

# **SOUTH SAN FRANCISCO REDEVELOPMENT AGENCY**

Review Report

## **ASSET TRANSFER REVIEW**

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



**BETTY T. YEE**  
California State Controller

June 2015



**BETTY T. YEE**  
California State Controller

June 15, 2015

Jim Steele, Finance Director  
South San Francisco Redevelopment/Successor Agency  
P.O. Box 711  
South San Francisco, CA 94083

Dear Mr. Steele:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the South San Francisco Redevelopment Agency (RDA) to the City of South San Francisco (City) 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 or any other public agency have been reversed.

Our review found that the RDA transferred \$216,208,113 in assets after January 1, 2011, including unallowable transfers totaling \$41,844,014, or 19.35% of transferred assets. The unallowable transfers included \$17,543,148 to the City and \$24,300,866 to the Entity Assuming the Housing Functions.

However, the following corrective actions have been taken:

- On June 30, 2012, the City turned over \$8,750,821 in capital assets to the Successor Agency.
- On August 14, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$24,300,866 to the Entity Assuming the Housing Functions.

Therefore, the remaining unallowable asset transfers in the amount of \$8,792,327 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 or by email at [egonzalez@sco.ca.gov](mailto:egonzalez@sco.ca.gov).

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/ljs

cc: Bob Adler, Controller  
County of San Mateo  
Neil Cullen, Oversight Board Chair  
South San Francisco Redevelopment/Successor Agency  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the South 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 \$216,208,113 in assets after January 1, 2011, including unallowable transfers totaling \$41,814,014, or 19.35% of transferred assets. The unallowable transfers included \$17,543,148 to the City of South San Francisco (City) and \$24,300,866 to the Entity Assuming the Housing Functions.

However, the following corrective actions have been taken:

- On June 30, 2012, the City turned over \$8,750,821 in capital assets to the Successor Agency.
- On August 14, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$24,300,866 to the Entity Assuming the Housing Functions.

Therefore, the remaining unallowable asset transfers in the amount of \$8,792,327 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/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, 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 South San Francisco Redevelopment Agency transferred \$216,208,113 in assets after January 1, 2011, including unallowable transfers totaling \$41,844,014, or 19.35% of transferred assets. The unallowable transfers included \$17,543,148 to the City of South San Francisco (City) and \$24,300,866 to the Entity Assuming the Housing Functions.

However, the following corrective actions have been taken:

- On June 30, 2012, the City turned over \$8,750,821 in capital assets to the Successor Agency.
- On August 14, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$24,300,866 to the Entity Assuming the Housing Functions.

Therefore, the remaining unallowable asset transfers in the amount of \$8,792,327 must be turned over to the Successor Agency.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

**Views of  
Responsible  
Officials**

We issued a draft review report on October 10, 2014. Mike Futrell, City Manager and Successor Agency Executive Director, responded by letter dated November 3, 2014, partly agreeing with the review results. 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 of South San Francisco, the Successor Agency, the Oversight Board, the Entity Assuming the Housing Functions, 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

June 15, 2015

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfers to the City of South San Francisco**

The South San Francisco Redevelopment Agency (RDA) made unallowable asset transfers of \$17,543,148 to the City of South San Francisco (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable transfers were as follows:

- On March 10, 2011, the RDA forgave a loan with the City, resulting in an \$8,792,327 reduction in loans receivable assets. This transfer was accomplished in accordance with RDA Resolution No. 08-2011.
- On September 2, 2011, the City purchased properties on behalf of the RDA. On January 30, 2012, the RDA transferred \$8,750,821 in cash to reimburse the City for this purchase. The City retained the properties.

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) and (e).

### Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of the assets in the amount of \$17,543,148 and turn over the assets to the Successor Agency. However, on June 30, 2012, the City turned over \$8,750,821 in capital assets to the Successor Agency. Therefore, the remaining \$8,792,327 in unallowable transfers must be turned over to the Successor Agency.

### City's Response

November 3, 2014 letter:

With regards to the “loan forgiven” in the amount of \$8,792,327, the City does not agree that the “loan” must be returned to the Successor Agency. The City provided additional documents to support their position and stated the following:

- The transfer was a legitimate RDA expenditure, not a loan. The most pertinent budgetary documents characterize the Miller Avenue Parking Structure expenditure as an allocation, and not a loan...
- Subsequent characterization of loan forgiveness was unnecessary and was based on the City's understanding at that time of its obligations under Dissolution Law.

- Any documentation referring to a loan points to the Parking District Enterprise Fund as having the obligation to repay the loan specifically through parking permit and parking meter revenues. An order to repay the Successor Agency, if sustained, should be directed to the Parking District Enterprise Fund exclusively.

See Attachment for the City's complete response.

#### SCO's Comment

Based on our review of additional documents provided by the City, the SCO acknowledged that the RDA may have appropriated \$10,000,000 for the Miller Avenue Parking Structure through the budgetary documents; however, various documents and subsequent actions taken by the City Council and the RDA refer to the existence and forgiveness of a loan related to the Miller Avenue Parking Structure. Despite the absence of a legal agreement between the RDA and the City, the RDA's Financial Statements for fiscal year (FY) 2008-09, FY 2009-10, and FY 2010-11, recognized that the City Parking District Enterprise Fund owed the Merged Redevelopment Project Area for the construction of the Downtown Parking Garage (Miller Avenue Parking Structure). The advances to the City referenced on the RDA's Financial Statements are also supported by a schedule that was prepared by the City for Miller Parking, which demonstrated that effective June 30, 2009, the RDA made multiple advances to the Parking District Enterprise Fund, and it shows an accumulated balance of \$8,792,327 (loan forgiveness amount); therefore, the SCO maintains that the assets were advances to the City; therefore, the City Parking District Enterprise Fund must turn over the assets to the Successor Agency.

#### **FINDING 2— Unallowable asset transfers to the Entity Assuming the Housing Functions**

The RDA made unallowable asset transfers of \$24,300,866 to the Entity Assuming the Housing Functions. The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable transfers were as follows:

- On March 11, 2011, the RDA transferred \$5,163,916 in capital assets in order to preserve and continue redevelopment projects.
- On January 31, 2012, the RDA transferred a total of \$19,136,950 in cash and capital assets directly to the Entity Assuming the Housing Functions as part of the RDA dissolution. The assets consisted of property, loans receivable, and allowance for uncollectables.

Pursuant to 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) and (e).

### Order of the Controller

Pursuant to H&S Code section 34167.5, the Entity Assuming the Housing Functions is ordered to reverse the transfer of the assets in the amount of \$24,300,866, and turn over the assets to the Successor Agency. However, on August 14, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$24,300,866 to the Entity Assuming the Housing Functions in accordance with H&S Code section 34176(b) and 34177(g) and under Resolution OB 04-2012. Therefore, no further action is necessary.

### City's Response

The City does not dispute that \$23,370,296 in assets were prematurely transferred to the Entity Assuming the Housing Functions. However, the City provided additional documentation and noted some changes and corrections on this document, and stated that the total book value of housing property assets should be adjusted to the correct book values. Also, the City requested that the Draft Report be revised to acknowledge that all the assets now correctly reside in the Successor Housing Agency's books.

See Attachment for the City's complete response.

