

**OVERSIGHT BOARD FOR CITY OF SAN DIEGO
REDEVELOPMENT SUCCESSOR AGENCY
MINUTES FOR
BOARD MEETING
OF
TUESDAY, JULY 17, 2012
AT 2:00 PM
IN THE CIVIC SAN DIEGO BOARD ROOM
401 B STREET, SUITE 400, SAN DIEGO, CA 92101**

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COMMUNICATIONS RECEIVED

ADJOURNMENT

CHRONOLOGY OF THE MEETING:

The meeting was called to order by Chair Mark Nelson at 2:03p.m. The meeting was adjourned by Chair Mark Nelson at 3:11 p.m.

ATTENDANCE DURING THE MEETING:

PRESENT:

Mark Nelson, City of San Diego appointee
Maureen Stapleton, Special District appointee
Dr. Bonnie Ann Dowd, California Community Colleges appointee
James Davies, City of San Diego appointee
Andra Donovan, Esq., County Superintendent of Education appointee
Peter Q. Davis, County of San Diego appointee
Supervisor Ron Roberts, County of San Diego appointee

ABSENT:

None

CLERK:

Nancy Gudino

ROLL CALL:

- (1) Ron Roberts- present
- (2) Peter Q. Davis- present
- (3) Mark Nelson-present
- (4) James Davies-present
- (5) Maureen Stapleton-present
- (6) Bonnie Ann Dowd-present
- (7) Andra Donovan-present

ITEM DESCRIPTION:

Public Comment in opposition provided by: Melvin Shapiro

Approval of committee minutes from May 31, 2012 meeting.

BOARD ACTION: Action Time: 2:07 p.m.

MOTION BY RON ROBERTS TO AMEND THE MINUTES TO REFLECT THE REQUEST MADE BY ANDRA DONOVAN AT THE JUNE 14, 2012 MEETING THAT THE BOARD BE PROVIDED A LIST OF THE ASSETS HELD BY THE FORMER REDEVELOPMENT AGENCY. Second by Peter Q. Davis.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis
Nay: (None);
Recused: James Davies
Not Present: (None).

Non-agenda public comment provided by: Melvin Shapiro and Tom Cleary

ITEM 1 – Report from the Successor Agency regarding ANALYSIS OF ASSEMBLY BILL 1484 AND ITS AFFECT ON THE ROLES AND RESPONSIBILITIES OF THE SUCCESSOR AGENCY AND OVERSIGHT BOARD ROLES

ITEM DESCRIPTION:

Receive an informational report from Successor Agency staff summarizing the key aspects of California Assembly Bill 1484 and its impacts the roles and responsibilities of the Successor Agency and Oversight Board.

STAFF RECOMMENDATION:

Receive report.

SUPPORTING INFORMATION:

While staff is providing a summary of some, but not all, of the significant provisions of AB 1484 and their impact on the schedule of future Oversight Board actions as discussed in the Goldfarb & Lipman report (Attachment 1), it is strongly recommended that Oversight Board members and the Oversight Board's legal counsel refer to the actual statutory language before making decisions or taking actions pursuant to AB 1484.

Affordable Housing

AB 1484 expands the list of assets that are considered housing assets to include any real property, interest in, or restriction on the use of real property acquired for affordable housing purposes regardless of source of funds, whether improved or not, and personal property within the residences. Housing assets also include funds encumbered for housing-related enforceable obligations, loans and grants receivable, rents and payments from operations, amounts owed to the Low and Moderate Income Housing Fund (LMIHF), and housing bond proceeds. The legislation allows the Oversight Board to determine whether the benefit to the community by preserving mixed use properties intact outweigh the benefit to the taxing entities from dividing and disposing of the affordable and non-affordable components of the properties.

A list of all housing assets transferred to the Housing Successor (in this instance, the City) must be submitted to the Department of Finance (DO F) by August 1, 2012,: Staff shall present a list of proposed housing assets to be transferred to the Housing Successor to the Successor Agency and Oversight Board for consideration during the latter part of July 2012 and subsequently forward the approved list to the DOF. All assets transferred to the Housing Successor shall be maintained in a separate Low and Moderate Income Housing Asset Fund. All revenues generated from the housing assets are to be used for the purposes of producing, preserving or improving affordable housing.

