



October 19, 2012

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

Dear Mr. Kay:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Leandro 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. 9 – General Fund Loan - Auto Mall in the amount of \$2,040,768. HSC section 34171 (d) (2) states that agreements, contracts or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations. Furthermore, HSC section 34178(a) states that an oversight board shall not exercise the powers granted by this subdivision to restore funding for an enforceable obligation that was deleted or reduced by Finance. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 15 – King Property - Ground Lease Guaranty in the amount of \$46.8 million of other funding source. The litigation between Westland Bay Fair Mall (Lessee) and The Estate of Malcolm D. King, Janet C. King, Douglas M. King, and Mary Lou King (Lessors) is still ongoing. HSC Section 34171 (d) (1) (D) recognizes judgments and settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency (RDA) as an enforceable obligation. However, since no judgments, settlements or decisions have been issued for this case, this item is not an enforceable obligation at this time.
- Item No. 21 - Regency Center CAM Agreement in the amount of \$34,800. The agreement to provide common area maintenance for the downtown shopping center is between the City of San Leandro and Developers. The RDA is neither a party to the contract nor responsible for payment of the contract; therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 26 – The Alameda-OPLA & Legal in the amount of \$6.4 million. As required by the Owner Participation and Loan Agreement, section 4.1.3, the Construction/Permanent Loan shall be evidenced by a Secured Promissory Note (Note) and the Note shall be evidenced by a Leasehold Deed of Trust. These documents were not provided to support the estimated payment scheduled on the ROPS. Therefore, this item is not eligible for RPTTF funding.
- HSC section 34163(b) prohibits an RDA from entering into a contract with any entity after June 27, 2011. A cooperative agreement was provided between the City and the RDA. However, there were no third party contracts executed for the following projects, and therefore these projects are not enforceable obligations.
 - Item No. 27 – Eden Rd Construction in the amount of \$1.5 million; no funding source identified.
 - Item No. 28 – Doolittle Dr. Streetscape in the amount of \$4.2 million; no funding source identified.
 - Item No. 29 – MacArthur Blvd. Streetscape in the amount of \$1.3 million; no funding source identified.
 - Item No. 30 – Hays St. Streetscape in the amount of \$2 million; no funding source identified.
- Administrative costs claimed for RPTTF exceed the allowance by \$59,998. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Additionally, items 17 and 19 were reclassified as administrative costs.

| | |
|---|-----------|
| Amount administrative costs for fiscal year 2012-13 | \$250,000 |
| Administrative costs claimed for July through December 2012 | 124,998 |
| Administrative costs claimed for January through June 2013 | 185,000 |
| Overage | \$59,998 |

Except for item(s) denied in whole or in part as enforceable obligation(s) 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,300,245 as summarized below:

| Approved RPTTF Distribution Amount For the period of January through June 2013 | |
|---|---------------------|
| Total RPTTF funding requested for obligations | \$ 3,283,354 |
| Less: Six-month total for item(s) denied or reclassified as administrative cost* | |
| Item 9 | 445,611 |
| Item 17* | 15,000 |
| Item 19* | 45,000 |
| Item 21 | 18,000 |
| Item 26 | 584,500 |
| Total approved RPTTF for enforceable obligations | <u>\$ 2,175,243</u> |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III | <u>125,002</u> |
| Total RPTTF approved: | \$ 2,300,245 |

*Reclassified as administrative cost

| Administrative Cost Calculation | |
|--|---------------------|
| Total RPTTF for the period July through December 2012 | \$ 3,264,650 |
| Total RPTTF for the period January through June 2013 | 2,175,243 |
| Total RPTTF for fiscal year 2012-13: | \$ 5,439,893 |
| Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000) | 250,000 |
| Administrative allowance for the period of July through December 2012 | 124,998 |
| Allowable RPTTF distribution for administrative cost for ROPS III: | \$ 125,002 |

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/>.

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

Mr. Jeff Kay.
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Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, 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
Ms. Paula Crow, Attorney