



December 17, 2015

Mr. Steve Valenzuela, Chief Executive Officer & CFO  
City of Los Angeles Designated Local Authority  
448 S. Hill Street, 12/F  
Los Angeles, CA 90013

Dear Mr. Valenzuela:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 2, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Los Angeles Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 18, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 2, 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 November 16, 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 determination being disputed.

- Item No. 301 – Agreement with the U.S. Department of Housing and Urban Development (HUD) totaling \$3,057,512 (\$926,794 of Redevelopment Property Tax Trust Fund (RPTTF) funding and \$500,000 of Reserve Balance) is not allowed. Finance continues to deny this item. It is our understanding that due to HUD's Letter of Findings of Noncompliance, the Agency and HUD entered into a Voluntary Compliance Agreement in September 2014 to retrofit 22 federally funded housing developments. However, Finance initially denied this item because the City of Los Angeles elected to be the housing successor on January 25, 2012. HSC section 34176 (a) (1) states that if the city elects to retain the authority to perform the housing functions previously performed by the former redevelopment agency, all rights, powers, duties, obligations, and housing assets shall be transferred to the city.

During the Meet and Confer process, the Agency contended that The HUD requirement to retrofit the 22 developments arises from conditions that occurred on January 12, 2012, which is prior to the transfer of the housing assets. Further, the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) and the City of Los Angeles Housing Department entered into the Affordable Housing Assets and Functions Agreement (HAT Agreement) on April 5, 2013, and Section 6 of the HAT Agreement obligates the Agency to retain the responsibility to remedy any claims or liability that

existed prior to the transfer of housing assets to the housing successor. However, as previously stated, HSC section 34176 (a) (1) states all rights, powers, duties, obligations, and housing assets, excluding any enforceable obligations retained by the successor agency, shall be transferred to the city. Finance's April 5, 2013 approval of the oversight board's action is limited to the transfer of housing functions and assets as stated in our letter, not the approval of the HAT Agreement. Section 6 of the HAT Agreement is contrary to HSC section 34176 (a) (1) and there is no provision in statute that grants the oversight board authority to approve an action contrary to law. Additionally, no other information or documentation was provided by the Agency to demonstrate an enforceable obligation prior to June 28, 2011 exists. Finally, pursuant to HSC section 34177.3 (a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations. As such, the Agency did not have the authority to enter into the Voluntary Compliance Agreement with HUD. For these reasons, no enforceable obligation exists and this item is not eligible for funding on the ROPS.

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). The amount of RPTTF approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$76,936,280 as summarized in the Approved RPTTF Distribution table below:

| <b>Approved RPTTF Distribution</b>                               |                      |
|--|----------------------|
| <b>For the period of January through June 2016</b>               |                      |
| Total RPTTF requested for non-administrative obligations         | 79,957,961           |
| Total RPTTF requested for administrative obligations             | 0                    |
| <b>Total RPTTF requested for obligations on ROPS 15-16B</b>      | <b>\$ 79,957,961</b> |
| <b>Total RPTTF requested for non-administrative obligations</b>  | <b>79,957,961</b>    |
| <u>Denied Item</u>   |                      |
| Item No. 301   | (926,794)            |
| <b>Total RPTTF authorized for non-administrative obligations</b> | <b>\$ 79,031,167</b> |
| <b>Total RPTTF authorized for administrative obligations</b>     | <b>\$ 0</b>          |
| <b>Total RPTTF authorized for obligations</b>                    | <b>\$ 79,031,167</b> |
| ROPS 14-15B prior period adjustment                              | (2,094,887)          |
| <b>Total RPTTF approved for distribution</b>                     | <b>\$ 76,936,280</b> |

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>

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

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. De Dinh, Senior Accountant, City of Los Angeles Designated Local Authority  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County