



REGULAR MEETING

OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF SOUTH SAN FRANCISCO REDEVELOPMENT AGENCY

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

CITY HALL
LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, JULY 10, 2012
2:00 P.M.

PEOPLE OF SAN MATEO COUNTY

You are invited to offer your suggestions. In order that you may know our method of conducting Board business, we proceed as follows:

The regular meetings of the South San Francisco Oversight Board for the Successor Agency to the City of South San Francisco Redevelopment Agency are held on the second Tuesday of each month at 2:00 p.m. in the in the Large Conference Room, Top Floor at City Hall, 400 Grand Avenue, South San Francisco, California.

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the City Clerk's Office located at City Hall. If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda. The address of City Hall is 400 Grand Avenue, South San Francisco, California 94080.

In compliance with Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the South San Francisco City Clerk's Office at (650) 877-8518. Notification 48 hours in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Chairman:

Neil Cullen

Selected by:

Largest Special District of the type in H&R
Code Section 34188

Vice Chair:

Denise Porterfield
Deputy Superintendent, Fiscal and Operational Services
San Mateo County Office of Education

Selected by:

San Mateo County Superintendent of Schools

Board Members:

Mark Addiego
Councilmember, City of South San Francisco
Alternate: Barry Nagel
City Manager, City of South San Francisco

Gerry Beaudin
Principal Planner, City of South San Francisco

Barbara Christensen
Director of Community/Government Relations,
San Mateo County Community College District

Reyna Farrales
Deputy County Manager, San Mateo County

Paul Scannell

Selected by:

Mayor of the City of South San Francisco

Mayor of the City of South San Francisco

Chancellor of California Community College

San Mateo County Board of Supervisors

San Mateo County Board of Supervisors
(Public Member)

Counsel

Michael Roush as Alternate to Craig Labadie

Advisory:

Marty Van Duyn – Assistant City Manager, City of South San Francisco

Jim Steele – Finance Director, City of South San Francisco

Steve Mattas – City Attorney, City of South San Francisco

Krista Martinelli – City Clerk, City of South San Francisco

Armando Sanchez – Redevelopment Consultant, City of South San Francisco

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA REVIEW

PUBLIC COMMENTS

Comments from members of the public on items not on this meeting agenda. The Chair may set time limit for speakers. Since these topics are non-agenda items, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board may refer items to staff for attention, or have a matter placed on a future agenda for a more comprehensive action report.

MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes of the Regular Meeting of June 12, 2012.
2. Update on recent State Redevelopment-related Clean-up Legislation AB 1484.
3. Information on downgrade of all Redevelopment Agencies' Bond Ratings by Moody's Investor Services.
4. Resolution approving lease criteria and procedures for One Chestnut Avenue.
5. Discussion and Follow-up Questions Regarding Real Property Assets Listed Below.

Address	SCO Asset Transfer Assessment Row Number
559 Gateway Blvd	1
296 Airport Blvd	5
201 Grand Avenue	14
207 Grand Avenue	13
217-219 Grand Avenue	12
200 Linden Avenue	9
212 Baden Avenue	10
216 Baden Avenue	11
480 No. Canal	6
432 Baden Avenue	2
616 Linden Avenue	15
700 Linden Avenue	16
905 Linden Avenue	17
938 Linden Avenue	18
323 Miller Avenue	3
356 Grand Avenue	4
472 Grand/306 Spruce Avenue	7
468 Miller Avenue	8
80 Chestnut Avenue	21
1 Chestnut Avenue	20
APN 093-312-050	19
APN 093-312-060	19

Address	SCO Asset Transfer Assessment Row Number
APN 093-331-050	19
APN 093-331-060	19
APN 011-326-030	19

6. Future Agenda Items.
 - a. Report from Bond Counsel regarding the legal authority of the Oversight Board to approve defeasance of bonds issued by the former Redevelopment Agency.
 - b. FPPC Conflict of Interest Code.
 - c. Administrative Budget: consideration of need for audit/RDA financial consulting assistance.
 - d. Recommendations pertaining to disposition/demolition of properties previously held by the Redevelopment Agency.
 - e. Report on any determination by the State of California Department of Finance on unfunded pension and liabilities being an enforceable obligation of the Successor Agency of a Redevelopment Agency.
 - f. Report on legal analysis pertaining to Harbor District Agreement and consideration of motion approving Harbor District Agreement as enforceable obligation of the Successor Agency.

