SPECIAL 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, APRIL 16, 2013
2:00 p.m.

NOTICE IS HEREBY GIVEN, pursuant to Section 54956 of the Government Code of the State of California, the Oversight Board for the Successor Agency to the City of South San Francisco Redevelopment Agency will hold a Special Meeting on Tuesday, the 16th day of April, 2013, at 2:00 p.m., 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:	**Selected by:**
Neil Cullen	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 Alternate: Patti Ernsberger Assistant Superintendent, Business Services South San Francisco Unified School District	San Mateo County Superintendent of Schools

Board Members:	**Selected by:**
Mark Addiego Councilmember, City of South San Francisco Alternate: Barry Nagel City Manager, City of South San Francisco	Mayor of the City of South San Francisco
Gerry Beaudin Principal Planner, City of South San Francisco	Mayor of the City of South San Francisco
Barbara Christensen Director of Community/Government Relations, San Mateo County Community College District	Chancellor of California Community College
Reyna Farrales Deputy County Manager, San Mateo County	San Mateo County Board of Supervisors
Paul Scannell	San Mateo County Board of Supervisors (Public Member)

Counsel

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 March 12, 2013.

2. Resolution setting the Regular Meeting of the Oversight Board as the third (3rd) Tuesday of the month at 2:00 p.m. in the City Manager's Conference Room at South San Francisco City Hall located at 400 Grand Avenue; and removing the former Regular Meeting Schedule which was established by Motion at the Board's April 10, 2012 Special Meeting.

3. Report on State Department of Finance and County of San Mateo reviews of ROPS IV Items 13-14A and Report of State Department of Finance Review of Non-Housing Due Diligence Report.

4. Resolution approving a Loan Agreement in the amount of $5,445.87 with the City of South San Francisco to allow the Successor Agency to make payment for a Non-housing Recognized Obligation Payment expense shown on ROPS IV but incurred during ROPS III.

5. Resolution of the Oversight Board Authorizing an Escrow Deposit and Trust Agreement with the Bank of New York Mellon Trust Company, N.A. Related to the 2006 RDA Bonds and Making Related Findings Pursuant to Health and Safety Code Section 34181(e).

6. Resolutions making findings that the Commercial Space at 636 El Camino Real is an integral and indivisible part of a housing asset and shall not be subject to subdivision or a revenue sharing arrangement between the City and the Successor Agency and the assignment of the Commercial Master Lease for 636 El Camino Real by the Successor Agency of the Redevelopment Agency of the City of South San Francisco.

7. Future Agenda Items.
   a) Long Range Property Management Plan.
   b) Employee Staffing Report.

ADJOURNMENT

Clerk

MINUTES
REGULAR MEETING

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

CITY HALL
LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, MARCH 12, 2013
2:00 P.M.

CALL TO ORDER.

Time: 2:03 p.m.

ROLL CALL.

Present: Boardmembers Addiego, Beaudin, Christensen, Farrales, Patti Ernsberger as Alternate for Vice Chairperson Porterfield and Chairperson Cullen.

Absent: Boardmember Scannell

PLEDGE OF ALLEGIANCE

Lead by Patti Ernsberger as Alternate for Vice Chairperson Porterfield.

AGENDA REVIEW

None.

PUBLIC COMMENTS

None.

MATTERS FOR CONSIDERATION

1. Discussion with actuary related to fair cost methodology for allocating retiree health liabilities (OPEB costs) associated with employees providing services to the former RDA.

Finance Director Steele introduced Actuary Doug Pryor from Bartell and Associates. He noted that the issue presented was to determine how to fairly calculate the OPEB and CalPERS unfunded liabilities associated with employees that had provided services to the former RDA.

Actuary Pryor first noted that CalPERS and OPEB are very different. In the case of CalPERS, someone who works for the city for five (5) years receives a benefit, whereas, OPEB only provides benefits to those employees that have worked for the city for more than five (5) years. He opined it would make sense to allocate the unfunded pension liability that former RDA employees accrued on payroll if the RDA employee group was similar to other employees on payroll. In regards to OPEB, accrued liability should be thought of as a target asset value, and thus, the unfunded liability in that case does not adhere to a particular benefit.

Finance Director Steele reiterated that CalPERS and OPEB were different because with OPEB, the City only pays benefits for employees that retire with at least five (5) years of work for the City.

To Chairman Cullen's inquiry on CalPERS calculations, Actuary Pryor explained that CalPERS would not make that calculation because it would be an additional undertaking.

Boardmember Christensen believed CalPERS had made the calculation for Redwood City's Oversight Board.

Finance Director Steele responded that with respect to Redwood City, he had seen a total liability and an allocation calculation based on Full Time Employees (FTE) that had been approved and/or reviewed by CalPERS.

Chairman Cullen pointed to question 2, which referred to the handling of allocated positions.

Actuary Pryor provided the example of having 10 employees and assigning 2 of them to the RDA, which would clearly result in the 2 employees having unfunded liabilities. It would be a little different if all 10 people allocated 20 percent of their time to the RDA.

Chairman Cullen queried whether the Actuary would take into consideration the ages or real length of service of employees. He believed that the liability would differ amongst different age groups.

Actuary Pryor clarified that an inherent assumption was that the RDA group mirrored the composition of the City employee group.

Chairman Cullen noted the issue that the former RDA had no specific employees, but rather, was staffed by City employees that performed work for the RDA.

Finance Director Steele added that South San Francisco was similar to Redwood City in this respect, in that HR hired code enforcement officers that spent twenty percent of their time working for the RDA. Finance Director Steel explained that staff would be allocating 20% of the total.

Chairman Cullen questioned the 20 percent calculation because of possible disparities that might be blended in.

Actuary Pryor clarified that this pertained to the payroll allocation.

Boardmember Christensen queried whether the liability extended back to the time of Agency formation.

Actuary Pryor stated that implicit in the methodology was the assumption that it would not account for the Agency being ramped up over time.

Boardmember Addiego noted he was present when the Redevelopment Agency began and stated it started with quite a team managing the Gateway Project.

Vice Chair Alternate Ernsberger queried how the unfunded liability percentage changes would be accounted for on an annual basis.

Actuary Pryor explained that the unfunded liabilities were allocated on payroll. The number was arrived at by looking at the most recent liability reports and rolling assets forward from the June 2010 report.

Chairman Cullen assumed that this would be a fixed onetime calculation.

Actuary Pryor agreed.

Boardmember Farrales asked if Redwood City had also enhanced their benefits since they came up with their numbers so easily. She opined that for employees that worked for RDA, the action to be taken was clear. But she questioned whether this would be a reasonable methodology for code enforcement employees, for example.

Finance Director Steele noted his understanding that if you take a 55 year old and a 30 year old and average them, costs are not necessarily equalized.

Boardmember Farrales queried whether allocating 40% on the whole would be a fair methodology. She further queried whether this pertained only to code enforcement employees

Finance Director Steele noted that it was not just code enforcement, but rather, a variety of employees that were identified on the list.

Chairman Cullen sought a clarification as to whether the Actuary would question the City's numbers moving forward.

Finance Director Steele clarified that the Board would have to question the numbers because the Actuary would not do so. He believed the Actuary would show the Board the methodology to be applied once the Board determined the FTEs at issue. He further opined that until the Board was comfortable with a methodology that could be used, it would not make sense to even look at FTEs.

Boardmember Addiego queried whether the discussion focused on individual classifications or the City's workforce as a whole.

Actuary Pryor responded that the calculation would consider the whole workforce. It would take the most recent information available- the entire unfunded liability, the RDA payroll and total City payroll- and allocate the unfunded portion attributable to RDA.

Chairman Cullen wanted to confirm his understanding that if the Board identified 26 full time RDA employees versus 400 employees for the whole City and that 60% of code enforcement employees worked for the RDA, then these employees would be grouped before the allocation.

Actuary Pryor stated the only grouping would be the separation between miscellaneous employees and public safety employees. He believed the calculation would be very similar to what Redwood City arrived at.

Boardmember Addiego reiterated that unless the Board would be reviewing each individual's calculation, it would be better to look at the whole workforce because the average number would be lower.

Boardmember Farrales wished to separate general employees from those in public safety.

Finance Director Steele queried whether the Board wanted to see the CalPERS liability calculated for specific employees.

Chairman Cullen did not believe there was a determination on that.

Boardmember Beaudin believed it would result in a snapshot of one point in time.

Chairman Cullen stated that considering Redwood City's arrival at a calculation, a situation which may be similar to what would occur here, he was comfortable with the generalization concept as it would be more cost effective. He inquired as to the precise number of City employees noting the 145 City employee figure included in the report.

Finance Director Steele clarified that there are 400 total City employees, but only 145 employees in departments that supported the RDA. For example, Water Quality Control Plant ("WQCP") employees were excluded from the total City employee calculation in the report since no WQCP employee ever supported the RDA.

Boardmember Christensen queried whether question 4 had been answered.

Finance Director Steele noted that the question had to do with the CalPERS benefit increase that was

granted in 2000-2001. For the record, for public safety employees it went from 2% at 50 to 3% at 50. For miscellaneous employees, it went up from 2% at 55 to 2.7% at 55. He queried whether that enhancement would have an impact on the calculation, and if so, how.

Chairman Cullen queried whether the change impacted the amount the employees pay into the program.

Finance Director Steele responded that the employees paid 1% more and the City picked up the difference.

Actuary Pryor clarified that if the benefit increase was the same for all affected employees, he did not believe that the benefit improvement would be misappropriated.

Vice Chair Alternate Ernsberger queried whether the Board wished to utilize the proposed FTE list and whether the selected employees would be compared against the entire City payroll.

Finance Director Steele believed this was relevant to the total former RDA FTE number. He noted staff proposed that 18 FTEs worked for the former RDA and could be compared against the 145 employees working in departments that served the RDA or the total 400 City employee figure.

Actuary Pryor did not believe this would affect the calculation and stated the suggested methodology would compare against the 400 person City employee pool with Public Safety Employees separated out.

Chairman Cullen inquired if the health benefit was tied to years of service.

Finance Director Steele clarified that 5 years of service formerly would have provided an employee lifetime medical benefits. This is not the case for new hires.

Chairman Cullen stated that in the end, he preferred a clear methodology rather than a complicated one that others would not understand.

Boardmember Addiego shared his belief that positions that were not at all related to the RDA should be excluded from the calculation with the base number of employees being 145.

Boardmember Christensen questioned if it would make sense to go back in time, in intervals of 5 or 10 years, and measure employment levels at the time.

City Attorney Mattas and Boardmember Addiego stated that going back 10 years would likely yield an upswing in employee FTEs that serviced the former RDA.

Assistant City Manager Van Duyn observed that it was all relative to the accumulation of tax increment funds and the ability to stimulate investment. Thus, there were peaks as projects were ramping up over time.

Boardmember Christensen added that as revenue grew, staff grew as well.

Chairman Cullen reiterated the Board's preference that public safety and non public safety employees be separated out.

Boardmember Christensen recommended that data from 1982, 1992, 2002 and 2012 be considered.

Chairman Cullen queried whether such data was available.

Finance Director Steele responded that the FTEs could be identified, but no payroll information for that time existed.

Boardmember Farrales believed the Board needed some confidence that the number of FTEs proposed was comparable against the former RDA's staffing throughout its existence.

Assistant City Manager Van Duyn asserted that the core staff had not grown that much.

Staff agreed to look at 1982, 1992 and 2002 staffing levels.

The Board determined to bring the item back for consideration at an upcoming meeting.

2. Motion to approve the Minutes of the Special Meeting of February 14, 2013.

Motion— Boardmember Addiego/Second— Boardmember Beaudin: to approve the Minutes of the Special Meeting of February 14, 2013. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Farrales, Patti Ernsberger as alternate for Vice Chairperson Porterfield and Chairman Cullen. NOES: None. ABSTAIN: None. ABSENT: Boardmember Scannell.

3. Resolution No. 8-2013 of the Oversight Board approving of a grant of Public Utility Easement to Pacific Gas and Electric Company.

Assistant City Manager Van Duyn presented the staff report recommending adoption of a Resolution granting a Utility Easement to Pacific Gas and Electric Company. He presented an aerial photo depicting the route of the PG&E gas replacement program. The easement would allow PG&E some security for future pipe replacements along the gas line. Staff had no objections to the easement. Regarding vegetation, PG&E assured it would replace any vegetation in coordination with the City's Parks and Recreation Department.

Motion— Boardmember Christensen/ Second— Boardmember Farrales: to approve Resolution No. 8-2013. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Farrales, Patti Ernsberger as alternate for Vice Chairperson Porterfield and Chairman Cullen. NOES: None. ABSTAIN: None. ABSENT: Boardmember Scannell.

4. Future Agenda Items.
   a) Long Range Property Management Plan.

ADJOURNMENT

Chairman Cullen adjourned the meeting at 3:09 p.m.

Submitted:

Kathryn Reodica, Acting Assistant Clerk
City of South San Francisco

Approved:

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

Staff Report

DATE: April 16, 2013

TO: Oversight Board Members

FROM: Krista J. Martinelli, Clerk

SUBJECT: Resolution setting the Regular Meeting of the Oversight Board as the third (3rd) Tuesday of the month at 2:00 p.m. in the City Manager's Conference Room at South San Francisco City Hall located at 400 Grand Avenue.

RECOMMENDATION

It is recommended that the Oversight Board consider and take action on the proposed Resolution setting the Regular Meeting of the Oversight Board as the third (3rd)Tuesday of the month at 2:00 p.m. in the City Manager's Conference Room at South San Francisco City Hall located at 400 Grand Avenue; and removing the former Regular Meeting Schedule which was established by Motion at the Board's April 10, 2012 Special Meeting.

BACKGROUND/DISCUSSION

At a Special Meeting on April 10, 2012, the Oversight Board established a Regular Meeting Schedule by Motion as follows: Second (2nd) Tuesday monthly at 2:00 p.m. in the City Manager's Conference Room located at South San Francisco City Hall, 400 Grand Avenue, South San Francisco, CA 94080.

Due to the timing of Successor Agency Meetings, there have been several occasions where the Oversight Board's Regular Meeting has had to be cancelled and replaced for a Special Meeting scheduled for a later date. To ensure a more definite schedule for the Board and the Public, staff is recommending that the Board move its regular meeting to the third (3rd) Tuesday of the month at 2:00 p.m. in the City Manager's Conference Room at South San Francisco City Hall located at 400 Grand Avenue. The recommendation further includes eliminating the Regular Meeting Schedule established by Board Motion on April 10, 2012.

CONCLUSION

Upon review of staff's recommendation, the Board should consider its availability on the third (3rd) Tuesday monthly at 2:00 p.m. If the Board determines the recommended Regular Meeting place and time is acceptable, it should adopt the attached Resolution establishing the new Regular Meeting Schedule.

Krista J. Martinelli
Clerk

Marty Van Duyn
Assistant City Manager

Attachment:
Resolution

RESOLUTION NO _____

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

RESOLUTION SETTING THE REGULAR MEETING OF THE OVERSIGHT BOARD AS THE THIRD (3RD) TUESDAY OF THE MONTH AT 2:00 P.M. IN THE CITY MANAGER'S CONFERENCE ROOM AT SOUTH SAN FRANCISCO CITY HALL LOCATED AT 400 GRAND AVENUE; AND REMOVING THE FORMER REGULAR MEETING SCHEDULE WHICH WAS ESTABLISHED BY MOTION AT THE BOARD'S APRIL 10, 2012 SPECIAL MEETING

WHEREAS, at a Special Meeting on April 10, 2012, the Oversight Board established a Regular Meeting Schedule by Motion as follows: Second (2nd) Tuesday monthly at 2:00 p.m. in the City Manager's Conference Room located at South San Francisco City Hall, 400 Grand Avenue, South San Francisco, CA 94080; and

WHEREAS, due to the timing of Successor Agency Meetings, there have been several occasions where the Oversight Board's Regular Meeting has had to be cancelled and replaced for a Special Meeting scheduled for a later date; and

WHEREAS, the Board has determined that to ensure a more definite schedule for the Board and the Public, the Regular Meeting time previously established by the Board should be replaced by a new Regular Meeting Schedule.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency hereby:

1. eliminates the Regular Meeting Schedule established by Board Motion on April 10, 2012, which set the Board's Regular Meeting as the second (2nd) Tuesday monthly at 2:00 p.m. in the City Manager's Conference Room located at South San Francisco City Hall, 400 Grand Avenue, South San Francisco, CA 94080; and

2. sets a Regular Meeting Schedule as the (3rd) Tuesday monthly at 2:00 p.m. in the City Manager's Conference Room located at South San Francisco City Hall, 400 Grand Avenue, South San Francisco, CA 94080.

