MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Approval of 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 amended AB 26 as a trailer bill to the State’s budget for Fiscal Year 2012-2013. AB 1484 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. DOF clarified that submittal deadline is actually September 4, 2013 (the statutory deadline of September 1, 2012 falls on a Saturday; therefore the State has extended the submission date to Tuesday, September 4, 2012). Staff presented an informational workshop on the new format, along with a draft version of the ROPS covering the period of January 1, 2013 to June 30, 2013 (“January – June 2013 ROPS”), at the meeting of August 21, 2012. A discussion of the formatting changes follows.

Staff has prepared this next ROPS, attached as Exhibit A to the Resolution. The January – June 2013 ROPS includes seven distinct worksheets. They are 1) Contact Information, 2) Summary of Recognized Obligation Payment Schedule, 3) the ROPS itself, which now includes Non-Housing, Housing, and Bonds information on one worksheet, 4) Notes, 5) Prior Period Payments Report, 6) Unspent Bond Proceeds – Non-Housing, and 7) Unspent Bond Proceeds – Housing. While the format of this ROPS is quite different, the majority of the information contained within it is the same as on previous ROPS, with some additional data fields added. Similar to previous ROPS, any items that will no longer have any payments associated with them are shown as “Proposed for Deletion” with strike-through formatting. Descriptions of the new items that were added to this ROPS are included below.

Since the workshop presentation on August 21, 2012, DOF released new guidance on how to complete the January – June 2013 ROPS. This new information required two new changes to the
ROPS package. First, all “retired” obligations, or those have been fully paid out or expired since January 1, 2012, must be shown on this ROPS. Since staff had already deleted any retired obligations from the January – June 2012 ROPS through the July – December 2012 ROPS process, we have now added those back in at the end of the ROPS worksheet. Second, the method used to calculate the Total Outstanding Debt or Obligation (a new field) has changed. Staff had used January 1, 2013, but DOF is now requiring it to be June 30th, 2012.

Staff is now seeking the Oversight Board’s approval of this ROPS before submitting the schedule to DOF and the State Controller prior to the September 4th deadline. A copy of the final ROPS package will be submitted to the City Administrator, the City Controller, and DOF at the same time it is submitted to the Oversight Board.

DISCUSSION

CHANGES IN ROPS FORMAT

As mentioned above, DOF issued a new template for the ROPS along with instructions on August 1, 2012. DOF provided further guidance on August 23, 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</td>
</tr>
<tr>
<td>Payee</td>
<td>“Contract End Date”</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Same as previous ROPS</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description/Project Scope</th>
<th>Same as previous ROPS</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Project Area</th>
<th>Same as previous ROPS</th>
</tr>
</thead>
</table>

| Total Outstanding Debt or Obligation | New field. Per DOF’s guidance issued on August 23rd, this amount should be calculated as of June 30, 2012. 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 68, the master EDA Grant Agreement for HPSY, and Items 68.01-68.21 for the sub-obligations. |

| Funding Source | 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. |

| 6-Month Total | Successor agencies are no longer required to report monthly estimates. Instead only the six-month estimated amounts are required. |

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 LINES ADDED TO ROPS**

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 items included, which are
summarized below. Some of these were added to provide further clarification to other ROPS lines that were already included (e.g. staff costs, or HPSY master agreements), while others are simply new payments that will need to be paid in the coming ROPS period. In addition, some lines that were removed from previous versions of the ROPS have been added back in (see the discussions regarding the Rincon Point – South Beach obligations and “retired” obligations below).

**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 64 (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 65.08 (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 68.13 & 68.14 (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 70.05 (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 82 (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 83 (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 86.08 (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 86.09 (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 91, 91.01 and 91.02 (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 92 through 101 (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 113, 113.01 and 113.02 (YBC 13, 13.01, and 13.02): These lines have been added to show the Successor Agency’s overarching 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 114 through 121 (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.
Citywide Housing

Item 171 (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.

Rincon Point – South Beach Obligations:
The first ROPS for January to June 2012 included all of the Agency’s obligations relating to various leases with the Port of San Francisco as well as all of the payments associated with the costs of operating the South Beach Harbor facility. At the time the July – December ROPS was prepared, the assumption was that the City was acting as the Successor Agency and therefore the obligations with the Port and South Beach Harbor transferred to the Port by operation of law. Those items were then removed from the ROPS beginning with the July-December 2012 ROPS.

AB 1484 makes clear that the Successor Agency is in fact a separate legal entity from the City, which has led to new discussions with the Port on how best to handle these obligations. While these discussions are still ongoing, staff recommends adding these obligations back onto the January to June 2013 ROPS to ensure that the Successor Agency could make any needed payments. These items have been added toward the end of the ROPS, after the Non-Housing, Housing, and Bonds obligations.

Retired Obligations
DOF is requiring that all obligations that have been retired or paid-off (since January 1, 2012) be listed on the January-June 2013 ROPS. Beginning with the July-December 2012 ROPS, staff had identified any obligations from the first ROPS that no longer needed payments by showing them with strike-through font and “Deletion Proposed” language in the Notes field. Staff has continued that practice for any obligations from the July-December 2013 ROPS that have been completed or expired, and do not need to be included in the January-June 2013 ROPS. In order to meet DOF’s requirement to show all the retired obligations, any relevant obligations from the first ROPS that were deleted through second ROPS are now shown at the bottom of this new ROPS worksheet as “Retired Obligations (from ROPS 1).

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 the City Controller, the State Controller, and DOF by September 4, 2012. The approved ROPS will also be posted on the Oversight Board website. Prior to AB 1484, DOF had 3 business days after submission to request a review, and had 10 days to complete any such review. Pursuant to AB 1484, DOF now has a total of 45 days to review and approve the enforceable obligations, amounts and funding sources on the ROPS.

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 Bohee
Executive Director