ADJOURNMENT



REGULAR MEETING MINUTES

DRAFT

OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF SOUTH SAN FRANCISCO REDEVELOPMENT AGENCY

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

Meeting held at:
MUNICIPAL SERVICES BUILDING
COMMUNITY ROOM
33 ARROYO DRIVE
SOUTH SAN FRANCISCO, CA

TUESDAY, JUNE 12, 2012

CALL TO ORDER

Time: 2:01 p.m.

ROLL CALL

Present: Boardmembers Addiego, Beaudin, Christensen, Farrales and Scannell*, Vice Chairperson Porterfield and Chairperson Cullen.

Absent: *Boardmember Scannell left the meeting at 3:00 p.m. and was not present for the bus tour set forth at Agenda Item No. 4(b).

PLEDGE OF ALLEGIANCE

Led by Boardmember Farrales.

AGENDA REVIEW

Chairman Cullen suggested that Item 5 pertaining to the PG&E Lease of 1 Chestnut Avenue be heard prior to the meeting's movement to the bus tour. He proposed that if necessary a determination on the lease could be made during the bus tour portion of the meeting after the board had viewed the property.

Boardmembers agreed to follow this course as necessary.

PUBLIC COMMENTS

Comments from members of the public on items not on this meeting agenda. The Chair may set time limit for speakers. Since these topics are non-agenda items, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section

54954.2). However, the Board may refer items to staff for attention, or have a matter placed on a future agenda for a more comprehensive action report.

None.

MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes of meetings of May 8, 2012 and May 17, 2012.

Motion– Boardmember Addiego/Second– Boardmember Beaudin: to approve the Minutes of meetings of May 8, 2012 and May 17, 2012. Unanimously approved by voice vote.

2. Consideration of a proposal to authorize the City Manager and Assistant City Manager to enter into contracts and agreements for services that are budgeted on the approved recognized obligations payment schedule (ROPS).

Director of Finance Steele presented the staff report recommending the Board authorize the City Manager and Assistant City Manager to enter into contracts and agreements for services that the Board previously approved on ROPS documents. He noted this was consistent with City Policy on similar agreements.

Boardmember Scannell requested that future agendas note agreements entered pursuant to this authority.

Staff agreed.

Motion– Boardmember Christensen/Second– Boardmember Scannell: to authorize the City Manager and Assistant City Manager to enter into contracts and agreements for services that are budgeted on the approved ROPS. Unanimously approved by voice vote.

3. Discussion of timing of County Redevelopment Property Tax Trust Fund (RPTTF) distributions and comparison to staff estimates.

At Chairman Cullen's request, Director of Finance Steele discussed estimates by the County and the City's Finance Department related to RPTTF distributions. He explained the City's estimate did not project distributions to each individual taxing entity, but tried to capture the impact of bond defeasance on the total amount available for distribution. He noted there was not much difference between the County's numbers and the City's numbers reflected on the first spreadsheet. With respect to the second spreadsheet, he explained the County was using six month numbers. Accordingly, for consistency, the City would start reporting to the Board in the same fashion.

Boardmembers confirmed agreement to this reporting methodology

4. Review of property assets.
 - a. Property review.

Assistant City Manager and Director of Economic and Community Development Van Duyn provided a PowerPoint presentation reviewing commercial property assets. The presentation, including pictures, explained current use of properties and highlighted assemblages, including master plan descriptions where relevant.

5. *(As set forth above under Agenda Review, Agenda Item 5 was heard prior to Agenda Item 4(b) below.)* Approval of a license agreement allowing PG&E temporary use of a portion of 1 Chestnut Avenue and a vacant property on Mission Road for a contractor office and staging area.

Director Van Duyn presented the proposed License Agreement authorized by the Successor Agency and recommended for approval by the Oversight Board. He explained the proposed Agreement with PG&E was for temporary use of a portion of 1 Chestnut Avenue and a vacant property on Mission Road for a contractor office and staging area through December of 2012. PG&E planned to use the properties during mandatory and urgent replacement of gas pipelines in the City. The agreement would include an option to extend past December as needed.

Realtor Vic Catanzaro addressed the Board to advise that his client, Pet Club, had an interest in renting the 1 Chestnut building temporarily due to its displacement from its current location in the City. He noted that Pet Club had a successful business that had been operating for 15 years and hoped to continue with South San Francisco as its home. Pet Club was willing to make improvements to the building to facilitate its use and believed the temporary use would last about three years.