* * * * *

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency at a meeting held on the 16th day of April, 2013 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST: _____
Krista Martinelli, City Clerk

Redevelopment Successor Agency Oversight Board
Staff Report

DATE: April 16, 2013

TO: Members of the Oversight Board

FROM: Jim Steele, Director of Finance

SUBJECT: STATE DEPARTMENT OF FINANCE AND COUNTY OF SAN MATEO REVIEWS OF ROPS 13-14A (ROPS IV) AND STATE DEPARTMENT OF FINANCE REVIEW OF NON-HOUSING DUE DILIGENCE REPORT

RECOMMENDATION

It is recommended that the Oversight Board review this report of the State Department of Finance and the County of San Mateo reviews of ROPS 13-14A (ROPS IV) as well as the State Department of Finance review of the Non-Housing Due Diligence Report (DDR). No action is required; this report is being provided for the Board's information.

BACKGROUND/DISCUSSION

RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE (ROPS)
ROPS 13-14 A (ROPS IV) REVIEW

The first attachment is the State Department of Finance (DOF) final determination letter regarding ROPS IV.

The State disallowed two ROPS line items due to timing issues as shown on page one of their letter. Both the $2 million payment to the Harbor District and the use of the $2.3 million in housing bond proceeds are expected to be included in future ROPS. The State also disallowed $42,660 of the $74,162 loan agreement for accounts payable stating this portion of the loan agreement was not necessary since the Successor Agency (SA) received Redevelopment Property Tax Trust Funds (RPTTF) (which the SA also requested it be allowed to retain via the Non-Housing DDR process). Staff included the accounts payable on the ROPS because we were not sure if those funds would be allowed to be retained via the DDR process, so we erred on the side of including it in both places to make sure we would get funding. The State determined that two new ROPS items (rows 59 audit services and 64 actuarial consulting costs) should be considered administrative costs, and finally, these changes resulted in a lower administrative allowance of $250,000 instead of $298,964.

The second attachment is the County review of ROPS IV. That review is also for information only. Page two of the review outlines the four criteria the County used to review ROPS IV. The majority of the criteria centers around whether the projected ROPS expenditures on ROPS IV were at least 20% greater and $10,000 more than what was reported on ROPS II and III or whether an item was new on the ROPS.

Staff did project higher expenses during ROPS IV on several existing obligations in order to adequately cover funding for these obligations while minimizing future reliance on loan agreements. The burgeoning number of loan agreements and the fixed $250,000 administrative allocation is stretching staff resources, so staff is now estimating much more conservatively for costs so that loan agreements will not be needed. In addition, the first item listed (ROPS row 7) is the principal payment on the housing bonds debt service which was omitted from ROPS II because at that time, the direction provided by the Oversight Board was to pay these bonds off (that decision was later reversed when AB 1484 was passed that allowed retention of the housing bonds).

The County review also correctly identifies six new ROPS items. Four of these were the new loan agreements and two of these were determined by DOF to be considered administrative costs.

NON-HOUSING DUE DILIGENCE (DDR) REVIEW

The third attachment is the State Department of Finance (DOF) final determination letter regarding the Non-Housing or "Other Funds" DDR.

This review letter comments on the acquisition of the former Ford properties with Redevelopment Funds, but DOF acknowledges that this transfer has since been reversed, and that there is no net impact now to taxing entities. The review letter then notes that ROPS I (row 74) outlined an estimated prepayment of $5.3 million for the Housing and Urban Development (HUD) and Certificates of Participation (COPS) debt, while the actual prepayment, consisting of $407,517.20 in cash with fiscal agent and $5,216,643.92 in SA held reserves exceeded the $5.3 million estimate by $324,161. This additional prepayment cost of $324,161, disallowed under the DDR, will be included in a May 2013 staff report and a new loan agreement.

The review letter then comments on three items that are now included in loan agreements on approved ROPS IV ($27,938 on row 61; and $31,501 from row 62 and $8,652 from row 63 with the latter two totaling $40,153). Since the SA will now be receiving RPTTF for these already paid obligations via ROPS IV, their inclusion into the DDR were not necessary. Again, staff had included them in both the DDR and the ROPS IV process to make sure they got covered in some manner.

Finally, although our first ROPS, approved by the Oversight Board in May 2012 and by the DOF in June 2012, clearly included a line item to set up an escrow agreement to begin to set aside dollars to call the 2006 RDA Bonds at their first call date (9/1/16) and identified a not to exceed $60 million to be funded in that escrow fund, the DOF is now objecting that the escrow agreement was a new obligation. In order to rectify this situation, staff is, at the DOF's suggestion, asking the Oversight Board to adopt a resolution under separate cover at today's meeting to make findings that the escrow agreement is in the taxing entities' best financial interest.

FISCAL IMPACT

The reduction of the administrative allowance in ROPS IV to the minimum allowed $250,000 is expected to result in some impact to the City of South San Francisco's General Fund. The reduction of the $324,161 in the DDR will be recovered via an upcoming loan agreement to be included on future ROPS V (ROPS 13-14B).

By: _____
Jim Steele
Finance Director

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

Attachments: State Review Letter of ROPS 13-14A (ROPS IV)
County Review Letter of ROPS 13-14A (ROPS IV)
State Review Letter of Non-Housing Due Diligence Report

KR/JS/MVD:ed

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

March 28, 2013

Mr. Jim Steele, Finance Director
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of South San Francisco Successor Agency(Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 14, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 15 – Harbor District Agreement in the amount of $2 million. This agreement does not become an enforceable obligation to the Agency until the District Capital Improvement and Management Plans for Harbor Operations has been submitted by the District. These plans currently do not exist; therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

  To the extent these constitute an enforceable obligation, the Agency should request funding for these in a future ROPS.

- Item No. 57 – 1999 Housing Bond Proceeds in the amount of $2.3 million. This was originally Item No. 77 on ROPS III. Finance still continues to deny this item. HSC section 34163 (b) prohibits a redevelopment agency from entering into new contracts with any entity after June 27, 2011. It is our understanding that there are currently no contracts in place to expend the related funds. Additionally, no specific projects were listed on the ROPS, which necessitated expenditure during the upcoming six-month period. Therefore, this line item is not an enforceable obligation. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Item No. 62 – Loan Agreement in the amount of $74,162. As a result of the review of the Agency's Oversight Board Resolution (OB) 03-2013 approving a loan agreement between the Agency and the City of South San Francisco, Finance determined the OB Resolution was partially allowed. The Agency requested $74,162 to fund non-housing

obligations. Of this amount, $42,660 was listed on the January through June Recognized Obligation Payment Schedule (ROPS I). Since the Agency received the requested amount of RPTTF, there should be no need for this portion of the loan. Therefore, this item is not eligible for RPTTF funding on this ROPS.

- Claimed administrative costs exceed the allowance by $68,464. HSC section 34171 (b) limits fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 in administrative expenses. Although $298,964 is claimed for administrative cost, Item No. 59 for Audit Services in the amount of $7,500 and Item No. 64 for Consultant Fees in the amount of $12,000 are considered administrative expenses which total to $318,634 and should be counted toward the cap. Therefore, $68,464 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

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

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $5,850,802 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	$ 10,033,299
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 15	(2,000,000)
Item 59*	(7,500)
Item 62	(42,660)
Item 64*	(12,000)
Total approved RPTTF for enforceable obligations	$ 7,971,139
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	(2,370,337)
Total RPTTF approved for distribution:	**$ 5,850,802**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

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

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Bertha Aguilar, Management Analyst, City of San Bruno
Mr. Bob Adler, Auditor Controller, San Mateo County
California State Controller's Office

555 County Center, 4th Floor
San Mateo, California 94063-1665
Telephone: (650) 363-4777
Email: Controller@smcgov.org
www.co.sanmateo.ca.us/controller

County of San Mateo

Office of the Controller

Bob Adler
Controller

Juan Raigoza
Assistant Controller

Shirley Tourel
Deputy Controller

Date: April 1, 2013

To: Department of Finance (DOF), Oversight Board (OB) Chairperson and Successor Agency of the Former South San Francisco Redevelopment Agency (RDA)

Subject: Review of Recognized Obligation Payment Schedule (ROPS) for the period July 1, 2013 to December 31, 2013

The Successor Agency of the former South San Francisco RDA submitted an OB approved ROPS for the period July 1, 2013 to December 31, 2013 to the DOF and County Controller's office on February 14, 2013. Pursuant to Health and Safety Code Section 34182.5, the County Controller *may* review the ROPS for the period July – December 2013 and object to the inclusion of any items that are not demonstrated to be enforceable obligations and object to the funding source proposed for any item no later than April 1, 2013.

We reviewed the July – December 2013 ROPS to identify differences when compared to prior period ROPS but did not conclude whether items were enforceable obligations. The procedures performed to identify differences are described below.

- Identified obligations that were not reported in the ROPS for the period July – December 2012 and January – June 2013.
- Identified changes in funding source for enforceable obligations approved by the DOF for the period July – December 2012 and January – June 2013 except where, the change represented a reclassification as administrative expense pursuant to a DOF review letter.
- Identified obligation amounts that increased by at least 10% and $10,000, when compared to the ROPs for the period July – December 2012 and January – June 2013.
- Identified obligations that were disallowed by the DOF for the period July – December 2012 and January – June 2013.
- Reviewed the FY 2013-14 Successor Agency Administrative Cost Allowance in light of the limitations set forth in Health and Safety Code Section 34171(b). Pursuant to this section, the Administrative Cost Allowance shall not be less than $250,000 (unless the OB reduced this amount) or be more than 3% of the property tax revenues allocated to the successor agency for each fiscal year.

While the identified differences do not constitute formal "objections" to any of the items or funding sources reported on the ROPS, our office is providing the variances noted in the above procedures on Schedule A enclosed herein.

If you have any questions or concerns, please contact Shirley Tourel, Deputy Controller, at stourel@smcgov.org or (650) 599-1149.

Very Truly Yours,

Bob Adler

Bob Adler, Controller
County of San Mateo

Schedule A

Successor Agency for the former RDA, City of South San Francisco
Review of Items and Funding Sources
Oversight Board Approved ROPS 13-14A for the period July 1, 2013 to December 31, 2013

Recognized Obligation Payment Schedule Review

The following four criteria were applied in the ROPS review:

1. New enforceable obligation not previously reported on ROPS II or III.
2. Changes in funding source for enforceable obligations as compared to ROPS II or III (January to June 2013) except where the change represented a reclassification as administrative expense pursuant to a DOF review letter.
3. Obligation amount increased by at least 20% and $10,000 compared to ROPS II or III. The comparison is made based upon the greater of the two prior ROPS. Admin allowance items were excluded from application of Criteria 3 given these items are subject to a separate admin allowance cap review.
4. Items disallowed by DOF as enforceable obligations on ROPS II or III.

Based on application of the above criteria, the following obligations listed on ROPS 13-14A were identified:

ROPS Item #	Project Name/Debt Obligation	Description	Funding Source	Six-Month Total	Criteria 1	2	3	4	Notes
7	Debt Serv Principal Hsg Rev Bonds	1999 Housing Revenue Bonds	RPTTF	$ 220,000			X		See note (a), next page
21	Train Station Imprvmnts Ph 1(pf1002)	Contracted work-site remediation	RPTTF	$ 100,538			X		See note (b), next page
22	Train Station Imprvmnts Phase 1	Soft project management costs	RPTTF	$ 16,759			X		See note (c), next page
40	Station Area/Planning LU Program	Match funding for State grant (101102)	RPTTF	$ 84,464			X		See note (d), next page
49	Property Disposition Costs	Initial envir. testing, noticing, listing costs	RPTTF	$ 1,957,499			X		See note (e), next page
50	Property Disposition Costs	Soft project management costs	RPTTF	$ 275,000			X		See note (f), next page
57	1999 Housing Bond Proceeds	To be used on low/mod housing dev	Bond Proceeds	$ 2,381,532				X	Denied on ROPS III. Note on ROPS indicates that this item will be enforceable upon receiving a finding of completion.
59	Audit Services	Annual auditing requirements	RPTTF	$ 7,500	X				New item
60	Loan Agreement with City of SSF-legal settlement costs	Fund legal agreement payments in excess of ROPS III estimate	RPTTF	$ 210,636	X				New item
61	Loan Agreement with City of SSF-additional debt service interest	Fund additional cost of TABS debt service interest payment in excess of ROPS II estimate	RPTTF	$ 27,938	X				New item
62	Loan Agreement with City of SSF- accounts payable	Fund additional cost of accounts receivable for costs incurred during ROPS I via accounts payable, but paid during ROPS II.	RPTTF	$ 74,162	X				New item
63	Loan Agreement with City of SSF- ROPS I costs incurred during ROPS II	Fund costs shown on ROPS I paid during ROPS II.	RPTTF	$ 8,652	X				New item
64	Actuarial Consultant	To calculate obligations listed in rows 51 and 52	RPTTF	$ 12,000	X				New item

(a)	ROPS 13-14A Amount	$ 220,000	
	ROPS II Amount	not listed	
	ROPS III Amount	$ -	
	Dollar ($) Increase	$ 220,000	vs. greater of ROPS II / III reported amounts
	Percent (%) Increase	N/A	vs. greater of ROPS II / III reported amounts
(b)	ROPS 13-14A Amount	$ 100,538	
	ROPS II Amount	not listed	
	ROPS III Amount	$ -	
	Dollar ($) Increase	$ 100,538	vs. greater of ROPS II / III reported amounts
	Percent (%) Increase	N/A	vs. greater of ROPS II / III reported amounts
(c)	ROPS 13-14A Amount	$ 16,759	
	ROPS II Amount	not listed	
	ROPS III Amount	$ -	
	Dollar ($) Increase	$ 16,759	vs. greater of ROPS II / III reported amounts
	Percent (%) Increase	N/A	vs. greater of ROPS II / III reported amounts
(d)	ROPS 13-14A Amount	$ 84,464	
	ROPS II Amount	$ 30,000	
	ROPS III Amount	$ 30,000	
	Dollar ($) Increase	$ 54,464	vs. greater of ROPS II / III reported amounts
	Percent (%) Increase	182%	vs. greater of ROPS II / III reported amounts
(e)	ROPS 13-14A Amount	$ 1,957,499	
	ROPS II Amount	$ 60,000	
	ROPS III Amount	$ 90,000	
	Dollar ($) Increase	$ 1,867,499	vs. greater of ROPS II / III reported amounts
	Percent (%) Increase	2075%	vs. greater of ROPS II / III reported amounts
(f)	ROPS 13-14A Amount	$ 275,000	
	ROPS II Amount	$ 152,000	
	ROPS III Amount	$ 45,000	
	Dollar ($) Increase	$ 123,000	vs. greater of ROPS II / III reported amounts
	Percent (%) Increase	81%	vs. greater of ROPS II / III reported amounts

Successor Agency Administrative Cost Allowance Review [H&S 34171(b)]

Pursuant to H&S 34171(b), a Successor Agency can receive a minimum of $250,000 or up to 3% of the property tax allocated to the Successor Agency to pay for obligations as the Administrative Cost Allowance for each fiscal year. Per our review, the Successor Agency is within the allowable range of the Administrative Cost Allowance for FY 2013-14 considering the first half of the fiscal year corresponding to ROPS 13-14A (but not the second half of the fiscal year to be addressed in the next ROPS 13-14B).

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 9, 2013

Mr. Jim Steele, Finance Director
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Other Funds and Accounts Due Diligence Review

The City of South San Francisco Successor Agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 23, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Ford property assets transferred to the City of South San Francisco in the period between January 1, 2011 and June 30, 2012 in the amount of $8,762,821. HSC section 34179.5 (c) (2) only allows asset transfers within this period that are required by enforceable obligation and meet the definition of governmental use. No documents received support that the transfers were required by an enforceable obligation. Since these properties are illiquid, they are considered a non-cash asset of the Redevelopment Agency (RDA). Therefore, another adjustment is being made to increase the assets restricted as non-cash in the amount of $8,762,821. In effect, these adjustments balance out and do not affect the ending OFA available balance.

- Balances legally restricted totaling $65,600,399 to fund enforceable obligations should be adjusted by $50,588,138. Specifically:

    - The Agency's request to retain $5,216,644 for 1999 Certificates of Participation and HUD 108 should be adjusted by $324,161. Finance approved the use of reserves in the amount of $5,300,000 in the January through June 2012 Recognized Obligation Payment Schedule (ROPS) period. Of this amount, $407,517 is being reported and legally restricted on Procedure 6 of the DDR.

Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by $324,161 (($5,300,000-$407,517) -$5,216,644).

- The Agency's request to retain $27,938 to cover a 2006 RDA bonds debt service payment underestimated on the ROPS for the period of July through December 2012 is not allowed. This amount was requested to be funded with city loan proceeds as determined by Finance's review of the OB Resolution No. OB 2-2013. The repayment of this loan is subject to Finance's review and approval on a subsequent ROPS. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by $27,938.

