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>> Mayor Reed: Good morning. I'd like to call the meeting to order. This is the oversight board for the Successor Agency of the San José Redevelopment Agency for June 28th. I think we have a quorum. Looks like everybody is here. Any changes to our agenda order that we need to consider? Looks like we'll just go through straight through the agenda again. Closed session report, none. No closed sessions have been held yet. So we have minutes from May 24th. Motion is to approve the minutes. All in favor? Opposed, none opposed, consent calendar. Anything you'd like to pull for discussion? We got a motion to approve the consent calendar. On the motion, all in favor. Opposed. None opposed. We have one item scheduled for action, discussion, that's 6.1 that's the reimbursement agreement between the city and the Successor Agency. I think we have to modify the agenda language or something like that. Before we take action.

>> Julia Cooper: Go ahead Richard.

>> Richard Keit: This is the overhead. Thank you, Mr. Chair. We're going to bring it up.

>> Julia Cooper: The reimbursements agreement isn't finished yet so we need to get direction to have it finished. The action before you today is a direction to direct the Successor Agency to prepare this agreement? And the purpose of the reimbursement agreement is to establish the enforceable obligations to repay the city for future city expenditures occurring in the years where tax increment and other revenues not sufficient to cover city supported agency obligations, administrative cost and enforceable obligation implementation cost. Those city supported agency obligations include the fourth street parking garage, the convention center bonds, three separate HUD section 108 loans and two separate loans from the California state communities development authority in which the agency borrowed funds in 2005 and 2006, to fund the state mandated ERAF payments. So these are all being -- the recognized enforceable obligations don't include agreements between the former agency and city unless there's a written agreement entered into, at the time of issuance of indebtedness obligations. For the purpose of securing and repaying indebtedness. So we're working -- there are modifications to the legislation yesterday that is going to the governor, so we're still kind of trying to evaluate out how that may or may not impact the city. So the recommendation before you today is approval of the terms of the reimbursement agreement between the city and the Successor Agency as outlined in the memo for the purposes

of establishing these enforceable obligations, and additionally, to authorize the executive officer to negotiate and execute temporary cash flow loans consistent with the resolution adopted by the Board of Supervisors on May 22nd. So with that I'm available to answer any questions.

>> Mayor Reed: Any questions? Vinod? You're sitting in Vinod's seat, you're obviously not Vinod.

>> Thank you. Julia, I had -- this is something I had seen before, so perhaps you could clarify it for me. On the recommendation there's administrative budget and city support which is identified as enforceable obligations implementation cost so I'm confused. Because I don't understand the difference between the two administrative budgets, and I don't know how those relate to the overall cap that's part of the legislation. So perhaps you can share that with me.

>> Julia Cooper: Well, our cap is really big. So I don't think we're ever going to reach the cap amount. But there are costs associated administrative cost that the we have set up as the successor agency that's like Richard and his staff and also costs absorbed for city staff so the ability to get reimbursed for some of those costs as well.

>> I guess, my confusion is, in all the other oversight agencies, those are handled together. So I didn't know why you were separating them and giving one group of expenses a different title.

>> Julia Cooper: Patty, do you recall?

>> Patricia Deignan: They are separated out not under the terms of the legislation but under the way that the city budget works. So they're all administrative costs under the terms of the legislation. But for the purposes of city successor agency bookkeeping they're separated out in this agreement. But they would all be under the administrative cap, and it would all be approved by the oversight board.

>> Thank you.

>> Mayor Reed: Don.

>> Donald Gage: Thank you, Chuck. I had a question also. The agreement that we're doing is being added to the EOPS and I thought that was replaced by ROPS. So I don't understand why we're adding these things to the EOPS, the enforceable obligation payment, when they're actually supposed to be added to the ROPS.

>> Board member Gage, I could answer that as well. The legislation isn't clear what actually happens to the EOPS. We wanted a mechanism to make sure that we tracked this payment. It doesn't go on the ROPS because the repayment's not going to happen for several years and the ROPS is a six-month looking-forward payment schedule. So we wanted to make sure that it was captured somewhere on the EOPS is the enforceable obligation schedule. So that's the only mechanism that we could think of to bring it back, and make sure that you approved this future debt, and then we can keep track of it. We can look into other mechanisms for doing that. It's going to be on the Successor Agency books as a long term obligation.