Director Van Duyn advised the subject property is located in an area that would be torn up as part of the PG&E gas line replacement work that would be done in the area. Accordingly, immediate use of the area for a commercial purpose would be challenging irrespective of whether the Board determined to approve the PG&E agreement.

Boardmembers requested clarification as to the termination terms included in the proposed agreement.

Director Van Duyn advised the lease was slated to terminate in December with an option for extension.

Counsel Labadie determined that a 10 day notice was required for termination upon breach. The agreement was not terminable at will.

Jim Cogan of PG&E addressed the Board and introduced members of the Pipeline Replacement Project Team, Nathan Mott and Tom McGouglan. He explained the 1 Chestnut Building would be used as a location where the community, stakeholders and construction management team could come together during the project. Accordingly, the agreement was not intended to be needed beyond the project's duration. He further noted PG&E would not object to revision of termination terms as long as a lengthier notice period was included.

Boardmembers suggested including an at will termination clause with a 30 day notice period.

Chairman Cullen noted that approval of the present agreement with PG&E would not preclude discussions with Pet Club going forward.

Motion– Boardmember Christensen/Second– Boardmember Scannell: Approving a license agreement allowing PG&E temporary use of a portion of 1 Chestnut Avenue and a vacant property on Mission Road for a contractor office and staging area and incorporating a lease term authorizing termination without cause with 30 days notice. Unanimously approved by voice vote.

4b. Tour of properties (van available).

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559 Gateway Blvd	1
296 Airport Blvd	5
201 Grand Avenue	14
207 Grand Avenue	13
217-219 Grand Avenue	12
200 Linden Avenue	9
212 Baden Avenue	10
216 Baden Avenue	11
480 No. Canal	6
432 Baden Avenue	2
616 Linden Avenue	15
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APN 093-312-060	19
APN 093-331-050	19
APN 093-331-060	19
APN 011-326-030	19

At 3:00 p.m. Boardmembers, staff and members of the public proceeded with a van tour of the above referenced properties. Director Van Duyn lead the tour explaining the property assemblages, building uses and plans where applicable.

6. Future Agenda Items.
 - a. Report from Bond Counsel regarding the legal authority of the Oversight Board to approve defeasance of bonds issued by the former Redevelopment Agency.
 - b. FPPC Conflict of Interest Code.
 - c. Administrative Budget: consideration of need for audit/RDA financial consulting assistance.
 - d. Recommendations pertaining to disposition/demolition of properties previously held by the Redevelopment Agency.
 - e. Report on any determination by the State of California Department of Finance on unfunded pension and liabilities being an enforceable obligation of the Successor Agency of a Redevelopment Agency.
 - f. Report on legal analysis pertaining to Harbor District Agreement and consideration of motion approving Harbor District Agreement as enforceable obligation of the Successor Agency.

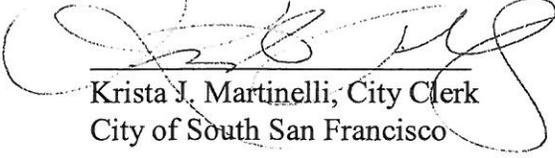
ADJOURNMENT

Motion — Boardmember Christensen/Second— Boardmember Farrales: to adjourn the meeting.
Unanimously approved by voice vote.

Pursuant to the above motion, Chairman Cullen adjourned the meeting at 4:42 p.m.

Submitted:

Approved:



Krista J. Martinelli, City Clerk
City of South San Francisco

Neil Cullen, Chairperson
Oversight Board for the Successor Agency
to the City of South San Francisco
Redevelopment Agency



Redevelopment Successor Agency Oversight Board Staff Report

DATE: July 10, 2012

TO: Members of the Oversight Board

FROM: Steven Mattas, Successor Agency Counsel and Marty Van Duyn, Assistant City Manager

SUBJECT: AB 1484 Overview

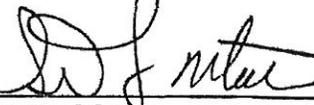
RECOMMENDATION

Successor Agency staff recommends that the Oversight Board receive a presentation summarizing the primary provisions of AB 1484, the budget trailer bill applicable to the dissolution process for former redevelopment agencies. AB 1484 was signed by the Governor on June 27th and took effect immediately as a budget trailer bill. No action is required,

BACKGROUND/DISCUSSION

To provide background on AB 1484, staff has attached the summary of the major provisions of AB 1484 and the important dates timeline produced by the LOCC. AB 1484 establishes hard deadlines for various reports and actions over the next year and also modifies the property disposition provisions of AB 26 x1 once a Finding of Completion is issued by the Department of Finance.

