



September 9, 2013

Mr. William Fulton, Director, Planning and Neighborhood Restoration Department  
City of San Diego  
1222 First Avenue, MS 501  
San Diego, CA 92101-4154

Dear Mr. Fulton:

Subject: Approval and Objection of Oversight Board Action

The City of San Diego Successor Agency (Agency) notified the California Department of Finance (Finance) of its July 24, 2013 Oversight Board (OB) Resolution Nos. 2013-7, 2013-8 and 2013-9 on July 25, 2013. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB actions.

Based on our review and application of the law, we are making the following determinations:

- OB Resolution Nos. 2013-7 and 2013-8 approving the first amendment to the Grant Deeds for the Legend and Candy Factory properties are approved. The amendments remove restrictions originally placed on the Grant Deeds for these properties. There is no financial liability to the Agency as the properties are owned by the developer. Further, the developers have agreed to pay the Agency \$102,000 (\$35,000 for the Legend property and \$67,000 for the Candy Factory property) for the increased property values from modification of the use restriction. The Agency should use these funds to pay enforceable obligations prior to requesting Redevelopment Property Tax Trust Funds (RPTTF) on the Recognized Obligation Payment Schedule (ROPS) pursuant to HSC section 34177 (l) (1). Therefore, OB Resolution Nos. 2013-7 and 2013-8 are approved.
- OB Resolution No. 2013-9 approving a loan agreement between the Agency and the City of San Diego (City) for administrative costs totaling \$1,638,792 for the period of January 1, 2013 through June 30, 2013 (ROPS III) is not approved. The loan is to cover excess administrative costs that were denied in Finance's ROPS III Meet and Confer determination letter dated December 27, 2012. The excess administrative costs were denied due to HSC section 34171(b) which limits administrative costs to three percent of property tax allocated to the Agency for the fiscal year. This OB action proposes repaying the City loan with RPTTF, which would circumvent the administrative cost restrictions outlined in HSC section 34171 (b).

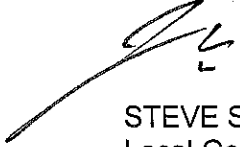
The loan's sole purpose is to fund administrative costs with property tax beyond the three percent cap, and therefore it is not allowed. The Agency must operate within the administrative cost allowance outlined in HSC section 34171 (b).

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In the event the OB desires to amend the portion of the resolution not approved by Finance, Finance is returning it to the board for reconsideration. However, the Agency can move forward with the portion of the resolution approved by Finance.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Jeff Graham, President, Civic San Diego  
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego  
California State Controller's Office