I. Call to Order

II. Roll Call

III. Public Comments
   NOTE: Speakers are limited to three minutes, unless modified by the Chairperson. The Board cannot take action on any matter raised under this item.

IV. Approval of Minutes - June 21, 2012 Meeting

V. AB1484 Update

VI. Assets of the Former Redevelopment Agency
   a. Information Only Report
   b. Response to Board Member Christensen’s questions

VII. Information Only Report: Communications with the Department of Finance - Update

VIII. Set Date and Agenda for Next Board Meetings
   a. August 16: Third ROPS
   b. October: Review and approve due diligence review of LMI HF balances per AB1484
      (Oversight Board Binder Tab No. 3)

IX. Oral Communications from the Successor Agency Contact

X. Adjourn
I. Call to Order

Chair

II. Roll Call

There was a discussion about moving items VI and VII to the July meeting. The majority of Board Members concurred.

M/S Abbors/Navas to approve moving agenda items VI and VII to the July meeting.  Motion carried unanimously with Chair Holland absent.

Chair

III. Public Comments - There was no public comment

NOTE: Speakers are limited to three minutes, unless modified by the Chairperson. The Board cannot take action on any matter raised under this item.

Chair

IV. Approval of Minutes

M/S Christensen/Abbors to approve the minutes as presented.  Motion carried unanimously with Chair Holland absent.

Chair

V. Review and Approval of Revised First Recognized Obligation Payment Schedule (January 1, 2012 - June 30, 2012)

(Oversight Board Binder Tab No. 5)
Mr. Bell suggested going through attachment two. The issue of retiree medical and retirement liabilities on the ROPS was brought up and Mr. Ponty said that it appears that some cities were successful listing these on the ROPS. Ms. Ramirez provided some context on the matter and possible next steps. Mr. Ponty noted this would be for the prior Redevelopment Agency employees.

The issues of the SERAF repayment and the Legal Aid agreement were brought up by Oversight Board Member Christensen who questioned the disposition of these items. Mr. Labadie and Ms. Ramirez provided additional context explaining how this would be paid. This Board Member further questioned the allocation of such payments. Ms. Ramirez noted that these are receivables. Mr. Labadie explained that the law provides that these funds be returned to the taxing agency.

Ms. Christensen referred to the City transferring 3.6 million dollars in Housing Projects in March. This Board Member opined that these might be questionable fund transfers and Ms. Ramirez and Mr. Ponty noted this was not for discussion on the agenda today, but staff would be glad to return with further information to clarify such actions. There was some discussion about this issue. Chair Roberts said that it looks like a staff report is needed on this. Ms. Christensen said that she just needs more information. Member Navas concurred with getting clarification on this matter and if documents need to be amended that will happen. Mr. Ponty said that the funds in question will be retained and not expended until legal direction is provided. Ms. Christensen concurred with such approach. **The Oversight Board direction to staff was to hold these funds in reserve until this is clarified by staff.**

Mr. Ponty reviewed the Revised ROPS with the Board and there were questions and comments about the document. Mr. Ponty explained that he spoke to the Controller’s office and the State Department of Finance (DOF) recommended revising the ROPS. Regarding the $680,000 the DOF said this figure is acceptable but the County said the Oversight Board needed to ratify such action. There was a discussion about the amounts. Ms. Ramirez said that if we don’t honor certain financial commitments the City could be liable. Chair Roberts, asked when this will get revised and Mr. Ponty said it has been revised and the State Department of Finance has approved it. One Member asked about the items the State DOF is inquiring about. Mr. Ponty said that one of them was the $807,000 loan repayment that was made to the City.

M/S Abbors/Christensen to approve the revised ROPS. **Motion carried 6-0 with Oversight Board Member Holland absent.**

**MINUTE ORDER 12-01**

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Brian Ponty
Bill Ekern

Brian Ponty
VIII. Set Date and Agenda for Next Board Meeting

(Oversight Board Binder Tab No. 3)

The Chair noted that item VIII was the only agenda item left. There was a suggestion to skip the July meeting. Mr. Bell noted it would be important to keep the July meeting. **The consensus was to keep the July meeting.**

Ms. Christensen requested that staff get a response from the DOF on how to handle the Housing Fund of the Successor Agency matter and other transfers and have these matters placed on a future agenda. Ms. Christensen would like clarification on prior transfers. MS. Ramirez said that if we are talking before the Oversight Board was created it was the responsibility of the DOF to review and assess those items. However, if there are items within the ROPS, the ultimate disposition would rest with the Oversight Board. Mr. Labadie offered to review the matter with staff and bring back answers. Ms. Ramirez noted that the asset transfers will be addressed when this matter returns and the goal is to make clear who has or had jurisdiction over what items.

Mr. Ponty said he had nothing on agenda item IX and if he gets a response from the DOF on the above matters he will share it with the Oversight Board. The Chair thanked Mr. Ponty for his hard work.

 IX. Oral Communications from the Successor Agency Contact – None

Brian Ponty

X. Adjourn – the meeting adjourned by general consensus at 2:40 p.m.

Chair

Respectfully submitted,

____________________
Silvia Vonderlinden, City Clerk

Submitted for approval at the July 19, 2012 Oversight Board Meeting.
Memorandum

TO: Redwood City Oversight Board Members
FROM: Craig Labadie, Legal Counsel to Oversight Board
DATE: July 7, 2012
RE: Update on Redevelopment Dissolution Legislation

On June 27, the State Legislature passed a Budget Trailer Bill (AB 1484) which made extensive changes to the Redevelopment Dissolution Law (AB1x 26). This new legislation became effective immediately upon enactment. Attached for the Oversight Board's review are copies of the following: (1) a brief outline of the major provisions of AB 1484 and the new deadlines it established, prepared by the League of California Cities; and (2) a more comprehensive summary prepared by Goldfarb Lipman, a leading redevelopment and affordable housing law firm. If the past experience with AB1x 26 is any indication, it will take some time to fully analyze this complex new legislation and determine how it is to be implemented for the various issues facing Oversight Boards and Successor Agencies throughout California.

However, it is apparent at the outset that AB 1484 has significant implications for the Redwood City Oversight Board. Based upon a preliminary review of the new law, here are some of the major changes affecting the Board's responsibilities:

- The third ROPS, covering the time period from January 1, 2013 through June 30, 2013, must be adopted by the Oversight Board and transmitted to the Department of Finance no later than September 1, 2012. The City will be subjected to a civil penalty of $10,000 per day for an untimely submittal. DOF will have an extended review period of up to 45 days.

- The Oversight Board must approve a repayment schedule for amounts borrowed from the Low and Moderate Income Housing Fund ("LMIHF") to make Supplemental Educational Revenue Augmentation Fund ("SERAf") payments in previous years. SERAF loan payments are to be deposited into a newly created Low and Moderate Income Housing Asset Fund ("LMIHAF") held by the City in its capacity as the housing successor agency. Repayments cannot begin until Fiscal Year 2013-14 and are subject to an annual maximum set by a statutory formula.
• The Successor Agency is required to undertake an audit process to determine the unencumbered RDA and LMIHF fund balances available for transmittal to the taxing entities. The results of this financial review are to be submitted to the Oversight Board, the County Auditor-Controller and the DOF by October 1. DOF will issue a Finding of Completion after this financial review process is concluded.

• After issuance of a Finding of Completion, City-RDA loan agreements can be treated as enforceable obligations of the Successor Agency if the Oversight Board makes a finding that the loans were made for legitimate redevelopment purposes. Repayments received by the City must first be used to retire amounts owed to the LMIHF for SERAF loans. 20% of repayment amounts must be deposited into the LMIHAF. Repayments cannot begin until Fiscal Year 2013-14 and are subject to other limitations.

• After issuance of a Finding of Completion, disposition of non-housing properties owned by the former RDA (except for governmental purpose property) can proceed, in accordance with a Long-Range Property Management Plan to be approved by the Oversight Board and DOF.

• All actions taken by the Oversight Board must be adopted by resolution.

• The Oversight Board is expressly authorized to direct the Successor Agency to provide additional legal or financial advice beyond that given by Successor Agency staff.

Please feel free to contact me if you have any additional questions or if you would like any further information about any of the matters covered in this memorandum.
Major Provisions of AB 1484

1. **Three payments**: Successor agency must make three payments:

   - **July 12**: Taxing entities’ share of December 2011 property tax distribution to redevelopment agency/successor agency
   - **November 28**: Low-Moderate Income Housing Fund
   - **April 10**: Unencumbered cash

   In addition to these three payments, if a successor agency did not make complete 2011-12 pass-through payments, amount of payment not made will be deducted from property tax distribution from auditor-controller.

2. **New audit by October 1**: Successor agency must retain licensed accountant to audit books:
   - Audit of LMIHF
   - Audit of cash assets
   - Audit of cash transfers to public agencies and private parties

3. **New penalties**:
   - **Failure to make July 12 payment**: successor agency subject to civil penalty of 10% of the amount owed plus 1.5% of the amount owed for each month that payment is not made unless DOF finds that payment of penalty will jeopardize payment of enforceable obligations. Until payment is made,

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1 This initial Draft summary of AB 1484 was prepared by the League’s Special Counsel, Betsy Strauss, on June 28, 2012, with the objective of providing something quickly to city officials. The League will continue to refine this analysis with the assistance of its RDA Attorney Working Group and other city officials.

2 Additional information about these payments is found in the Appendix.

3 Agreed-upon procedures audit completed by auditor-controller can substitute for the licensed accountant audit if it includes all statutory requirements.

4 Successor agency must attempt to recover cash transferred to public agency without an enforceable obligation.

June 28, 2012
successor agency may only pay bond debt. City subject to same civil penalty. City will not receive July 18 sales tax payment (up to amount owed).

- **Failure to transfer LMIHF funds**: Offset of city sales tax or property tax of the amount required to be transferred

- **Failure to transfer cash assets**: Offset of city sales tax or property tax of the amount required to be transferred

- **Failure to recover cash transferred to local agency without enforceable obligation**: Offset of sales tax or property tax of the local agency to which the cash was transferred.

- **Failure to submit ROPS by September 1, 2012 and subsequent deadlines**: City to pay civil penalty of $10,000 per day for each day beyond deadline

4. **Safe Harbor: Finding of Completion**

The Department of Finance will issue a finding of completion to a successor agency that pays the following amounts:

- ✓ The amount determined in the audit of the LMIHF
- ✓ The amount determined in the audit of all other funds
- ✓ The amount (if any) owing to taxing entities from the December 2011 property tax payment

The following applies to a successor agency that is issued a finding of completion:

- ✓ Loan agreements entered into between the redevelopment agency and the city are deemed to be enforceable obligations if oversight board makes a finding that loan was for legitimate redevelopment purposes. As enforceable obligations, payments are listed on ROPS.

Repayments of loans may not begin prior to 2013-14 fiscal year at maximum amount described in statute. Repayment amounts received by city must first be used to retire outstanding amounts borrowed and owed to LMIHF of the

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5 Section 34183.5(b)(2)
6 Section 34179.6(h)
7 Section 34179.6(h)
8 Section 34179.6(b); see, also 34179.8
9 Section 34191.1.
10 Section 34179.6
11 Section 34179.6
12 Section 34183.5
13 DOF continues to retain final authority to approve items listed on ROPS.

June 28, 2012
former redevelopment agency for purposes of the SERAF payment. 20% of loan repayment amount must be transferred to LMIH Asset Fund.  

**✓ Bond proceeds** derived from bonds issued on or before 12/31/10 shall be used for the purposes for which the bonds were sold. Proceeds which cannot be spent consistent with bond covenants shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation. Use of bond proceeds listed on ROPS.

**✓ Real property assets:** In lieu of the provisions of AB 26 which require disposal of real property assets at the direction of the oversight board, successor agency prepares a long-range property management plan and submits to oversight board and DOF for approval. Permissible uses of property include retention for governmental use; retention for future development; sale of property; use of the property to fulfill enforceable obligations. If plan directs use or liquidation of property for a project identified in an approved redevelopment plan, the property shall transfer to the city. No transfers until plan approved by oversight board and DOF.

**✓ Statute of Limitations:** The longer statutes of limitations (2 years) to challenge actions of the former redevelopment agencies do not apply.

5. **New Power of State Controller**

**AB 1484** directs the Controller to review the activities of successor agencies to determine whether an asset transfer occurred after January 31, 2012, between the successor agency and the city or county that created the redevelopment agency, or any other public agency that was not pursuant to an enforceable obligation on an approved ROPS. The Controller is directed to order the assets returned to the successor agency. “City” is defined very broadly to include any entity which is controlled by the city or for which the city is financially responsible or accountable.

6. **Increase in authority for Department of Finance**

- DOF may eliminate or modify any item on an oversight board-approved ROPS. The auditor-controller must distribute property tax in accordance with changes made to the ROPS by DOF. If successor agency disputes DOF

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14 Section 34191.4(b)(2).
15 Section 34191.4(c)
16 DOF continues to retain final authority to approve items listed on ROPS.
17 Section 34191.5
18 Section 33500, 33501
19 Section 34178.8
20 Section 34167.10. **AB 26** directed the State Controller to review asset transfers from redevelopment agencies to the city or county that created the agency that occurred after January 1, 2011. If the city or county was not contractually committed to a third party for the expenditure or encumbrance of those assets, the Controller was directed to order the return the assets to the redevelopment agency or successor agency.

June 28, 2012
action, disputed item may be carried on ROPS. If dispute resolved in favor of successor agency in the future, the past allocation of property tax to the successor agency is not changed nor is a "liability" created for any affected taxing entity.\(^{21}\)

- DOF may review and object to oversight board actions approving (1) establishment of new repayment terms for outstanding loans; and (2) setting aside amounts in reserves as required by bond indentures, and similar documents\(^{22}\)

### 7. New restrictions on authority of Successor agency

- No new enforceable obligations except (1) as specifically authorized by the statute; (2) in compliance with enforceable obligations that existed prior to June 28, 2011; or (3) to hire staff, acquire professional services and procure insurance.\(^{23}\)

- May not transfer revenues or powers to any other public or private party except pursuant to enforceable obligation on an approved ROPS. Any such transfer of authority or revenues are “void” and successor agency required to reverse transfers. Controller may audit and order return of transfers of authority or revenues.\(^{24}\)

- Actions taken by redevelopment agencies pursuant to VARP (Voluntary Alternative Redevelopment Program in AB 27) are “ultra vires” and do not create enforceable obligations.\(^{25}\)

- If successor agency exercised power to reenter into agreements with city (section 34178) and agreement was approved by oversight board but rejected by DOF, successor agency and oversight board may not act to restore funding for the reentered agreement.\(^{26}\)

- No reestablishment of loan agreements between successor agency and city except pursuant to safe harbor provisions.\(^{27}\)

### 8. Miscellaneous

- **City loans to successor agency:** City may loan or grant funds for administrative costs, enforceable obligations or project-related expenses. Receipt and use of these funds shall be reflected on the ROPS or in the

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\(^{21}\) Section 34179(h)  
\(^{22}\) Section 34181(f)  
\(^{23}\) Section 34177.3(a); 34177.3(b)  
\(^{24}\) Section 34177.3(c)  
\(^{25}\) Section 34177.3(d)  
\(^{26}\) Section 34178(a)  
\(^{27}\) Section 34180(a)
administrative budget subject to oversight board approval. An enforceable obligation is created for repayment of loans.\textsuperscript{28}

- **New Oversight Board Provisions\textsuperscript{29}**
  - Auditor-controller may determine “largest special district”
  - Section 1090 does not apply to employee representative on oversight board
  - Oversight board members are protected by immunities applicable to public entities and public employees
  - Written notice and information about all oversight board actions must be provided to DOF by electronic means. DOF has 40 (instead of 10) days to review and approve, reject, or modify oversight board action.
  - Oversight board may direct successor agency to provide additional legal or financial advice.
  - Authorized to contract with the county or other public or private agencies for administrative support
  - On matters within its purview, decisions made by oversight board “supersede those made by the successor agency or the staff of the successor agency.”\textsuperscript{30}

- **New authority for auditor-controller\textsuperscript{31}**: A county auditor-controller can object to an item on the ROPS or to the funding source listed for an item on the ROPS. Objections are sent to DOF to resolve.

- **Polanco Act protection for successor agency**: Cleanup plans and liability limits of redevelopment agency transferred to successor agency and to housing entity, upon entity’s request.\textsuperscript{32}

- **Limited authority for successor agency to refinance existing debt.\textsuperscript{33}**

- **Successor agency is separate public entity.\textsuperscript{34}**

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**Appendix – Successor Agency Required Payments/Fund Transfers**

\textsuperscript{28} Section 34175(h)
\textsuperscript{29} Section 34180
\textsuperscript{30} Section 34179
\textsuperscript{31} Section 34182.5
\textsuperscript{32} Section 34173(f)
\textsuperscript{33} Section 34177.5
\textsuperscript{34} Section 34173(g)

June 28, 2012
Transfer of Unencumbered Balances

AB 26 requires that a successor agency transfer unencumbered cash balances and low and moderate income housing funds to the county auditor-controller for distribution to the taxing entities. AB 1484 requires a successor agency to retain the services of a licensed accountant to audit (1) the balance in the LMIHF; (2) the balance in other cash funds; (3) cash payments that were made in compliance with an enforceable obligation; and (4) cash transfers that were made without an enforceable obligation. In addition to transferring the balances in the LMIHF and other cash funds, a successor agency must make efforts to recover the cash transferred without an enforceable obligation.

Payment of December 2011 Taxing Entity Property Tax

AB 26 distributes property tax through a “waterfall” of payments which includes passthrough payments, payments to successor agencies for enforceable obligations, payments to successor agencies for administrative costs, and payments to taxing entities. The waterfall for the December 2011 property tax payment did not operate as intended because of the stay imposed by the Court in Matosantos. The property tax payment to taxing entities was not made. AB 1484 requires successor agencies to make those payments by July 12.

Payment of 2011-12 Passthrough Payments

Some successor agencies made 2011-12 passthrough payments and some did not. AB 1484 requires the auditor-controller to reduce property tax payments to those successor agencies that did not make pass through payments in 2011-12.

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35 Section 34179.5; 34179.6
36 Section 34183.5

June 28, 2012
AB 1484: Important Dates

July 9: County auditor-controller notifies successor agency of amount of funds owing taxing entities based upon December 2011 property tax payment.1

July 12: Successor agency must make payment to auditor-controller for deposit into Redevelopment Property Tax Trust Fund and distribution to taxing entities.2

July 16: Auditor-controller distributes money received from successor agencies to taxing entities. Monies received after July 12 date distributed within 5 days of receipt.3

July 18: City sales tax payment suspended if successor agency doesn’t make July 12 payment.4

August 1: Successor housing entity must submit to DOF a list of housing assets that contains explanation of how assets meet criteria set forth in the law. DOF will prescribe format for list. DOF may object to any of the assets within 30 days. If after meet and confer, DOF continues to object, asset must be returned to the successor agency.5

September 1: ROPS for January 1, 2013 through June 30, 2013 must be submitted electronically to DOF after oversight board approval.6 DOF makes determinations within 45 days. Within 5 days of determination, successor agency may request additional review and meet and confer.

October 1: Successor agency submits to oversight board, county auditor-controller, State Controller, and DOF results of the review of the LMIHF conducted by the licensed accountant agency must retain.7 Note: licensed accountant must be approved by the county auditor-controller.

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1 Section 34183.5(b)(2)(A). Note: The statute, that may be drafted in error, states that if June 1 property tax payment has not been made to successor agencies, the amount owing to taxing entities will be deducted from that same June 1 payment (34183.5(b)(1)).
2 Section 34183.5(b)(2)(A).
3 Section 34183.5(b)(2)(A).
4 Section 34183.5(b)(2)(A).
5 Section 34176(a)(2). Definition of “housing asset” found at section 34176(e).
6 Section 34177(m). Future ROPS must be submitted to DOF 90 days prior to property tax distribution. City subject to civil penalty of $10,000 per day for successor agency’s failure to timely submit ROPS (Section 34177(m)(2)).
7 Section 34179.6(a). The requirement to retain a licensed accountant is found in section 34179.5. The audit provided by the county auditor-controller can be substituted for an audit by a licensed accountant if it contains the information required by Section 34179.5.