AB 1484 clarifies the Excess Housing Bond proceeds provisions of the Dissolution Act and now allows the Housing Successor to retain such proceeds by notifying the Successor Agency of their intended use at least twenty days before the deadline to submit the Recognized Obligation Payment Schedule (ROPS) to the Oversight Board. The proposed expenditure of the Excess Housing Bond proceeds must be listed as a separate line on the ROPS. The Oversight Board, the County Auditor-Controller, the State Controller, and the DOF must approve of the use of proceeds on the ROPS.

Unencumbered housing funds, excluding the Excess Housing Bond proceeds on the approved ROPS, are to be transferred by the Successor Agency to the County Auditor-Controller in late 2012 pursuant to new audit procedures and then distributed are to be distributed to the taxing entities.

Polanco Redevelopment Act

The new legislation clarifies that the Successor Agency may assume existing cleanup plans and liability limits under the Polanco Redevelopment Act.

Authority to Create Enforceable Obligations

AB 1484 clearly provides the Successor Agency with authority to create enforceable obligations to conduct wind-down activities, such as retaining staff, engaging consultants or legal counsel, or obtaining insurance. However, it provides that the Successor Agency lacks the authority to enter into new enforceable obligations to begin new redevelopment work, except for obligations that existed prior to June 28, 2011.

Administrative Costs

AB 1484 clarified that the administrative cost allowance excludes litigation costs related to assets or obligations, settlements, judgments, and predisposition carrying costs for property transferred to a Successor Agency. Also excluded are project-specific staffing costs for project management, monitoring, and inspection.

Oversight Board Support

The Oversight Board, pursuant to AB 1484, can direct a Successor Agency to provide additional legal or financial advice or administrative support independent from the Successor Agency staff.

Recognized Obligation Payment Schedules

AB 1484 makes several changes to the process and timing for preparation and approval of the Third ROPS for the period of January 1 through June 30, 2013. The date by which the Third ROPS must be approved by the Oversight Board and submitted to the DOF is accelerated to September 1 from October 1, 2012. The Fourth and all subsequent approved ROPS must be submitted to the DOF no fewer than 90 days in advance of the County Auditor-Controller's semiannual distribution of funds from the RPTTF.

DOF Review of ROPS

The amount of time by which the DOF has to request review and make its determination on enforceable obligations has been significantly extended by AB 1484. The DOF now has five business days to request review following its receipt of a ROPS and up to an additional 145 days to make a determination on the amount of an enforceable obligation and its proposed funding source, if it chooses to request a review. If the DOF does not request a review within the five business days, the ROPS is deemed approved. Failure by a Successor Agency to submit an Oversight Board approved ROPS within five business days of the deadlines may result of fines in the amount of \$10,000 per day for each day the ROPS is delinquent.

Residual Distributions for FY 2011-12

Section 34183 .5(b) of AB 1484 attempts to expeditiously collect funds from Successor Agencies by requiring the County Auditor-Controller to issue a demand for a "residual balance" payment from Successor Agencies for a portion or all of the property tax increment distribution paid to the former RDAs in late 2011. That distribution would have been paid to the RPTTF if the Supreme Court had not issued a stay in August 2011.

On or before March 28, 2012 the San Diego County Auditor-Controller provided information to local successor agencies about the process for the wind-down of former Redevelopment Agency activities. At the time, local successor agencies were told that there would be no distribution from the RPTTF for the initial ROPS period of January 1 through June 30, 2012 (ROPS 1). Instead, local successor agencies were to use a combination of the late 2011 property tax increment distribution and any reserve funds on hand to pay for ROPS 1. Local successor agencies, including the San Diego Successor Agency, complied with this direction which resulted in the majority of obligations being paid from available revenues other than anticipated funding from the RPTTF.

AB 1484 did not specify how the amount of the "residual balance" payment is to be determined, however, the intent was to ensure the taxing entities receive their full amount owed pursuant to Section 34183(a)(4). The legislation directed county auditor-controllers to determine the amount, if any, that was owed by each successor agency. Rather than develop a county driven process, the DOF directed all counties to use a specific methodology to calculate the "residual balance" payment, called the July True-Up process, which was posted to the DOF website. Some counties complied, and at least one other county did not. The Successor Agency received a demand letter from the County Auditor-Controller in the amount of approximately \$89.6 million. Although the entirety of the late 2011 property tax increment distribution was used in lieu of an RPTTF distribution to partially pay for enforceable obligations on ROPS 1 which greatly exceeded the distribution, the methodology specified by the DOF did not recognize those obligations as being funded by an RPTTF distribution. Despite good faith objection to this demanded payment, the Successor Agency made the payment by its due date of July 12, 2012.

