



SAN FRANCISCO PLANNING DEPARTMENT

Commission Memorandum Proposed Ordinance HEARING DATE: APRIL 12, 2012

Ordinance Name: **Successor Agency to the Former Redevelopment Agency**
Case Number: **Board File No. 12-0898**
Initiated by: Mayor Lee, Supervisors Kim, Cohen and Olague
Introduced on: September 11, 2012
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This memorandum is being provided at the request of the Planning and Historic Preservation Commission. It is intended as an informational guide to the recently introduced Ordinance.

PROPOSED ORDINANCE

The proposed Ordinance would implement the State redevelopment dissolution law known as AB X1 26 (2011) in furtherance of the recently adopted amendments to that law known as AB 1484 and of previously adopted City policies, by

- 1) acknowledging that AB 1484 provides that the Successor Agency is a separate legal entity from the City, with the Successor Agency holding all of the transferred assets and obligations of the former Redevelopment Agency (other than the affordable housing assets) distinct from the City, and with the Oversight Board performing specific functions set forth in the State redevelopment dissolution law;
- 2) officially naming the Successor Agency as the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco";
- 3) acknowledging that former Redevelopment Agency employees who became Successor Agency employees by operation of AB 26 and were assigned to R classifications, and who continued in those R classifications through the effective date of AB 1484, shall continue to be Successor Agency employees;
- 4) creating the Successor Agency Commission as the policy body of the Successor Agency and delegating to it the authority to act in place of the former Redevelopment Agency Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations and the authority to take actions that the State redevelopment dissolution law requires or allows on behalf of the Successor Agency;
- 5) establishing the composition and terms of the members of the Successor Agency Commission, setting forth voting requirements and providing for the Successor Agency Commission to appoint an Executive Director of the Successor Agency;
- 6) authorizing the Successor Agency to retain the City Attorney as its legal counsel;
- 7) ratifying prior acts; and
- 8) authorizing and directing the Successor Agency Commission to take all appropriate steps to effectuate the purpose of this ordinance consistent with the State redevelopment dissolution law.

Background Information:

This ordinance is necessary to address changes to the State Redevelopment Law created by the State Legislature's adoption of a trailer bill to the State's budget bill for the 2012-2013 fiscal year, known as Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12, Regular Session) ("AB 1484"). Prior to the adoption of AB 1484, Assembly Bill No. 1 X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") defined a "successor agency" as the "county, city, or city and county that authorized the creation of each redevelopment agency . . ." AB 1484, changed that definition, by declaring successor agencies to be separate legal entities which are now separate public entities from the public agencies that provide for their governance.

This ordinance is needed to address actions of City officers and employees prior to AB 1484, and to implement future actions of the Successor Agency. Subject to the Redevelopment Dissolution Law, this ordinance is intended to be consistent with earlier City policies regarding the Successor Agency, implemented through Board of Supervisors Resolution No. 11-12, and creates a new commission for the Successor Agency which functions like the commission of the former Redevelopment Agency. Before AB 1484, the Redevelopment Dissolution Law required the establishment of an Oversight Board for the Successor Agency. The Oversight Board continues as a second policy body of the Successor Agency, performing activities as required by the Redevelopment Dissolution Law, specifically, reviewing the Recognized Obligation Payment Schedule (ROPS), as prepared by the Successor Agency, prior to submission to the Governor's Office for administrative review and approval.

AB 26 dissolved all redevelopment agencies in the State, including the San Francisco Redevelopment Agency, as of February 1, 2012 (upheld in California Redevelopment Association v. Matosantos Cal. Supreme Court, No. S194861). AB 26 transferred non-affordable housing assets and obligations of the former redevelopment agencies to successor agencies. AB 26 transferred the affordable housing assets and related functions of former redevelopment agencies to certain designated successor housing agencies.

To provide for the smooth transition of assets and functions to the Successor Agency and help enable the Successor Agency to perform all enforceable obligations of the former Redevelopment Agency under AB 26, the City adopted Board of Supervisors Resolution No 11-12 on January 24, 2012. Among other things, Resolution No. 11-12: (1) accepted the transfer of affordable housing rights, assets and functions and authorized the Mayor's Office of Housing to manage them; (2) acknowledged and accepted the transfer of non-affordable housing rights, assets and functions and placed them under the jurisdiction of the Port of San Francisco or the Director of the Department of Administrative Services; and (3) delegated to the Oversight Board certain implementation authority in place of the former Redevelopment Agency Commission over three major integrated, multi-phase revitalization projects including the Mission Bay North and Mission Bay South Projects, the Hunters Point Shipyard/Candlestick Point Project, and the Transbay Transit Center Project (collectively, the "Major Approved Development Projects").

Under AB 26 and Resolution No. 11-12, the City now holds the affordable housing assets acting through the Mayor's Office of Housing. They are no longer under the jurisdiction of the Successor Agency (except for Oversight Board approval of the use of former tax increment and the certain Retained Housing Obligations). AB 1484's provisions do not affect title to such assets.

However, AB 1484 superseded the authority of the Oversight Board over Major Approved Development Projects and the of Port and Director of Administrative Services over non-affordable housing assets that

Board of Supervisors Resolution No. 11-12 effected. This ordinance would delegate such and other authority to the Commission for the Successor Agency.

Under AB 1484, the Successor Agency succeeds to the organizational status of the former redevelopment agency. But AB 1484 did not address governance of the Successor Agency. Therefore, this ordinance creates the commission for the Successor Agency with a composition and manner of selection modeled after the former Redevelopment Agency Commission. Notwithstanding the delegation of authority to the commission, the City, through the Board of Supervisors, retains its authority over the former Redevelopment Agency to the extent the Successor Agency seeks to approve amendments to existing redevelopment plans.

Under AB 26, the Successor Agency became the employer of all employees of the former Redevelopment Agency on the date of its dissolution. The City, in its capacity as Successor Agency, assigned "R" classifications to employees of the former Redevelopment Agency, indicating their status as having become employees of the Successor Agency by operation of law under AB 26

Under AB 1484, the former redevelopment agency employees do not automatically become employees of the sponsoring entity and the successor agency retains its own collective bargaining status. Accordingly, employees of the former Redevelopment Agency who became employees of the City as Successor Agency by operation of law under AB 26, and who continued to be employed by the City as Successor Agency in an "R" classification as of June 27, 2012, on that date continued to be employees of the Successor Agency only, which is now a separate legal entity distinct from the City.

Although AB 1484 makes successor agencies separate legal entities, it does not specify what the governing body of a successor agency is or how it must take actions (other than to provide that it is subject to the State's public meeting rules). By operation of law, in San Francisco, the Successor Agency is now distinct from the City but is still subject to the governance of the City acting through its legislative capacity. Accordingly, this ordinance is before the Board of Supervisors, as the legislative body of the Successor Agency, to be adopted in accordance with the provisions of the City Charter relating to the adoption of ordinances.

The Way It Would Be:

This ordinance makes changes necessary to reflect a change to the State Redevelopment Dissolution Law (AB X1 26, as amended by AB 1484, and as further amended from time to time) establishing successor agencies as separate legal entities, including the following:

- (1) acknowledges and confirms that as of AB 1484's effective date, the Successor Agency is a separate legal entity from the City subject to the governance of the City acting in its legislative capacity, and confirms that the Successor Agency holds title to all assets of the former Redevelopment Agency excluding affordable assets transferred to the Mayor's Office of Housing ("MOH") unless subject to housing obligations retained by the Successor Agency;
- (2) Names the Successor Agency the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco;"

- (3) acknowledges that under AB 1484, those employees of the former Redevelopment Agency who became employees of the City as Successor Agency by operation of law under AB 26, and who continued to be employed by the City as Successor Agency in an "R" classification as of June 27, 2012, on that date continued to be employees of the Successor Agency only;
- (4) creates the Successor Agency Commission (the "Commission").
 - a. The proposed Ordinance would establish that the Commission would be comprised of 5 members appointed by the mayor subject to confirmation by the Board of Supervisors, including a minimum of two appointees from the two districts representing a majority of the combined three major development projects.
 - b. The proposed Ordinance would delegate authority to the Commission authority (except for affordable housing assets and obligations under the jurisdiction of MOH) to: (1) act in place of the former commission of the dissolved Redevelopment Agency to carry out the surviving redevelopment projects and Retained Housing Obligations, (2) approve all contracts and actions related to the assets of the Successor Agency; and (3) discharge all functions Redevelopment Dissolution Law requires or allows on behalf of the Successor Agency;
 - c. The proposed Ordinance would empower Commission to appoint and at its pleasure remove an Executive Director of the Successor Agency with responsibility for the day-to-day management of all the affairs and activities of the Successor Agency;
- (5) authorizes the Successor Agency to retain the City Attorney for legal advice and representation; and
- (6) ratifies and approves all former acts of the Oversight Board, staff of the Successor Agency, the Department of Administrative Services, the Controller and other City employees and officials regarding implementation of the surviving redevelopment projects, other enforceable obligations, and other work in furtherance of the Successor Agency's obligations under the Redevelopment Dissolution Law, and directs the Successor Agency Commission to take all steps appropriate to effectuate the purpose of the ordinance, consistent with the Redevelopment Dissolution Law.

LOCAL LEGISLATIVE PROCESS

The Board of Supervisor's Rules of Order require that items which would create or revise major City Policy shall not be considered until at least 30 days after the day of introduction (Rule 5.40). This rule may be waived by the Board President. In this case, the proposed Ordinance was introduced on September 11, 2012 by Mayor Edwin Lee and Supervisors Kim, Cohen, and Olague. On the same day the proposed Ordinance was introduced, Mayor Edwin Lee requested that the 30-day rule be waived due to the time-sensitive nature of approvals and administrative actions required to keep the major approved development projects moving forward. On September 20, 2012, Board President David Chiu waived the 30-day rule, allowing the proposed Ordinance was considered by the Full Board on September 25, 2012. At that time, the Board made the following amendments:

1. Explicitly stating that the Board of Supervisors retains its authority to review and ultimately approve or disapprove the operational budget of the Successor Agency;
2. Explicitly stating that any amendments to redevelopment plans must return to the Board of Supervisors for consideration, including any reductions to the amount of affordable housing contemplated as part of the enforceable obligations;

3. Requiring the Successor Agency to return to the Board of Supervisors within 120 days of the ordinance becoming effective to provide a roadmap for how the Agency plans to implement the items listed on the ROPS;
4. Requiring that at least two of the commissioners be residents of the two supervisorial districts that represent a majority of the combined total project areas of the three major approved projects;

The Board is currently scheduled to consider the second and final reading of this Ordinance on October 2, 2012.

ISSUES FOR CONSIDERATION

Composition of the Commission: The proposed Ordinance would mirror the composition of the Redevelopment Agency: five (5) commissioners appointed by the Mayor and confirmed by the Board of Supervisors.

Duties of the Oversight Board vs. the Successor Agency Commission: Previously, the Oversight Board had implementation authority over three major integrated, multi-phase revitalization projects, which are the Mission Bay North and Mission Bay South Projects, the Hunters Point Shipyard/Candlestick Point Project, and the Transbay Transit Center Project (collectively, the "Major Approved Development Projects"). The implementation authority granted to the Oversight Board had included authority included, without limitation,

- (i) granting approvals under the Land Use Controls (as defined in Board Resolution No. 11-12) and design approval authority,
- (ii) approving changes to, amending, or fulfilling the terms of enforceable obligations, and
- (iii) exercising the authority previously exercisable by the Redevelopment Agency Commission. Non-affordable housing assets include, without limitation, all rights, interests, privileges, property—real, personal and intangible, including all loans and grants, all property, such as land, buildings, and dwelling units held by the Agency, the rights to all disposition and development agreements, owner participation agreements or other agreements that comprise enforceable obligations.

The new proposed ordinance would transfer this authority from the Oversight Board to the newly created Successor Agency Commission. In turn, the Oversight Board would be responsible for fiduciary duties, specifically approving the ROPS, which will be prepared by the Successor Agency, before they are submitted to the Department of Finance for final review and approval.

Attachment C describes the respective roles for administering the programs that previously were under the SF Redevelopment Agency.

Status of Area Plans Formerly Administered by the Redevelopment Agency. The Executive Director of the Oversight Board, Tiffany Bohee, provided two informational memorandums to the Oversight Board in late March 2012. These memos describe in detail the status of the former Redevelopment Agency projects are provided here as attachments.

- Exhibit D: March 27, 2012 Memo from Director Bohee on the ROPS for Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay Redevelopment Project Areas, and the obligations relating to all Tax Increment Bonds and Pass-Through Payments.

- Exhibit E: March 29, 2012 Memo from Director Bohee on the ROPS for Administrative Costs, Non-Major Approved Development Projects, and Housing.

ENVIRONMENTAL REVIEW

The proposal was determined to not be a project and is exempt from environmental review under Section 15060(c)(3) of the CEQA Guidelines on September 24, 2012.

This memorandum is informational only.

Attachments:

- Exhibit A: Board of Supervisors File No. 12-0898
- Exhibit B: AB 1484
- Exhibit C: Roles and Responsibilities Pursuant to AB26 and AB1484
- Exhibit D: March 27, 2012 Memo from Director Bohee on the ROPS for Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay Redevelopment Project Areas, and the obligations relating to all Tax Increment Bonds and Pass-Through Payments
- Exhibit E: March 29, 2012 Memo from Director Bohee on the ROPS for Administrative Costs, Non-Major Approved Development Projects, and Housing

1 [Successor Agency to the Former Redevelopment Agency]

2

3 **Ordinance of the Successor Agency to the former Redevelopment Agency of the City**
4 **and County of San Francisco implementing the State redevelopment dissolution law**
5 **known as AB X1 26 (2011) in furtherance of the recently adopted amendments to that**
6 **law known as AB 1484 and of previously adopted City policies, by 1) acknowledging**
7 **that AB 1484 provides that the Successor Agency is a separate legal entity from the**
8 **City, with the Successor Agency holding all of the transferred assets and obligations of**
9 **the former Redevelopment Agency (other than the affordable housing assets) distinct**
10 **from the City, and with the Oversight Board performing specific functions set forth in**
11 **the State redevelopment dissolution law; 2) officially naming the Successor Agency as**
12 **the "Successor Agency to the Redevelopment Agency of the City and County of San**
13 **Francisco"; 3) acknowledging that former Redevelopment Agency employees who**
14 **became Successor Agency employees by operation of AB 26 and were assigned to R**
15 **classifications, and who continued in those R classifications through the effective date**
16 **of AB 1484, shall continue to be Successor Agency employees; 4) creating the**
17 **Successor Agency Commission as the policy body of the Successor Agency and**
18 **delegating to it the authority to act in place of the former Redevelopment Agency**
19 **Commission to implement the surviving redevelopment projects, the replacement**
20 **housing obligations and other enforceable obligations and the authority to take actions**
21 **that the State redevelopment dissolution law requires or allows on behalf of the**
22 **Successor Agency; 5) establishing the composition and terms of the members of the**
23 **Successor Agency Commission, setting forth voting requirements and providing for**
24 **the Successor Agency Commission to appoint an Executive Director of the Successor**
25 **Agency; 6) authorizing the Successor Agency to retain the City Attorney as its legal**

1 **counsel; 7) ratifying prior acts; and 8) authorizing and directing the Successor Agency**
2 **Commission to take all appropriate steps to effectuate the purpose of this ordinance**
3 **consistent with the State redevelopment dissolution law.**

4 NOTE: Additions are single-underline italics Times New Roman;
5 deletions are ~~strike-through italics Times New Roman~~.
6 Board amendment additions are double-underlined;
7 Board amendment deletions are ~~strikethrough normal~~.

8 Be it ordained by the People of the City and County of San Francisco:

9 Section 1. General Findings.

10 (a) In accordance with the California Community Redevelopment Law, California
11 Health and Safety Code section 33000 et. seq., the City and County of San Francisco (the
12 "City") created the Redevelopment Agency of the City and County of San Francisco (the
13 "Redevelopment Agency") and approved redevelopment plans to alleviate blight in various
14 parts of the City. For more than 60 years, the Redevelopment Agency was engaged in state-
15 authorized activities to implement those plans.

16 (b) The Redevelopment Agency played a critical role in alleviating physical and
17 economic blight in disadvantaged neighborhoods in San Francisco, by attracting private
18 investment and leveraging public resources to increase the City's supply of affordable
19 housing, improve public facilities and infrastructure, create jobs and expand the local
20 economy.

21 (c) Under Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First Extraordinary
22 Session) ("AB 26") and the California Supreme Court's decision in California Redevelopment
23 Association v. Matosantos, No. S194861, all redevelopment agencies in the State, including
24 the Redevelopment Agency, were dissolved by operation of law as of February 1, 2012. Their
25 affordable housing assets and functions were transferred to certain designated successor

1 housing agencies, and their non-affordable housing assets and obligations were transferred to
2 certain designated successor agencies, which AB 26 charged with satisfying enforceable
3 obligations of the former redevelopment agencies, preserving their assets for the benefit of
4 taxing entities and winding up their affairs, under the supervision of a new oversight board and
5 review by the State Department of Finance and State Controller.

6 (d) AB 26 defined the term "successor agency" as "the county, city, or city and county
7 that authorized the creation of each redevelopment agency...." Accordingly, in
8 San Francisco, the City, as the sponsoring community, was designated as the successor
9 agency to receive the non-affordable housing assets of the former Redevelopment Agency
10 (the "Successor Agency").

11 (e) AB 26 required the Successor Agency to establish separate funds to receive the
12 revenues and pay the obligations of the former Redevelopment Agency and insulated the City
13 from General Fund liability associated with the dissolution of the Redevelopment Agency and
14 transfer of its assets and obligations by providing that the liability of Successor Agency acting
15 under the powers granted under AB 26 is limited to the total sum of the property tax revenues
16 (former tax increment) the Successor Agency receives under AB 26 and the value of the
17 Redevelopment Agency's assets transferred to the Successor Agency.

18 (f) As required by AB 26, the City timely established the seven-member oversight board
19 of the Successor Agency (the "Oversight Board"). The Mayor appointed, and the Board
20 confirmed, four members to the Oversight Board. The Bay Area Rapid Transit District, the
21 Chancellor of the California Community Colleges, and the County Superintendent of
22 Education, each appointed one of the remaining three members of the Oversight Board. In
23 exercising its authority under AB 26, the Oversight Board owes a fiduciary duty to the holders
24 of enforceable obligations and the taxing entities.

1 (g) To provide for the smooth transition of assets and functions to the
2 Successor Agency and help enable the Successor Agency to perform all enforceable
3 obligations of the former Redevelopment Agency under AB 26, the City adopted Board of
4 Supervisors Resolution No 11-12, which, among other things, approved the City's acceptance
5 of the transfer of affordable housing rights, assets and functions and authorized the Mayor's
6 Office of Housing to manage those rights, assets and functions; acknowledged and accepted
7 the transfer of non-affordable housing rights, assets and functions and placed them under the
8 jurisdiction of the Port of San Francisco or the Director of the Department of Administrative
9 Services; and delegated to the Oversight Board certain implementation authority in place of
10 the former commission of the dissolved Redevelopment Agency over three major integrated,
11 multi-phase revitalization projects, which are- the Mission Bay North and Mission Bay South
12 Projects, the Hunters Point Shipyard/Candlestick Point Project, and the Transbay Transit
13 Center Project (collectively, the "Major Approved Development Projects") and which are
14 subject to enforceable obligations requiring the implementation and completion of those
15 projects.

16 (h) As to the affordable housing rights, assets, and functions, certain obligations and
17 revenues of the former Redevelopment Agency were included in the transfer of such rights,
18 assets and functions to the City, but the successor agency retained enforceable obligations
19 for the development of affordable housing required to fulfill the Major Approved Development
20 Projects and the replacement housing obligation associated with the former Redevelopment
21 Agency's destruction of 6700 affordable units in the 1960's and early 1970's (See California
22 Health & Safety Code Sections 33333.7 and 33333.8, Oversight Board Resolution No. 5-
23 2012 (April 10, 2012), and Board Ordinances No. 256-09 (Dec. 30, 2009), No. 316-08 (Dec.
24 19, 2008) and No. 15-05 (Jan. 21, 2005)) (collectively, the "Retained Replacement Housing
25 Obligations").

1 (i) This ordinance acknowledges that the authority over Major Approved Development
2 Projects delegated to the Oversight Board by Board of Supervisors Resolution No. 11-12 and
3 the transfer of authority to City departments over non-affordable housing assets have been
4 superseded by the recently adopted budget trailer bill, Assembly Bill No. 1484 (Chapter 26,
5 Statutes of 2011-12, Regular Session) ('AB 1484"), and are no longer in effect. Such
6 previously dDelegated authority includes, without limitation, (i) granting approvals under the
7 Land Use Controls (as defined in Board Resolution No. 11-12), (ii) approving changes to,
8 amending, or fulfilling the terms of enforceable obligations, and (iii) exercising the authority
9 previously exercisable by the Redevelopment Agency Commission. Non-affordable housing
10 assets include, without limitation, all rights, interests, privileges, property—real, personal and
11 intangible, including all loans and grants, all property, such as land, buildings, and dwelling
12 units held by the Agency, the rights to all disposition and development agreements, owner
13 participation agreements or other agreements that comprise enforceable obligations.