June 28, 2012
October 1: County auditor-controller completes agreed-upon procedures audit of each redevelopment agency. Auditor-controller provides estimate of property tax payments to successor agency for upcoming six-month period.

October 15: Oversight Board must review, approve, and transmit LMIHF audit to DOF, auditor-controller.

November 9: DOF completes review of LMIHF audit and reports findings, determinations, and decision to overturn oversight board decision to allow retention of successor agency assets.

November 9: DOF completes review of LMIHF audit and reports findings, determinations, and decision to overturn oversight board decision to allow retention of successor agency assets.

November 15: Successor agency may request meet and confer to resolve disputes with DOF findings on LMIHF audit. DOF must confirm or modify its determination and decisions within 30 days.

November 28: Successor agency to transfer LMIHF funds to auditor-controller. City sales tax/property tax may be offset for unfunded amounts.

December 15: Successor agency submits to oversight board, county auditor-controller, State Controller, and DOF results of the review of all other fund and account balances by licensed accountant.

January 15: Oversight board must review, approve, and transmit other funds audit to DOF, auditor-controller.

April 1: DOF completes review of other funds audit and reports findings, determinations, and decision to overturn oversight board decision to allow retention of successor agency assets.

April 1: County auditor-controller provides estimate of property tax payments to successor agency for upcoming six-month period.

April 6: No later than 5 days after receiving DOF determination on other funds audit, successor agency may request meet and confer to resolve disputes with DOF findings. DOF must confirm or modify its determination and decisions within 30 days.

April 10: Successor agency to transfer other “cash and assets” audit payment to auditor-controller if meet and confer process complete. City sales tax/property tax may be offset for unfunded amounts.

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8 Section 34182(a)(1).
9 Section 34182(c)(3)
10 Section 34179.6(c)
11 Section 34179.6(d)
12 Section 34179.6(e)
13 Section 34179.6(a).
14 Section 34179.6(a).
15 Section 34179.6(a).
16 Section 34182(c)(3)
17 Section 34182(c)(3)

June 28, 2012
Safe Harbor: Successor agencies obtaining a “notice of completion” from DOF will qualify for loan repayments, bond proceeds expenditure authority to be placed on ROPS\textsuperscript{18}, and long range asset management plan.

\textsuperscript{17} Section 34179.6(f). The statute does not allow sufficient time between completion of DOF review on April 1 and required payment on April 10.

\textsuperscript{18} DOF continues to retain final authority to approve items listed on ROPS

June 28, 2012
SUMMARY OF AB 1484: REDEVELOPMENT DISSOLUTION/UNWIND TRAILER BILL

JUNE 29, 2012

The laws described below could be impacted by future cleanup legislation. Goldfarb & Lipman intends to update this summary as appropriate, but please contact us to get the most up-to-date information on the status and content of this legislation.

Goldfarb & Lipman LLP
www.goldfarblipman.com
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SUMMARY OF AB 1484:
REDEVELOPMENT DISSOLUTION/UNWIND TRAILER BILL

PART I.
INTRODUCTION AND BACKGROUND

A. Introduction; Purpose of Summary.

ABx1 26 (the "Dissolution Act") was enacted in late June 2011 as part of the FY 2011-12 state budget package and was held by the California Supreme Court to be largely constitutional on December 29, 2012. Under the Dissolution Act, each of California's redevelopment agencies (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the cities, counties, and city and county that formed the Dissolved RDAs, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDAs.

As part of the FY 2012-13 state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which is to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing that act. As a budget "trailer bill," AB 1484 took immediate effect upon signature by the Governor.

AB 1484 will require those involved in the redevelopment unwind process to learn and implement some significant new rules of conduct just as they were beginning to adapt to and implement the complex rules mandated by the Dissolution Act itself. The purpose of this Summary is to highlight the key elements of AB 1484 for those involved in the redevelopment unwind process. Following a background synopsis of the Dissolution Act in this Part I, Part II of the Summary describes key features of AB 1484, while Part III provides a checklist Summary of major new upcoming milestones mandated by AB 1484.

We recommend particular attention to the Part III milestones checklist, as AB 1484 has added significant new or modified actions and deadlines, with major compliance consequences, that need to be implemented in the very near future and throughout the Summer and Fall of 2012.

Because AB 1484 was enacted less than two days after it first appeared in bill form, there has been no time for questions of interpretation and practice to be carefully evaluated by state and local officials charged with the redevelopment unwind process. Consequently, the highlights presented in this Summary represent a good faith initial understanding of the meaning and intent of AB 1484, with the expectation and plan that this Summary will be updated from time to time as further consideration and practice shed light on the proper interpretation of various elements of the bill. Please visit our website at www.goldfarblipman.com to review future updates of this Summary.
This document is a summary of complex legislation. Reference should be made to the actual statutory language before making decisions or taking actions pursuant to AB 1484. Unless otherwise noted, section references in this Summary are to sections of the Health and Safety Code as added or amended by AB 1484. Reference to a “Part” is to the referenced Part of this Summary.

B. Overview Of Dissolution Act.

Under the Dissolution Act:

1. The authority of Dissolved RDAs to undertake most new activities was suspended as of the effectiveness of the Dissolution Act.

2. Each Dissolved RDA went out of existence on February 1, 2012.

3. A successor agency (a "Successor Agency") was created for each Dissolved RDA and charged with winding down the Dissolved RDA's affairs, including making payments due for enforceable obligations (as defined in the Dissolution Act), performing obligations required pursuant to enforceable obligations, disposing of the Dissolved RDA's assets (other than housing assets), and remitting unencumbered balances of the Dissolved RDA to the county auditor-controller (the "CAC") for distribution to the affected taxing entities. Except for certain housing assets, the assets of the Dissolved RDA transferred to the Successor Agency for this unwinding process.

4. For all but eight of California's Dissolved RDAs, the city, county, or city and county that had formed the Dissolved RDA (the "Sponsoring Community") elected to take on the role of Successor Agency for its Dissolved RDA.

5. Housing assets (other than unencumbered fund balances in the Dissolved RDA's Low and Moderate Income Housing Fund (the "LMIHF") at the time of dissolution, which were instead transferred to the Successor Agency), housing obligations and housing functions of the Dissolved RDA were transferred to a designated housing successor entity (the "Housing Successor"), which in most cases is the Sponsoring Community (and in a limited number of cases is a local housing authority).

6. The CAC is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. Semiannually, the CAC is required to make distributions from the RPTTF to the affected taxing entities in the amount of the pass-through payments they would have received had the Dissolved RDA not been dissolved, (b) to the Successor Agency to pay amounts due on enforceable obligations for the upcoming six-month period, and (c) to various entities for specified administrative costs. Any amount left in the RPTTF after each semiannual distribution for the above purposes is distributed by the CAC to the affect taxing entities as normal property taxes.
7. An oversight board (the "Oversight Board") is established for each Successor Agency to approve specified actions and direct specified activities of the Successor Agency.

8. A recognized obligation payment schedule is prepared by the Successor Agency and approved by the Oversight Board setting forth the amounts due for each enforceable obligation during each six-month period (each, a "ROPS"). The Successor Agency is limited to making payments for items shown on an approved ROPS (except that, pending effectiveness of the first ROPS, a Successor Agency is authorized to make payments for amounts on an Enforceable Obligation Payment Schedule (the "EOPS") prepared by the Dissolved RDA prior to dissolution, and subject to update by the Successor Agency).

9. The Department of Finance (the "DOF") and the State Controller's office (the "SCO") are given specified review and approval responsibilities and are assigned certain other tasks in connection with the redevelopment dissolution and unwind process under the Dissolution Act.

PART II.
SUMMARY OF AB 1484

A. Affordable Housing.

AB 1484 significantly modifies and provides some clarifications to the treatment of housing assets under the Dissolution Act. Specifically, AB 1484 now includes a definition of housing assets, sets forth explicit procedures with respect to transfer of housing assets which must occur by August 1, 2012, provides some greater flexibility and procedural steps regarding the use of housing bond proceeds, establishes a new Low and Moderate Income Housing Asset Fund (the "Housing Asset Fund") to be administered by the Housing Successor, and clarifies that no future deposits are required to be made to the LMIHF.

1. Definition of Housing Assets. Section 34176(e) sets forth a list of assets that are considered housing assets. This is important because the Dissolution Act, as modified by AB 1484, treats both the Housing Successor and housing assets with more flexibility than the Successor Agency and non-housing assets. The list of housing assets in AB 1484 significantly expands the limited list of housing assets announced in the DOF Housing Frequently Asked Questions issued earlier this year (the "Housing FAQs"), due in large part to the efforts of several housing policy groups. The list of housing assets includes the following:

   a. Real Property Assets. Housing assets include any real property, interest in, or restriction on the use of real property, whether improved or not, and any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low- and moderate-income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds.

   b. Encumbered Funds. Housing assets include any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing,
as defined by the Community Redevelopment Law unless required in the bond covenants to be used for repayment purposes of the bond.

c. **Loan or Grant Receivables.** Housing assets include any loan or grant receivable, funded from the LMIHF, from homebuyers, homeowners, nonprofit or for-profit developers, and other parties that require occupancy by persons of low or moderate income as defined by the Community Redevelopment Law.

d. **Rents and Payments from Operations.** Housing assets include any funds derived from rents or operation of properties acquired for low- and moderate-income housing purposes by other parties that were financed with any source of funds, including residual receipt payments from developers, conditional grant repayments, cost savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

e. **Rent and Payments from Operations Used to Maintain Affordability or for Affordable Housing-Related Enforceable Obligations.** Housing assets include a stream of rents or other payments from housing tenants or operators of low- and moderate-income housing financed with any source of funds that are used to maintain, operate, and enforce the affordability of housing or for enforceable obligations associated with low- and moderate-income housing.

f. **Amounts Owed to LMIHF.** Repayment of amounts previously borrowed from, or owed to, the LMIHF (i.e. to make Supplemental Educational Revenue Augmentation Fund (“SERAf”)) payments in prior years), repayment of which had been deferred as of the effective date of the Dissolution Act, are considered housing assets. The repayments can only be made pursuant to a schedule that must be approved by the Oversight Board. The repayments cannot start before FY 2013-14 and the maximum annual repayment is strictly limited by statutory formula. The repayments related to the SERAF (as opposed to other amounts owed to the LMIHF for other reasons) must be made before specified loan repayments to the Sponsoring Community that are described in Part II.E.2.

g. **Mixed Use Assets.** If a development includes both affordable housing and other types of property, the Oversight Board determines if this mixed use property should remain intact or be split into affordable housing and non-affordable housing components. AB 1484 leaves to the Oversight Board (subject to the DOF review) the decision on whether to make an allocation and, if so, how to accomplish this allocation. The legislation directs the Oversight Board to consider the overall value to the community as well as the benefit to taxing entities of keeping the mixed use development intact or dividing the property in making its decision. The legislation also provides that the disposition of mixed assets may be accomplished by a revenue-sharing arrangement as approved by the Oversight Board on behalf of the taxing entities.

h. **Housing Bond Proceeds.** Housing bond proceeds from bonds issued prior to January 1, 2011 for affordable housing purposes and secured by a pledge of LMIHF, remaining after satisfaction of enforceable obligations approved on a ROPS (the “Excess Housing Bond Proceeds”), are considered housing assets. The legislation provides that an enforceable obligation may be satisfied by creation of reserves, for projects which are the subject
of that enforceable obligation, consistent with the contractual obligations for the project, or by expending funds to complete that project. See discussion in Part II.A.3 below regarding new process for use of Excess Housing Bond Proceeds.

i. **Exclusion of Unencumbered LMIHF Balance.** AB 1484 does not change the Dissolution Act treatment of the amounts in the LMIHF balance that were not encumbered by an enforceable obligation as of the effective date of the Dissolution Act. Those funds are to be distributed to the taxing entities pursuant to new audit and review procedures, described in Part II.D.2, and not retained by the Hosing Successor for affordable housing uses.

2. **Transfer of Housing Assets.** AB 1484 sets forth an explicit schedule related to the verification of housing assets transferred to the Housing Successor (Section 341676(a)(2)). By August 1, 2012, the Housing Successor is required to submit a list of all housing assets to the DOF in a format to be prescribed by the DOF. The list must include an explanation of why each asset qualifies as a housing asset, and include a list of assets that transferred between February 1, 2012 (when presumably all housing assets of a Dissolved RDA transferred to the Housing Successor by operation of law pursuant to 34176(a)(1)), and the date the list is made. The DOF has thirty (30) days after receipt of the housing asset list to object to any item on the list. The Housing Successor may request a meet and confer process with the DOF within five (5) business days of receiving any objection from the DOF. There is no timeframe set forth for completing this meet and confer process. Any asset ultimately determined not to be a housing asset is to be returned to the Successor Agency and is subject to clawback by the SCO under Section 34178.8 if not returned. Assets determined to be housing assets under this procedure are not subject to clawback by the SCO under Section 34178.8. The Successor Agency may retain a housing asset, and not transfer it to the Housing Successor, if that asset was previously pledged to pay bonds.

For the transfer of a housing asset that occurs after the date of the list, Sections 34181(c) and (f) provide that an Oversight Board must direct the transfer of housing assets after a 10-day public notice and the DOF then has five business days to review the proposed transfer with the option to extend the review period to up to 60 days. One possible example of this type of future transfer is a property acquired with LMIHF monies, which is in the process of undergoing Polanco Act clean-up and will transfer to the Housing Successor only upon completion of the remediation.

3. **Use of Excess Housing Bond Proceeds.** After the passage of the Dissolution Act, many practitioners considered any housing bond proceeds not yet committed to a specific project as housing assets to be used by the Housing Successor pursuant to the applicable bond documents with no oversight. AB 1484 significantly changes that practice.

Under Section 34176(g), the Housing Successor can use the Excess Housing Bond Proceeds (defined in subsection 1.h above) only after the following steps and approvals:

a. The Housing Successor must notify the Successor Agency of the intended use or commitment of Excess Housing Bond Proceeds at least twenty (20) days before the deadline to submit the ROPS to the Oversight Board.
b. The Successor Agency must list the proposed expenditure of Excess Housing Bond Proceeds as a separate line item on the ROPS prepared by the Successor Agency.

c. The Oversight Board must approve use of the Excess Housing Bond Proceeds on the ROPS.

d. The usual review period for the ROPS must be completed without objection to the use of the Excess Housing Bond Proceeds by the DOF, the CAC and the SCO.

e. Any review by the Successor Agency, Oversight Board and the DOF is limited to a determination that the use is consistent with the bond covenants and that sufficient funds are available.

f. No commitment or designation of use of the Excess Housing Bond Proceeds is valid until it is included on an approved and valid ROPS.

The Excess Housing Bond Proceeds must be used in a manner consistent with the purposes of the Housing Asset Fund (see subsection 4 below). The Successor Agency shall retain and expend the Excess Housing Bond Proceeds at the discretion of the Housing Successor; provided the Successor Agency ensures that the proceeds are expended in a manner consistent with the bond documents and any requirement relating to tax-exempt status of the bonds. The amount of the expenditures cannot exceed the amount of proceeds available.

4. Low and Moderate Income Housing Asset Fund. The Housing Successor must now create a new type of fund called the Low and Moderate Income Housing Asset Fund (the “Housing Asset Fund”) in its accounting records pursuant to Section 34176(d). If the Housing Successor assumed the housing function of a Dissolved RDA with multiple projects areas, we suggest that the Housing Successor also account for the funds in the Housing Asset Fund on a project area basis for purposes of making applicable findings required under the Community Redevelopment Law. Any funds generated from housing assets (also known as program income by practitioners) and any funds transferred to the Housing Successor pursuant to the transfer provisions discussed in subsection 2 above (such as encumbered LMIHF monies) are required to be placed in the Housing Asset Fund. All payments made to repay amounts previously borrowed from, or owed to, the LMIHF, as of the effective date of the Dissolution Act, shall be placed in the Housing Asset Fund. In addition, twenty percent (20%) of all loan repayments made to the Sponsoring Community on loans described in Part II.E.2 will be deducted from those repayments and transferred to the Housing Asset Fund. All monies in the Housing Asset Fund must be used in accordance with the applicable housing-related provisions of the Community Redevelopment Law. This is a substantial change from the Housing FAQs and will provide a limited but ongoing source of funds for low and moderate income housing activities in many communities.

5. Continuation of Community Redevelopment Law Housing Obligations. AB 1484 makes clear that no future deposits are required to be made to the LMIHF despite the assertion to the contrary by some housing advocacy groups. The legislation appears to make this requirement effective as of the effective date of the Dissolution Act therefore causing some ambiguity about whether LMIHF deposits were required for tax increment distributions made to Dissolved RDAs in December 2011 and January 2112.
AB 1484 fails to clearly address whether there are any continuing requirements with regard to redevelopment housing production and replacement housing obligations although the DOF has taken the position that those are no longer applicable except perhaps in the case of enforceable obligations. This may be an area for clean-up legislation in the future.

6. Housing Successors. AB 1484 clarifies many questions regarding affordable housing roles of the Housing Successor in the post-redevelopment era. However, some issues are not resolved. For instance, what happens in situations where the Sponsoring Community elects not to serve as the Housing Successor and the local housing authority also declines to take on that responsibility? Such a situation leaves the housing assets in limbo to the great distress, for instance, of a homeowner trying to refinance a home purchased under a first-time homebuyer program funded from LMIHF monies. Some practitioners had hoped AB 1484 would address this situation more directly. Presumably, the reluctance to act as the Housing Successor in those situations will be alleviated by the revised treatment of housing assets in AB 1484, which allows some flow of funds to the Housing Successor. However, further legislation may be required to address these situations, in particular, funding of administrative costs for Housing Successors where there is no stream of income derived from the Dissolved Agency's housing assets.

B. Successor Agency and Oversight Board Issues.

1. Successor Agency Legal Status. Under the Dissolution Act, the term "successor agency" was defined to refer to the Dissolved RDA’s Sponsoring Community (the city, county or city and county that formed the Dissolved RDA), unless that Sponsoring Community adopted a resolution electing not to serve in that capacity. AB 1484 redefines "successor agency" to mean the successor entity to the Dissolved RDA pursuant to Section 34173.

Further, AB 1484 declares that “a successor agency is a separate legal entity from the public agency that provides for its governance,” but then fails to directly address the relationship between the Successor Agency and that public agency that does provide for its governance. It appears that what AB 1484 is trying to establish is that: (a) unless the Sponsoring Community elected otherwise, the Sponsoring Community’s governing body (e.g., city council or board of supervisors) and staff serve as the governing body and staff of the Successor Agency; but (b) the Successor Agency itself is a separate legal entity from the Sponsoring Community. AB 1484’s apparent attempt to accomplish this result is ambiguous and imperfect at best.

As a separate legal entity, the Successor Agency will not merge with the public agency that provides for the Successor Agency’s governance (Section 34173(g)). The Successor Agency retains the liabilities of the Dissolved RDA, as those do not transfer to the Dissolved RDA’s Sponsoring Community (Section 34173(g)). The Successor Agency can sue and be sued in its own name (Section 34173(g)), and all litigation involving the Dissolved RDA is automatically transferred to the Successor Agency (Section 34173(g)).

The Successor Agency "retains" a separate collective bargaining status and the Dissolved RDA’s employees do not automatically become employees of the Sponsoring Community (by
The Successor Agency succeeds to the organizational status of the Dissolved RDA but lacks the legal authority to participate in redevelopment activities except to complete work on enforceable obligations (Section 34173(g)).

AB 1484 further affirms that the Successor Agency is deemed to be a local public entity subject to the Ralph M. Brown Act (Section 34173(g)).

AB 1484 provides an opportunity for a Sponsoring Community that initially elected not to serve as a Successor Agency to reverse its decision and agree to serve as the Successor Agency (Section 34173(d)(4)). AB 1484 does not include a provision for a Sponsoring Community that initially elected to serve as a Successor Agency to later reverse the election and determine to no longer serve as the Successor Agency.