Review of Cash Assets and Finding of Completion

AB 1484 provides new procedures for conducting a review by an independent licensed accountant of available cash assets of the Successor Agencies. Upon completion of the review, the DOF will issue a finding of completion for the Successor Agency once the Successor Agency remits the unencumbered cash assets to the County Auditor-Controller. The legislation does not indicate how the costs of the review are to be paid. The review of the Low and Moderate Income Housing Funds ("LMIHF") by the Oversight Board must be complete by October 1, 2012. The review of all other funds by the Oversight Board must be complete by December 15, 2012. The purpose of the non-housing review is to identify the value of all assets transferred from the former RDA to the Successor Agency, those assets, if any, transferred to the City of San Diego, those assets transferred to any other public agency or private party associated with enforceable obligations and a reconciliation of revenues, expenditures, assets and liabilities through June 30, 2012.

A similar review of the LMIHF is required to identify the value of all assets as of June 30, 2012, including those funds that are legally restricted such as bond proceeds or grant funds, physical assets, properties, amounts owed for enforceable obligations, and a determination on the availability of funds to pay all enforceable obligations.

Upon completion of each review, the Oversight Board is to schedule a public comment session to take place at least five business days prior to the Oversight Board's vote on the approval of the reviews. The review of the LMIHF must be transmitted to the DOF by October 15, 2012, and the review of other assets by January 15, 2013. The DOF must complete its review of the LMIHF by November 9, 2012 and the review of the other assets by April 1, 2013 for the remaining funds. Significant penalties to the sponsoring (i.e., the City) are contained in the legislation if assets transferred to the sponsoring community are not recovered to the satisfaction of the DOF.

County Auditor-Controller Responsibilities

The Agreed-Upon Procedures Audit deadline has been delayed from July 1 to October 1, 2012. The County Auditor-Controller is now only required to object to the inclusion of any items on the ROPS that are not demonstrated to be enforceable obligations rather than the prior "certification" that was required under the Dissolution Act. Debt service payments have been provided with priority over pass-through payments in the case where insufficient funds are available from the RPTTF.

Property Disposition

AB 1484 suspends the urgency provisions contained in the Dissolution Act for the disposition of each former RDA's properties and provides more flexibility and consideration of local benefits. Within six months of receipt of a Finding of Completion, the Successor Agency must submit a long-range property

management plan for approval by the Oversight Board and the DOF. The property management plan must include an inventory of all properties held by the Successor Agency and site-specific characteristics and estimated values. Properties are to fall within four general categories:

- retention of the property for governmental use;
- retention of the property for future development;
- sale of the property; and
- use of the property to fulfill an enforceable obligation.

Upon approval of the property management plan, the properties are to be placed in a Community Redevelopment Property Trust Fund administered by the Successor Agency in accordance with the approved plan. If the approved plan calls for use or liquidation of a property for a project identified in an approved redevelopment plan, that property is to be transferred to the sponsoring community for that purpose, in a manner similar to that implemented by the former RDA. Any sales proceeds are to be distributed as property taxes on a pro rata basis to the taxing entities.

Sponsoring Community Loans

AB 1484 allows loans made by the sponsoring community to the former RDA to be deemed enforceable obligations (even those that were not deemed enforceable under the Dissolution Act) if the Oversight Board finds the loan to be for legitimate redevelopment purposes. New conditions are placed on the repayment of the loans such as changes in the interest rate and its calculation, a suspension of payments until FY 2013-14, priority to repayments owed to the LMIHF and 20% of repayments placed in the Housing Asset Fund maintained by the Housing Successor.

Bond Proceeds

Following receipt of a Finding of Completion, a Successor Agency is permitted, under AB 1484, to spend non-housing excess proceeds from bonds issued prior to 2011 in a manner consistent with the original bond covenants. As discussed above, use of the Excess Housing Bond proceeds is not contingent upon the issuance of a Finding of Completion.

Extended Review Period for DOF

AB 1484 extends the period in which the DOF has to review all actions approved by the Oversight Board from three to five business days. If the DOF does not request a review, the action of the Oversight Board is deemed approved. If the DOF requests a review, the period in which it must return the item to the Oversight Board for reconsideration has been extended from 10 days to 40 days. Certain decisions related to the disposition of assets and the transfer of housing assets to the Housing Successor are provided with an even longer period for such direction.