- The Agency's request to retain a total of $40,153 to cover and allow the Agency to make payments for Non-Housing and other ROPS expenses is not allowed. This amount was requested to be funded with city loan proceeds as determined by Finance's review of two OB actions, OB 3-2013 and OB 6-2013. The repayment of these loans is subject to Finance's review and approval on a subsequent ROPS. Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by $40,153.

- The Agency requested to retain $50,195,886 in funds that were placed in an escrow account to defease the 2006 Tax Allocation Bonds. The escrow account was set up and funded through the Escrow Deposit and Trust Agreement (Agreement) between the Agency and the Bank of New York Mellon Trust Company, N.A. in August 2012. Pursuant to HSC section 34163 (b), as of June 28, 2011, the Agency was prohibited from entering into contracts with any entity for any purpose.

  Pursuant to HSC section 34181(e), the oversight board (OB) should direct the Agency to determine if an agreement should be terminated or renegotiated in order to reduce liabilities and increase net revenues to the taxing entities. The OB may approve the Agency's proposed termination or renegotiation of an agreement if the OB makes a finding that amendments or early termination would be in the best interest of the taxing entities. Finance has not received an OB resolution approving this specific Agreement or that this Agreement is in the best interest of the taxing entities.

  To be in compliance with the law, Finance recommends the Agency immediately present this Agreement to their OB for approval. Should the OB make the appropriate findings as required by HSC section 34181 (e), Finance will consider its validity at that time. Until then, the OFA balance available for distribution to the taxing entities will be adjusted by $50,195,886. Additionally, we would expect the Agency to request a Meet and Confer on this issue for further clarification.

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

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

The Agency's OFA balance available for distribution to the affected taxing entities is $50,588,138.

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	-
Finance Adjustments		
Add:		
Requested retained balance not supported:		50,588,138
Total OFA available to be distributed:	$	50,588,138

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Kate Rosenlieb, Senior Financial Analyst, City of San Bruno
Mr. Robert Adler, Auditor Controller, San Mateo County
California State Controller's Office

Redevelopment Successor Agency Oversight Board

Staff Report

DATE: April 16, 2013

TO: Members of the Oversight Board

FROM: Jim Steele, Director of Finance

SUBJECT: LOAN AGREEMENT BETWEEN THE CITY OF SOUTH SAN FRANCISCO AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF SOUTH SAN FRANCISCO FOR PAYMENT OF AN ENFORCEABLE OBLIGATION

RECOMMENDATION

It is recommended that the Oversight Board approve the attached resolution which approves a loan agreement in the total amount of $5,445.87 between the City and the Successor Agency to the Redevelopment Agency of South San Francisco (SA) for an enforceable obligation of the Successor Agency (SA).

BACKGROUND/DISCUSSION

The SA and Oversight Board have approved several enforceable obligations which, due to the timing of the payments, did not coincide with the Recognized Obligations Payment Schedules (ROPS) for their payments. This latest loan agreement covers $5,445.87 to fund a former Redevelopment enforceable obligation shown on ROPS IV but incurred during ROPS III. The City Council and SA approved this loan agreement March 27, 2013. The loan agreement is for the following item:

Line on ROPS III	Line on ROPS IV	Project Name / Debt Obligation	Payee	Description/ Project Scope	Amount	Detail
28	21	Train Station Imprvmnts Ph 1(pf1002)	TechAccutite/ Wisley Ham	Contracted work-site remediation	$5,445.87	Remediation work expense shown on ROPS IV with expenses coming due during ROPs III.

FISCAL IMPACT

The loan agreement totals $5,445.87 and funds had to be advanced from the City to the SA to pay these Successor Agency obligations. If State Department of Finance (DOF) approves the loan agreement on the next-submitted ROPS (also on the current Oversight Board agenda) as enforceable obligations of the SA, staff expects that the loan will be fully repaid by January 2014.

CONCLUSION

The attached loan agreement obligates the SA to pay the City back for funds the City had to advance to the SA to make a ROPS payment that was expended in a different ROPS time period (ROPS III) than where it had been listed (ROPS IV).

By: _____
Jim Steele
Finance Director

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

Attachments: Resolution
Loan Agreement

KR/JS/MVD:ed

RESOLUTION NO._____

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

APPROVING A LOAN AGREEMENT IN THE AMOUNT OF $5,445.87 WITH THE CITY OF SOUTH SAN FRANCISCO TO ALLOW THE SUCCESSOR AGENCY TO MAKE PAYMENTS MAKE A NON-HOUSING RECOGNIZED OBLIGATION PAYMENT FOR EXPENSES SHOWN ON ROPS IV BUT INCURRED DURING ROPS III

WHEREAS, pursuant to Health and Safety Code Section 34177(l), before each six-month fiscal period, the Successor Agency to a dissolved Redevelopment Agency is required to adopt a draft Recognized Obligation Payment Schedule ("ROPS") that lists all of the obligations that are "enforceable obligations" within the meaning of Health and Safety Code Section 34177; and

WHEREAS, each ROPS must be approved by the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco ("Successor Agency") and by the State Department of Finance in order for payment of listed obligations to be made; and

WHEREAS, the timing of payment of an item identified and approved as an enforceable obligation on ROPS IV did not coincide with the payment date listed on those ROPS; and

WHEREAS, timely payment of an enforceable obligations of the Successor Agency was deemed essential and could not await approval of a ROPS submitted for the next six-month fiscal period; and

WHEREAS, the Successor Agency had no other source of funding to make this payment for an enforceable obligation on its own; and

WHEREAS, the City of South San Francisco ("City") therefore advanced, or is willing to advance, funds for the payment of said enforceable obligation; and

WHEREAS, Health and Safety Code Section 34173(h) authorizes loans between the City and the Successor Agency for the purpose of funding enforceable obligations for which there are insufficient funds in the Real Property Tax Trust Fund; and

WHEREAS, Health and Safety Code Section 34173(h) further provides that a new enforceable obligation shall be created for the repayment of each such loan, provided that the receipt and use of the loan funds is reflected on a ROPS approved by the Oversight Board for the Successor Agency and submitted to the State Department of Finance for its review and approval; and

WHEREAS, pursuant to Health and Safety Code Section 34180(h) the Oversight Board may approve a request by the Successor Agency to enter into an agreement with the City; and

WHEREAS, City and Successor Agency staff have negotiated a loan agreement covering the enforceable obligation for which there are insufficient funds available for timely payment by the Successor Agency; and

WHEREAS, funds are available to be loaned by the City for such purpose, and the loan agreement does not violate the City's debt limit under the California Constitution.

NOW, THEREFORE, the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco, a public entity, does hereby resolve as follows:

1. The Recitals set forth above are true and correct, and are incorporated herein by reference.

2. The loan agreement, substantially in the form attached hereto, is hereby approved, and the Assistant City Manager is hereby authorized to execute it on behalf of the Successor Agency and to take such other and further action as necessary and appropriate to implement the intent of this Resolution.

3. The loan agreement, which along with the supporting calculations and references to prior ROPS is attached to this Resolution and hereby incorporated herein, is for $5,445.87 to fund a former Redevelopment Agency enforceable obligation shown on ROPS IV but incurred during the time period for ROPS III.

4. The Successor Agency is directed to include this loan agreement on the next ROPS to be submitted to the Oversight Board and the State Department of Finance.

PASSED AND ADOPTED this ___ day of April, 2013, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST: _____
City Clerk

Loan Agreement Support

on ROPS III	Line on ROPS IV	Project Name / Debt Obligation	Payee	Description/ Project Scope	Amount	Detail
28	21	Train Station Imprvmnts Ph 1(pf1002)	TechAccutite/Wisley Ham	Contracted work-site remediation	$5,445.87	Remediation work expense shown on ROPS IV with expenses coming due during ROPs III.

2063527.1

LOAN AGREEMENT BETWEEN THE CITY OF SOUTH SAN FRANCISCO AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SOUTH SAN FRANCISCO

This Loan Agreement (Agreement) is entered into as of _____, 2013 ("Effective Date"), by and between the City of South San Francisco, a municipal corporation ("City") and the Successor Agency to the Redevelopment Agency of the City of South San Francisco, a public entity ("Successor Agency"). City and the Successor Agency are hereinafter collectively referred to as the "Parties".

RECITALS

WHEREAS, the Redevelopment Agency of the City of South San Francisco ("Redevelopment Agency") was established under the provisions of the Community Redevelopment Law (California Health and Safety Code § 33000 *et seq.*) ("CRL"); and

WHEREAS, effective June 30, 2011, the Governor signed into law ABx1 26 which automatically suspended redevelopment activities, and on December 29, 2011, the California State Supreme Court upheld the provisions of ABx1 26, thereby dissolving all redevelopment agencies on February 1, 2012; and

WHEREAS, ABx1 26 was modified by AB 1484, effective as of July 27, 2012, which together with ABx1 26 is referred to herein as the "Dissolution Law"; and

WHEREAS, as a result of the dissolution of the former Redevelopment Agency, the Successor Agency is now administering the daily operations of the former Redevelopment Agency; and

WHEREAS, Health and Safety Code § 34171(d)(1)(E) provides that any legally binding and enforceable contract that is not otherwise void as violating the debt limit or public policy constitutes an enforceable obligation authorized for payment from the Real Property Tax Trust Fund ("RPTTF") established pursuant to the Dissolution Law; and

WHEREAS, Health and Safety Code § 34171(d)(1)(F) provides that contracts or agreements necessary for the administration or operation of a successor agency constitute enforceable obligations authorized for payment from the RPTTF; and

WHEREAS, enforceable obligations must be listed on a Recognized Obligation Payment Schedule ("ROPS") and approved for payment by a successor agency's oversight board and the California Department of Finance ("DOF") in order for funds to be received therefore; and

WHEREAS, an enforceable obligation pursuant to Health and Safety Code §§ 34171(d)(1) (E) and 34171(d)(1)(F) was listed on the ROPS for the period July-December 2013 ("ROPS IV") as line item 28, in the total amount of Five Thousand Four Hundred Forty Five Dollars and Eighty Seven Cents ($5,445.87 ("Non-Housing Obligation"), but some of the work for this project was completed during January-June 2013 (ROPS III); and

WHEREAS, accordingly, the City advanced funds for the payment of the Non-Housing Obligation upon the Successor Agency's receipt of invoices therefore; and

WHEREAS, at present there are insufficient funds in the RPTTF to permit repayment of the Non-Housing Obligation by the Successor Agency; and

WHEREAS, Health and Safety Code § 34173(h) authorizes a loan between a city and the successor agency to the city's redevelopment agency for the purpose of funding enforceable obligations for which there are insufficient funds in the RPTTF; and

WHEREAS, Health and Safety Code § 34173(h) further provides that a new enforceable obligation shall be created for the repayment of such a loan, provided that the receipt and use of the loan funds is reflected on a ROPS approved by the oversight board for the successor agency and submitted to the DOF for its review and approval; and

WHEREAS, pursuant to Health and Safety Code § 34180(h), an oversight board may approve a request by a successor agency to enter into an agreement with a city; and

WHEREAS, the City and Successor Agency wish to enter into a loan agreement in the principal amount of Five Thousand Four Hundred Forty Five Dollars and Eighty Seven Cents ($5,445.87) for the purpose of enabling the Successor Agency to pay the Non-Housing Obligation; and

WHEREAS, on March 27, 2013 the Successor Agency and the City each respectively approved the Loan and authorized the execution of this Agreement, pursuant to Resolution No. 7-2013 and Resolution No. 24-2013, respectively; and

WHEREAS, on April 16, 2013 the Oversight Board for the Successor Agency approved the Successor Agency's request to enter into this Agreement, pursuant to Resolution No. _____.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties to this Agreement agree as follows:

ARTICLE 1
LOAN TERMS

1.1 Loan.

(a) Loan Amount. City agrees to lend to Successor Agency, and Successor Agency agrees to borrow from and repay to City, a Loan in the principal amount of not to exceed Five Thousand Four Hundred Forty Five Dollars and Eighty Seven Cents ($5,445.87).

(b) Maturity Date. The total outstanding Loan principal is due and payable by January 31, 2014.

1.2 Prepayment. Successor Agency may prepay the Loan, in whole or in part, at any time, without penalty or other charge.

1.3 Payment. The outstanding principal of the Loan is due and payable on the Maturity Date.

1.4 Security for the Loan. As security for the repayment of the Loan, the Successor Agency hereby pledges certain Unrestricted Revenues (defined below) ("Pledged Revenues") that are received, accrued or held by the Successor Agency and are provided within or attributable to fiscal year 2012-13, and the principal of the Loan constitutes a first lien and charge on the Pledged

Revenues, and is payable from the first moneys received by the Successor Agency from the Pledged Revenues.

The term "Unrestricted Revenues" means property taxes assessed and levied by San Mateo County on behalf of the Successor Agency allocated to the Successor Agency in accordance with the Dissolution Law, together with any other income, revenue, cash receipts and any other moneys of the Successor Agency lawfully available for repayment of the Loan.

ARTICLE 2
DISBURSEMENT AND ACCOUNTING; USE OF FUNDS

2.1 Disbursement. Loan proceeds may be disbursed to the Successor Agency in accordance with this Agreement upon approval of drawdown requests executed by the City Finance Director.

2.2 Use of Loan Proceeds. Successor Agency may use proceeds of the Loan exclusively for meeting the Non-Housing Obligations obligation as described herein.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Authority. Successor Agency warrants that it has authority, and has completed (or will complete, as applicable) all proceedings and obtain all approvals necessary to execute, deliver, and perform under this Agreement and the transactions contemplated thereby.

3.2 Valid and Binding Obligations. Successor Agency warrants that, when duly executed by the Successor Agency, this Agreement shall constitute the legal, valid and binding obligations of Successor Agency enforceable in accordance with their respective terms. Successor Agency hereby waives any defense to the enforcement of the terms of this Agreement related to alleged invalidity of any provisions or conditions contained in this Agreement.

3.3 No Adverse Action. Successor Agency warrants that there is no action, suit or proceeding pending or threatened against it which might adversely affect the Successor Agency with respect to this Agreement.

ARTICLE 4
SUCCESSOR AGENCY COVENANTS

4.1 Notification. Until the Loan is repaid in full, Successor Agency covenants that it will promptly notify City in writing of the occurrence of any event that might materially and adversely affect its ability to perform its obligations under this Agreement, or that constitutes, or with the giving of notice or passage of time or both would constitute, an Event of Default under this Agreement.

4.2 Legal Compliance. Successor Agency covenants that this Agreement does not violate the Constitutional debt limitation for municipal governments set forth in Article XVI, Section 18 of the California Constitution.

ARTICLE 5
INDEMNITY REQUIREMENTS

5.1 Indemnity. Successor Agency and City shall each defend, hold harmless and indemnify the other, its officers, employees and agents from and against all claims, liability, cost, expenses, loss or damages of any nature whatsoever, including reasonable attorneys' fees, arising out of or in any way connected with its failure to perform its covenants and obligations under this Agreement and

any of its operations or activities related thereto, excluding the willful misconduct or the gross negligence of the person or entity seeking to be defended, indemnified, or held harmless.

ARTICLE 6
DEFAULT AND REMEDIES

6.1 Events of Default. Each of the following events will constitute an event of default ("Event of Default") under this Agreement:

(a) Nonpayment. Successor Agency's failure to repay the Loan pursuant to Article 1 hereof.

(b) Failure to Perform. Successor Agency's failure, neglect or refusal to perform any promise, agreement, covenant or obligation contained in this Agreement, after any applicable cure periods.

6.2 Declaring Default. Whenever any Event of Default has occurred, other than a failure to pay any sums due, City shall give written notice of default to Successor Agency. If the default is not cured within thirty (30) calendar days after the Date of Default (defined herein), or any extension approved in writing by City, City may enforce its rights and remedies under Section 6.3 below. Any default that has occurred shall be deemed to commence on the date that written notice of default is effective pursuant to Section 7.2 of this Agreement ("Date of Default"). In the event of a default in the payment of any installment payment when due, Successor Agency shall have ten (10) calendar days from the payment due date to cure such default, whether or not City gives written notice.

6.3 Remedies. Upon the occurrence of any Event of Default, City, in addition to any other remedies provided herein or by law, shall have the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) declare that outstanding balance of the Loan and all other sums owing to City under this Agreement immediately due and payable, and

(b) take whatever other action at law or in equity which may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

6.4 Default Interest. Commencing on the Date of Default and continuing through the date that all indebtedness and other amounts payable under this Agreement are paid in full, interest on the Loan will accrue on the outstanding balance, at the rate equal to LAIF plus one percent (1%).

6.5 Disclaimer. If City elects to employ any of the remedies available to it in connection with any Event of Default, City will not be liable for: (1) the payment of any expenses incurred in connection with the exercise of any remedy available to City, and (2) the performance or nonperformance of any other obligations of Successor Agency.