Although AB 1484 establishes the separate legal status of the Successor Agency and continues to limit the liability of the Successor Agency to the total sum of property tax revenues it receives pursuant to the Dissolution Act and the value of assets transferred to it (Section 34173(e)), several provisions of AB 1484 expose the Dissolved RDA’s Sponsoring Community to penalties and other liabilities for the actions and inactions of the now separate and distinct legal entity that is the Successor Agency (see Part II.D.1. and 2. for additional discussion).

AB 1484 also provides that the Successor Agency is included in the definition of a “local public entity” required to participate in a neutral evaluation process pursuant to Government Code Section 53760.3 prior to filing a petition for federal bankruptcy.

2. Successor Agency Roles, Limitations, and Funding.

a. Authorized Activities. In addition to the activities authorized under the Dissolution Act, AB 1484 clarifies the authority of a Successor Agency to conduct certain activities, and also authorizes a Successor Agency to perform activities not previously authorized under the Dissolution Act.

AB 1484 clarifies that a Successor Agency may assume existing cleanup plans and liability limits under the Polanco Redevelopment Act (Section 34173(f)), which was previously understood by most practitioners to be the legislative intent, but not expressly stated in the Dissolution Act.

In addition to previous authority granted under Section 34180(c), under AB 1484 a Successor Agency is authorized to hold reserves when required by bond indenture or when the next property tax allocation from the RPPTF will be insufficient to pay all bond debt obligations due in the following six-month period (Section 34171(d)(1)(A)).

1 The existing cleanup plans and liability limits may also be transferred to the Housing Successor at that entity’s request.
AB 1484 also more clearly sets forth a Successor Agency’s authority to create enforceable obligations to conduct wind-down activities of the Dissolved RDA, such as hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance (Section 34177.3(b)).

Under AB 1484, a Successor Agency can, subject to Oversight Board approval, also enter into contracts, that will constitute enforceable obligations, with the Sponsoring Community to borrow from the Sponsoring Community to assist a Successor Agency to fund shortfalls for Successor Agency administrative costs, enforceable obligations, or project-related expenses (Section 34173(h)).

b. Annual Audit. A Successor Agency must also cause a certified public accountant to conduct a post-audit of a Successor Agency’s financial transactions and records at least once annually (Section 34177(n)). AB 1484 is unclear on whether the cost of such post-audits may be shown as a separate enforceable obligation line item on a ROPS.

c. Additional Limitation on Activities. AB 1484 provides that a Successor Agency lacks the authority to enter into new enforceable obligations under the applicable portions of the Dissolution Act or begin new redevelopment work, except to comply with enforceable obligations that existed prior to June 28, 2011 (Section 34177.3(a)).

A Successor Agency has no authority and is prohibited from transferring any powers or revenues of a Successor Agency to any other party (public or private) except pursuant to an enforceable obligation listed on a DOF-approved ROPS (Section 34177.3(c)).

Under the Dissolution Act, a Successor Agency was authorized, with the approval of its Oversight Board, to re-enter into agreements with its Sponsoring Community pursuant to Section 34178(a) and Section 34180(h). AB 1484 narrows this authority, by providing that neither the Successor Agency or its Oversight Board has authority to restore funding for an enforceable obligation between a Successor Agency and the Sponsoring Community if the enforceable obligation was deleted or reduced by the DOF pursuant to Section 34179(h) (unless allowed as a result of the meet and confer process with the DOF, required by court order, or pursuant to new authority created by AB 1484 for certain Successor Agency/Sponsoring Community contracts as fully discussed in Part II.E.2 (Sections 34178(a); 34180(a), and 34180(h)).

d. Successor Agency Administrative Costs. The Dissolution Act established an administrative cost allowance for each Successor Agency, but did not specify which costs of a Successor Agency must be paid from the administrative cost allowance and which Successor Agency costs could be separately placed on a ROPS for payment in addition to and outside of the administrative cost allowance. AB 1484 only partially fills that void.

AB 1484 states that the administrative cost allowance excludes litigation costs related to assets or obligations, settlements and judgments, and predisposition carrying costs for property transferred to a Successor Agency. Furthermore, AB 1484 clarifies that project-specific employee costs (like employee costs for construction inspection, project management, and actual
construction) are excluded from a Successor Agency’s administrative cost allowance. By excluding these costs from the administrative cost allowance, AB 1484 grants express authority to a Successor Agency to separately list enforceable obligations for such costs on a ROPS for payment in addition to and outside of the administrative cost allowance.

AB 1484 also provides for various mechanisms to reduce a Successor Agency’s administrative cost allowance. As more fully discussed in Section II.B.3, the Oversight Board is authorized to reduce the administrative cost allowance below the $250,000 annual minimum required under the Dissolution Act (Section 34171(b)). Additionally, upon failure by a Successor Agency to submit a ROPS by October 14 and March 13 of each year, the maximum administrative cost allowance for the fiscal year can be reduced by 25% (Section 34177(m)).

e. Wind-Down of a Successor Agency. When all debts of the Dissolved RDA are retired or paid off, a Successor Agency is required to dispose of all remaining assets and terminate its existence within one year of the final debt payment (Section 34187(b)). AB 1484 is silent on which entity a Successor Agency is allowed to transfer its remaining assets to, how that transfer should be effectuated, or if the Oversight Board has a role in the process of terminating a Successor Agency’s existence. Also unclear is what becomes of a Successor Agency’s non-monetary obligations or duties.

3. Oversight Board Composition and Roles.

a. Composition. AB 1484 makes modifications to the determination of the members of the Oversight Board. Under the Dissolution Act, one member of the Oversight Board is to be selected by the largest special district, by property tax share, with territory in the territorial jurisdiction of the Dissolved RDA. Disputes arose in several jurisdictions related to making that determination and the Dissolution Act did not provide for an arbiter of the dispute. Under AB 1484, the CAC is given the authority to determine which special district is the largest special district, by property tax share, with territory in the territorial jurisdiction of the Dissolved RDA (Section 34179(a)(3(B)).

The Dissolution Act required that one Oversight Board member, representing the employees of the Dissolved RDA, be selected from the recognized employee organization representing the largest number of Dissolved RDA employees employed by a Successor Agency. AB 1484 clarifies that in the case where city or county employees performed the administrative duties of the Dissolved RDA, the appointment to the Oversight Board under 34179(a)(7) is to be made from the recognized employee organization representing the city or county employees that performed the administrative duties of the Dissolved RDA (Section 34179(a)(7)). AB 1484 further clarifies that no conflict of interest exists (under Government Code Section 1090) when the Oversight Board member, employed by a Successor Agency or the Sponsoring Community and appointed pursuant to Section 34179(a)(7), votes to approve a contract as an enforceable obligation (Section 34179(a)(7)).

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2 For the ROPS covering January 1, 2013 through June 30, 2013 this date is September 10.
b. **Staffing.** Under the Dissolution Act, a Successor Agency is charged with providing staffing to its Oversight Board. Under AB 1484, the Oversight Board can direct a Successor Agency to provide additional legal or financial advice independent from a Successor Agency staff (Section 34179(n)) and the Oversight Board is also authorized to contract with the county or other public or private agency for administrative support (Section 34179(o)).

c. **Powers.** Under the Dissolution Act, a Successor Agency was guaranteed an administrative cost allowance of not less than $250,000 for each fiscal year. Under AB 1484, the Oversight Board may reduce a Successor Agency’s administrative cost allowance below the $250,000 statutory minimum (Section 34171(b)).

AB 1484 further provides that Oversight Board decisions on matters within its purview supersede decisions of a Successor Agency or Successor Agency staff (Section 34179(p)).

d. **Immunities.** Oversight Board members have the same immunities applicable to public entities and public employees (Section 34179(d)) when exercising the authority granted to the Oversight Board under the Dissolution Act and AB 1484.

e. **Review of Oversight Board Actions.** AB 1484 requires that all actions taken by an Oversight Board be adopted by resolution (Section 34179(e)). A Successor Agency must notify the County Administrative Officer, the CAC, and the DOF, at the same time the Successor Agency transmits a proposed action to the Oversight Board for its approval (Section 34180(j)).

All actions taken by an Oversight Board require transmittal of notice to the DOF by electronic means in a manner of the DOF’s choosing. Under the Dissolution Act, the DOF had a period of three business days to request review of Oversight Board actions. AB 1484 extends that time for the DOF to request review of an action to five business days (Section 34179(h)). Actions of the Oversight Board are deemed effective if the DOF does not request a review within five business days of receipt of the notice by the DOF. If the DOF requests a review of a particular Oversight Board action, the DOF has 40 calendar days to approve the action or return it to the Oversight Board for its reconsideration, giving the DOF an additional 30 days to review actions of the Oversight Board beyond the deadline originally in the Dissolution Act. For Oversight Board actions taken pursuant to Sections 34181(a) and (c) related to the disposition of real property and to housing assets, the DOF may extend the review period to 60 calendar days (Section 34181(f)). As discussed in Part II.C.2.c, a slightly different review period applies to the DOF’s review of a ROPS.

C. **Enforceable Obligations and ROPS Issues.**

1. **Enforceable Obligations.** AB 1484 contains numerous substantive changes to the definition of the term "enforceable obligation."

In recognition of the timing issues related to the implementation of the Dissolution Act, under AB 1484, a Successor Agency is granted authority to amend the EOPS to authorize
continued payments on enforceable obligations until the ROPS covering the period from January 1, 2012 through June 30, 2012 has been approved by the Oversight Board and the DOF (Section 34177(a)(1)-(2)). AB 1484 also deletes the prohibition on making payments on enforceable obligations after May 1, 2012 unless a ROPS was approved by the Oversight Board and the DOF and certified by the CAC. Instead, under AB 1484, a Successor Agency is allowed to make payments on enforceable obligations listed on the EOPS through the date that the initial ROPS is approved by the Oversight Board and the DOF, erasing any uncertainty for payments made after May 1, 2012 but before the ROPS was approved by the DOF, which for most agencies did not occur until later in May.

AB 1484 clarifies that costs incurred to comply with collective bargaining agreements for layoffs or terminations of employees that performed work for the Dissolved RDA are payable for any employees to whom the obligations apply (Section 34171(d)(1)(C)). If an employee is transferred to the Housing Successor, a Successor Agency is authorized to enter into a contract with the Housing Successor to reimburse the Housing Successor for any costs of the employee obligations, and that contract will constitute an enforceable obligation of the Successor Agency (Section 34171(d)(1)(C)).

AB 1484 clarifies that contracts for the administration or operation of the Successor Agency, including agreements concerning litigation expenses related to assets or obligations, settlements and judgments, and predisposition asset carrying costs, are enforceable obligations of the Successor Agency (Section 34171(d)(1)(F)).

Contrary to published interpretations of the Dissolution Act posted by the DOF, AB 1484 establishes that amounts borrowed from and payments owing to the LMIHF (including SERAF loans) are enforceable obligations and are payable to the Housing Successor (Section 34171(d)(1)(G)) (see further discussion in Part II.A.1.f).

As discussed in other sections of this Summary, AB 1484 also allows a Successor Agency, subject to Oversight Board approval, to enter into an enforceable obligation whereby a Successor Agency borrows money from the Dissolved RDA’s Sponsoring Community for administrative costs, enforceable obligations, or project-related expenses at the Sponsoring Community’s discretion (Section 34173(h));

AB 1484 also purports to retroactively declare as non-enforceable any contract entered into by a redevelopment agency after June 27, 2011 (Section 34177.3(d)). (See more detailed discussion in Part II.F.5.)

2. Recognized Obligation Payment Schedules.

AB 1484 makes several changes to the process and timing for preparation and approval of each ROPS.

3 Technically, Section 34173(h) only gives authority to a city, not a county, to make such a loan, although there does not appear to be any policy reason why the Legislature would intend such a distinction.
a. **Changes to the Initial ROPS (For the Period Ending June 30, 2012).** AB 1484 deletes the requirement that the initial ROPS be certified by the CAC before it can take effect (Section 34177(l)(2)(A)). AB 1484 also reforms dates and payment requirements in the initial ROPS to reflect delays in implementing the Dissolution Act caused by litigation (i.e., a new requirement that the initial ROPS specify January payments and estimate payments through June 30, 2012). AB 1484 states that the Initial ROPS takes effect once it has been approved by the Oversight Board and the DOF.

b. **Schedule for Adoption of ROPS.** AB 1484 establishes a schedule for adoption of the ROPS for the period ending June 30, 2013 (the “Third ROPS”) and all subsequent ROPS.

Although the schedule previously distributed by the DOF indicated that a Successor Agency and its Oversight Board would have until October 1, 2012 to approve the Third ROPS, under AB 1484 a Successor Agency is required to submit to the DOF and the CAC the Third ROPS, approved by the Oversight Board, no later than September 1, 2012.

The DOF will require that the ROPS be completed on a DOF-approved form. Moreover, AB 1484 now requires the Successor Agency staff to submit an electronic copy of the ROPS to the county administrative officer, the CAC, and the DOF at the same time as the proposed ROPS is submitted to the Oversight Board for approval (Section 34177(l)(2)(B)).

Beginning with the fourth ROPS (for the period ending December 31, 2013), a Successor Agency will be required to submit an Oversight Board approved ROPS to the CAC and the DOF no fewer than 90 days prior to the semiannual RPTTF property fund distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). If a Successor Agency fails to timely submit an Oversight Board approved ROPS within the specified deadlines, AB 1484 gives standing to creditors of a Successor Agency, the DOF and affected taxing entities to file suit for writ of mandate to compel a Successor Agency to adopt a ROPS (Section 34177(m)), and exposes the Successor Agency to additional penalties described below.

c. **Review of ROPS.** AB 1484 greatly expands this review period and authority of the DOF and significantly changes the ROPS review and approval process. Under the Dissolution Act, the DOF had a period of three business days to request a review of an enforceable obligation listed on a ROPS. AB 1484 extends the deadline to request review to five business days. It is presumed, pursuant to Section 34179(h) that if the DOF does not request a review of any items listed on a ROPS within the five business day review period, the ROPS will be deemed effective. The CAC’s role in review of the ROPS is discussed in more detail in Part II.D.3.

Under AB 1484, the DOF is required to make its determination “of the enforceable obligations and the amounts and funding sources of the enforceable obligations” no later than 45 days after the ROPS has been submitted by a Successor Agency. The addition of Section 34177(m) appears to give the DOF authority not only to determine what constitutes an enforceable obligation, but also provides the additional authority to determine the amount and
funding source to meet enforceable obligations. Furthermore, amendments to Section 34179(h),
give the DOF the authority to eliminate or modify any item on the ROPS being reviewed under
Section 34179 prior to DOF approval (Section 34179(h)). In some respects, these changes
appear to provide statutory authority for practices the DOF had already assumed for itself in the
first and second ROPS reviews.

A Successor Agency may request additional review by the DOF and an
opportunity to meet and confer on disputed items, but such a request must be made within five
business days of the Successor Agency’s receipt of a DOF determination (Section 34177(m)).
The DOF is then required to notify a Successor Agency and the CAC of its review at least 15
days before the date of the property tax distribution (by December 18 for the January 2
distribution and May 17 for the June 1 distribution).

A Successor Agency and Oversight Board may approve amendments to a ROPS
to reflect the resolution of a dispute between the DOF and a Successor Agency, but such
amendments will not effect a past allocation of property taxes or create a liability to any affected
taxing entity with respect to past allocations (Section 34179(h)).

d. Penalties. Failure to approve and submit a timely ROPS may result in the
assessment of various penalties to a Successor Agency and/or to the Sponsoring Community.

If a Successor Agency does not timely submit a ROPS pursuant to the deadlines
set forth in AB 1484, the Sponsoring Community may be subject to a $10,000 per day civil
penalty for each day the ROPS is delinquent. In addition, failure of a Successor Agency to
submit a ROPS within 10 days of the deadline (by October 14 for the January 2 distribution and
March 13 for the June 1 distribution)4 may result in a 25% reduction of a Successor Agency’s
maximum administrative cost allowance for the period covered by the delinquent ROPS (Section
34177(m)(2)).

If a Successor Agency fails to submit an Oversight Board approved ROPS
pursuant to the requirements of AB 1484 within five business days after the April 1 and October
1 dates on which the CAC releases the estimated property tax allocations from the RPTTF, the
DOF may determine if any amount should be withheld to pay enforceable obligations (Section
34177(m)(3)). Funds withheld pursuant Section 34177(m)(3) are to be distributed to affected
taxing entities in accordance with Section 34183(a)(4). If the DOF orders the CAC to withhold
funds to pay for a Successor Agency’s enforceable obligations, those funds will only be
disbursed to the Successor Agency pursuant to a ROPS approved by the DOF (Section
34177(m)(3)).

D. Flow of Funds and Financial Issues.

1. Near Term Payments to Taxing Entities. AB 1484 contains provisions that appear
to be designed to assure payments are made to the taxing entities in the short term, including
payment of the FY 2011-12 pass-through payments and the potential payment of residual

\[^{4}\text{For the Third ROPS, the date is September 10, 2012.}\]
amounts pursuant to Section 34183(a)(4) for the first ROPS period although there was no
distribution from the RPTTF for that period.

a. Fiscal Year 2011-12 Pass-through Payments. AB 1484 adds Section
34184.5 to the Dissolution Act to provide for the payment of the FY 2011-12 pass-through
amounts to the taxing entities if such payments were not previously made.

Section 34184.5(a)(1) requires the CAC to make payments to the taxing entities
for the FY 2011-12 pass-through amounts that were not previously paid, either by the former
Dissolved RDA or by the CAC from the June 1, 2012 distribution from the RPTTF, by reducing
the amounts that would be paid to a Successor Agency for enforceable obligations in subsequent
distributions from the RPTTF, subject to any subordination of the payments owed to bond debt
(as currently allowed pursuant to Section 34183(b)). The CAC will continue to reduce the
amounts paid to a Successor Agency from the RPTTF during subsequent distributions until the
full amount owed to the taxing entities for the FY 2011-12 pass-through payments have been
made. Alternatively, a Successor Agency can use reserve funds to make these payments.

Pursuant to this section, if a Successor Agency did not have sufficient funds to
pay the full amount of its pass-through payments for FY 2011-12, the unpaid amount effectively
becomes a debt of a Successor Agency with a higher priority for payment from the RPTTF than
other enforceable obligations in the next distribution from the RPTTF. The only exception will
be if the Dissolved RDA, prior to dissolution, subordinated the pass-through payments to bond
debt in which event the bond debt will have priority over the pass-through payments as currently
allowed by Section 34183(b).

Under Section 34184.5(a)(2), if the Dissolved RDA did not make the FY 2011-12
pass-through payments but the CAC did, the CAC can offset up to one-half of the amount the
CAC paid from the next distribution from the RPTTF to the Successor Agency. If the amount
distributed to the Successor Agency is not sufficient to make the full deduction of one-half of the
amount owed in the next distribution, the CAC is to continue to reduce the amounts allocated to
the Successor Agency in subsequent distributions until one-half of the amount paid by the CAC
is deducted. The CAC can also accept payments from the Successor Agency's reserve funds to
cover the deduction provided for above.

b. Residual Distributions for FY 2011-12. Section 34183.5 also contains
procedures for distributing any residual amounts of funds in the RPTTF that would have been
available if the Dissolution Act had gone into effect when originally intended. If Dissolved
RDAs had been dissolved effective October 1, 2011 under the Dissolution Act as originally set
out in the statute (rather than on February 1, 2012 as modified by the Supreme Court), the first
distribution from the RPTTF would have been in January 2012 and would have covered the
initial ROPS period of January 1, 2012 through June 30, 2012. However, because of the
Supreme Court stay, the funds that would have been available for deposit into the RPTTF for the
January 2012 distribution were distributed to the Dissolved RDAs late in 2011 and used by most
agencies to pay enforceable obligations on the EOPS incurred since July 1, 2011. The purpose
of Section 34183.5(b) appears to be to retroactively undo the Supreme Court stay and attempt expeditiously to collect funds from Successor Agencies.\(^5\)

The provisions of Section 34183.5 require the distribution of residual funds deemed to be owing to the taxing entities from the first ROPS period of January through June 2012. The amounts owed to the taxing entities pursuant to 34183(a)(4) are to be determined based on the initial ROPS approved by the Department of Finance. How the amount is to be determined since there was no distribution from the RPTTF for this period is not explained in the legislation.