14 -(j) As required by AB 26, on March 6, 2012, by Resolution No. 3-2012, the Oversight
15 Board approved the transfer of affordable housing assets of the former Redevelopment
16 Agency to the City, under the administrative jurisdiction of the Mayor's Office of Housing. On
17 March 9, 2012, the Successor Agency submitted Resolution No. 3-2012 to the Department of
18 Finance, which did not object to the resolution. In addition, on April 10, 2012, the Oversight
19 Board approved, by Resolution No. 5-2012, a Recognized Obligation Payment Schedule
20 ("ROPS") for the period January 1, 2012 to June 30, 2012, and a housing obligation summary
21 identifying the Retained Housing Obligations. Resolution 5-2012 was submitted to DOF
22 which did not object to the resolution. In addition, as As required under AB 1484 (Cal. Health
23 & Safety Code Section 34176 (a) (2)), on August 1, 2012, the Mayor's Office of Housing
24 submitted a Housing Asset List containing a list of all housing assets to the Department of
25 Finance, which ~~has not objected to the assets or transfers of assets on the list~~ approved the

1 Housing Asset List on September 7, 2012. The term "Housing Assets" as used in this
2 Ordinance means the assets transferred under the jurisdiction of the Mayor's Office of
3 Housing by Board of Supervisors Resolution No. 11-12, as approved by Oversight Board
4 Resolution No. 3-2012, and approved on included in the Housing Asset List as approved by
5 the Department of Finance. Accordingly, under Under AB 26, AB 1484, and Resolution No.
6 11-12, such affordable housing assets Housing Assets are now held by the City, acting
7 through the Mayor's Office of Housing, and are no longer under the jurisdiction of the
8 Successor Agency (except for Oversight Board approval of the use of former tax increment
9 under AB 26, as amended by AB 1484), nor is title to such assets affected by AB 1484's
10 provisions regarding the legal status of the Successor Agency. Such affordable housing
11 assets Housing Assets are outside the scope of the delegated authority under this ordinance,
12 unless they are subject to the Retained Housing Obligations.

13 (k) Both the Redevelopment Agency and the Oversight Board have previously retained
14 the City Attorney for certain legal advice and representation under memoranda of
15 understanding that those parties negotiated and approved.

16 (l) Under AB 26, the Successor Agency became the employer of all employees of the
17 former Redevelopment Agency on the date of its dissolution. The City, in its capacity as
18 Successor Agency, assigned "R" classifications to employees of the former Redevelopment
19 Agency, indicating their status as having become employees of the Successor Agency by
20 operation of law under AB 26. The City, in such capacity as Successor Agency, negotiated
21 amendments to memoranda of agreement with the unions representing employees of the
22 former Redevelopment Agency ("MOAs"), which were approved by the City under Board of
23 Supervisors Ordinance Nos. 120-12, 121-12, 122-12 and 123-12. Those MOAs have an
24 expiration date of June 30, 2012.

25

1 (m) AB 26 requires successor agencies to submit to the State's Department of Finance
2 a ~~Recognized Obligation Payment Schedule~~ ("ROPS") for each six-month period, which is
3 approved by oversight boards, and which identifies the sources of payment for enforceable
4 obligations. The City, as Successor Agency, timely submitted to the Department of Finance
5 the ROPS, approved by the Oversight Board, for the periods January 1, 2012 to June 30,
6 2012 (Oversight Board Resolution No. 5-2012) and July 1, 2012 to December 31, 2012
7 (Oversight Board Resolution No. 6-2012). The Department of Finance approved each ROPS,
8 including the funds identified in each for, among other things, long term affordable housing
9 obligations and pension and benefit obligations to current and retired employees of the former
10 Redevelopment Agency.

11 (n) In June 2012, the California Legislature adopted legislation amending AB 26 as a
12 trailer bill to the State's budget bill for the 2012-2013 fiscal year, AB 1484, and the Governor
13 signed that bill on June 27, 2012. The State maintains that under Proposition 25 (November
14 2010), AB 1484 went into effect upon the Governor's signature. While AB 26 defined the
15 successor agency to be the sponsoring community (as described above), AB 1484 changes
16 that definition of successor agency and now provides:

- 17 (1) the successor agency is a separate public entity from the public agency that
18 provides for its governance and the two entities shall not merge;
- 19 (2) the liabilities of the former redevelopment agency shall not be transferred to
20 the sponsoring entity and the (non-housing) assets shall not become assets of
21 the sponsoring entity;
- 22 (3) the successor agency has its own name and the capacity to sue and be
23 sued;
- 24 (4) the successor agency shall be substituted for the redevelopment agency in
25 all litigation to which a redevelopment agency is a party;

1 (5) the former redevelopment agency employees shall not automatically become
2 employees of the sponsoring entity and the successor agency shall retain its
3 own collective bargaining status;

4 (6) the successor agency succeeds to the organizational status of the former
5 redevelopment agency but without any legal authority to participate in
6 redevelopment activities except to complete the work related to an approved
7 enforceable obligation; and

8 (7) the successor agency is a local entity for purposes of the Ralph M. Brown
9 Act.

10 (o) AB 1484 does not specify what the governing body of the Successor Agency is or
11 how it must take actions (other than to provide that it is subject to the State's public meeting
12 rules).

13 (p) By operation of law, in San Francisco the Successor Agency is now distinct from
14 the City but is still subject to the governance of the City acting through its legislative capacity.

15 (q) Since the dissolution of the Redevelopment Agency on February 1, 2012, the City
16 has been successful in helping restore investor confidence in the surviving redevelopment
17 projects, including the Major Approved Development Projects, so that the City can achieve its
18 goals of increasing the supply of affordable housing, improving public facilities and
19 infrastructure, creating jobs, expanding the local economy and realizing other public benefits,
20 and the City, acting in its capacity as Successor Agency, has made all required payments and
21 otherwise performed enforceable obligations, including payments due on outstanding tax
22 allocation bonds, and the Successor Agency has not been adversely affected by the potential
23 cash flow issues that some of the bond rating agencies have identified as issues under AB 26.

24 (r) This ordinance is consistent with the City's policies and objectives expressed in
25 Resolution No. 11-12: (1) smooth transition of assets and functions to the Successor Agency;

1 (2) performance of all enforceable obligations of the former Agency consistent with applicable
2 law; and (3) achievement of the other policy objectives set forth in Resolution No. 11-12.

3 (s) This ordinance, by establishing a Successor Agency Commission and delegating
4 certain authority to that commission, is intended to be consistent with the provisions of
5 AB 1484 that the Successor Agency succeed to the organizational status of the former
6 redevelopment agency but without legal authority to participate in redevelopment activities
7 other than to complete work related to enforceable obligations.

8 Section 2. Environmental Findings.

9 Adoption of this ordinance is not a "project" within the meaning of Public Resources
10 Code Section 21065 of the California Environmental Quality Act ("CEQA") and Section 15378
11 of the CEQA Guidelines because this ordinance addresses organizational and administrative
12 matters that will not result in direct or indirect physical changes in the environment. This
13 ordinance provides for the continuance of existing governmental organization, administrative
14 activities and operations and creation of a new commission for that organization, does not
15 authorize the encumbrance or use of any new funds on any specific projects that could result
16 in physical changes to the environment, and will not result in changes in conditions in any
17 redevelopment project or survey area, as provided in the letters from the Planning Department
18 on file with the Clerk of the Board of Supervisors in File No. _____ which is
19 hereby declared to be a part of this ordinance as if set forth fully herein.

20 Section 3. Separate Legal Entity. This ordinance acknowledges and confirms that as
21 of AB 1484's effective date, the Successor Agency is a separate legal entity from the City and
22 is subject to the governance of the City acting in its legislative capacity. Accordingly, the
23 Board of Supervisors adopts this ordinance under the provisions of City Charter relating to the
24 adoption of ordinances. This ordinance further acknowledges and confirms that the Successor
25 Agency holds, subject to the applicable rights and restrictions set forth in the Redevelopment

1 Dissolution Law, title to all assets, including, without limitation, all real property, and all rights,
2 obligations and liabilities of the former Redevelopment Agency, including the Retained
3 Replacement Housing Obligations and excluding the Housing Assets ~~ese housing assets to~~
4 ~~which the Department of Finance has not objected on the Housing Asset List submitted by the~~
5 ~~Mayor's Office of Housing under Section 34176 (a)(2) of the California Health & Safety Code.~~
6 "Redevelopment Dissolution Law" shall mean AB 26 as amended by AB 1484, and as it may
7 be further amended from time to time.

8 Section 4. Name of Successor Agency. This ordinance declares that the name of the
9 Successor Agency is the "Successor Agency to the Redevelopment Agency of the City and
10 County of San Francisco."

11 Section 5. Employee Status. This ordinance acknowledges that under AB 1484, those
12 employees of the former Redevelopment Agency who became employees of the City as
13 Successor Agency by operation of law under AB 26, and who continued to be employed by
14 the City as Successor Agency in an "R" classification as of June 27, 2012, on that date
15 continued to be employees of the Successor Agency only, which is now a separate legal
16 entity distinct from the City under AB 1484.

17 Section 6. Successor Agency Commission.

18 (a) This ordinance establishes the Successor Agency Commission (the "Commission").
19 This ordinance delegates to the Commission the authority (excluding authority as to the
20 ~~affordable housing assets~~ Housing Assets ~~that were transferred to the City under ABX1-26 and~~
21 ~~placed under the jurisdiction of the Mayor's Office of Housing under Board of Supervisors~~
22 ~~Resolution 11-12 and that the Department of Finance has not objected to in its review of the~~
23 ~~Housing Asset List under AB 1484~~) to: (1) act in place of the former commission of the
24 dissolved Redevelopment Agency to implement, modify, enforce and complete the surviving
25 redevelopment projects, including, without limitation, the Major Approved Development

1 Projects, the Retained Replacement Housing Obligations, and all other enforceable
2 obligations, except for those enforceable obligations for affordable housing transferred to the
3 City and placed under the jurisdiction of the Mayor's Office of Housing; (2) approve all
4 contracts and actions related to the assets transferred to or retained by the Successor
5 Agency, including, without limitation, the authority to exercise land use, development and
6 design approval authority for the Major Approved Development Projects and other surviving
7 redevelopment projects, and the approval of amendments to redevelopment plans as allowed
8 under the Redevelopment Dissolution Law and subject to adoption of such plan amendments
9 by the Board of Supervisors and any required approval by the Oversight Board, consistent
10 with applicable enforceable obligations; and (3) take any action that the Redevelopment
11 Dissolution Law requires or authorizes on behalf of the Successor Agency and any other
12 action that the Commission deems appropriate consistent with the Redevelopment Dissolution
13 Law to comply with such obligations, including, without limitation, preparing and submitting to
14 the Oversight Board each ROPS ~~to the Oversight Board~~, which shall include, among other
15 things, the long term affordable housing obligations described in Oversight Board Resolution
16 No. 5-2012, authorizing additional obligations in furtherance of enforceable obligations, and
17 approving the issuance- of bonds to carry out the enforceable obligations, subject to any
18 approval of the Oversight Board as may be required under the Redevelopment Dissolution
19 Law.

20 (b) The Commission shall consist of five members appointed by the Mayor, subject to
21 confirmation by a majority of this Board of Supervisors. Each of the members shall serve for a
22 term of four years, subject to the provisions of subsection (d) below regarding initial terms.
23 Members of the Commission shall serve at the pleasure of the Mayor and without
24 compensation or reimbursement for expenses. Members of the Commission are protected by
25 the immunities applicable to public entities and public officers and employees governed by

1 Part I (commencing with Section 810) and Part 2 (commencing with Section 814) of Division
2 3.6 of Title 1 of the California Government Code.

3 (c) Each member of the Commission shall be a resident of the City and County of
4 San Francisco.

5 (d) To provide for staggered terms, the members appointed to Seats 2 and 4 shall
6 serve for an initial term of two years from the effective date of this
7 ordinance_____2012. The remaining three members appointed to Seats 1, 3, and
8 5 shall serve for an initial term of four years from the effective date of this
9 ordinance_____, 2012, and thereafter the terms of all members shall be four
10 years.

11 (e) The Commission shall approve matters by the affirmative vote of the majority of the
12 members present, so long as the members present constitute a quorum (three or more).

13 (f) The Commission shall appoint an Executive Director who shall be the chief
14 executive of the Successor Agency and who shall have the responsibility for the day-to-day
15 management of all the affairs and activities of the Successor Agency. -The Commission shall
16 fix the salary of the Executive Director. The Executive Director shall serve at the pleasure of
17 the Commission. The Executive Director shall possess the administrative and executive skills
18 necessary to perform the duties of the office. The Commission may delegate to the Executive
19 Director any of its duties it deems appropriate.

20 (g) The Executive Director shall follow the Commission's policy directions on all matters
21 concerning collective bargaining, meeting and conferring with the recognized representatives
22 for employees, and the adoption of local rules under the Meyer-Milias-Brown Act. No
23 collective bargaining agreement shall be binding on the Successor Agency unless approved
24 by the Commission.

25

1 Section 7. City Attorney as Legal Counsel. This ordinance authorizes the Successor
2 Agency to retain, as it deems appropriate, the City Attorney for legal advice and
3 representation.

4 Section 8. Ratification. This ordinance ratifies and approves all former acts of the
5 Oversight Board, staff of the Successor Agency, the Department of Administrative Services,
6 the Controller and other City employees and officials regarding implementation of the
7 surviving redevelopment projects, other enforceable obligations, and other work in furtherance
8 of the Successor Agency's obligations under the Redevelopment Dissolution Law.

9 Section 9. Additional Acts. This ordinance directs the Commission to take all steps
10 that are appropriate to effectuate the purpose of this ordinance consistent with the
11 Redevelopment Dissolution Law.

12 Section 10. Effective Date. This ordinance shall become effective 30 days from the
13 date of passage.

14
15 APPROVED AS TO FORM:
16 DENNIS J. HERRERA, City Attorney

17 By: _____
18 Robert A. Bryan
19 Deputy City Attorney



AB-1484 Community redevelopment. (2011-2012)

Assembly Bill No. 1484

CHAPTER 26

An act to amend Section 53760.1 of the Government Code, and to amend Sections 33500, 33501, 34163, 34171, 34173, 34175, 34176, 34177, 34178, 34179, 34180, 34181, 34182, 34183, 34185, 34186, 34187, 34188, and 34189 of, to add Sections 34167.10, 34177.3, 34177.5, 34178.8, 34179.5, 34179.6, 34179.7, 34179.8, 34182.5, 34183.5, 34189.1, 34189.2, and 34189.3 to, to add Chapter 9 (commencing with Section 34191.1) to Part 1.85 of Division 24 of, and to add and repeal Section 34176.5 of, the Health and Safety Code, relating to community redevelopment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 27, 2012. Filed Secretary of State June 27, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1484, Committee on Budget. Community redevelopment.

The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, and, among other things, provides that an action may be brought to review the validity of specified agency actions, findings, or determinations that occurred after January 1, 2011, within 2 years of the triggering event.

This bill would toll the time limit for bringing an action until the Department of Finance issues a finding of completion to the successor agency.

Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies, as defined. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, make payments due for enforceable obligations, as defined, perform obligations required pursuant to any enforceable obligation, dispose of all assets of the former redevelopment agency, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities.

Existing law authorizes the city, county, or city and county that authorized the creation of a redevelopment agency to retain the housing assets, functions, and powers previously performed by the redevelopment agency, excluding amounts on deposit in the Low and Moderate Income Housing Fund.

The bill would modify provisions relating to the transfer of housing responsibilities associated with dissolved redevelopment agencies and would define the term "housing asset" for these purposes. The bill would impose new requirements on successor agencies with regard to the submittal of the Recognized Obligation Payment Schedule, the conducting of a due diligence review to determine the unobligated balances available for transfer to affected taxing entities, and the recovery and subsequent remittance of funds determined to have been transferred absent an enforceable obligation. The bill would authorize the Department of Finance to issue a finding of completion to a successor agency that completes the due diligence review and meets other

requirements. Upon receiving a finding of completion, the bill would authorize the successor agency to participate in a loan repayment program and limited property management activities.

Existing law authorizes the Department of Finance and the Controller to require any documents associated with enforceable obligations to be provided to them in a manner of their choosing.

The bill would authorize the county auditor-controller and the department, under specified circumstances, to require the return of funds improperly spent or transferred to a public entity and would authorize the department and the Controller to require the State Board of Equalization and the county auditor-controller to offset sales and use tax and property tax allocations, respectively, to the local agency. The bill would authorize the Controller to review the activities of a successor agency to determine if an improper asset transfer had occurred between the successor agency and the city or county that created the former redevelopment agency, and would require the Controller to order the return of these assets if such an asset transfer did occur.

The bill would impose new requirements on the county auditor-controller relating to the allocation of property tax revenues to affected taxing entities during a specified timeframe. By imposing additional duties upon local public officials, the bill would create a state-mandated local program.

The bill would appropriate up to \$22,000,000 to the Department of Finance from the General Fund for costs associated with the bill, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 53760.1 of the Government Code is amended to read:

53760.1. As used in this article the following terms have the following meanings:

(a) "Chapter 9" means Chapter 9 (commencing with Section 901) of Title 11 of the United States Code.

(b) "Creditor" means either of the following:

(1) An entity that has a noncontingent claim against a municipality that arose at the time of or before the commencement of the neutral evaluation process and whose claim represents at least five million dollars (\$5,000,000) or comprises more than 5 percent of the local public entity's debt or obligations, whichever is less.

(2) An entity that would have a noncontingent claim against the municipality upon the rejection of an executory contract or unexpired lease in a Chapter 9 case and whose claim would represent at least five million dollars (\$5,000,000) or comprises more than 5 percent of the local public entity's debt or obligations, whichever is less.

(c) "Debtor" means a local public entity that may file for bankruptcy under Chapter 9.

(d) "Good faith" means participation by a party in the neutral evaluation process with the intent to negotiate toward a resolution of the issues that are the subject of the neutral evaluation process, including the timely provision of complete and accurate information to provide the relevant parties through the neutral evaluation process with sufficient information, in a confidential manner, to negotiate the readjustment of the municipality's debt.

(e) "Interested party" means a trustee, a committee of creditors, an affected creditor, an indenture trustee, a pension fund, a bondholder, a union that, under its collective bargaining agreements, has standing to initiate contract or debt restructuring negotiations with the municipality, or a representative selected by an association of retired employees of the public entity who receive income from the public entity convening the neutral evaluation. A local public entity may invite holders of contingent claims to participate as interested parties in the neutral evaluation if the local public entity determines that the contingency is likely to occur and the claim may represent five million dollars (\$5,000,000) or comprise more than 5 percent of the local public entity's debt or obligations, whichever is less.

(f) "Local public entity" means any county, city, district, public authority, public agency, or other entity, without limitation, that is a municipality as defined in Section 101(40) of Title 11 of the United States Code (bankruptcy), or that qualifies as a debtor under any other federal bankruptcy law applicable to local public entities, and also includes a successor agency to a redevelopment agency created pursuant to Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code. For purposes of this article, "local public entity" does not include a school district.

(g) "Local public entity representative" means the person or persons designated by the local public agency with authority to make recommendations and to attend the neutral evaluation on behalf of the governing body of the municipality.

(h) "Neutral evaluation" is a form of alternative dispute resolution that may be known as mandatory mediation. A "neutral evaluator" may also be known as a mediator.

SEC. 2. Section 33500 of the Health and Safety Code is amended to read:

33500. (a) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within 90 days after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred prior to January 1, 2011.

(b) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within 90 days after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred prior to January 1, 2011.

(c) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within two years after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred after January 1, 2011.

(d) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within two years after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred after January 1, 2011.

(e) The time limit for bringing an action under subdivision (c) or (d) shall be tolled with respect to the adoptions, findings, and determinations of any former redevelopment agency or its legislative body until the Department of Finance has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7. Subdivisions (c) and (d) shall not apply to any adoption, finding, or determination of any former redevelopment agency or its legislative body after the department has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7.

SEC. 3. Section 33501 of the Health and Safety Code is amended to read:

33501. (a) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds and the redevelopment plan to be financed or refinanced, in whole or in part, by the bonds, or to determine the validity of a redevelopment plan not financed by bonds, including without limiting the generality of the foregoing, the legality and validity of all proceedings theretofore taken for or in any way connected with the establishment of the agency, its authority to transact business and exercise its powers, the designation of the survey area, the selection of the project area, the formulation of the preliminary plan, the validity of the finding and determination that the project area is predominantly urbanized, and the validity of the adoption of the redevelopment plan, and also including the legality and validity of all proceedings theretofore taken and (as provided in the bond resolution) proposed to be taken for the authorization, issuance, sale, and delivery of the bonds, and for the payment of the principal thereof and interest thereon.

(b) Notwithstanding subdivision (a), an action to determine the validity of a redevelopment plan, or amendment to a redevelopment plan that was adopted prior to January 1, 2011, may be brought within 90 days after the date of the adoption of the ordinance adopting or amending the plan.