### SCO's Comment

The SCO has adjusted the finding from \$23,370,296 to \$24,300,866 to properly reflect the correct book values.

Based on our review of additional documents provided by the City, the SCO revised the report to acknowledge that on August 14, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$24,300,866 to the City of South San Francisco, as the Housing Successor, under Resolution OB 04-2012, and that these assets correctly reside in the Successor Housing Agency's accounting records. No further action is necessary regarding this finding.

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

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Unallowable asset transfers to the City of South San Francisco:

Loan forgiven (March 10, 2011)	\$ 8,792,327
Cash transfer to purchase properties (January 30, 2012)	<u>8,750,821</u>
Total unallowable transfers	17,543,148
Properties turned over to the Successor Agency (June 30, 2012)	<u>(8,750,821)</u>
Total assets subject to H&S Code section 34167.5	<u>\$ 8,792,327</u>

**Schedule 2—  
Unallowable Asset Transfers to  
the Entity Assuming the Housing Functions  
January 1, 2011, through January 31, 2012**

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Unallowable asset transfers to the Entity Assuming the Housing Functions:

339-341 Commercial Avenue (March 11, 2011)	\$ 804,086
312 Miller (March 11, 2011)	717,183
310 Miller/311 Tannarack	586,309
630 Baden (March 11, 2011)	948,244
380 Alta Vista (March 11, 2011)	683,080
314 Miller – land and building (March 11, 2011)	669,896
714-718 Linden – building only (March 11, 2011)	755,118
636 El Camino (January 31, 2012)	4,470,000
Allowance for Uncollectables (January 31, 2012)	(9,973,728)
Loans Receivable (January 31, 2012)	24,621,688
Commercial Rehab Loans (January 31, 2012)	<u>18,990</u>
Total asset transfers	<u>24,300,866</u>
Assets that effectuated to the Entity Assuming the Housing Functions (August 14, 2012)	<u>(24,300,866)</u>
Total transfers subject to H&S Code section 34167.5	<u><u>\$ —</u></u>

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

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**CITY COUNCIL 2014**

KARYL MATSUMOTO, MAYOR  
RICHARD A. GARBARINO, VICE MAYOR  
MARK ADDIEGO, COUNCILMEMBER  
PRADEEP GUPTA, PH.D., COUNCILMEMBER  
LIZA NORMANDY, COUNCILMEMBER

MIKE FUTRELL, CITY MANAGER

**OFFICE OF THE CITY MANAGER**

November 3, 2014

Elizabeth Gonzalez, Chief  
Local Government Compliance Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

Dear Ms. Gonzalez:

This letter is provided in response to the draft State Controller Office ("SCO") Report ("Draft Report") on the Asset Transfer Review for the former Redevelopment Agency of the City of South San Francisco ("RDA") and the cover letter thereto (signed by Jeffrey Brownfield, Chief, Division of Audits) dated October 10, 2014. We appreciate the SCO's grant of an extension of time, to and including November 3, 2014, in which to respond to the Draft Report.

The Draft Report and cover letter find that the RDA made unallowable transfers to the City of South San Francisco ("City") and to the Entity Assuming the Housing Functions. Specifically, the Draft Report states that the outstanding amounts that must be turned over to the Successor Agency include \$8,750,821 in capital assets from the City, and \$23,370,296 in assets from the Entity Assuming the Housing Functions. The Successor Agency and the City agree with two of the findings, but request the final Report reflect the City's corrective actions, and dispute the findings as they pertain to the Miller Avenue Parking Structure. The Successor Agency and City are providing the following information in support of our position.

**I. Transfers to the Entity Assuming the Housing Functions**

Finding 2 of the Draft Report identifies two transfers that were unallowable due to timing and must be turned over to the Successor Agency. Specifically, one transfer of \$4,233,346 in capital assets and another transfer of \$19,136,950 in cash and capital assets, totaling \$23,370,296. The City does not dispute that these assets were prematurely transferred to the Entity Assuming the Housing Functions.

However, the City would like the Draft Report to be revised to reflect the corrective actions that have already occurred with respect to these asset transfers. Pursuant to Resolution 08-2012, adopted on January 25, 2012, the City Council of the City of South San Francisco elected to act as the Entity Assuming the Housing Functions (Successor Housing Agency) to manage former RDA housing assets. On August 31, 2014 the California Department of Finance (DOF) approved the Successor Housing Agency's Housing Asset Transfer Form, whereby it authorized the transfer of the \$23,370,296 to the Successor Housing Agency. Accordingly, the City

acknowledges it transferred these assets prematurely, but requests that the Draft Report recognize that the asset transfer is now in compliance due to the DOF's prior approval. Further, the City requests that the Draft Report be revised to acknowledge that the assets now correctly reside in the Successor Housing Agency's books and that no further action is required by the City or Successor Housing Agency.

Additionally, from a phone conversation with the SCO's Audit Manager Scott Freesmeier on or about October 29, 2014, the City's Finance Director, Jim Steele, understood that by providing documentation to the SCO that shows that the Successor Housing Agency assets were correctly reflected on the City's accounting records as of February 1, 2012, the SCO would note that the housing assets were now in compliance with applicable State requirements, notwithstanding any timing issues that may have existed. That documentation is attached hereto as Attachment A. Attachment A is a spreadsheet that shows the addresses of the housing assets and their book values on the City's books as of March 11, 2011, which is consistent with the asset values listed in Schedule 2 of the Draft Report. Attachment A shows that those properties are correctly still showing on the City's Successor Housing Fund fixed asset listing as of February 1, 2012. There are some changes/corrections noted on the footnotes of Attachment A to reconcile the two sets of numbers. The Draft Report listed a property value matched with the wrong housing address. Note 1 on Attachment A correctly shows that the \$586,309 book value matches the property at 311 Miller/311 Tamarack (not 630 Baden). Note 2 shows that the correct book value for 630 Baden is \$948,244. With those two corrections, and reflecting the accounting depreciation of \$17,674.23 (reflecting building depreciation between 3/1/11 and 2/1/12), the total book value of all housing property assets should reflect \$9,633,915.77 as shown on Attachment A.

The City believes that Attachment A demonstrates that all former RDA housing fixed assets (land and buildings) are now correctly showing on the Successor Housing Agency's accounting records in compliance with applicable law.

## **II. Transfers to the City of South San Francisco**

Finding 1 of the Draft Report identifies two transfers that were unallowable and must be turned over to the Successor Agency. Specifically, one cash transfer of \$8,750,821 and another a "loan forgiven" in the amount of \$8,792,327. The City notes that the Draft Report correctly reflects that the cash transfer of \$8,750,821 has already been turned over to the Successor Agency via the asset transfer of the former Ford properties. However, the City does not agree that the "loan" as characterized in the Draft Report must be returned to the Successor Agency, for the reasons stated below.