If the taxing entities have not received the full amount owed under Section 34183(a)(4) by July 9, 2012, the CAC is to determine the amount, if any, owed by each Successor Agency and demand the funds from the Successor Agency by no later than July 12, 2012. Although this section does not appear to allow for any appeal of the CAC’s demand, the DOF assured legislators prior to passage of AB 1484 that the meet and confer provisions elsewhere in the legislation are applicable to this section as well.

If the CAC fails to make the demand by July 9, 2012, the DOF or any affected taxing agency can request a writ of mandate to compel the CAC to make the required determination of the amounts owed. The CAC is subject to penalties of 10% of the amount owed plus 1.5% of the amount owed to each taxing entity for each month that it fails to perform its duties under this section. Additionally, any county that fails to make the determinations required by July 9, 2012 or fails to distribute the full amount received from the Successor Agencies by July 16, 2012 will not receive the distribution of sales and use tax scheduled for July 18, 2012 or any subsequent sales and use tax distributions up to the full amount owed to the taxing entities.

If the Successor Agency fails to make the payment demanded by the CAC by July 12, 2012, the DOF or any taxing entity can bring a writ of mandate to require the payment. Failure to make the payment will subject the Successor Agency and the Sponsoring Community to penalties of 10% of the amount owed plus 1.5% for each month that the payments are not made. The Successor Agency also cannot make any payment other than bond debt until the amounts owed are paid.

Finally, if the amounts owed are not paid on July 12, 2012, the Sponsoring Community will not receive a distribution of sales and use tax on July 18, 2012 or any subsequent distributions up to the full amount owed to the taxing entities.\(^6\)

2. **Unencumbered Fund Remittances; Finding of Completion.** Section 34179.5 provides new procedures for reviewing the available cash assets of the Dissolved RDA (the “Review”). This Review is to be conducted by each Successor Agency with the end goal of determining what are determined to be available cash assets to the taxing entities during FY

\(^5\) It should be noted that the DOF Exhibit H, *Distribution, Reporting and Transaction Period for the RPTTF*, shows that no residual distribution pursuant to Section 34183(a)(4) is due for the initial ROPS period. This appears to be the logical consequence of the fact that there were no deposits into the RPTTF for this reporting period so distributions of residual amounts appear to be impossible.

\(^6\) The constitutionality of these offsets is questionable.
2012-13. At the conclusion of the Review, if the Successor Agency remits the cash assets to the CAC, and if the Successor Agency has also made the payments summarized in Part II.D.1, the DOF will issue a finding of completion for the Successor Agency (a “Finding of Completion”). As fully discussed in Part II.E, the issuance of the Finding of Completion makes the Successor Agency eligible to retain Dissolved RDA properties, reinstate loans between the Dissolved RDA and the Sponsoring Community, and spend unspent bond proceeds from bonds issued prior to January 1, 2011 for the purposes for which the bonds were issued (subject to restrictions).

Successor Agencies undertaking the Review will need to proceed carefully in instructing the accountant hired. The Review is governed by definitions contained in Section 34179.5 that are multi-layered and nuanced.

a. **Timeline for Review.** The Review as it relates to the LMIHF must be complete by October 1, 2012. The Review for all other funds must be complete by December 15, 2012.

b. **Review Procedures.** Section 34179.5 requires each Successor Agency to hire a licensed accountant with experience and expertise in local government accounting to review the unobligated balances available for transfer to the taxing entities. The legislation does not provide any funding source for paying for the accountant and does not indicate whether the costs of the Review are to be covered by the Successor Agency's administrative cost allowance. The selection of the accountant has to be approved by the CAC. Alternatively, an audit conducted by the CAC that provides the required information can be used to comply if the Oversight Board concurs. The nature of the Review differs significantly from the agreed-upon procedure audits currently under way (see further discussion in Part II.D.3), so it is unlikely that the agreed-upon procedures audits will provide the required information. The DOF can specify the form in which the Review is to be provided.

c. **Contents of Review.** The statute contains specific definitions to be used for purposes of complying with the Review requirement. Proper interpretation of these definitions is essential to ensuring that the Review is conducted correctly. A Successor Agency will want to work closely with the accountant hired to perform the Review on setting the parameters for the Review to ensure correct application.

1. **Enforceable Obligations.** For purposes of the Review, “enforceable obligations” are considered primarily to be those contained in the definition of enforceable obligations that applies after dissolution as set forth in Section 34171(d) and thus would exclude most contracts or agreements between the Dissolved RDA and the Sponsoring Community even though under the Dissolution Act those contracts are considered enforceable obligations prior to dissolution (through January 31, 2012). Since the Review covers both pre-dissolution and post-dissolution periods, this definition appears to be a camouflaged attempt to retroactively disallow payments prior to dissolution made by a Dissolved RDA to its Sponsoring Community, even though such payments were valid at the time made.

2. **Cash and Cash Equivalents.** For purposes of the Review, “cash and cash equivalents” are defined as cash in hand, bank deposits, LAIF deposits, deposits with
the Sponsoring Community treasury and any other pool, marketable securities, commercial paper, US Treasury bills, banker’s acceptances, payables and amounts from other parties and any other money owed by the Successor Agency (presumably this section was intended to mean amounts owed to the Successor Agency).

(3) Transferred. The definition of “Transferred” presents numerous interpretation challenges. As the definition reads: “Transferred means the transmission of money to another party that is not in payment of goods or services or an investment or where the payment is de minimus. Transfer also means where the payments are ultimately merely a restriction on the use of the money” (Section 34179.5(b)(3)). The Review is required to include the dollar value of assets transferred from the Dissolved RDA or the Successor Agency to the Sponsoring Community or any other party. Based on the definition of the term Transferred and Transfer in the statute, it appears that the Review need only cover those instances where assets were transferred without consideration, for investment purposes or pursuant to agreements that merely restricted the use of the money.

The Review is required to include all of the following:

- The dollar value of assets transferred from the Dissolved RDA to the Successor Agency upon dissolution;

- The dollar value of assets and cash and cash equivalents transferred by the Dissolved RDA or Successor Agency to the Sponsoring Community between January 1, 2011 and June 30, 2012, including the purpose of any such transfer and the documentation for any enforceable obligation related to such transfer;

- The dollar value of any cash or cash equivalents transferred after January 1, 2011 through June 30, 2012 to any other public agency or private party and the purpose of those transfers including documentation of any enforceable obligations requiring the transfer;

- Expenditure and revenue accounting information and transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles the balances, assets, liabilities of the Successor Agency on June 30, 2012 to those reported to the SCO for FY 2009-10;

- Separate accountings for (i) the balance of the LMIHF, and (ii) for all other funds combined that includes the following:
  
  - A statement of value of each fund as of June 30, 2012;

  - An itemized statement listing any amounts that are legally restricted and cannot be provided to the taxing entities, including bond proceeds, grant funds or restricted funds provided by other governmental entities;
An itemized statement of the value of any assets that are not cash or cash equivalents which can include land, records and equipment. Physical assets can be valued at purchase cost or estimated market value. Housing assets are to be listed separately;

An itemized list of any current balances that are legally owed to fund an enforceable obligation with the specific enforceable obligation identified. The Successor Agency is also to provide a listing of all approved enforceable obligations that includes a projection of the annual payments needed to satisfy the obligation and the projected revenues available to pay the obligation;

If the Review finds that the current balances are necessary to fund the enforceable obligations because available restricted funds and future revenues are insufficient, the Review must identify the amounts necessary to pay the enforceable obligations from the current balances;

Additionally, if the Review determines that the Successor Agency will have insufficient property tax to pay the enforceable obligations, the Review is to include the projected property tax revenue and other revenues projected to be available to the Successor Agency along with the amount and timing of bond debt payments of the Successor Agency; and

An itemized list of the current balances that will be needed to pay enforceable obligations to be placed on a ROPS for the current fiscal year.

The Review is required to total the net balances available after deducting the restricted funds, the physical assets and the balances necessary for payment of enforceable obligations where there are insufficient funds from the projected property tax revenues and other revenues to pay the enforceable obligations. The balance available is to include the value of any cash transferred between January 1, 2011 and June 30, 2012 if there is not an enforceable obligation for that transfer. It is a rebuttable presumption that cash and cash equivalents are available to disburse to the taxing entities.

If the Review determines that there are insufficient cash balances to pay the amount determined to be the available amount, that insufficiency is to be demonstrated in a separate schedule.

d. Oversight Board and DOF Role with Respect to Review. Upon completion of the Review, the Review is to be submitted to the Oversight Board for review and approval. Additionally, the Successor Agency is to submit a copy of the ROPS to the County administrative officer, the CAC and the DOF at the same time the Successor Agency submits the Review to the Oversight Board.

Upon receipt of the Review, the Oversight Board is to convene a public comment session to take place at least five business days before the Oversight Board votes on approval of the Review. The Oversight Board is to review, approve and transmit the Review by October 15, 2012 for the LMIHF and by January 15, 2013 for all other funds. The Oversight Board can
adjust amounts provided in the Review to reflect additional information and analysis. The
Oversight Board can also authorize the Successor Agency to retain the restricted funds, the non-
cash assets, and the cash balances that are contractually committed or needed for items to be
placed on the ROPS during the fiscal year.

The DOF may adjust the amounts determined to be available for allocation to the
taxing entities in the Review based on its analysis and information provided by the Successor
Agency and others. The DOF is to complete its review by November 9, 2012 for the LMIHF and
by April 1, 2013 for the remaining funds. The DOF is required to provide the Successor Agency
and the Oversight Board with an explanation of the basis for overturning or modifying any
findings or determinations of the Oversight Board.

The Successor Agency and the Dissolved RDA’s Sponsoring Community can
request a meet and confer with the DOF after the DOF has made its determination of the
amounts available for allocation to the taxing entities within five business days of receipt of the
DOF’s determination (and no later than November 16, 2012 for the LMIHF portion of the
Review). The request to meet and confer must include an explanation and documentation of the
basis for the dispute. The DOF is required to meet and confer with the requesting party and
make a decision within 30 days of the request to meet and confer.

e. Payments to Taxing Entities and Penalties for Noncompliance. Successor
Agencies are required to transmit the funds determined to be available for allocation to the taxing
entities within five business days of receipt of the notification of the amount determined by the
DOF. Successor Agencies are required to make diligent efforts to recover money determined to
be transferred without an enforceable obligation. If the Successor Agency fails to transmit the
funds determined to be available for allocation to the taxing entities, there are a variety of
remedies set forth in the statute including:

- If the Successor Agency cannot recover funds transferred to
another public agency without an enforceable obligation, the DOF can order the Board of
Equalization to offset the sales and use tax of the local agency that received the transferred
funds, or the if the DOF does not order a sales or use tax offset, the CAC can offset property tax
of the local agency that received the funds;  
- The DOF and the CAC can demand the return of funds improperly
spent or transferred to a private party and can recover those funds plus a 10% penalty and
interest through any lawful means;
- If the Sponsoring Community is performing the duties of the
Successor Agency, the DOF can order an offset of the Sponsoring Community’s sales and use
tax. If the DOF does not order such an offset, the CAC can offset property tax owed to the
Sponsoring Community;

7 As noted earlier, the constitutionality of these offsets is questionable.
8 The statute does not address the fact that, pursuant to AB 1484, each Successor Agency is now a separate and
distinct legal entity and is no longer the Sponsoring Community.
As an alternative to all of the above, the DOF can order the CAC to offset the amounts owed against future distributions from the RPTTF to the Successor Agency pursuant to Section 34183.

If the DOF determines that the full payment of the amounts determined to be available for allocation to the taxing entities is not feasible or would jeopardize a Successor Agency’s ability to pay enforceable obligations, the DOF can agree to an installment payment plan.

3. County Auditor-Controller Responsibilities; Redevelopment Property Tax Trust Fund Distribution Issues. AB 1484 contains numerous substantive changes to the role and responsibilities of the CAC in the redevelopment unwind process and to the instructions for administering and making distributions from the RPTTF. In addition to matters described in other parts of this Summary, key changes include:

a. The initial ROPS (covering January through June 2012) is no longer subject to certification by the CAC based on the results of the agreed-upon procedures audit that the CAC is required to conduct or cause to be conducted by an external auditor (the "AUP Audit") (Section 34177(l)(2)). This change raises questions about the continuing purpose of the AUP Audit.

b. The AUP Audit completion deadline is pushed back from July 1 to October 1, 2012, and related delivery dates are pushed back correspondingly (Section 34182(a)).

c. Instead of "certifying" a ROPS, the CAC is instead authorized under AB 1484 to review a ROPS and object to inclusion of any items that are not demonstrated to be enforceable obligations and/or the funding source proposed for any items. Such review and objection may occur before or after Oversight Board action on a particular ROPS. The CAC is directed to submit notice to the DOF, the Successor Agency, and the Oversight Board concerning any objection, generally at least 60 days prior to the distribution date for moneys from the RPTTF for the applicable ROPS period. If an Oversight Board disputes a CAC objection to a ROPS item, it may refer the matter to the DOF for determination of what will be approved for inclusion on the applicable ROPS (Section 34182.5). The AUP Audit presumably could be of use to a CAC in this role.

d. In calculating pass-through payment amounts that would have been owed had the Dissolved RDA not been dissolved, the CAC is directed to assume that the requirement still existed to deposit a portion of what would have been tax increment into the LMIHF (Section 34183(a)(1)).

e. The obligation of the CAC to make a distribution from the RPTTF on May 16, 2012 (as required by the Dissolution Act as modified by the Supreme Court) is deleted by AB 1484, thereby sanctioning the previously unauthorized practice implemented by most CACs (Section 34183(a)(2)).
f. The CAC is required to provide estimates of the amounts it will distribute from the RPTTF for the upcoming six-month period on October 1 (was November 1 in the Dissolution Act) and April 1 (was May 1 in the Dissolution Act) (Section 34182(c)(4)).

g. The date for distributions by a CAC from the RPTTF for the first six-month period of each calendar year (starting in 2013) is moved from January 16 to January 2. The distribution date for the second six-month period of each calendar year remains June 1 (Sections 34183(a) and 34185).

h. If there is a confirmed insufficiency of funds available to pay all of a Successor Agency's debt service enforceable obligations, the Dissolution Act established a procedure for reducing various distributions from the RPTTF to deal with such insufficiency, including giving priority of RPTTF distributions to such debt service payments over any statutory pass-through payments that had been subordinated under the applicable statutory procedure to the debt service payments. AB 1484 clarifies that contract pass-through payment obligations entered into prior to 1994 that were expressly subordinated to debt service payments on a particular enforceable obligation are also subordinated for purposes of distributions by the CAC from the RPTTF (Section 34183(b)).

i. Within 10 days after each semi-annual distribution from the RPTTF, the CAC must provide a report to the DOF on specified matters related to such distribution (Section 34183(e)).

j. AB 1484 establishes a procedure for a CAC to adjust the amounts distributed from the RPTTF to a particular taxing entity for a succeeding six-month period to the extent the amount of pass-through payment distributed by the CAC to that taxing entity for the preceding six-month period (based on estimates of the amount owed) varied from the actual amount of pass-through payment owed to that taxing entity (based on more complete subsequent information) (Section 34186(b)).

k. Once a Successor Agency pays off all the enforceable obligations of the Dissolved RDA, AB 1484 directs it to dispose of all remaining assets and terminate its existence within one year of the final debt payment. When the Successor Agency is terminated, all pass-through payment obligations cease and no further property tax is deposited in or distributed from the RPTTF, with the effect that all property tax that would formerly have been tax increment becomes normal property taxes distributed among the taxing entities as if the Dissolved RDA had never existed (Section 34187(b)).

l. Acknowledging that it had created inconsistency and uncertainty in the way it enacted related provisions of the Dissolution Act regarding calculation of the amount of pass-through payments owed, the Legislature in AB 1484 states its intent that the full amount of pass-through payments be made from the RPTTF, and that the apparent reduction in such payments mandated by one of the provisions at issue in the Dissolution Act would not be operative (uncodified Section 36 of AB 1484). Serious questions remain as to whether the payment of full pass-through amounts, as now clarified by AB 1484, violates various provisions of the California Constitution.
4. **Reversal of Certain Successor Agency/Sponsoring Community Transactions.** AB 1484 directs the SCO to review activities of each Successor Agency to determine if it transferred an asset on or after February 1, 2012 (when the Successor Agency was established) to the Sponsoring Community (city, county, or city and county that formed the Dissolved RDA) other than pursuant to an enforceable obligation contained on an approved and valid ROPS. If such a transfer did occur other than in connection with an enforceable obligation, then the SCO is directed to order the return of the transferred asset to the Successor Agency (unless such return is prohibited by state and federal law), and the "affected local agency" (words used in the statute) is directed to effectuate such return of the applicable asset as soon as practicable. This provision does not apply to the transfer of housing assets (see discussion of housing asset definition in Part II.A) which, if held by the Successor Agency, are allowed and required to be transferred to a Housing Successor (which often will be the Sponsoring Community) for continued housing functions (Section 34178.8).

5. **Refunding Bonds.** AB 1484 provides much greater flexibility in the refunding of bonds than the Dissolution Act provided. The legislation recognizes the advisability of authorizing the refunding bonds to lower the long-term cost of financing in many situations. Section 34177.5 adopts in most respects the language prepared by a committee of bond counsel from around the State, although it did not include the suggested language to address greater flexibility in refunding variable rate bonds. We suggest consultation with bond counsel for details regarding possible restructuring of any bonds.

As with other actions in the post-redevelopment era, any bond refunding requires Oversight Board approval and DOF review. The statute also provides for subordination of pass-through payments by taxing entities in substantially the same manner as previously provided in the Community Redevelopment Law (Section 34177.5(c)). To provide greater certainty to bondholders and others, the Successor Agency may petition the DOF to provide written confirmation that a DOF approval of an enforceable obligation with payments over time is final and conclusive and reflects the DOF’s approval of subsequent payments under that enforceable obligation. If such confirmation is granted by the DOF, DOF review in the future is limited to confirming the payments are required by that prior approved enforceable obligation (Section 34177.5(i)).

A validation action may be brought regarding any bond refunding within 30 days of the Oversight Board approval of the refunding (Section 34177.5(e)). The DOF is required to be notified of a validation action involving a bond refunding (Section 34177.5(d)).

E. **Potential Local Benefits of AB 1484.**

The following potential benefits to a Successor Agency and its Sponsoring Community are offered under AB 1484 once the Successor Agency has attained a Finding of Completion from the DOF, as further described in Part II.D.2.

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9 Presumably, the same treatment should apply to a transfer pursuant to an enforceable obligation listed on an approved Enforceable Obligation Payment Schedule in effect prior to the effectiveness of the first ROPS.
1. **Property Disposition.** The Dissolution Act calls for the Successor Agency, under the direction of the Oversight Board, to dispose of real property it received from the Dissolved RDA either for limited public uses, or for disposition into the private market expeditiously and with a view toward maximizing value, with the disposition proceeds ultimately made available for distribution to the affected taxing entities.

AB 1484 appears to suspend this process,\(^{10}\) and to provide certain flexibility and local benefits in connection with property disposition for a Successor Agency that has received a DOF Finding of Completion (Section 34191.3). Within six months after receipt of a Finding of Completion, the Successor Agency must submit a long-range property management plan for the real property of the Dissolved RDA for approval by the Oversight Board and the DOF (Section 34191.5(b)). The property management plan must include an inventory (with specified information) about each property, and address the use or disposition of each property (Section 34191.5(c)).

Permitted uses under a property management plan include:

a. retention of the property for governmental use;

b. retention of the property for future development;

c. sale of the property; and

d. use of the property to fulfill an enforceable obligation.

Upon approval of the property management plan, the properties of the Dissolved RDA are to be placed in a Community Redevelopment Property Trust Fund administered by the Successor Agency in accordance with the approved property management plan (Sections 34191.4(a) and 34191.5(a)). If the property management plan calls for use or liquidation (sale to obtain revenues) of a property for a project identified in an approved redevelopment plan, that property is to be transferred to the Sponsoring Community for that purpose. If the property management plan calls for the liquidation of the property or use of revenues from the property for purposes other than a project identified in a redevelopment plan or other than to fulfill an enforceable obligation, the proceeds from the sale are to be distributed as property taxes to the taxing entities (Section 34191.5(c)(2)(A) and (B)).