(c) Any action that is commenced on or after January 1, 2011, which is brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity or legality of any issue, document, or action described in subdivision (a), may be brought within two years after any triggering event that occurred after January 1, 2011. The time limit for bringing an action under this subdivision shall be tolled with respect to the validity or legality of any issue, document, or action described in subdivision (a) of any former redevelopment agency or its legislative body until the Department of Finance has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7. This subdivision shall not apply to any adoption, finding, or determination of any former redevelopment agency or its legislative body after the department has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7.

(d) For the purposes of protecting the interests of the state, the Attorney General and the Department of Finance are interested persons pursuant to Section 863 of the Code of Civil Procedure in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

(e) For purposes of contesting the inclusion in a project area of lands that are enforceably restricted, as that term is defined in Sections 422 and 422.5 of the Revenue and Taxation Code, or lands that are in agricultural use, as defined in subdivision (b) of Section 51201 of the Government Code, the Department of Conservation, the county agricultural commissioner, the county farm bureau, the California Farm Bureau Federation, and agricultural entities and general farm organizations that provide a written request for notice, are interested persons pursuant to Section 863 of the Code of Civil Procedure, in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

SEC. 4. Section 34163 of the Health and Safety Code is amended to read:

34163. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall not have the authority to, and shall not, do any of the following:

(a) Make loans or advances or grant or enter into agreements to provide funds or provide financial assistance of any sort to any entity or person for any purpose, including, but not limited to, all of the following:

(1) Loans of moneys or any other thing of value or commitments to provide financing to nonprofit organizations to provide those organizations with financing for the acquisition, construction, rehabilitation, refinancing, or development of multifamily rental housing or the acquisition of commercial property for lease, each pursuant to Chapter 7.5 (commencing with Section 33741) of Part 1.

(2) Loans of moneys or any other thing of value for residential construction, improvement, or rehabilitation pursuant to Chapter 8 (commencing with Section 33750) of Part 1. These include, but are not limited to, construction loans to purchasers of residential housing, mortgage loans to purchasers of residential housing, and loans to mortgage lenders, or any other entity, to aid in financing pursuant to Chapter 8 (commencing with Section 33750).

(3) The purchase, by an agency, of mortgage or construction loans from mortgage lenders or from any other entities.

(b) Enter into contracts with, incur obligations, or make commitments to, any entity, whether governmental, tribal, or private, or any individual or groups of individuals for any purpose, including, but not limited to, loan agreements, passthrough agreements, regulatory agreements, services contracts, leases, disposition and development agreements, joint exercise of powers agreements, contracts for the purchase of capital equipment, agreements for redevelopment activities, including, but not limited to, agreements for planning, design, redesign, development, demolition, alteration, construction, reconstruction, rehabilitation, site remediation, site development or improvement, removal of graffiti, land clearance, and seismic retrofits.

(c) Amend or modify existing agreements, obligations, or commitments with any entity, for any purpose, including, but not limited to, any of the following:

(1) Renewing or extending term of leases or other agreements, except that the agency may extend lease space for its own use to a date not to exceed six months after the effective date of the act adding this part and for a rate no more than 5 percent above the rate the agency currently pays on a monthly basis.

(2) Modifying terms and conditions of existing agreements, obligations, or commitments.

(3) Forgiving all or any part of the balance owed to the agency on existing loans or extend the term or change the terms and conditions of existing loans.

(4) Making any future deposits to the Low and Moderate Income Housing Fund created pursuant to Section 33334.3.

(5) Transferring funds out of the Low and Moderate Income Housing Fund, except to meet the minimum housing-related obligations that existed as of January 1, 2011, to make required payments under Sections 33690 and 33690.5, and to borrow funds pursuant to Section 34168.5.

(d) Dispose of assets by sale, long-term lease, gift, grant, exchange, transfer, assignment, or otherwise, for any purpose, including, but not limited to, any of the following:

(1) Assets, including, but not limited to, real property, deeds of trust, and mortgages held by the agency, moneys, accounts receivable, contract rights, proceeds of insurance claims, grant proceeds, settlement payments, rights to receive rents, and any other rights to payment of whatever kind.

(2) Real property, including, but not limited to, land, land under water and waterfront property, buildings, structures, fixtures, and improvements on the land, any property appurtenant to, or used in connection with, the land, every estate, interest, privilege, easement, franchise, and right in land, including rights-of-way, terms for years, and liens, charges, or encumbrances by way of judgment, mortgage, or otherwise, and the indebtedness secured by the liens.

(e) Acquire real property by any means for any purpose, including, but not limited to, the purchase, lease, or exercising of an option to purchase or lease, exchange, subdivide, transfer, assume, obtain option upon, acquire by gift, grant, bequest, devise, or otherwise acquire any real property, any interest in real property, and any improvements on it, including the repurchase of developed property previously owned by the agency and the acquisition of real property by eminent domain; provided, however, that nothing in this subdivision is intended to prohibit the acceptance or transfer of title for real property acquired prior to the effective date of this part.

(f) Transfer, assign, vest, or delegate any of its assets, funds, rights, powers, ownership interests, or obligations for any purpose to any entity, including, but not limited to, the community, the legislative body, another member of a joint powers authority, a trustee, a receiver, a partner entity, another agency, a nonprofit corporation, a contractual counterparty, a public body, a limited-equity housing cooperative, the state, a political subdivision of the state, the federal government, any private entity, or an individual or group of individuals.

(g) Accept financial or other assistance from the state or federal government or any public or private source if the acceptance necessitates or is conditioned upon the agency incurring indebtedness as that term is described in this part.

SEC. 5. Section 34167.10 is added to the Health and Safety Code, to read:

34167.10. (a) Notwithstanding any other law, for purposes of this part and Part 1.85 (commencing with Section 34170), the definition of a city, county, or city and county includes, but is not limited to, the following entities:

(1) Any reporting entity of the city, county, or city and county for purposes of its comprehensive annual financial report or similar report.

(2) Any component unit of the city, county, or city and county.

(3) Any entity which is controlled by the city, county, or city and county, or for which the city, county, or city and county is financially responsible or accountable.

(b) The following factors shall be considered in determining that an entity is controlled by the city, county, or city and county, and are therefore included in the definition of a city, county, or city and county for purposes of this part and Part 1.85 (commencing with Section 34170):

(1) The city, county, or city and county exercises substantial municipal control over the entity's operations, revenues, or expenditures.

(2) The city, county, or city and county has ownership or control over the entity's property or facilities.

(3) The city, county, or city and county and the entity share common or overlapping governing boards, or coterminous boundaries.

(4) The city, county, or city and county was involved in the creation or formation of the entity.

(5) The entity performs functions customarily or historically performed by municipalities and financed through levies of property taxes.

(6) The city, county, or city and county provides administrative and related business support for the entity, or assumes the expenses incurred in the normal daily operations of the entity.

(c) For purposes of this section, it shall not be relevant that the entity is formed as a separate legal entity, nonprofit corporation, or otherwise, or is not subject to the constitution debt limitation otherwise applicable to a city, county, or city and county. The provisions in this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part and Part 1.85 (commencing with Section 34170) and any attempt to determine otherwise would thwart the intent of these two parts.

SEC. 6. Section 34171 of the Health and Safety Code is amended to read:

34171. The following terms shall have the following meanings:

(a) "Administrative budget" means the budget for administrative costs of the successor agencies as provided in Section 34177.

(b) "Administrative cost allowance" means an amount that, subject to the approval of the oversight board, is payable from property tax revenues of up to 5 percent of the property tax allocated to the successor agency on the Recognized Obligation Payment Schedule covering the period January 1, 2012, through June 30, 2012, and up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund money that is allocated to the successor agency for each fiscal year thereafter; provided, however, that the amount shall not be less than two hundred fifty thousand dollars (\$250,000), unless the oversight board reduces this amount, for any fiscal year or such lesser amount as agreed to by the successor agency. However, the allowance amount shall exclude, and shall not apply to, any administrative costs that can be paid from bond proceeds or from sources other than property tax. Administrative cost allowances shall exclude any litigation expenses related to assets or obligations, settlements and judgments, and the costs of maintaining assets prior to disposition. Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs.

(c) "Designated local authority" shall mean a public entity formed pursuant to subdivision (d) of Section 34173.

(d) (1) "Enforceable obligation" means any of the following:

(A) Bonds, as defined by Section 33602 and bonds issued pursuant to Chapter 10.5 (commencing with Section 5850) of Division 6 of Title 1 of the Government Code, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency. A reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year.

(B) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(C) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement. Costs incurred to fulfill collective bargaining agreements for layoffs or terminations of city employees who performed work directly on behalf of the former redevelopment agency shall be considered enforceable obligations payable from property tax funds. The obligations to employees specified in this subparagraph shall remain enforceable obligations payable from property tax funds for any employee to whom those obligations apply if that employee is transferred to the entity assuming the housing functions of the former redevelopment agency pursuant to Section 34176. The

successor agency or designated local authority shall enter into an agreement with the housing entity to reimburse it for any costs of the employee obligations.

(D) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, nothing in this act shall prohibit either the successor agency, with the approval or at the direction of the oversight board, or the oversight board itself from terminating any existing agreements or contracts and providing any necessary and required compensation or remediation for such termination. Titles of or headings used on or in a document shall not be relevant in determining the existence of an enforceable obligation.

(F) Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, agreements concerning litigation expenses related to assets or obligations, settlements and judgements, and the costs of maintaining assets prior to disposition, and agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(G) Amounts borrowed from, or payments owing to, the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date of the act adding this part; provided, however, that the repayment schedule is approved by the oversight board. Repayments shall be transferred to the Low and Moderate Income Housing Asset Fund established pursuant to subdivision (d) of Section 34176 as a housing asset and shall be used in a manner consistent with the affordable housing requirements of the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(2) For purposes of this part, "enforceable obligation" does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.

(3) Contracts or agreements between the former redevelopment agency and other public agencies, to perform services or provide funding for governmental or private services or capital projects outside of redevelopment project areas that do not provide benefit to the redevelopment project and thus were not properly authorized under Part 1 (commencing with Section 33000) shall be deemed void on the effective date of this part; provided, however, that such contracts or agreements for the provision of housing properly authorized under Part 1 (commencing with Section 33000) shall not be deemed void.

(e) "Indebtedness obligations" means bonds, notes, certificates of participation, or other evidence of indebtedness, issued or delivered by the redevelopment agency, or by a joint exercise of powers authority created by the redevelopment agency, to third-party investors or bondholders to finance or refinance redevelopment projects undertaken by the redevelopment agency in compliance with the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(f) "Oversight board" shall mean each entity established pursuant to Section 34179.

(g) "Recognized obligation" means an obligation listed in the Recognized Obligation Payment Schedule.

(h) "Recognized Obligation Payment Schedule" means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in subdivision (m) of Section 34177.

(i) "School entity" means any entity defined as such in subdivision (f) of Section 95 of the Revenue and Taxation Code.

(j) "Successor agency" means the successor entity to the former redevelopment agency as described in Section 34173.

(k) "Taxing entities" means cities, counties, a city and county, special districts, and school entities, as defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, that receive passthrough payments and distributions of property taxes pursuant to the provisions of this part.

(l) "Property taxes" include all property tax revenues, including those from unitary and supplemental and roll corrections applicable to tax increment.

(m) "Department" means the Department of Finance unless the context clearly refers to another state agency.

(n) "Sponsoring entity" means the city, county, or city and county, or other entity that authorized the creation of each redevelopment agency.

(o) "Final judicial determination" means a final judicial determination made by any state court that is not appealed, or by a court of appellate jurisdiction that is not further appealed, in an action by any party.

SEC. 7. Section 34173 of the Health and Safety Code is amended to read:

34173. (a) Successor agencies, as defined in this part, are hereby designated as successor entities to the former redevelopment agencies.

(b) Except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to the act adding this part, all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies.

(c) (1) If the redevelopment agency was in the form of a joint powers authority, and if the joint powers agreement governing the formation of the joint powers authority addresses the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part and each shall have a share of assets and liabilities based on the provisions of the joint powers agreement.

(2) If the redevelopment agency was in the form of a joint powers authority, and if the joint powers agreement governing the formation of the joint powers authority does not address the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part, a proportionate share of the assets and liabilities shall be based on the assessed value in the project areas within each entity's jurisdiction, as determined by the county assessor, in its jurisdiction as compared to the assessed value of land within the boundaries of the project areas of the former redevelopment agency.

(d) (1) A city, county, city and county, or the entities forming the joint powers authority that authorized the creation of each redevelopment agency may elect not to serve as a successor agency under this part. A city, county, city and county, or any member of a joint powers authority that elects not to serve as a successor agency under this part must file a copy of a duly authorized resolution of its governing board to that effect with the county auditor-controller no later than January 13, 2012.

(2) The determination of the first local agency that elects to become the successor agency shall be made by the county auditor-controller based on the earliest receipt by the county auditor-controller of a copy of a duly adopted resolution of the local agency's governing board authorizing such an election. As used in this section, "local agency" means any city, county, city and county, or special district in the county of the former redevelopment agency.

(3) (A) If no local agency elects to serve as a successor agency for a dissolved redevelopment agency, a public body, referred to herein as a "designated local authority" shall be immediately formed, pursuant to this part, in the county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor shall appoint three residents of the county to serve as the governing board of the authority. The designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

(B) Designated local authority members are protected by the immunities applicable to public entities and public employees governed by Part 1 (commencing with Section 810) and Part 2 (commencing with Section 814) of Division 3.6 of Title 1 of the Government Code.

(4) A city, county, or city and county, or the entities forming the joint powers authority that authorized the creation of a redevelopment agency and that elected not to serve as the successor agency under this part, may

subsequently reverse this decision and agree to serve as the successor agency pursuant to this section. Any reversal of this decision shall not become effective for 60 days after notice has been given to the current successor agency and the oversight board and shall not invalidate any action of the successor agency or oversight board taken prior to the effective date of the transfer of responsibility.

(e) The liability of any successor agency, acting pursuant to the powers granted under the act adding this part, shall be limited to the extent of the total sum of property tax revenues it receives pursuant to this part and the value of assets transferred to it as a successor agency for a dissolved redevelopment agency.

(f) Any existing cleanup plans and liability limits authorized under the Polanco Redevelopment Act (Article 12.5 (commencing with Section 33459) of Chapter 4 of Part 1) shall be transferred to the successor agency and may be transferred to the successor housing entity at that entity's request.

(g) A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge. The liabilities of the former redevelopment agency shall not be transferred to the sponsoring entity and the assets shall not become assets of the sponsoring entity. A successor agency has its own name, can be sued, and can sue. All litigation involving a redevelopment agency shall automatically be transferred to the successor agency. The separate former redevelopment agency employees shall not automatically become sponsoring entity employees of the sponsoring entity and the successor agency shall retain its own collective bargaining status. As successor entities, successor agencies succeed to the organizational status of the former redevelopment agency, but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. Each successor agency shall be deemed to be a local entity for purposes of the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

(h) The city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans.

(i) At the request of the city, county, or city and county, notwithstanding Section 33205, all land use related plans and functions of the former redevelopment agency are hereby transferred to the city, county, or city and county that authorized the creation of a redevelopment agency; provided, however, that the city, county, or city and county shall not create a new project area, add territory to, or expand or change the boundaries of a project area, or take any action that would increase the amount of obligated property tax (formerly tax increment) necessary to fulfill any existing enforceable obligation beyond what was authorized as of June 27, 2011.

SEC. 8. Section 34175 of the Health and Safety Code is amended to read:

34175. (a) It is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.

(b) All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012. Any legal or contractual restrictions on the use of these funds or assets shall also be transferred to the successor agency.

SEC. 9. Section 34176 of the Health and Safety Code is amended to read:

34176. (a) (1) The city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets, as defined in subdivision (e), excluding any amounts on deposit in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency, shall be transferred to the city, county, or city and county.

(2) The entity assuming the housing functions of the former redevelopment agency shall submit to the Department of Finance by August 1, 2012, a list of all housing assets that contains an explanation of how the

assets meet the criteria specified in subdivision (e). The Department of Finance shall prescribe the format for the submission of the list. The list shall include assets transferred between February 1, 2012, and the date upon which the list is created. The department shall have up to 30 days from the date of receipt of the list to object to any of the assets or transfers of assets identified on the list. If the Department of Finance objects to assets on the list, the entity assuming the housing functions of the former redevelopment agency may request a meet and confer process within five business days of receiving the department objection. If the transferred asset is deemed not to be a housing asset as defined in subdivision (e), it shall be returned to the successor agency and the provision of Section 34178.8 may apply. If a housing asset has been previously pledged to pay for bonded indebtedness, the successor agency shall maintain control of the asset in order to pay for the bond debt.

(b) If a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the successor agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

(1) If there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development.

(2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.

(3) If there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city, county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the operative date of this part, the entity that assumes the housing functions formerly performed by the redevelopment agency and receives the transferred housing assets may enforce affordability covenants and perform related activities pursuant to applicable provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000)), including, but not limited to, Section 33418.

(d) Except as specifically provided in Section 34191.4, any funds transferred to the city, county, or city and county or designated entity pursuant to this section, together with any funds generated from housing assets, as defined in subdivision (e), shall be maintained in a separate Low and Moderate Income Housing Asset Fund which is hereby created in the accounts of the entity assuming the housing functions pursuant to this section. Funds in this account shall be used in accordance with applicable housing-related provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(e) For purposes of this part, "housing asset" includes all of the following:

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

(2) Any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing, as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)) unless required in the bond covenants to be used for repayment purposes of the bond.

(3) Any loan or grant receivable, funded from the Low and Moderate Income Housing Fund, from homebuyers, homeowners, nonprofit or for-profit developers, and other parties that require occupancy by persons of low or moderate income as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(4) Any funds derived from rents or operation of properties acquired for low- and moderate-income housing purposes by other parties that were financed with any source of funds, including residual receipt payments from developers, conditional grant repayments, cost savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

(5) A stream of rents or other payments from housing tenants or operators of low- and moderate-income housing financed with any source of funds that are used to maintain, operate, and enforce the affordability of housing or for enforceable obligations associated with low- and moderate-income housing.

(6) (A) Repayments of loans or deferrals owed to the Low and Moderate Income Housing Fund pursuant to subparagraph (G) of paragraph (1) of subdivision (d) of Section 34171, which shall be used consistent with the

affordable housing requirements in the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(B) Loan or deferral repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this paragraph and subdivision (b) of Section 34191.4 combined shall be equal to one-half of the increase between the amount distributed to taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year. Loan or deferral repayments made pursuant to this paragraph shall take priority over amounts to be repaid pursuant to subdivision (b) of Section 34191.4.

(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.

(g) (1) (A) The entity assuming the housing functions pursuant to this section may designate the use of and commit indebtedness obligation proceeds that remain after the satisfaction of enforceable obligations that have been approved in a Recognized Obligation Payment Schedule and that are consistent with the indebtedness obligation covenants. The proceeds shall be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund. Enforceable obligations may be satisfied by the creation of reserves for the projects that are the subject of the enforceable obligation that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects.

(B) The entity assuming the housing functions pursuant to this section shall provide notice to the successor agency of any designations of use or commitments of funds specified in subparagraph (A) that it wishes to make at least 20 days before the deadline for submission of the Recognized Obligation Payment Schedule to the oversight board. Commitments and designations shall not be valid and binding on any party until they are included in an approved and valid Recognized Obligation Payment Schedule. The review of these designations and commitments by the successor agency, oversight board, and Department of Finance shall be limited to a determination that the designations and commitments are consistent with bond covenants and that there are sufficient funds available.

(2) Funds shall be used and committed in a manner consistent with the purposes of the Low and Moderate Income Housing Asset Fund. Notwithstanding any other law, the successor agency shall retain and expend the excess housing obligation proceeds at the discretion of the succeeding housing entity, provided that the successor agency ensures that the proceeds are expended in a manner consistent with the indebtedness obligation covenants and with any requirements relating to the tax status of those obligations. The amount expended shall not exceed the amount of indebtedness obligation proceeds available and such expenditure shall constitute the creation of excess housing proceeds expenditures to be paid from the excess proceeds. Excess housing proceeds expenditures shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

SEC. 10. Section 34176.5 is added to the Health and Safety Code, to read:

34176.5. (a) Notwithstanding any other law, the Director of Finance is authorized to contract with auditors, lawyers, and other types of advisors and consultants to assist, advise, and represent the director and the Department of Finance in any matter or action arising out of or contemplated by this part or Part 1.8 (commencing with Section 34161). In furtherance of this authorization, Sections 14827.1, 14827.2, and 14838 of the Government Code, and Article 4 (commencing with Section 10335) of Chapter 2 of Part 2 of Division 2 of and Section 10295 of, the Public Contract Code shall not apply to any agreement entered into by the director pursuant to this section.

(b) In addition to the waivers of statute provided in subdivision (a), Section 6072 of the Business and Professions Code shall not apply to the legal services agreement entered into by the director pursuant to this section.

(c) This section shall remain in effect only until January 1, 2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2014, deletes or extends that date.

SEC. 11. Section 34177 of the Health and Safety Code is amended to read:

34177. Successor agencies are required to do all of the following:

(a) Continue to make payments due for enforceable obligations.

