DEPARTMENT OF FINANCE

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April 13, 2016

Mr. Richard Keit, Managing Director
City of San Jose
200 East Santa Clara Street, 14th Floor Tower
San Jose, CA 95113

Dear Mr. Keit:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the City of San Jose Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determination:

Item No. 85 – Property maintenance costs in the amount of $375,000 are partially approved in the amount of $225,000. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is $375,000, only $225,000 are obligations of the Agency. The table below outlines the disposition of properties as approved in the Agency's Long-Range Property Management Plan (LRPMP).

#	Address	Permissible Use
1	96 South Almaden Boulevard	Sale of Property
2	501 Vine Street	Sale of Property
3	27 Devine Street	Not on LRPMP
4	645 Park Avenue	Future Development
5	153 West Julian Street	Sale of Property
6	292 Stockton Avenue	Sale of Property
7	226 Balbach Street	Sale of Property
8	366 South First Street	Sale of Property
9	490 South First Street	Sale of Property
10	105 South Montgomery Street	Future Development
11	150 South Montgomery Street	Future Development
12	102 South Montgomery Street	Future Development
13	510 West San Fernando Street	Future Development
14	62 South Second Street	Sale of Property

#	Address	Permissible Use
15	938 The Alameda	Sale of Property
16	456 Autumn Court	Future Development
17	201 South Second Street	Sale of Property
18	201 North Market Street	Sale of Property
19	435 South Market Street	Not on LRPMP
20	235 North Second Street	Not on LRPMP

The properties that were listed in the Agency's LRPMP as future development were to be transferred to the City of San Jose (City). Finance approved the Agency's LRPMP on September 8, 2014. Therefore, the properties should be transferred to the City in accordance with the approved LRPMP, and the costs associated with these properties are no longer Agency obligations.

Additionally, 27 Devine Street and 435 South Market Street (Property Nos. 3 and 19 above) do not appear to be Agency-owned properties as they were not listed in the LRPMP. As a result, property maintenance costs for 27 Devine Street and 435 South Market Street are not approved. Finance notes that while the Agency does not own 235 North Second Street (Property No. 20 above), the Agency is obligated to perform maintenance on the parking lot. The Agency receives parking revenue for this property that should be used for property maintenance prior to requesting RPTTF. Therefore, property maintenance costs in the amount of $18,750 (as calculated below) has been reclassified from RPTTF to Other Funds for 235 North Second Street.

The property maintenance costs associated with those properties approved for sale remain obligations of the Agency until they are sold. As such, property maintenance costs for the 11 properties approved for sale as well as 235 North Second Street, totaling $225,000, or $18,750 ($375,000/20) per property are approved. This results in an approval of $206,250 in RPTTF and $18,750 in Other Funds. Therefore, the excess request of $150,000 ($375,000 - $206,250 - $18,750) is not approved.

Except for the item denied in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $228,540,078 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

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

Sincerely,

Jennifer for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Julia Cooper, Chief Financial Officer, City of San Jose
Ms. Emily Harrison, Finance Agency Director, Santa Clara County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 121,031,724	$ 105,506,810	$ 226,538,534
Requested Administrative RPTTF	1,195,852	974,442	2,170,294
Total RPTTF requested for obligations on ROPS	**122,227,576**	**106,481,252**	**$ 228,708,828**
Total RPTTF requested	121,031,724	105,506,810	226,538,534
Denied Item			
Item No. 85	0	(150,000)	(150,000)
Reclassified Item			
Item No. 85	0	(18,750)	(18,750)
	0	(168,750)	(168,750)
Total RPTTF authorized	**121,031,724**	**105,338,060**	**$ 226,369,784**
Total Administrative RPTTF authorized	**1,195,852**	**974,442**	**$ 2,170,294**
Total RPTTF approved for distribution	**122,227,576**	**106,312,502**	**$ 228,540,078**