



May 17, 2013

Mr. Jeff Kay, Administrative Analyst  
City of San Leandro  
835 East 14<sup>th</sup> Street  
San Leandro, CA 94577

Dear Mr. Kay:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Leandro Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 27, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 30, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 7 – 232 East 14th Street-Senior Housing in the amount of \$433,000. Finance no longer objects to this item. The City of San Leandro (City) entered into a loan agreement with the United States Department of Housing and Urban Development (HUD) in which the City was the borrower. During the Meet and Confer process, the Agency was able to provide documentation conveying the former redevelopment agency's (RDA) obligation for repayment on the HUD loan. The former RDA made a specific pledge of tax increment revenue generated from the Cherry City Development to the payment of annual debt service on the HUD loan.

In addition, the former RDA pledged additional funds from its housing set-aside fund in the event that tax increment revenue from the Cherry City Development is insufficient for the annual debt service payment. The requirement to set aside 20 percent of the RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor-controller (CAC) for distribution to the taxing entities. Therefore, the housing set-aside pledge is not an enforceable obligation. However, Item No. 7 is an enforceable obligation and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on ROPS to the extent of the tax increment revenue generated by the Cherry City Development, and in an amount no greater than the annual debt service.

- Item No. 11 – Lease Guarantee - Friends of the San Leandro Creek in the amount of \$391,233. Finance continues to deny this item. According to the Lease Guarantee, the City and the former RDA are collectively referred to as Guarantors on a lease agreement entered into on May 30, 2001 between Friends of San Leandro Creek (Tenant) and The Oliver Partnership (Landlord). The Agency contends that the former RDA or the Agency have made the lease payments from the onset of the lease. However, the Agency did not provide documentation to substantiate the former RDA as the sole Guarantor or documentation that assigns the former RDA as the primary party responsible for the lease payments. Therefore, this item is not eligible for RPTTF funding.
- Item Nos. 40 and 41—Litigation costs totaling \$85,000. Finance no longer reclassifies these items as administrative costs. The Agency provided documentation to validate these litigation costs as directly related to assets and obligations of the Agency. HSC section 34171 (b) states that administrative cost allowances shall exclude any litigation expenses related to assets or obligations, settlements and judgments, and the cost of maintaining assets prior to disposition. Therefore, this item is eligible for RPTTF funding on this ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$5,270,543 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 5,258,534
Minus: Six-month total for items denied	
Item 11	18,817
Total approved RPTTF for enforceable obligations	<u>\$ 5,239,717</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>157,000</u>
Minus: ROPS II prior period adjustment	<u>(126,174)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 5,270,543</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Cynthia Battenberg, Business Development Manager, City of San Leandro  
Ms. Carol S. Orth, Tax Analysis Division Chief, Alameda County  
California State Controller's Office