>> Donald Gage: Right.

>> But we wanted to make sure that it was recorded by the oversight board in a resolution of some form.

>> Donald Gage: If the EOPS is not there anymore and they're using the ROPS, I mean, how do we vote on something that doesn't exist? And if you have it at a future date, wouldn't you bring it back to the ROPS at that time to be added?

>> Patricia Deignan: The EOPS doesn't necessarily go away. It's just not used on a regular basis to make the payments. We can look at other ways of recording this, but we wanted to make sure that we didn't lose the obligation going forward. Because again, we probably -- it probably will not show up on a ROPS for five years or so.

>> Donald Gage: Well I just -- I mean if there's another mechanism and more clarity I think that would be all right.

>> We can look into that.

>> Donald Gage: Right now I don't see -- putting it on the EOPS and making an approval there, if that doesn't exist anymore then you will lose it, versus when the period, pay period comes up putting it on the ROPS for that period. And I know you're not going to forget.

>> Patricia Deignan: It will certainly be on the ROPS for the period coming forward, yes.

>> Donald Gage: So we don't mess that up.

>> Patricia Deignan: We'll bring that back in August.

>> Donald Gage: That would be great, thank you.

>> Well, I'm just going to follow up on the answer earlier that there's no difference between admin cost and the enforceable obligation implementation cost. It just for the bookkeeping purposes. So can we take that language out at least from this resolution? Because rather than keeping both in here, just keep the admin cost for clarity purposes.

>> Julia Cooper: I think we can do that, but I think for internal staff purposes maybe we can include it as part of the definition from the actual resolution. So from the administrative standpoint, we need to have some legislative history that helps bridge between what happens at the oversight board level and what we operationalize at the city level. So I think it's important for us to be able to show that transition and be able to have people go back and look at a resolution and understand what the difference is between how we're keeping track of it on a budgetary basis on our side versus how the legislation defines it. I think it's important that we're able to continue to have that

distinction. So we can include it as a definition, you know, so that it's clear so that we can keep that bridge gap between the language.

>> Mayor Reed: Don, you had another one?

>> Donald Gage: Yes, I had one more question, getting back to Emily's point there with the enforceable obligation cost. You mentioned that the cap is so high, you're not going to, you know it's not going to worry about it. But in fact if we do this with the enforceable obligation that's a way of getting around that and raising the cap. So I need to understand that a little bit better. I mean, I hope I'm coming across correctly. Concisely.

>> Patricia Deignan: The cap is based on the amount of former tax increment that's coming in.

>> Donald Gage: There's a percentage, right.

>> Patricia Deignan: That won't change ton enforceable obligations.

>> Donald Gage: But if you're putting something on the administrative costs that you're adding to it, that could exceed the cap and that's the way of increasing the cap by us authorizing it and saying yeah, it's the right thing to do. Therefore we need to raise the cap. That's my concern.

>> Patricia Deignan: Well, the intent of how this agreement will work is that it needs to follow the ROPS every six months.

>> Donald Gage: Right.

>> Patricia Deignan: So it can't go over the cap that's put in place in the statute.

>> Donald Gage: We're at the 3% now on all the rest of the ROPS.

>> Patricia Deignan: Yes.

>> Mayor Reed: I know this is pretty technical but there are a lot of things we don't have answers to out of the legislation. I'm not sure how the cap works. But in year 5, are we sudden over the cap because of the things we've accrued over the previous four years, or do we need to accrue against the cap each year so we know each year what we've spent and what we've accrued do not exceed the cap so we're okay all the way along?

>> Patricia Deignan: It's the latter.

>> Mayor Reed: Doesn't matter when this gets paid, ten years from now, we still need to make sure we're under the cap, this year and each year along the way. So that we're not doing what Don is suggesting, somehow increasing the cap, okay.

>> Donald Gage: That was my concern, because I don't want to approve something now that gets around the cap so we increase it without actually authorizing it when it occurs. And you know, ten years out's a long time, five years out's a long time. Some of us may not be here after that so I want to be assured --

>> Mayor Reed: Hopefully, I won't be sitting here ten years from now.

>> Donald Gage: Well, I know you won't be sitting here, because you only have two more years. But somebody else in your path --

>> Mayor Reed: I'm not coming back as a special luminary.