ARTICLE 7
MISCELLANEOUS

7.1 Conflict of Interest; Interest of Employees, Agents, Consultants, Officers and Officials of City or Successor Agency. Except for approved eligible administrative or personnel costs, no employee, agent or consultant who is in a position to participate in a decision-making process or gain inside information with regard to such activities assisted under this Agreement, may obtain a

personal or financial interest in or benefit from the activities assisted under this Agreement, or have an interest, direct or indirect, in any contract, subcontract or agreement with respect thereto, or in the proceeds there under either for him/herself or for those with whom s/he has family or business ties, during his/her tenure and for one year thereafter.

7.2 Notices. Any notice, request or consent required pursuant to this Agreement shall be deemed given when delivered personally or three (3) business days after being deposited in the U.S. mail, addressed as follows:

If to Successor Agency:
Successor Agency to the Redevelopment
Agency of South San Francisco
P. O. Box 711
South San Francisco, CA 94083
Attention: Assistant City Manager

If to City:
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083
Attention: City Manager

With copy to Oversight Board for the
Successor Agency to the Redevelopment
Agency of the City of South San Francisco

or to such other addresses as the Parties may designate by notice as set forth above.

7.3 Successors and Assigns. All of the terms of this Agreement shall apply to and be binding upon, and inure to the benefit of, the successors and permitted assigns of City and Successor Agency, respectively.

7.4 Attorneys' Fees. If any action is instituted by either Party to enforce this Agreement or to collect any sums due hereunder or pursuant to this Agreement, the prevailing party in such action shall be entitled to recover its costs and reasonable attorneys' fees as awarded by the court in that action.

7.5 Severability. If one or more provisions of this Agreement are found invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions shall not in any way be affected, prejudiced, disturbed or impaired thereby, and all other provisions of this Agreement shall remain in full force and effect.

7.6 Amendments/Entire Agreement. City and Successor Agency reserve the right to amend this Agreement by mutual consent. It is mutually understood and agreed that no amendment, modification, alternation or variation of the terms of this Agreement shall be valid unless in writing and signed and acknowledged and approved by both parties. This Agreement constitutes the entire agreement of the Parties and no oral understandings or agreement not incorporated herein shall be binding on either Party.

7.7 Time. Time is of the essence in the performance of the terms and conditions of this Agreement.

7.8 Governing Law. The laws of the State of California govern this Agreement.

7.9 City's Rights and Consent. No forbearance, failure or delay by City in exercising any right, power, or remedy, nor any single or partial exercise of City or any right or remedy hereunder shall preclude the further exercise of such right, power or remedy. The consent of City to any act or omission by Successor Agency may not be construed as City consent to any other or subsequent

act or omission or as a waiver of the requirement to obtain City consent in any other instance. All of City's rights, powers and remedies are cumulative and shall continue in full force and effect until specifically waived in writing by the City.

7.10 Duration/Survival. This Agreement continues in full force and effect until the Loan is repaid in full.

7.11 Headings. The headings within this Agreement are for the purpose of reference only and do not limit or otherwise affect any of the terms of this Agreement.

7.12 Counterparts, Facsimile Copies. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together constitute one and the same agreement. This Agreement is effective upon transmission by either Party to the other Party of a fully signed facsimile copy of the Agreement after the formal approval by the governing body of the Successor Agency and the City Council. In case of any conflict, the counterpart maintained by the City Council will be deemed to be determinative.

IN WITNESS WHEREOF, City and the Successor Agency have executed this Agreement as of the date first above written.

City of South San Francisco

By: _____
Barry M. Nagel, City Manager

Attest:

_____
Krista J. Martinelli, City Clerk

Approved as to Form:

_____
Steven T. Mattas, City Attorney

Successor Agency to the Redevelopment Agency of the City of South San Francisco

By: _____
Marty Van Duyn, Assistant City Manager

_____
Krista J. Martinelli, Secretary

_____
Steven T. Mattas, Agency Counsel

2012595.1

Redevelopment Successor Agency Oversight Board
Staff Report

DATE: April 16, 2013

TO: Members of the Oversight Board

FROM: Jim Steele, Finance Director

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD AUTHORIZING AN ESCROW DEPOSIT AND TRUST AGREEMENT WITH THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. RELATED TO THE 2006 RDA BONDS AND MAKING RELATED FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 34181(E)

RECOMMENDATION

It is recommended that the Oversight Board approve the attached resolution which makes findings pursuant to Health and Safety Code (HSC) Section 34181(e) consistent with the actions that the Board made on May 17, 2012, for funding an escrow deposit and trust agreement to call the 2006 Redevelopment (RDA) Bonds in September 2016. This action is requested to comply with a State Department of Finance (DOF) ruling explained below.

BACKGROUND/DISCUSSION

This memo is being presented to the Board due to the determination by the DOF that the bond escrow account funded by the Successor Agency to call the 2006 RDA Bonds is invalid without further action by the Board. This line item was previously authorized by DOF in the January through June 2012 Recognized Obligations Payment Schedule (ROPS). DOF's letter, dated April 9, 2013 is attached, and is the subject of a separate staff report also on the Board's agenda today. The relevant language in the DOF's letter is as follows:

> "The Agency requested to retain $50,195,886 in funds that were placed in an escrow account to defease the 2006 Tax Allocation Bonds. The escrow account was set up and funded through the Escrow Deposit and Trust Agreement (Agreement) between the Agency and the Bank of New York Mellon Trust Company, N.A. in August 2012. Pursuant to HSC section 34163 (b), as of June 28, 2011, the Agency was prohibited from entering into contracts with any entity for any purpose.
>
> *"Pursuant to HSC section 34181(e), the Oversight Board (OB) should direct the Agency to determine if an agreement should be terminated or renegotiated in order to reduce liabilities and increase net revenues to the taxing entities. The OB may approve the Agency's proposed termination*

> *or renegotiation of an agreement if the OB makes a finding that amendments or early termination would be in the best interest of the taxing entities.* (Italics added) Finance has not received an OB resolution approving this specific Agreement or that this Agreement is in the best interest of the taxing entities.
>
> "To be in compliance with the law, Finance recommends the Agency immediately present this Agreement to their OB for approval. Should the OB make the appropriate findings as required by HSC section 34181 (e), Finance will consider its validity at that time."

Staff believes this action by the DOF is inconsistent with their prior approval of the January through June 2012 ROPS. The Board had approved that ROPS on May 17, 2012, and DOF issued an approval letter dated May 27, 2012, attached, which specifically states "we are approving all of the items listed on your ROPS at this time". The line item (line 75) specifically listed Bank of New York as a payee for this obligation, which was to "fund an escrow account to defease the 2006 Tax Allocation Bonds." That line item was listed for not to exceed a total of $60 million.

What follows below is a recap of the discussions that the Board had in 2012 that led them to approve line item 75 on the ROPS dated May 17, 2012. This recap information is sufficient to justify the appropriate findings that the Board is recommended to adopt today via the attached resolution. Besides bringing the resolution attached to this staff report to the Board today, staff is also filing a meet and confer protest with DOF concurrently, because staff believes DOF acted in error in rejecting this item.

Justification for Prior Oversight Board Action in May 2012

In March through May 2012, the South San Francisco Oversight Board (the Board) had several discussions at agendized public meetings wherein they asked staff to explore opportunities to maximize revenues flowing to taxing entities consistent with the RDA dissolution legislation. The Board clarified that it would be in the taxing entities' best interest to maximize revenues on an ongoing and not one time basis. One of the items the Board therefore asked staff to report on was the feasibility of defeasing or calling early the 2006 RDA Bonds. Those bonds could be retired at their first call date on September 1, 2016, according to the bond indentures for the 2006 bonds. The bond indentures themselves were a prior obligation of the former Redevelopment Agency. The relevant language from the final Official Statement for the 2006 Bonds is attached.

To further the Board's goal to save the taxing entities money, staff obtained and presented to the Board information from an independent Financial Advisor, Public Financial Management (PFM) which is attached to this staff report. That analysis estimated an initial deposit of $50.5 million from former RDA funds on hand, plus additional deposits from Redevelopment Property Tax Trust Fund Proceeds (RPTTF) over the next four years would be sufficient to retire the bonds on 9/1/2016. In addition to an initial deposit of approximately $50 million, the bond reserve on hand plus debt service payments already obligated by bond indentures through 8/31/16 would generate sufficient funds to call the bonds as of 9/1/16. The independent analysis by PFM also showed that $31.389 million could then be saved for all taxing entities over the remaining terms of the bonds (through 9/1/35), representing foregone interest costs that could be saved by all taxing entities if the bonds were called on 9/1/16. This was precisely the reason that the Board had authorized funding this escrow account.

To minimize impacts on future RPTTF funds, thereby maximizing revenue to taxing entities, the Oversight Board directed staff to identify whatever remaining funds were left in Non-Housing RDA funds as of June 30, 2012 after all other enforceable obligations were met in order to establish and fund a bond retirement/trust/escrow account. To that end, item 75 was placed on the final January-June 2012 Recognized Obligations Payment Schedule (ROPS), adopted by the Board on May 17, 2012. That ROPS item is reproduced below, and shown as an attachment to this staff report.

Approved by Oversight Board on 5/17/2012 by a vote of 6-0

AMENDED RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE FOR THE PERIOD JANUARY THROUGH JUNE 2012

Per Health and Safety Code Section 34177

Amending the Draft ROPS Adopted on February 22, March 28, and April 13, 2012

	Project Name/ Debt Obligation	Six Month Payment Source	Payee	Description	Total Due During Fiscal Year (Info Only)
75)	Fund Escrow Acct to defease 2006 Tax Allocation Bonds	$15,595,478.12 RPTTF; balance from available Reserves, NTE $44,404,521.88, for a total of NTE $60 million *	Bank of New York	Fund escrow acct to defease 2006 Tax Alloc Bonds (TABs) at first redemption date of 9/1/2016-rows 4 & 5	60,000,000.00

* Total for the 2006 Bond Defesance is NTE $60 million. The funding for the first $15,595,478.12 for the bond defesance will come from RPTTF Funds.
Any remaining Successor Agency cash, bond reserve, or cash reserve funds from the former 80% RDA Fund, after paying the other items on this January through June 2012 ROPS will also be used to defease the 2006 RDA Bonds. Total amount for defeasance, using both RPTT and Reserves is NTE $60 million. The Oversight Board has approved of this defeasance so that future tax increments will flow more quickly and in larger, more predictable amounts to taxing entities for budget planning purposes.

The Boards intention was clearly shown on the ROPS line item the amount that would eventually flow to the bond escrow account to call/defease the 2006 TABS (line 75 of the ROPS) would be the last item funded from RPTTF funds and available reserves as of June 30 2012, with that amount authorized as not to exceed $60 million. Note that this ROPS line item clearly had Bank of New York as the Payee, the bank with which the subsequent Trust agreement was executed. Again, the DOF approved this ROPS on May 27, 2012.

The Board further directed staff to have a trust/escrow agreement executed with a third party trustee to hold the funds. Staff began to prepare that agreement with the Bank of New York Mellon. The agreement was executed as of August 27, 2012, and the funding authorized by the ROPS (above) was wired to the Bank of New York on 9/6 and 9/11/12. The amount deposited for the escrow account for those two payments was $50,251.631.90. As of March 31, 2013, the funds had grown with interest earnings to $50,341,719.74.

FISCAL IMPACT

Consistent with the ROPS approved by the Board on May 17, 2012 and subsequently approved by DOF, setting up a bond escrow account will allow the Successor Agency to call the bonds on 9/1/16 and save all taxing entities approximately $31.389 million, by foregoing future interest costs on the RDA Bonds by calling the bonds 19 years early.

By: _____
Jim Steele
Finance Director

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

Attachments: Resolution
Final ROPS for January-June 2012 dated May 17, 2012
Approval from DOF dated May 27, 2012
PFM Analysis of Savings to Taxing Entities
Section of Final Official Statement for 2006 Bonds on Calling Bonds
DOF's letter dated April 9, 2013

Cc: Shirley Tourel, Deputy Auditor/Controller, San Mateo County

JS/BN:ed

RESOLUTION NO_____

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

RESOLUTION AUTHORIZING AN ESCROW DEPOSIT AND TRUST AGREEMENT WITH THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. RELATED TO THE 2006 REDEVELOPMENT AGENCY BONDS AND MAKING RELATED FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 34181(E)

WHEREAS, the former City of South San Francisco Redevelopment Agency ("Agency") issued 2006 Redevelopment Bonds (the "Bonds"); and

WHEREAS, following the enactment of Assembly Bill x1 26, and the dissolution of the Agency effective February 1, 2012, the Oversight Board for the Successor Agency of the former Agency, a public body which fairly represents taxing entities consistent with ABx126, directed the Successor Agency to explore opportunities to maximize revenues to taxing entities, including, without limitation, possible defeasance or retirement or calling of the Bonds at an earlier date than their final maturity; and

WHEREAS, the Successor Agency, reported to the Oversight Board that, pursuant to the Bond Indentures, the Bonds could be retired at the first call date on September 1, 2016; and

WHEREAS, the Oversight Board considered a report from Public Financial Management ("PFM"), an independent financial advisor, demonstrating that an initial deposit of $50.5 million in unencumbered Successor Agency funds, together with additional modest deposits from the Real Property Tax Trust Fund over the next four years, plus the already legally required debt service payments through August 31, 2016, would be sufficient to call all outstanding Bonds on September 1, 2016; and

WHEREAS, PFM further reported that calling the Bonds on September 1, 2016 would result in a savings of approximately $31.389 million for all of the taxing entities over the remaining term of the Bonds, representing foregone interest costs; and

WHEREAS, the Bond Indentures, including the Final Official Statement dated April 19, 2006 provide on Page 6 express authorization to call the Bonds on September 1, 2016; and

WHEREAS, on May 17, 2012 the Oversight Board directed the Successor Agency to identify all otherwise unencumbered non-housing funds on hand as of June 30, 2012; to establish a Bond retirement trust/escrow account; and to include in the approved Amended Recognized Obligation Payment Schedule ("ROPS") for the period January-June 2012, a line item to fund such escrow account, for a total amount not to exceed $60 million; and

WHEREAS, the ROPS, including Line Item 75, was approved unanimously by the Oversight Board on May 17, 2012, as noted thereon; and

WHEREAS, the Oversight Board-approved Amended ROPS stated that the enforceable obligation reflected in Item 75 was to fund an escrow account to defease 2006 Tax Allocation Bonds, requiring a payment in the amount of $15,5995,476.12 from the Real Property Tax Trust Fund ("RPTTF") during the period January through June 2012, with the balance from available Reserves, not to exceed $44,404,521.88, for a total of not to exceed $60 million, further identified as "Payee" the Bank of New York, and further described the obligation as "Fund escrow acct to defease 2006 Tax Allocation Bonds (TABS) at first redemption date of 9/1/2016"; and

WHEREAS, the Notes for Item 75 included in the Oversight Board-approved Amended ROPS submitted to the State Department of Finance ("DOF") further identified the escrow account transaction and the fact that the Oversight Board had "approved of this defeasance so that future tax increments will flow more quickly and in larger, more predictable amounts to taxing entities for budget planning purposes"; and

WHEREAS. the Amended ROPS was submitted to the DOF on May 17, 2012; and

WHEREAS, in a letter dated May 27, 2012, DOF stated that it had completed its review of the Amended ROPS as well as a subsequent ROPS for the period July through December 2012 and that DOF was "approving all of the items listed on your ROPS at this time"; and

WHEREAS, in accordance with Assembly Bill x1 26, pursuant to its approval of the Amended ROPS, the Oversight Board thereby authorized the Successor Agency to enter into an agreement with a third party trustee for such escrow and trust account; and

WHEREAS, in accordance with Assembly Bill x1 26, pursuant to its May 27, 2012, letter to the Successor Agency approving the Amended ROPS, DOF approved the Bank of New York as payee with respect to the deposit pursuant to an escrow account and trust agreement; and

WHEREAS, on June 27, 2012, Assembly Bill 1484 was enacted, modifying Assembly Bill x1 26 in several respects, including adding a requirement that henceforth all Oversight Board actions be taken by resolution and submitted to DOF; and

WHEREAS, all actions taken by the Oversight Board on this bond escrow account were taken prior to the June 27 Assembly bill date requiring formal Resolutions; and

WHEREAS, on August 27, 2012, the Successor Agency and The Bank of New York Mellon Trust Company, N.A. (the "Bank"), executed an Escrow Deposit and Trust Agreement (the "Agreement") in furtherance of the Oversight Board's direction to fund and implement redemption of the Bonds on September 1, 2016, for the benefit of the taxing entities; and

WHEREAS, on April 9, 2013, in correspondence addressing the Successor Agency's Other Funds and Accounts Due Diligence Review, DOF notified the Successor Agency that, pursuant to Health and Safety Code Section 34181(e), the Oversight Board should consider whether to direct the Successor Agency to terminate or renegotiate the Agreement, based on consideration of the best interest of the taxing entities; and

WHEREAS, the Oversight Board has reviewed its original direction to the Successor Agency; has reviewed and considered the terms of the Agreement, including the expenditure of $20,850 for bank, investment, and legal fees in connection therewith; and has reviewed the accompanying staff report and all comments received at a public meeting held on April 16, 2013, and has determined that it is still in the affected taxing entities' best financial interest for the Agreement to be maintained so that those taxing entities, including the County of San Mateo, the South San Francisco Unified School District, and the San Mateo Community College District, will realize over $31 million in savings through higher property taxes by calling the Bonds early as authorized in the bond indentures including the Final Official Statement referenced above.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency hereby:

1. Finds that the foregoing Recitals are true and correct and made a part of this Resolution.

2. Reaffirms that calling the Bonds on September 1, 2016 is in the best financial interest of the taxing entities; and finds that the Escrow Deposit and Trust Agreement dated as of August 27, 2012, between the Successor Agency and the Bank, in implementation of the Oversight Board's decision to call the Bonds on September 1, 2016, is in the best interest of the taxing entities; and approves said Agreement.