In short, use of property placed in the Community Redevelopment Property Trust Fund in accordance with an approved property management plan enables the Successor Agency and the Sponsoring Community to direct the use of specified properties and revenues generated from those properties for community development activities, including affordable housing, in a manner somewhat similar to the uses of property formerly implemented by the Dissolved RDA.

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\(^{10}\) It is not clear if a Successor Agency can continue to follow the Dissolution Act path and dispose of property under Oversight Board direction to maximize value received for distribution to the affected taxing entities, or is instead compelled to follow the alternative path set out in AB 1484.
2. **Sponsoring Community Loans.** Under the Dissolution Act, the repayment of many loans made in good faith by a Sponsoring Community to its now Dissolved RDA became unenforceable as of February 1, 2012 and not subject to repayment by the Successor Agency. Under AB 1484, upon application by the Successor Agency and approval by the Oversight Board (which approval in turn creates the opportunity for DOF review and disapproval as further described in Part II.B.3.e), loan agreements between the Sponsoring Community and the Dissolved RDA that were previously deemed not to constitute enforceable obligations as of February 1, 2012, can once again be deemed to be enforceable obligations if the Oversight Board finds that the loan from the Sponsoring Community to the Dissolved RDA was for legitimate redevelopment purposes (Section 34191.4(b)).

However, AB 1484 places several conditions on the repayment by the Successor Agency to the Sponsoring Community of a loan that is reinstated, including:

a. accumulated interest on the loan is recalculated from loan origination at the Local Agency Investment Fund ("LAIF") interest rate and supersedes any different interest calculation in the loan agreement;

b. going forward, interest is also limited to the LAIF rate;

c. loan repayments to the Sponsoring Community cannot begin until FY 2013-14 and are to be made according to a defined schedule over a "reasonable term of years", with the maximum annual repayment being strictly limited by statutory formula;

d. repayments received by the Sponsoring Community must first be applied to retire any outstanding amounts that had been previously borrowed by the Dissolved RDA from its LMIHF (e.g., amounts borrowed to make SERAF payments); and

e. 20% of any remaining repayments received by the Sponsoring Community are deducted and placed in the Housing Asset Fund maintained by the Housing Successor (see discussion of this fund in Part II.A.4) (Section 34191.4(b)).

Depending on circumstances, these conditions could significantly reduce the repayment amounts received by the Sponsoring Community under any loan that is reinstated under AB 1484 following Oversight Board approval (and lack of DOF disapproval) of such reinstated loan.

3. **Bond Proceeds.** The Dissolution Act was ambiguous about the authority for a Successor Agency to expend unencumbered bond proceeds. Under AB 1484, following receipt of a DOF Finding of Completion, a Successor Agency is clearly authorized to spend, in a manner consistent with the original bond covenants, excess bond proceeds (proceeds not already committed to satisfy approved enforceable obligations) from bonds issued prior to 2011. Such expenditures of excess pre-2011 bond proceeds are considered enforceable obligations to be separately listed on the ROPS submitted by the Successor Agency. If such excess bond proceeds cannot be spent in a manner consistent with the bond covenants, then those proceeds are to be used to defease or purchase bonds (Section 34191.4(c)). AB 1484 does not clarify the authority
to expend bond proceeds from bonds issued by a Dissolved RDA in 2011. AB 1484 contains additional provisions regarding expenditures of unencumbered bond proceeds of a bond issuance secured by deposits in the LMIHF (see discussion in Part II.A.3).

F. Other Provisions.

AB 1484 adds other provision, including the following:

1. Economic Development Corporations. AB 1484 adds Section 34167.10 to expand the definition of “city, county and city and county” to include independent entities that are reporting units, component units or controlled by the city, county or city and county. The expanded definition is declarative of existing law and thus applies retroactively to the adoption of the Dissolution Act.

For purposes of determining whether an independent entity is controlled by the Sponsoring Community, the statute lists factors to be considered but does not indicate whether all factors must be met or how to weigh the factors. The fact that the independent entity is a separate legal entity is not relevant to the analysis. The factors to be considered include, whether:

a. the Sponsoring Community exercises substantial municipal control over the independent entity's operations, revenues or expenditures;

b. the Sponsoring Community has ownership or control over the independent entity's property;

c. the Sponsoring Community and the independent entity share common or overlapping governing boards or conterminous boundaries;

d. the Sponsoring Community was involved in the creation of the independent entity;

e. the independent entity performs functions customarily performed by municipalities and financed through levies of property taxes; and

f. the Sponsoring Community provides administrative support for the independent entity.

The expanded definition of city, county and city and county is an effort to subject asset transfers to economic development corporations and other types of corporations separate and distinct from the Sponsoring Community to the clawback provisions in the Dissolution Act (Section 34167.5), and make agreements between the Dissolved RDA and such corporations null and void, similar to Sponsoring Community/Dissolved RDA agreements (Section 34178(a)).
2. **RDA Land Use Functions.** AB 1484 authorizes the transfer of land use plans and land use functions of the Dissolved RDA to the Sponsoring Community at the request of the Sponsoring Community (Section 34173(i)).

3. **Statute of Limitations.** The Dissolution Act lengthened to two years the statute of limitations on bringing a challenge to a redevelopment plan adoption or amendment, a redevelopment bond issuance, and findings and determinations of a redevelopment agency or legislative body. AB 1484, in turn, completely tolls (suspends) the already lengthened statute of limitations on these matters until the DOF has issued a Finding of Completion (see further discussion in Part II.D.2) to the Successor Agency of the applicable Dissolved RDA. Once the DOF has issued a Finding of Completion, the statute of limitations reverts to the original pre-Dissolution Act 90-day period (which will have long expired at that point) (Sections 33500 and 33501).

   Section 34177.5 provides that a Successor Agency may request that the DOF waive the two-year statute of limitations with regard to redevelopment plan adoptions and amendments and findings and determinations made by the Dissolved Agency or its legislative body for plan adoptions, plan amendment, findings and determinations made after January 1, 2011. The DOF may provide this waiver if it determines, in its discretion, that it is necessary for the Successor Agency to fulfill an enforceable obligation.

4. **Validation Action Notices and Venue.** The DOF and the SCO (and, for certain actions, the affected taxing entities) must be properly notified of any validation action with respect to any action of a Dissolved RDA or Successor Agency or with respect to any enforceable obligation or matter of title to an asset the belonged to a Dissolved RDA. Such notification is a condition to the proper filing of the action. All such actions must be filed in the County of Sacramento (Sections 34189.1 and 34189.2).

5. **Post-Suspension Actions.** AB 1484 declares that any action taken by a Dissolved RDA after June 27, 2011 does not create an enforceable obligation (Section 34177.3(d)). Serious questions remain as to when the Dissolution Act took effect in late June 2011 (at which time the power to enter into most new redevelopment agreements was suspended), and whether the Legislature can retroactively alter that point of effectiveness in a way that would impair contracts validly entered into at the time of entry (which could, in turn, constitute a constitutionally flawed retroactive impairment of such contract). Also, if a Dissolved RDA had entered into a valid enforceable obligation prior to June 28, 2011 (or whatever point the Dissolution Act actually became effective) that obligated it to enter into a subsequent agreement after the effectiveness of the Dissolution Act, this provision of AB 1484 would likewise seem to constitute a constitutionally flawed impairment of the initial valid enforceable obligation, by preventing the effectiveness of the subsequent contract.

   AB 1484 also declares that redevelopment agencies that opted to participate in the Voluntary Alternative Redevelopment Program (ABx1 27, that was subsequently found unconstitutional by the Supreme Court) did not receive a grace period to undertake new activities after the suspension date in the Dissolution Act (Section 34177.3(d)).
6. **DOF Budget and Consultants.** AB 1484 appropriates $22 million to the DOF (of which up to $2 million may be allocated to the State court system) for work associated with applicable portions of the Dissolution Act (uncodified Section 38 of AB 1484). In addition, the DOF is authorized to hire auditors, lawyers, and other types of advisors and consultants to assist, advise and represent the DOF in matters related to the Dissolution Act, and in doing so may avoid certain State law procedures for hirings.

**PART III.**

**AB 1484 MILESTONE ACTIONS**

Following is a checklist of upcoming key milestone actions under the Dissolution Act as amended by AB 1484.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 9, 2012</td>
<td>Successor Agency to receive from the CAC determination of amount owed, if any, for distributions pursuant to the Section 34183(a)(4) for the initial ROPS period (Section 34183.5(b)(2)(A)).</td>
</tr>
<tr>
<td>July 12, 2012</td>
<td>Successor Agency to pay to the CAC any amounts identified as owed to the taxing entities (Section 34183.5(b)(2)(A)).</td>
</tr>
<tr>
<td>July 16, 2012</td>
<td>The CAC distributes to the taxing entities amounts received from the Successor Agency on July 12, 2012 (Section 34183.5(b)(2)(A)).</td>
</tr>
<tr>
<td>July 18, 2012</td>
<td>The DOF can order offset of sales and use tax due to Sponsoring Community if the Successor Agency has failed to make payments due on July 12, 2012 (Section 34183.5(b)(2)(A)).</td>
</tr>
<tr>
<td>August 1, 2012</td>
<td>Housing Successor must submit to DOF list of all housing assets transferred to it by the Dissolved RDA, with explanation of how assets meet criteria set forth in law. DOF to prescribe format for list (Section 34176(a)(2)).</td>
</tr>
<tr>
<td>August 10, 2012</td>
<td>Housing Successor provides notice to the Successor Agency of any designations of use or commitments of funds specified in 34176(g)(1)(A) that the Housing Successor empowers the Successor Agency to retain (Section 34179.6(c)).</td>
</tr>
<tr>
<td>September 1, 2012</td>
<td>The Successor Agency submits the ROPS for January 1, 2013 through June 30, 2013 to the DOF after Oversight Board approval (Section 34177(m)). Note, the Successor Agency will be assessed a $10,000 per day penalty for failure to timely submit the ROPS (Section 34177(m)(2)).</td>
</tr>
<tr>
<td>Date</td>
<td>Action</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>September 11, 2012</td>
<td>If the Successor Agency has not submitted a ROPS, the maximum administrative cost allowance for the fiscal year covered by the ROPS will be reduced 25% (Section 34177(m)).</td>
</tr>
<tr>
<td>October 1, 2012</td>
<td>The Successor Agency to provide to the Oversight Board, the CAC, the DOF, and the SCO results of the 34179.5 review for the LMIHF balances of a Dissolved RDA conducted by a licensed accountant. Accountant must be approved by the CAC (Section 34179.6(a)).</td>
</tr>
<tr>
<td>October 1, 2012</td>
<td>The CAC to complete agreed-upon procedures audit of each Dissolved RDA (Section 34182(a)(1)).</td>
</tr>
<tr>
<td>October 1, 2012</td>
<td>The CAC to provide notice to the Successor Agency of any objections to items included on the Third ROPS (Section 34182.5).</td>
</tr>
<tr>
<td>October 1, 2012</td>
<td>The CAC to prepare and provide estimates to the DOF and fund recipients of amounts to be allocated and distributed from RPTTF on January 2, 2013 for Third ROPS period (Section 34182(c)(3)).</td>
</tr>
<tr>
<td>October 1, 2012</td>
<td>The CAC to report to the SCO and the DOF specified information about property tax distributions (Section 34182(d)).</td>
</tr>
<tr>
<td>October 5, 2012</td>
<td>The CAC to provide to the SCO and the DOF results of agreed-upon procedures audit of each Dissolved RDA (Section 34182(b)).</td>
</tr>
<tr>
<td>October 15, 2012</td>
<td>The Oversight Board to review, approve and transmit the results of the 34179.5 Review for the LMIHF account balances of the Dissolved RDA and notify the CAC and the DOF (Section 34179.6(c)). Note, that the Oversight Board must hold a public session at least five business days in advance of the meeting to consider approval of the Review (Section 34179.6(b)).</td>
</tr>
<tr>
<td>No later than November 9, 2012</td>
<td>The DOF completes review of 34179.5 Review of LMIHF balances and reports findings, determinations, and decisions to overturn Oversight Board decision to allow retention of Successor Agency assets (Section 34179.6(d)).</td>
</tr>
<tr>
<td>Date</td>
<td>Action</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
</tr>
<tr>
<td>Within 5 days of receipt of initial determination from the DOF</td>
<td>Successor Agency/Sponsoring Community deadline to request meet and confer with DOF over any dispute regarding amount of the LMIHF to be distributed to Taxing Entities under the 34179.5 Review process (Section 34179.6(e)). The DOF must meet and confer with the Successor Agency and confirm or modify findings within 30 days of request (Section 34179.6(e)).</td>
</tr>
<tr>
<td>Within 5 days of receipt of final determination from the DOF</td>
<td>The Successor Agency to transfer to the CAC the LMIHF balances determined to be available pursuant to Section 34179.5 Review of the LMIHF. Sponsoring Community sales and use tax may be offset if funds are not transferred (Section 34179.6(f)).</td>
</tr>
<tr>
<td>December 1, 2012</td>
<td>The Successor Agency reports to the CAC if total amount of available revenues (including RPTTF, other revenues, proceeds from sale of assets) will be insufficient to fund enforceable obligations (Section 34183(b)).</td>
</tr>
<tr>
<td>December 1, 2012</td>
<td>The CAC provides the DOF report specifying amount remitted by the Successor Agency pursuant to the 34179.5 Review of LMIHF balances (Section 34179.6(g)).</td>
</tr>
<tr>
<td>December 15, 2012</td>
<td>The Successor Agency submits to the Oversight Board, the CAC, the DOF, and the SCO results of review required under 34179.5 with respect to all other fund and account balances of a Dissolved RDA (Section 34179.6(a)).</td>
</tr>
<tr>
<td>January 2, 2013</td>
<td>The CAC to make distributions from the RPTTF for the Third ROPS period (January-June 2012) (Section 34183(a)(2)).</td>
</tr>
<tr>
<td>January 12, 2013</td>
<td>The CAC to provide a report to the DOF regarding most recent distributions from the RPTTF (Section 34283(e)).</td>
</tr>
<tr>
<td>January 15, 2013</td>
<td>The Oversight Board to review, approve and transmit the results of the 34179.5 Review for all other fund and account balances of a Dissolved RDA and notify the CAC and the DOF of determination (Section 34179.6(c)). Note, that the Oversight Board must hold a public session at least five business days in advance of the meeting to consider approval of the Review (Section 34179.6(b)).</td>
</tr>
<tr>
<td>March 3, 2013</td>
<td>Successor Agency submits ROPS for July 1, 2013 through December 31, 2013 to DOF after Oversight Board approval (Section 34177(m))</td>
</tr>
<tr>
<td>Date</td>
<td>Action</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>No later than April 1, 2013</td>
<td>The DOF completes reviews of 34179.5 Review of other fund balances and reports findings, determinations and decisions to overturn Oversight Board decision to allow retention of Successor Agency assets. (Section 34179.6(a)).</td>
</tr>
<tr>
<td>April 1, 2013</td>
<td>The CAC provides estimates to the DOF and all fund recipients of amounts to be allocated and distributed from the RPTTF on June 1 for the July 1, 2013 through December 31, 2013 ROPS period (Section 34182(c)(3)).</td>
</tr>
<tr>
<td>Within 5 days of receipt of initial determination from the DOF</td>
<td>Successor Agency/Sponsoring Community deadline to request meet and confer with the DOF over any dispute regarding amount of other fund balances to be distributed to the taxing entities under 34179.5 Review process. The DOF must meet and confer with Successor Agency and confirm or modify findings within 30 days of request (Section 34179.6(e)).</td>
</tr>
<tr>
<td>Within 5 days of receipt of final determination from the DOF</td>
<td>The Successor Agency to transfer to the CAC cash and other assets determined to be available pursuant to Section 34179.5 Review of other funds (if meet and confer process is complete). Sponsoring Community sales and use tax may be offset for unfunded amounts (Section 34179.6(f)).</td>
</tr>
<tr>
<td>April 20, 2013</td>
<td>The CAC provides the DOF a report specifying the amount remitted by Successor Agencies pursuant to the Section 34179.5 Review of other balances (Section 341796(g)).</td>
</tr>
<tr>
<td>May 1, 2013</td>
<td>The Successor Agency reports to the CAC if total amount of available revenues (including RPTTF, other revenues, proceeds from sale of assets) will be insufficient to fund enforceable obligations (Section 34183(b)).</td>
</tr>
<tr>
<td>June 1, 2013</td>
<td>The CAC to make distributions from the RPTTF for the ROPS period July-December 2013 (Section 34284(c)).</td>
</tr>
</tbody>
</table>
At the April 26th Oversight Board meeting a request was made to provide the Board with a report of assets transferred from the former Redevelopment Agency (RDA) after the RDA was dissolved. This report is an information only report and does not contemplate that the Board will take any action on these items today. It is the Board’s prerogative to request that any of these items on a future agenda for action.

This report is presented in two parts: real property assets, and all others – loans receivable, cash, and supplies.

**REAL PROPERTY**

**Non-Housing Assets**

The former Redwood City Redevelopment Agency sold its real property assets to the City of Redwood City in March 2011. Three non-housing parcels were part of that process. Two are vacant lots on Lathrop Street that were purchased in 2001. The third is a surface parking lot at the corner of Middlefield Road and Main Street providing public parking for the City’s main library.

The City was recently approached by the developer of an assisted care facility to use one of the Lathrop properties for construction parking. If the property remains City-owned, staff anticipates a short term lease or licensing agreement will be proposed to the City Council in September 2012. This parcel is subject to a Revocable Agreement between the former-Redevelopment Agency and the Irvine Apartment Communities, wherein Irvine agreed to install landscape improvements as part of its Franklin Street development. The former-Redevelopment Agency receives no revenue for the use of this property. The Agency Board also approved an agreement with Towne Ford for the use of the property as employee parking, but that agreement was never executed.
In the prior Oversight Board memo on Assets, the source of funds for the Lathrop Street parcels was identified as Housing. This was in error. Further examination of the City and former Redevelopment Agency records indicate that the funding source for these acquisitions was clearly Redevelopment Agency General Fund.

A map of the real property assets is attached (Attachment 1).

**Licenses and Leases**

The former Redevelopment Agency entered into an agreement with the United States Postal Service in 2005 for use of the paseo between the Jefferson Street Post Office and the commercial building immediately north. The former Agency then entered into a license agreement with Tarboosh Restaurant in 2007 for the use of a portion of this space. Tarboosh pays the Successor Agency approximately $3,600 per year for use of the space.

The City leases Courthouse Square from San Mateo County and entered into a partial assumption and assignment with the former-Re redemption Agency. The lease began in 2005, has a 55-year terms and four ten-year extension options. As part of that arrangement, the former Agency has four kiosks on the property, which it attempts to lease for retail uses. At this time, three of the four units are leased, two are food-oriented, one is more general retail. The rental rates vary, as do the terms of the leases.

Hidden Dragon is a food business on a ten-year lease, which began in 2009. The lease payments are approximately $400/month to the former Redevelopment Agency, an additional licensing fee to the City, and its own utilities.

Froyola is also a food business, but on a five-year lease that began in 2010. It pays the former Redevelopment Agency $330/month and a licensing fee to the City.

Some Stuff on the Square is a retail business on a month-to-month agreement, paying $100/month to the Redevelopment Agency and paying its own utilities.

All of these businesses struggle to remain open other than for large events and consequently struggle to meet their payment obligations to the former Redevelopment Agency. That being said, there remains interest in leasing kiosk space. Staff has responded to six inquiries in the past two months and received an application from one. Staff anticipates taking a lease to the Successor Agency in the September timeframe, and subsequently to the Oversight Board for approval. The details of the proposed lease remain to be resolved.

