

**OVERSIGHT BOARD FOR CITY OF SAN DIEGO  
REDEVELOPMENT SUCCESSOR AGENCY  
MINUTES FOR  
BOARD MEETING  
OF  
TUESDAY, SEPTEMBER 18, 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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CHRONOLOGY OF THE MEETING

ATTENDANCE DURING THE MEETING

Note: Board Member Andra Donovan participated in the meeting via teleconference from the following address:

Red Rocks 5<sup>th</sup> Floor Business Center  
11011 West Charleston Blvd.  
Las Vegas, NV 89135

CHAIR, BOARD, OVERSIGHT BOARD CONTACT COMMENT

APPROVAL OF COMMITTEE MINUTES

NON-AGENDA PUBLIC COMMENT

ADOPTION AGENDA, CONSENT ITEMS

ITEM 1 – Report from the Successor Agency regarding AUTHORIZATION AND DIRECTION TO TRANSFER AFFORDABLE HOUSING ASSETS FROM THE SUCCESSOR AGENCY TO THE CITY AS SUCCESSOR HOUSING ENTITY AND TO THE LOW AND MODERATE INCOME HOUSING ASSET FUND

ITEM 2 – Report from the Successor Agency regarding ADOPTION OF A RESOLUTION TO APPROVE A TERMINATION AND SURRENDER OF LEASE AGREEMENT RELATED TO A SUCCESSOR AGENCY OFFICE SPACE LEASE, IN CITY HEIGHTS, WITH PRICE CHARITIES.

ITEM 3 - Report from the Successor Agency regarding AUTHORIZATION FOR THE SUCCESSOR AGENCY TO ENTER INTO SERVICE CONTRACTS, MANAGEMENT CONTRACTS AND SIMILAR CONTRACTS, AND AMENDMENTS TO EXISTING CONTRACTS OF THAT NATURE, FOR ITEMS THAT ARE BUDGETED IN THE APPROVED ROPS 2 CONSISTENT WITH CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34171(D)(1)(F) AND 34177.3(B).

*\*Consent*

ITEM 4 - Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO APPROVE REFINANCING, LOAN MODIFICATIONS, LOAN SUBORDINATIONS, SHORT SALES, AND FORECLOSURES RELATED TO AFFORDABLE HOUSING LOANS AND ASSOCIATED SECURITY INTERESTS, AND TO NEGOTIATE A REDUCED PRINCIPAL BALANCE, REDUCED

INTEREST, OR REPAYMENT TERMS OF AFFORDABLE HOUSING LOANS. *\*Consent*

ITEM 5 - Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO CONSENT TO OR APPROVE PROPOSED GRANTS OF ACCESS RIGHTS TO AND POSSESSORY INTERESTS IN SUCCESSOR AGENCY PROPERTIES AND PROPERTIES SUBJECT TO USE RESTRICTIONS UNDER A SUCCESSOR AGENCY AGREEMENT. *\*Consent*

ITEM 6 - Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO CONSENT TO OR APPROVE REFINANCING, LOAN MODIFICATIONS, OR LOAN SUBORDINATIONS THAT WILL NOT HAVE ANY SUBSTANTIAL ADVERSE IMPACT ON THE SUCCESSOR AGENCY'S FINANCIAL INTERESTS. *\*Consent*

ITEM 7 – Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO CONSENT TO OR APPROVE CONVEYANCE OF REAL PROPERTY INTERESTS AND ASSIGNMENT OF CONTRACTUAL INTERESTS PURSUANT TO ENFORCEABLE OBLIGATIONS. *\*Consent*

ITEM 8 – Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION FOR THE SUCCESSOR AGENCY TO ENTER INTO CONTRACTS OR AMEND EXISTING CONTRACTS WHEN REQUIRED BY AN ENFORCEABLE OBLIGATION INCLUDED IN AN APPROVED ROPS. *\*Consent*

ITEM 9 – Report from the Successor Agency regarding RATIFICATION OF THE THIRD RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROP 3), SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR ROPS 3, AND ASSOCIATED ACTIONS.

COMMUNICATIONS RECEIVED

ADJOURNMENT

**CHRONOLOGY OF THE MEETING:**

The meeting was called to order by Chair Mark Nelson at 2:10 p.m. The meeting was adjourned by Chair Mark Nelson at 3:09 p.m.

**ATTENDANCE DURING THE MEETING:**

**PRESENT:**

Mark Nelson, City of San Diego appointee  
James Davies, City of San Diego appointee  
Maureen Stapleton, Special District appointee  
Dr. Bonnie Ann Dowd, California Community Colleges appointee  
Andra Donovan, Esq., County Superintendent of Education appointee \*via teleconference  
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 3 - Report from the Successor Agency regarding AUTHORIZATION FOR THE SUCCESSOR AGENCY TO ENTER INTO SERVICE CONTRACTS, MANAGEMENT CONTRACTS AND SIMILAR CONTRACTS, AND AMENDMENTS TO EXISTING CONTRACTS OF THAT NATURE, FOR ITEMS THAT ARE BUDGETED IN THE APPROVED ROPS 2 CONSISTENT WITH CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34171(D)(1)(F) AND 34177.3(B).**

**DISCUSSION:**

**Background**

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill xl 26 ("AB 26"), enacted on June 28, 2011, and Assembly Bill 1484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations.

At the Oversight Board meeting of May 31, 2012, the Oversight Board approved the Second Recognized Obligation Schedule covering the period from July 2012 to December 2012 (ROPS 2).

Subsequent to that approval, as part of the state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to date at the state and local level implementing the Dissolution Act. AB 1484 in several ways clarifies the role of a Successor Agency to conduct certain activities and also authorizes a Successor Agency to perform activities not expressly stated in the Dissolution Act.

Under AB 1484, a Successor Agency can, subject to Oversight Board approval, consistent with Health and Safety Code Sections 34171(d)(1)(F) and 34177.3(b), enter into service contracts, management contracts, and similar contracts, and amendments to existing contracts of that nature for items that are budgeted in the approved ROPS 2. Section 34171(d)(1)(F) confirms that contracts necessary for the administration or operation of the Successor Agency, including, but not limited to, agreements concerning litigation expenses related to assets or obligations, settlements and judgments, and agreements related to the cost of maintaining assets prior to disposition, are enforceable obligations. In addition, Section 34177.3(b) states that the Successor Agency may create new enforceable obligations to conduct the work of winding down the Former RDA's operations, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance.

The actions of the Oversight Board at the meeting of August 28, 2012 included the approval of the Third Recognized Obligation Schedule covering the period from January 1, through June 30, 2013 (ROPS 3) and corresponding authorization for the Successor Agency to enter into service contracts, management contracts and similar contracts, and amendments to existing contracts of that nature for items that are budgeted in the approved ROPS 3, consistent with Health and Safety Code Sections 34171(d)(1)(F) and 34177.3(b). As presented in the August 23, 2012 report to the Oversight Board accompanying ROPS 3, this streamlined approach allows the Successor Agency to operate in an efficient manner and to address unforeseen circumstances without delay, thereby minimizing the Successor Agency's administrative processing of approved enforceable obligations and reducing exposure to new claims and liabilities, to the benefit of all local taxing entities and their constituents.

The current request is to apply the same streamlined measure to ROPS 2, authorizing the Successor Agency to enter into contracts consistent with Health and Safety Code Sections 34171(d)(1)(F) and 34177.3(b), as this measure was not requested in the pre-AB 1484 approval of ROPS 2 in May 2012.

#### Conclusion

The Oversight Board is respectfully requested to authorize the Successor Agency to enter into service contracts, management contracts and similar contracts, and amendments to existing contracts of that nature for items that are budgeted in the approved ROPS 2, consistent with Health and Safety Code Sections 34171(d)(1)(F) and 34177.3(b).

BOARD ACTION:      Action Time: 2:14 PM

MOTION BY MAUREEN STAPLETON TO PLACE ITEMS 3, 4, 5, 7 AND 8 ON A CONSENT CALENDAR AND APPROVE MOTIONS. Second by Bonnie Dowd.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: (None).

**ITEM 4 - Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO APPROVE REFINANCING, LOAN MODIFICATIONS, LOAN SUBORDINATIONS, SHORT SALES, AND FORECLOSURES RELATED TO AFFORDABLE HOUSING LOANS AND ASSOCIATED SECURITY INTERESTS, AND TO NEGOTIATE A REDUCED PRINCIPAL BALANCE, REDUCED INTEREST, OR REPAYMENT TERMS OF AFFORDABLE HOUSING LOANS.**

**DISCUSSION:**

**Background**

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill xl 26 ("AB 26"), enacted on June 28, 2011, and Assembly Bill 1484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). Section 34176(a) of the Dissolution Laws allows the entity assuming the role of the Successor Housing Entity to retain the housing assets and functions previously performed by the Former RDA, excluding any unencumbered amounts on deposit in the Low and Moderate Income Housing Fund. On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations, and to serve as the Successor Housing Entity by retaining the Former RDA's housing assets and assuming the Former RDA's housing responsibilities.

