



May 17, 2019

Ms. Bree Mawhorter, Deputy Director of Finance and Administration
City and County of San Francisco
One South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Ms. Mawhorter:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City and County of San Francisco Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 29, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on May 1, 2019.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determination in dispute:

In the original determination letter Finance noted that for several enforceable obligations that received a Final and Conclusive determination, the Agency requested Finance to instruct the San Francisco County Auditor-Controller (CAC) to distribute the actual pledged amount, regardless of whether that is more or less than the estimate on the ROPS. Finance denied this request as it is contrary to dissolution law, and HSC section 34183 (a) (2) requires the CAC to distribute the total Redevelopment Property Tax Trust Fund (RPTTF) approved amount to the Agency as listed and approved on the ROPS. Further, Finance noted the agreements only pledge net tax increment for the payment of eligible costs as such costs arise, and do not necessarily obligate a transfer of all project area tax increment.

During the Meet and Confer, the Agency reiterated that the various pledge agreements do require the allocation of net tax increment to the Agency, and further allow the Agency to retain net tax increment if the funds are not spent in the fiscal year covered by the ROPS. Further, the Agency requested Finance to instruct the CAC to comply and to distribute the actual net tax increment generated pursuant to the pledge agreements.

However, the Agency was unable to identify any directive in the pledge agreements requiring the collection and retention of net tax increment. Reserves may be held pursuant to HSC section 34171 (d) (1) (A) when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of a bond. However, since the pledge agreements are not bonds, there is no other provision in the dissolution statutes that otherwise allow the Agency to create reserves for expenditure in subsequent ROPS periods.

Finally, the CAC has no authority to distribute amounts in excess of the amounts as listed and approved by Finance on the ROPS, and any RPTTF remaining after approved ROPS obligations have been funded should be distributed to the local agencies and school entities as required by HSC section 34183 (a) (4). Therefore, Finance continues to assert that a pledge of net tax revenue does not itself create an enforceable obligation for all such funds. Further, only amounts required by the obligations should be listed for payment on the ROPS and only the approved amounts on the ROPS shall be distributed. Further, if the actual project costs are higher than authorized on the ROPS, and an increase in the amount distributed is necessary, the Agency may request additional funding on a subsequent amended ROPS pursuant to HSC section 34177 (o) (1) (E).

In addition, per Finance’s letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 177 – Hunters View Phase II-III Loan Agreement in the total outstanding amount of \$5,900,000 is not allowed. It is our understanding the project is complete and no longer needs funding. Therefore, this item is no longer an enforceable obligation and the requested amount of \$5,900,000 in Bond Proceeds is not allowed. To the extent the Agency possesses excess housing Bond Proceeds that can be transferred to the designated Housing Successor, a new line item should be added for that request.
- Item No. 428 – Mission Bay South Block 12 of \$3,520,000. The Agency requested \$3,520,000 in Bond Proceeds to fund a pre-development loan for an affordable housing project in partial fulfillment of Mission Bay South Owner Participation Agreement requirements. The Agency wishes to withdraw this funding request. As a result, the total ROPS 19-20 Bond Proceeds funding requested has been decreased by \$3,520,000.
- The claimed administrative costs exceed the allowance by \$780,259. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual Redevelopment Property Tax Trust Fund (RPTTF) distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. While the calculation for the administrative cost allowance relates to the actual property tax distributed, it is limited to the property tax which was distributed for approved enforceable obligations. Finance approved \$121,742,072 in non-administrative RPTTF for the ROPS 18-19 period. As a result, the Agency’s maximum ACA is \$3,652,262 for fiscal year 2019-20.

Although \$4,432,521 is claimed for ACA, only \$3,652,262 is available pursuant to the cap. Therefore, as noted in the table below, \$780,259 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF approved for fiscal year 2018-19	\$ 126,403,542
Less distributed Administrative RPTTF	(4,661,470)
RPTTF distributed for 2018-19 after adjustments	121,742,072
ACA Cap for 2019-20 per HSC section 34171 (b)	3,652,262
ACA requested for 2019-20	4,432,521
ACA in Excess of the Cap	\$ (780,259)

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Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the CAC's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$160,100,420 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Painter, Analyst, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Nadia Sesay, Executive Director, City and County of San Francisco
Mr. James Whitaker, Property Tax Manager, San Francisco County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 35,951,476	\$ 126,575,933	\$ 162,527,409
Administrative RPTTF Requested	4,432,521	0	4,432,521
Total RPTTF Requested	40,383,997	126,575,933	166,959,930
RPTTF Authorized	35,951,476	126,575,933	162,527,409
Administrative RPTTF Requested	4,432,521	0	4,432,521
Excess Administrative Costs	(780,259)	0	(780,259)
Administrative RPTTF Authorized	3,652,262	0	3,652,262
Total RPTTF Authorized for Obligations	39,603,738	126,575,933	166,179,671
Prior Period Adjustment	(6,079,251)	0	(6,079,251)
Total RPTTF Approved for Distribution	\$ 33,524,487	\$ 126,575,933	\$ 160,100,420