>> Donald Gage: I thought you liked this stuff, Chuck.

>> Mayor Reed: Oh, yeah. I love this stuff, Don. You'll probably still be here, Don. We'll need a mayor of some kind on here. Okay, anything else on this? So for today's purposes and given the questions that people have added, what do we need to approve that's consistent about our concerns about the cap? Are we still okay with the resolution?

>> Julia Cooper: I believe we're still okay with the resolution. Because we really want this in place so -- because we're starting to accrue costs today so we need to be able to have a mechanism to capture those as being reimbursable in the future.

>> Mayor Reed: But we talked about doing some modification with the resolution with the definition and all that sort of stuff. We just give that direction in this motion?

>> Patricia Deignan: Yes, and it will be in the resolution.

>> Mayor Reed: Okay, so we have a motion to approve the resolution. Emily.

>> Excuse me for being a little slow. The actual -- I'm not used to having a chart, rather than an actual reimbursement agreement to receive and I totally understand that you're doing that from a timing perspective. But will we be able -- could we have our county counsel see the final reimbursement agreement before it's completed, would that be okay or can we make our motion subject to that?

>> Donald Gage: Yes, can you make it contingent to that and then it will automatically be approved. We don't have to come back here again.

>> No, I don't want to come back. I just want the opportunity to see the final draft.

>> Rick Doyle: We will share that.

>> I would second the motion then.

>> Mayor Reed: Okay, any further discussion on the motion? On the motion, all in favor, opposed, none opposed, that's approved. Next item on the agenda. I think we're getting into some reports because that was the action item that we needed to take. We do have some reports starting with the non-real property asset management report.

>> Richard Keit: Good morning, Richard Keit, managing director of the Successor Agency to the redevelopment agency of San José. On a request of board member Shelton, we revised the sheet, and it was a very good suggestion and actually should have been on the first one. It's this -- when we gave it out it's this large, again, quite a large sheet that shows all our non-real estate assets. And while we've added at his request is a loan origination date and the original loan amount. So not to go over every single item because it's quite lengthy, I'll go over quickly the categories again. And now we still have the current balances which are up to date. Many of which have gone down because we're a month later than we were before, and the terms of still in there with the maturity dates of the different formats. The first group, if everyone can open it up, is a small business loan program, essentially about 17 or 18 small business loans that we've made that are paid off on a monthly basis. The revenue from that is not very high per month. It's anywhere between 13 to \$20,000. Last month we did allow, the board approved the one, Morocco's Restaurant, because they lost their lease, to defer their payments to 2013. But other payments are coming in. Just wanted to preface, I think I'll come back in again next month so the oversight board has a clear idea on any payments that are in arrears. And we have some. What we do is, we call, we send out letters. And if it's going to be a continuing problem, the city finance department has a kind of a collection group that we will turn that over to. And then if not, we can go to court. So far we're not in that situation. But there are a couple of -- that are in arrears, and some are a very small amount. They've missed a month in a couple of our longer term. So I will bring those -- just those back to you next month. The next category is the commercial building loans category that's a substantial amount of money. But again those are being paid off. The current balances are going down. And again, I won't go into individual terms. I'll be glad to discuss any of the terms with you if you have a question about any of these. The last group on this page is the revenue participation. Which again, I mentioned it last month. It's unfortunately, most of these are based on either condo

sales that haven't hit the certain mark, or net operating income that hasn't been achieved. And lack of revenue. There are a couple of exceptions with growth revenue coming in. We should have received revenue in 2011, and we'll go over that at the next meeting and have a detailed explanation of why those revenues have not come in. On the second slide, it's more of the home buyer programs, the first one is the Carnegie square was a multi-unit complex. We're down to literally one loan. At one time we had lent quite a bit of money for many units. They have all been paid off. And then we have a first time home buyers program, same. There were multi-first time home buyer programs. This is one loan that's still outstanding and then we had two rehab programs that are being -- that have a program that as long as they're in the unit, that they do not have to pay at that point. The next three, I know I'm going through this pretty quickly, are HUD loans. They are actually pass-throughs. We pay them down as the loan comes in. We don't accrue any revenue from that. It gets turned over and gets immediately sent back to HUD. As you can see on the doctor U building the current balance has actually gone up from the original loan amount. Which means obviously they're in default and we're accruing interest and that one is a problem property that we have to address in the future. Our hopefully before next month when we come back to the -- well, I shouldn't say next month. There's a July hiatus. But in August, when we come back to you, the board. The last group is historic homes that we have paid, that would have been either demolished or left empty if we didn't intervene and we covered the original loan amount. The first four are only repaid -- I mean only gets repaid if the house is sold, or unoccupied, any time during the 30-year term. And the bottom group from below the spartan shops, the last group are all being paid down. The current balances are being reduced. So with that, are there any specific questions about the program?

