



October 19, 2012

Mr. David Graham, Deputy Policy Director
City of San Diego
202 C St. 11th Floor
San Diego, CA 92010

Dear Mr. Graham:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Diego Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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 do not qualify as enforceable obligations:

- Item No. 26 through 36, 47 through 60, 83 through 85, and 99 through 102 are Cooperation Agreements or Loans with the City of San Diego (City) totaling \$8.8 billion. Agreements between the City and the former redevelopment agency are not enforceable obligations (HSC section 34171 (d) (2)). Furthermore, it is our understanding some or most of the items do not have contracts with third parties signed by June 27, 2011. Therefore, these items are not eligible RPTTF money. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause some of these loans to be enforceable in future ROPS periods.
- Item No. 168 – North Embarcadero Visionary Plan in the amount of \$20.9 million funded by both RPTTF and bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for this line item has not yet been awarded. Therefore, this item is not an enforceable obligation and not eligible for RPTTF money on this ROPS. Once a finding of completion is received by Finance, the Agency may be allowed to expend stranded bond proceeds on future ROPS (HSC section 34191.4 (c)).
- Item No. 180 – Ninth & Broadway in the amount of \$20.2 million using bond proceeds. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements with any entity for any purpose after June 27, 2011. The original DDA was contracted with Broadway Tower Associates, L.P. to close financing events by March 31, 2011 and commence construction by April 30, 2011. It is our understanding

these events did not transpire according to the DDA, therefore the original agreement is void. An amendment with the Broadway Tower Associates, L.P. was signed after June 27, 2011; however, Agencies are prohibited from entering into new contracts (HSC section 34163 (b)). Therefore this item is not an enforceable obligation. Once the Agency receives a finding of completion, the Agency may be allowed to expend stranded bond proceeds on future ROPS (HSC section 34191.4 (c)).

- Item No. 183 – Permanent Homeless Shelter in the amount of \$4.3 million. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. The original agreement with Connections Housing Downtown, L.P. was signed March 1, 2011 for the amount of \$32.4 million. An amendment was signed August 17, 2012 to increase funding to \$36.6 million. Because the amendment was signed after June 27, 2011 the difference of \$4.3 million is not eligible for RPTTF funding.
- Item No. 225 – Strategic Plan Economic Development Strategy in the amount of \$1.8 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for this line item has not been awarded. Therefore, this item is not an enforceable obligation.
- Item No. 332 – North Chollas Community Park in the amount of \$3.4 million are contracts with the City, Estrada + KEA Partnership, and Jeff Katz Architecture. As the former RDA is neither a party to the contract nor responsible for payment of the contract, this item is not an enforceable obligation. Furthermore, the cooperation agreement, signed years later, claiming the former RDA's responsibility for payment for the project area is a contract between the City and the Agency. HSC section 34171 (d) (2) states that agreements between the City and the Agency are not enforceable.
- Item No. 335 thru 371 – Project Area Improvements in the amount totaling \$32.2 million. There are no contracts in place before June 28, 2011 to support these expenditures. Once the Agency receives a finding of completion, the Agency may be allowed to expend stranded bond proceeds on future ROPS (HSC section 34191.4 (c)).
- Item No. 403 – Fire Station No. 2 in the amount of \$17.3 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for this line item has not yet been awarded. Therefore, this item is not an enforceable obligation.
- Administrative costs funded by RPTTF exceed the allowance by \$2,114,415. HSC section 34171(b) limits administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater for the fiscal year. As a result, the Agency's administrative cost allowance is capped at \$966,218 for the fiscal year. In the period July through December of 2012, \$318,461 of administrative allowance was used, leaving a remaining balance of \$647,757 for the January through June 2013 period. Therefore, \$2,114,415 of the claimed \$2,762,172 is denied. Item No. 434 and 476 was reclassified as an administrative cost and used to arrive at the denied allowance.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: \$22,239,656 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 76,591,121
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 26 thru 36, Item 47 thru 60, Item 83 thru 85, and Item 99 thru 102	45,561,804
Item 168	8,241,995
Item 183	745,423
Item 434*	200,000
Item 476 *	250,000
Total approved RPTTF for enforceable obligations	\$ 21,591,899
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	647,757
Total RPTTF approved:	\$ 22,239,656
* Reclassified as administrative cost	
Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 10,615,381
Total RPTTF for the period January through June 2013	21,591,899
Total RPTTF for fiscal year 2012-13:	\$ 32,207,280
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	966,218
Administrative allowance for the period of July through December 2012	318,461
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 647,757

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/)

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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

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ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Andrew Phillips, Chief Financial Officer of Civic San Diego, City of San Diego
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego County