



THE CITY OF SAN DIEGO

---

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

---

**Date Issued:** September 11, 2015

**IBA Report Number:** 15-32

**City Council Docket Date:** September 14, 2015

**Item Number:** S401

---

# Update on Redevelopment Dissolution and ROPS 9

## OVERVIEW

On September 14, 2015, the City Council, in its capacity as the board of the Redevelopment Successor Agency, is scheduled to consider the proposed Ninth Recognized Obligation Payment Schedule (ROPS 9). Council is additionally being requested to allow staff to seek the revived loan agreements that have been invalidated by the California Department of Finance (DOF) as enforceable obligations. This report provides an overview of ROPS 9, including additions of new ROPS line-items, and additional issues related to obligations included in ROPS 9.

During consideration of ROPS 8, Councilmembers Sherman and Cole requested our office to provide additional information and updates in a subsequent report on remaining obligations, use of bond proceeds, and the overall progress on wind-down activities. This report provides additional information and updates pursuant to that request.

## FISCAL/POLICY DISCUSSION

### Background

In 2011, the State Legislature approved the dissolution of California's Redevelopment Agencies (RDAs); after a period of litigation all RDAs were dissolved in February 2012, and their rights, duties, and obligations were vested in successor agencies. In San Diego, the City Council designated the City to serve as the former RDA's successor agency for the purposes of winding down redevelopment obligations, making payments on enforceable obligations, and liquidating the agency's unencumbered assets.

A large part of winding down RDA activities involves making payments on enforceable obligations of the former RDA. Per State law, successor agencies are required to prepare

OFFICE OF THE INDEPENDENT BUDGET ANALYST

202 C STREET MS 3A SAN DIEGO, CA 92101

TEL (619) 236-6555 FAX (619)-236-6556

ROPS which detail enforceable obligations allowed to be made in an upcoming six-month period, until all obligations have been fulfilled.<sup>1</sup> Each ROPS must be approved by the City Council as the board of the Redevelopment Successor Agency, by the Successor Agency Oversight Board, and by the State Department of Finance (DOF).

Funding for obligations included in each ROPS primarily come from two sources – first, cash-on-hand (derived from sources such as bond proceeds and rental income revenue), and then funding from the Redevelopment Property Tax Trust Fund (RPTTF). The RPTTF consists of tax increment funding that previously went to RDAs, and is administered by the County Auditor-Controller. Funding in the RPTTF is used to pay for approved enforceable obligations, and any residual RPTTF money not dedicated to enforceable obligations is distributed to local taxing entities in the region. The City's share of residual RPTTF in the region is approximately 17%.

## **ROPS 9**

The proposed ROPS 9 covers the six-month period between January 1, 2016 and June 30, 2016, and details enforceable obligations of the former RDA, as well as an administrative and project-management budget associated with implementing ROPS 9. Total expenditures during that period total \$81.4 million. Of that amount, \$18.0 million will be provided from cash-on-hand (bond proceeds, reserves, and additional income)<sup>2</sup>, and \$63.3 million from the RPTTF<sup>3</sup>.

Administrative and Project Management costs for the period total \$4.1 million. Approximately \$64.4 million in expenditures is associated with debt service payments on bonds or loans, or on bond refunding. The remainder is dedicated to projects that are detailed in the ROPS.

ROPS 9 adds the following four new line items and funding amounts:

- \$100,000 to cover revolving loan reimbursement funds,
- \$70,000 to cover bond refunding costs,
- \$313,000 for renovations to multi-family affordable housing projects in the North Bay area, and
- \$145,000 for renovations to multi-family affordable housing projects in the North Park area.

ROPS 9 includes bond proceed funding in the following amounts for five projects:

- City Heights Housing Enhancement Loan Program (\$50,000)

---

<sup>1</sup>A bill currently pending in the State Legislature (AB 113) would, among other things, require ROPS to be prepared annually instead of semi-annually. Additional changes proposed in AB 113 are discussed further in this report.

<sup>2</sup>Of this amount, \$3.7 million will come from bond proceeds, \$10.8 million from reserve balance, and \$3.7 million from other sources. The DOF reclassified \$7.6 million in RPTTF funding to reserves in ROPS 8, which must now be spent as cash-on-hand.

<sup>3</sup>Of this \$63.3 million in RPTTF revenue, \$1.8 million consists of an allowance for administrative costs.

- North Park Housing Enhancement Loan Program (\$175,000)
- Ninth & Broadway Retail/Affordable Housing (\$3.0 million)
- North Bay Area Affordable Housing Renovations (\$313,000)
- North Park Area Affordable Housing Renovations (\$145,000)

**AB 113 and the Potential Revival of Loan Agreements**

As noted earlier, AB 113, currently pending in the State Senate, would make modifications to redevelopment dissolution laws if adopted. The staff report on this item notes that the bill, if passed, could allow for reinstatement of loan agreements that had been invalidated by the DOF as enforceable obligations in the past. The current legislative session ends on September 11, 2015; Council should request an update on the status of AB 113 during its consideration of ROPS 9 on September 14, 2015.

**Additional Wind-Down Updates**

Civic San Diego staff indicates that the number of large projects included in each ROPS has been significantly reduced since dissolution began, and that moving forward, control over projects receiving non-housing bond proceeds will be transferred to the City; all but \$2.2 million of housing bond proceeds have been encumbered. Major non-housing projects that continue to be included in ROPS include the B Street Pedestrian Corridor, Pacific Highway Medians, Horton Plaza Park, Asian Thematic District, and the NTC Disposition and Development Agreement. It would be appropriate for Council to receive periodic updates on the status of these items.

Staff anticipates approval of the Long-Range Property Management Plan (LRPMP) this year, which will determine the appropriate use and disposition of non-housing properties formerly owned by the RDA, including which properties are associated with enforceable obligations. Upon completion and execution of the LRPMP and completion of the remaining projects included in each ROPS cycle, ongoing ROPS line-items will only cover payments on outstanding redevelopment bond debt. Under current dissolution laws, these payments will all have been made by 2045, though future changes to dissolution laws may alter that date.



Charles E. Modica, Jr.  
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin  
Independent Budget Analyst