>> Mayor Reed: Is there any other category of non-real property stuff or is this -- this sheet capture everything?

>> Richard Keit: This is the complete category. Oh, excuse me, mayor. One line that isn't in here is any personal equipment that either the Successor Agency is currently using or in the case of our biocenter we did buy medical combination equipment for nonprofit use that will have to be purchased as our master lease expires on August 31st. So either the entity that's in there now would acquire it, or we would sell it by auction. Because it's very specialized equipment that goes into -- in the bio-labs.

>> Mayor Reed: Okay, questions on this Emily?

>> Could you remind me, on the revenue participation category, what the agency investment was to create that participation agreement? I'm assuming there was an investment from the agency in order to enter into a agreement --

>> Kelly, our Real Estate manager, will address that.

>> That is correct, board member Harrison. Each of these agreements was done individually, and we can insert those agency investment amounts to the sheet and forward it back to you.

>> I think that would be helpful, just to understand where we are, in terms of what we've actually invested into these properties, so I appreciate that, thank you.

>> Mayor Reed: Just to stay on that, just looking at that list, germane, you have Montgomery Hotel and Twoy Building for historic rehab or something like that, basically.

>> That is correct.

>> Mayor Reed: And the globe and the 88 and the lofts were residential projects, new residential projects of one kind or another?

>> That is also correct including paseo villas.

>> Mayor Reed: Paseo villas retail is that part of a residential project?

>> That is correct.

>> Mayor Reed: Okay. Don.

>> Donald Gage: Yeah, when we first saw this a while back, there were several that hadn't paid in a long period of time to try to re-do the loans. I see more activity here but I still see, there's a lot of money owed. Are you having difficulty with some of these and are you going to have to take legal action or something to get them to fulfill a loan? Because if you add all of these up and you have some that go belly up, you're going to have a huge chunk of money that we're going to miss out on.

>> Richard Keit: Well, two points. One, as I said before, we will at the next meeting in August we can provide that exactly, who is in arrears. Are you specifically talking about the revenue participation category or just at the --

>> Donald Gage: I was looking at the small business loans as an example. You've got a maturity date of 2013 coming up, and it's a small amount. But the loan was a small amount, too, it was \$20,000. This was better than the original one that I saw in terms of when I looked at this seeing how much money was owed and some of them haven't made any payments over a long period of time. They're starting to come along. But if the economy stays the same we may end up having some problems with them not fulfilling their obligations for some of the ones that are short-term here. 2013 seems to be the shortest one. And the 14 is next which you know gives a lot -- gives snuff time. But who knows? I just want to make sure there's -- that your -- that the city's prepared to take some action if they don't fulfill their obligation.

>> Richard Keit: Correct, we will do that and as I said we have called, we've written letters and we keep those documented. As I said the finance department has a collection group and then of course, we could always go to court or put liens on the property.

>> Donald Gage: Okay, thanks.

>> Mayor Reed: Ken.

>> Kenneth Shelton: Yes, two things. Thank you, Mr. Mayor. One, thank you for this readable format. Those of us that do use aids to read, I can say that my glasses are working. I also like the format. The question I have and it's kind of a follow-up to board member Gage's discussion. If the city needs to pursue legal action, what information and how will it come to the oversight board? Because I'm sensing levels of sensitivity with this, appropriate and wondering whether or not this would be one within our purview and two, whether or not this would be something that would come to us in closed session?