FISCAL CONSIDERATIONS: AB 1484 imposes significant changes to the Dissolution Act that impact numerous financial components related to the Successor Agency's responsibilities in the wind down of redevelopment including, but not limited to, affordable housing, enforceable obligations, payments to taxing entities, RPTTF distribution, bonds, transactions between the Successor Agency and the sponsoring community, and property disposition. Additionally, the procurement of an independent accountant by the Successor Agency to conduct the required reviews is a new requirement not covered by existing ROPS or the Successor Agency Administrative Budget.

CONCLUSION: It is recommended the Oversight Board receive a presentation by Successor Agency staff on the key aspects of AB 1484, review the attached Goldfarb & Lipman summary report, and review the actual language of the recently signed legislation that impacts the wind down of redevelopment.

Public Comment in favor provided by: Melvin Shapiro

BOARD DISCUSSION:

Chair Nelson, Vice-Chair Davies, Board Member Roberts, and Board Member Stapleton request that legal counsel report back to the Board on questions raised during the presentation. Vice-Chair Davis asked questions of the Independent Legal Counsel regarding the affect of AB 1484 on loans, including CDBG, between the former Redevelopment Agency and the City. Vice-Chair Davis raised the issue of the ability for the Oversight Board to retain additional staff, such as an Executive Director, independent of Oversight Board Legal Counsel and Successor Agency Staff. Board Member Roberts shared the concern and expressed that he believed the Oversight Board should have independent staff if they are permitted. Board Member Stapleton stated it is in the clear intent of the Dissolution Act to have the Successor Agency provide Oversight Board staffing, but it was unclear whether the legislation includes the permissive provision to retain additional staff or replacement staff. Steve Mattas, representing Meyers Nave in their role as Independent Legal Counsel, stated he would report back to the Board on the two questions that were raised.

ITEM 2 – Report from the Successor Agency regarding ADOPTION OF A RESOLUTION APPROVING AN AGREEMENT BY AND BETWEEN THE SUCCESSOR AGENCY AND THE LAW FIRM OF DON DETISCH FOR LEGAL SERVICES AND AN EXPENDITURE NOT TO EXCEED \$200,000 FOR THE AGREEMENT.

ITEM DESCRIPTION:

Adoption of a resolution to approve the Agreement for Legal Services (Agreement) between the Successor Agency and the Law Office of Don Detisch and an expenditure not to exceed \$200,000 for as-needed services under the Agreement.

STAFF RECOMMENDATION:

Approve proposed action.

SUPPORTING INFORMATION:

Since 1977, the Former RDA has engaged the services of highly specialized and experienced legal counsel to assist the San Diego City Attorney's Office (City Attorney's Office) and the former Redevelopment Agency of the City of San Diego (Former RDA) with the acquisition of certain properties located in the Centre City Redevelopment Project Area and with related litigation. The Law Office of Don Detisch (Don Detisch) was selected to provide these services as a result of a Request for Qualifications (RFQ) issued in 2004 by the City Attorney's Office and the Former RDA. The criteria used in selecting Don Detisch included expertise in eminent domain law and federal and state relocation rules and regulations, competitive fees, and commitment to equal opportunity.

For the past several months, Don Detisch's legal services have involved defending the Former RDA's interests, and now the Successor Agency's interests, in two separate lawsuits alleging inverse condemnation and one breach of contract claim with landowners Hon, LLP (Hon) and Chris Lafornera (Lafornera) in connection with the property located at 542 - 544 Market Street (Hon Property) and the property located at 1343 - 1345 Market Street (Lafornera Property).

The Oversight Board approved a Settlement Agreement and Release for the Hon litigation on May 31, 2012. Pursuant to the Settlement Agreement and Release, the Successor Agency paid Hon for settlement of all claims in the Hon litigation and acquired title to the Hon Property on June 25, thereby resolving the Hon litigation.

Currently, the Successor Agency is utilizing Don Detisch to provide legal services in connection with the Lafornera litigation. In November 2010, Lafornera filed a complaint in San Diego Superior Court against the Former RDA for breach of contract and back rent allegedly owed on the Lafornera Property. Lafornera later dismissed that complaint in May 2011. However, in a judicial foreclosure action brought by a secured lender, Provident Savings Bank (Bank), as to the Lafornera Property, Lafornera filed a cross-complaint in May 2011 against the Bank, the Former RDA, and the Centre City Development Corporation (CCDC). The cross-complaint asserts two pertinent causes of action: (1)

inverse condemnation (against the Former RDA only); and (2) violation of the California constitutional right to privacy (against CCDC only). As the result of Lafornera's failure to pay the Bank's loan, the Bank completed a non-judicial foreclosure and acquired the Lafornera Property through a credit bid at a trustee's sale in late June 2011. The City of San Diego (City) purchased the Lafornera Property from the Bank in January 2012, thereby resolving all breach of contract and back rent claims related to the Lafornera Property. The litigation of the inverse condemnation claim against the Successor Agency related to the Lafornera Property continues.