The agreements between the City and the County and the City and the former Redevelopment Agency need to be revisited to reflect the dissolution of the Redevelopment Agency. These agreements will be brought to the Oversight Board for approval as quickly as they are completed. The Successor Agency prefers to transfer its responsibilities associated with its lease interests in Courthouse Square to the City. It further wishes to transfer its ownership of the kiosk improvements to the City. As noted above, the value of the kiosk leases is negligible and does not generate net revenue to the Successor Agency. The intent of the kiosks is not to make money for the Successor Agency or City, but to serve as devices to support public functions, such as concerts and gatherings.
Housing Assets
The former Redevelopment Agency sold two properties it acquired for construction of affordable housing to the City in 2011. One property is a small single-family lot at 611 Heller. This property was acquired by the former Agency using 20% set-aside funds. It remains the City’s goal to sell this property to a developer of affordable housing.

The second site the former Agency acquired is 707 and 777 Bradford Street. The 707 Bradford Street property was purchased with 20% set-aside funds for 20% of the acquisition cost, the remainder of the funds were Redevelopment Agency general funds. The City still desires to develop this property as affordable housing. The original concept for this site was an affordable senior housing project that might include a childcare facility.

For either of the affordable housing sites the City anticipates issuing a Request for Proposal aimed at affordable housing. The City does not anticipate significant, if any, proceeds from the sale of either property given the nature and requirements of affordable housing development.

LOANS RECEIVABLE
The RDA entered into several loans to provide financing for projects in the redevelopment area. The following is a summary of those loans with current outstanding principal balances.

<table>
<thead>
<tr>
<th>Former Redevelopment Agency General Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower</strong></td>
<td><strong>Principal Outstanding As of May 31, 2012</strong></td>
</tr>
<tr>
<td>Mezes Court Associates</td>
<td>$1,073,924</td>
</tr>
<tr>
<td>J.H.R. Trust</td>
<td>$189,516</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Former Redevelopment Agency Housing Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower</strong></td>
<td><strong>Principal Outstanding As of May 31, 2012</strong></td>
</tr>
<tr>
<td>Former RDA General Fund (SERA F loan)</td>
<td>$2,812,838</td>
</tr>
<tr>
<td>Mezes Court Associates</td>
<td>$371,076</td>
</tr>
<tr>
<td>J.H.R. Trust</td>
<td>$65,484</td>
</tr>
<tr>
<td>Hallmark Apartments</td>
<td>$150,000</td>
</tr>
<tr>
<td>Redwood Court</td>
<td>$500,000</td>
</tr>
<tr>
<td>1st Time Homebuyer Program (Silent loans)</td>
<td>Revolving loan program</td>
</tr>
<tr>
<td>1st Time Homebuyer Program (Wyndham Place)</td>
<td>Revolving loan program</td>
</tr>
<tr>
<td>Housing Rehabilitation Loans</td>
<td>Revolving loan program</td>
</tr>
<tr>
<td>Villa Montgomery FCH</td>
<td>$1,927,000</td>
</tr>
</tbody>
</table>
Please see Attachment 2 for a more detailed description of the Successor Agency’s loans receivable.

**BOND PROCEEDS**
As of May 31, 2012 there were approximately $150,709 of unexpended bond proceeds remaining and $1,551,102 of debt service reserve funds from the 2003 bond issue.

**SUPPLIES**
The following supplies were purchased with funds from the former RDA and are now owned by the Successor Agency:

A. *Holiday sprays and bows.* The RDA purchased six pine sprays with velvet bows and about 70 bows for installation during the winter holidays. These items are stored at Public Works.

B. *Downtown Events Banners.* The event banners, funded by RDA are stored at Public Works.

C. *Free standing 4’ x 8’ art panels and 20 holiday trees.* The RDA entered into a Right of Entry and License Agreement on May 10, 2010 for art installation at the On Broadway Retail Cinema Project. Although the Agreement expired March 31, 2011, the property management is allowing the RDA to continue storing the art panels and holiday trees on site.

**CASH**
A. *City Housing Legal Aid Society Fund.* (Payments received under Legal Aid Society settlement from tax increment) $10,301,977.

B. *City Housing Fund.* (Loan repayments since February 1, 2012 plus $48,392 from donations in the Jim Smith Housing Fund).

C. *Successor Agency Housing Fund.* (Cash remaining from the former RDA housing fund) $1,893,506.

D. As of May 31, 2012, there were no funds available from the former Redevelopment Agency General Fund. All funds were either expended as permitted under AB1X26 or returned to the County Controller’s office as required.

_________________________
Brian Ponty  
Finance Director, Successor Agency

________________________
Bill Ekern  
Community Development Director
ATTACHMENTS
1. Map of Real Property Assets
2. Details of Outstanding Loans
### Acquisition funding sources:
- **Housing**
- **Non-Housing**

### Parcels Transferred from Redevelopment Agency to the City

<table>
<thead>
<tr>
<th>Label</th>
<th>Address</th>
<th>APN</th>
<th>Description / Land Use</th>
<th>FUND</th>
<th>Lot Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>707 Bradford St</td>
<td>052372200</td>
<td>Vacant parcel</td>
<td>Housing</td>
<td>10,670</td>
</tr>
<tr>
<td>2</td>
<td>777 Bradford St</td>
<td>052372170</td>
<td>Vacant parcel</td>
<td>Housing</td>
<td>13,500</td>
</tr>
<tr>
<td>3</td>
<td>1012 Main St</td>
<td>053137010</td>
<td>Library parking facility</td>
<td>Non-Housing</td>
<td>20,200</td>
</tr>
<tr>
<td>4</td>
<td>N/A</td>
<td>053182030</td>
<td>Vacant parcel</td>
<td>Non-Housing</td>
<td>14,351</td>
</tr>
<tr>
<td>5</td>
<td>N/A</td>
<td>053147040</td>
<td>Vacant parcel with creek culvert</td>
<td>Non-Housing</td>
<td>7,438</td>
</tr>
<tr>
<td>6</td>
<td>611 Heller St</td>
<td>053155050</td>
<td>Vacant parcel</td>
<td>Housing</td>
<td>5,006</td>
</tr>
</tbody>
</table>
Details of Outstanding Loans

Outstanding Loans Receivable – Former RDA General Fund

A. *City Center Plaza at 950 Main Street (Mezes Court).*
   The Plaza is a mixed use project situated on two parcels at the intersection of Main Street and Middlefield Road consisting of 81 affordable rentals, a childcare center, 17,900 square feet of ground floor retail and an underground parking garage.

Under the terms of the Feb. 5, 1996 development and disposition agreement (DDA) between the RDA and developers Mezes Court Associate (MCA) for the residential development and J.H.R. Trust (JHR) for the commercial development, the RDA sold the parcels of land and cleaned the site of contaminants in exchange for promissory notes totaling $1.7M, the appraised value of the land.

**Promissory Note between the RDA & MCA for $1,073,924 (June 18, 1996)**

<table>
<thead>
<tr>
<th>Term</th>
<th>Comments</th>
<th>Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% interest</td>
<td>Repaid from surplus revenues generated by the housing project through 2028.</td>
<td>$1,073,924</td>
</tr>
<tr>
<td>Annual principal &amp; interest payments due May 1.</td>
<td>Prepayment penalty if note is paid in full prior to 15 years from the issuance of the Certificate of Completion</td>
<td>As of May 31, 2012, $1,073,924 of original loan was outstanding</td>
</tr>
<tr>
<td>Note is due and payable in full on January 17, 2028.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

MCA has not made any principal payments and are in arrears for the interest payments. The interest is deferred. The outstanding interest balance was $248,212.69 as of May 31, 2012.

**Promissory Note between the RDA & JHR Trust for $189,516 (June 18, 1996)**

<table>
<thead>
<tr>
<th>Term</th>
<th>Comments</th>
<th>Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% interest</td>
<td>No payments are due until earlier of (a) 10 years after closing of permanent loan for project, (b) January 1, 2008, or (c) payment in full of original permanent loan.</td>
<td>$189,516</td>
</tr>
<tr>
<td>Monthly payments are due the 10th of each month, with payment amount amortized over the balance of term.</td>
<td>The DDA and Note include a 20% prepayment penalty if the Note is paid in full prior to 10 years from the issuance of the certificate of completion.</td>
<td></td>
</tr>
<tr>
<td>Note is due and payable in full on January 1, 2028.</td>
<td>This loan was paid off on April 19, 2012 with amounts being deposited into the Successor Agency Fund.</td>
<td></td>
</tr>
</tbody>
</table>

Prepayment penalty of $37,903.20 was paid.
Outstanding Loans Receivable – Former RDA Housing Fund

A. *Supplement Educational Revenue Augmentation Fund Repayment*

In FY 2009/10, the RDA borrowed $2,812,838 from its low moderating income housing fund (LMIHF) to pay the State’s Supplement Educational Revenue Augmentation Fund (SERAF) payment. The RDA has been paying the loan by allocating $562,567.60 from its RDA General Fund into the LMIHF before June 30th of each year for five years with no bearing interest. The borrowing of LMIHF must be repaid to the Agency LMIHF on or before June 30, 2015. As of May 31, 2012, the outstanding balance to the LMIHF is $2,250,270.40.

<table>
<thead>
<tr>
<th>Term</th>
<th>Comments</th>
<th>Loan Amount</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% interest</td>
<td>To be repaid in full within five years.</td>
<td>$2,250,270.40</td>
<td>June 30, 2015</td>
</tr>
</tbody>
</table>

B. *City Center – 950 Main Street*

A DDA was executed by and between the RDA, City, MCA and JHR on February 5, 1996 for the development and construction of affordable housing, commercial and retail space.

**Promissory Note between the RDA & MCA for $371,076 (June 18, 1996)**

<table>
<thead>
<tr>
<th>Term</th>
<th>Comments</th>
<th>Loan Amount</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% interest</td>
<td>Repaid from surplus revenues generated by the housing project through 202.</td>
<td>$371,076</td>
<td>January 17, 2028</td>
</tr>
<tr>
<td>Annual principal &amp; interest payments due May 1</td>
<td>Prepayment penalty if note is paid in full prior to 15 years from the issuance of the Certificate of Completion.</td>
<td>As of May 31, 2012, loan principal $371,076 and deferred interest $85,765.40 outstanding</td>
<td></td>
</tr>
</tbody>
</table>

**Promissory Note between the RDA & JHR Trust for $65,484 (June 18, 1996)**

<table>
<thead>
<tr>
<th>Term</th>
<th>Comments</th>
<th>Loan Amount</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% interest</td>
<td>No payments are due until earlier of (a) 10 years after closing of permanent loan for project, (b) January 1, 2008, or (c) payment in full of original permanent loan.</td>
<td>$65,484</td>
<td>January 1, 2028</td>
</tr>
<tr>
<td>Monthly payments are due the 10th of each month, with payment amount amortized over the balance of term.</td>
<td>The DDA and Note include a 20% prepayment penalty if the Note is paid in full prior to 10 years from the issuance of the certificate of completion.</td>
<td>As of May 31, 2012, no outstanding loan balance.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>This loan was paid off on April 19, 2012 with amounts being deposited to the City Housing Fund.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Prepayment penalty of $13,096.80 was paid.</td>
</tr>
</tbody>
</table>
C. **Hallmark Apartments – 531 Woodside Road**  
An Owner Participation Agreement (OPA) was executed by and between the RDA, City and KDF Hallmark L.P. on December 22, 2003. RDA housing funds were used to preserve existing affordable housing by assisting the owner with the refinance and rehabilitation of the apartment building. A Declaration of Affordable Housing Covenants and Declaration of Redevelopment Covenants were recorded on December 22, 2003. The period of affordability terminates on December 21, 2058.

RDA Housing provided a loan of $150,000. A $650,000 Promissory Note between the RDA, City, and KDF Hallmark L.P. is deferred for the first 30 years and then amortized at 3 percent interest for 25 years and $500,000 of this loan was funded by HOME Federal funds (Fund 257).

<table>
<thead>
<tr>
<th>Term</th>
<th>RDA Housing Loan Amount</th>
<th>Balance</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan deferred for the first 30 years and then amortized at 3% interest for 25 years.</td>
<td>$150,000</td>
<td>$150,000</td>
<td>December 21, 2058</td>
</tr>
</tbody>
</table>

D. **Redwood Court – 635 Spruce Street**  
An OPA was executed by and between the RDA and Redwood Court Associates (RCA) on July 21, 2003 for the preservation of existing affordable housing. An Affordable Housing Covenant and Declaration of Redevelopment Covenants were recorded as attachments to the OPA. The affordability terminates on July 20, 2058.

RDA Housing provided a loan of $500,000 to assist in the refinance and rehabilitation of the project. The Note is deferred for 55 years, 0% interest. The outstanding loan balance as of May 31, 2012 was $483,153.

<table>
<thead>
<tr>
<th>Term</th>
<th>RDA Housing Loan Amount</th>
<th>Balance</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan deferred for 55 years, 0% interest.</td>
<td>$500,000</td>
<td>$483,153</td>
<td>July 20, 2058</td>
</tr>
</tbody>
</table>

E. **First Time Homebuyer Program – Silent Loan Program**  
RDA Housing provided silent second loans to income qualified first time homebuyers and “targeted borrowers” (full-time Redwood City teachers and City of Redwood City employees) from 2001 to 2003.

Targeted borrowers who maintain eligibility through sustained employment are entitled to a forgiveness of 10 percent of the total initial principal balance of the Note each year commencing in the sixth year from the date of origin of the Note. Notes included 30-year
terms with no interest to accrue until the fifth anniversary, thereafter to accrue at 4% per annum on unpaid principal for 25 years.

Of the eight loans, two loans have been paid off, two borrowers are eligible for the principal forgiveness, and one borrower who was previously eligible is now retired and no longer eligible. The outstanding principal ($410,120.99) and accrued interest ($1,603.58) balance as of May 31, 2012 is $411,724.57.

<table>
<thead>
<tr>
<th>Term</th>
<th>RDA Loan Amount</th>
<th>Balances as of May 31, 2012</th>
<th>Maturity</th>
</tr>
</thead>
</table>
| Loan #8006                  | $100,000        | $84,447.57 and $272.11 accrued interest | First payment January 7, 2007  
Note matures December 1, 2031 |
| Loan #8002                  | $90,000         | Paid off in May 2012        | First payment December 1, 2006  
Note matures January 20, 2031 |
| Loan #8010                  | $100,000        | Paid off in May 2012        | First payment January 1, 2007  
Note matures December 1, 2031 |
| Loan #8021: Teacher, eligible for principal forgiveness | $100,000 | $45,397.85 and $146.28 accrued interest | First payment November 1, 2007  
Note matures October 1, 2032 |
| Loan #8016                  | $86,000         | $74,527.27 and $240.14 accrued interest | First payment March 1, 2007  
Note matures February 1, 2032 |
| Loan #8003: Teacher, eligible for principal forgiveness | $100,000 | $27,101.56 and $55.11 accrued interest | First payment January 1, 2007  
Note matures December 1, 2031 |
| Loan #8019                  | $100,000        | $87,399.44 and $281.62 accrued interest | First payment June 1, 2007  
Note matures May 1, 2032 |
| Loan #8023                  | $100,000        | $91,247.30 and $608.32 accrued interest | First payment September 1, 2008  
Note matures August 4, 2033 |
| TOTAL:                      |                 | $411,724.57                 |                           |

F. **First Time Homebuyer Program - Wyndham Place Condominiums**

A DDA was executed by and between the RDA and Butler Stellar Corporation on January 24, 1994 for the construction of 15 affordable ownership units (condominiums). The RDA conveyed the site to Butler Stellar Corporation based upon a per unit sales price formula. Resale Restriction Agreements were recorded at the close of escrow of each unit conveyed to eligible purchasers at which time the provisions of the DDA terminated. In no case shall the affordability restrictions terminate for any unit prior to January 17, 2008.

RDA Housing provided silent second loans to income qualified first time homebuyers. There are currently nine outstanding loans. All loans include 30-year terms with zero interest with payments deferred for the first five years, thereafter principal payments amortized for 25 years. The outstanding principal balance as of May 31, 2012 was $224,598.00.
G. RDA Housing Rehabilitation Program
RDA Housing provided low interest housing rehabilitation loans to assist income qualified single-family and multi-family property owners to preserve existing affordable housing. Loan terms varied from 15-30 years and 0-3 percent interest. The outstanding principal balance ($184,041) and interest ($930.64) as of May 31, 2012 was $184,971.55.

<table>
<thead>
<tr>
<th>Term</th>
<th>RDA Housing Loan Amount</th>
<th>Balance</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan #7201: principal and interest fully amortized for 15 years at 3% per annum.</td>
<td>$60,000</td>
<td>$23,276.28 principal and $62.00 accrued interest</td>
<td>First payment November 1, 2003</td>
</tr>
<tr>
<td>Loan #7011: Beginning July 1, 2011, both principal and interest payments are deferred until the sale or transfer of property, or upon the death of borrower, whichever comes first. On that day the unpaid balance of principal and Interest shall be due payable immediately.</td>
<td>$34,764.63</td>
<td>$34,764.63 principal and $868.64 accrued interest</td>
<td>Refer to loan term</td>
</tr>
</tbody>
</table>
H. Villa Montgomery – 1500 El Camino Real
A Disposition and Development Agreement was executed by and between the RDA and First Community Housing on January 24, 2005 for the construction of affordable housing with an ancillary retail component. A Declaration of Affordability Covenants was recorded on August 17, 2005. The affordability terminates on May 8, 2063.

A total of $2,627,000 loan was made bearing simple interest at 3% per annum for a 40-year term with annual payments from net cash flow. The outstanding principal and interest are due at maturity in December 2045. The loan was funded by three sources: 1) $1,927,000 RDA Housing, 2) $200,000 City CDBG, and 3) $500,000 County of San Mateo for a total of $2,627,000. The City and RDA executed a joint funding agreement with the County for the County’s portion and agreed to collect loan payments for the entire loan and disburse County fund repayments as received.

The total outstanding loan principal balance as of May 31, 2012 due all parties was $2,627,000. Interest is accruing. Deferred interest receivable as of May 31, 2012 was $386,561 for RDA Housing, $35,697 for CDBG and $89,243 for the County of San Mateo, for a total of $511,501.

<table>
<thead>
<tr>
<th>Term</th>
<th>RDA Housing Loan Amount</th>
<th>Balance</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple interest at 3% per annum for a 40-year term with annual payments from net cash flow</td>
<td>$1,927,000</td>
<td>$1,927,000 principal and $386,561 deferred interest receivable</td>
<td>December 2045</td>
</tr>
</tbody>
</table>
March 7, 2011

Q: Redwood City’s Redevelopment Agency (Agency) sold seven properties to the City for $10 apiece. Has this been reversed?
A: No.

Q: Agency used Low and Moderate Income Housing Funds (LMIH) funds to purchase 8.2 acres in Docktown for affordable housing, parks, and open space at 1548 Maple. Gave money to City to complete the projects. Was this permitted under AB 26 and 27?
A: The purchase transaction did not take place and therefore no review of this proposed but abandoned transaction is necessary under AB 26 and 27.

June 27, 2011

Q: Appropriated $3.6 of remaining unappropriated LMIH funds to “housing projects.” Has this been reversed?
A: Given the dissolution of the RDA, the LMIHF will not be spending these appropriations (i.e. budget), and they will lapse.

Q: Also re--established a $1.5M debt service reserve fund 80% RDA general funds and 20% LMIH. Is this allowed?
A: Yes, this is allowed as debt service reserve was erroneously applied by the bond trustee to the early pay off of the 1997 tax allocation bonds in fiscal year 2009-10. Reestablishing this bond reserve also satisfied the bond reserve requirement for the 2003 tax allocation bonds, and therefore had to be reestablished as the 2003 tax allocation bonds are still outstanding debt.

September 12, 2011

Q: Transferred $4.9M to City to make AB 27 remittance payments. Has this been recaptured by the Successor Agency (SA)?
A: As AB 1 X27 was struck down by the court, this amount was never transferred, and therefore, no recapture is necessary.

December 12, 2011

Q: Annual Agency report in the Balance Sheet Liabilities and Other Credits section, there is $11.9 million in the LMIH “unreserved, undesignated” and $7.1M reserved. How much of the two items are attached to enforceable obligations under AB 26?

The total fund balance as of June 30, 2011 was approximately $19 million and was comprised of the following:
$3.968M  Designated for loans receivable, transferred to the City’s Housing Fund in FY 11-12.

