MEMORANDUM

TO: Oversight Board
FROM: Tiffany Bohee, Executive Director
SUBJECT: Resolution approving the Recognized Obligation Payments Schedule for July 1, 2012 to December 31, 2012

EXECUTIVE SUMMARY

ABx1 26 ("AB 26") requires, among other things, 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 describes the minimum payment amounts and due dates of payments required by those enforceable obligations for each six-month fiscal period. The Oversight Board approved the initial ROPS for January through June 2012 ("Initial ROPS") by Resolution No. 5-2012, and that ROPS was subsequently approved by the California Department of Finance ("DOF"). The next ROPS, covering the period from July through December 2012 must be submitted to DOF no later than May 11, 2012.

The July-December ROPS includes five distinct worksheets. They are 1) Non-Housing (All Project Area related payments and Administrative payments), 2) Housing, 3) Bonds, 4) Unspent Bond Proceeds – Non-Housing, and 5) Unspent Bond Proceeds – Housing. A Pass-Through Payments worksheet is no longer needed, as those payments will be made by the City and County prior to funds being deposited with the Successor Agency. Staff has prepared this next ROPS, attached as Exhibit A to the Resolution, by taking the Initial ROPS and providing monthly payment information for each line, providing additional clarifying language to the Notes where necessary, renumbering some lines to better group related obligations together, deleting lines for those obligations that have ended, and also adding in a small number of new lines, which are described below. 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 May 11th deadline.

DISCUSSION

NON-HOUSING

The Non-Housing section of the ROPS refers to 1) all payments for the enforceable obligations relating to the work program for the Project Areas that are not related to the Agency’s affordable housing program and 2) the administrative expenses required for the Successor Agency’s ongoing work on those enforceable obligations, including staffing costs. The majority of the lines on the Non-Housing worksheet remains substantially similar to the Initial ROPS, and now shows the estimated payments for July through December.
In the cases where the obligation to the Successor Agency has ended, those lines are shown with a strike-through format and “Deletion Proposed” in the Notes column, along with the reason for the deletion. The largest volume of deletions belong to the Rincon Point-South Beach Project Area, which includes the South Beach Harbor Facility, as those obligations are transferring to the Port of San Francisco effective July 1, 2012, and therefore do not need to be shown on the Successor Agency’s ROPS going forward.

In the Major Approved Development Projects (Hunters Point Shipyard, Mission Bay, and Transbay), some lines have been renumbered in order to clarify which obligations are pursuant to the various over-arching master development agreements. For example, the Hunters Point Shipyard Phase I Development and Disposition Agreement is listed as HPSY 1, and then the individual contracts pursuant to that Agreement are shown as HPSY 1.01, 1.02, and so forth.

**New Lines:**

**Agency-Wide:**

*AW 1:* Repayment to the Low- and Moderate-Income Housing Fund (“LMIHF”) for a portion of the Agency’s State Educational Augmentation Revenue Fund (“SERAF”) payments in Fiscal Year 2009-2010. This line was previously on the Housing Worksheet as a receivable, so it was simply moved to the Non-Housing sheet to clarify that the payment will be made by the Successor Agency to the LMIHF.

**Hunters Point Shipyard (HPSY):**

*HPSY 2-15:* Land acquisition costs per State Parks Exchange Agreement

*HPSY 2-16:* Application fee for the Federal TIFIA Loan

*HPSY 2-17:* Staffing costs for Assessor Office work on HPSY parcels

*HPSY 4:* Creation of over-arching line to organize contracts under the Federal Economic Development Administration (“EDA”) Grant for creation of an Arts & Technology District

*HPSY 4.19:* City Attorney costs related to EDA grants and contracts

*HPSY 5:* Creation of over-arching line to organize contracts under the State Cal-ReUSE Grant for lead/asbestos brownfield abatement

**Mission Bay North:**

*MB 1.01:* Repayment of CFD #4 Bond pursuant to the Mission Bay North Owner Participation Agreement; transaction was previously captured on the Bond worksheet
South of Market:

SOMA 12: Payments for remaining invoices for the South of Market Project Area Committee’s administration costs from November and December of 2011.

