DEPARTMENT OF FINANCE

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May 15, 2015

Ms. Terri Simon, Redevelopment Specialist
City of Richmond
450 Civic Center Plaza, 2nd floor
Richmond, CA 94804

Dear Ms. Simon:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 26, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 10, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 23, 2015.

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 determinations being disputed.

- Item Nos. 68, 120, 123 - Miraflores Housing Project expenses totaling $32,356,668. These items relate to the proposed construction of housing units for the Miraflores Project. The Agency cites an Infill Grant Agreement with the California Pollution Control Financing Authority as a basis for entering into contracts for the construction of housing units for the Miraflores Project. Although this item is an enforceable obligation, Finance initially denied funding for these items because it was our understanding the Agency is requesting the entire amount, but will not incur any payments for construction activities during this ROPS period. Furthermore, there is no agreement in place requiring monies be held in reserve for this project.

  Item No. 68
  During the Meet and Confer process, the Agency contended that a $1,500,000 contribution from the Agency is required in order to secure tax credits from the California Tax Credit Allocation Committee (TCAC). However, based on guidance available on TCAC's public website, if redevelopment agency (RDA) related funds are utilized to finance a TCAC project, the Agency is required to provide a Final and Conclusive Determination or other written communication from Finance concluding that a Final and Conclusive Determination is unnecessary. TCAC does not require the funds to be in the Agency's possession and the Agency did not provide any other supporting documents indicating that the funds are required to be maintained in a reserve. Therefore, this item is currently not eligible for funding.

Item No. 120
During the Meet and Confer process, the Agency contended that $600,000 is required to retire this obligation to the U.S. Environmental Protection Agency (EPA) Revolving Loan Fund. However, the U.S. EPA agreement provided had a budget and project end date of September 30, 2010. Additionally, Table B of the agreement states that the recipient many not subgrant to itself. As such, it is unclear how the former RDA borrowed funds from the Revolving Loan Fund or what obligation remains after the agreement end date. Therefore, this item is currently not eligible for funding.

Item No. 123
During the Meet and Confer process, the Agency contended that $600,000 is required as matching costs to finance creek restoration activities at the project site in order to fulfill environmental commitments required by the grant implementation requirements. However, the grant agreements with the California Natural Resources Agency and the California Coastal Conservancy were awarded to and entered into by the City of Richmond (City), not the former RDA. Therefore, this item is an obligation of the City, not the Agency, and is not eligible for funding.

Therefore, these items are not eligible for $25,845,507 in Other Funds or $6,511,161 in Redevelopment Property Tax Trust Fund (RPTTF) funding. However, the Miraflores Housing Project may be eligible for funding on future ROPS.

- Item No. 88 – Area T Soil Remediation in the amount of $100,000. Finance no longer denies this item. Finance initially denied this item because insufficient documentation was provided to support the amounts claimed. The Agency provided covenant documentation and a summary of the estimated required work. However, these documents were insufficient to support the requested amount because they do not illustrate mandated work that existed prior to dissolution.

  During the Meet and Confer process, the Agency contended that funding is required to meet state mandated pollution monitoring and remediation activities of Agency-owned properties. The Covenant to Restrict Use of Property dated August 18, 2004, entered into by the former RDA with the Department of Toxic Substances Control (DTSC) requires the operation and maintenance of the vegetated cap and groundwater monitoring pursuant to the Operation and Maintenance Plan and Agreement between the former RDA and DTSC. The Agency provided the methodology used to determine the estimate for the ROPS 15-16A period. Therefore, this item is an enforceable obligation and is eligible for funding.

In addition, per Finance's letter dated April 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Claimed administrative costs exceed the allowance by $170,836. 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 $420,836 is claimed for administrative cost, only $250,000 is available pursuant to the cap. Therefore, $170,836 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is $7,766,714 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		14,027,875
Total RPTTF requested for administrative obligations		420,836
Total RPTTF requested for obligations on ROPS	**$**	**14,448,711**
Total RPTTF requested for non-administrative obligations		**14,027,875**
Denied Items		
Item No. 68		(5,311,161)
Item No. 120		(600,000)
Item No. 123		(600,000)
		(6,511,161)
Total RPTTF authorized for non-administrative obligations	**$**	**7,516,714**
Total RPTTF requested for administrative obligations		**420,836**
Administrative costs in excess of the cap		(170,836)
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**7,766,714**
ROPS 14-15A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**7,766,714**

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

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

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 (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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Chadrick Smalley, Manager, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office