>> Rick Doyle: I think the staff would come to you and give you the breakdown as to what's in arrears, how much is in arrears and whether we recommend going after -- I mean, clearly, there would have been collection efforts made. And to the extent that we believe that it's worth the time and effort to go chase after somebody we definitely would make that recommendation and would legality you know that and take according -- the necessary action. I think -- I don't have the detail right now because you don't have the detail but I think we do this no different than we do at the city, is we look at each matter separately and make the recommendation.

>> Mayor Reed: So before we give up on something, it would come to this oversight board to say yeah, we think that's appropriate action to take, whether it's to chase somebody or to give up on it. Emily.

>> That's why it's helpful to have all of these eyes looking at it. Because when I first scanned this, and the reason that I asked to have the maturity date is just to kind of do an in-your-head calculation as to if it's halfway through the term, is it paid halfway? And my first sort of look at this was, it's not too bad. Most of these are five-year loans and they're more -- about half or more paid. But I was struck by supervisor Gage's comment and I assume that that's what you're also going to show us, is when the last payment was. Because even though it may be about half-way for where it should be in its loan term, if they haven't paid for a year or more, that would be your red flag. So if we -- and maybe that's going to be in the report you're giving to us. But I think that would be a helpful addition as well as to whether it is in arrears or not.

>> Richard Keit: Yes, that would be useful and I will do that. We'll have all that information. I would say if you look at all size sheets, that roughly we're only looking at about 10% of these are in arrears. But some, again, some of them are more significant than others.

>> Mayor Reed: What else on this? This is just a report, no action to be taken. We'll move on then to the update on the realty property solicitations.

>> Richard Keit: Correct. As indicated, when the board approved several months ago the real estate, the physical real estate disposition strategy was all on that single form that should be in your binder and I can certainly send it out again. The first group came out and I'll quickly go through those. What the important point to remember is that we have, on our Website we've sent this out through loop net which is a real estate activity grouping. Some will go on MLS, depending on the type. We'll be sending this extensively to developers. And this is the first group of solicitations that have gone out. I'll just quickly go through them. One, I'm just giving you the cover sheet of what it looks like, and who to contact. We have quite a bit of material on each one. The assessor's parcel number, term and condition sheet, we have preliminary findings, it's any environmental work that we have done on this site is all in -- can be accessed through our Website. And to just to click-on. Including on how long they have to respond. Basically, on these, this first set, correct me if I'm wrong, Kelly, we have 60 days for them to go do their due diligence and then we begin the -- we'll do the assessment on how much money, what their bids are and take a look and hope to be closed within another 30 days or so. As we said, with real estate you can never tell, there's always something interesting that come up. But we think that's our basic process and we'll certainly come back to the board prior to any close of escrow date, to say what -- what the bids came in on and what we recommend for your approval for actual sale. So the first one is, down in our district 10 area, this is two, actually, adjacent pieces of vacant property, that the agency purchased with the intent to build a small community center in this neighborhood. Although district 10 is one of our wealthiest neighborhoods, this council district, this neighborhood is impacted. It's behind Blossom Hill and the whole foods down there. But there's a lot of for rental properties. And we're going to sell these two properties. They are adjacent. Go to the next one please. Thank you. This is as I said these are two adjacent properties we think we'll be able to get a quick sale out of this. There's no liens or encumbrances against this property. And it's a great multifamily use site. This one is a

little bit more interesting. Again, the next three are -- that I will show you are ground leases. The Hilton Hotel is not for sale. It's a ground lease. The group that owns this obviously will bid on it. We made them aware of it, that owns the hotel. But that does not mean necessarily that they get the ground lease. Now, it's a 55-year ground lease, fee simple to the property, and we -- when we put this on the sheet as we did with all ground leases, it's so unique selling a ground lease, we did not put any amount, a dollar attached to it. We did not do appraisals on the ground lease. We will by virtue of the market see what comes in and then of course bring it to the board for approval. And if we can always reject it, but we as real estate professionals, we can give you our best thoughts on whether this is a good offer or not. This is market gateway housing project on Market Street. Also 59-year ground lease. This 54-unit rental project on it, again, we talked to the owner of the building and we'll see who bids on it. But it certainly makes sense for the building owners to have available, if they ever went to sell the property, to own both the land and the units as well.

>> Mayor Reed: Yes, we have a question here Emily.