3. Finds that said Agreement should not be terminated or renegotiated. and instead authorizes its continuation in its present form in the best interest of the taxing entities, upon a further finding that the continuation of the Agreement in its present form will reduce liabilities and increase net revenues to the taxing entities.

4. Directs staff to transmit this Resolution and such related information as the Successor Agency deems appropriate to the State Department of Finance in accordance with Assembly Bill x1 26, as modified by Assembly Bill 1484.

* * * * *

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency at a meeting held on the 16th day of April, 2013 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST: _____
Successor Agency Secretary

Name of Redevelopment Agency: South San Francisco

Project Area(s): Merged

EXHIBIT A

Approved by Oversight Board on 5/17/2012 by a vote of 6-0

AMENDED RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE FOR THE PERIOD JANUARY THROUGH JUNE 2012

Per Health and Safety Code Section 34177

Amending the Draft ROPS Adopted on February 22, March 28, and April 13, 2012

	Project Name/ Debt Obligation	Six Month Payment Source	Payee	Description	Debt or Obligations (Info Only)	Total Due During Fiscal Year (Info Only)	Payments by month: Jan	Feb	Mar	April	May	June	Six Month Total
63)	Administration Costs	Adm Allow-RPTTF	Various contractors/misc	Costs to administer Successor Agency	198,582.39	135,702.39	0.00	0.00	1,896.87	20,000.00	20,000.00	20,000.00	$ 61,896.87
64)	Administration Costs	Adm Allow-RPTTF	Legal/Staff costs	Costs to administer Successor Agency	6,219,076.78	990,304.27	31,735.00	23,124.82	23,509.54	42,000.00	42,000.00	40,000.00	$ 202,369.36
65)	Item removed											0.00	$ -
66)	Item removed											0.00	$ -
67)	Property Disposition Costs	Reserves	Various contractors	Initial envir. testing, noticing, listing costs	2,691,100.00	60,000.00				20,000.00	20,000.00	20,000.00	$ 60,000.00
68)	Property Disposition Costs	Reserves	Legal/Staff costs	Soft project management costs	500,000.00	81,666.67		1,955.00		23,888.89	28,888.89	28,888.89	$ 83,621.67
69)	Item removed												$ -
70)	Item removed												$ -
71)	Accrued PERS Pension Obligations	Reserves	PERS	Costs accrued to date	875,712.00	0.00						0.00	$ -
72)	Accrued Retiree Health Obligations	Reserves	Kaiser/Blue Shield	Costs accrued to date	2,392,780.00	0.00						0.00	$ -
73)	Redemption 1999 Housing Rev Bonds	LMIHF/Bond Reserve	Bank of New York	1999 Housing revenue bonds-Rows 8&9	1,950,000.00	1,950,000.00						1,950,000.00	$ 1,950,000.00
74)	Prepay HUD 108 Loans&1999 COPs	Reserves	Bank of New York	HUD 108&1999 COPs-Rows 2, 3, 6 & 7	5,300,000.00	5,300,000.00						5,300,000.00	$ 5,300,000.00
75)	Fund Escrow Acct to defease 2006 Tax Allocation Bonds	$15,595,478.12 RPTTF; balance from available Reserves, NTE $44,404,521.88, for a total of NTE $60 million *	Bank of New York	Fund escrow acct to defease 2006 Tax Alloc Bonds (TABs) at first redemption date of 9/1/2016-rows 4 & 5	60,000,000.00	60,000,000.00						60,000,000.00	$ 60,000,000.00
													$ -
													$ -
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													$ -
													$ -
													$ -
	Totals - This Page				$ 80,127,251.17	$ 68,517,673.33	$ 31,735.00	$ 25,079.82	$ 25,406.41	$ 105,888.89	$ 110,888.89	$ 67,358,888.89	$ 67,657,887.90

* Total for the 2006 Bond Defesance is NTE $60 million. The funding for the first $15,595,478.12 for the bond defesance will come from RPTTF Funds. Any remaining Successor Agency cash, bond reserve, or cash reserve funds from the former 80% RDA Fund, after paying the other items on this January through June 2012 ROPS will also be used to defease the 2006 RDA Bonds. Total amount for defeasance, using both RPTT and Reserves is NTE $60 million. The Oversight Board has approved of this defeasance so that future tax increments will flow more quickly and in larger, more predictable amounts to taxing entities for budget planning purposes.

Note 1: Staff costs include payroll, benefits, and retirement costs

Note 2: Payment sources for six month period include Low Moderate Income Housing Fund (LMIHF), Bond Proceeds (Bonds), RPTTF, Reserves, Administrative Cost Allowance (Adm Allow), and where no payment required, Not Applicable (n/a)

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 27, 2012

Jim Steele, Director of Finance
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of South San Francisco Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 19, 2012 for the period of January to June 2012 and on May 9, 2012 for the period July to December 2012. Finance is assuming oversight board approval. Finance has completed its review of your ROPS which may have included obtaining clarification for various items. Based on our review, we are approving all of the items listed on your ROPS at this time.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund for the June 1, 2012 property tax allocations. In addition, items not questioned during this review are subject to 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.

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,

Mark Hill

MARK HILL
Program Budget Manager

cc: Mr. Steve Mattas, City Attorney, City of South San Francisco
Mr. Marty VanDuyn, Director of Economic & Community Development, City of South San Francisco
Mr. Kanchan Charan, Deputy Controller, County of San Mateo
Ms. Shirley Tourel, Senior Internal Auditor, County of San Mateo

City of South San Francisco
Cash Defeasance of 2006 Tax Allocation Bonds Analysis
Calculation of Initial Cash Deposit Required
5/11/2012

Defeasance Requirement	58,175,509.38
Interest Earnings	0.40%
Initial Deposit Required	50,536,338.00

Calculation of Initial Cash Deposit Needed to Defease 2006 Tax Allocation Bonds				
Date	**Beginning Balance**	**Deposits**	**Earnings**	**Ending Balance**
6/15/2012		50,536,338.00		50,536,338.00
9/1/2012	50,536,338.00		43,798.16	50,580,136.15
9/1/2013	50,580,136.15	100,000.00	204,952.93	50,885,089.08
9/1/2014	50,885,089.08	400,000.00	204,952.93	51,490,042.01
9/1/2015	51,490,042.01	852,000.00	204,952.93	52,546,994.93
9/1/2016	52,546,994.93	5,423,000.00	205,514.44	58,175,509.38
Total		**57,311,338.00**	**864,171.38**	

Assumptions

Interest Earnings = 0.50% on $50.536M deposited on 6/15/12

Additional contributions from 9/1/2013 through 9/1/2016 are not assumed to earn interest

Reserve Fund liquidated at $4,723,000 on 9/1/2016 and reflected as part of the deposit made on 9/1/2016

City of South San Francisco
Cash Defeasance of 2006 Tax Allocation Bonds
Calculation of Defeasance Requirement
5/11/2012

Principal Redeemed	56,775,000.00
Accrued Interest	1,400,509.38
Total	**58,175,509.38**

Debt Service on Bonds to be Defeased

Period Ending	Principal	Coupon	Interest	Semi Annual Debt Service	Annual Debt Service
3/1/2016					
9/1/2016	1,745,000.00	4.50%	1,400,509.38 *	3,145,509.38	3,145,509.38
3/1/2017	-	-	1,361,246.88	1,361,246.88	
9/1/2017	1,825,000.00	4.50%	1,361,246.88	3,186,246.88	4,547,493.75
3/1/2018	-	-	1,320,184.38	1,320,184.38	
9/1/2018	1,910,000.00	4.25%	1,320,184.38	3,230,184.38	4,550,368.75
3/1/2019	-	-	1,279,596.88	1,279,596.88	
9/1/2019	1,990,000.00	5.00%	1,279,596.88	3,269,596.88	4,549,193.75
3/1/2020	-	-	1,229,846.88	1,229,846.88	
9/1/2020	2,090,000.00	5.00%	1,229,846.88	3,319,846.88	4,549,693.75
3/1/2021	-	-	1,177,596.88	1,177,596.88	
9/1/2021	2,195,000.00	5.00%	1,177,596.88	3,372,596.88	4,550,193.75
3/1/2022	-	-	1,122,721.88	1,122,721.88	
9/1/2022	2,300,000.00	5.00%	1,122,721.88	3,422,721.88	4,545,443.75
3/1/2023	-	-	1,065,221.88	1,065,221.88	
9/1/2023	2,415,000.00	5.00%	1,065,221.88	3,480,221.88	4,545,443.75
3/1/2024	-	-	1,004,846.88	1,004,846.88	
9/1/2024	2,540,000.00	4.50%	1,004,846.88	3,544,846.88	4,549,693.75
3/1/2025	-	-	947,696.88	947,696.88	
9/1/2025	2,655,000.00	5.00%	947,696.88	3,602,696.88	4,550,393.75
3/1/2026	-	-	881,321.88	881,321.88	
9/1/2026	2,785,000.00	5.13%	881,321.88	3,666,321.88	4,547,643.75
3/1/2027	-	-	809,956.25	809,956.25	
9/1/2027	2,930,000.00	5.13%	809,956.25	3,739,956.25	4,549,912.50
3/1/2028	-	-	734,875.00	734,875.00	
9/1/2028	3,080,000.00	5.00%	734,875.00	3,814,875.00	4,549,750.00
3/1/2029	-	-	657,875.00	657,875.00	
9/1/2029	3,230,000.00	5.00%	657,875.00	3,887,875.00	4,545,750.00
3/1/2030	-	-	577,125.00	577,125.00	
9/1/2030	3,395,000.00	5.00%	577,125.00	3,972,125.00	4,549,250.00
3/1/2031	-	-	492,250.00	492,250.00	
9/1/2031	3,565,000.00	5.00%	492,250.00	4,057,250.00	4,549,500.00
3/1/2032	-	-	403,125.00	403,125.00	
9/1/2032	3,740,000.00	5.00%	403,125.00	4,143,125.00	4,546,250.00
3/1/2033	-	-	309,625.00	309,625.00	
9/1/2033	3,930,000.00	5.00%	309,625.00	4,239,625.00	4,549,250.00
3/1/2034	-	-	211,375.00	211,375.00	
9/1/2034	4,125,000.00	5.00%	211,375.00	4,336,375.00	4,547,750.00
3/1/2035	-	-	108,250.00	108,250.00	
9/1/2035	4,330,000.00	5.00%	108,250.00	4,438,250.00	4,546,500.00
Total	**56,775,000.00**		**32,789,984.38**	**89,564,984.38**	**89,564,984.38**

— 1,400,509.38 *

31,389,474.00 net savings

THE 2006 BONDS

General

The 2006 Bonds will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof, and no 2006 Bond will have more than one maturity date. The 2006 Bonds will be dated their date of delivery and will be in the principal amounts, will mature on September 1 in the years, and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates of interest per annum as set forth on the inside cover hereof.

Interest on the 2006 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 2006 Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth calendar day is a Business Day (the "Record Date"), in which event it will bear interest from such Interest Payment Date, (ii) a 2006 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the 2006 Bonds (the "Closing Date"), or (iii) interest on any 2006 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid on each Interest Payment Date to the persons in whose names the ownership of the 2006 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except that at the written request of the Owner of 2006 Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, interest on such 2006 Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America. Interest on any 2006 Bond which is not punctually paid or duly provided for on any Interest Payment Date will be payable to the person in whose name the ownership of such 2006 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which will be given to such Owner not less than ten (10) days prior to such special record date.

Redemption

Optional Redemption of 2006 Bonds. The 2006 Bonds maturing on or before September 1, 2016 are not subject to optional redemption prior to maturity. The 2006 Bonds maturing on or after September 1, 2017 are subject to redemption prior to their respective maturity dates, at the option of the Agency, as a whole on any date, or in part, by maturity, as determined by the Agency, and by lot within a maturity on any Interest Payment Date on or after September 1, 2016, from any source of available funds, at a Redemption Price of the principal amount of the 2006 Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption of the 2006 Bonds. The 2006 Bonds maturing on September 1, 2027, September 1, 2031 and September 1, 2035 (collectively, the "Term 2006 Bonds") will also be subject to mandatory redemption in whole, or in part by lot, on September 1 in each year as shown in the following tables, from sinking fund payments made by the Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 9, 2013

Mr. Jim Steele, Finance Director
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Other Funds and Accounts Due Diligence Review

The City of South San Francisco Successor Agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 23, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Ford property assets transferred to the City of South San Francisco in the period between January 1, 2011 and June 30, 2012 in the amount of $8,762,821. HSC section 34179.5 (c) (2) only allows asset transfers within this period that are required by enforceable obligation and meet the definition of governmental use. No documents received support that the transfers were required by an enforceable obligation. Since these properties are illiquid, they are considered a non-cash asset of the Redevelopment Agency (RDA). Therefore, another adjustment is being made to increase the assets restricted as non-cash in the amount of $8,762,821. In effect, these adjustments balance out and do not affect the ending OFA available balance.

- Balances legally restricted totaling $65,600,399 to fund enforceable obligations should be adjusted by $50,588,138. Specifically:

    - The Agency's request to retain $5,216,644 for 1999 Certificates of Participation and HUD 108 should be adjusted by $324,161. Finance approved the use of reserves in the amount of $5,300,000 in the January through June 2012 Recognized Obligation Payment Schedule (ROPS) period. Of this amount, $407,517 is being reported and legally restricted on Procedure 6 of the DDR.

Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by $324,161 (($5,300,000-$407,517) -$5,216,644).

- The Agency's request to retain $27,938 to cover a 2006 RDA bonds debt service payment underestimated on the ROPS for the period of July through December 2012 is not allowed. This amount was requested to be funded with city loan proceeds as determined by Finance's review of the OB Resolution No. OB 2-2013. The repayment of this loan is subject to Finance's review and approval on a subsequent ROPS. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by $27,938.

- The Agency's request to retain a total of $40,153 to cover and allow the Agency to make payments for Non-Housing and other ROPS expenses is not allowed. This amount was requested to be funded with city loan proceeds as determined by Finance's review of two OB actions, OB 3-2013 and OB 6-2013. The repayment of these loans is subject to Finance's review and approval on a subsequent ROPS. Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by $40,153.

- The Agency requested to retain $50,195,886 in funds that were placed in an escrow account to defease the 2006 Tax Allocation Bonds. The escrow account was set up and funded through the Escrow Deposit and Trust Agreement (Agreement) between the Agency and the Bank of New York Mellon Trust Company, N.A. in August 2012. Pursuant to HSC section 34163 (b), as of June 28, 2011, the Agency was prohibited from entering into contracts with any entity for any purpose.

  Pursuant to HSC section 34181(e), the oversight board (OB) should direct the Agency to determine if an agreement should be terminated or renegotiated in order to reduce liabilities and increase net revenues to the taxing entities. The OB may approve the Agency's proposed termination or renegotiation of an agreement if the OB makes a finding that amendments or early termination would be in the best interest of the taxing entities. Finance has not received an OB resolution approving this specific Agreement or that this Agreement is in the best interest of the taxing entities.

  To be in compliance with the law, Finance recommends the Agency immediately present this Agreement to their OB for approval. Should the OB make the appropriate findings as required by HSC section 34181 (e), Finance will consider its validity at that time. Until then, the OFA balance available for distribution to the taxing entities will be adjusted by $50,195,886. Additionally, we would expect the Agency to request a Meet and Confer on this issue for further clarification.

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

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

The Agency's OFA balance available for distribution to the affected taxing entities is $50,588,138.