By: 
Marty Van Duyn
Assistant City Manager and Director

By: 
Steven Mattas
Successor Agency Counsel

Attachments:



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www.cacities.org

Major Provisions of AB 1484¹

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 9+/-: 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

2. New audit by October 1: Successor agency must retain licensed accountant to audit books:³

- Audit of LMIHF
- Audit of cash assets
- Audit of cash transfers to public agencies and private parties⁴

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,

¹ 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.

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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).⁵

- Failure to transfer LMIHF funds: Offset of city sales tax or property tax of the amount required to be transferred⁶
- Failure to transfer cash assets: Offset of city sales tax or property tax of the amount required to be transferred⁷
- 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.⁸
- 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 Completion⁹

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 LMIHF¹⁰
- ✓ The amount determined in the audit of all other funds¹¹
- ✓ The amount (if any) owing to taxing entities from the December 2011 property tax payment¹²

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 ROPS¹³.

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

⁵ Section 34183.5(b)(2)

⁶ Section 34179.6(h)

⁷ Section 34179.6(h)

⁸ Section 34179.6(h); 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.

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former redevelopment agency for purposes of the SERAF payment. 20% of loan repayment amount must be transferred to LMIH Asset Fund.¹⁴

- ✓ 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.¹⁵ Use of bond proceeds listed on ROPS.¹⁶
- ✓ 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.¹⁷
- ✓ Statute of Limitations: The longer statutes of limitations (2 years) to challenge actions of the former redevelopment agencies do not apply.¹⁸

5. New Power of State Controller¹⁹

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.²⁰

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

¹⁴ 34191.4(b)(2).

¹⁵ 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.

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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 documents²²

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

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)

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administrative budget subject to oversight board approval. An enforceable obligation is created for repayment of loans.²⁸

- New Oversight Board Provisions²⁹
 - ✓ 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
 - ✓ Meetings at which oversight board will consider disposal of successor agency assets or allow set-aside of reserves required by bond indentures requires 10 days' public notice.³⁰
 - ✓ 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."³¹
- New authority for auditor-controller³²: 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.³³
- Limited authority for successor agency to refinance existing debt.³⁴
- Successor agency is separate public entity.³⁵

²⁸ Section 34175(h)

²⁹ Section 34180

³⁰ Section 34181(f)

³¹ Section 34179

³² Section 34182.5

³³ Section 34173(f)

³⁴ Section 34177.5

³⁵ Section 34173(g)

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Appendix – Successor Agency Required Payments/Fund Transfers

✓ Transfer of Unencumbered Balances³⁶

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 Tax³⁷

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.

³⁶ Section 34179.5; 34179.6

³⁷ Section 34183.5



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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 payment¹
- 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
- August 10:** Successor housing entity notifies successor agency of any designations of use or commitments of funds that successor housing entity authorizes successor agency to retain.⁶
- August 15 +/-:** Oversight board meets to consider ROPS for January 1, 2013 through June 30, 2013 which must be submitted to DOF by September 1.
- September 1:** ROPS for January 1, 2013 through June 30, 2013 must be submitted electronically to DOF after oversight board approval.⁷ DOF makes determinations within 45 days. Within 5 days of determination, successor agency may request additional review and meet and confer.

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 34179.6(c)

⁷ 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)).

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- October 1: Auditor-controller may provide notice to successor agency of any objections to items on January – June 2013 ROPS.⁸
- 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.⁹ Note: licensed accountant must be approved by the county auditor-controller.
- October 1: County auditor-controller completes agreed-upon procedures audit of each redevelopment agency.¹⁰ Auditor-controller provides estimate of property tax payments to successor agency for upcoming six-month period.¹¹
- October 15: Oversight Board must review, approve, and transmit LMIHF audit to DOF, auditor-controller. Note that oversight board must hold a public session to consider audit at least five business days prior to the meeting of oversight board in which LMIHF audit is considered for approval.¹²
- November 9: Last day for DOF to complete review of LMIHF audit and reports findings, determinations, and decision to overturn oversight board decision to allow retention of successor agency assets.¹³

W/in 5 days of receipt of DOF

audit findings: Successor agency may request meet and confer to resolve disputes with DOF findings on LMIHF audit.¹⁴ DOF must confirm or modify its determination and decisions within 30 days.

