



May 17, 2013

Mr. David Loya, Community Development Deputy Director  
City of Arcata  
736 F Street  
Arcata, CA 95221

Dear Mr. Loya:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Arcata Successor Agency (Agency) submitted a ROPS 13-14A Finance on February 28, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 6, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 4 – 2012/13 Escrow payment in the amount of \$1 million. Finance is no longer denying this item. Finance originally denied this item because the requirement to fund the escrow account was unclear. During the Meet and Confer session, the Agency provided clarification of the loan agreement and bond indenture requirements. In addition, the Agency provided the bond repayment plan and escrow statements. It is our understanding, the 2003 bond indenture and loan agreement requires an escrow account with the trustee to be funded until the bond is repaid once the 85 percent threshold is reached. Review of the bond repayment plan and escrow activity statement demonstrates the payments are being made accordingly. Therefore, this item is an enforceable obligation and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item No. 12 – Sandpiper Mobile Home Park Operating costs in the amount of \$30,000. Finance continues to deny this item. Finance originally denied this item because the administrative costs associated with housing functions are the responsibility of the housing successor. During the Meet and Confer session, the Agency contends the \$30,000 is an enforceable obligation. The project was transferred to the City in March 2011 and the City assumed the responsibility to complete the project, including funding of the remaining obligations. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be

transferred to the city, county, or city and county. Therefore, this item is not enforceable obligation and not eligible for funding.

Finance reviewed the Agency's request for an additional \$2.4 million funding for the Sandpiper Mobile Park project as follows:

The Loan Agreement dated October 1, 2010 between the RDA, City, and Resident Owned Parks, Inc. obligated the Agency to set aside funding in the amount of \$504,862. However, the RDA assigned its interest in the loan to the City on March 9, 2011. The first loan amendment executed on September 7, 2011 authorized an additional \$483,000 of funding. The second loan amendment executed on June 6, 2012 authorized an additional \$1.47 million of funding. During the Meet and Confer session, the Agency contends that the date of assignment makes the first amendment eligible as an enforceable obligation. However, the assignment date does not affect the terms and conditions of the loan agreement or amendments. HSC section 34163 (b) prohibiting an agency from amending existing agreements with any entity, for any purpose after June 27, 2011. While the Agency was only contesting the first amendment, Finance continues to deny both amendments. Therefore, neither the \$483,000 nor \$1.47 million are enforceable obligations and not eligible for transfer to the City.

Pursuant to the Low and Moderate Income Housing Fund Due Diligence Review, the original loan agreement obligated the RDA to provide \$504,862 in set-aside funds. At the time of the transfer to the City, \$98,303 had been disbursed from the set-aside funds; as a result, \$406,559 remains. Per the Agency's request, an adjustment has been made to Item No. 12. Therefore, \$406,559 is an enforceable obligation and eligible for RPTTF funding on the ROPS. However, the Agency requested \$436,559 of funding for this item on the ROPS. As such, \$30,000 of excess funding requested is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 13 – Sandpiper Mobile Home Park Relocation in the amount of \$7,000. Finance is no longer denying this item. Finance originally denied this item because it appeared to be associated with successor housing functions. It is our understanding; the City of Arcata notified an individual on February 20, 2013 that they would be displaced by the project and are eligible for relocation assistance. The legal requirement for relocation was established on the October 1, 2010 loan agreement. Therefore, this item is an enforceable obligation and eligible for RPTTF funding.

In addition, per Finance's ROPS letter dated April 13, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 10 – Plaza Point Mixed Use Development in the amount of \$100,000. According to the information provided by the Agency, the funds were transferred to the City of Arcata (City) and City has already spent those funds. Therefore, the Agency has already fulfilled this obligation; this item is no longer an enforceable obligation and not eligible for RPPTF funding.
- Item No. 11 – Arcata Children's School Commercial Coach Demolition in the amount of \$10,000, payable from RPTTF. This item was placed on the ROPS schedule contingent on Finance's determination of Resolution No. 2012/13-09. In our letter dated April 12, 2013, Finance has made a determination on the Resolution that the property transfer is

being made for governmental purposes. Therefore, the Arcata School District shall be responsible for the costs of maintaining the property.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$2,150,279 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 2,165,279
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 10	100,000
Item 11	10,000
Item 12	30,000
Total approved RPTTF for enforceable obligations	\$ 2,025,279
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 2,150,279</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment computed with the actual distribution amount of \$1,258,958 and Agency's self-reported prior period actual payments. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i).

Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Janet Luzzi, Finance Director, City of Arcata  
Mr. Joe Mellett, Auditor-Controller, County of Humboldt  
California State Controller's Office