(1) On and after February 1, 2012, and until a Recognized Obligation Payment Schedule becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made. The initial enforceable obligation payment schedule shall be the last schedule adopted by the redevelopment agency under Section 34169. However, payments associated with obligations excluded from the definition of enforceable obligations by paragraph (2) of subdivision (d) of Section 34171 shall be excluded from the enforceable obligations payment schedule and be removed from the last schedule adopted by the redevelopment agency under Section 34169 prior to the successor agency adopting it as its enforceable obligations payment schedule pursuant to this subdivision. The enforceable obligation payment schedule may be amended by the successor agency at any public meeting and shall be subject to the approval of the oversight board as soon as the board has sufficient members to form a quorum. In recognition of the fact that the timing of the California Supreme Court's ruling in the case California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231 delayed the preparation by successor agencies and the approval by oversight boards of the January 1, 2012, through June 30, 2012, Recognized Obligation Payment Schedule, a successor agency may amend the Enforceable Obligation Payment Schedule to authorize the continued payment of enforceable obligations until the time that the January 1, 2012, through June 30, 2012, Recognized Obligation Payment Schedule has been approved by the oversight board and by the Department of Finance.

(2) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(3) Commencing on the date the Recognized Obligation Payment Schedule is valid pursuant to subdivision (1), only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule. In addition, after it becomes valid, the Recognized Obligation Payment Schedule shall supersede the Statement of Indebtedness, which shall no longer be prepared nor have any effect under the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(4) Nothing in the act adding this part is to be construed as preventing a successor agency, with the prior approval of the oversight board, as described in Section 34179, from making payments for enforceable obligations from sources other than those listed in the Recognized Obligation Payment Schedule.

(5) From February 1, 2012, to July 1, 2012, a successor agency shall have no authority and is hereby prohibited from accelerating payment or making any lump-sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.

(b) Maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(c) Perform obligations required pursuant to any enforceable obligation.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency. In making the distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(e) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181. The disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188. The requirements of this subdivision shall not apply to a successor agency that has been issued a finding of completion by the Department of Finance pursuant to Section 34179.7.

- (f) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.
- (g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.
- (h) Expeditiously wind down the affairs of the redevelopment agency pursuant to the provisions of this part and in accordance with the direction of the oversight board.
- (i) Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties. Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.
- (j) Prepare a proposed administrative budget and submit it to the oversight board for its approval. The proposed administrative budget shall include all of the following:
- (1) Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period.
 - (2) Proposed sources of payment for the costs identified in paragraph (1).
 - (3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.
- (k) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund, to the county auditor-controller for each six-month fiscal period.
- (l) (1) Before each six-month fiscal period, prepare a Recognized Obligation Payment Schedule in accordance with the requirements of this paragraph. For each recognized obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:
- (A) Low and Moderate Income Housing Fund.
 - (B) Bond proceeds.
 - (C) Reserve balances.
 - (D) Administrative cost allowance.
 - (E) The Redevelopment Property Tax Trust Fund, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of this part.
 - (F) Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board in accordance with this part.
- (2) A Recognized Obligation Payment Schedule shall not be deemed valid unless all of the following conditions have been met:
- (A) A Recognized Obligation Payment Schedule is prepared by the successor agency for the enforceable obligations of the former redevelopment agency. The initial schedule shall project the dates and amounts of scheduled payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate property tax increment had the a redevelopment agency not been dissolved.
 - (B) The Recognized Obligation Payment Schedule is submitted to and duly approved by the oversight board. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the Recognized Obligation Payment Schedule to the oversight board for approval.
 - (C) A copy of the approved Recognized Obligation Payment Schedule is submitted to the county auditor-controller and both the Controller's office and the Department of Finance and be posted on the successor agency's Internet Web site.

(3) The Recognized Obligation Payment Schedule shall be forward looking to the next six months. The first Recognized Obligation Payment Schedule shall be submitted to the Controller's office and the Department of Finance by April 15, 2012, for the period of January 1, 2012, to June 30, 2012, inclusive. This Recognized Obligation Payment Schedule shall include all payments made by the former redevelopment agency between January 1, 2012, through January 31, 2012, and shall include all payments proposed to be made by the successor agency from February 1, 2012, through June 30, 2012. Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

(m) The Recognized Obligation Payment Schedule for the period of January 1, 2013, to June 30, 2013, shall be submitted by the successor agency, after approval by the oversight board, no later than September 1, 2012. Commencing with the Recognized Obligation Payment Schedule covering the period July 1, 2013, through December 31, 2013, successor agencies shall submit an oversight board-approved Recognized Obligation Payment Schedule to the Department of Finance and to the county auditor-controller no fewer than 90 days before the date of property tax distribution. The Department of Finance shall make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the department's determination, a successor agency may request additional review by the department and an opportunity to meet and confer on disputed items. The meet and confer period may vary; an untimely submittal of a Recognized Obligation Payment Schedule may result in a meet and confer period of less than 30 days. The department shall notify the successor agency and the county auditor-controllers as to the outcome of its review at least 15 days before the date of property tax distribution.

(1) The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the Department of Finance electronically, and the successor agency shall complete the Recognized Obligation Payment Schedule in the manner provided for by the department. A successor agency shall be in noncompliance with this paragraph if it only submits to the department an electronic message or a letter stating that the oversight board has approved a Recognized Obligation Payment Schedule.

(2) If a successor agency does not submit a Recognized Obligation Payment Schedule by the deadlines provided in this subdivision, the city, county, or city and county that created the redevelopment agency shall be subject to a civil penalty equal to ten thousand dollars (\$10,000) per day for every day the schedule is not submitted to the department. The civil penalty shall be paid to the county auditor-controller for allocation to the taxing entities under Section 34183. If a successor agency fails to submit a Recognized Obligation Payment Schedule by the deadline, any creditor of the successor agency or the Department of Finance or any affected taxing entity shall have standing to and may request a writ of mandate to require the successor agency to immediately perform this duty. Those actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Additionally, if an agency does not submit a Recognized Obligation Payment Schedule within ten days of the deadline, the maximum administrative cost allowance for that period shall be reduced by 25 percent.

(3) If a successor agency fails to submit to the department an oversight board-approved Recognized Obligation Payment Schedule that complies with all requirements of this subdivision within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the department may determine if any amount should be withheld by the county auditor-controller for payments for enforceable obligations from distribution to taxing entities, pending approval of a Recognized Obligation Payment Schedule. The county auditor-controller shall distribute the portion of any of the sums withheld pursuant to this paragraph to the affected taxing entities in accordance with paragraph (4) of subdivision (a) of Section 34183 upon notice by the department that a portion of the withheld balances are in excess of the amount of enforceable obligations. The county auditor-controller shall distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule approved by the department. County auditor-controllers shall lack the authority to withhold any other amounts from the allocations provided for under Section 34183 or 34188 unless required by a court order.

(n) Cause a postaudit of the financial transactions and records of the successor agency to be made at least annually by a certified public accountant.

SEC. 12. Section 34177.3 is added to the Health and Safety Code, to read:

34177.3. (a) Successor agencies shall lack the authority to, and shall not, create new enforceable obligations under the authority of the Community Redevelopment Law (Part 1 (commencing with Section 33000)) or begin

new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011.

(b) Successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance.

(c) Successor agencies shall lack the authority to, and shall not, transfer any powers or revenues of the successor agency to any other party, public or private, except pursuant to an enforceable obligation on a Recognized Obligation Payment Schedule approved by the department. Any such transfers of authority or revenues that are not made pursuant to an enforceable obligation on a Recognized Obligation Payment Schedule approved by the Department of Finance are hereby declared to be void, and the successor agency shall take action to reverse any of those transfers. The Controller may audit any transfer of authority or revenues prohibited by this section and may order the prompt return of any money or other things of value from the receiving party.

(d) Redevelopment agencies that resolved to participate in the Voluntary Alternative Redevelopment Program under Chapter 6 of the First Extraordinary Session of the Statutes of 2011 were and are subject to the provisions of Part 1.8 (commencing with Section 34161). Any actions taken by redevelopment agencies to create obligations after June 27, 2011, are ultra vires and do not create enforceable obligations.

(e) The Legislature finds and declares that the provisions of this section are declaratory of existing law.

SEC. 13. Section 34177.5 is added to the Health and Safety Code, to read:

34177.5. (a) In addition to the powers granted to each successor agency, and notwithstanding anything in the act adding this part, including, but not limited to, Sections 34162 and 34189, a successor agency shall have the authority, rights, and powers of the redevelopment agency to which it succeeded solely for the following purposes:

(1) For the purpose of issuing bonds or incurring other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency or of the successor agency to provide savings to the successor agency, provided that (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or other indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding, and enforceable in accordance with its terms.

(2) For the purpose of issuing bonds or other indebtedness to finance debt service spikes, including balloon maturities, provided that (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the bonds or other indebtedness shall not exceed the amount required to finance the debt service spikes, including establishing customary debt service reserves and paying related costs of issuance.

(3) For the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision, or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, provided that (A) the enforceable obligation is amended in connection with a refunding of the bonds or other obligations of the political subdivision so that the enforceable obligation will apply to the refunding bonds or other refunding indebtedness of the political subdivision, (B) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (C) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves and to pay related costs of issuance. The pledge set

forth in that amended enforceable obligation, when made in connection with the execution of the amendment of the enforceable obligation, shall have the same lien priority as the pledge in the enforceable obligation prior to its amendment and shall be valid, binding, and enforceable in accordance with its terms.

(4) For the purpose of issuing bonds or incurring other indebtedness to make payments under enforceable obligations when the enforceable obligations include the irrevocable pledge of property tax increment, formerly tax increment revenues prior to the effective date of this part, or other funds and the obligation to issue bonds secured by that pledge. The successor agency may pledge to the bonds or other indebtedness the property tax revenues and other funds described in the enforceable obligation, and that pledge, when made in connection with the issuance of the bonds or the incurring of other indebtedness, shall be valid, binding, and enforceable in accordance with its terms. This paragraph shall not be deemed to authorize a successor agency to increase the amount of property tax revenues pledged under an enforceable obligation or to pledge any property tax revenue not already pledged pursuant to an enforceable obligation. This paragraph does not constitute a change in, but is declaratory of, the existing law.

(b) The refunding bonds authorized under this section may be issued under the authority of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and the refunding bonds may be sold at public or private sale, or to a joint powers authority pursuant to the Marks-Roos Local Bond Pooling Act (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code).

(c) (1) Prior to incurring any bonds or other indebtedness pursuant to this section, the successor agency may subordinate to the bonds or other indebtedness the amount required to be paid to an affected taxing entity pursuant to paragraph (1) of subdivision (a) of Section 34183, provided that the affected taxing entity has approved the subordinations pursuant to this subdivision.

(2) At the time the successor agency requests an affected taxing entity to subordinate the amount to be paid to it, the successor agency shall provide the affected taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service on the bonds or other indebtedness and the payments required by paragraph (1) of subdivision (a) of Section 34183, when due.

(3) Within 45 days after receipt of the agency's request, the affected taxing entity shall approve or disapprove the request for subordination. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt service payments and the amount required to be paid to the affected taxing entity. If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive.

(d) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds or other obligations authorized by this section, the pledge of revenues to those bonds or other obligations authorized by this section, the legality and validity of all proceedings theretofore taken and, as provided in the resolution of the legislative body of the successor agency authorizing the bonds or other obligations authorized by this section, proposed to be taken for the authorization, execution, issuance, sale, and delivery of the bonds or other obligations authorized by this section, and for the payment of debt service on the bonds or the payment of amounts under other obligations authorized by this section. Subdivision (c) of Section 33501 shall not apply to any such action. The Department of Finance shall be notified of the filing of any action as an affected party.

(e) Notwithstanding any other law, including, but not limited to, Section 33501, an action to challenge the issuance of bonds, the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement by a successor agency shall be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving the issuance of bonds, the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under this section.

(f) The actions authorized in this section shall be subject to the approval of the oversight board, as provided in Section 34180. Additionally, an oversight board may direct the successor agency to commence any of the transactions described in subdivision (a) so long as the successor agency is able to recover its related costs in connection with the transaction. After a successor agency, with approval of the oversight board, issues any bonds, incurs any indebtedness, or executes an amended enforceable obligation pursuant to subdivision (a), the oversight board shall not unilaterally approve any amendments to or early termination of the bonds, indebtedness, or enforceable obligation. If, under the authority granted to it by subdivision (h) of Section 34179, the Department of Finance either reviews and approves or fails to request review within five business

days of an oversight board approval of an action authorized by this section, the scheduled payments on the bonds or other indebtedness shall be listed in the Recognized Obligation Payment Schedule and shall not be subject to further review and approval by the department or the Controller. The department may extend its review time to 60 days for actions authorized in this section and may seek the assistance of the Treasurer in evaluating proposed actions under this section.

(g) Any bonds, indebtedness, or amended enforceable obligation authorized by this section shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the Community Redevelopment Law that existed prior to that date, shall be included in the successor agency's Recognized Obligation Payment Schedule, and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172, as provided in paragraph (2) of subdivision (a) of Section 34183. Property tax revenues pledged to any bonds, indebtedness, or amended enforceable obligations authorized by this section are taxes allocated to the successor agency pursuant to subdivision (b) of Section 33670 and Section 16 of Article XVI of the California Constitution.

(h) The successor agency shall make diligent efforts to ensure that the lowest long-term cost financing is obtained. The financing shall not provide for any bullets or spikes and shall not use variable rates. The successor agency shall make use of an independent financial advisor in developing financing proposals and shall make the work products of the financial advisor available to the Department of Finance at its request.

(i) If an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of such revenues is expected to occur over time, the successor agency may petition the Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted, then the department's review of such payments in future Recognized Obligation Payment Schedules shall be limited to confirming that they are required by the prior enforceable obligation.

(j) The successor agency may request that the department provide a written determination to waive the two-year statute of limitations on an action to review the validity of the adoption or amendment of a redevelopment plan pursuant to subdivision (c) of Section 33500 or on any findings or determinations made by the agency pursuant to subdivision (d) of Section 33500. The department at its discretion may provide a waiver if it determines it is necessary for the agency to fulfill an enforceable obligation.

SEC. 14. Section 34178 of the Health and Safety Code is amended to read:

34178. (a) Commencing on the operative date of this part, agreements, contracts, or arrangements between the city or county, or city and county that created the redevelopment agency and the redevelopment agency are invalid and shall not be binding on the successor agency; provided, however, that a successor entity wishing to enter or reenter into agreements with the city, county, or city and county that formed the redevelopment agency that it is succeeding may do so upon obtaining the approval of its oversight board. A successor agency or an oversight board shall not exercise the powers granted by this subdivision to restore funding for an enforceable obligation that was deleted or reduced by the Department of Finance pursuant to subdivision (h) of Section 34179 unless it reflects the decisions made during the meet and confer process with the Department of Finance or pursuant to a court order.

(b) Notwithstanding subdivision (a), any of the following agreements are not invalid and may bind the successor agency:

(1) A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations.

(2) A written agreement between a redevelopment agency and the city, county, or city and county that created it that provided loans or other startup funds for the redevelopment agency that were entered into within two years of the formation of the redevelopment agency.

(3) A joint exercise of powers agreement in which the redevelopment agency is a member of the joint powers authority. However, upon assignment to the successor agency by operation of the act adding this part, the

successor agency's rights, duties, and performance obligations under that joint exercise of powers agreement shall be limited by the constraints imposed on successor agencies by the act adding this part.

SEC. 15. Section 34178.8 is added to the Health and Safety Code, to read:

34178.8. Commencing on the effective date of the act adding this section, the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012, between the successor agency and the city, county, or city and county that created a redevelopment agency, or any other public agency, that was not made pursuant to an enforceable obligation on an approved and valid Recognized Obligation Payment Schedule. If such an asset transfer did occur, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the successor agency. Upon receiving that order from the Controller, an affected local agency shall, as soon as practicable, reverse the transfer and return the applicable assets to the successor agency. This section shall not apply to housing assets as defined in subdivision (e) of Section 34176.

SEC. 16. Section 34179 of the Health and Safety Code is amended to read:

34179. (a) Each successor agency shall have an oversight board composed of seven members. The members shall elect one of their members as the chairperson and shall report the name of the chairperson and other members to the Department of Finance on or before May 1, 2012. Members shall be selected as follows:

- (1) One member appointed by the county board of supervisors.
- (2) One member appointed by the mayor for the city that formed the redevelopment agency.
- (3) (A) One member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is of the type of special district that is eligible to receive property tax revenues pursuant to Section 34188.
(B) On or after the effective date of this subparagraph, the county auditor-controller may determine which is the largest special district for purposes of this section.
- (4) One member appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.
- (5) One member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.
- (6) One member of the public appointed by the county board of supervisors.
- (7) One member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors, as the case may be, from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time. In the case where city or county employees performed administrative duties of the former redevelopment agency, the appointment shall be made from the recognized employee organization representing those employees. If a recognized employee organization does not exist for either the employees of the former redevelopment agency or the city or county employees performing administrative duties of the former redevelopment agency, the appointment shall be made from among the employees of the successor agency. In voting to approve a contract as an enforceable obligation, a member appointed pursuant to this paragraph shall not be deemed to be interested in the contract by virtue of being an employee of the successor agency or community for purposes of Section 1090 of the Government Code.
- (8) If the county or a joint powers agency formed the redevelopment agency, then the largest city by acreage in the territorial jurisdiction of the former redevelopment agency may select one member. If there are no cities with territory in a project area of the redevelopment agency, the county superintendent of education may appoint an additional member to represent the public.
- (9) If there are no special districts of the type that are eligible to receive property tax pursuant to Section 34188, within the territorial jurisdiction of the former redevelopment agency, then the county may appoint one member to represent the public.
- (10) If a redevelopment agency was formed by an entity that is both a charter city and a county, the oversight board shall be composed of seven members selected as follows: three members appointed by the mayor of the

city, if that appointment is subject to confirmation by the county board of supervisors, one member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is the type of special district that is eligible to receive property tax revenues pursuant to Section 34188, one member appointed by the county superintendent of education to represent schools, one member appointed by the Chancellor of the California Community Colleges to represent community college districts, and one member representing employees of the former redevelopment agency appointed by the mayor of the city if that appointment is subject to confirmation by the county board of supervisors, to represent the largest number of former redevelopment agency employees employed by the successor agency at that time.

(b) The Governor may appoint individuals to fill any oversight board member position described in subdivision (a) that has not been filled by May 15, 2012, or any member position that remains vacant for more than 60 days.

(c) The oversight board may direct the staff of the successor agency to perform work in furtherance of the oversight board's duties and responsibilities under this part. The successor agency shall pay for all of the costs of meetings of the oversight board and may include such costs in its administrative budget. Oversight board members shall serve without compensation or reimbursement for expenses.

(d) Oversight board members are protected by the immunities applicable to public entities and public employees governed by Part 1 (commencing with Section 810) and Part 2 (commencing with Section 814) of Division 3.6 of Title 1 of the Government Code.

(e) A majority of the total membership of the oversight board shall constitute a quorum for the transaction of business. A majority vote of the total membership of the oversight board is required for the oversight board to take action. The oversight board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974. All actions taken by the oversight board shall be adopted by resolution.

(f) All notices required by law for proposed oversight board actions shall also be posted on the successor agency's Internet Web site or the oversight board's Internet Web site.

(g) Each member of an oversight board shall serve at the pleasure of the entity that appointed such member.

(h) The Department of Finance may review an oversight board action taken pursuant to this part. Written notice and information about all actions taken by an oversight board shall be provided to the department by electronic means and in a manner of the department's choosing. An action shall become effective five business days after notice in the manner specified by the department is provided unless the department requests a review. Each oversight board shall designate an official to whom the department may make those requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. Except as otherwise provided in this part, in the event that the department requests a review of a given oversight board action, it shall have 40 days from the date of its request to approve the oversight board action or return it to the oversight board for reconsideration and the oversight board action shall not be effective until approved by the department. In the event that the department returns the oversight board action to the oversight board for reconsideration, the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until approved by the department. If the department reviews a Recognized Obligation Payment Schedule, the department may eliminate or modify any item on that schedule prior to its approval. The county auditor-controller shall reflect the actions of the department in determining the amount of property tax revenues to allocate to the successor agency. The department shall provide notice to the successor agency and the county auditor-controller as to the reasons for its actions. To the extent that an oversight board continues to dispute a determination with the department, one or more future recognized obligation schedules may reflect any resolution of that dispute. The department may also agree to an amendment to a Recognized Obligation Payment Schedule to reflect a resolution of a disputed item; however, this shall not affect a past allocation of property tax or create a liability for any affected taxing entity.

(i) Oversight boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188. Further, the provisions of Division 4 (commencing with Section 1000) of the Government Code shall apply to oversight boards. Notwithstanding Section 1099 of the Government Code, or any other law, any individual may simultaneously be appointed to up to five oversight boards and may hold an office in a city, county, city and county, special district, school district, or community college district.

