



City of San Leandro

Meeting Date: January 19, 2016

Staff Report

File Number: 15-718 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.E.

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for a Resolution of the Successor Agency to the Redevelopment Agency of the City of San Leandro Adopting a Recognized Obligation Payment Schedule (ROPS) for the Period July 1, 2016 - June 30, 2017, Pursuant to Health and Safety Code Section 34177(l)

RECOMMENDATIONS

Staff recommends that the governing board of the Successor Agency to the Redevelopment Agency of the City of San Leandro adopt a Resolution approving a Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017.

BACKGROUND

Pursuant to Assembly Bill x1 26, on January 9, 2012, the City Council affirmed its decision to have the City serve as the Successor Agency to the former Redevelopment Agency (Agency). Assembly Bill 1484, passed by the State Legislature on June 27, 2012, modified AB x1 26 to clarify that successor agencies are separate legal entities from the city that formed the redevelopment agency. Under Senate Bill 107, introduced and passed by the State Legislature on September 11, 2015, the Successor Agency is obligated to prepare a Recognized Obligation Payment Schedule (ROPS) every fiscal year that lists all enforceable obligations payable during that twelve month period. This differs from the previous requirement to prepare a ROPS for every six-month period. Approval of the ROPS by the Successor Agency Oversight Board is also required prior to submission to the California Department of Finance (DOF). The Successor Agency can only pay obligations that are listed on the ROPS and approved by the DOF.

Analysis

A primary responsibility of the Successor Agency is to oversee the payment of Enforceable Obligations. Enforceable Obligations are defined as:

- Bonds including debt service reserve set asides and any other required payments;
- Loans borrowed by the Agency;
- Payments required by the federal or state governments;
- Pension and unemployment payments for Agency employees;
- Judgments, settlements or binding arbitration decisions; and
- Any legally binding and enforceable contract that does not violate the debt limit or public policy.

City-Agency Agreements

After the submittal of earlier versions of the San Leandro ROPS, the DOF informed the Successor Agency that it did not consider some items to be enforceable, arguing that AB x1 26 does not recognize agreements between a redevelopment agency and the city that created it. This determination related to a loan from the City General Fund to the Joint Redevelopment Project Area with a balance of \$2.1 million (ROPS Obligation #9) and four Cooperative Agreements to fund \$9.1 million in capital improvement projects (ROPS Obligations #27-30).

A lawsuit to challenge the DOF's interpretation was filed in December 2013 and a decision published on September 25, 2014 found that the Successor Agency actions to re-enter into these agreements were valid and that the DOF had abused its discretion in rejecting these items on the ROPS. In a letter received on May 14, 2015, the DOF informed the Successor Agency that it would no longer dispute these items and they will be approved on future ROPS.

Consequently, items #9 and 27-30 are now deemed approved enforceable obligations. Therefore, ROPS 15-16B included a request for the majority of funding due under the \$2.1 million General Fund loan and the full \$1.5 million due for the Eden Road construction project. The current ROPS requests funding for the remaining payment due under the Joint Project Loan, the full funding required for the MacArthur Boulevard streetscape project (\$1,274,134), and the first installment of \$400,000 to complete design of the Doolittle Drive streetscape project. Future ROPS submittals will include the obligated funding for the remaining phase of the Doolittle Drive streetscape project (\$4.2m) and the Hays Street (Dan Niemi Way) reconfiguration (\$2.0m).

City Advance for and Re-Listed Payments Related to Funding Shortfall

As part of the previous ROPS submittal (ROPS 15-16B), the Successor Agency requested approval of a "City Advance" of \$779,051 to remedy a shortfall in the Successor Agency's fund balance. The shortfall resulted from an adjustment the DOF made to an earlier distribution of funds. In its review of an earlier ROPS, the DOF determined that the Successor Agency had a substantial amount of funding on hand to pay enforceable obligations. Therefore, the DOF made a significant reduction to the amount of funding remitted to the Successor Agency to pay those obligations. The Successor Agency believes that the DOF determination was erroneous and submitted documentation to justify this assertion. The City Advance was intended to remedy the shortfall temporarily and would have been paid back using funds distributed under ROPS 15-16B. Unfortunately, the DOF denied this advance as an enforceable obligation and the City Advance was not executed. Therefore, the Successor Agency continues to have a negative fund balance.

