



April 10, 2015

Ms. Sarah T. Schlenk, Agency Administrative Manager
City of Oakland
250 Frank H. Ogawa Plaza
Suite 3315
Oakland, CA 94612

Dear Ms. Schlenk:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oakland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 24, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

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

- Item No. 12 – Jack London Gateway requires no funding for the ROPS 15-16 A period. During our review, the Agency informed Finance that no funding was needed for this item during the ROPS 15-16A period. Therefore, the \$81,000 of Redevelopment Property Tax Trust Fund (RPTTF) funding requested has been reduced to \$0.
- Item No. 97 – Fox Theatre is not an enforceable obligation payable during ROPS 15-16A period. The former redevelopment agency (RDA) entered into a Development and Disposition Agreement (DDA) with Fox Oakland Theater, Inc. (Developer) for the Fox Theater Project. The DDA includes a loan for the Developer for payment of annual return and buy out of tax credit investors. The Agency provided documentation citing the end of the markets compliance period as October of 2015. However, pursuant to the Option Agreement, the put option cannot be exercised until at least six months after the end of the compliance period which is April 2016. Furthermore, the Agency has an additional six month period beginning after April 2016 to exercise the option. Moreover, these funds are not required to be on hand for the ROPS 15-16A due to a lender requirement pursuant to HSC section 34177 (m) (4). Therefore, the \$3,530,000 requested is not eligible for funding during the ROPS 15-16A period. The Agency may be eligible for funding on future ROPS.
- Item No. 105 – Downtown Capital Project Support is partially approved. The Agency is requesting Business Improvement District assessment in the amount of \$7,400 for properties on 1327 Broadway and 822 Washington Street. Finance approved the

Agency's Long-Range Property Management Plan which authorized the transfer of 1327 Broadway to the City of Oakland (City) for governmental purpose. Therefore, of the total \$7,400, \$4,495 requested for the 1327 Broadway property is the responsibility of the City and not eligible for RPTTF funding.

- Item Nos. 54, 196, 241, 303, and 370 – Project Management Costs are partially approved. These items are the aggregate project management costs of the Central District, Central City, Coliseum, and West Oakland project areas. Item No. 370 is specific to Low and Moderate Income Housing project management costs. The Agency provided documentation listing the individual projects included on ROPS 15-16A and the related project management costs for the breakdown of the aggregate costs claimed. Our review noted that the amounts claimed on ROPS 15-16A exceeded the estimated costs supported with documentation provided by the Agency. Therefore, RPTTF for the following items have been reduced by the amounts which exceed the supported estimates:
 - Item No. 54 in the amount of \$144,250 (\$1,330,361 - \$1,186,111)
 - Item No. 196 in the amount of \$377,907 (\$428,027 - \$50,120)
 - Item No. 241 in the amount of \$330,393 (\$683,817 - \$353,424)
 - Item No. 303 in the amount of \$66,972 (\$81,682 - \$14,710)
 - Item No. 370 in the amount of \$173,643 (\$915,870 - \$742,227). The disallowed amount also includes Successor Agency Housing (project code A453230) and Oaks Hotel Rehab (project code A468342) in the amounts of \$98,821 and \$16,723 respectively. Both of these items could not be traced to approved projects listed on ROPS 15-16A.
- Items Nos. 307, 308, 310, 311, and 312 – It is our understanding the Agency no longer needed funding for these items during the ROPS 15-16A period. Per discussion with Agency staff and review of documentation provided, the project will be completed by June 30, 2015. Therefore, the total \$697,954 of Reserve Funds requested has been reduced to \$0.
- Claimed administrative costs exceed the allowance by \$220,851. HSC section 34171 (b) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$659,622 is claimed for administrative cost, only \$544,671 is available pursuant to the cap. Therefore, \$114,951 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, you 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 at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$10,746,955 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	19,334,360
Total RPTTF requested for administrative obligations	659,622
Total RPTTF requested for obligations on ROPS	\$ 19,993,982
Total RPTTF requested for non-administrative obligations	19,334,360
Denied Item	
Item No. 12	(81,000)
Item No. 54	(144,250)
Item No. 97	(3,530,000)
Item No. 105	(4,495)
Item No. 196	(377,907)
Item No. 241	(330,393)
Item No. 303	(66,972)
Item No. 370	(173,643)
	(4,708,660)
Total RPTTF authorized for non-administrative obligations	\$ 14,625,700
Total RPTTF requested for administrative obligations	659,622
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(220,851)
Total RPTTF authorized for administrative obligations	\$ 438,771
Total RPTTF authorized for obligations	\$ 15,064,471
ROPS 14-15A prior period adjustment	(4,317,516)
Total RPTTF approved for distribution	\$ 10,746,955

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	14,625,700
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	438,771
Total RPTTF administrative obligations after Finance adjustments	659,622
Administrative costs in excess of the cap	\$ (220,851)

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. 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 section 34177.5 (j). 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Patrick Lane, Development Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office