SOMA 13: City Attorney costs related to existing tenant and façade improvement loans that may require legal review for subordinations, transfers, etc.

Transbay:

TRAN 4.01 – 4.08: Costs associated with public improvements pursuant to Transbay Implementation Agreement (TRAN 4), including the Folsom Street off-ramp, street-scape improvements, community outreach etc.

TRAN 5: Advertising costs related for upcoming Request For Proposals to seek development proposals for Transbay Block 9.

TRAN 6: City Attorney costs related to review and approval of Development and Disposition Agreements for State-owned parcels.

TRAN 7: Job placement services for construction jobs for the ongoing projects in Transbay.

TRAN 8: Remaining invoice for Seifel Consulting’s past work on tax increment projections.

Western Addition A-2:

WA 1.01 -1.02: Operating costs associated with the City owned Fillmore Heritage Center Garage

WA 4: Costs associated with property maintenance and disposition of three City owned properties.

WA 5: City Attorney costs related to existing loans and other agreements that may require legal review for subordinations, transfers, etc.

Yerba Buena Center:

YB 12: City Attorney costs related to Yerba Buena Gardens Separate Accounts and Yerba Buena Center leases and other agreements.

HOUSING

Just as with the Non-Housing worksheet, the Housing lines are substantially the same with the monthly payment information for July through December shown. The majority of the deleted lines are those relating to the Federal Housing Opportunities for Persons with AIDS (“HOPWA”) grant; those will be deleted as those federal funds are not subject to the Oversight Board’s approval.
New Lines:

BVHP-21: Utility payments to the San Francisco PUC for an Agency owned unit in the Limited Equity Resale Program

CH-52 to -54: Staffing costs (City Attorney, Real Estate, and Contract Compliance) necessary to support housing obligations on the ROPS.

**BONDS**

The Bond worksheet for this period shows the required expenditure from the various bond trustees to bondholders for the payment of debt service. There are several new lines as well, all of which relate to the associated administrative costs of the bonds, as described below.

New Lines:

BVHP3, GG3, HP3, IB3, MBN3, MBS4, RPSB3, SOM3, TB3 & WA3: These lines reflect the costs of bond portfolio management related to accounting, legal counsel, financial advisor services, and other costs.

BVHP4, GG4, HP4, IB4, MBN4, MBS5, RPSB4, SOM4, TB4, & WA4: Costs associated for any required arbitrage rebate calculations, which must be performed every 5 years.

**UNSPENT BOND PROCEEDS – Non-Housing & Housing**

There is some ambiguity in AB 26 regarding the path for a Successor Agency or a Housing Successor to spend such unencumbered bond proceeds as contemplated by the bond documentation. These bonds were sold for redevelopment-related purposes and the applicable bond covenants are still in place. If it were determined that any remaining unspent bond proceeds that were not subject to enforceable obligations listed on the ROPS could not be spent for the purpose for which the bonds were issued, then it is possible that the proceeds may be used to defease the bonds. Because there is still some uncertainty on how to deal with unspent bond proceeds that are not allocated to ROPS obligations, this ROPS continues to list out those remaining proceeds by bond series, including references to the relevant bond agreements. In the Initial ROPS, these worksheets included all unspent bond proceeds, even those that were also allocated to ROPS obligations on the Non-Housing or Housing worksheets. This version of the ROPS now includes only those unspent bond proceeds for which there is not another ROPS obligation, i.e., where the obligation is simply the bond covenants themselves.
CALIFORNIA ENVIRONMENTAL QUALITY ACT

Adopting the Recognized Obligation Payment Schedule 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 May 11th. DOF will then have three days to indicate any questions on any selected items. There is then a ten day period following that in which any additional materials or analysis must be submitted to DOF in order to assist them in their review. Payments may not be made on any selected items until DOF is satisfied in its review. The next ROPS for the remaining period of Fiscal Year 2012/2013 (January to June 2013) will be presented to the Oversight Board later this fall in preparation for an October submission to DOF.

(Originated by Sally Oerth)

Tiffany Bohce
Executive Director