(j) Commencing on and after July 1, 2016, in each county where more than one oversight board was created by operation of the act adding this part, there shall be only one oversight board appointed as follows:

- (1) One member may be appointed by the county board of supervisors.
 - (2) One member may be appointed by the city selection committee established pursuant to Section 50270 of the Government Code. In a city and county, the mayor may appoint one member.
 - (3) One member may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188.
 - (4) One member may be appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.
 - (5) One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.
 - (6) One member of the public may be appointed by the county board of supervisors.
 - (7) One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.
- (k) The Governor may appoint individuals to fill any oversight board member position described in subdivision (j) that has not been filled by July 15, 2016, or any member position that remains vacant for more than 60 days.
- (l) Commencing on and after July 1, 2016, in each county where only one oversight board was created by operation of the act adding this part, then there will be no change to the composition of that oversight board as a result of the operation of subdivision (b).
- (m) Any oversight board for a given successor agency shall cease to exist when all of the indebtedness of the dissolved redevelopment agency has been repaid.
- (n) An oversight board may direct a successor agency to provide additional legal or financial advice than what was given by agency staff.
- (o) An oversight board is authorized to contract with the county or other public or private agencies for administrative support.
- (p) On matters within the purview of the oversight board, decisions made by the oversight board supersede those made by the successor agency or the staff of the successor agency.

SEC. 17. Section 34179.5 is added to the Health and Safety Code, to read:

34179.5. (a) In furtherance of subdivision (d) of Section 34177, each successor agency shall employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. As an alternative, an audit provided by the county auditor-controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board.

(b) For purposes of this section the following terms shall have the following meanings:

- (1) "Cash" and "cash equivalents" includes, but is not limited to, cash in hand, bank deposits, Local Agency Investment Fund deposits, deposits in the city or county treasury or any other pool, marketable securities, commercial paper, United States Treasury bills, banker's acceptances, payables on demand and amounts due from other parties as defined in subdivision (c), and any other money owned by the successor agency.
- (2) "Enforceable obligation" includes any of the items listed in subdivision (d) of Section 34171, contracts detailing specific work to be performed that were entered into by the former redevelopment agency prior to June 28, 2011, with a third party that is other than the city, county, or city and county that created the former redevelopment agency, and indebtedness obligations as defined in subdivision (e) of Section 34171.

(3) "Transferred" means the transmission of money to another party that is not in payment for goods or services or an investment or where the payment is de minimus. Transfer also means where the payments are ultimately merely a restriction on the use of the money.

(c) At a minimum, the review required by this section shall include the following:

(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009-10 fiscal year.

(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012.

(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

SEC. 18. Section 34179.6 is added to the Health and Safety Code, to read:

34179.6. The review required pursuant to Section 34179.5 shall be submitted to the oversight board for review. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the review to the oversight board for review.

(a) By October 1, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. By December 15, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the department the results of the review conducted pursuant to Section 34179.5 for all of the other fund and account balances and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. The department may request any supporting documentation and review results to assist in its review under subdivision (d). The department may specify the form and manner information about the review shall be provided to it.

(b) Upon receipt of the review, the oversight board shall convene a public comment session to take place at least five business days before the oversight board holds the approval vote specified in subdivision (c). The oversight board also shall consider any opinions offered by the county auditor-controller on the review results submitted by the successor agencies.

(c) By October 15, 2012, for the Low and Moderate Income Housing Fund and by January 15, 2013, for all other funds and accounts, the oversight board shall review, approve, and transmit to the department and the county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval shall occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination. The oversight board shall be empowered to authorize a successor agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision (c) of Section 34179.5. An oversight board that makes that authorization also shall identify to the department the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of the department pursuant to subdivision (d).

(d) The department may adjust any amount associated with the determination of the resulting amount described in paragraph (6) of subdivision (c) of Section 34179.5 based on its analysis and information provided by the successor agency and others. The department shall consider any findings or opinions of the county auditor-controllers and the Controller. The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than November 9, 2012, for the Low and Moderate Income Housing Fund and also shall notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain assets or funds made pursuant to subdivision (c). The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than April 1, 2013, for the other funds and accounts and also shall notify the oversight board and the successor agency of its decision to overturn any oversight board authorizations made pursuant to subdivision (c). The department shall provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board made pursuant to subdivision (c).

(e) The successor agency and the entity or entities that created the former redevelopment agency may request to meet and confer with the department to resolve any disputes regarding the amounts or sources of funds identified as determined by the department. The request shall be made within five business days of the transmission, and no later than November 16, 2012, for the determination regarding the Low and Moderate Income Housing Fund, to the successor agency or the designated local authority of the department's determination, decisions, and explanations and shall be accompanied by an explanation and documentation of the basis of the dispute. The department shall meet and confer with the requesting party and modify its determinations and decisions accordingly. The department shall either confirm or modify its determinations and decisions within 30 days of the request to meet and confer.

(f) Each successor agency shall transmit to the county auditor-controller the amount of funds required pursuant to the determination of the department within five working days of receipt of the notification under

subdivision (c) or (e) if a meet and confer request is made. Successor agencies shall make diligent efforts to recover any money determined to have been transferred without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5. The department shall notify the county auditor-controller of its actions and the county auditor-controllers shall disburse the funds received from successor agencies to taxing entities pursuant to Section 34188 within five working days of receipt. Amounts received after November 28, 2012, and April 10, 2013, may be held and disbursed with the regular payments to taxing entities pursuant to Section 34183.

(g) By December 1, 2012, the county auditor-controller shall provide the department a report specifying the amount submitted by each successor agency pursuant to subdivision (d) for low- and moderate-income housing funds, and specifically noting those successor agencies that failed to remit the full required amount. By April 20, 2013, the county auditor-controller shall provide the department a report detailing the amount submitted by each successor agency pursuant to subdivision (d) for all other funds and accounts, and specifically noting those successor agencies that failed to remit the full required amount.

(h) If a successor agency fails to remit to the county auditor-controller the sums identified in subdivisions (d) and (f), by the deadlines specified in those subdivisions, the following remedies are available:

(1) (A) If the successor agency cannot promptly recover the funds that have been transferred to another public agency without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency to which the funds were transferred. To recover such funds, the Department of Finance may order the State Board of Equalization to make an offset pursuant to subdivision (a) of Section 34179.8. If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations to any local agency in the county that fails to repay funds pursuant to subdivision (c) of Section 34179.8.

(B) The county auditor-controller and the department shall each have the authority to demand the return of funds improperly spent or transferred to a private person or other private entity. If funds are not repaid within 60 days, they may be recovered through any lawful means of collection and are subject to a ten percent penalty plus interest at the rate charged for late personal income tax payments from the date the improper payment was made to the date the money is repaid.

(C) If the city, county, or city and county that created the former redevelopment agency is also performing the duties of the successor agency, the Department of Finance may order an offset to the distribution provided to the sales and use tax revenue to that agency pursuant to subdivision (a) of Section 34179.8. This offset shall be equal to the amount the successor fails to remit pursuant to subdivision (f). If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations of the city, county, or city and county that created the former redevelopment agency pursuant to subdivision (c) of Section 34179.8.

(D) The department and the county auditor-controller shall coordinate their actions undertaken pursuant to this paragraph.

(2) Alternatively or in addition to the remedies provided in paragraph (1), the department may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 until the amount of payment required pursuant to subdivision (d) is accomplished.

(3) If the Department of Finance determines that payment of the full amount required under subdivision (d) is not currently feasible or would jeopardize the ability of the successor agency to pay enforceable obligations in a timely manner, it may agree to an installment payment plan.

(i) (1) If a legal action contesting a withholding effectuated by the State Board of Equalization pursuant to subparagraphs (B), (C), or (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the court shall order the state to pay to the prevailing party a penalty equal to a percentage of the amount of funds found by the court to be improperly withheld, as provided in Section 34179.8. This percentage shall be equivalent to the number of months the funds have been found by the court to be improperly withheld, not to exceed 10 percent.

(2) If a legal action contesting an offset effectuated by the State Board of Equalization or the county auditor-controller pursuant to subdivision (h) is successful and results in a final judicial determination, the court shall order the state or the county auditor-controller to pay to the prevailing party a penalty equal to 10 percent of the amount of funds found by the court to be improperly offset, as provided in Section 34179.8.

(j) If a legal challenge to invalidate any provision in subdivision (h) or subparagraph (B) or (C), or subparagraphs (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the invalidated provision shall become inoperative and subdivision (i) shall become inoperative with respect to the invalidated provision.

SEC. 19. Section 34179.7 is added to the Health and Safety Code, to read:

34179.7. Upon full payment of the amounts determined in subdivision (d) or (e) of Section 34179.6 as reported by the county auditor-controller pursuant to subdivision (g) of Section 34179.6 and of any amounts due as determined by Section 34183.5, or upon a final judicial determination of the amounts due and confirmation that those amounts have been paid by the county auditor-controller, the department shall issue, within five business days, a finding of completion of the requirements of Section 34179.6 to the successor agency.

SEC. 20. Section 34179.8 is added to the Health and Safety Code, to read:

34179.8. (a) If an offset or withholding of sales and use tax is ordered by the Department of Finance pursuant to this part, the State Board of Equalization shall reduce the distribution of sales and use taxes collected under Chapter 1 (commencing with Section 7200) of Part 1.5 of Division 2 of the Revenue and Taxation Code to the entity that is the subject of the offset or withholding and shall direct the Controller to issue a warrant in the amount of any offset pursuant to subdivision (h) of Section 34179.6 to the county auditor-controller. The county auditor-controller shall distribute this amount to the taxing entities for the former redevelopment area according to Section 34188.

(b) (1) If a court has issued a final judicial determination or the department determines that some or all of the amount collected through the offset of sales and use tax has been paid by another means and no additional amount is owed, the court or the department shall notify the State Board of Equalization of that determination. Upon notification, the State Board of Equalization shall reverse the relevant amount of sales and use tax offset, add any penalty payable under subdivision (i) of Section 34179.6, and adjust the next distribution of sales and use tax to the affected local entity by reducing the allocation of tax to the General Fund and increasing the distribution to the local entity by that sum.

(2) The board shall inform the Controller of the reversal of the offset of sales and use tax undertaken pursuant to paragraph (1). The Controller shall send a demand for payment to the county auditor-controller for the amount of the offset reversal, excluding any penalty amount determined by the court pursuant to subdivision (i) of Section 34179.6 to be applicable to the offset. The auditor-controller shall reduce allocations to taxing entities in the next distributions under Section 34188 until the amount of the reversed offset is recovered and shall pay such recovered amounts to the State Controller for deposit in the General Fund.

(c) (1) If an offset of property tax is ordered by the county auditor-controller pursuant to this part, the auditor-controller shall reduce the distribution of property taxes to the entity that is the subject of the offset and shall distribute the amount to the taxing entities for the former redevelopment area according to Section 34188.

(2) If a court has issued a final judicial determination or the department determines that some or all of the amount collected through the offset made pursuant to paragraph (1) has been paid by another means and no additional amount is owed, the court or the department shall notify the county auditor-controller of that determination. Upon notification, the county auditor-controller shall reverse the relevant amount of property tax revenues offset in the next distribution of property tax to the affected local entity by reducing the allocation of tax to the taxing entities of the former redevelopment area under Section 34188 and increasing the distribution of property taxes to the local entity that was subject to the offset.

SEC. 21. Section 34180 of the Health and Safety Code is amended to read:

34180. All of the following successor agency actions shall first be approved by the oversight board:

(a) The establishment of new repayment terms for outstanding loans where the terms have not been specified prior to the date of this part. An oversight board shall not have the authority to reestablish loan agreements between the successor agency and the city, county, or city and county that formed the redevelopment agency except as provided in Chapter 9 (commencing with Section 34191.1).

(b) The issuance of bonds or other indebtedness or the pledge or agreement for the pledge of property tax revenues (formerly tax increment prior to the effective date of this part) pursuant to subdivision (a) of Section 34177.5.

(c) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants, or other forms of financial assistance from either public or private sources, if that assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than 5 percent.

(f) (1) If a city, county, or city and county wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained.

(2) If no other agreement is reached on valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the oversight board.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) A request by the successor agency to enter into an agreement with the city, county, or city and county that formed the redevelopment agency that it is succeeding. An oversight board shall not have the authority to reestablish loan agreements between the successor agency and the city, county, or city and county that formed the redevelopment agency except as provided in Chapter 9 (commencing with Section 34191.1). Any actions to reestablish any other agreements that are in furtherance of enforceable obligations, with the city, county, or city and county that formed the redevelopment agency are invalid until they are included in an approved and valid Recognized Obligation Payment Schedule.

(i) A request by a successor agency or taxing entity to pledge, or to enter into an agreement for the pledge of, property tax revenues pursuant to subdivision (b) of Section 34178.

(j) Any document submitted by a successor agency to an oversight board for approval by any provision of this part shall also be submitted to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the document to the oversight board.

SEC. 22. Section 34181 of the Health and Safety Code is amended to read:

34181. The oversight board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value. Asset disposition may be accomplished by a distribution of income to taxing entities proportionate to their property tax share from one or more properties that may be transferred to a public or private agency for management pursuant to the direction of the oversight board.

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(c) Transfer housing assets pursuant to Section 34176.

(d) Terminate any agreement, between the dissolved redevelopment agency and any public entity located in the same county, obligating the redevelopment agency to provide funding for any debt service obligations of the public entity or for the construction, or operation of facilities owned or operated by such public entity, in any instance where the oversight board has found that early termination would be in the best interests of the taxing entities.

(e) Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to

the oversight board for its approval. The board may approve any amendments to or early termination of those agreements if it finds that amendments or early termination would be in the best interests of the taxing entities.

(f) All actions taken pursuant to subdivisions (a) and (c) shall be approved by resolution of the oversight board at a public meeting after at least 10 days' notice to the public of the specific proposed actions. The actions shall be subject to review by the Department of Finance pursuant to Section 34179 except that the department may extend its review period by up to 60 days. If the department does not object to an action subject to this section, and if no action challenging an action is commenced within 60 days of the approval of the action by the oversight board, the action of the oversight board shall be considered final and can be relied upon as conclusive by any person. If an action is brought to challenge an action involving title to or an interest in real property, a notice of pendency of action shall be recorded by the claimant as provided in Title 4.5 (commencing with Section 405) of Part 2 of the Code of Civil Procedure within a 60-day period.

SEC. 23. Section 34182 of the Health and Safety Code is amended to read:

34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted an agreed-upon procedures audit of each redevelopment agency in the county that is subject to this part, to be completed by October 1, 2012.

(2) The purpose of the audits shall be to establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's passthrough payment obligations to other taxing entities, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency pursuant to the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trust Fund for any costs incurred by the county auditor-controller pursuant to this part.

(b) By October 5, 2012, the county auditor-controller shall provide the Controller's office and the Department of Finance a copy of all audits performed pursuant to this section. The county auditor-controller shall maintain a copy of all documentation and working papers for use by the Controller.

(c) (1) The county auditor-controller shall determine the amount of property taxes that would have been allocated to each redevelopment agency in the county had the redevelopment agency not been dissolved pursuant to the operation of the act adding this part. These amounts are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution and are available for allocation and distribution in accordance with the provisions of the act adding this part. The county auditor-controller shall calculate the property tax revenues using current assessed values on the last equalized roll on August 20, pursuant to Section 2052 of the Revenue and Taxation Code, and pursuant to statutory formulas or contractual agreements with other taxing entities, as of the effective date of this section, and shall deposit that amount in the Redevelopment Property Tax Trust Fund.

(2) Each county auditor-controller shall administer the Redevelopment Property Tax Trust Fund for the benefit of the holders of former redevelopment agency enforceable obligations and the taxing entities that receive passthrough payments and distributions of property taxes pursuant to this part.

(3) In connection with the allocation and distribution by the county auditor-controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, in compliance with this part, the county auditor-controller shall prepare estimates of amounts of property tax to be allocated and distributed and the amounts of passthrough payments to be made in the upcoming six-month period, and provide those estimates to both the entities receiving the distributions and the Department of Finance, no later than October 1 and April 1 of each year.

(4) Each county auditor-controller shall disburse proceeds of asset sales or reserve balances, which have been received from the successor entities pursuant to Sections 34177 and 34187, to the taxing entities. In making such a distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(d) By October 1, 2012, the county auditor-controller shall report the following information to the Controller's office and the Director of Finance:

(1) The sums of property tax revenues remitted to the Redevelopment Property Tax Trust Fund related to each former redevelopment agency.

(2) The sums of property tax revenues remitted to each agency under paragraph (1) of subdivision (a) of Section 34183.

(3) The sums of property tax revenues remitted to each successor agency pursuant to paragraph (2) of subdivision (a) of Section 34183.

(4) The sums of property tax revenues paid to each successor agency pursuant to paragraph (3) of subdivision (a) of Section 34183.

(5) The sums paid to each city, county, and special district, and the total amount allocated for schools pursuant to paragraph (4) of subdivision (a) of Section 34183.

(6) Any amounts deducted from other distributions pursuant to subdivision (b) of Section 34183.

(e) A county auditor-controller may charge the Redevelopment Property Tax Trust Fund for the costs of administering the provisions of this part.

(f) The Controller may audit and review any county auditor-controller action taken pursuant to the act adding this part. As such, all county auditor-controller actions shall not be effective for three business days, pending a request for review by the Controller. In the event that the Controller requests a review of a given county auditor-controller action, he or she shall have 10 days from the date of his or her request to approve the county auditor-controller's action or return it to the county auditor-controller for reconsideration and the county auditor-controller's action shall not be effective until approved by the Controller. In the event that the Controller returns the county auditor-controller's action to the county auditor-controller for reconsideration, the county auditor-controller must resubmit the modified action for Controller approval and the modified county auditor-controller's action shall not become effective until approved by the Controller.

SEC. 24. Section 34182.5 is added to the Health and Safety Code, to read:

34182.5. A county auditor-controller may review the Recognized Obligation Payment Schedules and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items. This review may take place prior to the submission of the Recognized Obligation Payment Schedule to the oversight board or subsequent to oversight board action. The county auditor-controller shall promptly transmit notice of any of those objections to the successor agency, the oversight board, and the Department of Finance. Notice shall be given at least 60 days prior to an allocation date specified in Section 34183, except that for the January 1, 2013 to June 30, 2013 Recognized Obligation Payment Schedule, notice shall be given no later than October 1, 2012. If an oversight board disputes the finding of the county auditor-controller, it may refer the matter to the Department of Finance for a determination of what will be approved for inclusion in the Recognized Obligation Payment Schedule.

SEC. 25. Section 34183 of the Health and Safety Code is amended to read:

34183. (a) Notwithstanding any other law, from February 1, 2012, to July 1, 2012, and for each fiscal year thereafter, the county auditor-controller shall, after deducting administrative costs allowed under Section 34182 and Section 95.3 of the Revenue and Taxation Code, allocate moneys in each Redevelopment Property Tax Trust Fund as follows:

(1) Subject to any prior deductions required by subdivision (b), first, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been received under Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, as those sections read on January 1, 2011, or pursuant to any passthrough agreement between a redevelopment agency and a taxing entity that was entered into prior to January 1, 1994, that would be in force during that fiscal year, had the redevelopment agency existed at that time. The amount of the payments made pursuant to this paragraph shall be calculated solely on the basis of passthrough payment obligations, existing prior to the effective date of this part and continuing as obligations of successor entities, shall occur no later than May 16, 2012, and no later than June 1, 2012, and each January 2 and June 1 thereafter. Notwithstanding subdivision (e) of Section 33670, that portion of the taxes in excess of the amount identified in subdivision (a) of Section 33670, which are attributable to a tax rate levied by a taxing entity for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing entity. The amount of passthrough payments computed pursuant to this section, including any passthrough agreements, shall be

computed as though the requirement to set aside funds for the Low and Moderate Income Housing Fund was still in effect.

(2) Second, on June 1, 2012, and each January 2 and June 1 thereafter, to each successor agency for payments listed in its Recognized Obligation Payment Schedule for the six-month fiscal period beginning January 1, 2012, and July 1, 2012, and each January 2 and June 1 thereafter, in the following order of priority:

(A) Debt service payments scheduled to be made for tax allocation bonds.

(B) Payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the agency's tax increment revenues were also pledged for the repayment of the bonds.

(C) Payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule that are required to be paid from former tax increment revenue.

(3) Third, on June 1, 2012, and each January 2 and June 1 thereafter, to each successor agency for the administrative cost allowance, as defined in Section 34171, for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues.

(4) Fourth, on June 1, 2012, and each January 2 and June 1 thereafter, any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by paragraphs (1) to (3), inclusive, shall be distributed to local agencies and school entities in accordance with Section 34188.

(b) If the successor agency reports, no later than April 1, 2012, and May 1, 2012, and each December 1 and May 1 thereafter, to the county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations, are insufficient to fund the payments required by paragraphs (1) to (3), inclusive, of subdivision (a) in the next six-month fiscal period, the county auditor-controller shall notify the Controller and the Department of Finance no later than 10 days from the date of that notification. The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligation Payment Schedule and shall report the findings to the Controller. If the Controller concurs that there are insufficient funds to pay required debt service, the amount of the deficiency shall be deducted first from the amount remaining to be distributed to taxing entities pursuant to paragraph (4), and if that amount is exhausted, from amounts available for distribution for administrative costs in paragraph (3). If an agency, pursuant to the provisions of Section 33492.15, 33492.72, 33607.5, 33671.5, 33681.15, or 33688 or as expressly provided in a passthrough agreement entered into pursuant to Section 33401, made passthrough payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for passthrough payments under paragraph (1), as provided in those sections, but only to the extent that the amounts remaining to be distributed to taxing entities pursuant to paragraph (4) and the amounts available for distribution for administrative costs in paragraph (3) have all been exhausted.