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	-
Finance Adjustments		
Add:		
Requested retained balance not supported:		50,588,138
Total OFA available to be distributed:	$	50,588,138

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Kate Rosenlieb, Senior Financial Analyst, City of San Bruno
Mr. Robert Adler, Auditor Controller, San Mateo County
California State Controller's Office

Redevelopment Successor Agency Oversight Board

Staff Report

DATE: April 16, 2013

TO: Members of the Oversight Board

FROM: Marty Van Duyn, Assistant City Manager

SUBJECT: RESOLUTIONS MAKING FINDINGS THAT THE COMMERCIAL SPACE AT 636 EL CAMINO REAL IS AN INTEGRAL AND INDIVISIBLE PART OF A HOUSING ASSET AND SHALL NOT BE SUBJECT TO SUBDIVISION OR A REVENUE SHARING ARRANGEMENT BETWEEN THE CITY AND THE SUCCESSOR AGENCY AND THE ASSIGNMENT OF THE COMMERCIAL MASTER LEASE FOR 636 EL CAMINO REAL BY THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SOUTH SAN FRANCISCO

RECOMMENDATION

That the Oversight Board adopt Resolutions making findings that the commercial space at 636 El Camino Real is an integral and indivisible part of a housing asset and shall not be subject to subdivision or a revenue sharing arrangement between the City and the Successor Agency, and assignment of the commercial Master Lease for approximately 5,700 square feet of commercial space located within the building at 636 El Camino Real to the City of South San Francisco.

BACKGROUND/DISCUSSION

In September 2012, Mid-Peninsula Housing Coalition (MPHC) completed construction at 636 El Camino Real, a 109 unit affordable housing development including approximately 5,700 square feet of unimproved commercial space and associated parking (the Project). The former Redevelopment Agency of the City of South San Francisco (Redevelopment Agency) owned fee title to the property and in March 2011 ground leased the property to MPHC. Pursuant to a Loan Agreement the Redevelopment Agency also provided a $9.9 million loan to MHPC to assist in financing construction of the Project. Pursuant to a Master Lease Agreement dated March 1, 2011 (see Exhibit A), the Redevelopment Agency leased back from MPHC the retail space and associated parking portion of the Project for a term of 75 years. The Redevelopment Agency paid rent of $75.00 in one lump sum at the commencement of the term and agreed to pay specified impositions including taxes, utilities charges, and maintenance and repair costs.

Pursuant to the Project Loan Agreement and a Secured Promissory Note, MPHC agreed to repay the loan with interest on a residual receipts basis. MPHC also agreed to set aside $510,000 in cost savings to fund a tenant improvement allowance reserve for the commercial space leased back to the Redevelopment Agency. The Master Lease made the Redevelopment Agency or its subtenants

responsible for managing, constructing and installing all tenant improvements in the commercial space and for payment of associated costs that exceeded the tenant improvement allowance reserve.

Following the dissolution of the Redevelopment Agency, the land and the loan related to the Project were included in the housing asset inventory prepared by the City of South San Francisco (City) as housing successor to the Redevelopment Agency. On August 31, 2012 the California Department of Finance concurred that the land and loan were housing assets and authorized their transfer to the City as housing successor (see Exhibit B). MPHC as developer owns the building improvements. However, because the Project contains approximately 5,700 square feet of retail space plus associated parking (see Exhibit C), it is subject to Health and Safety Code Section 34176 (f):

> "If a development includes both low- and moderate-income housing that meets the definition of a housing asset under subdivision (e) and other types of property use, including, but not limited to, commercial use, governmental use, open space, and parks, the oversight board shall consider the overall value to the community as well as the benefit to taxing entities of keeping the entire development intact or dividing the title and control over the property between the housing successor and the successor agency or other public or private agencies. The disposition of those assets may be accomplished by a revenue-sharing arrangement as approved by the oversight board on behalf of the affected taxing entities."

This Project does not fit neatly into Section 34176(f). Pursuant to the Ground Lease and the Master Lease, control over the property is already divided between the City as housing successor with respect to the land, and the Successor Agency with respect to the commercial space. Therefore, the Successor Agency believes that what remains for the Oversight Board's consideration is whether the overall value to the community as well as the benefit to the taxing entities will be greater if the Successor Agency remains obligated under the Master Lease, or whether assignment of the Master Lease to the City would be more beneficial. As a result the Successor Agency asks the Oversight Board to consider the following three issues:

1. Whether the construction, installation, leasing and other obligations under the Master Lease are better served by the Successor Agency or the City; and
2. Whether the Master Lease should be assigned from the Successor Agency to the City; and
3. Whether a revenue sharing agreement would be beneficial.

In deciding these issues, the Oversight Board should consider that commercial space is currently an unimproved vacant shell. There are no subdividing walls, no plumbing or electrical service and no heating, venting or air conditioning improvements. All of these improvements will need to occur before the retail spaces can be leased.

The referenced agreements between the MPHC and the Redevelopment Agency do not specify the precise accounting procedures to be used for the $510,000 tenant improvement reserve fund. However, the parties envisioned that the Redevelopment Agency would recognize the $510,000 as partial repayment of the Project loan. Furthermore, because the Redevelopment Agency would be using housing funds to pay for the commercial tenant improvements, the commercial lease revenue would accrue to the Housing Fund.

With the completion of the Project, MPHC is preparing to repay to the City as housing successor the Project costs savings, including the $510,000 that can be used for the commercial space tenant improvements. If the Oversight Board elects to have the Successor Agency participate in the commercial venture, as the master lessee the Successor Agency could opt to use the $510,000 in housing funds to complete the commercial tenant improvements. However, since the owner of the loan (the City as housing successor) and the master lessee (the Successor Agency) are no longer the same legal entity operating the commercial space for the benefit of the housing fund, the Successor Agency as master lessee would have to assume the $510,000 portion of the loan from MPHC. The loan carries a simple 3% annual interest rate and is a residual receipt loan (i.e. it requires that all revenue after operating costs and funding of reserves be used for interest and principal repayment). Alternatively, the Successor Agency could pay for tenant improvements with Real Property Tax Trust Fund (RPTTF) monies.

The estimated $510,000 construction budget would be used for construction, permits and architectural services. In addition to the construction costs, the Successor Agency as master lessee would need to separately enter into an agreement with the City to have staff manage the construction of the tenant improvements (approximately $30,000), pay commercial broker commissions (approximately $60,000), pay for legal costs (approximately $10,000), and enter into a property management agreement with the City (approximately $15,000 annually). In summary the Oversight Board should consider that:

1. The commercial space is a vacant shell needing approximately $510,000 in tenant improvements,
2. The Successor Agency would need to need to enter into an agreement with the City as housing successor to utilize the tenant improvement reserve and subsequently repay it, or use $510,000 in new RPTTF,
3. The need for approximately $100,000 in additional RPTTF to pay retail broker commissions, city staff construction management costs and legal costs, and
4. The annual operating costs, including the City property management and asset management costs and the need to establish suitable operating, vacancy and replacement reserves would utilize all commercial rent revenue for years

In light of these difficulties, staff is recommending that the Oversight Board adopt a resolution acknowledging the difficulties and relinquishing all financial interests in the property by not requiring a revenue sharing agreement and by assigning the master lease to the City of South San Francisco.

CONCLUSION:

The Successor Agency recommends that the Oversight Board adopt two Resolutions: first, making findings that the overall value to the community and the benefit to taxing entities will be enhanced by the City as housing successor's continued title over the whole of the property and the continued control of the commercial portion of the property by the Successor Agency pursuant to the Master Lease without the necessity of a revenue sharing agreement, and second, that the Master Lease for commercial space for 636 El Camino Real should be assigned from the Successor Agency to the City.

By: _____
Marty Van Duyn
Assistant City Manager

Approved: _____
Barry M. Nagel
City Manager

Exhibits: Resolutions
A. Master Lease Agreement (Excerpts)
B. Department of Finance Letter
C. Commercial Space Plan

2070865.2

RESOLUTION NO. ___

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

RESOLUTION MAKING FINDINGS THAT THE COMMERCIAL SPACE AT 636 EL CAMINO REAL IS AN INTEGRAL AND INDIVISIBLE PART OF A HOUSING ASSET AND SHALL NOT BE SUBJECT TO SUBDIVISION OR A REVENUE SHARING ARRANGEMENT

WHEREAS, the City of South San Francisco ("City") as housing successor to the former Redevelopment Agency of the City ("Redevelopment Agency") is the owner of certain real property located at 636 El Camino Real ("Property") and is the holder of a $9.99 million dollar loan ("Loan") to Mid-Peninsula Housing Coalition ("MPHC"); and

WHEREAS, MPHC has developed a mixed-use affordable housing project on the Property, which includes approximately 5,000 square feet of commercial/retail space on the ground floor and associated parking ("Commercial Space") along El Camino Real; and

WHEREAS, on August 31, 2012 the California Department of Finance concluded that the Property and the Loan constituted approved housing assets pursuant to Assembly Bill x1 26, as modified by Assembly Bill 1484; (collectively, the "Dissolution Law") and thereby authorized their transfer to the City as housing successor to the Redevelopment Agency; and

WHEREAS, pursuant to that certain Master Lease entered into as of March 1, 2011, between MPHC and the Redevelopment Agency, the Successor Agency of the Redevelopment Agency ("Successor Agency") is the sublessee of the Commercial Space; and

WHEREAS, Health and Safety Code ("H&SC") Section 34176 (f) provides that when a development includes both low- and moderate-income housing and other types of use, including commercial use, the oversight board shall consider the overall benefit to the community as well as the benefit to taxing entities of keeping the entire development intact or dividing the title and control over the property between the housing successor and the successor agency or other public or private agencies; and

WHEREAS, H&SC Section 34176 (f) further provides that the disposition of those assets may be accomplished by a revenue-sharing arrangement by the oversight board on behalf of the affected taxing entities; and

WHEREAS, at a regularly scheduled public meeting held on April 16, 2012, the Oversight Board considered a written staff report and oral report from the Successor Agency and all other public comment with respect to the mixed-use Project; and

WHEREAS, title to the entire Property is held by the City as housing successor to the Redevelopment Agency; and

WHEREAS, the Property was ground leased to MPHC on March 1, 2011; and

WHEREAS, pursuant to a Master Lease Agreement dated March 1, 2011, MPHC leased the Commercial Space back to the Redevelopment Agency for a term of 75 years; and

WHEREAS, pursuant to the Dissolution Law the Successor Agency is the sublessee of the Commercial Space; and

WHEREAS, the Commercial Space is an unimproved vacant shell containing no subdividing walls, no plumbing or electrical service and no heating, venting or air conditioning improvements; and

WHEREAS, the cost of providing such improvements is estimated as approximately $510,000; and

WHREAS, the City as housing successor to the Redevelopment Agency proposes to use housing funds from Project cost savings to construct the improvements; and

WHEREAS, all future Commercial Space rent revenue will therefore be needed to repay the housing fund, to pay for operations of the Commercial Space and to fund reserves for future commercial tenant improvements and a prorated share of the building improvements; and

WHEREAS, any return to taxing entities from anticipated Commercial Space rent revenue is therefore extremely speculative and, in any event, is unlikely to accrue, if at all.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency hereby:

1. Finds that the above Recitals are true and correct and are incorporated herein.

2. Concurs with the California Department of Finance that the property located at 636 El Camino Real in the City of South San Francisco, as well as the loan for construction of a mixed-use project thereon, constitute mixed-use housing assets with the meaning of H&SC 34176(e).

3. Finds that the Commercial Space at 636 El Camino Real is presently leased to and is under the control of the Successor Agency.

4. Finds that the Commercial Space is an integral and indivisible part of a housing asset.

5. Finds, pursuant to H&SC 341760(f), that the overall benefit to the community of keeping the title to and control of the Property, including the Commercial Space, as determined pursuant to existing agreements, without further subdivision, will be enhanced in that such continuation will permit the repayment of housing funds and provide a source for additional affordable housing activities within the community.

6. Finds, pursuant to H&SC 34176(f), that the taxing entities will benefit from keeping the title to and control of the Property, including the Commercial Space, as determined pursuant to existing agreements, without further subdivision, in that such continuation will reduce if not obviate entirely the need to expend Real Property Tax Trust Fund monies to repay housing funds and/or pay for Successor Agency obligations pursuant to the Master Lease for the Commercial Space.

7. Finds, pursuant to H&SC 34176(f), that no revenue-sharing arrangement is necessary or appropriate, in that no revenue from Commercial Space rent revenue is likely to accrue for several years, if ever, when offset by the obligations arising from the Master Lease.

8. Declares that if any provision, sentence, clause, section or part of this Resolution is found to be unconstitutional, illegal or invalid, such finding shall affect only such provision, sentence, clause, section or part, and shall not affect or impair any of the remaining parts.

* * * * *

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency at a meeting held on the 16thd day of April, 2013 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST: _____
City Clerk

2070948.1

RESOLUTION NO. ___

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

RESOLUTION APPROVING THE ASSIGNMENT OF THE COMMERCIAL MASTER LEASE FOR 636 EL CAMINO REAL BY THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SOUTH SAN FRANCISCO TO THE CITY OF SOUTH SAN FRANCISCO

WHEREAS, the City of South San Francisco ("City"), as housing successor to the former Redevelopment Agency of the City ("Redevelopment Agency"), is the owner of that certain real property located at 636 El Camino Real ("Property"), and Mid-Peninsula Housing Coalition ("MPHC") has developed a mixed-use affordable housing project on the Property, which includes approximately 5,700 square feet of commercial/retail space on the ground floor and associated parking ("Commercial Space") along El Camino Real; and

WHEREAS, the Redevelopment Agency leased the Property to MPHC, and sublease the Commercial Space from MPHC pursuant to a Master Lease Agreement ("Master Lease") with MPHC dated March 1, 2011; and

WHEREAS, with the dissolution of redevelopment agencies by the State of California the Successor Agency of the former Redevelopment Agency became the master lessee of the Commercial Space; and

WHEREAS, pursuant to Health and Safety Code ("H&SC") Section 34176(f), the Oversight Board for the Successor Agency has adopted Resolution No. ____, making findings that the Property shall not be subject to subdivision or a revenue sharing arrangement; and

WHEREAS, the Master Lease gives the Successor Agency the right to assign the Master Lease to the City without consent of MPHC or any other party; and

WHEREAS, notwithstanding such Master Lease provision, the Successor Agency has presented the proposed assignment of the Master Lease by the Successor Agency to the City, and the Oversight Board has duly considered the proposed assignment at a public meeting held on April 16, 2012, including without limitation consideration of the Successor Agency's written staff report and oral report and all other public comment with respect thereto; and

WHEREAS, the Successor Agency's assignment of the Master Lease to the City will facilitate the leasing of the Commercial Space.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency hereby:

1. Finds that the above Recitals are true and correct and are incorporated herein.

2. Approves the assignment of the Master Lease from the Successor Agency to the City.

3. Authorizes the Successor Agency to execute such documents or take such other or further actions as are necessary or appropriate to carry out the intent of this Resolution.

* * * * *

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the Oversight Board for the Successor Agency of the City of South San Francisco Redevelopment Agency at a meeting held on the 16thd day of April, 2013 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST: _____
City Clerk

2070990.1

Exhibit A

MASTER LEASE AGREEMENT

by and between

MP SOUTH CITY, L.P., A CALIFORNIA LIMITED PARTNERSHIP

and

REDEVELOPMENT AGENCY

OF THE CITY OF SOUTH SAN FRANCISCO

THIS MASTER LEASE AGREEMENT (this "**Lease**" or this "**Agreement**"), dated as of March 1, 2011, is entered into by and between MP South City, L.P., a California limited partnership (hereafter "**Ground Lessee**") as sublandlord and the Redevelopment Agency of the City of South San Francisco, a public body, corporate and politic (hereafter "**Agency**") as sublessee. Agency and Ground Lessee are hereafter each referred to as a "**Party**" and collectively referred to as the "**Parties.**"

RECITALS

A. Agency is the owner of fee title to the property known as 636 El Camino Real, identified as San Mateo County Assessor's Parcel No. 014-160-040, and more particularly described in Exhibit A-1 attached hereto (hereafter, the "**Parcel**").

B. Pursuant to that certain Ground Lease dated as of the March 1, 2011 and executed by and between the Agency as landlord and Ground Lessee as tenant (the **"Ground Lease"**), Ground Lessee has constructed or shall construct on that portion of the Parcel described in Exhibit A-2 attached hereto (the **"Property"**), a mixed-use multi-family development (the **"Project"**) that includes, among other improvements, approximately 5,700 square feet of retail space (the **"Retail Space"**) located on the first floor of the building fronting along El Camino Real (the **"Building"**) together with eighteen (18) surface parking spaces (**"Retail Parking"**) dedicated for use by the tenants and invitees of the retail space. Collectively, the Retail Space and the Retail Parking are referred to herein as the **"Premises."** The Premises are more particularly described in Exhibit B attached hereto.