>> I know for example, we have a ground lease for a fire station. And we're paying a dollar a year. So I wonder what the terms are for the two ground leases we've talked about so far, what's the incentive for the Hilton, for example, to want to --

>> Richard Keit: We'll do that without question, because it's not a lot of money.

>> For the Hilton hotel, in 1998 the owners of the hotel bought out the revenue participation portion of the ground lease. So they pay a dollar a year.

>> So they don't really have a lot of incentive to buy the ground lease, because for 55 years they're paying a dollar a year, right?

>> That is correct.

>> So market is kind of an odd thing to expect you're going to get anything back on unless somebody wants to have a ground lease under the Hilton, right?

>> Correct.

>> Okay. Thank you.

>> Richard Keit: Kelly, why don't you do the terms for this Market Street too, it is a 59 year ground lease.

>> It is a 59 year ground lease and this particular project has a repayment of agency assistance on the project. So in addition to the their ground lease payments, which is a portion of the net operating income, the agency gets a portion of that. To date they have not hit the threshold to make any positive net income. So this is the -- we got the financials. This is the first year that they have had a positive net income, so the agency will be receiving a small payment on this ground lease.

>> Richard Keit: This -- what Kelly is referring to is on that other sheet. But in 2011 there were no revenues coming in so in 2012, we'll show some revenue.

>> I apologize because you're the professional and I'm not. But that also seems as though there's not a great deal of incentive for someone to buy the ground lease.

>> Richard Keit: We believe the incentive is for the owner of the building, as I said, because then they can sell, if they were ever to turn it over they could sell both the land and the property as most normal cases are. When you own property.

>> Okay, so if they had hope in the future to turn the property over it would make sense for them to own the ground lease.

>> Richard Keit: And the fee simple, correct.

>> Okay, thank you.

>> Richard Keit: The last in the category is a 60 year lease, this is a residential property as well, 89 units and it does have some ground floor retail space. Now, our last site is not in that category.

>> Mayor Reed: Before you move on the terms on that last ground lease.

>> This is a project that also derives its payment from the net operating income. To date they have not posted a net operating income.

>> Richard Keit: Do you have a question on it?

>> Mayor Reed: Don.

>> Donald Gage: Are any of these, obviously this is all redevelopment. But are any of these when you look at the housing are they low-income housing where you're getting other federal money or state money to build them, or you know I know we have the county has one at the fairgrounds with the City of San José.

>> Yes, of the two residential projects, market gateway does have some additional assistance as far as the four affordable units. Market gateway -- I'm sorry, the century residential project, it has inclusionary units as required by the city in order to develop.

>> Donald Gage: And then the project that you are going to use for residential on that vacant lot, is that going to have any low-income --

>> Richard Keit: That will not be required.

>> Donald Gage: Okay, thanks.

>> Richard Keit: Okay. The last property that is out for solicitation, and clearly, the largest and hopefully the best revenue-generator, is the property across the street from City Hall, where the vacant lot is and the car wash that goes up to the city gram. It's right here on East Santa Clara street. We did take this to the board several months ago, stating that we gave green valley corporation and Brandenburg had a combined purchase and sale agreement on this property. With our board action we gave them an extension to May 31st to close escrow. They chose not to do it. They did request a further extension. But based on their recent and past history of developing sites, we thought it best to put this out for solicitation. They are clearly eligible to as well as put in a new bid. We think this is an important high-rise site in downtown and a good development site. And we have had some level of interest already with several inquiries regarding it. We just put this out yesterday so we're looking at a two-month window and as I said with all our properties when we get back our bids, we'll show them to the board and with a recommendation for sale.

>> Mayor Reed: What was the previous contract amount on this?

>> Richard Keit: It was a little over \$3.5 million.

>> Mayor Reed: The tenant that's on there, the car wash, what are the terms of that? Will that be a problem?

>> Richard Keit: We actually receive monthly revenue for the car wash. They have already been paid to relocate, so whoever purchases the site will not have to pay for relocation. And can keep them on until they go through their permit process, in whatever period of time it takes for them to develop the site if they want to keep it.

>> The lease contains a 30-day termination clause.

>> Mayor Reed: That's not going to be viewed as an impediment, it might be viewed as a plus?

>> Correct.