W/in 5 days of receipt of DOF final audit

determination: Successor agency to transfer LMIHF funds to auditor-controller.¹⁵ City sales tax/property tax may be offset for unfunded amounts.

December 1: Successor agency may report to auditor-controller that total amount of available revenues will be insufficient to fund enforceable obligations.¹⁶

⁸ Section 34182.5.

⁹ 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.

¹⁰ Section 34182(a)(1).

¹¹ Section 34182(c)(3)

¹² Section 34179.6(c) and (b)

¹³ Section 34179.6(d)

¹⁴ Section 34179.6(e)

¹⁵ Section 34179.6(f)

¹⁶ Section 34183(b)

June 28, 2012

8

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.¹⁷

2013

- January 2: Auditor-controller makes distributions of property tax for January – June 2013 ROPS.¹⁸
- January 15: Oversight board must review, approve, and transmit other funds audit to DOF, auditor-controller.¹⁹
- March 3: Successor agency submits ROPS for July 1, 2013 through December 31, 2013 to DOF after oversight board approval.²⁰
- April 1: County auditor-controller provides estimate of property tax payments to successor agency for upcoming six-month period.²¹
- 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.²²
- 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.²³ City sales tax/property tax may be offset for unfunded amounts.
- May 1: Successor agency reports to auditor-controller if total amount of available revenues will be insufficient to fund enforceable obligations.²⁴

¹⁷ Section 34179.6(a).

¹⁸ Section 34183(b).

¹⁹ Section 34179.6(a).

²⁰ Section 34177(m).

²¹ Section 34182(c)(3)

²² Section 34179.6(a)

²³ 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.

²⁴ Section 34183(b).

June 28, 2012



Redevelopment Successor Agency Oversight Board Staff Report

DATE: July 10, 2012

TO: Members of the Oversight Board

FROM: Jim Steele, Director of Finance

SUBJECT: INFORMATION ON DOWNGRADED RATINGS ON ALL REDEVELOPMENT AGENCY BONDS BY MOODY'S INVESTOR SERVICES

RECOMMENDATION

It is recommended that the Oversight Board review the attached information on the downgraded ratings on all Redevelopment Agency Bonds by Moody's Investor Services.

BACKGROUND/DISCUSSION

Moody's Investor Services recently downgraded all California Redevelopment Agency Bonds, including South San Francisco's 2006 Bonds. The primary reason they cited for downgrading is that the ambiguity in the redevelopment wind down legislation (AB 26) has resulted in some former redevelopment agencies having cash flow problems as a result of the timing of the payment of their Recognized Obligations Payment Schedule (ROPS) by some counties in California. Moody's Investor Services acknowledges this is a temporary problem.

The Oversight Board should know that this cash flow problem Moody's Investor Services cites does not affect South San Francisco. We have already received funds from the County to pay our next semi-annual Redevelopment Agency (RDA) bond debt service in September 2012, and our debt service payments are approved on our ROPS by the Oversight Board and the State Department of Finance. What will likely happen for those investors that holds our bonds is that the market value of those bonds will go down due to the ratings downgrade. We have no obligations with regards to the market value of our bonds. Our obligation is to report to bondholders that the ratings have been downgraded. The City has done that, and that communication is attached.

By: _____

Jim Steele
Finance Director

Approved: _____

Marty Van Duyn
Assistant City Manager and Director of
Economic and Community Development

Attachment: Moody's Investor Services Ratings Report

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's downgrades to Ba1 all California TABs rated Baa3 or above, reflecting sharply increased uncertainty of continued, timely cash-flow for debt service payments; all TAB ratings remain on review for possible withdrawal due to insufficient information

Global Credit Research - 14 Jun 2012

Approximately \$11.6 billion of debt affected

New York, June 14, 2012 – Moody's Investors Service has downgraded to Ba1 all California tax allocation bonds that were rated Baa3 or higher. All of our California tax allocation bond ratings remain on review for possible withdrawal. This continued review reflects the likelihood that insufficient information will be available to evaluate the relative probability of default due to the new cash flow pattern established in the redevelopment dissolution law (AB 1x26). The new cash distribution procedure effectively eliminates bond indentures' flow of funds, and it is clearly subject to differing procedural interpretations. These differing interpretations can, without warning, give rise to the potential for debt service defaults that did not exist prior to the passage of this law. Absent administrative or legislative correction of this weakness in the law's terms, Moody's will likely withdraw its ratings on California tax allocation bonds.

