

STAFF REPORT

CITY OF SAN LEANDRO SUCCESSOR AGENCY OVERSIGHT BOARD

DATE: May 10, 2012

TO: Successor Agency Oversight Board

FROM: Cynthia Battenberg, Business Development Manager

BY: Jeff Kay, Business Development Analyst

SUBJECT: Recognized Obligation Payment Schedule for enforceable obligation payments and administrative budget for the period from July 1 through December 31, 2012

SUMMARY AND RECOMMENDATION

Staff recommends that the Successor Agency Oversight Board approve by motion the Recognized Obligation Payment Schedule and administrative budget for the period from July 1 through December 31, 2012 pursuant to Section 34177 of the State of California Health and Safety Code.

BACKGROUND

Recognized Obligation Payment Schedule

Under AB 1x 26, the Redevelopment Dissolution Bill, the City, acting as the Successor Agency, is obligated to prepare a draft of the Recognized Obligation Payment Schedule ("ROPS") twice annually for as long as there are payments due on enforceable obligations of the former Redevelopment Agency. The ROPS must then be approved by the Oversight Board. The City, acting as Successor Agency, can only pay obligations that are listed on the ROPS.

A primary component of the City's responsibilities in its capacity as 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.

The obligations listed on the ROPS for July through December 2012 are generally consistent with those in the previous ROPS, which covered payments due between February 1, 2012 and June 30, 2012. Some items have been removed from the list of Enforceable Obligations because they were paid off in their entirety during the previous six-month period. These retired obligations were contractual agreements for services provided on a limited time basis, such as the development of the Broadband Strategy and downtown cleaning services. At the request of the Successor Agency Oversight Board, the current ROPS has also been amended slightly to show the beginning and estimated end dates for each obligation.

After the approval of the previous ROPS by the City Council (serving as Successor Agency) on April 2, 2012 and the Successor Agency Oversight Board on April 6, 2012, the California Department of Finance (DOF) exercised its right to conduct a review of the list of Enforceable Obligations. Upon completion of that review, the DOF informed the City that it did not consider some items to be enforceable because AB 126 does not recognize agreements between a redevelopment agency and the city that created it. This determination impacts a loan from the City General Fund to the Joint Project Area and four cooperative agreements to fund capital improvement projects.

A separate action to re-authorize the General Fund loan and cooperative agreements for improvements on Eden Road and Hays Street will be brought to the City Council, Successor Agency and Oversight Board. The July through December 2012 ROPS assumes approval of the re-authorization of these agreements. The two remaining cooperative agreements, for streetscape improvements on Doolittle Drive (\$4.2m) and MacArthur Boulevard (\$1.3m) have been removed from the ROPS.

Pursuant to Health and Safety Code section 34177, the ROPS must also note the source of funds that will be used for payment. Whereas most obligations on the previous ROPS were funded using the remaining cash balance of the former Agency, most obligations on the current ROPS will be funded using a remittance from the County Auditor-Controller from the Redevelopment Property Tax Trust Fund (funds that formerly were tax increment revenue for the Agency). That remittance is expected by June 1, 2012. Costs related to the Estudillo-Callan Garage construction and the East 14th/Hesperian "Triangle" project will continue to be funded with proceeds from bonds issued by the Redevelopment Agency for those purposes.

Administrative Budget

The ROPS also contains an administrative budget for the Successor Agency. Based on direction from the California Department of Finance, the amount of the administrative allowance for Fiscal Year 2012-13 is the greater of 3% of funds received from the Redevelopment Property Tax Trust Fund or \$250,000, annually. For San Leandro, the \$250,000 minimum allowance is expected to apply. For this ROPS, covering six months of obligations, the administrative allowance equals \$125,000, or half of the annual amount.

Staff services that fall under the administrative budget include analysis of AB 126's impact on ongoing projects, programs and the City's General Fund, reorganization of financial systems, preparation of the ROPS and earlier document submittals (Enforceable Obligation Payment Schedule, Preliminary ROPS), complying with public records requests from the Department of

Finance, State Controller's Office, and Alameda County Auditor-Controller, staff support and noticing for Oversight Board meetings, ongoing management and payment of enforceable obligations, management of proceeds from bonds issued by the Agency, assistance with a required audit of the former Agency, and ongoing management of development plans for properties owned by the former Agency.

In a change from the previous ROPS, legal costs are treated as an enforceable obligation of the Successor Agency rather than a component of the administrative budget. This reflects the fact that legal costs are essentially a component of the enforceable obligations themselves. Legal costs for this period are budgeted at \$30,000.