Under Health and Safety Code Section 34176(e), "housing asset" includes, among other things:

(1) Any real property, interest in, or restriction on the use of real property . . . that were acquired for low- and moderate-income housing purposes . . . .

(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)).

To date, the Successor Agency has not transferred any housing assets to the City in its capacity as the Successor Housing Entity. However, this transfer is expected to occur soon, subject to the approval of the Oversight Board and the State Department of Finance (DOF). After the Oversight Board and the DOF have approved the transfer of housing assets, Successor Agency staff will coordinate the transfer of those assets from the Successor Agency to the City as Successor Housing Entity.

Per AB 1484, all non-property assets transferred to the Successor Housing Entity shall be maintained in a separate account known as the Low and Moderate Income Housing Asset Fund. All revenues generated from the housing assets are to be used for the purposes of maintaining, producing, preserving or improving affordable housing.

Until the transfer is completed, the Successor Agency is responsible for affordable housing assets that have accumulated through efforts of the Former RDA to provide housing for low- and moderate-income families. This request is for authorization to take certain actions related to certain housing assets, rather than having to bring each request to the Oversight Board for approval. These actions are related only to housing assets that will be transferred to the Successor Housing Entity. Once in the Successor Housing Entity's possession, the housing assets will be retained in a separate financial account as required by the Dissolution Laws, and any proceeds from the housing assets will be held and expended by the Successor Housing Entity. Thus, these actions will not have any adverse impact on the financial interests of the Successor Agency or the other taxing entities represented by the members of the Oversight Board.

The efforts of the Former RDA to provide affordable housing included providing loans of Low and Moderate Income Housing Funds to developers for use in developing affordable housing. Occasionally, Successor Agency staff will receive requests from borrowers of such affordable housing loans to approve subordination to a new loan for the purposes of refinancing. The desire to refinance is typically motivated by more favorable interest rates or loan terms, without an increase to the primary loan amount. In many instances, the Successor Agency is a participant in the residual receipts of the cash flow from the financed projects and benefits from more favorable terms achieved on the priority liens. Agreeing to such requests requires modification of the Successor Agency's loan and execution of subordination agreements.

A recent example involves the 54-unit Knox Glen Townhomes, a multi-family rental development located in southeastern San Diego and financed with a Former RDA loan of \$150,000 in 1996, funding from the San Diego Housing Commission, and other lenders in a priority position. The current owners, Housing Development Partners of San Diego, wish to refinance the primary loan to take advantage of lower interest rates and to provide additional funds for needed repairs and improvements, while maintaining the affordability of the homes for low-income families. The Successor Agency loan agreement provisions allow for approval of other financing including increases in the total amount of the senior loans. In this instance the refinancing request has legitimate business reasons and will not change the repayment obligation or the terms of the affordability.

Efforts of the Former RDA to provide affordable housing also included affordable housing assistance programs including the Housing Enhancement Loan Program (HELP Program), the Home in the Heights Homebuyer Assistance Program, the southeastern San Diego First-Time Homebuyers Program and the downtown First-Time Homebuyers Program. These programs provided low interest down payment loans to low- and moderate-income home purchasers and low interest and forgivable loans to low- and moderate-income homeowners for health and safety, energy efficiency, water savings, exterior and landscaping improvements. Homes assisted have promissory notes, deeds of trust and covenants recorded in the Former RDA's favor to memorialize the loan terms and deed restrictions for owner occupancy by low- and moderate-income families.

The Successor Agency housing assets have, in some cases, been impacted by defaulting borrowers due to mortgage failures and other causes in the 2008-2012 financial crisis. The preferred outcomes to foreclosure in these instances include the owner's ability to negotiate a reduced principal balance, interest balance, or repayment terms or a short sale of the property. A renegotiated loan means that the owner can stay in the home but at a reduced cost. A short sale is a sale of the home in which the proceeds from selling the property will fall short of the balance of debts secured by liens, including those in the deed restrictions that were part of the Former RDA's assistance programs, against the property; given that the property owner cannot afford to repay the liens' full amounts, the lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt. Any unpaid balance owed to the creditors is known as a deficiency. Short sale agreements do not necessarily release borrowers from their obligations to repay any deficiencies of the loans, unless specifically agreed to between the parties.

A renegotiation of the mortgage with the current owner or a short sale are considered preferred alternatives to foreclosure in that they mitigate additional fees and costs to both the creditor and borrower and tend to cause less negative impact on property values and the surrounding neighborhood. The loans in the affordable housing programs are forgivable under various terms and subordinate to the primary mortgage, thus approval of a renegotiated mortgage or a short sale ordinarily will have no actual financial consequence to the Successor Agency and is likely to be, in balance, positive to property values when compared to an alternative default and foreclosure. In the worst case scenario, the Successor Agency could also be asked to approve foreclosures. In these cases, the Successor Agency would attempt to negotiate favorable terms for the foreclosure, including sale of the property to another low- or moderate income homeowner, or sale to an owner who will use the property as a primary residence rather than an investor.

In response to the numerous short sale requests due to the declining property values, the Former RDA developed policies and procedures for short sale requests (see attached Short Sale Policy and Procedures Manuscript dated May 20, 2011). This policy provides for preservation of the home's affordability, the maximum feasible return of the Former RDA's loan balance, and prevents speculative buying or cash out proceeds to the seller. The policy has been utilized for past short sale requests and would be used by the Successor Agency as a basis for future short sale requests.

The Successor Agency recently received a request for a short sale approval for a property in the Smart Corner Condominiums located in East Village. The Former RDA had provided down payment assistance and an affordable promissory note for the homeowner, who had a reduction in income, family medical issues and a resulting increase in family size. The homeowner can no longer afford to live in the home, and the studio apartment will not accommodate the larger family size. In this instance, the short sale would provide for a partial payment of the Successor Agency's loan and a write off of the balance.

The Former RDA's loans to low-and-moderate income First-Time Homebuyers have also been requested to be subordinated for homeowners to refinance their primary mortgages, taking advantage of current reduced interest rates and reducing monthly payments. The Former RDA's loans are subordinated to the original mortgage and the new lenders request Successor Agency's approval of such refinancing transactions. A recent request has been received from a borrower to lower their first deed of trust interest rate. The Successor Agency has a second deed of trust to secure performance of the affordability covenants only, with no dollar amount associated. As in many cases, this current request would not reduce the Successor Agency's affordability covenants and would not provide any cash proceeds to the homeowner.

While the Successor Agency is responsible for responding to these requests for refinancing, loan modifications, loan subordinations, short sales, and foreclosures related to affordable housing loans and associated security interests, and renegotiation terms of those loans, these loans will soon be transferred to the Housing Successor Entity as housing assets. In the interim, the Successor Agency would like authorization to respond to these requests without having to bring each one before the Oversight Board, since these actions will not have any adverse impact on the Successor Agency's or the other taxing entities' financial interests.

This request is one of several that will streamline the process for Successor Agency actions required under the Dissolution Laws. By obtaining this Oversight Board authorization, the Successor Agency can avoid an overly burdensome, costly and time consuming implementation process and minimize risk of failure to meet its contractual responsibilities.

#### Conclusion

The Oversight Board is respectfully requested to authorize the Successor Agency to approve refinancing, loan modifications, loan subordinations, short sales and foreclosures related to loans funded from the Low and Moderate Income Housing Fund and associated security interests, and to negotiate a reduced principal balance, interest balance, or repayment terms of such loans, and to execute all related documents.

BOARD ACTION:      Action Time: 2:14 PM

MOTION BY MAUREEN STAPLETON TO PLACE ITEMS 3, 4, 5, 7 AND 8 ON A CONSENT CALENDAR AND APPROVE MOTIONS. Second by Bonnie Dowd.

Passed by the following vote:

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

Nay: (None);  
Recused: (None);  
Not Present: (None).

**ITEM 5 - Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO CONSENT TO OR APPROVE PROPOSED GRANTS OF ACCESS RIGHTS TO AND POSSESSORY INTERESTS IN SUCCESSOR AGENCY PROPERTIES AND PROPERTIES SUBJECT TO USE RESTRICTIONS UNDER A SUCCESSOR AGENCY AGREEMENT.**

**DISCUSSION:**

**Background**

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill xl 26 (the "Dissolution Act"), enacted on June 28, 2011, and Assembly Bill 1484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations.