RATING RATIONALE

The downgrades for the bonds rated Baa3 and higher primarily reflect the heightened cash flow risks arising from the implementation of state legislation dissolving all redevelopment agencies. This legislation effectively altered the flow of funds to be used to pay bondholders.

Even with strong credit fundamentals and intact legal security, timely debt service payments on California tax allocation bonds cannot currently be assured. This uncertainty primarily arises from the potential for legal and political disputes on the correct procedure for distributing cash according to the redevelopment agency dissolution law, AB 1x26. This risk was recently highlighted by a dispute (discussed below) between the City of San Jose's Successor Agency and Santa Clara County that, according to a public notice filed by the City of San Jose, threatens timely payment of debt service in August despite sufficient tax increment revenues derived from the legal pledge to bondholders.

The downgrade also reflects the absence of a robust mechanism within the dissolution law itself to resolve such disputes and the evolution of the California Department of Finance's guidelines on distributing tax increment revenues. While the law has a reallocation procedure in the event of a shortfall that results solely from the new cash distribution procedure, the process for resolving disputed calculations and varying legal interpretations is not sufficiently detailed or prescribed so as to provide assurances of full or timely bond payments. The resolution of such issues may be left up to the courts if the state does not pass additional "cleanup" legislation. The current state guidance to county auditor-controllers to withhold property tax distributions in the absence of a state approved payment schedule also injects an element of payment timing uncertainty that did not exist prior to the dissolution law's adoption.

While the implementation of the law has given rise to new cash flow risks, Moody's believes the law is clear that fundamental legal security for tax allocation bonds is intended to be preserved. Therefore, we would expect that any defaults stemming solely from the new law's cash distribution procedure would likely over time be corrected. We believe that after a default, recovery would likely be at or close to 100%.

All ratings remain on review for possible withdrawal due to the potential that insufficient information will be available on a continuing, long-term basis with which to determine the relative probability of cash flow disputes leading to defaults.

STRENGTHS

- Successor agencies, which replaced the dissolved redevelopment agencies, remain explicitly obligated to honor

existing bond contracts, with recognition of legally pledged revenue streams, debt service reserve funding requirements, and other performance requirements in existing bond documents.

- County auditor-controllers have generally indicated a very strong willingness and ability to comply with the new revenue allocation requirements on a sufficiently timely basis to allow successor agencies to meet existing debt service payment obligations.
- In the long-run, existing contract law should protect bondholder's interests, minimizing losses that might result solely from new procedural requirements in the redevelopment dissolution law.

CHALLENGES

- While the legislature's intent to honor existing obligations is clearly stated in the law, the mechanics of the new law do not provide sufficient clarity on process to realize this intent.
- The law creates significant uncertainty with respect to timing and mechanics of cash flows, which in our view effectively trumps the strength of the legal security and debt service coverage of bonds.
- The law establishes an initial allocation of property tax revenues that conflicts with existing bond documents, and the effectiveness of the resolution process on a timely basis is uncertain.
- The timeframe for property tax disbursements is more restricted than it had been previously, potentially resulting in mismatched receipt and disbursement schedules over the course of a year.
- The new law's audit requirements and sheer complexity have resulted in unexpected payment delays. These will require legal and/or administrative clarification.

WHAT COULD MAKE THE RATINGS GO UP

- Implementation of the legislation in a manner that clearly preserves timely debt service payment and enables compliance with bond documents
- Legislative or judicial clarification that compliance with bond documents takes precedence over other, apparently conflicting aspects of the legislation

WHAT COULD MAKE THE RATINGS GO DOWN

- Continued implementation of the legislation in a way that does not clearly preserve timely debt service payment
- Continued legal uncertainty and conflict between the law's requirements and strict compliance with existing bond documents
- Judicial determination that compliance with bond documents is subordinate to, or to be balanced against, other objectives of the legislation

The principal methodology used in this rating was Moody's Analytic Approach To Rating California Tax Allocation Bonds published in December 2003. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are endorsed by Moody's Investors Service Ltd., One Canada Square, Canary Wharf, London E 14 5FA, UK, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moody.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for

securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com.