The administrative budget for July through December 2012 follows:

<u>Staff Position</u>	<u>Cost Allocation</u>
Administrative Assistant	\$ 4,800
Assistant City Manager	15,800
Business Development Analyst	49,100
Business Development Manager	62,700
City Clerk	4,100
Deputy Finance Director	28,400
Finance Director	18,100
Project Specialist	19,700
Senior Accountant	23,700
Total Staff Costs	\$ 226,400
Legal Expenditures	\$ 23,600
Total Administrative Budget	\$ 250,000

The ROPS for July through December 2012, and the administrative allowance of \$125,000, is scheduled to be adopted by the City Council (acting as Successor Agency) on May 7, 2012.

Legal Analysis

The report and recommendation have been reviewed and approved as to form by the City Attorney's Office.

Attachments

Recognized Obligation Payment Schedule

City of San Leandro, Redevelopment Successor Agency

Recognized Obligation Payment Schedule, for July-December 2012

Payee	Project	Description	Start Date	End Date	Estimated Balance as of 7/1/2012 ¹	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Total	Funding Source
<u>Bonds</u>													
2001 Certificates of Participation	Joint	\$5.02m debt issuance to fund capital improvement projects	6/1/2002	12/1/2026	\$ 3,610,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,996.25	\$ 258,996.25	RDA PT Trust Fund
2002 Tax Allocation Bonds	Plaza	\$15.935m debt issuance to fund capital	3/1/2003	9/1/2024	\$ 12,385,000.00	\$ -	\$ -	\$ 991,643.75	\$ -	\$ -	\$ -	\$ 991,643.75	RDA PT Trust Fund
Plaza TAB Escrow Fund	Plaza	Set-Aside to ensure payment of bond debt service after project area expiration	3/1/2003	9/1/2024	\$ 1,794,100.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
2004 Tax Allocation Bonds	WSL	\$5.5m debt issuance to fund capital improvement projects	9/1/2004	9/1/2034	\$ 5,090,000.00	\$ -	\$ -	\$ 255,631.25	\$ -	\$ -	\$ -	\$ 255,631.25	RDA PT Trust Fund
2008 Tax Allocation Bonds	Joint	\$27.53m debt issuance to fund capital	9/1/2008	9/1/2038	\$ 26,235,000.00	\$ -	\$ -	\$ 1,186,593.75	\$ -	\$ -	\$ -	\$ 1,186,593.75	RDA PT Trust Fund
Urban Analytics	All	Continuing Disclosure Requirements and Fiscal Analysis of Tax Increment	Ongoing		N/A	\$ 5,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000.00	RDA PT Trust Fund
					\$ -								
					\$ -								
<u>Other Debt</u>													
Bank of New York Mellon	Hsg	HUD Section 108 Loan for Senior Housing Project at 232 East 14th Street	8/1/2000	8/1/2019	\$ 496,000.00	\$ -	\$ 68,597.85	\$ -	\$ -	\$ -	\$ -	\$ 68,597.85	RDA PT Trust Fund
Bayfair Development LLC	Joint	Improvement and Reimbursement Agreement (Amendment 2, July 1, 2000)	8/23/2000	6/30/2013	\$ 200,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
City of San Leandro	Joint	Loan from City General Fund (Res 2004-11 RDA)	4/8/2004	7/1/2032	\$ 2,040,767.68	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
Ford Store of San Leandro	Joint	Sales Tax Rebate per Owner Participation Agreement (March 6, 2000)	10/1/2002	10/1/2024 (est.)	\$ 2,032,907.69	\$ -	\$ -	\$ 95,000.00	\$ -	\$ -	\$ -	\$ 95,000.00	RDA PT Trust Fund
Friends of the San Leandro Creek	Plaza	Lease Guarantee Agreement (Res 2001-5 RDA)	7/15/2003	12/31/23 (est.)	\$ 442,333.80	\$ 2,355.90	\$ 4,826.58	\$ 2,426.58	\$ 2,426.58	\$ 2,426.58	\$ 2,426.58	\$ 16,888.79	RDA PT Trust Fund
Mercy Housing of CA	Hsg	Operating Agreement for Casa Verde	1/1/2008	1/1/2038	\$ 5,311,159.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
San Leandro Chamber of Commerce	Plaza	Lease/Purchase Agmt for 262 Davis (Res 2008-023 RDA) Balance is an estimate.	9/2/2008	12/31/12 (est.)	\$ 24,500.00	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00	\$ 2,900.00	\$ 10,000.00	\$ 24,500.00	RDA PT Trust Fund
San Leandro Unified School District	Joint	Financing Agreement for 9th Grade Campus	6/30/2009	6/30/2016	\$ 292,888.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
Estate of Malcolm D. King, Janet C. King, Douglas M. King, and Mary Lou King	Joint	Ground Lease Guarantee ²	5/19/2000	12/31/2038	\$ 46,823,195.84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
Meyers Nave/City of San Leandro	Joint	Pre-litigation legal fees and staff costs related to King Ground Lease Guarantee	Jul-11	TBD	N/A	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 30,000.00	RDA PT Trust Fund
Meyers Nave	All	Legal Costs Associated with Successor Agency Obligations	2/1/2012	Ongoing	N/A	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 30,000.00	RDA PT Trust Fund
<u>Successor Agency Administration</u>													
City of San Leandro	All	Agreement to Fund Staff/ Successor Agency Administration	2/1/2012	Ongoing	N/A	\$ 20,833.33	\$ 20,833.33	\$ 20,833.33	\$ 20,833.33	\$ 20,833.33	\$ 20,833.33	\$ 125,000.00	Admin Allowance
<u>Contractual Obligations (payment amounts by month are estimates only)</u>													
Regency Centers, LP	Plaza	Common Area Maintenance Agreement for Downtown Shopping Center (Res 80-21)	12/9/1981	Ongoing	N/A	\$ 2,800.00	\$ 2,800.00	\$ 2,800.00	\$ 2,800.00	\$ 2,800.00	\$ 2,800.00	\$ 16,800.00	RDA PT Trust Fund
City of San Leandro/ Regency Centers, LP	Plaza/ Joint	2004 Washington Plaza Security Agreement	6/21/2004	Ongoing	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period

