Proceeds, Reserve Balances, and Other Funds. Therefore, Finance is increasing the Agency’s authorization for the ROPS 13-14B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. This is for informational purposes and will not affect your ROPS 14-15A spending authority.

- Bond Proceeds totaling $649,895 – Item No. 4, $46,866; Item No. 84, $443,931; Item No. 87, $65,795; and Item No. 234, $93,303.
- Reserve Balances totaling $2,284,577 – Item No. 2, $225,860; Item No. 4, $232,128; Item No. 151, $175,000; and Item No. 165, $1,651,589.
Other Funds totaling $3,286,667 – Item No. 3, $203,691; Item No. 4, $656,382; Item No. 9, $19,488; Item No. 27, $787; Item No. 90, $141,150; Item No. 102, $2,003,542; Item No. 115, $16,032; Item No. 119, $231; Item No. 120, $8,129; Item No. 141, $189,420; and Item No. 257, $47,815.

HSC sections 34177 (a) (4) and 34172 (h) provide alternative mechanisms when Agency payments exceed the amounts authorized by Finance. Please ensure future ROPS amounts and funding sources requested are consistent with expectations.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency, which includes the revisions provided to Finance on March 19, 2014. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period self-reported by the Agency.

Except for the item denied in whole or in part as an enforceable obligation or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. This approval includes obligations wherein tax increment from a project area or project sub-area is pledged and the amount of RPTTF available is exclusive to only those areas. Therefore, the amount distributed may be more or less depending on tax revenue received specific to the areas stated below:

- Item Nos. 85 and 220 – Mission Bay North totaling $6,460,000
- Item Nos. 87 and 226 – Mission Bay South totaling $10,660,000
- Item No. 102 – Transbay in the total amount of $1,500,000

If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is $69,312,692 as summarized on the next page:
Approved RPTTF Distribution

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total RPTTF requested for non-administrative obligations</td>
<td>61,987,570</td>
</tr>
<tr>
<td>Total RPTTF requested for administrative obligations</td>
<td>1,455,000</td>
</tr>
<tr>
<td><strong>Total Requested RPTTF</strong></td>
<td><strong>$ 63,442,570</strong></td>
</tr>
<tr>
<td>Agency requested RPTTF adjustment to non-administrative obligations*</td>
<td>12,081,562</td>
</tr>
<tr>
<td><strong>Total Agency requested RPTTF adjustments</strong></td>
<td><strong>$ 12,081,562</strong></td>
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<tr>
<td>Total RPTTF requested for non-administrative obligations</td>
<td>74,069,132</td>
</tr>
<tr>
<td>Reclassified Item</td>
<td></td>
</tr>
<tr>
<td>Item No. 9</td>
<td>(400,000)</td>
</tr>
<tr>
<td><strong>Total RPTTF authorized for non-administrative obligations</strong></td>
<td><strong>$ 73,669,132</strong></td>
</tr>
<tr>
<td>Total RPTTF requested for administrative obligations</td>
<td>1,455,000</td>
</tr>
<tr>
<td><strong>Total RPTTF authorized for administrative obligations</strong></td>
<td><strong>$ 1,455,000</strong></td>
</tr>
<tr>
<td><strong>Total RPTTF authorized for obligations</strong></td>
<td><strong>$ 75,124,132</strong></td>
</tr>
<tr>
<td>Self-Reported ROPS 13-14A prior period adjustment (PPA)</td>
<td>(4,657,687)</td>
</tr>
<tr>
<td>Finance Adjustment to ROPS 13-14A PPA</td>
<td>(1,153,753)</td>
</tr>
<tr>
<td>Total ROPS 13-14A PPA</td>
<td>(5,811,440)</td>
</tr>
<tr>
<td><strong>Total RPTTF approved for distribution</strong></td>
<td><strong>$ 69,312,692</strong></td>
</tr>
</tbody>
</table>

*Refer to Page 2 for list of Item Nos. included.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS](http://www.dof.ca.gov/redevelopment/ROPS)

Absent a Meet and Confer, this is Finance’s final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance’s determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance’s review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.
Ms. Sally Oerth  
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Please direct inquiries to Wendy Giffen, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

[Signature]

JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Tiffany Bohee, Executive Director, City and County of San Francisco  
Mr. James Whitaker, Property Tax Manager, San Francisco County  
California State Controller’s Office