### **A. The transfer was a legitimate RDA expenditure, not a loan**

The RDA expenditure for the Miller Avenue Parking Structure was neither an advance nor a loan to the Parking District Enterprise Fund. Careful review of the City's past Capital Improvement Program ("CIP") budgets demonstrates that the RDA funding for the design and construction of Miller Parking Garage was in fact a RDA expenditure. In the 2007-08 CIP, adopted on June 13, 2007, CIP Item No. 19, Miller Avenue Parking Structure, received a \$10,000,000 appropriation from the RDA. (see attachment B) Because those funds were

effectively spent by the RDA at that point, that should control the characterization of this expenditure. Further, this 2007-08 CIP expenditure does not characterize the Miller Avenue Parking Structure funding allocation as being funded by bonds or loans. Instead, the budget records the \$10,000,000 transfer strictly as a RDA funded appropriation. The CIP budget contains a legend with a separate category for bonds/loans (B/L), and the entry for the Miller Avenue Parking Structure funding project does not contain a reference to bond/loan funding. Other entries, however, do contain the bond/loan demarcation. This demonstrates, that at the time of the allocation, the RDA transfer to the Miller Avenue Parking Structure project was merely an expenditure, not a loan or advance.

Other City documents confirm that the RDA did not loan or advance the funds. Within the RDA budget page of the City's 2007-08 Operating Budget, which was also adopted on June 13, 2007, there is no record of an advance to the Parking District Enterprise Fund for the Miller Avenue Parking Structure. (see attachment C) However, the adopted 2007-08 Operating Budget does explicitly state that the RDA "will advance \$3.2 million to the Sewer Fund in 2007/08" for a specified project. This demonstrates that the Operating Budget could and did identify sources that in fact received loans or advances from the RDA. Because the 2007-08 Operating Budget did not identify the Parking District Enterprise Fund as receiving a loan or advance from the RDA, the budget action that occurred, appropriating funds for the Miller Avenue Parking Structure project, should be characterized as a RDA expenditure and not a loan or advance.

Despite the fact that the Parking District's balance sheet in the 2008-09 Operating Budget contains a reference to an advance and a loan between the Parking District and RDA, this inclusion was an inadvertent characterization of the prior year's expenditure. When looking at the 2008-09 Operating Budget, it is appropriate to refer back to the prior budget documents to determine the correct characterization of the funds at the time they were actually allocated, and as discussed above, the 2007-08 CIP budget and Operating Budget clearly state that the expenditure was not a loan. Moreover, the 2008-09 Capital Improvement Program budget identifies the \$10 million expenditure as funded by the RDA, not as a loan. (see attachment D)

Furthermore, the RDA subsequently referred to the transfer to the CIP budget as an allocation, not as a loan or an advance. For example, several RDA Staff Reports from 2008, specifically: March 12; March 26; April 9; and May 14; all state: "The 2007-2008 Capital Improvement Budget includes an *appropriation* of \$10,000,000 for design and construction of the Miller Avenue Parking Structure, from Redevelopment Funds." (see attachment E (emphasis added)) The RDA was in the best position to characterize its funding as a loan or an allocation, and it clearly described it as an allocation. Moreover, RDA Resolution No. 11-2008 states that that the City Council "has appropriated \$10,000,000 in the 2007-2008 Capital Improvement Budget for the design and construction of the Miller Avenue Parking Structure." (see attachment F) These documents demonstrate that the RDA intended to, and the City Council consented to, the appropriation as an expenditure, and did not intend for the transfer to be a loan.

Further, the absence of loan documents between the RDA and the City or Parking District demonstrates that the transfer was in fact merely an expenditure effectuated through a budgetary action. No documents exist that evidence that a loan between the RDA and the Parking District was executed. As stated above, the RDA merely made a budgetary transfer in 2007 into the Miller Avenue Parking Structure capital project, and at that time it did not intend to be repaid

for that expenditure. Despite a prior RDA Staff Report from February 14, 2007 and related minutes that show the RDA approved a conceptual financing plan that included a loan to the Parking District, there were never any documents prepared or executed effectuating such a loan or advance. Furthermore, the City never provided any security for the loan. Thus, evidence of the loan's existence is based solely off a conceptual financing plan and subsequent overall references to that financing plan. The absence of a legal agreement or statement of obligation specifying the actual amount of the loan and terms of repayment between the RDA and the City demonstrates that there is no loan, and therefore no asset to return to the Successor Agency.

Because the most pertinent budgetary documents characterize the Miller Avenue Parking Structure expenditure as an allocation, and not a loan, the SCO should revise its Draft Report and find that there was never a loan or advance between the Parking District and the RDA, and therefore no asset to return to the Successor Agency.

B. Subsequent characterization of loan forgiveness was unnecessary and was based on the City's understanding at that time of its obligations under Dissolution Law

As the project was funded in the 2007-08 budgets, the RDA's subsequent references to the loan/advance in 2011 were a mischaracterization of the character of the asset. The March 2, 2011 RDA Staff Report regarding forgiveness of the advance to the Parking Enterprise Fund wrongly stated that funding was advanced pursuant to the CIP budget approved on July 28, 2010. As explained above, this transfer actually occurred in the 2007-08 budget, not in 2010. Accordingly, Resolution No. 08-2011, which forgave the purported loan, was unnecessary. Further, the 2012 RDA Resolution (Resolution No. 01-2012) approving the loan forgiveness was also legally unnecessary — the RDA only took this action because it believed that it was obligated to do so at the time pursuant to AB 936.

C. The RDA substantially complied with Health and Safety Code Section 33445(a)

Notwithstanding the City's positions stated above, the SCO should revise its finding relating to the Miller Avenue Parking Structure funding because the City achieved substantial compliance with section 33445(a), thereby barring invalidation by ABx1-26 or AB 1484. Section 33445(a) authorizes an RDA to pay for projects of cities and other public entities upon certain determinations. The doctrine of substantial compliance allows substance to prevail over form provided that the policy behind a statute has been satisfied. (*Friends of Shingle Springs Interchange, Inc. v. Cnty. of El Dorado* (2011) 200 Cal. App. 4th 1470, 1489; *Malek v. Blue Cross of California* (2004) 121 Cal. App. 4th 44, 72-73.) Further, the doctrine of substantial compliance has been applied to determine that that a legislative body satisfied statutory findings requirements. (*Sanguinetti v. City Council of Stockton* (1965) 231 Cal App. 2d 813.)

In *Sanguinetti v. City of Stockton*, the court upheld a redevelopment plan, rejecting challenges that Stockton failed to make required findings. There, the court discussed that, in making findings, a city council hearing is held to a lower standard than a judicial proceeding. (*Id.* at 817.) As such, findings and determinations do not have to be "in exact accord with the legislative language." (*Id.* at 818.) "Substantial compliance with the legislative requirements is sufficient." (*Ibid.*) The court emphasized the significance of whether a city council fully considered the applicable issues, complied with the law, and acted to benefit the affected community. (*Ibid.*) Therefore,

compliance with legislative requirements and full consideration of applicable issues is of greater significance than precisely following legislative mandate.

The analysis in *Sanguinetti* demonstrates that here the City substantially complied with the requirements of section 33445(a). The City considered the substantive issues presented by section 33445(a) because when it authorized the design and construction of the Miller Avenue Parking Structure it addressed the elimination of blight, means of financing, and consistency with the implementation plan, as is further outlined below.