C. Pursuant to that certain Loan Agreement dated as of March 1, 2011 and executed by and between the Parties (the **"Loan Agreement"**), Agency has provided or will provide a loan to Ground Lessee in the amount of Four Million, Two Hundred Ninety Thousand, Three Hundred and Seventy-Three Dollars ($4,290,373) (the **"Loan"**) to assist in financing the construction of the Project. Pursuant to separate agreements, the Agency has provided or will provide additional financing and has leased the remainder of the Parcel to an affiliate of Ground Lessee for development of a second phase of affordable housing adjacent to the Property.

D. Agency desires to lease the Premises from the Ground Lessee, and Ground Lessee desires to lease the Premises to Agency on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

ARTICLE I

DEFINITIONS; LEASE OF PREMISES

1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth in this Section. Additional definitions are set forth in the Recitals and the text of this Agreement.

(a) "**Agency Parties**" is defined in Section 6.1(b).

(b) "**Applicable Laws**" is defined in Section 5.3.

(c) "**Alteration**" is defined in Section 5.2.

(d) "**Building**" is defined in Recital B.

(e) **"City"** means the City of South San Francisco, a municipal corporation.

(b) "**Claims**" is defined in Section 3.2.

(c) "**Commencement Date**" is defined in Section 2.5.

(d) **"Ground Lease"** is defined in Recital B.

(e) "**Hazardous Materials**" is defined in Section 6.2.1.

(f) "**Hazardous Materials Laws**" is defined in Section 6.2.2.

(g) "**Impositions**" is defined in Section 3.1.

(h) **"Loan"** is defined in Recital C.

(i) **"Loan Agreement"** is defined in Recital C.

(j) "**Premises**" is defined in Recital B.

(k) "**Property**" is defined in Recital B.

(l) "**Rent**" is defined in Section 2.2.

(m) **"Retail Parking"** is defined in Recital B.

(n) **"Tenant Improvement Reserve"** is defined in the Note executed by Ground Lessor to evidence Ground Lessee's obligation to repay the Loan.

(o) "**Term**" is defined in Section 2.1.

(p) "**Unavoidable Delay**" is defined in Section 14.1.

1.2 Incorporation of Recitals. The Parties acknowledge the truth of the Recitals set forth above, and all such Recitals are hereby incorporated into this Agreement.

1.3 Lease of Premises. Ground Lessee hereby leases to Agency, and Agency hereby leases from Ground Lessee, the Premises for the Term, subject to the terms and conditions and for the purposes set forth in this Agreement.

ARTICLE II

TERM OF LEASE, RENT, EXPENSES, OCCUPANCY

2.1 Term. The term of this Lease (the "**Term**") shall commence on the Commencement Date (defined in Section 2.5 below), and unless terminated earlier pursuant to the provisions hereof, shall expire on the day preceding the seventy-fifth (75th) anniversary of the Commencement Date of the Ground Lease; provided however, if the term of the Ground Lease is extended, the Term shall automatically extend by the same period of time by which the Ground Lease is extended.

2.2 Rent. Commencing on the Commencement Date and continuing through the expiration of the Term (as such may be extended), rent payable for the Premises ("**Rent**") shall be equal to the sum of One Dollar ($1.00) per year, together with Additional Rent as described in Section 2.3. Agency shall pay Rent for the entire initial Term to Ground Lessee in one lump sum on the Commencement Date.

2.3 Additional Rent; Triple Net Lease; Agency Expenses. As additional rent ("**Additional Rent**") Agency shall pay (or shall cause its subtenants to pay) when due all Impositions described in Article III and all costs and expenses relating to the Premises or any part thereof. Subject to Section 2.3.1, such costs and expenses shall include, without limitation, all amounts attributable to, paid or incurred in connection with the operation, maintenance and management of the Premises; property taxes and payments in lieu thereof; rent taxes; gross receipt taxes; water and sewer charges; insurance premiums; utilities (including gas, water, sewer, electricity, light, heat, telephone or other communication service); refuse disposal; interior lighting; fire detection systems including monitoring, maintenance and repair; security; janitorial services; air-conditioning and heating; maintenance and repair costs for the Premises (including the Retail Parking); and costs of licenses, permits and inspections.

2.3.1 Exclusions. Notwithstanding any contrary provision hereof: (i) Agency shall have no obligation to pay any portion of any cost or expense attributable to any part of the Property or the Project other than the Premises, (ii) Ground Lessee shall be responsible for undertaking at Ground Lessee's expense, maintenance and repairs to the exterior of the Building and the structural and mechanical elements of the Building, including without limitation the foundation and roof, and (iii) Ground Lessee shall be responsible for undertaking at Ground Lessee's expense, maintenance and repairs for all improvements located on the Property other than the Premises, including landscaping, parking areas (with the exception of the Retail Parking), driveways, sidewalks and structures.

2.4 Delivery of Premises. Ground Lessee agrees to complete construction of the Building in accordance with the schedule set forth in the Ground Lease and agrees to deliver the Premises to Agency promptly following the Commencement Date.

2.5 Early Access. Agency shall not occupy the Premises prior to the date upon which City issues a final certificate of occupancy or equivalent for the Premises (the **"Commencement Date")** except with the express prior written consent of Ground Lessee. Agency shall be permitted access to the Premises prior to the Commencement Date for the purpose of installing

and constructing tenant improvements and Agency's furniture and equipment. If Agency is provided access to the Premises prior to the Commencement Date, all of the terms and provisions of this Lease shall apply to Agency's use of the Premises except for the requirement for the payment of Rent, and Agency shall abide by all of such terms and provisions.

ARTICLE III

TAXES, ASSESSMENTS AND OTHER CHARGES

3.1 Impositions. Throughout the Term, unless exempted therefrom, Agency shall pay (or shall cause its subtenants to pay) prior to delinquency, all real property taxes, possessory interest taxes, license and permit fees, sales, use or occupancy taxes, and assessments pertaining to the Premises or part thereof, including, but not limited to (i) any assessment, levy, imposition or charge in lieu of or in substitution for real estate taxes, and (ii) any assessment for public improvements or benefits which is assessed, levied, or imposed upon or which becomes due and payable and a lien upon (a) the Premises or any part thereof or any personal property, equipment or other facility used in the operation thereof, (b) the rent or income received by Agency from subtenants or licensees, or (c) any use or occupancy of the Premises or part thereof. All of the foregoing are hereinafter referred to as "**Impositions**." Notwithstanding the foregoing, or any contrary provision hereof: (i) Agency shall have no obligation to pay any real estate transfer taxes or any increase in real estate taxes payable due to the sale, transfer or other conveyance of the Building, the Project, Ground Lessee's interest in the Property, or any part or interest in any of the foregoing, or in the ownership or control of Ground Lessee, and (ii) nothing in this Agreement is intended to prevent Agency from applying for and obtaining any applicable exemption from taxes and assessments.

3.1.1 Installments. If by law any Imposition is payable, or may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Agency may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same respectively become due and before any fine or penalty may be added thereto for the nonpayment of any such installment and interest. Any Impositions relating to tax years that are only partially included in the Term shall be prorated between Agency and the Ground Lessee.

3.1.2 Evidence of Payment. Upon request by the Ground Lessee, Agency shall furnish, in form satisfactory to the Ground Lessee, evidence of payment prior to delinquency of all Impositions payable by Agency.

3.2 Agency Right to Contest. Agency shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate legal proceedings, but such right shall not be deemed or construed in any way as relieving, modifying or extending Agency's covenant to pay any such Imposition at the time and in the manner required by law. Any such contest shall be conducted in accordance with and subject to the requirements of all Applicable Laws and otherwise in a manner that does not subject the Ground Lessee's title to the Premises to foreclosure or forfeiture. Agency shall indemnify, defend, and hold the Ground Lessee harmless from and against all claims, damages, losses, liabilities, costs

and expenses (including without limitation reasonable attorneys' fees) (all of the foregoing, collectively "**Claims**") incurred by Ground Lessee as a result of any such contest brought by Agency. During any contest of an Imposition, Agency shall (by payment of disputed sums, if necessary) prevent any advertisement of tax sale, foreclosure of, or any divesting of the Ground Lessee's title, reversion or other interest in the Property or the Premises.

ARTICLE IV

MANAGEMENT, USE AND OPERATION OF THE PROPERTY

4.1 Permitted Uses; Management. The Premises shall be used solely for the operation of retail, commercial or public purpose uses, operated in compliance with the City's zoning ordinance, the REA (as defined in the Ground Lease) and any applicable use restrictions imposed by the Conditions of Approval adopted by City in connection with its approval of the Project or otherwise agreed upon by the Parties. Agency shall be permitted to engage a property management agent of Agency's choosing to manage the leasing and operation of the Premises. No consent of Ground Lessee or any other party shall be required in connection with any such use or management arrangement. Agency shall comply with the terms of the Ground Lease to the extent applicable to the Premises.

4.2 Signage. Agency and its subtenants shall be permitted to place signage on the exterior of the Premises provided that all such signage is consistent with applicable City regulations and any other reasonable requirements agreed upon in writing by Agency and Ground Lessee.

4.3 Nondiscrimination. Agency hereby covenants by and for Agency, its successors and assigns, and all persons claiming under or through Agency, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Premises nor shall Agency or any person claiming under or through Agency establish or permit any such practice or practices of discrimination or segregation.

4.4 Access. Upon 72 hours prior written notice, except in the event of an immediate health and safety emergency, Ground Lessee may enter the Premises at reasonable times to perform repairs to the structural and mechanical elements of the Building.

4.5 Maintenance. At the expense of Agency or its subtenants, Agency shall operate, maintain, repair and manage the Premises including the Retail Parking area and all tenant improvements, fixtures and furnishings in compliance with all local, state and federal laws, statutes and regulations relating to the use, occupancy or operation of the Premises. Agency shall cause all portions of the Premises to be maintained in a clean and orderly condition, free of accumulation of dirt and rubbish.

4.6 Compliance with Laws. At the expense of Agency or its subtenants, Agency (or Agency's subtenants) shall procure and maintain all governmental approvals, licenses and permits required for the proper and lawful conduct of the permitted uses within the Premises. Agency shall comply and shall cause its subtenants to comply with all Applicable Laws pertaining to the use, operation, and management of the Premises. Agency shall not use (and shall not permit its subtenants to use) the Premises for any unlawful purpose, or perform, permit or suffer any act of omission or commission upon or about the Property or the Premises which would result in a nuisance or a violation of law.

4.7 Agency Right to Contest. Agency shall have the right to contest by appropriate proceedings, in the name of Agency, and without cost or expense to the Ground Lessee, the validity or application of any Applicable Law. If compliance with any Applicable Law may legally be delayed pending the prosecution of any such proceeding without the incurrence of any lien, charge or liability against the Premises or Agency's interest therein, and without subjecting Agency or the Ground Lessee to any liability, civil or criminal, for failure so to comply therewith, Agency may delay compliance therewith until the final determination of such proceeding. Agency shall indemnify, defend and hold Ground Lessee harmless from and against all Claims arising in connection with any such contest brought by Agency.

ARTICLE V

TENANT IMPROVEMENTS, ALTERATIONS AND ADDITIONS

5.1 Tenant Improvements. Ground Lessee shall make available to Agency all funds deposited into the Tenant Improvement Reserve (and all interest earned on such reserve) in accordance with the Note executed by Ground Lessee for the benefit of Agency pursuant to the Loan Agreement. Except as the Parties may otherwise agree in writing, Agency (or its subtenants) shall be responsible for the construction and installation of all tenant improvements for the Premises. Ground Lessee's approval shall not be required in connection with such construction and installation; provided however, Agency agrees to consult and cooperate with Ground Lessee in order to ensure that such construction and installation will not interfere with structural or mechanical components of the Building. Agency (or its subtenants) shall be responsible for payment of all costs to install or construct tenant improvements in the Premises exceeding the amount of the Tenant Improvement Reserve and interest earned on such reserve.

5.2 Changes and Alterations. During the Term, Agency shall have the right to make changes and alterations ("**Alterations**") to the interior of the Premises without the prior written consent of the Ground Lessee. All Alterations shall be made at the expense of Agency or its subtenants, and shall comply with all of the following:

(a) Unless Ground Lessee consents in writing, in no event shall any Alteration (i) affect the exterior of the Building, (ii) affect any of the structural portions of the Building, including without limitation, the roof, (iii) require any change to the structural or mechanical components of the Building, (iv) cause an increase in the premiums for hazard or liability insurance carried by Ground Lessee, or (v) overload the floor load capacity or unduly burden the plumbing, heating, ventilation, air conditioning, electrical or other basic systems that serve the Building.

(b) No Alteration shall be undertaken until Agency shall have obtained all required permits and authorizations of all federal, state or local agencies having jurisdiction over the work.

(c) The Alteration shall be made in a good and workmanlike manner and in compliance with all applicable permits by a licensed contractor and in compliance with all Applicable Laws.

(d) During the construction of any Alteration in, to or of, the Premises, or the permitted demolition or new construction or any restoration, Agency shall comply with the insurance requirements set forth in Section 7.2, which policy or policies by endorsement thereto, if not then covered, shall also insure any Alteration or new construction, including all materials and equipment incorporated in, on or about the Premises.

(e) Prior to commencement of any construction, Alteration or repair, Agency shall deliver to the Ground Lessee not later than ten (10) business days' prior written notice of the proposed work, a general description of the proposed work and sufficient information to permit the Ground Lessee to post a notice of nonresponsibility on the Premises.

(f) Upon completion of construction of any Alteration, Agency shall (i) file or cause to be filed in the Official Records of San Mateo County a Notice of Completion with respect to the subject work in compliance with Civil Code Section 3093 or any successor statute, and (ii) deliver to Ground Lessee evidence of full payment and unconditional final waivers of all liens for labor, services, or materials. Agency shall file a valid notice of cessation or notice of completion upon cessation of construction of the Alteration for a continuous period of thirty (30) days or more, and shall take all other reasonable steps to forestall the assertion of claims or liens against the Property, the Project or the Building. The Ground Lessee may (but has no obligation to) record any notices of completion or cessation of labor, or any other notice that the Ground Lessee deems necessary or desirable to protect its interest in the Property, the Project and the Building.

5.3 Compliance with Laws. Agency shall carry out all construction activity at the Premises in conformity with all applicable state and federal laws and regulations, including without limitation, all applicable state and federal labor laws and standards, all applicable provisions of the California Labor Code, and all applicable disabled and handicapped access requirements, including without limitation, the Americans with Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, California Government Code Section 4450, *et seq.*, California Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, California Civil Code Section 51, *et seq.* Agency shall comply with all City ordinances and regulations relating to the conduct of construction, including without limitation, all City ordinances and regulations relating to noise, construction hours, and maintenance of the construction site. All of the foregoing state, federal and local laws, regulations and ordinances are hereafter referred to as the "**Applicable Laws.**"

5.4 Indemnity. Agency shall defend, indemnify and hold harmless the Ground Lessee from and against any and all Claims arising during the Term from or in connection with Agency's failure to comply with all Applicable Laws relating to the operation or maintenance of

the Premises, or Agency's activities or performance under this Agreement, whether such activity or performance is by Agency or by anyone directly or indirectly employed by or contracted with by Agency. Agency's indemnity obligations under this Section 5.4 shall not extend to Claims arising as a result of Ground Lessee's gross negligence or willful misconduct.

5.5 Mechanic's Liens. Agency shall not permit any mechanics', materialmen's or other liens, to be filed against the Premises, the Building, the Property or any part thereof, or against Agency's leasehold interest in the Premises or part thereof as a result of Agency's or Agency's contractors work in the Premises. Ground Lessee has the right at all times to post and keep posted on the Premises any notice that it considers necessary for protection from such liens. If Agency fails to cause the release of record of any lien(s) filed against the Premises or Agency's leasehold estate therein, by payment or posting of a proper bond within twenty (20) days from the date of the lien filing(s), then Ground Lessee may, at Agency's expense, cause such lien(s) to be released by any means Ground Lessee deems proper, including but not limited to payment of or defense against the claim giving rise to the lien(s). All sums reasonably disbursed, deposited or incurred by Ground Lessee in connection with the release of the lien(s), including but not limited to all costs, expenses and reasonable attorney's fees, shall be due and payable by Agency to Ground Lessee as Additional Rent on demand by Ground Lessee.

ARTICLE VI

ENVIRONMENTAL MATTERS

6.1 Agency's Covenants. Agency hereby covenants and agrees that throughout the Term:

(a) The Premises, and the use and operation thereof, shall be in compliance with all Hazardous Materials Laws, and Agency shall not cause or permit the Premises or any portion thereof to be in violation of any Hazardous Materials Laws.