In addition, Don Detisch will pursue cross complaints against Healthcare Services, Inc., the current tenant occupying the Properties, on behalf of the Successor Agency for back rent and indemnification of losses allegedly incurred by Hon and Lafornera. The City Attorney's Office has determined that it has insufficient staff to adequately handle these matters. Don Detisch has been handling these matters pursuant to an existing agreement for legal services with the Successor Agency, but the funds available under the existing agreement were recently exhausted due to the high volume of work required by ongoing litigation.

The proposed new agreement (Agreement) between the Successor Agency and Don Detisch, attached to this report as Attachment 1, would provide for compensation not to exceed \$200,000 and would expire on December 31, 2013, upon exhaustion of the \$200,000 compensation, or upon completion of the scope of services, whichever occurs first. The scope of services shall be limited to the litigation described above.

The Successor Agency continues to need the specialized legal services that Don Detisch provides. Don Detisch's office is very familiar with the complex factual background and legal issues raised in the ongoing litigation, having been involved with the transactions and negotiations on the Former RDA's behalf with respect to the Properties since at least 2005. Moreover, Don Detisch has specialized legal experience in the types of issues (e.g., inverse condemnation, lease disputes) that have arisen in the lawsuits. His continued participation as the lead attorney in the litigation is essential to preserving the Successor Agency's legal and financial interests in the litigation and negotiation of potential settlements.

The City Council, acting in its capacity as the board of the Successor Agency, adopted a resolution authorizing the retention of Don Detisch by unanimous vote on June 19, 2012.

BOARD ACTION: Action Time: 3:06 PM

MOTION BY MAUREEN STAPLETON TO ADOPT RESOLUTION APPROVING AN AGREEMENT BY AND BETWEEN THE SUCCESSOR AGENCY AND THE LAW FIRM OF DON DETISCH FOR LEGAL SERVICES AND AN EXPENDITURE NOT TO EXCEED \$200,000 FOR THE AGREEMENT. Second by Ron Roberts.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis, James Davies

Nay: (None);

Recused: (None);

Not Present: (None)

ITEM 3 – Report from the Successor Agency regarding ADOPTION OF A RESOLUTION APPROVING THE THIRD AMENDMENT TO AN EXISTING TOLLING AGREEMENT TO SUSPEND THE STATUTE OF LIMITATIONS FOR AN ADDITIONAL 12 MONTHS ON THE COUNTY OF SAN DIEGO'S POTENTIAL FILING OF LITIGATION TO CHALLENGE SB 863.

ITEM DESCRIPTION:

Adoption of a resolution approving the third amendment to an existing tolling agreement among the County of San Diego, the Successor Agency, the City of San Diego, and Civic San Diego to suspend the statute of limitations for an additional 12 months with respect to the County's

potential filing of litigation to challenge SB 863.

STAFF RECOMMENDATION:

Approve proposed action.

SUPPORTING INFORMATION:

1992 Tax-Sharing Agreement

In May 1992, the former Redevelopment Agency of the City of San Diego (Former RDA) and the County of San Diego (County) entered into that certain “Agreement for Cooperation between Redevelopment Agency of the City of San Diego and the County of San Diego (Centre City Redevelopment Project)” (Tax-Sharing Agreement). Under the Tax-Sharing Agreement, the Former RDA promised to pay the County a portion of the Former RDA’s tax increment revenue, commonly known as contractual tax-sharing payments (or pass-through payments), on an annual basis with incremental percentage increases over the course of time. In exchange, the County agreed to restrict its expenditure of at least 40% of the tax-sharing payments to purposes set forth in the Tax-Sharing Agreement and to not legally challenge the validity of the Centre City Redevelopment Plan or the Centre City Redevelopment Project.

Senate Bill 863

In October 2010, the State Legislature enacted Senate Bill 863 (SB 863), which added section 33333.14 to the California Health and Safety Code. SB 863 eliminated the dollar limit or “cap” on the amount of tax increment to be received by the Former RDA attributable to the Centre City Redevelopment Project area (Project Area). Before the enactment of SB 863, the Former RDA had estimated that the tax increment cap for the Project Area would be exceeded in the year 2024 rather than the scheduled year of expiration of the Project Area in 2043.