At the Oversight Board meeting of May 31, 2012, the Oversight Board approved the Second Recognized Obligation Payment Schedule covering the period from July 2012 to December 2012 (ROPS 2). On August 28, 2012, the Third Recognized Obligation Payment Schedule (ROPS 3), covering the period from January 1 through June 30, 2013, was approved by the Oversight Board.

As part of the state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to date at the state and local level implementing the Dissolution Act. AB 1484 in several ways clarifies the role of a Successor Agency in conducting certain activities and also authorizes a Successor Agency to perform activities not expressly stated in the Dissolution Act.

One such clarification, Health and Safety Code Section 34177(c), provides clear authority for the Successor Agency to perform obligations required pursuant to any enforceable obligation. However, there are situations that arise where the Successor Agency is requested to exercise some limited discretion as to whether to grant an additional approval or consent for certain actions pursuant to the terms of an enforceable obligation

While Section 34177(c) requires that the Successor Agency perform obligations required pursuant to any enforceable obligation, the Dissolution Laws are generally unclear as to whether the Successor Agency can grant discretionary consent to or approval of proposed actions under enforceable obligations, and execute related documents, without Oversight Board authorization. For that reason, the Successor Agency is requesting, in an abundance of caution, that the Oversight Board confirm that the Successor Agency is authorized to grant these limited discretionary consents or approvals.

The circumstances of this particular request are related to the performance of obligations under existing enforceable obligations related to Successor Agency real property assets and properties subject to use restrictions under Successor Agency financial assistance agreements, such as disposition and development agreements, owner participation agreements, and loan agreements. The Successor Agency regularly receives requests pursuant to the terms of enforceable obligations for approval of or consent to grants of access rights to or possessory interests in these properties. In many cases, the terms of the underlying enforceable obligations state that the Successor Agency's approval or consent may not be unreasonably withheld or delayed.



An example of this situation is a recent request for consent to a sublease of a portion of a property to Verizon Wireless for installation of cellular telecommunication facilities. The property is currently leased to McMillin-NTC, LLC by the Successor Agency pursuant to the terms of a Ground Lease. The proposed sublease is consistent with the terms of the Ground Lease, and the Ground Lease provides that the Successor Agency cannot unreasonably withhold its consent to the proposed sublease. As part of its consent to the sublease, the Successor Agency would execute a Nondisturbance and Lease Recognition Agreement. The sublease would not adversely impact the Successor Agency's financial interests.

Another example of this situation is a recent request for consent to a lease of a portion of a property owned by AMCAL Los Vientos, L.P (AMCAL). The property is subject to use restrictions under an Owner Participation Agreement (OPA) between the Successor Agency and AMCAL. The proposed lease is consistent with the terms of the OPA, and the OPA provides that the Successor Agency cannot unreasonably withhold its consent to the proposed lease. The lease would not adversely impact the Successor Agency's financial interests, and may provide a financial benefit by allowing for accelerated repayment of the loan provided to AMCAL under the OPA by allowing for an increase in residual receipts by AMCAL.

The Successor Agency anticipates it will receive several more of this type of request in the near future. Therefore, the Successor Agency is requesting a "confirmation of authority" to grant approval or consent in response to this type of request, rather than returning to the Oversight Board for authorization for each specific request. This streamlined approach would allow the Successor Agency to operate in an efficient manner and to fulfill obligations without delay and within more reasonable timelines and budgets, while minimizing the Successor Agency's exposure to new claims and liabilities. This is to the benefit all local taxing entities and to the communities impacted by the wind down of redevelopment.

This request is one of several that will streamline the implementation of approved ROPS projects and help avoid an overly burdensome, costly and time-consuming approval process for each individual request of this nature. Oversight Board Meeting of September 18, 2012 Page

#### Conclusion

The Oversight Board is respectfully requested to authorize the Successor Agency to consent to or approve proposed grants of access rights to and possessory interests in Successor Agency properties and properties subject to use restrictions under a Successor Agency agreement, and to execute all related documents, provided that the consent or approval is consistent with the terms of a related agreement that is an enforceable obligation and will not have any substantial adverse impact on the Successor Agency's financial interests.

BOARD ACTION: Action Time: 2:14 PM

MOTION BY MAUREEN STAPLETON TO PLACE ITEMS 3, 4, 5, 7 AND 8 ON A CONSENT CALENDAR AND APPROVE MOTIONS. Second by Bonnie Dowd.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: (None).

ITEM 7 – Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO CONSENT TO OR APPROVE CONVEYANCE OF REAL PROPERTY INTERESTS AND ASSIGNMENT OF CONTRACTUAL INTERESTS PURSUANT TO ENFORCEABLE OBLIGATIONS.

**DISCUSSION:**

Background

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill xl 26 (the "Dissolution Act"), enacted on June 28, 2011, and Assembly Bill 1484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations.

At the Oversight Board meeting of May 31, 2012, the Oversight Board approved the Second Recognized Obligation Payment Schedule covering the period from July 2012 to December 2012 (ROPS 2). On August 28, 2012, the Third Recognized Obligation Payment Schedule (ROPS 3), covering the period from January 1 through June 30, 2013, was approved by the Oversight Board.

As part of the state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to date at the state and local level implementing the Dissolution Act. AB 1484 in several ways clarifies the role of a Successor Agency to conduct certain activities and also authorizes a Successor Agency to perform activities not expressly stated in the Dissolution Act.

One such clarification, set forth in Health and Safety Code Section 34177(c), provides clear authority for the Successor Agency to perform obligations required pursuant to any enforceable obligation. In certain instances, however, the language of the underlying enforceable obligation agreement leaves some limited discretion to the Successor Agency as to whether to grant additional approval or consent for certain subsequent conveyances or assignments. While Section 34177(c) requires that the Successor Agency perform obligations required pursuant to any enforceable obligation, the Dissolution Laws are generally unclear as to whether the Successor Agency can consent to or approve approvals or consents that involve some limited discretion, and execute related documents, pursuant to enforceable obligations without Oversight Board authorization. Therefore, the Successor Agency is requesting, in an abundance of caution, that the Oversight Board confirm that the Successor Agency is authorized to grant these limited discretionary consents or approvals.

Examples of these types of conveyances and assignments include those required under the Disposition and Development Agreement (DDA) with the master developer McMillin-NTC LLC ("Lessee"), for the redevelopment of the former Naval Training Center. The land subject to the DDA is owned by the Successor Agency and the DDA contemplates and allows for ground leases, subleases and multiple conveyances and assignments of property interests. Many of these conveyances are strictly mandatory, and do not involve any discretionary approval on the part of the Successor Agency. In such cases, the Successor Agency is clearly authorized under Section 34177(c) to proceed. Other actions pursuant to the DDA involve exercise of some limited discretion by the Successor Agency. For example, as part of "Phase Four" of the NTC redevelopment, the DDA provides that when certain conditions are met, the Lessee may transfer the property interests to third parties approved by the Successor Agency. In some cases, the Successor Agency's approval may not be unreasonably withheld or delayed. These transactions can involve multiple parties and lenders and are frequently time sensitive to meet investor, tenant and DDA schedule of performance requirements, and obtaining separate Oversight Board approval for each conveyance or assignment of this nature would be overly burdensome and inefficient.

Other examples include assignments of DDAs or Owner Participation Agreements (OPAs), or of partial interests thereof. Parties to DDAs and OPAs often seek to assign their contractual interests in these agreements to subsidiaries or some related entity to facilitate the transaction or its financing. The standard provisions in DDAs and OPAs allow certain assignments without the consent or approval of the Successor Agency, while others are authorized only with the consent or approval of the Successor Agency. For these latter cases, the agreement typically provides that the Successor Agency's consent may not be unreasonably withheld or delayed.

The Successor Agency anticipates it will receive several requests for approval of, or consent to, assignments or conveyances of this nature in the near future. Therefore, the Successor Agency is requesting a "confirmation of authority" to grant approval or consent in response to this type of request, rather than returning to the Oversight Board for each specific request. This streamlined approach will allow the Successor Agency to operate in an efficient manner and to fulfill obligations without delay and within more reasonable timelines and budgets, while minimizing the Successor Agency's exposure to new claims and liabilities. This is to the benefit of all local taxing entities.

This request is one of several that will streamline the implementation of approved ROPS projects and help avoid an overly burdensome, costly and time-consuming implementation process while minimizing risk of failure to meet the Successor Agency's contractual responsibilities.

#### Conclusion

The Oversight Board is respectfully requested to authorize the Successor Agency to consent to or approve conveyance of real property interests and assignment of contractual interests pursuant to an agreement that is an enforceable obligation where the subject agreement specifies that the Successor Agency cannot unreasonably withhold its consent or approval.