$2.250M  Designated for a long-term advance receivable tied to the SERAF repayment agreement, transferred to the City’s Housing Fund in FY 11-12.

$10.3M  Designated for housing purposes related to Legal Aid Society agreement, transferred to the City’s Housing Fund in FY 11-12.

$.005M  Encumbered balance for purchase orders, transferred to the City’s Housing Fund in FY 11-12.

$.8M  Other EOPS/ROPS items.

$1.677M  Undesignated.

$19.0M

Q: On the Assets and Other Debits page, there is $12.9 million in the LMIH fund in cash and imprest cash and $1.7 million in the capital projects fund (also $1.6 million in cash with fiscal agents). What is this?

A: The cash in the LMIH Fund includes certain obligated amounts, such as $10.3 million received under the Legal Aid Society agreement and $.8 million for other EOPS/ROPS items. Additionally, $.048 million represented the Jim Smith Housing Trust (funds donated by private parties).

[After accounting for all obligations, the City estimates that the LMIHF (Successor Agency Housing Fund) contains $1.896 available balance at June 30, 2012.]

$1.7 million in the capital projects fund is cash as of June 30, 2011 in the general RDA fund. However, there were accounts payable items totaling $.830 million ($.727 million payable to other agencies pursuant to pass through agreements) which were subsequently paid out of this cash balance.

[After accounting for all EOPS/ROPS obligations, there is a negative cash balance as of June 30, 2012 which the City will need to cover out of its general fund.]

$1.6 million cash with fiscal agents is made up of $.109 million in unspent bond proceeds and $1.571 million in cash with fiscal agent, which was subsequently used for the July 15, 2011 debt service payment for the 2003 tax allocation bonds.
To: Oversight Board Members  
From: Brian Ponty, Director of Finance  
Date: July 19, 2012  
Re: Information Only Report: Communications with the State Department of Finance

City staff has been in communication with staff at the State Department of Finance (DOF) over several issues since the most recent (May 1st) Oversight Board meeting. These communications have involved items on the first and second ROPS that have been initially disqualified by the DOF along with the handling of the $680,000 transfer to the trustee that was discussed under agenda item V.

For the most part our communications with the DOF have focused on the loan from the City to the RDA and the funds transferred to the trustee from the fall 2011 tax apportionment.

The following is a summary of our communications with the DOF. Attached are copies of the correspondence between the city and the DOF for your review.

April 27 – Correspondence from the DOF disqualifying certain items on the 1st ROPS.

May 8 – Correspondence from Brian Ponty to the DOF (to Randy Enriquez and Mark Hill) seeking reconsideration of decision concerning items No. 6 and No. 7 on the 1st ROPS.

May 17 – Correspondence from the DOF disqualifying certain items on the 2nd ROPS.

May 31 – Correspondence from the DOF indicating review of the revised 1st ROPS (item V on today’s agenda) and disqualifying the same items on this ROPS that were disqualified by the DOF on their April 27th ROPS. A significant element of the correspondence is that the DOF did not disqualify the higher amount requested on line three for the interest payments on the 2003 TABS.
June 1 – Correspondence to the DOF appealing decision concerning the qualification of the loan from the City to the RDA as being eligible for repayment from the Redevelopment Property Tax Trust Fund (RPTTF).

In addition to the above communications there have been several phone conversations, all with Robert Scott from the DOF, for the purpose of clarifying the DOF’s position on certain items they disqualified and the handling of the $680,000 transfer to the trustee of the 2003 TABS. During one of these conversations which occurred on May 15th Mr. Scott indicated the liabilities related to retirement (PERS and retiree health coverage or OPEB) were likely considered enforceable obligations and that DOF would need to review the methodology for determining the amounts on the ROPS. A recent on-line survey conducted by the California Society of Municipal Finance Officers found that a number of cities and at least one County were successful in receiving DOF approval for payment of their retirement obligations.

At this point we have only one open item with the DOF – the repayment of the loan the City made to the RDA in 2005. This matter appears on the 1st ROPS (items 6 and 7 on page 1 – $807,792) and on the 2nd ROPS (items 5 and 6 on Page 1 – $114,882). We have furnished the DOF with our position on this matter on several occasions, the most recent being June 1, 2012, and are awaiting their response to this most recent appeal.

On each of the ROPS approved by the Oversight Board, based on the Agreed Upon Procedures (AUP) report from Macias, Gini, and O’Connell (MGO), the City listed the amount owed under the agreement with the Legal Aid Society as a pass through payment. The County Controller is questioning the handling of this obligation as they believe this obligation does not fit the definition of pass through agreement.

We have been advised by the County Controller that when MGO issues their final AUP report they will be removing this item from the pass through payment section and will be recommending that it be included as an enforceable obligation. Should this transpire we will then include this as an enforceable obligation on the 3rd ROPS (January through June 2013) and request approval by the Oversight Board. If approved by the Oversight Board it will then be put through the process to determine if the DOF concurs that is an enforceable obligation.

______________________
Brian Ponty
Finance Director, Successor Agency

ATTACHMENTS
1. Correspondence with the State Department of Finance
April 27, 2012

Brian Ponty, Finance Director
City of Redwood City
1017 Middlefield Road
Redwood City, CA 94063

Dear Mr. Ponty:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Redwood City (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, item 6 and 7 for Capital Improvements totaling $2.5 million. HSC section 34171(d)(2) states loan arrangements between the City and the former redevelopment agency not enforceable obligations. This item is to pay back bonds issued by the city.

- HSC section 34171 (b) limits administrative costs to five percent of property tax allocated or $250,000, whichever is greater. Five percent of the property tax allocated is $95,133. Therefore, $848,427 of the claimed $1,098,427 is not an EO. The following items are costs: Page 1 – Items 9, 10, 12, 35, 40, 41, 43, 46 and Page 3 – Item 1.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 322-2985.

Sincerely,

[Signature]
MARK HILL
Program Budget Manager

cc: Ms. Kristen Mees, Economic Development Secretary, Redwood City
Mr. Bob Adler, Auditor Controller, San Mateo County
May 8, 2012

Mark Hill
Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Hill:

We have reviewed your correspondence dated April 27, 2012 concerning the Recognized Obligations Payments Schedule (ROPS) approved on April 12, 2013 by the Oversight Board to the Successor Agency to the Redevelopment Agency of Redwood City. Regrettably, we are not in concurrence to the findings contained within this correspondence and respectfully request an opportunity to discuss these with you at your earliest convenience.

In connection with your finding concerning the loan agreement between the City of Redwood City and the former Redevelopment Agency I am enclosing a copy of a letter that I recently sent to Mr. Randy Enríquez at the State Department of Finance.

Could you please call me at 650.780.7072 so we can decide upon a mutually convenient time to discuss your April 27th correspondence so that we can explore solutions to resolve our differences in interpreting AB1 X26?

I thank you in advance for your cooperation and look forward to hearing from you.

Sincerely,

[Signature]

Brian Ponty
Finance Director

Enclosure

c: Mr. Bob Adler, Auditor Controller, San Mateo County
   Ms. Kristen Mees, Economic Development Secretary, Redwood City
   Ms. Veronica Ramirez, Deputy City Attorney, City of Redwood City
May 8, 2012

Mr. Enriquez:

Thank you for your response on April 24, 2012 concerning Items No. 6 and No. 7 (Capital improvements in the downtown) on the ROPS approved on April 9, 2012 by the City of Redwood City City Council. However, we respectfully disagree with your conclusion, and ask that you reconsider your conclusion that Items No. 6 and No. 7 are not enforceable obligations.

As you point out, the definition of "Indebtedness obligations" described in HSC Section 34171 (e), includes debt issued directly by the redevelopment agency, or a joint exercise of powers authority created by the redevelopment agency.

We believe that the above obligations are enforceable obligations under the provisions of HSC 34171 (e) because the City of Redwood City Public Finance Authority, a joint exercise of powers between the City of Redwood City and the Redevelopment Agency of the City Redwood City, was the bond issuer. Enclosed for your review is a copy of the joint exercise of powers agreement between the City of Redwood City and the Redevelopment Agency of the City of Redwood City, as well as relevant sections of the Official Statement for the bonds.

Items No. 6 and No. 7 are for repayment of a loan agreement between the City and the Redevelopment Agency specifically entered into in connection with the Public Finance Authority bond issuance.

In 2003, the Public Finance Authority issued $11,475,000 of bonds to refund a portion of bonds issued by the City in 1991 and to provide funds to loan to the Redwood City Redevelopment Agency for the purpose of assisting in the financing of programs, projects, and activities relating to the Project Area No. 2. Repayment of this loan is appropriately included in the Successor Agency’s draft ROPS because it is an enforceable obligation under Health and Safety Code Section 34171(d)(2). It is an obligation
supported by a written agreement solely securing or repaying the City in connection with bonds issued by the Public Finance Authority for the purpose of loaning funds to the Redevelopment Agency. Regrettably we did not make this clear in our correspondence to you dated April 4, 2012 and apologize for the oversight and ensuing confusion.

We respectfully request that the Department of Finance reconsider the determination made with respect to Items No. 6 and No. 7 made on April 24, 2012.

Sincerely,

Brian Ponty
Director of Finance
City of Redwood City

Enclosures
1. Relevant Sections of Official Statement
2. Joint exercise of powers agreement between the City of Redwood City and the Redevelopment Agency of the City of Redwood City

C: Mr. Bob Adler, Controller, San Mateo County
   Mr. Robert Bell, City Manager, City of Redwood City
   Ms. Pamela Thompson, City Attorney, City of Redwood City
   Ms. Veronica Ramirez, Assistant City Attorney, City of Redwood City
   Mr. Bill Ekern, Community Development Director, City of Redwood City
   Ms. Alison Freeman, Financial Services Manager, City of Redwood City
   Ms. Kristen Mees, Secretary, City of Redwood City
7. Communications with DOF Attachment 1

In the opinion of Nossaman, Guinier, Knox & Elliott, LLP, Irvine, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "TAX EXEMPTION" herein with respect to tax consequences with respect to the Bonds.

$11,475,000
City of Redwood City Public Financing Authority
Lease Revenue Bonds
Series 2003

Dated: Date of Delivery
Due: July 15, as shown below

The $11,475,000 City of Redwood City Public Financing Authority Lease Revenue Bonds, Series 2003 (the "Bonds") are being issued by the City of Redwood City Public Financing Authority (the "Authority") to provide funds to (i) refund the Authority's remaining outstanding 1991 Local Agency Revenue Bonds, Series A (the "1991 Bonds"), (ii) finance the acquisition and construction of certain infrastructure improvements, (iii) establish a reserve fund, and (iv) pay certain costs incurred in connection with execution and delivery of the Bonds. Interest represented by the Bonds is payable semiannually on each January 15 and July 15, commencing July 15, 2004.

The Bonds are special obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority consisting primarily of payments to be made by the City of Redwood City (the "City"), for the right to the use of certain real property and improvements thereon (the "Leased Property") pursuant to a Subordinate Lease Agreement dated November 1, 2003 (the "Lease Agreement"), by and between the City, as lessee, and the Authority as lessor.

The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments.

The Bonds will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Interest and principal represented by the Bonds are payable by BNY Western Trust Company, Los Angeles, California, as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See "APPENDIX E - DTC and the Book-Entry System" and "THE BONDS - General."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS - Redemption."

Payment of the principal and interest with respect to the Bonds when due will be insured by a Financial Guaranty Insurance policy to be issued by Ambac Assurance Corporation simultaneously with delivery of the Bonds.

Ambac

The obligation of the City to make the Lease Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

<table>
<thead>
<tr>
<th>Maturity (July 15)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Interest Yield</th>
<th>CUSIP 75788S</th>
<th>Maturity (July 15)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Interest Yield</th>
<th>CUSIP 75788S</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$670,000</td>
<td>2.500%</td>
<td>1.100%</td>
<td>AP3</td>
<td>2011</td>
<td>$340,000</td>
<td>3.200%</td>
<td>3.300%</td>
<td>AW8</td>
</tr>
<tr>
<td>2005</td>
<td>715,000</td>
<td>2.500%</td>
<td>1.300%</td>
<td>AQ1</td>
<td>2012</td>
<td>750,000</td>
<td>3.500%</td>
<td>3.550%</td>
<td>AX6</td>
</tr>
<tr>
<td>2006</td>
<td>735,000</td>
<td>2.500%</td>
<td>1.650%</td>
<td>AR9</td>
<td>2013</td>
<td>775,000</td>
<td>3.750%</td>
<td>3.750%</td>
<td>AY4</td>
</tr>
<tr>
<td>2007</td>
<td>750,000</td>
<td>2.500%</td>
<td>2.000%</td>
<td>AS7</td>
<td>2014</td>
<td>805,000</td>
<td>3.800%</td>
<td>3.900%</td>
<td>AZ1</td>
</tr>
<tr>
<td>2008</td>
<td>770,000</td>
<td>2.500%</td>
<td>2.250%</td>
<td>AT5</td>
<td>2015</td>
<td>835,000</td>
<td>4.000%</td>
<td>4.000%</td>
<td>BA5</td>
</tr>
<tr>
<td>2009</td>
<td>795,000</td>
<td>2.625%</td>
<td>2.650%</td>
<td>AU2</td>
<td>2016</td>
<td>870,000</td>
<td>4.000%</td>
<td>4.150%</td>
<td>BB3</td>
</tr>
<tr>
<td>2010</td>
<td>820,000</td>
<td>3.000%</td>
<td>3.000%</td>
<td>AV0</td>
<td>2017</td>
<td>345,000</td>
<td>4.100%</td>
<td>4.250%</td>
<td>BC1</td>
</tr>
</tbody>
</table>

$1,500,000 4.375% Special Term Bond Due July 15, 2018; Yield: 4.5%; CUSIP 75788S BD9

CUSIP Copyright 2003, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Nossaman, Guinier, Knox & Elliott, LLP, Irvine, California, Bond Counsel. Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as Disclosure Counsel to the City. In addition, certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about December 18, 2003.

Stone & Youngberg LLC

Dated: December 4, 2003
All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from tax and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE FINANCING PLAN

The net proceeds of the sale of the Bonds will be used to (i) provide funds to refund the Authority’s 1991 Local Agency Revenue Bonds, Series A (the “1991 Bonds”), issued in the original principal amount of $26,715,000, and currently outstanding in the aggregate amount of $6,725,000, (ii) finance the acquisition and construction of certain infrastructure improvements (the “Projects”), (iii) fund a reserve fund for the Bonds, and (iv) pay certain costs incurred in connection with the issuance of the Bonds.

In July 1998, the Authority issued its 1998 Lease Refunding Bonds (Capital Facilities Project) (the “1998 Bonds”) to refund, on July 15, 2001, $10,995,000 of the principal amount of the 1991 Bonds, which constituted some, but not all, of the then outstanding 1991 Bonds. The 1998 Bonds are secured by lease payments made by the City under a Sub-Lease Agreement dated March 1, 1998, which is a sublease under a lease agreement entered into in 1991 in connection with the issuance of the 1991 Bonds. In connection with the issuance of the Bonds, the City and the Authority are entering into the Subordinate Lease Agreement, which constitutes a sublease under the 1998 Sub-Lease Agreement. See “RISK FACTORS – Priority of Lease Agreement Upon Destruction of Leased Property or Eminent Domain.”

Refunding of Remaining 1991 Bonds. Proceeds of the Bonds used to redeem all of the outstanding 1991 Bonds, together with certain funds held in the funds and accounts related to the 1991 Bonds and made available through the defeasance of the outstanding 1991 Bonds, will be deposited in an Escrow Fund to be established pursuant to an Escrow Deposit and Trust Agreement, dated as of December 1, 2003 (the “Escrow Agreement”), by and among the City and U. S. Bank National Association, as escrow bank (the “Escrow Bank”). The moneys in the Escrow Fund will be applied by the Escrow Bank to the prepayment of the 1991 Bonds approximately 30 days after the date of issuance of the Bonds. Any amounts remaining in the Escrow Fund following the full redemption of the 1991 Bonds shall be transferred by the Escrow Bank to the City. The deposit with the Escrow Bank will result in the defeasance of the 1991 Bonds pursuant to the provisions of the 1991 Indenture, as of the date of the deposit.

The moneys held by the Escrow Bank are pledged to the payment of the 1991 Bonds. Amounts deposited with the Escrow Bank are not available for the payment of principal of and interest on the Bonds.

The Projects. Net proceeds of the Bonds not used for refunding of the 1991 Bonds are expected to be used for City capital improvements and to make a loan to the City’s redevelopment agency for the purpose of assisting in the financing of programs, projects and activities relating to the Project Area No 2, which includes the downtown area of the City.
7. Communications with DOF Attachment 1

ESTIMATED SOURCES AND USES OF FUNDS

The Trustee will receive the proceeds from the sale of the Bonds, upon delivery of the Bonds to the purchasers thereof, and will use such proceeds, exclusive of accrued interest, as set forth in the following table.

Sources:
- Par Amount of Bonds $11,475,000.00
- Plus: Net Original Issue Premium 4,573.30

Total Sources: 11,479,573.30

Uses:
- Deposit to Escrow Fund $5,674,822.97
- Deposit to Project Fund 4,390,000.00
- Deposit to Reserve Fund 1,077,052.50
- Deposit to Costs of Issuance Fund (1) 337,697.83

Total Uses: 11,479,573.30

(1) Includes legal, financial advisory, rating agency and printing costs, underwriter’s discount, bond insurance premium and other miscellaneous costs of issuance.

THE LEASED PROPERTY

Under the Lease, the City leases the Leased Property from the Authority. The Leased Property consists of the following real properties, which may be substituted or removed by the City upon satisfaction of certain conditions set forth in the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Substitution or Removal of Leased Property" below.

The Leased Property. The property to be subleased by the Authority and then subleased back to the City under the terms of the Lease Agreement consists of the following properties located within the City:

<table>
<thead>
<tr>
<th>Property</th>
<th>Lot Size (Acres)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Library</td>
<td>2.83</td>
<td>45,028 square foot main library completed in 1998 and the adjacent parking lots</td>
</tr>
<tr>
<td>Fire Station No. 1</td>
<td>.76</td>
<td>23,457 square foot main fire station with fire administration offices completed in 1987</td>
</tr>
<tr>
<td>Red Morton Park</td>
<td>19.67</td>
<td>City park (includes community center located in the park)</td>
</tr>
</tbody>
</table>
$26,715,000
CITY OF REDWOOD CITY PUBLIC FINANCING AUTHORITY
1991 LOCAL AGENCY REVENUE BONDS,
SERIES A

CERTIFICATE REGARDING EFFECTIVENESS
OF JOINT POWERS AGREEMENT

The undersigned hereby states and certifies:

(i) that he is the duly elected or appointed, qualified and acting Secretary of the City of Redwood City Public Financing Authority, a joint powers agency organized and existing under the laws of the State of California (the "Authority") and operating pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Act") and pursuant to that certain joint exercise of powers agreement dated June 18, 1991 (the "Agreement"), by and between the City of Redwood City and the Redevelopment Agency of the City of Redwood City, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that attached hereto is a true, correct and complete copy of the Agreement, which Agreement has not been further amended, modified supplemented, rescinded or repealed, and is in full force and effect as of the date hereof; and

(iii) that all required filings have been made with the Secretary of State of the State of California, and the Authority is in good standing as a joint exercise of powers agency under the Act.

Dated: August 7, 1991

CITY OF REDWOOD CITY PUBLIC FINANCING AUTHORITY

By: James M. Smith, Secretary
JOINT EXERCISE OF POWERS AGREEMENT

BY AND BETWEEN THE

CITY OF REDWOOD CITY

AND THE

REDEVELOPMENT AGENCY OF
THE CITY OF REDWOOD CITY
JOINT EXERCISE OF POWERS AGREEMENT

THIS AGREEMENT, dated as of June 1991, by and between the CITY OF REDWOOD CITY, a municipal corporation duly organized and existing under the laws of the State of California (herein called the "City"), and the REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called "Agency").