Although the Successor Agency continues to disagree with the DOF determination, the Agency is following DOF guidance and attempting to remedy the shortfall through a different

approach on the current ROPS. The current approach involves re-listing certain expenditures that exceeded the Agency's funding distributions on past ROPS. Specifically, the following payments have been re-listed on ROPS 2016-17:

- **Ford Store Sales Tax Rebate Agreement.** On ROPS 14-15A, the Successor Agency requested and received \$185,000 for this obligation. However, due to a strong spike in sales volume, the actual payment was \$207,546. The difference of \$22,546 is included on the current ROPS along with the estimated payment for the upcoming year.
- **2014 Tax Allocation Bonds.** In 2014, the Agency issued refunding bonds to refinance earlier 2002 and 2004 bond issuances by the Redevelopment Agency. As part of the refunding, the Agency paid accrued interest of \$142,421 at the time of the refunding. This payment was not previously listed on a ROPS and will therefore be listed on ROPS 2016-17.
- **Casa Verde Operating Agreement.** The Successor Agency requested and received \$111,254 for a required payment under this agreement on ROPS 14-15B covering the period from January-June 2014. However, the payment was made a month early in December 2014. Because the funding was not expended in the period it was requested the DOF applied a later funding adjustment, reducing a distribution to the Agency.

The Agency is hopeful that the DOF will disburse funds for these past payments, thereby significantly reducing the Agency's funding shortfall. Should this approach not be successful, the Agency will explore alternative options to remedy this shortfall, which may include revisiting action related to the DOF's denial of the City Advance on ROPS 15-16B. The Agency will also continue to work with the DOF in the hopes of reaching an agreement that will remedy the remainder of the shortfall.

Plaza Loan

One new item, a reinstated loan owed by the Plaza Project Area to the City General Fund, is included in ROPS 16-17 for the first time. An amended loan agreement and promissory note is also scheduled for approval at the January 19, 2016 City Council meeting. In 2004, the City and the Redevelopment Agency approved a promissory note and a loan of \$2.6 million from the City to the Plaza Redevelopment Project Area. In 2011, the Agency made payments of \$2.4 million to retire that obligation prior to the elimination of the Redevelopment Agency, however those payments were ultimately reversed when a court ruling determined that the dissolution law retroactively reversed all payments made after January 1, 2011 on City-Agency funding agreements.

When the dissolution law was amended by SB 107 in 2015, the Agency gained the ability to reinstate the loan subject to several conditions outlined in the staff report for that item. Assuming that action is approved by the Oversight Board and the DOF, it will become an enforceable obligation on the ROPS. Over the next seven years, the Agency anticipates making approximately \$3m in payments to the City General Fund to retire this obligation. The Plaza Project Loan is included on the current ROPS, however payments are not scheduled to begin until the next fiscal year.

Administrative Budget

The ROPS also contains an administrative budget for the Successor Agency. Based on direction from the DOF, the amount of the administrative allowance is the greater of 3% of

funds received from the Redevelopment Property Tax Trust Fund or \$250,000 annually. For the 2016-2017 ROPS period, the \$250,000 minimum will apply.

The Oversight Board is scheduled to approve this ROPS on January 27, 2016 and it will be forwarded to the DOF, the State Controller's Office and the Alameda County Auditor Controller after that action is finalized.

Previous Actions

- On January 9, 2012, the City Council affirmed its decision to have the City serve as the Successor Agency for the former Redevelopment Agency and to retain the Agency's housing assets and functions.

Fiscal Impacts

As noted above, the Enforceable Obligations listed on the ROPS are paid using funds disbursed by the County Auditor-Controller through property tax revenue deposited into the Redevelopment Property Tax Trust Fund (RPTTF). The General Fund (or any other City fund) does not bear any responsibility for the payment of approved enforceable obligations of the former Redevelopment Agency.