BOARD ACTION: Action Time: 2:14 PM

MOTION BY MAUREEN STAPLETON TO PLACE ITEMS 3, 4, 5, 7 AND 8 ON A CONSENT CALENDAR AND APPROVE MOTIONS. Second by Bonnie Dowd.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: (None).

ITEM 8 – Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION FOR THE SUCCESSOR AGENCY TO ENTER INTO CONTRACTS OR AMEND EXISTING CONTRACTS WHEN REQUIRED BY AN ENFORCEABLE OBLIGATION INCLUDED IN AN APPROVED ROPS.

#### **DISCUSSION:**

##### Background

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill xl 26 (the "Dissolution Act"), enacted on June 28, 2011, and Assembly Bill 1484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations.

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As part of the state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to date at the state and local level implementing the Dissolution Act. AB 1484 in several ways clarifies the role of a Successor Agency to conduct certain activities and also authorizes a Successor Agency to perform activities not expressly stated in the Dissolution Act.

One such clarification, set forth in Health and Safety Code Section 34177(c), provides clear authority for the Successor Agency to perform obligations required pursuant to any enforceable obligation. However, certain enforceable obligations of the Successor Agency require the Successor Agency to enter into contracts or amend existing contracts, but do not provide a form or specific contract terms for that purpose, leaving some discretion to the Successor Agency in negotiating and drafting the contract or amendment.

While Section 34177(c) clearly authorizes the Successor Agency to take actions necessary to fulfill enforceable obligations, the Dissolution Laws are unclear as to whether the Successor Agency can enter into contracts or amend existing contracts when required by enforceable obligations, when that action will require some exercise of discretion on the part of the Successor Agency as to the specific form and terms of the contract or amendment, without the approval of the Oversight Board. Therefore, in an abundance of caution, the Successor Agency is requesting that the Oversight Board authorize the Successor Agency to enter into contracts or amendments to existing contracts under these circumstances. The Oversight Board's authorization for this broad category of contracts and amendments, rather than for each individual contract or amendment as it arises, would allow the Successor Agency to proceed with its performance of enforceable obligations in a more efficient manner.

Examples of enforceable obligations that will require one or more contracts, possible change orders and contract amendments include the Horton Square Owner Participation Agreement (OPA) in downtown and the 33rd and E Street Petrarca Disposition and Development Agreement (DDA) in southeastern San Diego. The Horton Square OPA with Westfield Corporation ("Westfield") involves the demolition and clearance of a property currently owned by Westfield, transfer of property to the Successor Agency for purpose of park and plaza construction and, upon completion of improvements, transfer of title to the City for public use pursuant to the DDA. The Successor Agency must enter into contracts with multiple contractors and consultants to implement and manage construction, including but not limited to, archaeological resource monitoring, soils monitoring, and other specialists. The anticipated funding for all of this work is included in the approved ROPS documents.

Pursuant to the DDA and settlement agreement between the Successor Agency and Mark Petrarca (Fine Feathered Friends), Mr. Petrarca is to construct a 7,000 square-foot industrial bird cage manufacturing facility located at Market and 33rd Street, while the Successor Agency is responsible for constructing the public improvements. The Successor Agency shall competitively bid the construction, enter into a contract for construction of the improvements and with any additional special consultants that are required by the City to oversee the construction. Again, the anticipated funding for the construction of the public improvements is included in the approved ROPS documents.

#### Conclusion

The Oversight Board is respectfully requested to authorize the Successor Agency to enter into contracts and amend existing contracts when required by enforceable obligations included in an approved ROPS, as

long as the Successor Agency's performance of such contracts or amendments will not result in the expenditure of funds in excess of the total payments in the approved ROPS documents.

BOARD ACTION: Action Time: 2:14 PM

MOTION BY MAUREEN STAPLETON TO PLACE ITEMS 3, 4, 5, 7 AND 8 ON A CONSENT CALENDAR AND APPROVE MOTIONS. Second by Bonnie Dowd.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: (None).

ITEM 9 – Report from the Successor Agency regarding APPROVAL OF THE THIRD RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROP 3), SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR ROPS 3, AND ASSOCIATED ACTIONS

**ITEM DESCRIPTION:**

Adoption of a resolution:

- (1) Approving the Third Recognized Obligation Payment Schedule covering the period from January 1 through June 30, 2013 ("ROPS 3");
- (2) Authorizing Successor Agency staff, with the approval of Oversight Board legal counsel, to make any necessary adjustments to ROPS 3 based on recent changes made by the State Department of Finance to the mandatory ROPS format, as well as written guidance from the State transmitted after the distribution of the updated ROPS format, provided that the substantive content of ROPS 3 remains substantially the same;
- (3) Approving the Administrative and Project Management Budget for the Successor Agency covering the period from January 1 through June 30, 2013; and
- (4) Authorizing the Successor Agency to enter into services contracts, management contracts and similar contracts, and amendments to existing contracts of that nature, for items that are budgeted in the approved ROPS 3, consistent with California Health and Safety Code Sections 34171(d)(l)(F) and 34177.3(b).

**STAFF RECOMMENDATION:**

Approve proposed actions.

**SUPPORTING INFORMATION:**

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill x1 26 ("AB 26"), enacted on June 28, 2011, and Assembly Bi111484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations and to retain the Former RDA's housing assets and assume the Former RDA's housing responsibilities.

Under the Dissolution Laws, the Recognized Obligation Payment Schedule ("ROPS") is the governing document as to payments that are allowed to be made by the Successor Agency during each applicable six-month period. Each ROPS is approved on a forward-looking basis for the upcoming six-month period. According to the Dissolution Laws, the ROPS has effectively superseded the Enforceable Obligation Payment Schedule ("EOPS") and the annual Statement of Indebtedness in terms of showing enforceable obligations to be paid by the Successor Agency.

The Successor Agency has submitted, and the State Department of Finance ("DOF") has approved, the first ROPS covering the period from January 1 through June 30, 2012 ("ROPS 1"), and the second ROPS covering the period from July 1 through December 31, 2012 ("ROPS 2"). The DOF has indicated that its decision on the prior ROPS's is final, but has reserved the right to object to any line items in ROPS 3 or any subsequent ROPS.

Changes since the Oversight Board Meeting of August 7, 2012

On or about August 1, 2012, the DOF released a revised ROPS template to be used for the ROPS 3 period, and made additional revisions to that template on or about August 9. The new template consolidated the previous forms A, B, and C onto one page and has eliminated the monthly detail of expenditures, previously shown on form B, and now only requires the total estimated expenditures for the six-month period covered by the ROPS. There is a new section to provide notes on any of the line items listed in the ROPS. Finally there is new section to provide a reconciliation of the ROPS 1 estimates to the actual payments for the ROPS 1 period.

In addition to the new ROPS template released by the DOF in early August 2012, the DOF has issued new guidance to successor agencies, on August 23, 2012, which addresses certain issues affecting how the ROPS is prepared. Due to the late release of the new guidance from the DOF, not all changes have been fully evaluated or incorporated into the attached ROPS 3 but staff will continue to work to update the ROPS consistent with guidance provided by DOF prior to the submission to the DOF. The major change to ROPS 3 based on the new guidance will impact the Total Outstanding Obligation listed on ROPS 3. Although ROPS 3 was prepared showing an estimated Outstanding Obligation as of December 31, 2012, the DOF has provided guidance that the Total Outstanding Obligation should reflect the balance as of June 30, 2012 (end of the ROPS 1 period) and should only be updated annually. Additionally the DOF has provided guidance that the actual payments shown on the ROPS I PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS section should be on a cash basis. Staff is concerned that this guidance, which is not based on any specific language in the Dissolution Laws, may cause issues related to ROPS 1 payments toward enforceable obligations that may have been delayed for reasons beyond the Successor Agency's control and then paid to third parties during the ROPS 2 period, as well as issues related to any associated potential cash flow issues affected by the "claw back" provisions in the Dissolution Laws.

