



Transmitted via e-mail

April 15, 2020

Steve Masura, Vice President, Administration & Operations, Kosmont Companies
Merced Designated Local Authority
1601 N. Seulveda Boulevard, #382
Manhattan Beach, CA 90266

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Merced Designated Local Authority Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 31, 2020. Finance has completed its review of the ROPS 20-21.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 32 – Project Area #2 Highway 59 Multi-Family Housing Project with a request to pay the City of Merced \$2,000,000 is not allowed. The former Redevelopment Agency (RDA) entered into a Disposition and Development Agreement (DDA) for the purpose of constructing 75 affordable housing units and provide certain loans to a third party developer (Developer) in the amount of \$5,688,500. It is our understanding the obligation to loan funds to the Developer has been satisfied by the City of Merced Public Financing and Economic Development Authority (City). The request for payment is a request to reimburse the City.

The Agency has not provided any agreement or documentation to support an obligation to repay the City for funds disbursed to the Developer. The financial obligation under the original DDA has been satisfied, and there are no agreements legally requiring the reimbursement to the City for the DDA loan obligations. Therefore, the requested amount of \$2,000,000 in RPTTF funding is not allowed.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in Redevelopment Property Tax Trust Fund (RPTTF) are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,485,605, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 20-21 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 20-21 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

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The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Todd Vermillion, Supervisor, or Mathew Rios, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Michael Amabile, Chair, City of Merced Designated Local Authority
Sylvia Sanchez, Supervising Accountant, Merced County

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 1,978,588	\$ 3,348,062	\$ 5,326,650
Administrative RPTTF Requested	80,000	80,000	160,000
Total RPTTF Requested	2,058,588	3,428,062	5,486,650
RPTTF Requested	1,978,588	3,348,062	5,326,650
<u>Adjustment</u>			
Item No. 32	0	(2,000,000)	(2,000,000)
RPTTF Authorized	1,978,588	1,348,062	3,326,650
Administrative RPTTF Authorized	80,000	80,000	160,000
ROPS 17-18 prior period adjustment (PPA)	(1,045)	0	(1,045)
Total RPTTF Approved for Distribution	\$ 2,057,543	\$ 1,428,062	\$ 3,485,605