First, section 33445(a)(1) requires a determination that the land purchase, construction, or improvement will benefit the project area by helping to eliminate blight. Blight is caused in part by depreciating or stagnant property values, high crime rates, and vacant businesses. (See Cal. Health & Saf. Code § 33031.) City Council and RDA meetings demonstrate that the City intended to improve property values and reduce vandalism through construction of the Miller Avenue Parking Structure. During the February 14, 2007 RDA Meeting, Boardmembers discussed the need for a parking garage to revitalize the downtown's economy. Further, the June 4, 2007 City Council Staff Report stated the garage could function as a catalyst for future commercial development in the downtown, and further, would enhance the marketability of that development. The Dec. 12, 2007 City Council Staff Report anticipated that the Miller Parking Garage with ground floor commercial uses would reduce vandalism and trespass issues. Thus, the City Council fully determined that the Miller Avenue Parking Structure would reduce blight by improving economic conditions and reducing vandalism and trespass rates.

Furthermore, the RDA's 2005 and 2010 Implementation Plans directly link the need for a Downtown/Central public parking lot to the obligation to reduce blight. First, the 2005 Implementation Plan notes that the Downtown/Central Area suffered from "[s]tagnant sales tax revenue and business decline." It then focused on parking as a key factor deterring revitalization in the Project Areas and, therefore, a necessary project to correct this deficiency. Similarly, the 2010 Implementation Plan found the following blighted conditions within the Downtown/Central Area: stagnant and declining businesses and inadequate infrastructure and public facilities. The 2010 Implementation Plan then explains that the parking projects, which included Miller Avenue Parking Structure, would "eliminate the remaining blighting influences" by improving parking facilities to "ameliorate parking and circulation problems throughout the Project Areas that deter revitalization." Therefore, Miller Avenue Parking Structure was not only found to help eliminate blight but was designed and constructed with section 33445(a)(1)'s goal specifically in mind.

Next, section 33445(a)(2) requires a finding that no other reasonable means of financing is available. In 2001, an analysis regarding a potential new parking structure for the Downtown Parking District stated that no reasonable funding source was identified at that time. (RDA Staff Report, Feb. 14, 2007.) This statement meets the requirements of section 33445(a)(1) because it asserts that no other reasonable means of financing existed to fund construction of the Miller Parking Garage. Pursuant to a 2006 update of the study, the RDA determined RDA funds would be necessary to subsidize the garage, further indicating absence of alternative funding. The RDA adopted the financial plan for the garage, incorporating the studies, at the February 14, 2007 meeting.

Last, section 33445(a)(3) requires that the payment be consistent with the implementation plan. The Implementation Plan in effect at the time of appropriations sought to revitalize the downtown, encourage customers to shop, and make the area more pedestrian friendly. On June 4, 2007, a City Council Staff Report stated that the inclusion of commercial space in the garage was consistent with the General Plan and was considered “an urban design ‘best practice’ for downtown parking structures.” It further noted that the project could spur future commercial development and create a “more pleasant pedestrian experience.” Thus, before the 2007-08 CIP Budget was adopted, the proposed garage was described by the City Council in terms that were consistent with the goals of the implementation plan, which indicates substantial compliance with section 33445(a)(3). Further, on December 12, 2007, the City Council adopted a resolution stating that the project is consistent with the Downtown/Central Redevelopment Plan.

The 2005 and 2010 Implementation Plans themselves establish that Miller Parking Garage in fact consistent with the Implementation Plans. The 2005 Implementation Plan addressed the need to construct additional surface public parking and allocated \$1 million for the identification, study, and design of new surface public parking lots. The 2005 Implementation Plan also notes that goals and expenditures must serve to eliminate blight and then discusses that the lack of parking deters revitalization in certain Project Areas.

The RDA’s expenditures for the design and construction of Miller Avenue Parking Garage are explicitly consistent with the 2010 Implementation Plan because that plan specifically includes projected expenditures for the Miller Avenue Parking Garage in the amount of \$10 million. Furthermore, the 2010 Implementation Plan discusses that improving public parking in the Downtown/Central Area is a specific goal of the 2010 plan. Therefore, the Miller Avenue Parking Garage was consistent with existing Implementation Plans as the 2005 Implementation Plan recognized the need for additional parking and the 2010 Implementation Plan explicitly included the Miller Avenue Parking Structure.

Thus, the evidence demonstrates that the City Council and RDA substantially complied with section 33445(a) before 2008. Both entities expected the garage to help eliminate blight, recognized the lack of alternative financing, and discussed that the project was consistent with the implementation plan. This shows both entities fully considered the issues presented by section 33445(a). Moreover, some of these determinations occurred before the adoption of the 2007-08 CIP Budget, in which the RDA funds were appropriated to the Miller Parking Structure project.

It is also noteworthy in establishing substantial compliance that the City Council and RDA’s actions regarding Miller Parking Garage satisfied the policy behind section 33445(a). One court has found that the statutory intent behind section 33445 is “to effectively limit potential abuses in tax increment financing.” (*Meaney v. Sacramento Hous. & Redevelopment Agency* (1993) 13 Cal. App. 4th 566, 581.) Construction of the Miller Parking Garage was consistent with the goals of Redevelopment Law in existence during its design and construction. From the outset, the RDA and City Council recognized that a parking structure was “a valid Agency expense” and considered it to be “a proper use of Agency dollars.” (RDA Staff Report, Feb. 14, 2007.) The structure was integral to the Downtown/Central Improvement Plan and was specifically anticipated to reduce blight in the area. Further, RDA funds were the only available means of

finance, which demonstrates that the City was not abusing tax increment financing in seeking RDA funds for the garage's design and construction.

Thus, the City achieved substantial compliance with section 33445(a). As discussed above, the City Council and RDA fully considered the issues presented in section 33445(a) and made determinations that complied with these legislative requirements. Exact accord with legislative language was not necessary. Moreover, the City satisfied the policy goals behind section 33445(a) because the parking structure was a valid use of RDA funds.

**III. If SCO determines an expenditure to be a "loan," the Parking District should be ordered to return the assets to the Successor Agency**

**A. If SCO determines an expenditure to be a "loan," the obligation to repay should be limited to net revenue from Parking District Enterprise Fund**

In the event the SCO's Final Report concludes that there was a loan between the RDA and the Parking Enterprise Fund, the SCO should order the asset to be repaid from the Parking District Enterprise Fund, exclusively. The Parking District received the benefit of the funds, and any references to a "loan" or "advance," although inaccurate, for the reasons discussed above, cite the Parking District's responsibility to repay the loan. Also, the Parking District Enterprise Fund was the subject of the purported loan forgiveness action in 2011 and 2012. At no time did another City fund or agency bear any responsibility for, or receive any benefit from, the assets. The Parking District is an Enterprise Fund, meaning its expenses are funded solely from the operations of the enterprise itself (parking revenues). Thus, the Parking District Enterprise Fund is not a part of the City of South San Francisco's General Fund, and has consistently been shown as a separate fund on the City's financial records.

The RDA expenditure benefitted the Parking District alone because the Miller Avenue Parking Structure is part of the South San Francisco Parking District #1. Initial City documents illustrate that the Parking District revenues would bear primary responsibility to repay the obligation. The garage's financing plan stated: "Funds from the Redevelopment Agency will be loaned to the Parking District to fund design and construction." (RDA Staff Report, Feb. 14, 2007.)