Several Items were added to ROPS III since the Oversight Board saw it on August 7, 2012. Those items include:

- Addition of 900 F Street Affordable Housing Development- The developer has made a claim to the Successor Agency for \$58,400 of undisbursed loan proceeds associated with the construction of the 900 F Street Affordable Housing Projects pursuant to the DDA and loan agreement with the developer (Line #540)
- Addition of Claims made by the San Diego Unified School District regarding disputed back pass-through tax sharing payments for \$203,176 (Line #541 & 542)
- Addition of Claims made by the San Diego Unified School District regarding disputed back pass-through tax sharing payments for \$551,776 (Line# 543, 544, 545)

New Requirements under Assembly Bill1484

The most recent legislation, AB 1484, significantly changes and clarifies certain provisions of AB 26. Among other things, AB 1484 makes several changes to the process and timing for preparation and approval of each ROPS. Those changes include:

- AB 1484 adds California Health & Safety Code ("H&S Code") Section 34177(m), which has accelerated the deadline by which the Successor Agency must obtain the Oversight Board's approval of ROPS 3 and submit ROPS 3 to the DOF. The new submittal deadline is September 1, 2012, as opposed to October 1, 2012. The Fourth ROPS for the period of July 1, 2012 through December 31, 2013 ("ROPS 4") and all subsequent ROPS's must be submitted to the DOF and the San Diego County Auditor-Controller ("CAC") no fewer than 90 days in advance of the CAC's semi-annual distribution of funds from the Redevelopment Property Tax Trust Fund ("RPTTF").
- AB 1484 amends H&S Code Section 34179(h), extending the time frame by which the DOF has to request a review and to make its determination on the validity of enforceable obligations in each ROPS. The DOF now has five business days to request a review following its receipt of each ROPS, and up to 45 days total (if a review is timely requested) to make a determination on the amount of enforceable obligations and proposed funding sources shown on the ROPS. If the DOF does not request a review within five business days, the ROPS is deemed approved. However, if the DOF conducts a review of the ROPS, the DOF may eliminate or modify any item on the ROPS prior to its approval.
- Under H&S Code Section 34177(m), within five business days after the DOF's determination on each ROPS, the Successor Agency may request additional review by the DOF and an opportunity to meet and confer with the DOF on disputed items in the ROPS. The DOF must notify the Successor Agency and the CAC regarding the outcome of its additional review at least 15 days before the date of the CAC's semi-annual property tax distribution under the Dissolution Laws.
- H&S Code Section 37177(m) subjects the Successor Agency and its sponsoring community (i.e., the City) to onerous penalties if the Successor Agency fails to comply with certain new deadlines. For instance, if the Successor Agency fails to submit an Oversight Board-approved ROPS by the statutory deadline (e.g., September 1, 2012 for ROPS 3), the City will be subject to civil penalties in the amount of \$10,000 per day for each day the ROPS is delinquent. If the Successor Agency fails to submit a ROPS within 10 days after the deadline, the Successor Agency's maximum administrative cost allowance for the period covered by the applicable ROPS will be reduced by 25 percent. In addition, untimely submittal of the ROPS, in compliance with the DOF's content requirements, could result in the delay of distribution of funds from the CAC to the Successor Agency for the payment of enforceable obligations.
- AB 1484 adds H&S Code Section 34182.5, which enables the CAC to object to the inclusion of any items that are not demonstrated to be enforceable obligations, rather than only "certifying" the ROPS as prescribed under AB 26. The CAC is directed to notify the DOF, Successor Agency, and the Oversight Board concerning any objections, generally at least 60 days prior to the distribution date of funds from the RPTTF for the applicable ROPS period, except that for ROPS 3, the notice must be given no later than October 1, 2012. If an Oversight Board disputes the CAC's objection to any ROPS item, the Oversight Board may refer the matter to the DOF for a determination of what will be approved for inclusion in the applicable ROPS.
- AB 1484 amends H&S Code Section 34171(b), providing some clarity on the three percent administrative cost allowance to be allocated to the Successor Agency for each six-month ROPS period. AB 1484 states that administrative cost allowance excludes litigation costs, settlements and judgments, and maintenance costs for assets owned by the Successor Agency prior to disposition. Further, AB 1484 clarifies that employee costs for specific project implementation activities, such as project management and construction inspection, are considered project-specific costs and are not counted against the Successor Agency's administrative cost allowance.
- AB 1484 adds H&S Code Section 34176(g), which provides for the future expenditure of "excess" housing bond proceeds that were issued for affordable housing purposes prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund, but are not contractually committed at this time for a specific project. The successor housing entity (i.e., the City in this instance) is permitted to designate the use and commitment of excess housing bond proceeds and

to request the Successor Agency's inclusion of line items in ROPS 3 and any future ROPS for the expenditure of such proceeds. In reviewing the proposed inclusion of excess housing bond proceeds in any ROPS, the Oversight Board and the DOF are limited to a determination that the designations and commitments of such proceeds are consistent with bond covenants and that there are sufficient funds available. The use of the excess housing bond proceeds is not contingent upon the DOF's issuance of a finding of completion to the Successor Agency under H&S Code Section 34179.7.

- AB 1484 adds H&S Code Section 34191.4(c), which provides for the future expenditure of "excess" non-housing bond proceeds that were issued prior to January 1, 2011, but are not contractually committed at this time for a specific project. Such excess bond proceeds must be expended in a manner consistent with the original bond covenants, and obligations for the expenditure of such proceeds must be listed separately on the ROPS. Unlike the situation with excess housing bond proceeds, the use of the excess non housing bond proceeds is contingent upon the DOF's issuance of a finding of completion to the Successor Agency under H&S Code Section 34179.7.

### Third Recognized Obligation Payment Schedule

ROPS 3 has been based on the latest template as provided by the DOF. Several items listed on previous ROPS's have been fully depleted and no remaining obligation continues to be shown on ROPS 3. Further, certain items have been removed from ROPS 3 that were no longer necessary or redundant in nature. For example, several agreements between the Former RDA and the City of San Diego had been listed individually on previous versions of the ROPS's and were the line items by which the Successor Agency used to display administrative costs or project management costs. Those have been replaced with two lines 466 and 467. Line 466 of administrative budget for the Successor Agency as more thoroughly detailed in Attachment B - ROPS 3 Administrative and Project Management Budget. Line 467 represents the amount of project management costs associated with implementing projects on the enforceable obligation list or litigation costs, as more thoroughly detailed in Attachment B - ROPS 3 Administrative and Project Management Budget.

Other changes from previous ROPS's include the consolidation of similar lines into a single line item. For example, a single project may be funded from several sources, including RPTTF distributions, reserve balance, bond proceeds or other revenues. That project may have been represented on multiple lines, with each line dedicated to a specific funding source. Staff has done its best to consolidate those lines items into a single line in ROPS 3. Certain costs have been added to ROPS 3 not previously listed on ROPS 1 or ROPS 2. Those specific items include:

- Oversight Board Legal Counsel -Meyers Nave (Line 476);
- Audit required under AB 1484 of low and moderate income housing assets (Line 477);
- Audit required under AB 1484 of all other assets of the Successor Agency (Line 478);
- Expenses for general property management and claims (Line 474);
- Reserve for Debt Service (Line 479 and 480); and
- Unencumbered affordable housing bond proceeds and non-housing bond proceeds, consistent with the above-described provisions of AB 1484 (Line 481 and on).
- Addition of 900 F Street Affordable Housing Development- The developer has made a claim to the Successor Agency for \$58,400 of undisbursed loan proceeds associated with the construction of the 900 F Street Affordable Housing Projects pursuant to the DDA and loan agreement with the developer (Line #540)
- Addition of Claims made by the San Diego Unified School District regarding disputed back pass-through tax sharing payments for \$203,176 (Line #541 & 542)
- Addition of Claims made by the San Diego Unified School District regarding disputed back pass-through tax sharing payments for \$551,776 (Line# 543, 544, 545)



Each ROPS is prepared using estimates and staffs best assumption as to the timing and amount of payments in a given ROPS period. Actual payments during the ROPS 1 period may have varied from amounts listed in ROPS 1. The new ROPS 3 template includes a spreadsheet that seeks to reconcile estimated vs. actual payments related to ROPS 1. That spreadsheet identifies line items in which payments toward a particular enforceable obligation may have been above or below the amount listed in ROPS 1, although any increased payments during the six-month ROPS 1 period were within the maximum total payment obligation for the life of such enforceable obligation.

The initial ROPS 3 was prepared in the format received from the CAC on February 15, 2012 and is the same format used for ROPS 1 and ROPS 2. AB 1484 now requires the Successor Agency to submit each future ROPS in a format approved by the DOF. For a period of about two weeks starting in mid-July 2012, the sample ROPS previously posted on the DOF website had been removed and replaced by a comment indicating a revised sample ROPS will be forthcoming.

Successor Agency staff thus prepared ROPS 3 using the February 15 sample for purposes of bringing ROPS 3 to the Successor Agency's board (i.e., the City Council) on July 31, 2012, before its summer legislative recess. On or about August 1, 2012, the DOF posted an updated sample ROPS on its website. The DOF further revised the ROPS 3 template on or about August 9, 2012, and posted follow-up guidance to its website on August 23, 2012 (the guidance document is dated August 22, but was released on August 23). While ROPS 3 in its current form has been prepared using the DOF's latest template, staff is still reviewing the guidance provided by the DOF on August 23, 2012 to determine whether any additional changes to ROPS 3 may be required. As part of the proposed action approving ROPS 3, the Oversight Board is being asked to authorize any necessary adjustments to ROPS 3 based on the recent changes made by the DOF to the mandatory ROPS format as well as the guidance provided by the DOF on August 23, provided that the substantive content of ROPS 3 remains substantially the same.

