

**CITY AND COUNTY OF  
SAN FRANCISCO  
REDEVELOPMENT AGENCY**

**ASSET TRANSFER REVIEW**

Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

October 2014



**JOHN CHIANG**  
*California State Controller*

October 29, 2014

Leo Levenson, Director of Finance  
City and County of San Francisco Redevelopment/Successor Agency  
1 South Van Ness Fifth Floor  
San Francisco, CA 94112

Dear Mr. Levenson:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the City and County of San Francisco Redevelopment Agency (RDA) to the City and County of San Francisco (City and County) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers to the City and County or any other public agency have been reversed.

Our review found that the RDA transferred \$746,060,330 in assets after January 1, 2011, including unallowable transfers to the City and County totaling \$666,830, or less than 1% of transferred assets. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

*Original Signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

cc: Nadia Sesay, Chair

Oversight Board of the Successor Agency to the San Francisco Redevelopment Agency

Ben Rosenfield, Controller

City and County of San Francisco

David Botelho, Program Budget Manager

California Department of Finance

Richard J. Chivaro, Chief Legal Counsel

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Elizabeth González, Bureau Chief

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the City and County of San Francisco Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$746,060,330 in assets after January 1, 2011, including unallowable transfers to the City and County of San Francisco (City and County) totaling \$666,830, or less than 1% of transferred assets. These assets must be turned over to the Successor Agency.

## Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and County and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

## **Objective, Scope, and Methodology**

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City and County, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

## **Conclusion**

Our review found that the City and County of San Francisco Redevelopment Agency transferred \$746,060,330 in assets after January 1, 2011, including unallowable transfers to the City and County of San Francisco totaling \$666,830, or less than 1% of transferred assets. These assets must be turned over to the Successor Agency.

Details of our finding are described in the Finding and Order of the Controller section of this report.

## **Views of Responsible Officials**

We issued a draft review report on September 23, 2014. Leo Levenson, Director of Finance responded by mail on October 1, 2014. The City's response is included in this final review report as an attachment.

## **Restricted Use**

This report is solely for the information and use of the City and County of San Francisco, the Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

*Original Signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

October 29, 2014

# Finding and Order of the Controller

**FINDING—  
Unallowable asset  
transfers to the  
City and County of  
San Francisco**

The City and County of San Francisco Redevelopment Agency (RDA) made unallowable asset transfers of \$666,830 to the City and County of San Francisco (City and County). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

- On June 23, 2011, and January 26, 2012, the RDA transferred \$204,330 in cash (\$109,330 and \$95,000 respectively), to the Mayor's Office of Economic Development in payment for a workforce agreement between the RDA and the Mayor's Office of Housing (MOH). The agreement was approved by Resolution No. 2011-2012.
- On July 15, 2011, and November 23, 2011, the RDA transferred \$462,500 in cash (\$300,000 and \$162,500 respectively), to the MOH in payment for a workforce agreement between the RDA and the MOH. The agreement was approved by Resolution No. 2011-2012.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d).

## Order of the Controller

Pursuant to H&S Code section 34167.5, the City and County is ordered to reverse the transfers in the amount of \$666,830, and turn over the assets to the Successor Agency. The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code section 34177(d).

## City and County's Response

The Successor Agency and the City and County did not contest the issues noted in the draft report. The City will turn over the cash to the Successor Agency.

## SCO's Comment

The finding and Order of the Controller remain as stated.

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**Schedule 1—  
Unallowable Asset Transfers to  
the City and County of San Francisco  
January 1, 2011, through January 31, 2012**

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On June 23, 2011, the RDA made a payment to the Mayor's Office of Economic Development for the Employment Liaison position	\$ 109,330
On July 15, 2011, the RDA made a payment to the Mayor's Office of Housing per Resolution No. 2011-2012 for Counseling Services	300,000
On November 23, 2011, the RDA made a payment to the Mayor's Office of Housing per Resolution No. 2011-2012 for Counseling Services	162,500
On January 26, 2012, the RDA made a payment to the Mayor's Office of Economic Development per Resolution No. 2011-2012 for Counseling Services	<u>95,000</u>
Total unallowable transfers	<u>\$ 666,830</u>



**Attachment—  
City and County’s Response to  
Draft Review Report**

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**Office of Community  
Investment and Infrastructure**  
(Successor to the San Francisco  
Redevelopment Agency)

One South Van Ness Avenue  
San Francisco, CA 94103  
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair  
Marily Mondejar  
Darshan Singh  
Miguel Bustos

Tiffany Bohee, Executive Director

October 1, 2014

107-0862014-290

Elizabeth Gonzalez  
Chief, Local Government Compliance Bureau  
State Controller's Office Division Of Audits  
PO Box 942850  
Sacramento CA 94250-5874

Dear Ms. Gonzalez,

Thank you for the opportunity to respond to the draft San Francisco Redevelopment Agency Asset Transfer Review Report transmitted September 23, 2014.

First, I would like to express my appreciation for the responsiveness of your staff, who have patiently worked with us to gather information and explain the reasoning behind their findings.

Regarding the draft finding of \$666,830 in unallowable transfers to the City and County of San Francisco (the City), we believe that these payments were properly made under enforceable obligations per Health and Safety Code section 34167(f). However, we have conferred with the City and decided that we will not contest the finding.

We have been informed by the City that they will remit the \$666,830 in disallowed costs to our Agency shortly. We will confer with the State Department of Finance and the Controller's Office of the City and County of San Francisco as to the appropriate disposition of the returned funds.

Sincerely,

A handwritten signature in black ink, appearing to read "Leo Levenson", written over a horizontal line.

Leo Levenson  
Deputy Director for Finance and Administration  
Office of Community Investment and Infrastructure/  
Successor to the San Francisco Redevelopment Agency  
1 South Van Ness, Fifth Floor  
San Francisco CA 94103

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