The City's 2008-09 and 2009-10 Operating Budgets state that all parking revenue would go to repayment of the "loan." Specifically, a footnote to the Parking District Enterprise Fund budget page in those budgets states that the Parking District borrowed funds from the RDA and that the funds will be paid back from parking permit and parking meter revenues over the span of 20 years.

Lastly, when the RDA forgave the purported advance on March 2, 2011, it specifically forgave the "City of South San Francisco's Downtown Parking Enterprise Fund." (RDA Resolution No. 08-2011.) The accompanying March 2, 2011 RDA Staff Report further demonstrates that the funds were solely directed to Parking District use and benefit. The report stated the advances were made due to insufficient Parking District funds to pay for construction costs. Moreover, the RDA forgave the loan so that the Parking District could attend to downtown parking needs instead of dedicating parking permit sales and parking meter revenues for 15-20 years to loan repayment. In fact, the 2012 RDA Resolution approving the loan forgiveness discussed the

positive benefit to the Parking District and noted that it could use its annual revenue for maintenance and operations instead of repaying the advance. (RDA Resolution No. 01-2012)

Thus, any documentation referring to a loan points to the Parking District Enterprise Fund as having the obligation to repay the loan specifically through parking permit and parking meter revenues. This supports the argument that the Parking District Enterprise Fund is ultimately responsible for receiving the funds and is the entity responsible for repaying them.

Therefore, because the Parking District Enterprise Fund received the assets and bore responsibility to repay the RDA under the conceptual financing plan, an order to repay the Successor Agency, if sustained, should be directed to the Parking District Enterprise Fund exclusively.

Finally, the City does not have sufficient funds on hand to pay the amount directed by the SCO. Any order that is finalized would need to accommodate installment payments following a further review of the City's outstanding obligations and anticipated revenue.

#### **IV. Conclusion**

For all of the reasons stated above, including Community Redevelopment Law as supplemented by ABx1-26 and AB 1484, the Successor Agency and the City submit that the SCO's proposed asset transfer order cannot be sustained, and we respectfully request that the SCO revise the Draft Report accordingly. In addition, please note that the Successor Agency and the City reserve all rights to raise such other and further legal arguments with respect to the Draft Report as we deem necessary and appropriate.

Should you have any questions regarding this letter or our position, please contact Jim Steele , Finance Director, at (650) 877-8507.

Sincerely,

  
Mike Futrell,  
City Manager and  
Successor Agency Executive Director

Attachments

c: Steve Mattas, City Attorney

2351066.7

Attachment A

Housing Successor Agency Capital Assets as of February 1, 2012

The table area contains a large amount of data that is currently illegible. It appears to be a multi-column table with several rows of information, likely detailing various capital assets and their values. The text is too faint to transcribe accurately.

City of South San Francisco  
Housing Successor Agency Capital Assets  
As of February 1, 2012

Attachment A

Note	Address	Asset #	Type	Per SCO Schedule 2 Book Value @ 3/11/11 Amount	City of SSF Fixed Asset Records For Housing Successor Agency Book Value @ 2/1/12 Amount	Depreciation Difference
	339-341 Commercial Avenue	019077	Land	804,086.00	804,086.00	-
	312 Miller	019765	Land	717,183.00	717,183.00	-
1	310 Miller/311 Tamarack	019788	Land	586,309.00	586,309.00	-
2	630 Baden	017188	Land	948,244.00	948,244.00	-
	714-718 Linden	019839	Building	770,375.00	755,118.10	15,256.90
	380 Alta Vista	019806	Land	683,080.00	683,080.00	-
	314 Miller	020555/020556	Land/Building	672,313.00	669,895.67	2,417.33
	636 El Camino (Mid-Pen)	020762	Land	4,470,000.00	4,470,000.00	-
	<b>Total</b>			<b>8,703,346.00</b>	<b>9,633,915.77</b>	<b>17,674.23</b>

1. Note 1: Correction #1 to the SCO Schedule 2, the NBV amount \$586,309 does not match the address 630 Baden. Correct Address is 310 Miller/311 Tamarack.

2. Note 2: Correction #2 to the SCO Schedule 2, the 630 Baden property was listed on the SCO Report with the incorrect amount as noted in Note 1. Book value is \$948,244. See Adjustment on Reconciliation below.

3. Note 3: Please note difference between SCO Report and our report is due to timing. SCO Report is based on NBV as of 3/1/14. Our Fixed Asset Report is based on 2/1/12.

Reconciliation of SCO Report to City's Books

Per Schedule 2 - Total capital Asset Transfers (March 11, 2011)	4,233,346.00	
Per Schedule 2 - 636 El Camino (January 31, 2012)	4,470,000.00	
Adjustment (See Footnote 1): 630 Baden		8,703,346.00 ties to Schedule 2 numbers
Adjustment (See Footnote 3): Depreciation from 3/1/11 and 2/1/12		948,244.00
<b>Total Book Value @ 2/1/12</b>		<b>(17,674.23)</b>
		<b>9,633,915.77</b>

I certify that the above is an accurate representation of the City's fixed assets for the Housing Successor Agency as of 2/1/2012.



Jim Steele, Finance Director, City of South San Francisco, 10/31/14

**Attachment B**

**2007-2008 Capital Improvement Program Budget**

PUBLIC FACILITIES

- 1. ORANGE PARK RECREATION BUILDING
- 2. TRAIN STATION
- 3. DAY CARE FACILITIES
- 4. OYSTER POINT MARINA REMEDIATION
- 7. OAK GRAND APARTMENTS
- 11. ORANGE PARK SITE EXPANSION AND ACQUISITION
- 12. REPLACEMENT OF EMERGENCY GENERATOR FOR FIRE STATION 64
- 13. REPLACEMENT OF EMERGENCY GENERATOR FOR CITY HALL AND ANNEX
- 15. CITY HALL ANNEX RENOVATE
- 19. MILLER AVENUE PARKING STRUCTURE
- 20. SITE REMEDIATION AT 27 SOUTH LINDEN AVENUE
- 22. MSB WALL LEAKS
- 23. HILTON HOTEL REMEDIATION
- 24. LIBRARY IMPROVEMENTS



## PUBLIC FACILITIES - PROJECT DESCRIPTIONS

ITEM NO. 18 - PAINTING OF CITY BUILDING  
PAINTING OF VARIOUS CITY BUILDINGS AS NEEDED

ITEM NO. 19 - MILLER AVENUE PARKING STRUCTURE  
THIS PROJECT WILL DESIGN AND CONSTRUCT A NEW PARKING STRUCTURE TO REPLACE EXISTING PARKING LOT LOCATED ON MILLER AVENUE BETWEEN MAPLE AVENUE AND LINDEN AVENUE

ITEM NO. 20 - SITE REMEDIATION AT 27 SOUTH LINDEN AVENUE  
THIS PROJECT WILL PERFORM AN ENVIRONMENTAL CLEAN UP OF THE LOT AT 27 SOUTH LINDEN

ITEM NO. 21 - INSTALL ADA IMPROVEMENTS AT CITY BUILDINGS  
THIS PROJECT WILL INSTALL ADA RELATED ACCESSUSE IMPROVEMENTS TO VARIOUS BUILDING LOCATIONS THROUGHOUT THE CITY AS NEEDED

ITEM NO. 22 - MSR WALL LEAKS  
THIS PROJECT IS A CONTINUATION FROM WORK DONE IN PREVIOUS YEARS AND WILL SEAL GARAGE BASEMENT WALLS AND PROVIDE PROPER DRAINAGE FOR THE LANDSCAPE AREA ALONG ARROYO DRIVE. ONE PLANTEK HAS BEEN SEALED

ITEM NO. 23 - HILTON HOTEL SITE REMEDIATION  
THIS PROJECT WILL REMEDIATE THE LANDFILL BETWEEN GULL DRIVE AND MARINA BOULEVARD. TOXIC REMEDIATION, METHANE BARRIERS AND MONITORING ARE PART OF THE PROJECT.