Under AB 1484, a ROPS is not considered valid until the following conditions have been met:

- The ROPS is prepared by the Successor Agency and submitted to the Oversight Board;
- The Oversight Board approves the ROPS;
- The ROPS is then submitted to the CAC, DOF and State Controller; and
- The DOF's initial review period of five business days has expired or, if the DOF timely requests a review, the DOF has approved the ROPS with any deletions or revisions during a 45-day review period, subject to the potential meet-and-confer process between the DOF and the Successor Agency as described above.

Successor Agency ROPS 3 Administrative and Project Management Budget The Successor Agency ROPS 3 Administrative and Project Management Budget ("ROPS 3 Budget") is approximately \$4.2 million for ROPS 3. The budget is segregated by administrative costs and project management costs. The administrative cost portion of the budget is approximately \$2.8 million and the project management portion of the budget is approximately \$1.4 million. Further details of the ROPS 3 Budget can be found in Attachment B - ROPS 3 Administrative and Project Management Budget. The ROPS 3 Budget is funded with \$2,312,172 of 3% administrative cost allowance and \$1,883,328 of funds on hand from the Former RDA. Pursuant to the Successor Agency's policies and procedures adopted by the Successor Agency on February 13, 2012, the Successor Agency's administrative function will be coordinated through the Office of the Mayor and carried out by either City Staff or employees of a City-owned nonprofit public benefit corporation.

Pursuant to H&S Code Section 341770), the Successor Agency is required to adopt and propose an administrative budget to the Oversight Board for its approval. The proposed budget must include: (1) estimated amounts for the Successor Agency's administrative costs for the upcoming six-month period; (2) proposed sources of payments for the cost identified; and (3) proposals for arrangements for administrative and operations services provided by a city or other entity. The Successor Agency can receive, as an

administrative cost allowance, three percent of the amount disbursed by the CAC to the Successor Agency from the RPTTF. ROPS 3 shows that the amount of administrative cost allowance to be disbursed by the CAC to the Successor Agency will be approximately \$2,312,172. Based on guidance provided by the DOF and the current language in the Dissolution Laws, the Successor Agency is allowed to fund its administrative function beyond the three percent administrative allowance with any funds on hand such as bond proceeds or from other sources of the Fonner RDA, and project management costs associated with the implementation of enforceable obligations are deemed project-specific expenses and are not counted against the three percent administrative cost allowance.

As outlined in H&S Code Section 34177, the purpose of the Successor Agency's administrative function is the orderly wind down of the Fonner RDA's affairs and includes such functions as: making payments on enforceable obligations; maintaining any required reserves amounts; performing obligations required by enforceable obligations; disposing of assets and properties; enforcing all of the Fonner RDA's rights; expeditiously winding down the Fonner RDA's affairs; and preparing each ROPS and accompanying administrative budget. The table below provides a comparison of the proposed ROPS 3 Budget to the approved ROPS 2 administrative budget.

Expenditure	ROPS 3 Amount	ROPS 2 Amount	Change
Legal/Litigation Services	\$ 555,000	\$ 555,000	\$ 0
Financial/Debt Services	\$ 135,000	\$ 200,000	(\$ 65,000)
Accounting Services	\$ 270,000	\$ 270,000	\$ 0
Real Estate Services	\$ 136,000	\$ 50,000	\$ 86,000
Admin./Project Mgmt. Support	<u>\$3,099,500</u>	<u>\$2,397,000</u>	<u>\$ 702,500</u>
Total	<u>\$4,195,500</u>	<u>\$3,472,000</u>	<u>\$ 723,500</u>

The reduction in Financial/Debt Services is based on a revised estimate of the amount of bond funds invested by the City Treasurer, as well as a reduction of 5 basis points in the amount charged by the City Treasurer's Office to the Successor Agency on the amount of funds invested by the City Treasurer's Office, based on input provided by the Oversight Board in connection with the ROPS 2 administrative budget. The increase in Real Estate Service is representative of 1.5 FTE to support the requirements under AB 26 and 1484. The ROPS 2 budget provides a \$50,000 provision only. The \$489,000 increase in Administrative/Project Management Support is primarily attributable to the allocation of City GGSB typically assessed in January as well as the addition a 2 FTE from the Economic Growth Services Department for services provided by two City employees who have previously worked on behalf of the Former RDA and will assist in the wind down activities related to both administrative and project management functions. Authority to Enter into Contracts for Budgeted Expenses H&S Code Section 34171 (d)(1)(F) confirms that contracts necessary for the administration or operation of the Successor Agency, including, but not limited to, agreements concerning litigation expenses related to assets or obligations, settlements and judgments, and agreements related to the costs of maintaining assets prior to disposition, are enforceable obligations. In addition, H&S Code Section 34177 .3(b) states that the Successor Agency may create new enforceable obligations to conduct the work of winding down the Former RDA's operations, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance.

The Successor Agency anticipates, based on the past experience of the Former RDA, that certain circumstances, while presently unforeseen, may arise in the future that will cause the Successor Agency to incur additional costs for management and security of properties and other assets, and unforeseen litigation and claims, above and beyond the costs estimated in specific line items in ROPS 3. As such, ROPS 3 includes a line item for costs of this nature up to an aggregate maximum of \$500,000 during the applicable six-month period (Line 474), although such costs are not yet identified under an existing contract with a specific payee.

The Successor Agency further anticipates, based on the past experience of the Former RDA, that certain circumstances, while presently unforeseen, may arise in the future that cause the Successor Agency to incur other additional expenses, above and beyond the expenses shown in ROPS 3, in order to wind down the Redevelopment Agency's operations in an orderly fashion and to avoid or minimize liabilities, including, but not limited to, exposure to claims or litigation. Before its dissolution, the Former RDA could rely upon a steady stream of tax increment revenue and reserve balances to address any unforeseen circumstances. Now that the Former RDA has dissolved and the stream of revenue has been substantially altered, the Successor Agency believes it is prudent to retain a contingency amount to address unforeseen circumstances, consistent with generally accepted accounting practices. As such, ROPS 3 includes a line item for costs of this nature up to an aggregate maximum of \$500,000 during the applicable six-month period (Line 475), although such costs are not yet identified under an existing contract with a specific payee.

As part of this proposed action, the Oversight Board is being asked to authorize the Successor Agency to enter into services contracts, management contracts and similar contracts, and amendments to existing contracts of that nature, for items that are budgeted in the approved ROPS 3, consistent with California Health and Safety Code Sections 34171(d)(1)(F) and 34177.3(b). This streamlined approach will allow the Successor Agency to operate in an efficient manner and to address unforeseen circumstances without delay, thereby minimizing the Successor Agency's exposure to new claims and liabilities, to the benefit of the local taxing entities. Before this streamlined approach can be used, both the Oversight Board and the DOF will need to approve ROPS 3.

#### Conclusion

The Oversight Board is respectfully requested to approve ROPS 3, the ROPS 3 Budget, and associated actions as described above.

BOARD ACTION: Action Time: 2:22 PM

MOTION BY ANDRA DONOVAN TO RATIFY THE APPROVAL OF THE FIRST MOTION ON AUGUST 28, 2012, APPROVING LINE ITEMS IN ROPS 3 THAT SHOW SAN DIEGO GAS & ELECTRIC AND/OR SEMPRA ENERGY AS THE PAYEE OF AN ENFORCEABLE OBLIGATION.

Second by Ron Roberts

Passed by the following vote:

Yea: Bonnie Ann Dowd, Ron Roberts, Peter Q. Davis, Andra Donovan

Nay: (None);

Recused: Maureen Stapleton, Mark Nelson, James Davies,

Not Present: (None).

ITEM 1 – Report from the Successor Agency regarding authorization and direction to transfer affordable housing assets from the Successor Agency to the City as Successor Housing Entity and to the low and moderate income housing asset fund

#### **DISCUSSION:**

##### Background

On June 28, 2011, Governor Brown signed Assembly Bill x1 26 (the “Dissolution Act”) that provides for the elimination of redevelopment agencies and tax increment funding throughout the state and a process for winding down the activities of former redevelopment agencies. Section 34176(a) of the legislation allows the entity assuming the role of the Successor Housing Entity to retain the housing assets and functions previously performed by the former redevelopment agency, excluding any unencumbered

amounts on deposit in the Low and Moderate Income Housing Fund (LMIHF). On January 10, 2012, the City Council designated the City to serve as the Successor Agency to the former Redevelopment Agency of the City of San Diego (“Former RDA”) for purposes of winding down the Former RDA’s operations and to serve as the Successor Housing Entity by retaining the Former RDA’s housing assets and assuming the Former RDA’s housing responsibilities.