(c) The county treasurer may loan any funds from the county treasury to the Redevelopment Property Tax Trust Fund of the successor agency for the purpose of paying an item approved on the Recognized Obligation Payment Schedule at the request of the Department of Finance that are necessary to ensure prompt payments of redevelopment agency debts. An enforceable obligation is created for repayment of those loans.

(d) The Controller may recover the costs of audit and oversight required under this part from the Redevelopment Property Tax Trust Fund by presenting an invoice therefor to the county auditor-controller who shall set aside sufficient funds for and disburse the claimed amounts prior to making the next distributions to the taxing entities pursuant to Section 34188. Subject to the approval of the Director of Finance, the budget of the Controller may be augmented to reflect the reimbursement, pursuant to Section 28.00 of the Budget Act.

(e) Within 10 days of each distribution of property tax, the county auditor-controller shall provide a report to the department regarding the distribution for each successor agency that includes information on the total available for allocation, the passthrough amounts and how they were calculated, the amounts distributed to successor agencies, and the amounts distributed to taxing entities in a manner and form specified by the department. This reporting requirement shall also apply to distributions required under subdivision (b) of Section 34183.5.

SEC. 26. Section 34183.5 is added to the Health and Safety Code, to read:

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B: Text of AB 1484

34183.5. (a) The Legislature hereby finds and declares that due to the delayed implementation of this part due to the California Supreme Court's ruling in the case California Redevelopment Association v. Matosantos et al. (2011) 53 Cal.4th 231, some disruption to the intended application of this part and other law with respect to passthrough payments may have occurred.

(1) If a redevelopment agency or successor agency did not pay any portion of an amount owed for the 2011-12 fiscal year to an affected taxing entity pursuant to Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, or pursuant to any passthrough agreement entered into before January 1, 1994, between a redevelopment agency and an affected taxing entity, and to the extent the county auditor-controller did not remit the amounts owed for passthrough payments during the 2011-12 fiscal year, the county auditor-controller shall make the required payments to the taxing entities owed passthrough payments and shall reduce the amounts to which the successor agency would otherwise be entitled pursuant to paragraph (2) of subdivision (a) of Section 34183 at the next allocation of property tax under this part, subject to the provisions of subdivision (b) of Section 34183. If the amount of available property tax allocation to the successor agency is not sufficient to make the required payment, the county auditor-controller shall continue to reduce allocations to the successor agency under paragraph (2) of subdivision (a) of Section 34183 until the time that the owed amount is fully paid. Alternately, the county auditor-controller may accept payment from the successor agency's reserve funds for payments of passthrough payments owed as defined in this subdivision.

(2) If a redevelopment agency did not pay any portion of the amount owed for the 2011-12 fiscal year to an affected taxing entity pursuant to Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, or pursuant to any passthrough agreement entered into before January 1, 1994, between a redevelopment agency and an affected taxing entity, but the county auditor-controller did pay the difference that was owing, the auditor controller shall deduct from the next allocation of property tax to the successor agency under paragraph (2) of subdivision (a) of Section 34183, the amount of the payment made on behalf of the successor agency by the county auditor-controller, not to exceed one-half the amount of passthrough payments owed for the 2011-12 fiscal year. If the amount of available property tax allocation to the successor agency is not sufficient to make the required deduction, the county auditor-controller shall continue to reduce allocations to the successor agency under paragraph (2) of subdivision (a) of Section 34183 until the time that the amount is fully deducted. Alternatively, the auditor-controller may accept payment from the successor agency's reserve funds for deductions of passthrough payments owed as defined in this subdivision. Amounts reduced from successor agency payments under this paragraph are available for the purposes of paragraphs (2) to (4), inclusive, of subdivision (a) of Section 34183 for the six-month period for which the property tax revenues are being allocated.

(b) In recognition of the fact that county auditor-controllers were unable to make the payments required by paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012, on January 16, 2012, due to the California Supreme Court's ruling in the case of California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231, in addition to taking the actions specified in Section 34183 with respect to the June 1 property tax allocations, county auditor-controllers should have made allocations as provided in paragraph (1).

(1) From the allocations made on June 1, 2012, for the Recognized Obligation Payment Schedule covering the period July 1, 2012, through December 31, 2012, deduct from the amount that otherwise would be deposited in the Redevelopment Property Tax Trust Fund on behalf of the successor agency an amount equivalent to the amount that each affected taxing entity was entitled to pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012. The amount to be retained by taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 for the January 1, 2012, through June 30, 2012, period is determined based on the Recognized Obligation Payment Schedule approved by the Department of Finance pursuant to subdivision (h) of Section 34179 and any amount determined to be owed pursuant to subdivision (b). Any amounts so computed shall not be offset by any shortages in funding for recognized obligations for the period covering July 1, 2012, through December 31, 2012.

(2) (A) If an affected taxing entity has not received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 of the property tax distributed for the period January 1, 2012, through June 30, 2012, and paragraph (1), no later than July 9, 2012, the county auditor-controller shall determine the amount, if any, that is owed by each successor agency to taxing entities and send a demand for payment from the funds of the successor agency for the amount owed to taxing entities if it has distributed the June 1, 2012, allocation to the successor agencies. No later than July 12, 2012, successor agencies shall make payment of the amounts demanded to the county auditor-controller for deposit into the Redevelopment Property Tax Trust Fund and subsequent distribution to taxing entities. No later than July 16, 2012, the county auditor-controller shall make allocations of all money received by that date from successor agencies in amounts

owed to taxing entities under this paragraph to taxing entities in accordance with Section 34183. The county auditor-controller shall make allocations of any money received after that date under this paragraph within five business days of receipt. These duties are not discretionary and shall be carried out with due diligence.

(B) If a county auditor-controller fails to determine the amounts owed to taxing entities and present a demand for payment by July 9, 2012, to the successor agencies, the Department of Finance or any affected taxing entity may request a writ of mandate to require the county auditor-controller to immediately perform this duty. Such actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Any county in which the county auditor-controller fails to perform the duties under this paragraph shall be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus 1.5 percent of the amount owed to taxing entities for each month that the duties are not performed. The civil penalties shall be payable to the taxing entities under Section 34183. Additionally, any county in which the county auditor-controller fails to make the required determinations and demands for payment under this paragraph by July 9, 2012, or fails to distribute the full amount of funds received from successor agencies as required by this paragraph shall not receive the distribution of sales and use tax scheduled for July 18, 2012, or any subsequent payment, up to the amount owed to taxing entities, until the county auditor-controller performs the duties required by this paragraph.

(C) If a successor agency fails to make the payment demanded under subparagraph (A) by July 12, 2012, the Department of Finance or any affected taxing entity may file for a writ of mandate to require the successor agency to immediately make this payment. Such actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Any successor agency that fails to make payment by July 12, 2012, under this paragraph shall be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus one and one-half percent of the amount owed to taxing entities for each month that the payments are not made. Additionally, the city or county or city and county that created the redevelopment agency shall also be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus 1.5 percent of the amount owed to taxing entities for each month the payment is late. The civil penalties shall be payable to the taxing entities under Section 34183. If the Department of Finance finds that the imposition of penalties will jeopardize the payment of enforceable obligations it may request the court to waive some or all of the penalties. A successor agency that does not pay the amount required under this subparagraph by July 12, 2012, shall not pay any obligations other than bond debt service until full payment is made to the county auditor-controller. Additionally, any city, county or city and county that created the redevelopment agency that fails to make the required payment under this paragraph by July 12, 2012, shall not receive the distribution of sales and use tax scheduled for July 18, 2012, or any subsequent payment, up to the amount owed to taxing entities, until the payment required by this paragraph is made.

(D) The Legislature hereby finds and declares that time is of the essence. Funds that should have been received and were expected and spent in anticipation of receipt by community colleges, schools, counties, cities, and special districts have not been received resulting in significant fiscal impact to the state and taxing entities. Continued delay and uncertainty whether funds will be received warrants the availability of extraordinary relief as authorized herein.

(3) If an affected taxing entity has not received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012, and paragraph (1), the county auditor-controller shall reapply the provisions of paragraph (1) to each subsequent property tax allocation until such time as the affected taxing entity has received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012.

SEC. 27. Section 34185 of the Health and Safety Code is amended to read:

34185. Commencing on June 1, 2012, and on each January 2 and June 1 thereafter, the county auditor-controller shall transfer, from the Redevelopment Property Tax Trust Fund of each successor agency into the Redevelopment Obligation Retirement Fund of that agency, an amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule for that successor agency as payable from the Redevelopment Property Tax Trust Fund subject to the limitations of subdivision (l) of Section 34177 and Section 34183.

SEC. 28. Section 34186 of the Health and Safety Code is amended to read:

34186. (a) Differences between actual payments and past estimated obligations on recognized obligation payment schedules shall be reported in subsequent recognized obligation payment schedules and shall adjust

the amount to be transferred to the Redevelopment Obligation Retirement Fund pursuant to this part. These estimates and accounts shall be subject to audit by county auditor-controllers and the Controller.

(b) Differences between actual passthrough obligations and property tax amounts and the amounts used by the county auditor-controller in determining the amounts to be allocated under Sections 34183 and 34188 for a prior six-month period shall be applied as adjustments to the property tax and passthrough amounts in subsequent periods as they become known. County auditor-controllers shall not delay payments under this part to successor agencies or taxing entities based on pending transactions, disputes, or for any other reason, other than a court order, and shall use the Recognized Obligation Payment Schedule approved by the Department of Finance and the most current data for passthroughs and property tax available prior to the statutory distribution dates to make the allocations required on the dates required.

SEC. 29. Section 34187 of the Health and Safety Code is amended to read:

34187. (a) (1) Commencing May 1, 2012, whenever a recognized obligation that had been identified in the Recognized Payment Obligation Schedule is paid off or retired, either through early payment or payment at maturity, the county auditor-controller shall distribute to the taxing entities, in accordance with the provisions of the Revenue and Taxation Code, all property tax revenues that were associated with the payment of the recognized obligation.

(2) Notwithstanding paragraph (1), the Department of Finance may authorize a successor agency to retain property tax that otherwise would be distributed to affected taxing entities pursuant to this subdivision, to the extent the department determines the successor agency requires those funds for the payment of enforceable obligations. Upon making a determination, the department shall provide the county auditor-controller with information detailing the amounts that it has authorized the successor agency to retain. Upon determining the successor agency no longer requires additional funds pursuant to this subdivision, the department shall notify the successor agency and the county auditor-controller. The county auditor-controller shall then distribute the funds in question to the affected taxing entities in accordance with the provisions of the Revenue and Taxation Code.

(b) When all of the debt of a redevelopment agency has been retired or paid off, the successor agency shall dispose of all remaining assets and terminate its existence within one year of the final debt payment. When the successor agency is terminated, all passthrough payment obligations shall cease and no property tax shall be allocated to the Redevelopment Property Tax Trust Fund for that agency.

SEC. 30. Section 34188 of the Health and Safety Code is amended to read:

34188. For all distributions of property tax revenues and other moneys pursuant to this part, the distribution to each taxing entity shall be in an amount proportionate to its share of property tax revenues in the tax rate area in that fiscal year, as follows:

(a) (1) For distributions from the Redevelopment Property Tax Trust Fund, the share of each taxing entity shall be applied to the amount of property tax available in the Redevelopment Property Tax Trust Fund after deducting the amount of any distributions under paragraphs (2) and (3) of subdivision (a) of Section 34183.

(2) For each taxing entity that receives passthrough payments, that agency shall receive the amount of any passthrough payments identified under paragraph (1) of subdivision (a) of Section 34183, in an amount not to exceed the amount that it would receive pursuant to this section in the absence of the passthrough agreement. However, to the extent that the passthrough payments received by the taxing entity are less than the amount that the taxing entity would receive pursuant to this section in the absence of a passthrough agreement, the taxing entity shall receive an additional payment that is equivalent to the difference between those amounts.

(b) Property tax shares of local agencies shall be determined based on property tax allocation laws in effect on the date of distribution, without the revenue exchange amounts allocated pursuant to Section 97.68 of the Revenue and Taxation Code, and without the property taxes allocated pursuant to Section 97.70 of the Revenue and Taxation Code.

(c) The total school share, including passthroughs, shall be the share of the property taxes that would have been received by school entities, as defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, in the jurisdictional territory of the former redevelopment agency, including, but not limited to, the amounts specified in Sections 97.68 and 97.70 of the Revenue and Taxation Code.

(d) This section shall not be construed to increase any allocations of excess, additional, or remaining funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2, clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.3, or Article 4 (commencing with Section 98) of Chapter 6 of Part 0.5 of Division 1, of the Revenue and Taxation Code, had this section not been enacted.

SEC. 31. Section 34189 of the Health and Safety Code is amended to read:

34189. (a) Commencing on the effective date of this part, all provisions of the Community Redevelopment Law that depend on the allocation of tax increment to redevelopment agencies, including, but not limited to, Sections 33445, 33640, 33641, 33645, and subdivision (b) of Section 33670, shall be inoperative, except as those sections apply to a redevelopment agency operating pursuant to Part 1.9 (commencing with Section 34192).

(b) To the extent that a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) conflicts with this part, the provisions of this part shall control. Further, if a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) provides an authority that the act adding this part is restricting or eliminating, the restriction and elimination provisions of the act adding this part shall control.

(c) It is intended that the provisions of this part shall be read in a manner as to avoid duplication of payments.

SEC. 32. Section 34189.1 is added to the Health and Safety Code, to read:

34189.1. No party, public or private, may pursue, nor does a court have jurisdiction over, a validation action with respect to any action of a redevelopment agency or a successor agency to a redevelopment agency that took place on or after January 1, 2011, unless the Department of Finance and the Controller, representing interests of the State of California and each of the taxing entities who could be affected financially by the action, has been properly noticed. All actions shall be filed in the County of Sacramento.

SEC. 33. Section 34189.2 is added to the Health and Safety Code, to read:

34189.2. A successor agency or any party to an enforceable obligation as defined under this part shall properly notice the state with respect to a validation action involving any enforceable obligation or matter of title to an asset that belonged to a redevelopment agency. For such an action to be properly filed, both the Controller and the Director of Finance shall be noticed and actions shall be filed in the County of Sacramento.

SEC. 34. Section 34189.3 is added to the Health and Safety Code, to read:

34189.3. An action contesting any act taken or determinations or decisions made pursuant to this part or Part 1.8 (commencing with Section 34161) may be brought in superior court and shall be filed in the County of Sacramento.

SEC. 35. Chapter 9 (commencing with Section 34191.1) is added to Part 1.85 of Division 24 of the Health and Safety Code, to read:

CHAPTER 9. Postcompliance Provisions

34191.1. The provisions of this chapter shall apply to a successor agency upon that agency's receipt of a finding of completion by the Department of Finance pursuant to Section 34179.7.

34191.3. Notwithstanding Section 34191.1, the requirements specified in subdivision (e) of Section 34177 and subdivision (a) of Section 34181 shall be suspended, except as those provisions apply to the transfers for governmental use, until the Department of Finance has approved a long-range property management plan pursuant to subdivision (b) of Section 34191.5, at which point the plan shall govern, and supersede all other provisions relating to, the disposition and use of the real property assets of the former redevelopment agency. If the department has not approved a plan by January 1, 2015, subdivision (e) of Section 34177 and subdivision (a) of Section 34181 shall be operative with respect to that successor agency.

34191.4. The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

(a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.7 unless that property is subject to the requirements of any existing enforceable obligation.

(b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created by the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

(2) If the oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The loan shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligations payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.

(B) Repayments received by the city, county or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment agency for purposes of the Supplemental Educational Revenue Augmentation Fund and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.

(C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid.

(c) (1) Bond proceeds derived from bonds issued on or before December 31, 2010, shall be used for the purposes for which the bonds were sold.

(2) (A) Notwithstanding Section 34177.3 or any other conflicting provision of law, bond proceeds in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the original bond covenants. Enforceable obligations may be satisfied by the creation of reserves for projects that are the subject of the enforceable obligation and that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects. An expenditure made pursuant to this paragraph shall constitute the creation of excess bond proceeds obligations to be paid from the excess proceeds. Excess bond proceeds obligations shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

(B) If remaining bond proceeds cannot be spent in a manner consistent with the bond covenants pursuant to subparagraph (A), the proceeds shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

34191.5. (a) There is hereby established a Community Redevelopment Property Trust Fund, administered by the successor agency, to serve as the repository of the former redevelopment agency's real properties identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5.

(b) The successor agency shall prepare a long-range property management plan that addresses the disposition and use of the real properties of the former redevelopment agency. The report shall be submitted to the

oversight board and the Department of Finance for approval no later than six months following the issuance to the successor agency of the finding of completion.

(c) The long-range property management plan shall do all of the following:

(1) Include an inventory of all properties in the trust. The inventory shall consist of all of the following information:

(A) The date of the acquisition of the property and the value of the property at that time, and an estimate of the current value of the property.

(B) The purpose for which the property was acquired.

(C) Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.

(D) An estimate of the current value of the parcel including, if available, any appraisal information.

(E) An estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.

(F) The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.

(G) A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.

(H) A brief history of previous development proposals and activity, including the rental or lease of property.

(2) Address the use or disposition of all of the properties in the trust. Permissible uses include the retention of the property for governmental use pursuant to subdivision (a) of Section 34181, the retention of the property for future development, the sale of the property, or the use of the property to fulfill an enforceable obligation. The plan shall separately identify and list properties in the trust dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation. With respect to the use or disposition of all other properties, all of the following shall apply:

(A) If the plan directs the use or liquidation of the property for a project identified in an approved redevelopment plan, the property shall transfer to the city, county, or city and county.

(B) If the plan directs the liquidation of the property or the use of revenues generated from the property, such as lease or parking revenues, for any purpose other than to fulfill an enforceable obligation or other than that specified in subparagraph (A), the proceeds from the sale shall be distributed as property tax to the taxing entities.

(C) Property shall not be transferred to a successor agency, city, county, or city and county, unless the long-range property management plan has been approved by the oversight board and the Department of Finance.

SEC. 36. The Legislature finds and declares as follows:

(a) Certain provisions of Assembly Bill 26 of the 2011–12 First Extraordinary Session of 2011 (Ch. 5, 2011–12 First Ex. Sess.) are internally inconsistent, or uncertain in their meaning, with regard to the calculation of the amount to be paid by a county auditor-controller from the Redevelopment Property Tax Trust Fund to meet passthrough payment obligations to local agencies and school entities.

(b) Consistent with the statement in Section 34183 of the Health and Safety Code, as added by the measure identified in subdivision (a), that the provisions of that section are to apply "[n]otwithstanding any other law," it was the intent of the Legislature in enacting that measure that the amount of the passthrough payments that are addressed by that section be determined in the manner specified by paragraph (1) of subdivision (a) of Section 34183 of the Health and Safety Code, and that the amount so calculated not be reduced or adjusted pursuant to the operation of any other provision of that measure.

SEC. 37. If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application and to this end, the provisions of this act are severable.

SEC. 38. There is hereby appropriated up to twenty-two million dollars (\$22,000,000) from the General Fund, for allocation to departments by the Director of Finance in furtherance of the objectives of this act. Up to two million dollars (\$2,000,000) of this amount may be allocated to the Director of the Trial Court Trust Fund for allocation by the Administrative Office of the Courts to the Superior Court of California, County of Sacramento for work associated with Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code. An allocation of funds approved by the Director of Finance under this item shall become effective no sooner than 30 days after the director files written notification thereof with the Chairperson of the Joint Legislative Budget Committee, and the chairpersons of the fiscal committees in each house of the Legislature, or no sooner than any lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

SEC. 39. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because this act provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, within the meaning of Section 17556 of the Government Code.

SEC. 40. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

Roles and Responsibilities Pursuant to AB26 and AB1484

STATE DEPARTMENT OF FINANCE

- Review enforceable obligations ;
- Approve Successor Agency's schedule of payments (ROPS);
- Review Oversight Board Actions

OVERSIGHT BOARD

- Fulfill fiduciary responsibility to holders of enforceable obligations and affected taxing entities
- Review & Approve enforceable obligations and schedule of payments (ROPS)
- Exercise State authority to direct & review certain Successor Agency action, e.g., issuance of bonds, new loan repayment terms, continuing grants with local match

BOARD OF SUPERVISORS

- Approve Budget consistent with enforceable obligations
- Approve Redevelopment Plan Amendments
- Confirm Oversight Board and Commission Appointments
- Approve material change to affordable housing commitments
- Delegate Successor Agency authority to ensure operational efficiency

SUCCESSOR AGENCY COMMISSION

- Complete surviving redevelopment projects with enforceable obligations for Hunters Point Shipyard, Mission Bay, Transbay, and Replacement Housing Obligations
- Approve contracts & actions in compliance with enforceable obligations, including application of land use standards
- Comply with Redevelopment Dissolution Law
- Hire Executive Director who has operational authority
- Approve labor agreements
- Provide funding for affordable housing enforceable obligations and ensure compliance with Hunters Point Shipyard, Mission Bay, Transbay, and Replacement Housing obligations

HOUSING SUCCESSOR AGENCY (Mayor's Office of Housing)

- Maintain transferred former RDA housing assets
- Assist Successor Agency in complying with enforceable obligations requiring affordable housing for Hunters Point Shipyard, Mission Bay, Transbay, and Replacement Housing Obligations
- Receive funding from Successor Agency and use to develop new affordable housing in compliance with enforceable obligations

MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Informational presentation of the Recognized Obligation Payment Schedule items relating to Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay Redevelopment Project Areas, and the obligations relating to all Tax Increment Bonds and Pass-Through Payments

EXECUTIVE SUMMARY

Chapter 3 of Part 1.85 of ABx1 26 ("AB 26") describes the responsibilities required of Successor Agencies to dissolved Redevelopment Agencies, and the first requirement per section 34177(a)(1) is to "continue to make payments due for enforceable obligations." AB 26 requires the creation of a Recognized Obligation Payment Schedule ("ROPS") to set forth the minimum payment amounts and due dates of payments required by those enforceable obligations for each six-month fiscal period. The ROPS must be submitted to the California Department of Finance ("DOF") no later than April 15, 2012. Staff seeks the Oversight Board's approval of the ROPS before submitting the schedule to DOF and the State Controller.

