



January 14, 2012

Mr. Allen Jones, Deputy Chief of Staff
City of San Diego
202 C Street, 11th Floor
San Diego, CA 92101

Dear Mr. Jones:

Subject: Approval of Oversight Board Action

The City of San Diego Successor Agency (Agency) notified the California Department of Finance (Finance) of its December 4, 2012 oversight board (OB) resolution on December 4, 2012. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, the Agency's OB Resolution Number OB-2012-37 related to the first amendment to the Owner Participation Agreement (OPA) between the former Redevelopment Agency, the City of San Diego, and COMM22 Housing GP, LLC is approved. The amendment recognizes the under-estimation in project costs, and therefore, increases the amount of funds borrowed by the developer from its Senior Lender (as defined in the OPA). The amendment subordinates the Agency loan to the Senior Lender's loan, which is consistent with the original OPA. Finance notes the amendment does not increase the monetary obligations of the Agency nor change the scope of the project.

Section B of the amendment states the City is not bound by the OPA until the encumbered funds for the project have been effectively assigned to the City in its capacity as the successor housing entity. As stated in Finance's January 4, 2012 determination letter, HSC section 34177.3 (c) states that the Agency lacks the authority to transfer any revenues to any other party except pursuant to an enforceable obligation on a ROPS approved by Finance. Since Finance has only approved funding through the January through June 2013 ROPS period, the Agency's fund balances, including the balances of the LMIHF, are only encumbered to the extent they have been approved on a ROPS through the June 30, 2013 period. All future housing obligations that were liabilities of the former redevelopment agency will need to be placed and approved on a future ROPS pursuant to HSC section 34176 (g) (1) (B) before expenditure authority can be achieved.

This is our determination with respect to the Oversight Board action taken.

Please direct inquiries to Wendy Griffe, Supervisor, or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish above the name.

STEVE SZALAY
Local Government Consultant

cc: Mr. Jeff Graham, President, Civic San Diego
Mr. Andrew Phillips, Vice President and CFO, Civic San Diego
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego County
California State Controller's Office