ITEM NO. 24 - LIBRARY IMPROVEMENTS  
THIS PROJECT WILL INCLUDE NEW CARPETING, ELECTRICAL AND TELECOMMUNICATIONS UPGRADE. SPACE RECONFIGURATION AND MISCELLANEOUS IMPROVEMENTS

ITEM NO. 25 - DANCE STUDIO FACILITY  
THIS PROJECT WILL PROVIDE RESTROOMS, INSTALL FLOATING FLOOR, MIRRORS, BARS, SOUND SYSTEM AND WINDOW SHADES, FOR USE AS A CLASSROOM AND REHEARSAL SPACE

**PUBLIC FACILITIES**

1	2	3	4	5	6	7	8	9	10	11
ITEM NO	PROJECT NAME & NUMBER	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FUNDING METHOD	PRIOR YEAR APPROPRIATION	AVAILABLE PRIOR YEAR APPROPRIATION	NEW APPROPRIATION
<b>PROJECT COSTS</b>										
18	PAINTING OF CITY BUILDING (51-13232-0522)	36,000	50,000	50,000	50,000	50,000	CI	52,000	35,000	
19	MILLER AVENUE PARKING STRUCTURE (72-13236-0770)	10,150,000					PD RDA	284,000	150,000	19,000,000
20	SITE REMEDIATION AT 27 SOUTH LINDEN AVENUE (58-13232-0525)	114,000	5,000	5,000	5,000	5,000	RDA	18,000	14,000	100,000
21	INSTALL ADA IMPROVEMENTS AT CITY BUILDINGS (51-13232-0524)	27,000	25,000	25,000	25,000	25,000	RDA CI	20,000 7,000	20,000 7,000	
22	MSB WALL LEAKS (51-13232-0220)	6,000					CI	6,000	6,000	
23	HILTON HOTEL SITE REMEDIATION (51-13231-0015)	10,000	50,000				CI	10,000	10,000	
24	LIBRARY IMPROVEMENTS (51-13232-0721)	450,000	1,500,000	20,000,000			B/L	500,000	450,000	
25	DANCE STUDIO FACILITY		100,000				DP GR			
<b>PAGE SUBTOTAL</b>		10,793,000	1,730,000	20,080,000	80,000	80,000		907,000	693,000	10,100,000

CI = CAPITAL IMPROVEMENT FUNDS  
 DP = DEVELOPER FEES  
 SB = SAN BRUNO SHARE  
 LMIF = LOW MODERATE INCOME HOUSING FUND  
 GR = GRANTS  
 TIF = TRAFFIC IMPACT FEE  
 SW = STORM WATER FUND  
 B/L = BONDS/LOANS  
 MA = MEASURE A  
 GT = GAS TAX  
 CS = CITY SERVICES FUND  
 GTW = GATEWAY ASSESSMENT  
 RDA = REDEVELOPMENT AGENCY  
 SE = SEWER ENTERPRISE FUND  
 PD = PARKING DISTRICT  
 PROF 12 = PROPOSITION 12 GRANT FUNDING

**Attachment C**

**2007-2008 Operating Budget, pages 61-62**

REDEVELOPMENT AGENCY, 2007-08

**MERGED REDEVELOPMENT PROJECT AREA SUMMARY**  
Summary of Revenues and Expenditures

	Actual 2005-06	Adopted 2006-07	Projected 2006-07	Proposed 2007-08	Change From Adopted Budget	% Change	Projected 2008-09	Change From 2007-08 Proposed	% Change
<b>REVENUES</b>									
<u>Gross Tax Increment Allocated</u>									
Gateway	5,964,554	5,817,645	7,451,698	7,250,173	1,432,528	24.6%	7,398,173	148,000	2.0%
Shearwater	3,552,528	3,048,149	3,197,442	3,269,828	221,679	7.3%	3,335,952	66,124	2.0%
Downtown	10,474,175	9,145,623	10,129,580	10,272,947	1,127,324	12.3%	10,647,424	374,477	3.6%
El Camino	2,196,471	1,981,207	2,911,787	2,995,835	1,004,628	50.7%	3,101,934	116,099	3.9%
Subtotal	22,189,727	19,992,624	23,680,517	23,778,763	3,786,159	18.9%	24,483,484	704,700	3.0%
Less ERAF shift	(1,481,818)	-	-	-	-	-	-	-	-
Adjustments: Appeals	(1,279,710)	-	(725,835)	(180,719)	(180,719)	-	(186,074)	(5,356)	3.0%
Adjustments: County Admin & Other	(512,398)	-	(184,858)	50,000	50,000	-	50,000	-	0.0%
Rent	-	-	53,000	1,400,000	578,352	70.4%	1,463,000	63,000	4.5%
Interest: 2006 RDA Bonds	2,073,058	821,648	1,360,511	1,649,000	1,649,000	-	1,723,205	74,205	4.5%
Total Revenues	20,988,857	20,814,272	26,529,490	26,697,065	5,882,793	0	27,533,614	836,550	0
2006 Redevelopment Bond Sale	55,654,622	-	-	-	-	-	-	-	-
<b>TOTAL SOURCES OF FUNDS:</b>	<b>76,643,479</b>	<b>20,814,272</b>	<b>26,529,490</b>	<b>26,697,065</b>	<b>5,882,793</b>	<b>28.3%</b>	<b>27,533,614</b>	<b>836,550</b>	<b>3.1%</b>
<b>EXPENDITURES</b>									
Redevelopment Activities	4,438,229	4,860,529	3,280,022	3,632,767	(1,227,762)	-25.3%	3,850,793	217,966	6.0%
Capital Outlay	31,068	-	19,029	52,000	52,000	-	-	(52,000)	-100.0%
Debt Service	7,220,884	2,638,169	4,288,503	5,127,480	2,489,311	94.4%	5,115,751	(11,729)	-0.2%
County Settlement	-	2,400,000	1,181,270	1,342,493	(1,057,507)	-44.1%	1,17,867	(1,224,626)	-91.2%
Transfers to Low/ Moderate Income	-	-	-	-	-	-	-	-	-
Housing Fund	4,182,004	4,038,814	4,564,555	5,005,757	966,843	23.9%	5,196,697	190,940	3.8%
<u>Pass Through Payments to Taxing Entities</u>									
Gateway	-	-	203,486	231,088	231,088	-	268,282	37,194	16.1%
Shearwater	930,148	811,763	825,967	864,421	52,658	6.5%	884,607	20,186	2.3%
Downtown	2,477,051	2,301,892	2,425,988	2,542,675	240,783	10.5%	2,648,481	105,807	4.2%
El Camino	197,351	192,843	235,277	258,643	65,800	34.1%	274,894	16,251	6.3%
Subtotal, Pass Through Payments	3,604,548	3,306,488	3,890,115	3,896,826	590,328	17.9%	4,076,264	179,438	4.6%
<u>Redevelopment Capital Projects</u>									
Tax Increment-fund	582,204	8,086,000	99,019	19,482,181	11,396,181	140.9%	1,255,000	(16,227,181)	-93.6%
Bond-fund	4,442,676	41,119,000	5,733,131	32,597,753	(8,521,247)	-20.7%	1,500,000	(31,097,753)	-95.4%
Subtotal, Capital Projects	5,024,880	49,205,000	5,832,150	52,079,934	2,874,934	5.8%	2,755,000	(49,324,934)	-95.4%
<b>TOTAL USES OF FUNDS:</b>	<b>24,501,613</b>	<b>66,449,110</b>	<b>22,865,845</b>	<b>71,137,258</b>	<b>4,688,148</b>	<b>7.1%</b>	<b>21,112,312</b>	<b>(50,024,946)</b>	<b>-70.3%</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>52,141,867</b>	<b>(45,634,838)</b>	<b>3,663,645</b>	<b>(44,440,193)</b>			<b>6,421,302</b>		
Fund Balance	72,701,334	24,686,171	76,365,178	31,924,985	-61		38,346,287		