City of San Leandro, Redevelopment Successor Agency

Recognized Obligation Payment Schedule, for July-December 2012

Payee	Project	Description	Start Date	End Date	Estimated Balance as of 7/1/2012 ¹	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Total	Funding Source
<i>Capital Improvement Projects (payment amounts by month are estimates only)</i>													
City of San Leandro	Joint	Cooperative Agreement to Fund Garage Construction - \$11,450,000 (Res 2010-009 RDA), plus Purchase Agmt for 262 Davis (Res 2008-023 RDA)	10/1/2008	10/1/2012	\$ 3,385,843.00	\$ 846,460.75	\$ 846,460.75	\$ 846,460.75	\$ 282,153.58	\$ 282,153.58	\$ 282,153.58	\$ 3,385,843.00	Bond Proceeds
Bay Area Escrow Services	Joint	E14th/Hesperian Triangle Project - Revolving Fund Escrow Agreement for Site Remediation (cost is an estimate, could vary)	3/5/2010	Until complete	\$ 329,996.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 30,000.00	Bond Proceeds
SideB Corporation/Quality Lube/Various	Joint	Relocation Assistance Triangle Project (Fed - Title 49 - Code of Federal Regulations; CA Code Regulations - Title 25, Div. 1, Ch 6, CA Govt Code sec 7260 et seq.; CA Code of Civil Procedure sec 1263.510)	10/6/2009	Until complete	\$ 88,139.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 30,000.00	Bond Proceeds
Alameda Housing Associates	Hsg	Funding Agreement for "The Alameda." Owner Participation and Loan Agreement and Associated Legal Costs (Res. 2009-009 RDA)	4/6/2009	TBD	\$ 7,019,324.00	\$ 40,000.00	\$ 40,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 160,000.00	RDA PT Trust Fund
City of San Leandro	WSL	Cooperative Agreement for Eden Road construction (Res 2011-001 RDA)	1/17/2011	7/1/2013	\$ 1,500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
City of San Leandro	Plaza	Cooperative Agreement for Hays Street Streetscape Improvements (Res 2011-001 RDA)	1/17/2011	7/1/2016	\$ 2,000,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	No payments this period
Total Paid from Existing Non-Housing Fund Balance												\$ -	
Total Paid from Existing Housing Set-Aside Fund Balance												\$ -	
Total Paid from Existing Bond Proceeds												\$ 3,445,843.00	
Total Paid from Redevelopment Property Tax Trust Fund												\$ 3,139,651.64	
Administrative Allowance (3% of Redev. Property Tax Trust Fund, or \$125k)												\$ 125,000.00	
Total Expenditures												\$ 6,710,494.64	

Key to Project Areas:
 Plaza = Plaza Project Area
 Joint = Alameda County/City of San Leandro (Joint) Project Area
 WSL = West San Leandro/MacArthur Boulevard Project Area
 Hsg = Affordable Housing Set-Aside

¹ Principal balance only. Interest costs will be additional for some items.

² The Kings are owners of real property located within the footprint of the Bayfair Mall that is being used for parking pursuant to a 1989 ground lease with the Mall developer, as amended. Amendments to the lease and other agreements have been entered into that purportedly require the Redevelopment Agency to guarantee lease payments to the Kings in the event of default. The developers (Bayfair 580, LLC c/o M & J Wikow of California, Ltd) gave notice to the parties on July 12, 2011 that Bayfair Sublessee LLC would not be making any further payments of rent to the Kings under the Sublease. The Kings have demanded payment from the parties, including the Redevelopment Agency, as a guarantor of the lease and payments there under. (Note: the validity of the lease is in dispute). If the Redevelopment Agency is ultimately responsible to guarantee the lease and make the payments, the liability could be consistent with the amounts shown above. The parties are in discussions and negotiations to attempt to resolve the issues, without litigation.