WITNESSETH:

WHEREAS, Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California authorize the City and Agency to create a joint exercise of powers entity (herein called the "City of Redwood City Public Financing Authority" or the "Authority") which has the power to jointly exercise any powers common to the City and Agency;

WHEREAS, the City and Agency are each empowered by law to undertake certain projects and programs;

WHEREAS, the City is authorized to enter into leases for certain public purposes pursuant to the Government Code of the State of California;

WHEREAS, Agency is authorized to enter into leases for any of its corporate purposes pursuant to the provisions of the Community Redevelopment Law;

WHEREAS, the City and Agency have decided to jointly finance various municipal improvements for the City and redevelopment projects for the Agency; and

WHEREAS, the Marks-Roos Local Bond Pooling Act of 1985 (hereinafter defined as the "Bond Law") authorizes agencies formed under the Joint Exercise of Powers Law (hereinafter defined as the "Act") to issue bonds for the purpose of acquiring and constructing Public Capital Improvements (as that term is defined in the Act) and to lease those Public Capital Improvements to local agencies;

WHEREAS, by this Agreement, the City and Agency desire to create and establish the City of Redwood City Public Financing Authority for the purposes set forth herein and to exercise the powers described herein;

NOW, THEREFORE, the City and Agency, for and in consideration of the mutual promises and agreements herein contained, do agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the words and terms defined in this Article shall, for the purpose hereof, have the meanings herein specified.
"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State.

"Agreement" means this Joint Exercise of Powers Agreement.

"Auditor and Treasurer" means the Finance Director of the City, designated as Auditor and Treasurer of the Authority in Section 3.02.

"Authority" means the City of Redwood City Public Financing Authority created pursuant to this Agreement.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584), as now or hereafter amended, or any other law hereafter legally available for use by the Authority in the authorization and issuance of Bonds to provide financing for Public Capital Improvements.

"Bonds" means bonds of the Authority issued pursuant to Section 6590 or 6591 of the Bond Law.

"Chairman" means the chairman of the Authority.

"Commission" means the Commission referred to in Section 2.03, which shall be the governing body of the Authority.

"Commissioners" means the representatives of the Members appointed to the Commission pursuant to Section 2.03.

"Fiscal Year" means the period from July 1 to and including the following June 30.

"Members" and "Member" means each of the parties to this Agreement and "Member" means any such party.

"Public Agency" means any public agency authorized by the Act to enter into a joint exercise of powers agreement with the Members.

"Public Capital Improvement" has the meaning given to such term in Section 6585(g) of the Act, as in effect on the date hereof, and as hereinafter amended.

"Secretary" means the secretary of the Authority.

"State" means the State of California.

"Vice Chairman" means the vice chairman of the Authority.

ARTICLE II
GENERAL PROVISIONS

Section 2.01. Purpose. The purpose of this Agreement is to provide for the financing of Public Capital Improvements for the Members through the issuance of Bonds by the Authority, the leasing of the Public Capital Improvements to the Members,
the making of loans to the Members, and the acquisition and refunding of obligations issued by the Members to finance Public Capital Improvements.

Section 2.02. Creation of Authority. Pursuant to the Act, there is hereby created a public entity to be known as the "City of Redwood City Public Financing Authority". The Authority shall be a public entity separate and apart from the Members, and shall administer this Agreement.

Section 2.03. Commission. The Authority shall be administered by a Commission consisting of seven (7) Commissioners. The Mayor, Vice-Mayor, and members of the City Council of the City and the Chairman, Vice-Chairman, and Members of the governing body of the Agency ex officio shall constitute the Chairman, Vice-Chairman, and Commissioners of the Authority, respectively. The number of Commissioners may be changed by amendment of this Agreement. The Commission shall be called the "Commission of the City of Redwood City Public Financing Authority". All voting power of the Authority shall reside in the Commission.

Section 2.04. Meetings of the Commission.

(a) Regular Meetings. The Commission shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Commission and a copy of such resolution shall be filed with each of the Members.

(b) Special Meetings. Special meetings of the Commission may be called in accordance with the provisions of Section 54956 of the Government Code of the State.

(c) Call, Notice and Conduct of Meetings. All meetings of the Commission, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of Sections 54950 et seq. of the Government Code of the State.

Section 2.05. Minutes. The Secretary shall cause to be kept minutes of the meetings of the Commission and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Commissioner and to each of the Members.

Section 2.06. Voting. Each Commissioner shall have one vote.

Section 2.07. Quorum; Required Votes; Approvals. Commissioners holding a majority of the votes shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time. The affirmative votes of at least a majority of the Commissioners shall be required to take any action by the Commission.

Section 2.08. Bylaws. The Commission may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary for the purposes hereof.
ARTICLE III
OFFICERS AND EMPLOYEES

Section 3.01. Chairman and Vice-Chairman. The officers shall perform the duties normal to said offices; and

(a) the Chairman shall sign all contracts on behalf of the Authority, and shall perform such other duties as may be imposed by the Commission; and

(b) the Vice Chairman shall act, sign contracts and perform all of the Chairman's duties in the absence of the Chairman.

Section 3.02. Secretary. The City Manager of the City is hereby designated as the Secretary of the Authority. The Secretary shall countersign all contracts signed by the Chairman or Vice Chairman on behalf of the Authority, perform such other duties as may be imposed by the Commission and cause the Secretary of State's standard form relating to joint exercise of powers agreements to be filed with the California Secretary of State pursuant to the Act.

Section 3.03. Auditor and Treasurer. Pursuant to Section 6505.6 of the Act, the Finance Director of the City is hereby designated as the Auditor and Treasurer of the Authority. The Auditor and Treasurer shall be the depository, shall have custody of all of the accounts, funds and money of the Authority from whatever source, shall have the duties and obligations set forth in Sections 6505 and 6505.5 of the Act and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of the Authority.

Section 3.04. Officers in Charge of Records, Funds and Accounts. Pursuant to Section 6505.1 of the Act, the Auditor and Treasurer shall have charge of, handle and have access to all accounts, funds and money of the Authority and all records of the Authority relating thereto; and the Secretary shall have charge of, handle and have access to all other records of the Authority.

Section 3.05. Bonding Persons Having Access to Public Capital Improvements. From time to time, the Commission may designate persons, in addition to the Secretary and the Auditor and Treasurer, having charge of, handling or having access to any records, funds or accounts of the Authority, and the respective amounts of the official bonds of the Secretary and the Auditor and Treasurer and such other persons pursuant to Section 6505.1 of the Act.

Section 3.06. Legal Advisor. The City Attorney of the City is hereby designated as general counsel to the Authority, to perform such duties as may be prescribed by the Commission.

Section 3.07. Other Employees. The Commission shall have the power to appoint and employ such other consultants and independent contractors as may be necessary for the purposes of this Agreement.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents, or employees of a Public Agency when performing their respective functions shall apply to them to the same degree and
extent while engaged in the performance of any of the functions and other duties under this Agreement.

None of the officers, agents, or employees directly employed by the Commission shall be deemed, by reason of their employment by the Commission to be employed by any Member or, by reason of their employment by the Commission, to be subject to any of the requirements of the Members.

Section 3.08. Assistant Officers. The Commission may appoint such assistants to act in the place of the Secretary or other officers of the Authority (other than any Commissioner) as the Commission shall from time to time deem appropriate.

ARTICLE IV

POWERS

Section 4.01. General Powers. The Authority shall exercise in the manner herein provided the powers common to each of the Members and necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04, including but not limited to the common power of eminent domain with respect to Public Capital Improvements. As provided in the Act, the Authority shall be a public entity separate from the Members.

Section 4.02. Powers Under the Bond Law. The Authority shall have all of the powers provided in Article 4 of the Act (commencing with Section 6584), including but not limited to the power to issue Bonds under the Bond Law.

Section 4.03. Specific Powers. The Authority is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

(a) to make and enter into contracts;
(b) to employ agents or employees;
(c) to acquire, construct, manage, maintain or operate any buildings, works or improvements;
(d) to acquire, construct, hold and dispose of Public Capital Improvements, including the leasing of such Public Capital Improvements to any Member;
(e) to sue and be sued in its own name;
(f) to incur debts, liabilities or obligations, provided that no debt, liability or obligation shall constitute a debt, liability or obligation of any of the Members;
(g) to apply for, accept, receive and disburse grants, loans and other aids from any agency of the United States of America or of the State;
(h) to invest any money in the treasury pursuant to Section 6505.5 of the Act that is not required for the immediate necessities of the Authority, as the Authority determines is advisable, in the same manner and upon the same
conditions as local agencies, pursuant to Section 53601 of the Government Code of the State;

(i) to apply for letters of credit or other form of credit enhancement in order to secure the repayment of its Bonds and enter into agreements in connection therewith;

(j) to carry out and enforce all the provisions of this Agreement;

(k) to make Loans to or otherwise acquire obligations issued by any Member; and

(l) to exercise any and all other powers as may be provided in the Act, including but not limited to powers granted under the Bond Law.

Section 4.04. Restrictions on Exercise of Certain Powers. The powers of the Authority shall be exercised in the manner provided in the Act and in the Bond Law, and, except for those powers set forth in the Bond Law, shall be subject (in accordance with Section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the City in the exercise of similar powers.

Section 4.05. Obligations of Authority. The debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of any of the Members.

ARTICLE V

METHODS OF PROCEDURE; CREDIT TO MEMBERS

Section 5.01. Assumption of Responsibilities By the Authority. As soon as practicable after the date of execution of this Agreement, the Commissioners shall give notice (in the manner required by Section 2.04) of the organizational meeting of the Commission. At said meeting the Commission shall provide for its regular meetings as required by Section 2.04.

Section 5.02. Delegation of Powers. Each of the Members hereby delegates to the Authority the power and duty to acquire and to finance, by lease, lease-purchase, installment sale agreements, loan agreements or otherwise, such Public Capital Improvements as are necessary or convenient for the purposes of the Members.

Section 5.03. Credit to Members. All accounts or funds created and established pursuant to any trust agreement or indenture to which the Authority is a party, and any interest earned or accrued thereon, shall inure to the benefit of the respective Members for which such funds or accounts were created.

ARTICLE VI

CONTRIBUTION; ACCOUNTS AND REPORTS; FUNDS

Section 6.01. Contributions. The Members may in the appropriate circumstance when required hereunder: (a) make contributions from their treasuries for the purposes set forth herein, (b) make payments of public funds to defray the cost of such purposes, (c) make advances of public funds for such purposes, such advances to be repaid as provided
herein, or (d) use its personnel, equipment or property in lieu of other contributions or advances. The provisions of Government Code 6513 are hereby incorporated into this Agreement.

Section 6.02. Accounts and Reports. To the extent not covered by the duties assigned to a trustee chosen by the Authority, the Auditor and Treasurer shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any trust agreement or indenture entered into with respect to the proceeds of any Bonds issued by the Authority. The books and records of the Authority in the hands of a trustee or the Auditor and Treasurer shall be open to inspection at all reasonable times by representatives of the Members. The Auditor and Treasurer of the Authority, within 180 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to the Members to the extent such activities are not covered by the report of such trustee. The trustee appointed under any trust agreement or indenture shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said trust agreement or indenture. Said trustee may be given such duties in said trust agreement or indenture as may be desirable to carry out this Agreement.

Section 6.03. Funds. Subject to the applicable provisions of any trust agreement or indenture which the Authority may enter into, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Auditor and Treasurer of the Authority shall receive, have the custody of and disburse Authority funds as nearly as possible in accordance with generally accepted accounting practices, shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

Section 6.04. Administrative Expenses. The Members shall pay their proportionate share (determined on the basis of a Member’s percentage share of any financings completed by the Authority) of administrative expenses of the Authority.

ARTICLE VII

TERM; DISPOSITION OF ASSETS

Section 7.01. Term. This Agreement shall become effective as of the date of execution hereof by the parties hereto, and shall continue in full force and effect so long as bonds of the Authority are outstanding or so long as any agreements to which the Authority is a party remain outstanding.

Section 7.02. Disposition of Assets. Upon termination of this Agreement, all property of the Authority, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Notices. Notices hereunder shall be in writing and shall be sufficient if addressed to the City Manager, in the case of the City, and the Executive Director, in the case of the Agency, and delivered to:
City Manager  
City of Redwood City  
City Hall  
1017 Middlefield Road  
Redwood City, California 94063

Executive Director  
Redevelopment Agency of the City of Redwood City  
884 Main Street  
Redwood City, California 94064

Section 8.02. Section Headings. All section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing the language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 8.03. Consent. Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 8.04. Law Governing. This Agreement is made in the State under the constitution and laws of the State and is to be so construed.

Section 8.05. Amendments. This Agreement may be amended at any time, or from time to time, except as limited by contract with the holders of Bonds issued by the Authority or certificates of participation in payments to be made by the Authority or the Members or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including without limitation addition of new parties (including any legal entities or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 8.06. Enforcement by Authority. The Authority is hereby authorized to take any or all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement.

Section 8.07. Severability. Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 8.08. Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors of the respective Members. Neither of the Members may assign any right or obligation hereunder without the written consent of the other Member.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

CITY OF REDWOOD CITY

By: ____________________________

Mayor

[SEAL]

ATTEST

______________________________

City Clerk

REDEVELOPMENT AGENCY OF THE
CITY OF REDWOOD CITY

By: ____________________________

Chairman

[SEAL]

ATTEST:

______________________________

Secretary

[Seal] Deputy City Clerk

(Seal)
May 17, 2012

Brian Ponty, Finance Director
City of Redwood City
1017 Middlefield Road
Redwood City, CA 94063

Dear Mr. Ponty:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Redwood City (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 9, 2012 for the period July through December 2012.

On April 27, 2012, Finance sent a letter stating the results of the review on the ROPS for January through July 2012. Using the documentation previously requested, it was determined the following items still do not qualify as EOs:

Page 1, item Nos. 5 and 6 for Capital Improvements totaling $1.6 million. HSC section 34171(d)(2) states loan arrangements between the City and the former redevelopment agency are not enforceable obligations.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Kristen Mees, Economic Development Secretary, City of Redwood City
Mr. Bob Adler, Auditor Controller, San Mateo County
Ms. Shirley Tourel, Manager, Auditor Controller's Office, San Mateo County
May 31, 2012

Brian Ponty, Finance Director
City of Redwood City
1017 Middlefield Road
Redwood City, CA 94063

Dear Mr. Ponty:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (1) (2) (C), the Redwood City Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 29, 2012 for the period January to June 2012 and on May 9, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

**January through June 2012**

- Page 1, item 6 and 7 for Capital Improvements totaling $2.5 million. HSC section 34171 (d) (2) states loan arrangements between the City and the former redevelopment agency not enforceable obligations. This item is to pay back bonds issued by the city.

- HSC section 34171 (b) limits administrative costs to five percent of property tax allocated or $250,000, whichever is greater. Five percent of the property tax allocated is $95,133. Therefore, $848,427 of the claimed $1,098,427 is not an EO. The following items are costs: Page 1 – Items 9, 10, 12, 35, 40, 41, 42, 46 and Page 3 – Item 1.

**July through December 2012**

- Page 1, item No. 5 and 6 for Capital Improvements totaling $1.6 million. HSC section 34171(d) (2) states loan arrangements between the City and the former redevelopment agency are not enforceable obligations.

Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS for both periods. This letter supersedes previous letters sent from out office and is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included
on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of Redevelopment Property Tax Trust Fund (RPTTF) that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 322-2985.

Sincerely,

[Signature]

MARK HILL
Program Budget Manager

cc: Ms. Kristen Mees, Economic Development Secretary, City of Redwood City
    Mr. Bob Adler, Auditor Controller, San Mateo County
    Ms. Shirley Tourel, Manager, Auditor Controller of San Mateo
June 1, 2012

Mr. Robert Scott  
State of California  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Subject: Appeal of Department of Finance Decision

Dear Mr. Scott:

Thank you for time these past few weeks to discuss the questions I have posed concerning the State Department of Finance's ("DOF") position on certain items on the Recognized Obligation Payment Schedule ("ROPS") that we have submitted, and particularly, the assistance you provided in connection with the $680,224 understatement on the ROPS we submitted for the January through June 2012 period and our concern about the treatment of the pension liabilities on our ROPS. I appreciate your taking the time to understand the reasons behind this understatement and approve the requested higher amount. Moreover, I appreciate your willingness to remove, as discussed on May 15th, the pension obligations from your list of disqualified items to provide us additional time to work with our Oversight Board and the DOF on this item.

As we discussed on May 15 there is one remaining item in dispute; the loan the City made to the former Redevelopment Agency in 2005. Based upon our discussion I understand that the DOF is disputing the use of Redevelopment Property Tax Trust Funds ("RPTTF") for any bond repayments before and after February 1, 2012.

As to the use of RPTTF for the $807,792 payment made in January 2012, there is no question or dispute that the Bond Loan was an enforceable obligation as of January 2012. SBX1 26 is clear in providing that agreements between redevelopment agencies and their sponsoring cities are enforceable obligations through January 31, 2012. (See Section H&S Code Section 34167(2) and (5).) Under H&S Code Section 34167(h), the Redevelopment Agency could only make payments listed in the adopted EOPS. The Redwood City Redevelopment Agency included an $807,792 payment for the Bond Loan as an enforceable obligation, and as required under H&S Code Section 34169 the agency made the Bond Loan payment in January consistent with the EOPS schedule. Furthermore, the Successor Agency then included such Bond Loan payment in the Initial ROPS. The property tax apportionment of last fall is to fund all enforceable obligations from January through June 2012. Again, though we may be in disagreement as to the effectiveness of the Bond Loan as of February 1, 2012, the Bond Loan is an
enforceable obligation as of January 2012 and therefore, the Agency made an appropriate use of the tax apportionment for the Bond Loan payment.

As to the Bond Loan’s effectiveness as an enforceable obligation as of February 1, 2012, we continue to disagree with the DOF’s conclusion that the Bond Loan is no longer an enforceable obligation as of February 1, 2012. The Bond Loan was appropriately included as an enforceable obligation in the agency’s ROPS after February 1, 2012 under H&S Code Section 34171(d)(2). The Redwood City Public Finance Authority ("PFA"), a joint powers authority of Redwood City and the Redwood City Redevelopment Agency issued the bonds. In 2003, the PFA issued $11,475,000 of bonds. $3,000,000 of the proceeds of the bond issue were issued to provide a loan to the Redevelopment Agency to assist in financing programs, projects, and activities relating to Redevelopment Project Area No. 2 – the City’s Downtown (See Official Statement, Financing Plan, page 3). In 2003, the Redwood City City Council and the Redwood City Redevelopment Agency Board conceptually approved a plan to finance various downtown improvements which relied, in part, on the $3,000,000 Bond Loan from the City to the Agency (see January 24, 2005 Staff Report). Also attached is a copy of the November 3, 2003 staff report requesting authorization to sell the bonds which clearly calls out that a portion of the proceeds will be lent to the Redevelopment Agency. We have provided you with a copy of the JPA Agreement, relevant sections of the Official Statement for the bond issue, and the Bond Loan Agreement, and enclose the documents again for ease of review along with the November 3, 2003 and January 24, 2005 staff reports.

Also enclosed are copies of all correspondence between City staff and the Department of Finance on this matter.

We have made several attempts to resolve this dispute with phone calls and email communications (see attached written communications). We ask that you revisit this item yet again in order to finally resolve this one remaining item in dispute on the Initial ROPS.

I thank you in advance for your anticipated cooperation and am available to respond to any further inquiries you may have concerning this matter.

Sincerely,

Brian Ponzy
Finance Director

Enclosures
2. Staff Report November 3, 2003
3. Official Statement 2003
4. Staff Report January 24, 2005
5. Loan Agreement February 1, 2005
6. Response to Department of Finance inquiry made March 28, 2012
7. Email Correspondence from April 5, 2012
8. Email Correspondence from April 24, 2012
9. Response to Department of Finance inquiry made April 24, 2012
10. Response to Department of Finance inquiry made April 27, 2012
7. Communications with DOF Attachment 1

C:  Mr. Mark Hill, Program Budget Manager, State Department of Finance
    Mr. Bob Adler, Audit Controller, San Mateo County
    Ms. Shirley Tourel, Senior Auditor, San Mateo County
    Mr. Robert Bell, City Manager, City of Redwood City