In late 2010, the County asserted its position that SB 863 violates the California Constitution and is subject to legal challenge, and expressed its intent to file a lawsuit challenging SB 863 and naming the Former RDA, the City of San Diego (City), and Centre City Development Corporation (CCDC), among others, as defendants.

Existing Tolling Agreement and Proposed Third Amendment

The County, the Former RDA, the City, and CCDC entered into a Tolling Agreement dated January 13, 2011, which allowed a six-month suspension of the statute of limitations governing the County’s legal challenge, thereby affording the parties an opportunity to negotiate relating to the legal effect and consequences of SB 863 outside the context of litigation. In July 2011, and again in January 2012, the parties extended the Tolling Agreement for six additional months, without making any other substantive changes to the Tolling Agreement. The Tolling Agreement, as amended, expires in July 2012, but provides that the County has an additional sixty days, at a minimum, to commence a legal challenge concerning SB 863 after the date of expiration of the Tolling Agreement.

The County, the City of San Diego, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), the City, and Civic San Diego (as successor to CCDC) now wish to enter into the Third Amendment to the Tolling Agreement (Third Amendment) to extend the Tolling Agreement for an additional 12 months, allowing the parties to continue to seek resolution of the issues among them without resorting to litigation. As with the two prior amendments, the Third Amendment will not make any substantive changes to the Tolling Agreement other than the time extension.

The San Diego City Council, acting on behalf of the Successor Agency and the City, approved the Third Amendment in closed session on July 10, 2012. It is uncertain, in light of restrictive language in Assembly Bill x1 26 (AB 26) and Assembly Bill 1484 (AB 1484), whether the Successor Agency has the legal authority to execute the Third Amendment without the approval of the Oversight Board and the State

Department of Finance (DOF). Therefore, Successor Agency staff requests that the Oversight Board approve the Third Amendment. Upon the Oversight Board's approval, the item would be presented by Successor Agency staff to the DOF for review and approval or deemed approval in accordance with AB 26 and AB 1484 (collectively, the RDA Dissolution Laws).

Rationale for Additional Time Extension

The County and the Successor Agency agree that, as a result of the recent enactment of the RDA Dissolution Laws, the County's potential legal challenge concerning SB 863 may have been rendered moot, but cannot be rendered moot definitively at this juncture. For instance, the Successor Agency hypothetically could collect a greater aggregate amount of property taxes from the Project Area to pay enforceable obligations than otherwise would have been permitted in the absence of SB 863 and the resulting elimination of the tax increment cap for the Project Area. The County wishes to preserve the argument that any property taxes (i.e., former tax increment revenue) generated in excess of the pre-SB 863 cap on tax increment revenue should be allocated on a pro rata basis to the affected local taxing entities, including the County, and should not be allocated to the Successor Agency to pay any remaining enforceable obligations.

Successor Agency staff believes it is prudent to extend the Tolling Agreement for an additional 12 months in order to avoid potentially costly and protracted litigation over an issue that may be rendered moot in the final analysis. This approach will allow the Successor Agency to conserve its limited resources and funds for the benefit of local taxing entities, consistent with the fiscal objectives of the RDA Dissolution Laws.

It is anticipated that upcoming steps in the wind-down process of the Former RDA may shed further light on whether the County's opposition to SB 863 has been rendered moot. Successor Agency staff intends to continue monitoring this situation and to either try to persuade the County to agree not to challenge SB 863 or to reach a mutually acceptable compromise of the dispute. Any proposed written settlement of this matter will be presented by Successor Agency staff to the Oversight Board for its future consideration.

BOARD ACTION: Action Time: 3:11 PM

MOTION BY PETER DAVIS TO ADOPT A RESOLUTION APPROVING THE THIRD AMENDMENT TO AN EXISTING TOLLING AGREEMENT TO SUSPEND THE STATUTE OF LIMITATIONS FOR AN ADDITIONAL 12 MONTHS ON THE COUNTY OF SAN DIEGO'S POTENTIAL FILING OF LITIGATION TO CHALLENGE SB 863. Second by Andra Donovan.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis, James Davies

Nay: (None);

Recused: (None);

Not Present: (None)

ADJOURNMENT:

The meeting was adjourned by Chair Mark Nelson at 3:11 p.m.