The Dissolution Act lacked clarity as to the definition of affordable housing assets that may be retained and provided no deadline by which the transfer of housing assets from the Successor Agency to the Successor Housing Entity must occur. To date, the Successor Agency has not transferred any housing assets to the City in its capacity as the Successor Housing Entity.

On June 27, 2012, Governor Brown signed new legislation, Assembly Bill 1484 (“AB 1484”), that significantly changes and clarifies certain provisions of the Dissolution Act. Among the many changes, AB 1484 expands the scope of “housing assets” to include:

- any real property acquired for affordable housing purposes regardless of source of funds, any interest in or restriction on the use of such real property, whether improved or not, and any personal property within the residences;
- tax increment or other funds encumbered for housing-related enforceable obligations;
- loans, grants receivable, and financial assistance agreements such as Owner Participation Agreements (OPAs), and Disposition and Development Agreements (DDAs), utilizing the LMIHF;
- rents and payments from operations of properties acquired for low- and moderate income housing purposes; and
- repayments of loans or deferrals owed to the LMIHF.

In the case of a mixed-use asset that includes both affordable housing and other types of property use, the legislation allows the Oversight Board to determine whether the benefit to the community by preserving and retaining the mixed-use asset in the Successor Housing Entity’s ownership outweighs the benefit to the taxing entities that may be realized by dividing title and control over the asset or disposing of the asset through a revenue-sharing arrangement. As described below, the Successor Agency proposes to transfer certain mixed-use assets to the City in its capacity as the Successor Housing Entity.

#### Transfer of Housing Assets

AB 1484 required that a list of all housing assets previously transferred to the Successor Housing Entity be submitted to the State Department of Finance (DOF) by August 1, 2012. On July 18, 2012, the DOF provided a template titled “Department of Finance Housing Assets List” (“Housing Assets List”) containing numerous exhibits which would be utilized to organize the various transferred housing assets for the DOF’s review. In this instance, the Successor Agency had not yet transferred any housing assets to the City as Successor Housing Entity by that date. At the direction of the DOF on July 31, 2012, the City submitted the Housing Assets List in blank form to comply with the AB 1484 deadline. Through an attached cover letter dated August 1, 2012, the City indicated that the Successor Agency expects to seek the Oversight Board’s direction regarding the transfer of housing assets at the earliest opportunity, as required by California Health and Safety Code Section 34181(c). The DOF subsequently responded to the City with a “no objection” form letter dated August 21, 2012. The cover and response letters are attached to this report. The Oversight Board’s decision will be subject to review and approval by the DOF.

Per AB 1484, all non-real property assets transferred to the Successor Housing Entity shall be maintained in a separate account known as the Housing Asset Fund. All revenues generated from the housing assets are to be used for the purposes of maintaining, producing, preserving or improving affordable housing. The costs of maintaining the real property assets transferred to the Housing Successor Entity will be funded by the encumbered LMIHF transferred and the program income generated from the properties. Any

enforceable obligations approved by the Oversight Board and DOF related to the housing assets retain their enforceable status.

AB 1484 clarifies the Dissolution Act by allowing the Successor Housing Entity to cause the Successor Agency's expenditure of Excess Bond Proceeds, which include bond proceeds issued prior to 2011 for purposes of affordable housing that are not presently committed under an enforceable obligation. In accordance with AB 1484 amendments to California Health and Safety Code Section 34176(g)(1)(B), the Successor Housing Entity notified the Successor Agency on July 20, 2012 of its intended use of the Excess Bond Proceeds, which total approximately \$35.6 million. The proposed expenditure of the Excess Housing Bond proceeds is listed in a series of line items on the third Recognized Obligation Payment Schedule (ROPS 3) covering the first half of 2013, approved by the Oversight Board on August 28, 2012 and subsequently forwarded to the DOF for review. The Excess Housing Bond proceeds are not included in the Housing Assets List because California Health and Safety Code Section 34176(g)(2) requires the Successor Agency to retain possession of those proceeds. To the extent that affordable housing funds do not constitute Excess Housing Bond proceeds and are not presently committed through an enforceable obligation, AB 1484 requires the Successor Agency to distribute those funds to the County Auditor-Controller in late 2012 for pro rata distribution to the local taxing entities. That distribution will occur following the completion and the DOF's approval of the housing asset audit, which is currently underway.

#### Housing Assets List

Since receiving the Housing Assets List template, Successor Agency staff has been working to complete the detailed information requested in the template's various exhibits. The attached Housing Assets List contains the assets proposed for transfer from the Successor Agency to the Housing Successor Entity. The list is broken down as follows:

##### Exhibit A: Real Property

- Includes any real property, interest in, or restriction on the use of real property acquired for low- and moderate-income purposes, segregated into two types: real property and covenants.
- Real properties include a total of 22 sites located in the redevelopment project areas located in downtown and southeastern San Diego (there are no affordable properties located in the City's other redevelopment project areas). Some sites are land developed low- and moderate-income housing through ground leases with the Successor Agency, while other sites are land acquired for the purpose of producing affordable housing (which may include some ground-floor commercial uses) or mixed-use development with a significant affordable housing component and are being held for future redevelopment. Additional information on the mixed-use assets is included below.
- Covenants include recorded covenants on 155 properties in favor of the Former RDA, restricting properties for affordable housing purposes.

##### Exhibit B: Personal Property

- Includes an affordable housing database and all housing-related files and loan documents that are considered personal property acquired for low- and moderate-income housing purposes.

##### Exhibit C: Low-Moderate Encumbrances

- Includes funds encumbered by 53 low- and moderate-income housing projects, properties or programs included as enforceable obligations on ROPS 3 and prior six-month payment schedules. The total amount of funds listed in Exhibit C is approximately \$65.9 million.

##### Exhibit D: Loans/Grants Receivables

- Includes 35 forgivable and 46 non-forgivable notes receivable related to loans made by the Former RDA for a variety of low- and moderate-income housing projects approved through OPAs, DDAs, rehabilitation agreements, first-time homebuyer programs, etc.

#### Exhibit E: Rents/Operations

- Includes funds derived from rents or operations of properties acquired for low- and moderate-income housing purposes, including residual receipt payments and potential cost saving proceeds from developers, ground leases recorded on properties containing affordable housing, and revenues derived from real properties listed on Exhibit A.

#### Exhibit F: Rents

- Includes 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.

#### Exhibit G: Deferrals

- The DOF's template requires a listing of all repayments of loans or deferrals owed to the LMIHF. There are no applicable loans or deferrals to the Former RDA's LMIHF. The values included in the Housing Assets List exhibits are as of June 30, 2012. The actual amount transferred may vary from those presented on the attachments based on adjustments between June 30 and the date of the actual transfer. On July 23, 2012, the Board of the Successor Agency and the City Council adopted companion resolutions that authorize the execution and recording of appropriate conveyance instruments, such as quitclaim deeds and assignment and assumption agreements, to accomplish the transfer of housing assets. After the Oversight Board and the DOF have approved the transfer of housing assets, Successor Agency staff will coordinate the transfer of those assets from the Successor Agency to the City as Successor Housing Entity.

#### Mixed-use Assets

There are seven (7) assets listed on Exhibit A of the Housing Assets List that represent real properties acquired for mixed-use development with a significant affordable housing component and are being held for future redevelopment. The assets include:

Item 1: GSA Child Care Center

Item 6: 13th & Broadway (East Village Fire Station and Affordable Housing Site)

Item 7: Park & Market Block

Item 8: 7th & Market

Item 9: Popular Market

Item 10: 13th & Market

Item 19: Hilltop and Euclid Site

The first six (6) properties are located in downtown San Diego and range in size from approximately 19,000 square feet (or about one-third city block) to approximately 55,000 square feet (or about one whole city block). The seventh property (Hilltop and Euclid Site) is located in southeastern San Diego and measures approximately 372,000 square feet in size (or about eight and one-half acres). While the specific mix of uses for each site has not been determined, the uses could range from a combination of hotel, office, retail, commercial services, affordable and market rate residential, cultural and public.

The Successor Agency submits that the significant affordable housing component of the mixed-use developments will warrant retaining those assets in the Successor Housing Entity's ownership and that attempting to divide ownership between the Successor Housing Entity and other entities will not be in the best interests of the local community or the local taxing entities.

#### Conclusion

Pursuant to the Dissolution Act and AB 1484, the Successor Agency is required to transfer certain affordable housing assets to the Successor Housing Entity and the Housing Asset Fund. The transfer of these assets will preserve the City's investment in affordable housing and maintain compliance with the Dissolution Act and AB 1484.