REDEVELOPMENT AGENCY, 2007-08

Summary of Revenues and Expenditures

	Actual 2005-06	Adopted 2006-07	Projected 2006-07	Proposed 2007-08	Projected 2008-09
Fund Balance (from prior page):	72,701,334	24,686,171	76,365,178	31,924,985	36,346,287
<b>Bond Funds</b>					
2006 Redevelopment Bonds	53,166,373	5,229,945	49,731,367	9,562,644	9,805,949
Advance To Other Funds	-	10,920,000	6,000,000	9,200,000	9,200,000
Loans Receivable	223,767	622,668	909,672	1,209,672	1,250,000
All Other Reserved Funds	1,961,706				
<b>Unreserved / Undesignated Fund Balance</b>	<b>17,347,488</b>	<b>7,913,538</b>	<b>19,724,109</b>	<b>11,932,669</b>	<b>16,090,438</b>

Major Changes to the Redevelopment Agency Budget include the following:

1. The Redevelopment Agency advanced \$4.5 million to the Sewer Fund in 2006-07 for East of 101 Improvements. The Agency will advance \$3.2 million to the Sewer Fund in 2007-08 for Wet Weather Phase II.
2. In 2006-07, the Gateway project area reached its cumulative tax increment threshold for pass-through obligations. The first annual payments will be made in June 2007.
3. The agency set aside \$2.4 million in 2006-07 to fulfill its settlement agreement with San Mateo County. Of that amount, \$825,000 was spent on County projects in 2007-08, with an additional \$123,000, is budgeted for County projects in 2007-08.

**Attachment D**

**2008-2009 Capital Improvement Program Budget**

## PUBLIC FACILITIES

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>1 ORANGE PARK RECREATION BUILDING</li> <li>2 TRAIN STATION</li> <li>3 DAY CARE FACILITIES</li> <li>4 OYSTER POINT MARINA REMEDIATION</li> <li>5 SAS GRAND APARTMENTS</li> <li>6 ORANGE PARK SITE EXPANSION/ LAND ACQUISITION</li> </ul>   | <ul style="list-style-type: none"> <li>12 REPLACEMENT OF EMERGENCY GENERATOR FOR FIRE STATION 06</li> <li>15 REPLACEMENT OF EMERGENCY GENERATOR FOR CITY HALL ANNEX</li> <li>16 CITY HALL ANNEX ROOF</li> <li>18 MILLER AVENUE PARKING STRUCTURE</li> <li>19 SITE REMEDIATION AT 27 SOUTH LINDEN AVENUE</li> </ul> | <ul style="list-style-type: none"> <li>21 MSB WALL LEAKS</li> <li>27 HILTON HOTEL REMEDIATION</li> <li>28 LIBRARY IMPROVEMENTS</li> <li>29 MSB ATRIUM OPERA DECADE CENTENNIAL 2006</li> <li>27 SECURITY CAMERA SYSTEM FOR ORANGE MEMORIAL PARK RECREATION BUILDING</li> <li>28 BANQUET CHAIRS FOR ORANGE MEMORIAL PARK RECREATION BUILDING</li> </ul> |
| <ul style="list-style-type: none"> <li>29 ORANGE MEMORIAL PARK RECREATION BUILDING-SCREENING FOR HVAC UNITS</li> <li>30 200-212 HADEN AVENUE-NEW PARKING LOT</li> <li>32 EVIDENCE ROOM RENOVATION</li> <li>34 SIBERKIRK CHILD CARE EXPANSION</li> <li>35 CITY HALL CHILLER REPLACEMENT</li> <li>41 BOO/TRAINING CLASSROOM</li> </ul> |  |   |



## PUBLIC FACILITIES - PROJECT DESCRIPTIONS

- ITEM NO. 17. PAINTING OF CITY BUILDING  
PAINTING OF VARIOUS CITY BUILDINGS AS NEEDED
- ITEM NO. 18. MILLER AVENUE PARKING STRUCTURE  
THIS PROJECT WILL DESIGN AND CONSTRUCT A NEW PARKING STRUCTURE TO REPLACE EXISTING PARKING LOT LOCATED ON MILLER AVENUE BETWEEN MAPLE AVENUE AND LINDEN AVENUE
- ITEM NO. 19. SITE REMEDIATION AT 27 SOUTH LINDEN AVENUE  
THIS PROJECT WILL PERFORM AN ENVIRONMENTAL CLEAN UP OF THE LOT AT 27 SOUTH LINDEN
- ITEM NO. 20. INSTALL ADA IMPROVEMENTS AT CITY BUILDINGS  
THIS PROJECT WILL INSTALL ADA RELATED ACCESS/USE IMPROVEMENTS TO VARIOUS BUILDING LOCATIONS THROUGHOUT THE CITY AS NEEDED
- ITEM NO. 21. MSS WALL LEAKS  
THIS PROJECT IS A CONTINUATION FROM WORK DONE IN PREVIOUS YEARS AND WILL SEAL GARAGE BASEMENT WALLS AND PROVIDE PROPER DRAINAGE FOR THE LANDSCAPE AREA ALONG ARROYO DRIVE. ONE PLANTER HAS BEEN SEALED
- ITEM NO. 22. MELTON HOTEL SITE REMEDIATION  
THIS PROJECT WILL REMEDIATE THE LANDFILL BETWEEN GULL DRIVE AND MARINA BOULEVARD. TOXIC REMEDIATION, METHANE BARRIERS AND MONITORING ARE PART OF THE PROJECT
- ITEM NO. 23. LIBRARY IMPROVEMENTS  
THIS PROJECT WILL INCLUDE NEW CARPETING, ELECTRICAL AND TELECOMMUNICATIONS UPGRADE, SPACE RECONFIGURATION AND MISCELLANEOUS IMPROVEMENTS
- ITEM NO. 24. EMERGENCY GENERATOR REPLACEMENT UPGRADE PROGRAM  
THIS PROGRAM WILL ALLOW FOR REPLACEMENT AND INSTALLATION OF UPDATED EQUIPMENT FOR THE GENERATION OF EMERGENCY POWER FOR BUILDINGS DUE TO POWER OUTAGES

