



REVISED

May 29, 2013

Ms. Sandi Gottlieb, Senior Management Analyst
Community Development Agency
Administrative Services Division
20 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Gottlieb:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Ana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (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 April 23, 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.

- Items 22 and 127 – South Main Commercial Corridor (SMCC) Loan for Supplemental Educational Revenue Augmentation Fund (SERAF) payment in the amount of \$6 million. The RDA used SMCC project area funds to pay the SERAF obligation in fiscal year 2009-10. HSC 33690 (c) allows funds to be borrowed from and subsequently repaid to the Low and Moderate Income Housing Fund (LMIHF). Finance denies the item as the law does not require SERAF payments from other sources to be repaid with tax increment distributions. HSC section 34171 (d) (1) (B) allows loans of moneys borrowed by the RDA for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. Furthermore, even if repayments were made on the SMCC loan, the proceeds would be unencumbered balances, which are to be remitted for distribution to the taxing entities pursuant to HSC section 34177 (d). Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.
- Items 14 through 17 and 123 through 126 – Settlement Agreements with no payments requested. Although these items were previously denied by Finance and not selected for further review, the Agency continues to dispute these items. However, Finance continues to deny these items as previously determined in our December 18, 2012 letter.

- The following items were initially considered administrative expenses and were reclassified:
 - Item No. 59 – Litigation Services in the amount of \$400,000. Finance no longer reclassifies this item as an administrative cost. Pursuant to HSC section 34171 (b), litigation expenses are enforceable obligations outside of the administrative cap.
 - Item No. 97 – Project Management Services in the amount of \$482. Finance no longer reclassifies this item as an administrative cost. These are staff costs related to a specific project.
 - Item No. 98 – Project Management Services in the amount of \$1,559. Finance no longer reclassifies this item as an administrative cost. These are staff costs related to a specific project.
 - Item No. 99 – BARCO project costs in the amount of \$1,690. Finance no longer reclassifies this item as an administrative cost. These are staff costs related to a specific project.
 - Item No. 102 – Project Costs for CC&R Obligation in the amount of \$70. Finance no longer reclassifies this item as an administrative cost. These are costs associated with maintaining properties prior to disposition.
 - Item No. 103 – Non-housing Asset Maintenance & Disposition costs in the amount of \$2,112. Finance no longer reclassifies this item as an administrative cost. These are costs associated with maintaining properties prior to disposition.
 - Item No. 116 – Audited Financial Statements in the amount of \$45,153. Finance no longer reclassifies this item as an administrative cost. The audits are required pursuant to the Agency's 2003 and 2011 bond issuances.

In addition, per Finance's ROPS letter dated April 14, 2013, the following items not disputed by the Agency continue to be denied:

- Item No. 20 – Housing Loan for Educational Revenue Augmentation Fund (ERAF) payment in the amount of \$1,888,769 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund (LMIHF) shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC 34176 (e)(6)(B). HSC section 34176 (e)(6)(B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of the ERAF loan beginning with ROPS 14-15A.

Additionally, pursuant to the Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) Determination, as outlined in the letter dated April 8, 2013, the following adjustments were made to the ROPS 13-14A schedule:

- Item Nos. 68, 74, 76, 78, 80, 82, and 84 – Vista Del Rio Housing Partners LP, Station District Phases R1, R2, and Santa Ana WBBB Development and Disposition Agreements (DDAs). These obligations will be fully funded as of June 30, 2013. Therefore, additional funding is no longer required to fund these items.

- Item No. 70 – Habitat for Humanity Development and Disposition Agreement (DDA). The total outstanding amount remaining to be funded for this obligation has been adjusted to \$1,543,728.
- Item No. 72 – Station District FS DDA. The total outstanding amount remaining to be funded for this obligation has been adjusted to \$1.25 million.
- Item Nos. 69, 71, 73, 75, 77, 79, 81, 83, 85, 87, and 88 – Vista Del Rio Housing Partners LP, Station District Phases R1, R2 and FS, Station District Settlement Lawsuit, Habitat for Humanity, and Santa Ana WBBB DDAs, and associated Asset Maintenance costs. The total outstanding amount remaining to be funded for these obligations has been adjusted to \$1,215,739.
- Item No. 86 – Station District Lawsuit Settlement in the amount of \$800,000. Per Finance's letter dated April 8, 2013, the total amount available in the fund should not exceed \$200,000 per fiscal year. Therefore, the request has been adjusted to \$100,000 for the 13-14A period. To the extent funds are drawn in the future, the Agency's request to replenish the obligation should be placed on a future ROPS, not to exceed \$600,000 through the fiscal year 2015-16.
- Item Nos. 128 through 147 – Duplicative line items representing requests for Vista Del Rio Housing Partners LP, Station District Phases R1, R2, and FS, Station District Lawsuit Settlement, Habitat for Humanity, and Santa Ana WBBB DDAs and associated project costs have been deleted from the ROPS form because funding has been provide as described above.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$12,782,273 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 35,881,432
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 20	1,000,000
Item 127	500,000
Plus: Adjustments based on LMIHF DDR Determination	
Item Nos. 69, 71, 73, 75, 77, 79, 81, 83, 85, 87: Habitat for Humanity, Santa Ana WBBB, Station District R1, Station District R2, Stration District FS, Station District Settlement Lawsuit, and Vista Del Rio project costs.	1,215,739
Item Nos. 70, 72, 86: Habitat for Humanity, Station District FS, and Station District Lawsuit Settlement**.	2,893,728
Minus: Deleted line items based on the LMIHF DDR Determination	
Items 128 -147	26,080,925
Total approved RPTTF for enforceable obligations	<u>\$ 12,409,974</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>372,299</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 12,782,273

** Item No. 86 Station District Lawsuit Settlement is authorized for \$200,000 for fiscal year 2013-14; the amount in the above table represents the amount approved for ROPS 13-14A, totaling \$100,000.

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. 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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

<http://www.dof.ca.gov/redevelopment/ROPS/view.php>

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/>

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office