(b) Agency shall not cause or permit any Hazardous Material to be generated, brought onto, used, treated, stored, manufactured, transported to or from, or disposed of in, on, under, about or from the Premises, the Building or the Property by Agency or Agency's agents, employees, contractors, subtenants or invitees (collectively "**Agency Parties**"), except for limited quantities of materials customarily used in the operation of the businesses or other uses operating in the Premises, or the use or maintenance of the Premises, provided such materials are used, stored and disposed of in compliance with Hazardous Materials Laws. At the expense of Agency or its subtenants, Agency shall use, store and dispose of all such Hazardous Materials in strict compliance with all Hazardous Materials Laws, and shall in all other respects comply with all Hazardous Materials Laws.

6.2 Definitions.

6.2.1 Hazardous Materials. As used herein, "**Hazardous Materials**" means any substance, material, or waste which is or becomes regulated by any local, state or federal authority, agency or governmental body, including any material or substance which is: (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California

Exhibit B

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

August 31, 2012

Mr. Armando Sanchez, Redevelopment Consultant
South San Francisco
400 Grand Avenue
South San Francisco, CA 94080

Dear Mr. Sanchez:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of South San Francisco submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on August 1, 2012 for the period February 1, 2012 through July 31, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to Exhibit C, Item 1 in the amount of $2,381,531.91. HSC section 34176 (e) (2) defines a housing asset as any funds that are encumbered by an enforceable obligation (EO) to build or acquire low and moderate income housing. It is our understanding there is no current valid contract for this line item; therefore it is not an EO.

Except for the item disallowed as noted above, Finance is not objecting to the remaining items listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Marty VanDuyn, Assistant City Manager, City of South San Francisco
Mr. Bob Adler, Auditor-Controller, San Mateo County
Ms. Shirley Tourel, Deputy Controller, San Mateo County
Ms. Robyn Rose, Senior Internal Auditor, San Mateo County
California State Controller's Office

DEPARTMENT OF FINANCE
HOUSING ASSETS LIST
ASSEMBLY BILL X1 26 AND ASSEMBLY BILL 1484
(Health and Safety Code Section 34176)

Former Redevelopment Agency: South San Francisco

Successor Agency to the Former Redevelopment Agency: South San Francisco

Entity Assuming the Housing Functions of the former Redevelopment Agency: South San Francisco

Entity Assuming the Housing Functions Contact Name: Armando Sanchez Title Redevelopment Consultant Phone 650-877-8667 E-Mail Address Armando.Sanchez@ssf.net

Entity Assuming the Housing Functions Contact Name: Marty VanDuyn Title Assistant City Manager Phone 650-877-8500 E-Mail Address Marty.VanDuyn@ssf.net

All assets transferred to the entity assuming the housing functions between February 1, 2012 and the date the exhibits were created are included in this housing assets list.
The following Exhibits noted with an X in the box are included as part of this inventory of housing assets:

Exhibit A - Real Property	X
Exhibit B- Personal Property	X
Exhibit C - Low-Mod Encumbrances	X
Exhibit D - Loans/Grants Receivables	X
Exhibit E - Rents/Operations	X
Exhibit F- Rents	X
Exhibit G - Deferrals	

Prepared By: **Kate Rosenlieb**

Date Prepared: **July 31, 2012**

Exhibit A - Real Property

City of South San Francisco
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of Asset a/	Legal Title and Description	Carrying Value of Asset	Total square footage	Square footage reserved for low-mod housing	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant b/	Date of transfer to Housing Successor Agency	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition by the former RDA	Interest in real property (option to purchase, easement, etc.)
1	Low mod housing	APN 012311240 address 312 Miller - 313 Tamarack 4-plex	717,183	6,000	6,000	No	N/A	2/1/12 [1] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	715,000	0	269,000	City (not former RDA) acquired property on 5/24/2004 [1]	Fee simple
2	Low mod housing	APN 012333050 address 339-341 Commerial Ave 4-plex	804,086	3,500	3,500	No	N/A	2/1/12 [2] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	107,500	0	322,300	8/1/2001	Fee simple
3	Low mod housing	APN 012311230 address 310 Miller - 311 Tamarack tri-plex	586,309	3,500	3,500	No	N/A	2/1/12 [2] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	589,000	0	85,000	10/12/2004	Fee simple
4	Low mod housing	APN 012311250 address 314 Miller Single Family	669,896	3,500	3,500	No	N/A	2/1/12 [2] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	679,950	0	0	1/24/2008	Fee simple
5	Low mod housing	APN 012145430 address 714-718 Linden 4-plex	755,118	4,500	4,500	No	N/A	2/1/12 [2] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	662,000	0	0	10/1/2005	Fee simple
6	Low mod housing	APN 013232170 address 380 Alta Vista single family	683,080	9,100	9,100	No	N/A	2/1/12 [2] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	1,035,000	0	0	4/29/2005	Fee simple
7	Low mod housing	APN 012241230 address 630 Baden land under 125 unit Magnolia Senior Apartments	948,244	95,309	95,309	Yes	California Redevmt. Law / Bond Covenents	2/1/12 [3] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	1,250,795	0	Non-profit housing developer contributed approx. $12.0M to the building construction	1/17/1986	City owns land and leases land to the non-profit housing developer who owns and manages the housing units
8	Low mod housing with commercial space	APN 014160040 address 636 El Camino land under 109 unit Affordable Housing over 4,600 sqft of 1st floor commercial space	Land Value of 4,470,000 no valuation on leasehold interest in 4,600 sqft of unfinished commercial space at this time	87,121	87,121	Yes	California Redevmt. Law / Tax Credits	2/1/12 [3] (via Resolution 08-2012 when the City Council opted to become the Successor Housing Agency)	8,767,474	5,690,960	Non-profit housing developer contributed approx. $34.3M to the building construction	3/11/2011	City owns land and has leasehold interest in the commercial sqft. A non-profit housing developer owns and manages the housing units

Note: As the Housing Successor, as of 2/1/12, the City became the beneficiary under and the holder of security interests and deed restrictions pursuant to deeds of trust and regulatory agreements recorded in connection with the loans listed on Exhibit D.

[1] Grant deed says City owned - This property was always reported as RDA owned but due to an error, the grant deed has always reflected it was City owned.

[2] These properties were deeded from the RDA to the City on 3/11/11 and as of 2/1/12 are held by the City in its capacity as Housing Successor.

[3] These properties transferred to the City as Housing Successor by operation of law as of 2/1/12.

a/ Asset types may include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

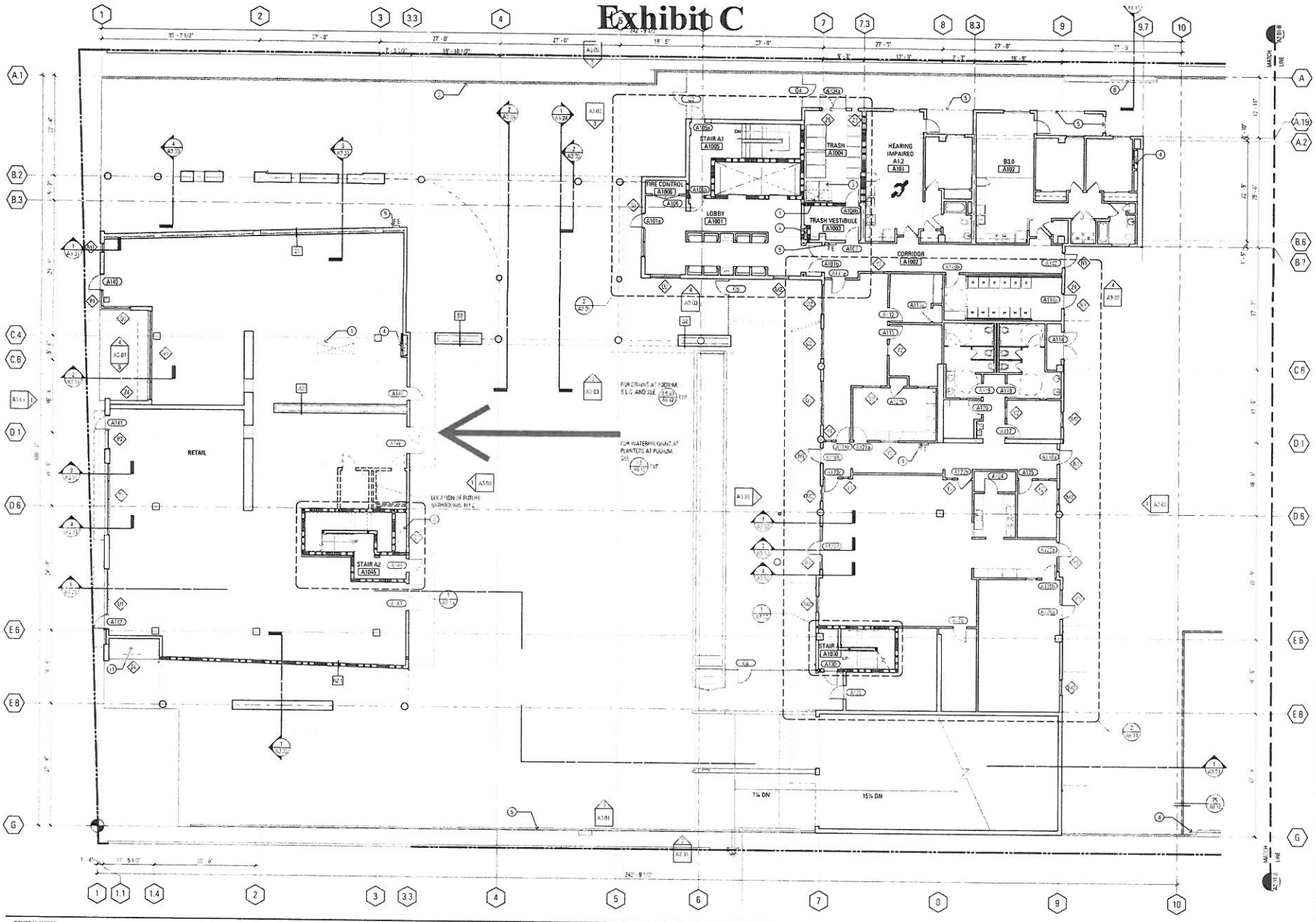
Exhibit D - Loans/Grants Receivables

City of South San Francisco
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Was the Low-Mod Housing Fund amount issued for a loan or a grant?	Amount of the loan or grant	Date the loan or grant was issued	Person or entity to whom the loan or grant was issued	Purpose for which the funds were loaned or granted	Are there contractual requirements specifying the purposes for which the funds may be used?	Repayment date, if the funds are for a loan	Interest rate of loan	Current outstanding loan balance (as of June 30, 2012)
1	Loan	50,000.00	6/15/2007	Agatep/Tan	1st time homebuyer	Yes	6/15/2037	4%	50,000.00
2	Loan	50,000.00	2/15/2004	Andersen	1st time homebuyer	Yes	2/15/2034	4%	46,176.85
3	Loan	40,000.00	2/23/2009	Cardenas	1st time homebuyer	Yes	2/23/2039	4%	40,000.00
4	Loan	25,000.00	12/21/2007	Cheng	1st time homebuyer	Yes	12/21/2037	4%	25,000.00
5	Loan	41,000.00	1/10/2003	Clemente	1st time homebuyer	Yes	1/10/2033	4%	36,238.13
6	Loan	50,000.00	10/28/2003	Fong	1st time homebuyer	Yes	10/28/2033	4%	48,193.48
7	Loan	50,000.00	12/21/2007	Gregory	1st time homebuyer	Yes	12/21/2037	4%	50,000.00
8	Loan	40,000.00	4/15/2009	Hai	1st time homebuyer	Yes	4/15/2039	4%	40,000.00
9	Loan	48,814.43	1/26/2006	Hankins	1st time homebuyer	Yes	4/1/2038	4%	48,814.43
10	Loan	100,000.00	7/1/2009	Junghee	1st time homebuyer	Yes	7/1/2039	4%	100,000.00
11	Loan	50,000.00	9/11/2008	Lagomarsino	1st time homebuyer	Yes	9/11/2038	4%	50,000.00
12	Loan	50,000.00	12/21/2007	Lau	1st time homebuyer	Yes	12/21/2037	4%	50,000.00
13	Loan	50,000.00	8/26/2009	McFarland	1st time homebuyer	Yes	8/26/2039	4%	50,000.00
14	Loan	50,000.00	6/15/2007	Nono	1st time homebuyer	Yes	6/15/2037	4%	50,000.00
15	Loan	50,000.00	6/29/2004	Ong	1st time homebuyer	Yes	6/29/2037	4%	50,000.00
16	Loan	50,000.00	4/13/2007	Pablo	1st time homebuyer	Yes	4/13/2037	4%	50,000.00
17	Loan	50,000.00	3/21/2005	Parivar	1st time homebuyer	Yes	3/21/2035	4%	47,150.75
18	Loan	50,000.00	11/7/2003	Stone	1st time homebuyer	Yes	11/7/2033	4%	47,947.21
19	Loan	50,000.00	8/27/2004	Tong & Lam	1st time homebuyer	Yes	8/27/2034	4%	46,519.33
20	Loan	50,000.00	12/7/2009	Tribby	1st time homebuyer	Yes	12/7/2039	4%	50,000.00
21	Loan	85,000.00	2/24/2009	Tsao	1st time homebuyer	Yes	2/24/2039	4%	85,000.00
22	Loan	3,401,795.41	5/31/2001	Bridge Housing-Chestnut Creek	Dev loan for low/mod	Yes	5/31/2056	3%	3,401,795.41
23	Loan	3,700,000.00	10/28/2005	Bridge Housing-Oak & Grand Hsng	Dev loan for low/mod	Yes	10/28/2060	3%	2,828,122.00
24	Loan	500,000.00	7/28/1998	Grand Hotel - 54	Dev loan for low/mod	Yes	7/30/2029	4%	391,519.34
25	Loan	400,000.00	7/28/1998	Grand Hotel - 55	Dev loan for low/mod	Yes	7/30/2029	3%	321,911.60
26	Loan	1,795,985.00	5/30/2007	HIP Housing Loan - Commercial Ave	Dev loan for low/mod	Yes	5/30/2062	3%	1,795,985.00
27	Loan	827,293.56	3/27/1996	Martin Metro	Dev loan for low/mod	Yes	2/25/2029	3%	827,293.56
28	Loan	88,000.00	4/15/2009	Martin Metro	Dev loan for low/mod	Yes	4/15/2014	4%	18,990.00
29	Loan	615,000.00	1/4/1999	Mid Pen - 383 Susie Way	Dev loan for low/mod	Yes	1/4/2039	3%	615,000.00
30	Loan [1]	9,988,434.09	3/11/2011	Mid Pen - 636 El Camino Real	Dev loan for low/mod	Yes	3/11/2066	3%	9,988,434.09
31	Loan	3,500,000.00	1/4/1999	Mid Peninsula Housing-Willow	Dev loan for low/mod	Yes	1/4/2039	3%	2,491,572.14
32	Loan	120,000.00	3/3/1989	Mid Peninsula-Belle Haven, Inc.	Dev loan for low/mod	Yes	upon sale	0%	120,000.00
33	Loan	940,000.00	9/30/1998	MP Greenridge	Dev loan for low/mod	Yes	9/30/2038	3%	711,467.91

[1] This loan amount includes $5,690,960 that came from 80% tax increment (see Exhibit A, item 8).

Exhibit C



GENERAL NOTES:

1. SEE A4.00 SERIES FOR ENLARGED UNIT PLANS. UNITS IDENTIFIED BY UNIT TYPE & UNIT NUMBER.

FLOOR PLAN SHEET NOTES:

1. SHAFT ABOVE
2. GARAGE VENT SHAFT ABOVE
3. TRASH BINS, N.I.C.
4. 2 HOUR SHAFT, S.M.D. AND D.S.
5. MTL. PICKET FENCE
6. 20"x30" ATTIC ACCESS PANEL
7. IN-LIT-UP ROOFING
8. FIRE DEPARTMENT ACCESS GATE
9. SEMI RECESSED F.E. CABINET
10. 2 HR. RATING FOR FUTURE DETAIL SHAFT
11. DOMESTIC WATER AND FIRE BFP EQUIPMENT

LEGEND:

- CONCRETE WALL
- CMU WALL
- 1 HOUR RATED WALL
- 2 HOUR RATED WALL
- FE FIRE EXTINGUISHER CABINET

KEY PLAN:

BUILDING A

BUILDING B

BAR ARCHITECTS

636 El Camino

636 El Camino Real
South San Francisco, CA

DRAWN BY
CHECKED BY
PROJECT NO. 2400

DATE	ISSUE
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

FIRST FLOOR PLAN - BUILDING A

SCALE 1/8" = 1'-0"

A2.01-A