Staff will present the ROPS for the former San Francisco Redevelopment Agency ("Agency") in two informational sessions on March 27th and 29th in order to provide the Oversight Board time to review the items prior to voting on its approval. The subject of this memorandum will focus on the items scheduled to be presented at the workshop on March 27th. That presentation will include an overview of the ROPS itself, and then focus on items relating to the Major Approved Development Projects (Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay), as defined by the Board of Supervisors Dissolution Resolution No. 11-12 (the "City Resolution"), as well as those items relating to payments related to Agency issued bonds and required pass-through payments to taxing entities. Items relating to administration, the remaining non-housing areas, and housing will be presented at the meeting on March 29th.

DISCUSSION**ROPS*****Definition of Enforceable Obligations***

The ROPS sets forth the payments required to be made under "enforceable obligations." AB 26 defines "enforceable obligations" to include bonds, loans, judgments or settlements, any "legally

Planning Commission Memo: Board File No. 120898 Successor Agency
Exhibit D: March 27, 2012 Memo from Director Bohee on the ROPS for Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay Redevelopment Project Areas, and the obligations relating to all Tax Increment Bonds and Pass-Through Payments

binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy," "obligations imposed by state law," and certain "amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency," as well as certain other obligations.

AB 26 requires that successor agencies complete approved development projects that are subject to enforceable obligations by mandating that successor agencies perform those obligations and continue to oversee development until the contracted work has been completed or the contractual obligations can be transferred to other parties. Importantly, AB 26 expressly requires that pledges of increment associated with enforceable obligations of former redevelopment agencies be honored. AB 26 also provides for successor agencies to make new pledges of property tax revenues (former tax increment) under pre-existing agreements comprising enforceable obligations, subject to approval of their oversight boards and review by the State Controller and State Department of Finance.

ROPS Background and Defined Terms

At its meeting on August 26, 2011, the Agency Commission adopted an Enforceable Obligation Payment Schedule ("EOPS"). The EOPS showed the obligations of the Agency requiring payments for the months of September through December 2011. The Agency Commission approved six amendments to that original EOPS, with the last amendment occurring on January 31, 2012, which extended the payment period through June 30, 2012. The 6th Amended EOPS therefore became the basis for the first draft of the ROPS, which focuses only on the period of January through June 2012, and was submitted in draft form to the City's Office of the Controller on March 1, 2012. In summary, the EOPS set forth the payments required of the Redevelopment Agencies prior to dissolution, and then remains in effect until Successor Agencies prepare a ROPS for approval by the Oversight Board. Subsequent to Oversight Board Approval, the ROPS must be submitted to DOF by April 15th. The Controller's Office must also arrange for an agreed upon procedures audit of the ROPS, which must be completed and submitted to DOF prior to July 15th.

The ROPS is comprised of several worksheets which include information on obligations related to the various programs of the Agency (housing and non-housing), administrative costs, and bonds issued by the Agency. The workshop on March 27th focuses on the portion of the non-housing obligations related to the Major Approved Development Projects (Hunters Point Shipyard, Mission Bay, and Transbay) and the debt service and related costs of tax increment Bonds, as well as the required Pass-Through Payments of tax increment to the taxing entities.

The main worksheets of the ROPS include 20 columns. Below is a brief description of each column:

Row #	Denotes Project area and item number within project area (e.g BVHP1, BVHP2)
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Exhibit D: Planning Commission Memo: Board File No. 120898 Successor Agency
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Project Area	Name of the former redevelopment project area from which the payment was required
Project Name	Name of project/obligation
Payee	Recipient of debt or obligation payments
Description	Description of the nature of the work, product, service, facility or other thing of value for which payment is to be made.
Jan-June	Estimate of payments by month. Actual timing of payment may vary within the six-month period.
Funding Source	Funding source from which the obligation payment is made, including: (A) Low and Moderate Income Housing Fund. (B) Bond proceeds. (C) Reserve balances. (D) Administrative cost allowance. (E) The Redevelopment Property Tax Trust Fund (F) Other
Total Contract Amount	Total amount of obligation
Remaining Balance as of 2/1/12	Amount of obligation outstanding as of 2/1/12
Total payments from 2/1/12 through 6/30/12	Total of payments to be made from Feb 1st through June 30th
Total payments FY 12-13	Estimate of payments made in Fiscal Year 12/13
Total payments FY 13-14	Estimate of payments made in Fiscal Year 13/14
Total payments post 2014	Estimate of payments made Fiscal Year 14/15 and beyond
Contract End date	Date on which obligation ends (if applicable)
Notes	Provides further explanation as to the nature of the obligation; may include “ Deletion Proposed ” for items for which it has been determined that there is either no obligation or is not under the purview of the ROPS process (such as CFD revenues), or “ Placeholder for Next ROPS, ” which indicates lines where there are no payments required under the current 6-month period, but future payments are required.

MAJOR APPROVED DEVELOPMENT PROJECTS

Designation of Major Approved Development Projects

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In the City Resolution, the Board of Supervisors identified three major integrated, multi-phase revitalization projects that are vital to the City's future and will achieve numerous public benefits for the City, region and the State. These projects include (1) Phases One and Two of the Hunters Point Shipyard Redevelopment Project and Zone 1 of the Bayview Hunters Point Redevelopment Project ("Hunters Point Shipyard/Candlestick Point"), (2) the Mission Bay North and the Mission Bay South Redevelopment Projects ("Mission Bay"), and (3) parts of the Transbay Transit Center Redevelopment Project, including Zone 1 ("Transbay"). Collectively these are designated the "Major Approved Development Projects." The Board of Supervisors found that the enforceable obligations for the Major Approved Development Projects include the continuing pledge for the duration of those projects of property tax revenues generated in the project areas (former tax increment) for building public infrastructure, public facilities and affordable housing.

The Board of Supervisors also found that the terms of the enforceable obligations for the Major Approved Development Projects specifically oblige the issuance of bonds or other evidences of indebtedness, with such bonds to be repaid through pledges of tax revenues. To fulfill the enforceable obligations with third parties under the Major Approved Development Projects, the City as successor agency must issue or otherwise ensure the issuance of new bonds secured by the pledges of property tax revenues from such areas or otherwise payable from such property tax revenues, subject to approval by the new oversight board and review by DOF under the process contemplated by AB 26.

Hunters Point Shipyard/Candlestick Point (HPS/CP) – Project Overview

The Hunters Point Shipyard/Candlestick Point development project covers approximately 750 acres along the southeastern waterfront of San Francisco in the area generally bounded by Donahue Street to the north, Third Street to the west, the San Francisco Bay to the east, and the San Mateo County line to the south. It includes the former Hunters Point naval Shipyard and Zone 1 of the Bayview Hunters Point Redevelopment Project Area, known as Candlestick Point. After more than a decade of planning efforts relating to these sites, Phase 1 development at the Hunters Point Shipyard is currently under construction. In August of 2010 all required approvals and entitlements for the Phase 2 of the development were secured.

Both Phase 1 and Phase 2 follow a horizontal land development model. Under this model, the master developer builds infrastructure and readies lots to be sold for vertical development in subphases. The master developer also completes parks and open spaces and provides other public benefits throughout the development, at pace with specific obligations linked to its private development of subphases. Once the master developer improves the land and subdivides it into marketable lots, the developer either sells the lots at fair market value to vertical developers or the City, as successor to the Agency, acquires or retains the lots for the development of affordable housing or other public purposes. The Hunters Point Shipyard/Candlestick Point projects at full build out will include:

Phase 1 (75 acres on HPS):

- 1,600 housing units, 27% to 40% of which will be affordable
- 26 acres of open space

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- 10,000 sq.ft. of commercial space
- 1.2 acres set aside for the development of community facilities
- new utilities, streets, and other infrastructure improvements
- community-based economic development and job training programs.

Phase 2 (422 acres on HPS and 280 acres on CP):

- 10,500 housing units, 32% below market rate
- Rebuilding the Alice Griffith public housing development consistent with the City's HOPE SF program
- More than 300 acres of parks (HPS/CP combined) including a renovation of the Candlestick Point State Recreation Area
- Approximately 125,000 sq. ft. of neighborhood-serving retail on Hunters Point Shipyard
- Approximately 3 million square feet of "clean" technology research and development space, a clean tech business incubator and the headquarters for the UN Global Compact Sustainability Center on HPS
- Permanent new and renovated space for the existing Shipyard artists
- Approximately 675,000 sq. ft. of regional and neighborhood-serving retail on CP
- A 150,000 sq. ft. (220 room) hotel on Candlestick Point
- Space for a 10,000-seat performance venue on Candlestick Point
- A 69,000 seat stadium opportunity site for the San Francisco 49ers on the Shipyard
- \$83 million in additional community benefits
- 4.8 acres set aside for the development of community facilities.

These projects will invest nearly 3 billion dollars in new public infrastructure, including new roadways, transit facilities, open space, affordable housing and other community benefits and more than 8 billion dollars in private investment in new homes and job-generating uses. In addition, the US Navy has spent \$814 million toward environmental remediation of the site.

The projects combined will produce 500-800 construction jobs per year and more than 12,000 permanent jobs over the next 20-25 years. The Phase 1 DDA horizontal improvements are financed by Developer sources, community facilities district ("CFD") special taxes and the issuance of Mello-Roos or CFD bonds secured by those taxes, and the sale of completed market rate lots to vertical developers. Phase 1 does not include a pledge of property tax increment to the Developer; but the Agency agreed to build a specified amount of affordable housing in Phase 1 using property tax increment.

The Phase 2 DDA relies on the same financing tools, but due to the complexity and significant cost of the Phase 2 build-out, the Agency and the City made an enforceable pledge and allocation of all of the available property tax increment generated within the development area for eligible project costs in accordance with CRL. The Agency also agreed to issue tax allocation bonds and to use the 20 % tax increment set aside under CRL (the "Housing Increment") for the Agency affordable housing. These public funding sources, including the CFD and tax increment

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financing, were required to obtain the significant upfront private investment required for development and achieve a commercially reasonable return on that investment.

Hunters Point Shipyard/Candlestick Point – Enforceable Obligations

Both Phases 1 and 2 are public/private partnerships that are considered an enforceable obligations due to several existing, inter-related agreements between the former Redevelopment Agency, now the Successor Agency, and two separate (but related) master developers. Phases 1 and 2 each have a separate disposition and development agreement (“DDA”) that generally provide for the transfer of land from the Agency to the master developers, the master developers' and the Agency's rights and obligations relating to the construction of specified improvements, and the financing mechanisms for completing these development projects.

The Phase 1 DDA includes obligations to: (i) issue development project approvals and certificates upon completion of work, and cause City agencies to issue permits, approvals, licenses, maps or other authorizations in a timely manner; (ii) comply with obligations under the "Interim Lease," under which the Agency leases property at the site to the Developer primarily for use by a long-standing artists community; and (iii) acquire and maintain certain public improvements, including as trustee for the California State Lands Commission. The Phase 1 DDA also requires the Agency to transfer real property to the Developer upon the satisfaction of certain standard conditions, to build a specified number of affordable housing units on specified lots completed by the Developer, and to create CFDs and issue CFD bonds for the financing of infrastructure improvements.

Within the Phase 2 DDA there are a variety of enforceable obligations including: (i) the pledge of all available property tax increment generated from the Phase 2 project site to finance the build out of infrastructure for the project and the construction of affordable housing, including the covenant to issue bonds or other indebtedness secured by the pledge of increment; (ii) the obligation to create CFDs to finance the build out of infrastructure and to maintain park land and open spaces for public purposes; (iii) the obligation to acquire property from the Navy, the State of California, the City, and others and to exchange public trust parcels and interests, under the various real property conveyance agreements; and (iv) the obligation to process land use approvals under the approved Project Redevelopment Plans and associated land use controls.

Further, the DDA includes the obligation to fulfill the terms of the Interagency Cooperation Agreement which requires various City departments to review and approve the detailed plans and documents required as part of the Agency's obligations to process land use approvals. The items on the ROPS in the next few years relate primarily to fulfilling the obligations described above with funds which are fully reimbursed by the Developer as required by the DDAs.

Finally, the HPS/CP project has two grants from the United State Economic Development Administration, totaling approximately \$7 million and one grant from the State of California Pollution Finance Control Authority in the amount of \$5 million. Each of these grants is subject to grant agreements between the Agency and the granting entities. The items on the ROPS

related to these agreements relate primarily to completing the Shipyard Public Arts program and environmental remediation and stabilization of former Navy Buildings, including Building 813.

The contracts identified on the ROPS allow for the provision of the services, support, and resources ("Contracted Services") necessary to implement the Successor Agency's obligations under the Phase 1 and 2 DDA's. The wide range of Contracted Services include, but are not limited to, security services to secure the Shipyard and perform patrol functions; environmental analysis of air monitoring and the Navy's environmental clean-up program; design and construction management and inspection of the infrastructure and parks construction; real estate economics analysis of the fiscal and financial outcomes of the Shipyard's development along with administrative and community outreach support to ensure that there is neighborhood involvement and communication throughout the development process.

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Mission Bay – Project Overview

The Mission Bay North and South Redevelopment Project Areas (“Mission Bay”) were established in 1998 by the Board of Supervisors. Similar to the Hunters Point Shipyard/Candlestick Point Project, it is a horizontal land development project. The project is divided into two project areas, Mission Bay North and Mission South, covering 303 acres of former industrial land. Mission Bay is bounded generally by King Street, the I-280 Freeway, the San Francisco Bay and Mariposa Street. Mission Bay is a mixed-use, transit-oriented development that has become a model for sustainable development and smart growth. Development in Mission Bay began in 2000 and complete build-out is expected to take 25 to 30 years. The Mission Bay development program, at full build-out, includes:

- 6,000 housing units, including 1,900 units (30%) affordable to moderate, low, and very low-income households.
- 4.4 million sq. ft. of private high-tech/life science/biotechnology lab and office space, creating a new economic engine for San Francisco.
- A new UCSF research campus containing 2.65 million sq. ft. of building space on 43 acres of land donated by the master developer and the City,
- A state-of-the art UCSF hospital complex serving children, women, and cancer patients,
- 500,000 sq. ft. of city and neighborhood-serving retail space,
- A 500-room hotel,
- 41 acres of new public parks and open space, plus eight acres of open space on the UCSF campus, and
- A new 500-student public school, a new public library, new fire and police stations and other community facilities including a grocery store.

The redevelopment project requires more than \$700 million in new public infrastructure, including new roadways, bicycle and pedestrian facilities and new storm water and sewer utilities, financed through Mello-Roos Community Facilities Districts (CFDs) and tax increment generated by the project areas. This \$700 million dollars of public financing will create well more than five billion dollars in private, vertical development. Over the 30-year life of the project, Mission Bay is expected to create more than 31,000 new permanent jobs and hundreds of construction jobs. Mission Bay North is nearly complete, and work in Mission Bay South is ongoing and extensive.

Mission Bay – Enforceable Obligations

The Mission Bay project is a public/private partnership that is considered an enforceable obligation due to several existing, inter-related agreements between the former Redevelopment Agency, now the Successor Agency, and the Mission Bay Master Developer, FOCIL-MB, a private entity (“Master Developer”). The overarching enforceable obligation stems from the Mission Bay North and South Owner Participation Agreements (“OPAs”) and several related or attached documents including the Infrastructure Plans and the Tax Allocation Pledge Agreements (“Pledge Agreements”). Taken together, these agreements require that all available property tax increment generated in the project area, for the life of the Mission Bay Redevelopment Plans, is used to fund the construction of public infrastructure and affordable

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Exhibit D: March 27, 2012 Memo from Director Bohee on the ROPS for Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay Redevelopment Project Areas, and the obligations relating to all Tax Increment Bonds and Pass-Through Payments

housing in Mission Bay. They require the Master Developer to construct the infrastructure consistent with an approved Infrastructure Plans. In turn, the Successor Agency is required to reimburse the Master Developer using available tax increment revenues.

The OPAs and their attachments outline other contractual obligations of the Successor Agency, such as requiring the Successor Agency to CFDs and issue CFD-backed debt; build affordable housing using property tax revenues; and process land use approvals and entitlements for vertical development. The OPAs require the prior consent of the Master Developer to amend the existing Mission Bay Redevelopments Plans and associated land use controls. The items on the ROPS for Mission Bay relate primarily to flow of tax increment funds pursuant to the Pledge Agreements, as well as other funding sources required to fund the Master Developer's build out of the project.

Transbay – Project Overview

The Transbay Redevelopment Project Area (“Transbay”) is about 40 acres and is bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south and Second Street in the west. Folsom Street will be the centerpiece of this new neighborhood and will feature widened sidewalks with cafes, markets and views of the San Francisco Bay. Transbay was adopted in June 2005 and includes several publicly-owned parcels that were previously owned by the State of California (“State-Owned Parcels”). The State-Owned Parcels were formerly occupied by the Transbay Terminal, which was demolished in 2010, and a portion of the Embarcadero Freeway, which was demolished after the 1989 Loma Prieta Earthquake. To date, the Agency has selected developers for the first two State-Owned Parcels, including one market-rate and affordable residential project and one stand-alone affordable housing project. At full build out, Transbay will include the following on the State-Owned Parcels:

- a total of more than 3,000 new residential units, with 35% required to be affordable
- more than 3 million square feet of new Class A commercial space
- 200,000 square feet of neighborhood retail
- A public park and other open space
- A new state-of-the-art Transbay Transit Center (“TTC”), which is being constructed by the Transbay Joint Powers Authority (“TJPA”) on the site of the former Transbay Terminal

Transbay will generate two categories of tax increment: 1) tax increment from the State-Owned Parcels, which will be used primarily to fund the TTC and also for affordable housing; and 2) tax increment from the other parcels in the Project Area (“Non State-Owned Parcels”), which will be used to fund affordable housing, streetscape improvements, open space and other public infrastructure.

Transbay – Enforceable Obligations

Similar to the Hunters Point Shipyard/Candlestick Point and Mission Bay, Transbay is subject to a number of existing, inter-related agreements that create an enforceable obligation. These agreements include, but are not limited to: (1) the Cooperative Agreement, which establishes the State's obligation to transfer the State-Owned Parcels, (2) the Implementation Agreement, which

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requires the Agency to prepare and sell the State-Owned Parcels to third parties, to deposit the sale proceeds into a trust account to help the TJPA pay the cost of constructing the TTC, and to execute all other activities related to the implementation of the Transbay Redevelopment Plan, including constructing new public parks, new pedestrian-oriented alleys, widened sidewalks and other infrastructure, and (3) the Pledge Agreement, which creates the commitment of tax increment from the State-Owned Parcels for use in funding the TTC. The Transbay project also has the obligation imposed by state law to ensure that 35 percent of all housing produced in the area is affordable to low or moderate income households. Cal. Public Resource Code § 5027.1. Based on these agreements, in 2010, the TJPA entered into a Transportation Infrastructure Finance and Innovation Act (“TIFIA”) Loan Agreement with the United States Department of Transportation. The TIFIA loan is a necessary part of the funding package for the TTC.

The items on the ROPS for Transbay demonstrate the flow of funds between the Successor Agency and the various implementation components of Transbay pursuant to the above agreements. In addition, the ROPS includes payments to be made pursuant to the Intergovernmental Agreement, which further defines how the TJPA would reimburse the Agency for the cost of preparing and selling the State-Owned Parcels.

BONDS & PASS-THROUGH PAYMENTS

Bonds

Bonds and their required debt services, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds are listed first under AB 26’s definition of “Enforceable Obligation.” Furthermore, AB 26 directs County Auditor-Controller’s to make debt service payments first, after any pass-through payments to taxing entities, before any other obligations. The items on the ROPS’s Bond worksheet therefore show the debt service required to be paid on all outstanding tax increment bonds that were issued by the Agency. In addition, payments to Bond Trustees are also included. The Trustee in a bond issue performs all fiscal and custodial functions from the time the bonds are sold until they are retired. The governing contracts are the Indenture of Trust for that particular bond issue and the loan agreements between the Financing Authority and the Successor Agency. These documents specify the Trustees obligations as fiduciary for the bond holders (investors). It governs the flow of funds and maintenance of accounts from the time the bonds are sold until they are paid off. Bond debt service payments are made to the Trustee who then passes them through to the bond holders. The Trustee also holds the bond reserve funds. The Trustee is responsible for declaring an event of default and taking specific actions if certain critical covenants of the bond issuer are not upheld.