ATTACHMENT

Attachment to Resolution

- ROPS

PREPARED BY: Jeff Kay, Business Development Manager, Community Development Department



City of San Leandro

Meeting Date: January 19, 2016

Resolution - SA

File Number: 15-719

Agenda Section: CONSENT CALENDAR

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION of the Successor Agency to the Redevelopment Agency of the City of San Leandro Adopting a Recognized Obligation Payment Schedule (ROPS) for the Period July 1, 2016 - June 30, 2017, Detailing the Obligations of the Former Redevelopment Agency Pursuant to Health and Safety Code Section 34177(l)

WHEREAS, pursuant to Resolution No. 2012-001, adopted by the City Council of the City of San Leandro on January 9, 2012, the City of San Leandro ("City") agreed to serve as the Successor Agency to the Redevelopment Agency of the City of San Leandro (the "Successor Agency") commencing upon the dissolution of the Agency on February 1, 2012; and

WHEREAS, pursuant to Health and Safety Code Section 34177(l), before each twelve-month fiscal period, the Successor Agency to a dissolved Redevelopment Agency is required to adopt a Recognized Obligation Payment Schedule ("ROPS") that lists all of the obligations that are "enforceable obligations" within the meaning of Health and Safety Code Section 34177, and which identifies a source of payment for each such obligation from among (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) the administrative cost allowance, (v) revenues from rents, concessions, interest earnings, and asset sales, and (vi) the Redevelopment Property Tax Trust Fund established by the County Auditor-Controller to the extent no other source of funding is available or payment from property tax is contractually or statutorily required; and

WHEREAS, the ROPS must be concurrently submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the Oversight Board established to review Successor Agency actions; and

WHEREAS, once the ROPS is approved by the Oversight Board, the ROPS must be posted on the Successor Agency's website and transmitted to the County Auditor-Controller, the State Controller and the State Department of Finance.

NOW THEREFORE, BE IT HEREBY RESOLVED by the governing board of the Successor Agency to the Redevelopment Agency of the City of San Leandro that it does hereby resolve as follows:

1. The Recognized Obligation Payment Schedule (ROPS) for July 1, 2016 - June 30, 2017, attached hereto as Exhibit A is hereby approved.

2. The Executive Director or designee is authorized and directed to take all actions necessary to implement this Resolution, including without limitation, the submittal of the ROPS to the County Administrative Officer, the County Auditor-Controller, the Oversight Board, the State Department of Finance and the State Controller, and the posting of this Resolution and the ROPS on the Successor Agency's website.

3. The Executive Director and the Treasurer, and their designees, are authorized and directed to take such actions as necessary and appropriate to carry out and implement the intent of this Resolution, including without limitation, the establishment of separate accounts and funds as necessary to appropriately document the receipts and expenditures of the Successor Agency.

Recognized Obligation Payment Schedule (ROPS 16-17) - Summary

Filed for the July 1, 2016 through June 30, 2017 Period

Successor Agency: San Leandro
County: Alameda

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	16-17A Total	16-17B Total	ROPS 16-17 Total
Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding			
A Sources (B+C+D):	\$ 125,000	\$ -	\$ 125,000
B Bond Proceeds Funding	125,000	-	125,000
C Reserve Balance Funding	-	-	-
D Other Funding	-	-	-
E Enforceable Obligations Funded with RPTTF Funding (F+G):	\$ 4,981,444	\$ 4,112,923	\$ 9,094,367
F Non-Administrative Costs	4,856,444	3,987,923	8,844,367
G Administrative Costs	125,000	125,000	250,000
H Current Period Enforceable Obligations (A+E):	\$ 5,106,444	\$ 4,112,923	\$ 9,219,367

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (o) of the Health and Safety code, I
 hereby certify that the above is a true and accurate Recognized
 Obligation Payment Schedule for the above named successor
 agency.