>> Mayor, I'd like to point out that yesterday the trailer bill came out for redevelopment in the morning. And when that was passed in the afternoon, we've been looking at it. There are a couple of things that may play into the real property. One is, there is a section in the back of this that provides for a community redevelopment property trust fund, properties could be put into that, and long range property management plan could be established. I vice president figured out how it actually works yet -- haven't figured out how it actually works yet, whether that we have properties that we think this would apply to. There is also language that dealt with housing assets, and whether housing assets were defined with if there are affordable restrictions on it, even if other funds other than 20% were used. So I think we do have a couple that might fit. So we haven't you know again we just came out yesterday, we're looking at it so it may impact some of what we're doing here and we will look at it and then at some point get back to you to let you know.

>> Mayor Reed: Well hopefully by the August meeting we'll have a chance to sort it out. Although by then there will probably be another trailer bill that makes some changes so maybe by August it will be stable. Anything else on this? Again this is an update, no action to be taken. Let's move to the 7.3, I think Julia Cooper is going to update the disbursement of redevelopment of property tax fund issue.

>> Julia Cooper: Julia Cooper acting director of finance. The city on behalf of the successor agency received a transfer this morning of a little more than \$6.9 million and with that money along with some cash held by the former Redevelopment Agency we are in the process of moving money to fully fill all of the buckets. So that there will be no cash deficiency to make the August 1st debt service payments open all of the 80% tax allocation bonds and the 20% tamp allocation bonds both senior and subordinate. As you can imagine there are a lot of wires that have to happen today so we're moving a lot of money back and forth but hopefully by 1:00 this afternoon it will all be full and confirmed.

>> Rick Doyle: Let me just note for the board's benefit. You probably read about the dispute between the city and the county over the last month. And some you are probably more familiar than others. There was a dispute over amounts that were to be remitted to the successor agency for debt service payments. There was a notice of insufficiency given. The city appealed to the state controller when we felt that there was a shortfall. The state controller issued a decision that said the county had to pay more of the tax increment to the city and in addition, there were some assets held by the city that had to be included in the calculation. The county then made an adjustment. Julia has mentioned that \$6.9 million was sent today. That was an addition. We still had -- continued to have a dispute over the final amounts. Our -- the biggest concern was being able to meet debt service as of June 30th and August 1st. And we've been able to work that out with the county, we had meetings yesterday and was resolved, at least for the short term. There still is a dispute and the litigation has been filed in Sacramento which is the proper jurisdiction and venue for this issue. It gets to an issue involving retirement levies and whether or not those are included in tax increment as they have been in the past or if they are a separate tax and separate from tax increment. We have committed to try to work with the county and continue to have those discussions. Obviously staff and particularly at the finance level have been very, very good at going back with the auditor controller and carefully working through the numbers. I can say for myself, I've had conversations with both the former county counsel and the current county counsel. She is getting up to speed on this. So this is really more of an update. I'm happy to answer any questions, but we really are trying to work this through, and hopefully recognizing there are genuine issues of law that may have to get resolved by the courts, we will you know keep the oversight board apprised of actions as they take place. But at least at this point we're committed to try to talk this through and you know we've had meetings and continue to have meetings.

>> Mayor Reed: Okay. I think that was just a report on that. No questions or comments beyond what we've just heard so let's move to 7.4 an update on J.P. Morgan letter of credit extension.

>> Julia Cooper: Yes, Julia Cooper acting director of finance. Attached in your memo is a copy of the action item that went to the council several weeks ago extending the J.P. Morgan letter of credit to 60 days, given the issues that were evolving around that period of time. J.P. Morgan was uncomfortable extending us for a full year. We continue to have literally daily conversations with J.P. Morgan and hope to be able to bring back to the city council

and oversight board in August an extension to July of 2013. I actually had a staff person who's on vacation in New York today and is probably reaching out personally to our counterparts at J.P. Morgan today, to let them know that everything is in place, and the payments will be made on the timely basis so.

>> Mayor Reed: Ken.

>> Kenneth Shelton: Yes, just quickly. What's the kernel of the issue with J.P. Morgan and the limitation on the line of credit? I mean it's not that big a deal, I understand that and you're adaptively working with them. But was there one particular set of issues that is either unique to us or in general that they're looking at in California?