ENGINEERING DIVISION FISCAL YEAR 2008-2009  
CAPITAL IMPROVEMENT PROGRAM

PUBLIC FACILITIES

ITEM #	PROJECT NAME & NUMBER	PROJECT COSTS				FY 12-13	FY 10-11	FY 11-12	FY 12-13	FUNDING METHOD	APPROPRIATION	
		FY 08-09	FY 09-10	FY 10-11	FY 11-12						PRIOR YEAR	NEW APPROPRIATION
30	REPAIRS OF CITY BUILDING (51-13233-0622)	12,000	50,000	50,000	50,000	50,000	50,000	50,000	CI	30,000	12,000	
31	MILLER AVENUE PARKING STRUCTURE (51-13233-0772)	9,800,000							RD RDA	294,000 10,000,000	0 9,800,000	
32	SITE REMEDIATION AT 27 SOUTH LINDEN AVENUE (58-13233-0625)	100,000	5,000	5,000	5,000	5,000	5,000	5,000	RDA	114,000	100,000	
33	INSTALL ADA IMPROVEMENTS AT CITY BUILDINGS (51-13233-0624)	21,000	25,000	25,000	25,000	25,000	25,000	25,000	RDA CI	20,000 7,000	14,000 7,000	
34	SEWER LEEKS (51-13233-0220)	6,000							CI	6,000	6,000	
35	HILTON HOTELS SITE REMEDIATION (51-13231-0017)	50,000							CI	10,000	0	
36	EMERGENCY GENERATOR REPLACEMENT UPGRADE PROGRAM (51-13233-0722)	450,000	1,500,000	20,000,000					BL	500,000	450,000	
4	EMERGENCY GENERATOR REPLACEMENT UPGRADE PROGRAM (51-13233-0722)	25,000							SE	25,000	25,000	
PAGE SUBTOTAL		10,414,000	1,830,000	20,080,000	80,000	80,000	80,000	80,000		11,012,000	10,414,000	

GR = GRANTS  
 TIP = TRAFFIC IMPACT FEE  
 SW = STORM WATER FUND  
 BL = BONDS/LOANS  
 MA = MEASURE A  
 GI = GAS TAX  
 CS = CITY SERVICES FUND  
 GTW = LA TRWAY ASSESSMENT  
 RDA = REVENUE DEVELOPMENT ACCOUNT  
 SE = SPECIAL SERVICES FUND  
 PD = PARKING TRUST  
 PE = PUBLIC EMPLOYEES RETIREMENT FUNDING

**Attachment E**

**RDA Staff Report, regarding Resolution No. 11-2008 to approve the final design of the  
Miller Avenue Parking Structure and authorize contract for design  
May 14, 2008, page 3**

Staff Report  
RE: Watry Design Contract – Miller Ave. Parking Structure  
Date: May 15, 2008

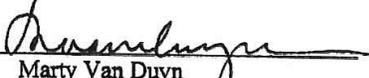
Page 3 of 3

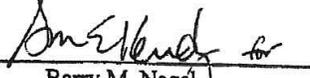
**FUNDING**

The 2007-2008 Capital Improvement Budget includes an appropriation of \$10,000,000 for design and construction of the Miller Avenue Parking Structure, from Redevelopment Agency Funds.

**CONCLUSION**

Staff recommends that the Redevelopment Agency Board adopt the attached resolution approving the final design for the Miller Avenue Parking Garage and authorizing the Executive Director to execute a contract with Watry Design, Inc. to complete the construction documents and competitive bid packages for the Miller Avenue Parking Structure.

By:   
Marty Van Dуйn  
Assistant Executive Director

Approved:   
Barry M. Nagel  
Executive Director

**ATTACHMENTS**

Resolution  
Exhibit A - Watry Design, Inc. Scope of Services  
December 12, 2007 City Council Minutes  
Plans

BMN:MVD:SK

**Attachment F**

**RDA Resolution No. 11-2008**

RESOLUTION NO. 11-2008

REDEVELOPMENT AGENCY OF THE CITY OF SOUTH SAN FRANCISCO,  
STATE OF CALIFORNIA

A RESOLUTION APPROVING THE FINAL DESIGN OF THE  
MILLER AVENUE PARKING STRUCTURE AND  
AUTHORIZING THE EXECUTION OF A CONTRACT WITH  
WATRY DESIGN, INC. FOR CONSTRUCTION DESIGN OF  
THE MILLER AVENUE PARKING STRUCTURE

WHEREAS, the Redevelopment Agency of the City of South San Francisco ("Agency") is a redevelopment agency existing pursuant to the Community Redevelopment Law, California Health and Safety Code Section 33000, et seq. (the "CRL"), and pursuant to the authority granted thereunder, has the responsibility to carry out the Redevelopment Plan ("Redevelopment Plan") for the Downtown/Central Redevelopment Project Area ("Project Area"); and

WHEREAS, the City Council of the City of South San Francisco has appropriated \$10,000,000 in the 2007-2008 Capital Improvement Budget for the design and construction of the Miller Avenue Parking Structure; and

WHEREAS, Watry Design, Inc. and Group 4 Architecture/Walker Parking Consultants submitted proposals for the design and construction administration of the Miller Avenue Parking Structure, though Watry Design, Inc. was able to provide a full scope of services and complete delivery of the project seven months earlier than Group 4 Architecture/Walker Parking Consultants; and

WHEREAS, Watry Design, Inc. has completed schematic designs of the Miller Avenue Parking Structure, and is prepared to proceed with construction drawings, bid packages, and construction administration services for an amount not to exceed \$1,101,232, as detailed in their proposal, attached to this Resolution and incorporated herein by reference; and

WHEREAS, a Mitigated Negative Declaration has been completed in accordance with the California Environmental Quality Act, analyzing the proposed project's effects on the environment and concluding that after mitigation, the project will not have any significant environmental impacts.

NOW THEREFORE, BE IT RESOLVED, that the Redevelopment Agency of the City of South San Francisco does hereby approve the final design of the Miller Avenue Parking Structure and authorize the Executive Director or his designee, to execute a contract with Watry Design, Inc., not to exceed \$1,101,232, to complete the construction design and documents and competitive bid packages for the Miller Avenue Parking Structure.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the Redevelopment Agency of the City of South San Francisco at a regular meeting held on the 14<sup>th</sup> day of May 2008 by the following vote:

AYES: Boardmembers Mark N. Addiego Richard A. Garbarino, Kevin Mullin,

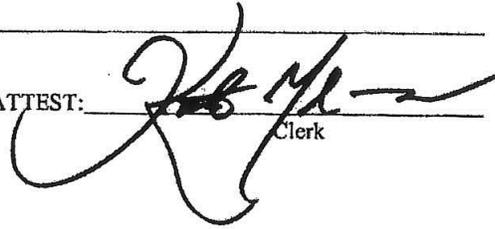
Vice Chair Karyl Matsumoto and Chair Pedro Gonzalez

NOES: None

ABSTAIN: None

ABSENT: None

ATTEST:



Clerk

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**