 Name Title
 /s/ _____
 Signature Date

San Leandro Recognized Obligation Payment Schedule (ROPS 16-17) - ROPS Detail

July 1, 2016 through June 30, 2017

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	L	M	N				Q	R				W								
													16-17A					16-17B												
													Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)					RPTTF					Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)				RPTTF			
													Bond Proceeds	Reserve Balance	Other Funds	Non-Admin		Admin	Bond Proceeds	Reserve Balance	Other Funds		Non-Admin	Admin	Bond Proceeds	Reserve Balance	Other Funds	Non-Admin	Admin	
								\$ 96,326,971	\$ 47,705,772	\$ 9,219,367	\$ 125,000	\$ -	\$ -	\$ 4,856,444	\$ 125,000	\$ 5,106,444	\$ -	\$ -	\$ -	\$ 1,835,438	\$ 125,000	\$ 4,112,923								
5	2008 Tax Allocation Bonds	Bonds Issued On or Before	9/1/2008	9/1/2008	US Bank	\$27.53m debt issuance to fund capital	Joint	47,705,772	N	\$ 3,053,032					\$ 1,217,594	\$ 1,217,594						\$ 1,835,438								
6	Urban Analytics	Fees	1/1/2015	12/31/2015	Urban Analytics	Continuing Disclosure Requirements for Bonds and Fiscal Analysis of Tax Increment	All	370,000	N	\$ 30,000					15,000	\$ 15,000						\$ 15,000								
7	232 East 14th Street-Senior Housing	OPA/DDA/Construction	8/1/2000	8/1/2019	Bank of New York Mellon	HUD Section 108 Loan for Senior Housing Project at 232 East 14th Street	HSG	314,049	N	\$ 69,452					66,645	\$ 66,645				2,807		\$ 2,807								
9	General Fund Loan - Auto Mall	Reentered Agreements	4/8/2004	7/1/2032	City of San Leandro	Loan from City General Fund (Res 2004-11 RDA)	Joint	432,632	N	\$ 432,632					432,632	\$ 432,632						\$ -								
10	Sales Tax Rebate-Ford Store	Business Incentive Agreements	10/1/2002	10/1/2024	Ford Store of San Leandro	Sales Tax Rebate per Owner Participation Agreement (March 6, 2000)	Joint	1,269,720	N	\$ 297,456					297,456	\$ 297,456						\$ -								
12	Casa Verde-Operating Agmt	OPA/DDA/Construction	1/1/2008	1/1/2038	Mercy Housing of CA	Operating Agreement for Casa Verde	HSG	4,878,261	N	\$ 237,408					111,254	\$ 111,254				128,152		\$ 128,152								
14	9th Grade Campus-SLUSD Financing Agmt	OPA/DDA/Construction	6/30/2009	6/30/2016	San Leandro Unified School District	Financing Agreement for 9th Grade Campus	Joint		N	\$ -						\$ -						\$ -								
17	City of San Leandro-Property Management	Property Dispositions	1/1/2014	12/31/2014	City of San Leandro	Prof. services costs related to fulfillment of Property Management obligations			N	\$ -												\$ -								
19	Successor Agency-Legal	Admin Costs	1/1/2015	12/31/2015	Meyers Nave	Legal Costs Associated with Successor Agency Obligations	All	135,000	N	\$ 30,000					15,000	\$ 15,000						15,000	\$ 15,000							
20	Successor Agency-Administration	Admin Costs	1/1/2015	12/31/2015	City of San Leandro	Agreement to Fund Staff/ Successor Agency Administration	All	5,525,000	N	\$ 220,000					110,000	\$ 110,000							110,000	\$ 110,000						
23	Garage Construction	Improvement/Infrastructure	10/1/2008	12/31/2016	City of San Leandro	Cooperative Agreement to Fund Garage Construction - \$11,450,000 (Res 2010-009 RDA), plus Purchase Agmt for 262 Davis (Res 2008-023 RDA)	Joint	125,000	N	\$ 125,000	125,000					\$ 125,000							\$ -							
27	Eden Rd. Construction*	Reentered Agreements	1/17/2011	7/1/2013	City of San Leandro	Cooperative Agreement for Eden Road construction (Res 2011-001 RDA)	WSL		N	\$ -						\$ -							\$ -							
28	Doolittle Dr. Streetscape*	Reentered Agreements	1/17/2011	1/1/2017	City of San Leandro	Cooperative Agreement for Doolittle Drive Streetscape Improvements (Res 2011-001 RDA)	WSL	4,191,611	N	\$ 400,000											400,000		\$ 400,000							
29	MacArthur Blvd. Streetscape*	Reentered Agreements	1/17/2011	1/1/2014	City of San Leandro	Cooperative Agreement for MacArthur Boulevard Streetscape Improvements (Res 2011-001 RDA)	WSL	1,274,134	N	\$ 1,274,134					1,274,134	\$ 1,274,134							\$ -							