AB 1290 Pass-Through Payments

Payments of tax increment are required to be made to the San Francisco’s various taxing entities. The payments of those “Pass-Through Payments” based upon the December 2011 tax increment distribution to the Agency prior to dissolution are included in the ROPS. These are payments related to property tax increment distributed through January 31, 2012, and owed to the City and

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County of San Francisco, the San Francisco Community College District, the San Francisco Unified School District, the Bay Area Air Quality Management District, the Bay Area Rapid Transit District, and the Educational Revenue Augmentation Fund.

NEXT STEPS

The above mentioned items will be presented to the Oversight Board on Tuesday, March 27th, and then staff will return on Thursday, March 29th to continue the presentations on the remaining Non-Housing program areas, the Housing program, and the Administrative obligations. Compiling the ROPS has been a complex process involving staff members from every division of the Agency, and has evolved over time as various forms of guidance has been provided from the State and other interested parties on how the ROPS should be constructed. Once approved by the Oversight Board, the ROPS will be submitted to DOF by April 15th. DOF will then have three days to indicate any questions on any selected items. There is then a ten day period following that in which any additional materials or analysis must be submitted to DOF in order to assist them in their review. Payments may not be made on any selected items until DOF is satisfied in its review.

The action taken by the Oversight Board prior to April 15th is to approve the ROPS covering the period from January through June 2012 only. A new ROPS must be prepared for the period covering July through December 2012 and approved by the Oversight Board and sent to DOF by May 11, 2012. Staff will begin compiling that new ROPS upon approval of the current ROPS and will present that to the Oversight Board in early May.

(Originated by Sally Oerth, Kelley Kahn, Mike Grisso, Wells Lawson and John Daigle)

Tiffany Bohee
Executive Director

Attachments: Attachments: These attachments are available upon request but are not provided here.

Attachment 1: ROPS – Non-Housing Major Approved Projects

Attachment 2: ROPS – Bonds

Attachment 3: ROPS – Pass-through Payments

Exhibit D: Planning Commission Memo: Board File No. 120898 Successor Agency
March 27, 2012 Memo from Director Bohee on the ROPS for Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay Redevelopment Project Areas, and the obligations relating to all Tax Increment Bonds and Pass-Through Payments

MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Informational presentation of the Recognized Obligation Payment Schedule items relating to Administrative Costs, Non-Major Approved Development Projects, and Housing

EXECUTIVE SUMMARY

As described in the memorandum provided for the meeting of March 27, 2012, AB 26 requires the creation of a Recognized Obligation Payment Schedule (“ROPS”) to set forth the minimum payment amounts and due dates of payments required by those enforceable obligations for each six-month fiscal period. The ROPS must be submitted to the California Department of Finance (“DOF”) no later than April 15, 2012. Staff seeks the Oversight Board’s approval of the ROPS before submitting the schedule to DOF and the State Controller.

At the meeting on March 27th, staff presented the ROPS for the non-housing items in the Major Approved Development Projects (Mission Bay, Transbay, and Hunters Point Shipyard/Candlestick Point) as well as for those items relating to payments related to Agency issued bonds and required pass-through payments to taxing entities. This memorandum describes the items that will be presented at the workshop on March 29th. The presentation will include a review of the non-housing items from the non-Major Approved Development Projects, the housing items, and the administrative costs required to support the efforts of the Successor Agency to the former San Francisco Redevelopment Agency.

DISCUSSION**Administrative Costs**

The lines related to the administrative costs of the Successor Agency represent the payments needed to cover the ongoing administrative expenses needed to operate the required office space, provide supplies, and other related expenses. Staff has projected these costs based on a reduced staff and expenses. Some of these costs may be covered by what AB 26 calls “Administrative Cost Allowance,” which is percentage of the amount of tax increment that is allocated to the Successor Agency to cover the approved Enforceable Obligations. For the period covering February through June 2012, that percentage is 5%, which Agency staff in consultation with the City’s Controller’s Office, has estimated to be approximately \$2.67 million. For fiscal year 2012-2013, the Administrative Cost Allowance is calculated on 3% of the whole year, which is

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Exhibit E: March 29, 2012 Memo from Director Bohee on the ROPS for Administrative Costs, Non-Major Approved Development Projects, and Housing.

estimated to be approximately \$3.6 million. AB 26 provides that some administrative costs can be allocated to project funds as they are related to the ongoing work of those enforceable obligations.

Non-Housing/Non-Major Approved Development Projects

Project Areas

The Agency's work program spanned numerous Redevelopment Project Areas ("Project Areas") across the City. Some of that work was in process or had just begun in active Project Areas when AB 26 and the subsequent suspension of redevelopment activities went into effect in June 2011. In other cases, the Agency had completed the work program in those areas and the Agency's role was either to manage the assets itself or to ensure compliance from other parties pursuant to long-term contractual agreements. Below is a chart describing the Project Areas that appear on the ROPS along with an indication if the Project Area was expired or active and the type of non-housing work as of June 2011, defined as either "Active Programs" for where the Agency had been working to implement economic development programs and eliminate blight, or "Asset Management," where the work program had been completed and the Agency was responsible for ensuring ongoing compliance with the Redevelopment Plan and agreements with third parties.

PROJECT AREA	YEAR ESTAB.	STATUS	TYPE OF WORK
South of Market (SOM)	1990	Active	Active Programs
Bayview Hunters Point (BVHP)	2006	Active	Active Programs
Rincon Point – South Beach (RP-SB)	1981	Active	Asset Management; Includes South Beach Harbor facility
Western Addition A-2 (WA-A2)	1964	Expired 2009	Asset Management
Yerba Buena Center (YBC)	1966	Expired 2011	Asset Management
Visitacion Valley (VV)	2009	Active	Planning/Negotiation of Master Developer Agreements – NO ROPS
Mid-Market (MM)	--	Survey Area	Preliminary Planning – NO ROPS

ACTIVE PROJECT AREAS/ PROGRAMS: South of Market & Bayview Hunters Point

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 Exhibit E: March 29, 2012 Memo from Director Bohee on the ROPS for Administrative Costs, Non-Major Approved Development Projects, and Housing.

Unlike the Major Approved Development Projects, there are no master developers or entities for the SOM and BVHP Project Areas. These were “infill” Project Areas, where the Agency’s focus was on revitalizing existing neighborhoods through targeted economic development grant and loan programs, limited public improvements, and other efforts to eliminate blight including the creation of affordable housing. With the passage of AB 26, the Agency was limited in its ability to continue some of this work or implement any new programs. Therefore the items on the ROPS reflect those contracts or obligations that are in the process of winding down and additional funds cannot be provided in the future. There are, however, some payments needed going forward, for instance for any maintenance costs required for Agency owned properties in the Project Areas, or for situations where the Agency was obligated to provide funding as a match to a federal grant.

ACTIVE PROJECT AREA/ ASSET MANAGEMENT: Rincon Point – South Beach

Rincon Point-South Beach is still an active Project Area. The Redevelopment Plan expires on January 5, 2021; however, the Agency’s work program has been largely completed, and therefore its activities were of an asset management nature rather than the implementation of new programs. Since 1981, the area has been transformed into a new mixed-use development. The majority of the private development in Rincon Point-South Beach project area was developed under Owner Participation Agreements ("OPAs"), which are considered existing enforceable obligations. Since there are no financial payments from the Successor Agency associated with the RP-SB OPAs, these existing enforceable obligations are not shown on the ROPS. However, there will be a need for additional staffing within the City, as the Successor Agency, to continue to implement these OPAs. The Project Area also includes various parcels, some of which include open space and parks, under the Agency’s management through a lease structure with the Port of San Francisco. Additionally, the Agency owns and operates South Beach Harbor, a 700-berth facility that is fully occupied. Since the Agency’s dissolution, discussions have been ongoing with the Port about the transfer of the administration of the Port owned land and the Harbor facility itself to Port control. It is anticipated that such a transfer occur would occur by July 1, 2012. Payments on the ROPS therefore reflect the administrative costs associated with those parcels and South Beach Harbor; however, it is important to note that none of the funds used for those payments are tax increment. Revenues from the leases and the Harbor itself are the source for those payments.

EXPIRED PROJECT AREAS

WA-A2: The Redevelopment Plan for the former Western Addition A-2 Redevelopment Project Area expired on January 1, 2009. The program for the WA-A2 included thousands of units of new and rehabilitated housing, the revitalization of the Nihonmachi and Fillmore business districts, public infrastructure improvements, small business assistance, job training, and workforce development. Since the Project Area expired in 2009, no new economic development programs could be initiated and the Agency moved into an asset management role for both its real property assets as well as other contractual obligations. While the ROPS includes only three

WA-A2 items, two related to the Fillmore Heritage Center and one related to an administrative audit, there are numerous contractual obligations, such as owner participation agreements, disposition and development agreements, and loan agreements, which do not include financial obligations and are therefore not reflected on the ROPS, but require various levels of ongoing enforcement and monitoring. These obligations currently include owner participation agreements for 1450 Franklin, 1822 Eddy, 1301 Divisadero, 1480 Ellis, 238 Olive, 368 Elm, 1300 Eddy, Sacred Heart, 1746 Post, 1600 Webster, and Sacred Heart; disposition and development agreements for 1210 Scott, 1310 Fillmore, the Fillmore Center, Webster Towers, the Avenue, and San Francisco Ballet; and economic development loans for Yoshi's, 1300 on Fillmore, Sheba Lounge, and Rasselas Jazz Club and Restaurant. It is anticipated that there will be staffing costs associated with the ongoing enforcement and monitoring of these agreements.

YBC: With the exception of the Bloomingdale's/Emporium site, which expires in 2030, the Yerba Buena Center Redevelopment Project Area expired on January 1, 2011. In total, over 2,500 new housing units were built in YBC with more than 1,400 of them targeted for low to moderate-income residents. The Agency has also continued working to complete its last developable parcel of land in YBC, the Mexican Museum site, located at the north side of Mission Street between Third and Fourth Streets, which is subject to a 1993 agreement with the Mexican Museum. The proposed project is a public-private partnership between the Agency and Millennium Partners, owner of the adjacent property 706 Mission Street. The project, which would span both properties and would be developed by Millennium Partners, includes a residential tower with new museum space for The Mexican Museum in the base, renovation of the adjacent historically important building at 706 Mission Street, and purchase of the Agency-owned Jessie Square Garage for both project-related uses and public parking.

The signature feature of YBC is Yerba Buena Gardens, which includes four major hotels, six acres of gardens, retail, recreational, amusement, convention, parking, and cultural facilities and a five-acre children's center. The public facilities in Yerba Buena Gardens were constructed with Agency funds and represent a civic investment of around \$118 million. Since these assets were not purchased with tax increment and are planned to be retained for governmental purposes, they are not subject to the requirement in AB 26 that non-housing assets be sold.

As core components to Yerba Buena Gardens, cultural facilities such as Yerba Buena Center for the Arts ("YBCA") and the Children's Creativity Museum, formerly Zeum ("CCM"), were constructed entirely with Agency funding (tax increment bonds and developer funds) and were provided with ongoing annual funding support sufficient to sustain their basic maintenance, operations, and security requirements. Long-term, sustainable funding for the cultural facilities/users and overall Gardens maintenance comes from community stakeholders to whom the Agency is contractually committed.

In 1989, the Agency established the Yerba Buena Gardens "Separate Account" as required in various governing contractual documents with community stakeholders. These governing documents are enforceable obligations under AB 26. The Separate Account is a restricted, segregated bank account, into which certain lease revenue and developer exactions are deposited.

The governing documents also define and restrict expenditures from the Separate Account, which are used exclusively for maintenance, operations, and security of Yerba Buena Gardens structures, landscaping, and open space, as well funding for the cultural facilities. In 1999, the Agency established a capital account budget within the Separate Account to account for capital reserves necessary to assure long-term replacement and renovation of the public facilities at Yerba Buena Gardens. The capital account is funded from an operating account set-aside line item and, before the expiration of the YBC Project Area, from occasional infusions of tax increment bond financing.

Revenue is deposited into the operating account from several funding streams including existing short- and long-term commercial and operating leases and an annual development fee from the St. Regis Hotel. According to the Exclusive Negotiating Agreement with Millennium Partners for the 706 Mission mixed-use project, a similar development fee is earmarked for the Separate Account beginning in FY 2016/17. The Agency contracts with a third party, MJM Management Group, to provide on-site property management, maintenance, operation, and security at Yerba Buena Gardens.

The ROPS includes only YBC enforceable obligations with payments that relate primarily to Yerba Buena Gardens asset management, the Jessie Square Garage, the Mexican Museum, and the Museum of the African Diaspora. There are numerous other contractual obligations, such as exclusive negotiation agreements, owner participation agreements, disposition and development agreements, and easement agreements, which do not include financial obligations and are therefore not reflected on the ROPS, but require various levels of ongoing enforcement and monitoring. These obligations currently include owner participation agreements for 660 Folsom and the Bloomingdales site; disposition and development agreements and/or land disposition agreements for the Paramount, the Mexican Museum, Alice Street Garden, the Jewish Museum, and Whole Foods; exclusive negotiation agreements for 706 Mission Street and the Mexican Museum; coordination agreements for Central Block-2 and Central B-3; and the Cooperation and Tax Increment Reimbursement Agreement for Jessie Square Garage. It is anticipated that there will be staffing costs associated with the ongoing enforcement and monitoring of these agreements.

NO BASIS FOR ROPS: Visitacion Valley & Mid-Market (Proposing to Delete)

VV: Visitacion Valley is actually similar to the Major Approved Development Projects in that there was a master developer selected to oversee the development of the former Schlage Lock industrial site and the neighborhood's commercial corridor of Leland Avenue. The project plan called for the demolition of the majority of the existing vacant buildings on the former Schlage Lock site, environmental remediation of the site, and the construction of a mixed-use residential, retail and office development. However, negotiations with the master developer with regard to the creation of an Owner Participation Agreement were still underway when the Agency was dissolved. Therefore, there are no underlying enforceable obligations on which to base any payments.

MM: Mid-Market was in the Survey Area stage of a Redevelopment Project Area, meaning no Redevelopment Plan had been adopted. Since AB 26 precludes the adoption of any new Redevelopment Project Areas, the Successor Agency cannot engage in any work related to this neighborhood. Therefore there are no items that need to be shown on the ROPS.

MULTIPLE PROJECT AREAS:

There are certain lines on the ROPS that refer to multiple Project Areas. These are primarily for the Agency's Job Readiness Initiative ("JRI") program that provides workforce readiness assistance through contracts with third party community based organizations. Those contracts will terminate in June of this year, and therefore any new expenditure related to this program will need to be through new contracts entered into by the City and not the Successor Agency.

HOUSING:

The Agency had one of the most robust affordable housing programs in the State, which created over well 10,000 units of housing for low- and moderate-income households, spanning all types of housing including supportive, senior, and family rental housing as well as first-time homeownership opportunities. The Agency assisted in the creation of this housing in two major ways: first, by providing financing in the form of loans and grants to third party developers, and second, by owning the parcels underneath the housing and entering into long-term ground leases with affordable housing developers, both of which ensured long-term affordability for the projects and residents. In some cases, the Agency acquired the land through standard real estate transactions, but in many other cases, the sites were designated for affordable housing through the Redevelopment Project Area planning process, in particular through the master developer agreements for the Major Approved Development Projects.

At the meeting of March 6, 2012, the Oversight Board adopted a resolution acknowledging that the housing assets associated with the Low- and Moderate-Income Housing Fund ("LMIHF") have been transferred to the Mayor's Office of Housing and are not under the purview of the Oversight Board. However, the Board does have an ongoing role to oversee how any housing tax increment funds are disbursed. The items shown on the ROPS represent all housing related payments; however, it also includes housing projects funded with federal grants or other non-tax increment sources.

Existing Projects/Activities

Many of the items on ROPS are related to ongoing project where the Agency entered into contracts prior to the June 2011 suspension of activities, and simply represent the implementation of those projects, such as payments of loan funds for projects currently under construction, or those about to start construction. Other payments relate to ongoing maintenance costs for Agency owned properties, such as single family condominium units purchased back from participating homeowners through the Limited Equity Homeownership program and have yet to be resold to new homebuyers.

New Projects

Prior to the passage of AB 26, the Agency was involved in a number of important housing projects throughout the City, but had not yet entered into contracts to provide the funds needed to construct the housing. In some of those cases, there are underlying enforceable obligations that require funding to be committed in the future. Those projects fall into several categories. First, there are the affordable housing projects that are required to be built in the Major Approved Development Projects pursuant to the relevant OPA (Mission Bay), DDA's (Phases 1 & 2 of the Hunters Point Shipyard), or State law (Transbay). Second, there are projects that are part of a matching requirement of a federal grant, such as HUD's Choice Neighborhood Grant which not only requires the rebuild of the Alice Griffith Public Housing development and is also required per the Hunters Point Shipyard Phase 2 DDA, but also for an associated senior rental project located nearby at 5800 3rd Street.

Finally, there are projects that must be funded in order to satisfy a replacement housing obligation of the Agency. In 1977, the State Community Redevelopment Law changed, requiring Redevelopment Agencies to replace any housing it demolished. Prior to that date, the Agency had demolished over 6,700 units of housing during the urban renewal era of 1960's and 1970's that was not replaced. In the early 2000's, the Agency sought a way to begin to fund new housing that could replace some of those demolished units, and successfully obtained the ability to finance replacement housing through the passage of Senate Bill 2113 ("SB2113"). That legislation allowed the Agency to convert Project Areas that had either expired or had reached its debt limit under SB2113 to allow for the continued collection of tax increment solely for the creation of replacement housing. The Agency has used tax increment funding from SB2113 Project Areas (India Basin, Hunters Point, Golden Gateway, Rincon-Point South Beach, Western Addition A-2, and Yerba Buena Center) to assist in the development of almost 900 replacement housing units located across the City, leaving approximately 5800 housing units to be replaced. AB 26 recognizes replacement housing plans as enforceable obligations; therefore, funding from the SB2113 Project Areas can continue to be deposited into the LMIHF in order to satisfy the remaining replacement housing obligation.

The ROPS includes lines that reflect estimates of the overall maximum amount of tax increment due to the LMIHF by Project Area, including Major Approved Development Projects and SB2113 Project Areas. Also included are the affordable housing projects needing such funding in the near term (e.g. in Fiscal Year 12/13) within the relevant Project Area section of the ROPS. The actual deposits into the LMIHF will be depended on the actual project budget needs in the given fiscal year. As the ROPS evolves over time, additional lines will be added to reflect the next set of parcels and projects are readied for development.

UNSPENT BOND PROCEEDS:

The Agency has unexpended proceeds from the issuance of bonds (either non-housing or affordable housing bonds) that were not yet in contractual agreements at the time of dissolution. Some of these bond proceeds are nevertheless still obligated to certain projects, for example the housing bond proceeds for the Alice Griffith Public Housing rebuild that are part of a matching

funds requirement to a federal grant. In other cases, the applicable bond documentation contains bond covenants to spend the proceeds for redevelopment-related purposes, in particular for bonds issued on a tax-exempt basis. There is some ambiguity in ABx1 26 regarding the path for a Successor Agency or a Housing Successor to spend such unencumbered bond proceeds as contemplated by the bond documentation. To maximize the ability to spend these proceeds as intended, the ROPS include independent enforceable obligation line items (in addition to the debt service payment enforceable obligation related to such bonds) identifying the applicable bond issuance date and series with references to the original purpose of the bond, as stated in the bond and loan agreements. If it were determined that any bond proceeds that were not subject to enforceable obligations as described above could not be spent for the purpose for which the bonds were issued, then the proceeds would be used to defease the bonds. In other words, none of those funds would be distributed to the taxing entities.

NEXT STEPS

As discussed at the March 27th meeting, once approved by the Oversight Board, the ROPS will be submitted to DOF by April 15th. DOF will then have three days to indicate any questions on any selected items. There is then a ten day period following that in which any additional materials or analysis must be submitted to DOF in order to assist them in their review. Payments may not be made on any selected items until DOF is satisfied in its review.

The action taken by the Oversight Board prior to April 15th is to approve the ROPS covering the period from January through June 2012 only. A new ROPS must be prepared for the period covering July through December 2012 and approved by the Oversight Board and sent to DOF by May 11, 2012. Staff will begin compiling that new ROPS upon approval of the current ROPS and will present that to the Oversight Board in early May.

(Originated by Sally Oerth, Amy Lee, Denise Zermani, Christine Maher)

Tiffany Bohee
Executive Director

Attachments: These attachments are available upon request but are not provided here.

Attachment 1: ROPS – Administrative Costs

Attachment 2: ROPS – Non-Housing Non-Major Approved Development Projects

Attachment 3: ROPS – Non-Housing Unspent Bond Proceeds

Attachment 4: ROPS – Housing

Attachment 5: ROPS – Housing Unspent Bond Proceeds

Planning Commission Memo: Board File No. 120898 Successor Agency
Exhibit E: March 29, 2012 Memo from Director Bohee on the ROPS for Administrative Costs, Non-Major Approved Development Projects, and Housing.