



November 18, 2015

Mr. Michael Powers, City Manager
City of King
212 South Vanderhurst Avenue
King City, CA 93930

Dear Mr. Powers:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of King Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 5, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 19 – Downtown Addition Housing Project in the amount of \$1,000,000. The Agency did not provide additional documentation and Finance continues to deny this item. This item was initially denied because insufficient documentation was provided to support the amount claimed. The Agency provided an Affordable Housing Agreement (Agreement), dated June 14, 2011, between the former Redevelopment Agency (RDA) and Smith-Monterey, LLC (Developer). However, this document does not include sufficient information to ascertain the number of affordable housing units that have been developed and occupied in order to calculate the payment due to the Developer.

During the ROPS 15-16A Meet and Confer process, the Agency contended that this one-time distribution of \$1,000,000 to fund affordable housing is being requested because the Developer is now meeting the milestones of the project. Pursuant to Sections 201 and 202 of the Agreement, to the extent the Agency has funding available, the former RDA was to either provide down payment assistance and second trust deed loans to purchasers of up to 15 percent of the for-sale homes or assist one or more affordable multifamily housing projects to be constructed. Furthermore, Section 203 of the Agreement states that the former RDA shall provide the housing assistance only from the former RDA's Low and Moderate Income Housing Fund (LMIHF) and from no other source. However, since the Agreement did not require the former RDA to maintain a specific level of funding in the LMIHF, all funds were distributed to the affected taxing entities as part of the LMIHF Due Diligence Review. Furthermore, LMIHF funds are no longer available as the requirement to set aside 20 percent has ended and all funds in the LMIHF have been distributed to the affecting taxing entities. Therefore, the item is not an enforceable obligation.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below only reflects the Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Other Funds totaling \$11,663 – Item No. 2, \$10,163, and Item No. 6, \$1,500.

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$817,569 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	1,765,398
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 1,890,398
Total RPTTF requested for non-administrative obligations	1,765,398
<u>Denied Item</u>	
Item No. 19	(1,000,000)
Total RPTTF authorized for non-administrative obligations	\$ 765,398
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 890,398
ROPS 14-15B prior period adjustment	(72,829)
Total RPTTF approved for distribution	\$ 817,569

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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.

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 statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cindy Iglesias, Administrative Assistant, City of King
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County