Information sources used to prepare the rating are the following: public information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see the ratings disclosure page on www.moody's.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moody's.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moody's.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moody's.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody's.com for further information.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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US Municipal Long-Term Debt Ratings

Municipal Ratings are based upon the analysis of five primary factors related to municipal finance: market position, financial position, debt levels, governance, and covenants. Each of the factors is evaluated individually and for its effect on the other factors in the context of the municipality's ability to repay its debt.

- Aaa** Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- Aa** Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- A** Issuers or issues rated A present above-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- Baa** Issuers or issues rated Baa represent average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- Ba** Issuers or issues rated Ba demonstrate below-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- B** Issuers or issues rated B demonstrate weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- Caa** Issuers or issues rated Caa demonstrate very weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- Ca** Issuers or issues rated Ca demonstrate extremely weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.
- C** Issuers or issues rated C demonstrate the weakest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates that the issuer or obligation ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates a ranking in the lower end of that generic rating category.

\$70,675,000
REDEVELOPMENT AGENCY OF THE
CITY OF SOUTH SAN FRANCISCO
MERGED REDEVELOPMENT PROJECT
TAX ALLOCATION REVENUE BONDS, SERIES 2006A

San Mateo County, California
Dated: May 3, 2006
Base CUSIP⁺: 840036



**NOTICE OF OCCURRENCE OF
LISTED EVENT**

As of June 19, 2012

Also available at:



www.wildan.com

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OCCURRENCE OF LISTED EVENT- RATING CHANGE

This Notice of Occurrence of Listed Event ("Notice") has been prepared to satisfy the obligations of the City of South San Francisco (the "City"), pursuant to Section 5 of that certain Continuing Disclosure Certificate, dated May 3, 2006 (the "Disclosure Certificate"), executed by the Redevelopment Agency of the City of South San Francisco, in connection with the execution and delivery of the \$70,675,000 Merged Redevelopment Project Tax Allocation Revenue Bonds, Series 2006A (the "Bonds") and the requirements of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

The following information is being provided as required by the Disclosure Certificate in order to comply with the City's obligations to notify owners of the Bonds, the participating underwriters, and the Repository of the occurrence of a Listed Event.

- On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured and underlying ratings were downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

The Debt service payment for September 1, 2012 is approved on the City's Recognized Obligations Schedule (ROPS), and the City has already received funds from San Mateo County to make the payment.

Information from the rating agencies regarding the ratings actions may be obtained from such rating agencies. This Notice may contain information material to Bond owners and does not purport to contain all material information with respect to the Bonds or the financial condition of the City. The information contained in the Notice is not guaranteed as to accuracy or completeness.

CITY OF SOUTH SAN FRANCISCO

www.ci.ssf.ca.us

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Redevelopment Successor Agency Oversight Board Staff Report

DATE: July 10, 2012

TO: Members of the Oversight Board

FROM: Marty Van Duyn, Assistant City Manager

SUBJECT: RESOLUTION APPROVING LEASE CRITERIA AND PROCEDURES FOR 1 CHESTNUT AVENUE

RECOMMENDATION

Successor Agency staff recommends that the Oversight Board provide direction and adopt a resolution approving leasing criteria, procedures for seeking bids from interested parties, and selecting a tenant for a short term lease for the property at 1 Chestnut Avenue.

BACKGROUND/DISCUSSION

During the June 12 meeting of the Oversight Board, the realtor representing the Pet Club at the Westborough Plaza requested that the Board consider leasing the building at 1 Chestnut Avenue to his client. The Pet Club is losing its lease at Westborough Plaza and would like to continue to do business in South San Francisco. The property at 1 Chestnut Avenue, popularly known as Ron Price Motors, is 1.66-acres and includes an approximately 27,000 square feet building with 99 parking spaces. The building has been used as an auto dealership since the 1970s. During the late 1990s, the building was renovated. However, the building does not comply with current building codes, such as the American Disability Act (ADA) standards.