>> Julia Cooper: The issue particularly with J.P. Morgan and kind of pulling back on their initial commitment to provide a year letter of credit had to do with the notification that we received in early May, mid May, from the county indicating that we weren't going to be receiving all of the money we had expected to receive and that it was going to potentially result in the deficiency in our ability to make a payment to them that's due to be deposited tomorrow. So it was because of that, they were uncomfortable extending the letter of credit for a full year until we got those issues resolved. So now that we believe we're in that resolved kind of space, we think we'll be able to get the letter of credit extended to July of '13.

>> Kenneth Shelton: Thank you.

>> Mayor Reed: We don't meet in July. Council doesn't meet in July. So you anticipate that whatever gets worked out would come back to this oversight board in August.

>> Julia Cooper: In August. Right now the letter of credit expires in September 1st so we really need to come back to you in July-or in August.

>> Mayor Reed: Anything else on that? That's good work staff to get at least 60 days of breathing room. They have been breathing down our necks for a long time. Every time the state law changes, they get a little bit

uncertain. And we've been in that uncertain category for a long time. So I know it's taken a lot of work to keep it moving. All right, any future agenda items that we need to bring back that we haven't already talked about? Either August or further meeting? Emily.

>> Well, thank you for recognizing me without my pushing my button. I know that we, as you are, looking through the trailer bill language trying to ascertain exactly what's in it and what it means and how we'll go forward. Would it be appropriate to have a briefing on that at our next meeting?

>> Rick Doyle: Yeah, I think as soon as we digest all that's been done, we plan to come back, and that's probably in the next meeting. And I think there may be even discussions at different stages of government both with the state and with the county in terms of making sure interpretations are consistent or if we do have different interpretation what that might be but we'll let the oversight board know.

>> You read my mind. I wonder if there's a possibility that we can work together between the county and the city in terms of -- and I say that for all the oversight boards in the county. I think the county genuinely wishes in this next period, as we try to turn over a new page, to work cooperatively with all the agencies on the meaning of the legislation, so we'll look forward to doing that.

>> Mayor Reed: Ken.

>> Kenneth Shelton: Along those same lines I too concur and I like the idea of the Successor Agency working with the county. I would request that if possible, we could get any analysis of trailer bill legislation at least a week or ten days in advance. And the reason that I say that is, it is complicated I've looked at it and the implications not only of the original language but of all the trailer bill adjustments that are coming forward, it really requires as strong of an analysis as I've seen of legislation. Because in my mind, the legislature is not clear with what it wants to do. And there will be conflicting statements that will take interpretations, legal interpretations and legislative interpretations. And I'm not so sure that the Legislative Analyst's office has a better grasp of this. This is one of the most complicated sets of legislation that we've seen. So again having the brain trust of both the Successor

Agency and the county and sharing that earlier, it will allow us to formulate questions and possibly do some of our own analysis. So I really do appreciate the effort moving forward.

>> Mayor Reed: So I think the request is that we get something in writing before it's just a report, if we can do anything in writing, and it may be it's so confusing we don't have anything we can write in which case that is what it is. But if we've done some analysis and if there's areas of agreement where we sort of know what it means then if we can put that in writing before the meeting I think it would be helpful to all of us. And it may be just a list of questions that are not answered. But sometimes that's all you can get. Trailer bills to the trailer bills probably but you never know. Any other future agenda items?

>> Richard Keit: Mr. Chair I do have one item. When we presented to the board the disposition strategy on May 3rd I did indicate both in the adopted actual language and verbally, that if we were going to deviate at all from the release date of the solicitation that I would come back to the board. In August we will do that. We intend to move one property forward, and offer it for solicitation earlier than expected, because it's the only property in our whole portfolio that actually loses money because if we have to pay high HOA fees, our revenues -- we do get revenues from it. It is a parking garage underneath one of our residential towers. But we lose money. So we think it would be wise to -- just to get that off the books and not lose further revenue. I mean not lose further assets.

>> Mayor Reed: Okay so you'll bring that to us in August you think?

>> Richard Keit: In August, correct.

>> Mayor Reed: Okay. As far as I know there's no request from the public to speak. Anybody here wishing to speak? We have an open forum time. I have seeing none, it's time to adjourn then. We will not meet in July, our next meeting is August 9th, 9:00, right here. Anything else, staff, that we need to inform the oversight committee of? All right. We're done, we're adjourned.