30	Hays St. Streetscape*	Reentered Agreements	1/17/2011	7/1/2016	City of San Leandro	Cooperative Agreement for Hays Street Streetscape Improvements (Res 2011-001 RDA)	Plaza	2,000,000	N	\$ -													\$ -							
39	King Ground Lease Settlement	Litigation	2/13/2013	1/15/2018	The Estate of Douglas M. King, Individually and as Trustee of the Janet C. King Family Trust of 2000, and Mary Lou King, Individually, as Trustee of the King Family Trust of 1992, and as General Partner of King Enterprises, L.P.	Settlement of Litigation Pursuant to Ground Lease Guarantee (replaces ROPS item #15 above)	All	2,750,000	N	\$ 1,500,000					750,000	\$ 750,000					750,000		\$ 750,000							
42	Litigation Costs - Other Funds Due Diligence Review	Litigation	1/1/2015	12/31/2015	Meyers Nave	Litigation Costs - Other Funds Due Diligence Review and DOF Denial of City/Agency Agreements Re-Authorized by the Oversight Board	All		N	\$ -						\$ -							\$ -							
43	San Leandro Improvement Association	Project Management Costs	1/1/2015	12/31/2015	Management Corporation, Downtown San Leandro Community Benefit District	Payments due for Successor Agency real estate under newly formed benefit assessment district	Plaza	1,280,000	N	\$ 64,000					32,000	\$ 32,000						32,000	\$ 32,000							
44	2001 Certificates of Participation / 2013 Lease Revenue Bonds	Bonds Issued After 12/31/10	6/1/2002	12/1/2026	US Bank	\$5.02m debt issuance to fund capital improvement projects	WSL / Plaza	3,373,462	N	\$ 537,095					248,395	\$ 248,395						288,700	\$ 288,700							
45	2014 Tax Allocation Bonds (Replaced 2002 Plaza and 2004 WSL)	Bonds Issued After 12/31/10	10/30/2014	9/1/2034	US Bank	Refunding of 2002 and 2004 bonds issued to fund capital improvement projects	WSL / Plaza	17,071,661	N	\$ 949,160					411,334	\$ 411,334						537,826	\$ 537,826							
46	City Advance - Shortfall	City/County Loans After 6/27/11	9/30/2015	1/31/2015	City of San Leandro	Amount needed to cover negative fund balance	All	779,051	N	\$ -													\$ -							
47	Plaza Project Loan	Reentered Agreements	1/31/2016	6/30/2036	City of San Leandro	Reentered Loan	WSL / Plaza	2,850,628	N	\$ -						\$ -							\$ -							
48									N	\$ -						\$ -							\$ -							
49									N	\$ -						\$ -							\$ -							
50									N	\$ -						\$ -							\$ -							
51									N	\$ -						\$ -							\$ -							
52									N	\$ -						\$ -							\$ -							
53									N	\$ -						\$ -							\$ -							
54									N	\$ -						\$ -							\$ -							
55									N	\$ -						\$ -							\$ -							
56									N	\$ -						\$ -							\$ -							
57									N	\$ -						\$ -							\$ -							
58									N	\$ -						\$ -							\$ -							
59									N	\$ -						\$ -							\$ -							
60									N	\$ -						\$ -							\$ -							
61									N	\$ -						\$ -							\$ -							
62									N	\$ -						\$ -							\$ -							
63									N	\$ -						\$ -							\$ -							
64									N	\$ -						\$ -							\$ -							
65									N	\$ -						\$ -							\$ -							
66									N	\$ -						\$ -							\$ -							
67									N	\$ -						\$ -							\$ -							
68									N	\$ -						\$ -							\$ -							
69									N	\$ -						\$ -							\$ -							
70									N	\$ -						\$ -							\$ -							
71									N	\$ -						\$ -							\$ -							
72									N	\$ -						\$ -							\$ -							
73									N	\$ -						\$ -							\$ -							
74									N	\$ -						\$ -							\$ -							
75									N	\$ -						\$ -							\$ -							
76									N	\$ -						\$ -							\$ -							
77									N	\$ -						\$ -							\$ -							
78									N	\$ -						\$ -							\$ -							
79									N	\$ -						\$ -							\$ -							
80									N	\$ -						\$ -							\$ -							
81									N	\$ -						\$ -							\$ -							
82									N	\$ -						\$ -							\$ -							
83									N	\$ -						\$ -							\$ -							
84									N	\$ -						\$ -							\$ -							