During the meeting, the Board directed Successor Agency staff to discuss the proposal with the Successor Agency. The Board understood that staff would need to evaluate the proposal and make a recommendation, such as rents and the lease term, based on its merits. Staff is concerned about entering into leases that would complicate or prohibit long-term uses or disposition of the property. Therefore, staff recommends that any lease on the property be subject to a short-term, three-year lease with a specific termination clause. The Board also questioned staff about the appropriate bidding process. Since the property is no longer subject to redevelopment law, the Board and the City would like to create a process, such as a bidding process, to accept proposals and lease the property. Currently, Successor Agency staff is reviewing the optional procedures for leasing 1 Chestnut Avenue. Staff requests that the Board approve the following lease criteria:

- The tenant shall receive all City permits and pay all fees prior to occupancy.
- The use shall be consistent with all City codes, general plan and zoning criteria.
- The tenant shall pay market rate rent subject to a nominal discount for entering into a short-term lease.
- As the lease is for a short-term use, the rent would not include tenant improvement rent credits.

Staff Report

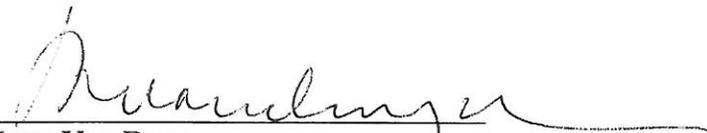
Subject: Resolution Approving Lease Criteria and Procedures for 1 Chestnut Avenue

Page 2

- The tenant would be responsible for payment of all utilities, taxes and site maintenance.
- The lease term shall be limited to three years.
- The lease would not grant the tenant an option(s) to extend tenancy beyond the initial three years; continued occupancy would be on a month-to-month basis.
- The lease termination would include the ability for a developer to occupy the property and prepare for a development.
- The tenant would be required to stop operating at the site following the City's notice of lease termination.
- Under no circumstances would the tenant receive a right of first refusal or any other option to purchase the property.

CONCLUSION

The Oversight Board has received an unsolicited proposal from a realtor to lease the property at 1 Chestnut Avenue to the Pet Club for a retail use. Staff is currently evaluating how Pet Club's proposal meets the criteria listed above and preparing process and procedure guidelines for leasing a former redevelopment property. Successor Agency staff is requesting that the Oversight Board provide direction and adopt a Resolution approving the criteria listed above for leasing the property at 1 Chestnut Avenue and the procedures for seeking bids from interested parties and selecting a tenant for a short term lease for 1 Chestnut Avenue.

By: 
Marty Van Duyn
Assistant City Manager and Director

Attachments: Resolution

RESOLUTION NO. _____

OVERSIGHT BOARD FOR THE FORMER REDEVELOPMENT AGENCY
OF THE CITY OF SOUTH SAN FRANCISCO, STATE OF CALIFORNIA

RESOLUTION APPROVING LEASE CRITERIA AND
PROCEDURES FOR ONE CHESTNUT AVENUE

WHEREAS, the Oversight Board for the former Redevelopment Agency of the City of South San Francisco (“Oversight Board”) may be asked to approve short term leases of property formerly owned by the Redevelopment Agency; and

WHEREAS, it is appropriate for the Oversight Board to have criteria and procedures for the lease of One Chestnut Avenue in the City of South San Francisco.

NOW THEREFORE, BE IT RESOLVED, that the Oversight Board for the former Redevelopment Agency of the City of South San Francisco hereby approves the following criteria and procedures for leasing the property at One Chestnut Avenue in the City of South San Francisco:

1. The tenant shall receive all City permits and pay all fees prior to occupancy.
2. The use shall be consistent with all City codes, general plan and zoning criteria.
3. The tenant shall pay market rate rent subject to a nominal discount for entering into a short-term lease.
4. As the lease is for a short-term use, the rent would not include tenant improvement rent credits.
5. The tenant would be responsible for payment of all utilities, taxes and site maintenance.
6. The lease term shall be limited to three years.
7. The lease would not grant the tenant an option(s) to extend tenancy beyond the initial three years; continued occupancy would be on a month-to-month basis.
8. The lease termination would include the ability for a developer to occupy the property and prepare for a development.
9. The tenant would be required to stop operating at the site following the City’s notice of lease termination.
10. Under no circumstances would the tenant receive a right of first refusal or any other option to purchase the property.

* * * * *

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the Oversight Board of the Former Redevelopment Agency of the City of South San Francisco at a special meeting held on the 10th day of July, 2012 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST: _____
City Clerk