The Oversight Board is respectfully requested to adopt the proposed resolution, in accordance with California Health and Safety Code Section 34181(c), directing the Successor Agency to transfer the affordable housing assets, as included on the attached Housing Assets List, to the City as Successor Housing Entity and to the Housing Asset Fund, utilizing the appropriate conveyance instruments.

Public Comment in favor submitted by: Pat Stark and Rick Gentry

BOARD ACTION: Action Time: 2:52 PM

MOTION BY PETER Q. DAVIS TO ADOPT RESOLUTION AND INCLUDE THE NADVERTENTLY OMITTED LINE ITEM 7 REGARDING THE PARK AND MARKET BLOCK TO EXHIBIT E OF THE HOUSING ASSETS LIST, WHICH CORRELATES TO THE EXISTING LINE ITEM 7 IN EXHIBIT A OF THE HOUSING ASSETS LIST. Second by James Davies

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: Andra Donovan.

Approval of committee minutes from August 28, 2012 meeting.

BOARD ACTION: Action Time: 2:53 p.m.

MOTION BY RON ROBERTS TO APPROVE. Second by James Davies.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: Andra Donovan.

ITEM 2 – Report from the Successor Agency regarding ADOPTION OF A RESOLUTION TO APPROVE A TERMINATION AND SURRENDER OF LEASE AGREEMENT RELATED TO A SUCCESSOR AGENCY OFFICE SPACE LEASE, IN CITY HEIGHTS, WITH PRICE CHARITIES.

**DISCUSSION:**

Background

In May 2003, the former Redevelopment Agency (Tenant) entered into a ten (10) year lease with San Diego Revitalization Corporation, currently Price Charities, (Landlord) for a 1,441 square foot first floor office within the City Heights Center, an office building located at 4305 University Avenue, within the Mid-City community of City Heights. The purpose of the lease was to provide field office space for Redevelopment Agency staff and for the Mid-City Community Service Center for the City Heights community. The lease commenced on April 1, 2004 with a term of ten (10) years, with two five-year extensions. The lease is scheduled to terminate in March 2014. The lease allows the Tenant to sublease the

office space, with permission from the Landlord, but the lease does not include an early termination provision.

Due to budget constraints, the Mid-City Community Service Center, (along with other Community Service Centers) was closed in June 2005. The subject lease was amended, by the Tenant and the Landlord in August 2006, to allow the former Redevelopment Agency staff to move to a smaller suite consisting of 1,048 square feet located on the fifth floor. The other terms and conditions of the lease remained the same.

Currently, the Successor Agency to the former Redevelopment Agency pays approximately \$3,660 per month, (including base rent, parking, common area maintenance and utility charges). The total obligation remaining to be paid under the lease is \$72,486.00, October 2012 – March 2014. Similar to other commercial leases in privately owned buildings, the lease is managed by the City's Real Estate Assets Department (READ), on behalf of the Successor Agency. The lease is identified on the Recognized Obligation Payment Schedules (ROPS) #1 and #2 and listed most recently in ROPS #3 (January – June 2013), as Item #141.

With the dissolution and winding down of the former Redevelopment Agency, the office space is no longer needed by the Successor Agency, and can be terminated as an enforceable obligation. Although the lease agreement does not have a termination provision, Price Charities, in the interest of mutual cooperation, has agreed to terminate the lease. Through several months of marketing, Price Charities has identified a new/suitable tenant, San Diego Organizing Project (SDOP) to occupy the space. SDOP is a non-profit faith based community organization established to address local and community issues.

The attached Termination and Surrender of Lease Agreement ("Agreement") has been prepared and is requested to be approved by the Oversight Board. In consideration for being released from any future liability or obligations under the lease, the Successor Agency is agreeing and Price Charities is accepting a lump sum termination payment of \$27,603.12 for the shortfall in rental payments with SDOP which is less than the payments that would otherwise have been made by the Successor Agency through the remaining term of its lease (March 2014). This lump sum payment recognizes that the landlord is losing a high value tenant and is doing so voluntarily. In addition, the Successor Agency would pay for any remaining utility and common area maintenance charges for a portion of August 2012 and the balance of September 30, 2012, estimated at \$300.

#### Conclusion

The Oversight Board is respectively requested to approve the Agreement. Approving the Agreement will save the Successor Agency \$44,882.88 over the remaining term of the obligation and those savings can then be distributed to other taxing entities on a pro-rata basis. Finally, with this action, and approval by the State Department of Finance, Item #141 on ROPS #3 will then be removed from future ROPS.

Public Comment in favor submitted by" Jim Varnadore and Pat Stark

BOARD ACTION: Action Time: 3:01 p.m.

MOTION BY RON ROBERTS TO APPROVE. Second by Maureen Stapleton.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: Andra Donovan.



ITEM 6 - Report from the Successor Agency regarding REQUEST FOR AUTHORIZATION TO CONSENT TO OR APPROVE REFINANCING, LOAN MODIFICATIONS, OR LOAN SUBORDINATIONS THAT WILL NOT HAVE ANY SUBSTANTIAL ADVERSE IMPACT ON THE SUCCESSOR AGENCY'S FINANCIAL INTERESTS. \*Consent

**DISCUSSION:**

Background

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA") in accordance with Assembly Bill xl 26 (the "Dissolution Act"), enacted on June 28, 2011, and Assembly Bill 1484 ("AB 1484"), enacted on June 27, 2012 (collectively, the "Dissolution Laws"). On January 10, 2012, the City Council designated the City of San Diego ("City") to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA's operations.

At the Oversight Board meeting of May 31, 2012, the Oversight Board approved the Second Recognized Obligation Payment Schedule covering the period from July 2012 to December 2012 (ROPS 2). On August 28, 2012, the Third Recognized Obligation Payment Schedule (ROPS 3), covering the period from January 1 through June 30, 2013, was approved by the Oversight Board.

Subsequent to that approval, as part of the state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to date at the state and local level implementing the Dissolution Act. AB 1484 in several ways clarifies the role of a Successor Agency to conduct certain activities and also authorizes a Successor Agency to perform activities not expressly stated in the Dissolution Act

One such clarification, set forth in Health and Safety Code Section 34177(c), provides clear authority for the Successor Agency to perform obligations required pursuant to any enforceable obligation. However, in some cases, the Successor Agency must exercise some limited discretion as to whether to grant approval or consent for certain actions to be taken pursuant to an enforceable obligation. While Section 34177(c) requires that the Successor Agency perform obligations required pursuant to any enforceable obligation, the Dissolution Laws are generally unclear as to whether the Successor Agency can provide discretionary consent to or approval of proposed actions under enforceable obligations, and execute related documents, without Oversight Board authorization. For that reason, the Successor Agency is requesting, in an abundance of caution, that the Oversight Board confirm that the Successor Agency is authorized to grant these limited discretionary consents or approvals.

This request relates to requests to the Successor Agency for approval of or consent to refinancing, loan modifications, and loan subordinations related to non-housing projects pursuant to the terms of the agreements governing those projects, which the Successor Agency expects to receive from time to time for various projects over the course of the winding down of the former RDA's operations. For example, the Successor Agency expects to receive three or four requests for approvals of refinancing and loan modifications related to various transactions under the Disposition and Development Agreement for the former Naval Training Center (NTC) within the next several months. The proposed authorization from the Oversight Board would allow the Successor Agency to approve or consent to requested refinancing, loan modifications, and loan subordinations that are consistent with the terms of the applicable enforceable obligation agreement and which will not have any substantial adverse impact on the financial interests of the Successor Agency.

The Successor Agency anticipates it will receive several requests of this nature in the near future. Therefore, the Successor Agency is requesting a “confirmation of authority” to consent to or approve in response to this type of request, rather than returning to the Oversight Board for each specific request. This streamlined approach will allow the Successor Agency to operate in an efficient manner and to fulfill obligations without delay and within more reasonable timelines and budgets, while minimizing the Successor Agency’s exposure to new claims and liabilities. This is to the benefit all local taxing entities.

This request is one of several that will streamline the implementation of approved ROPS projects and help avoid an overly burdensome, costly and time-consuming implementation process and minimize risk of failure to meet our contractual responsibilities.

#### Conclusion

The Oversight Board is respectfully requested to authorize the Successor Agency to approve refinancing, loan modifications, and loan subordinations pursuant to enforceable obligations, and to execute all related documents, if the proposed refinancing, loan modification, or loan subordination will not have any substantial adverse impact on the Successor Agency’s financial interests.

BOARD ACTION:      Action Time: 3:09 p.m.

MOTION BY PETER Q. DAVIS TO APPROVE. Second by Ron Roberts.

Passed by the following vote:

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

Nay: (None);

Recused: (None);

Not Present: Andra Donovan.

ADJOURNMENT:

The meeting was adjourned by Chair Mark Nelson at 1:58 p.m.