



December 17, 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 November 6, 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 15-16B) to Finance on September 25, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 6, 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 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 37 – Project Management Costs for Contract Project Monitoring in the amount of \$50,000 were not allowed. Finance no longer denies this item. Finance initially denied this item due to insufficient documentation. During the Meet and Confer process, the Agency provided the methodology used to determine the estimate. Therefore, Finance approves \$50,000 from the Redevelopment Property Tax Trust Fund (RPTTF).
- Item Nos. 55 and 68 – Metrowalk Phase II/BART Garage and Miraflores Projects totaling \$36,114,035 (\$32,292,051 from Other Funds and \$3,821,984 from the RPTTF). Finance no longer denies Item No. 55 and \$1,500,000 from the RPTTF for Item No. 68. Finance initially denied these items because it was our understanding the Agency is requesting total project budget amounts rather than an estimate of the amount needed during the upcoming six-month period.

For Item No. 55, the Agency provided the methodology used to estimate the amount requested for this ROPS. Therefore, Finance approves \$4,535,383 from Other Funds and \$2,321,984 from the RPTTF.

For Item No. 68, the Agency contended that Section 5.2.1.2 of the agreement requires the \$1,500,000 disbursement on or after January 15, 2016, and explained that the Other Funds requested are actually funds that the developer will be receiving or has received directly from other parties for the project on behalf of the Agency. Therefore, Finance approves \$1,500,000 from the RPTTF and continues to deny the Other Funds requested as those funds are being disbursed by other entities, not the Agency, to the developer.

- Item No. 120 – Miraflores Revolving EPA loan in the amount of \$648,000. Finance continues to deny this item. The Agency contends this was an enforceable obligation to retire a U.S. Environmental Protection Agency (EPA) Revolving Loan Fund. However, the U.S. EPA agreement has a budget and project end date of September 30, 2010. Additionally, Table B of the agreement states the recipient may not subgrant to itself. As such, it is unclear how the former redevelopment agency (RDA) borrowed funds from the Revolving Loan Fund or what obligation remains after the agreement end date.

During the Meet and Confer process, the Agency provided the Closeout Agreement between the Agency and the U.S. EPA dated June 13, 2013, that details the continued use of accrued program income. The Closeout Agreement is an amendment to the original U.S. EPA agreement and subject to HSC section 34180 (e), which requires approval from the Oversight Board (OB) for amendments to agreements if the OB finds that amendments would be in the best interests of the taxing entities. The Agency has not submitted an OB resolution to Finance related to the Closeout Agreement. Therefore, the terms of the Closeout Agreement are not effective and this item is currently not eligible for RPTTF funding.

- Item No. 123 – Miraflores Housing/Baxter Creek in the amount of \$3,835,000. Finance no longer denies this item; however, Finance approves \$0 for this ROPS period. The Agency originally contended that they are required to provide matching funds to finance creek restoration activities at the project site in order to fulfill environmental commitments required by the grant implementation requirements. However, Finance initially denied this item because 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, not the former RDA.

During the Meet and Confer process, the Agency contended that the creek restoration activities are required to be completed at the Miraflores project site in order to fulfill environmental commitments required by the enforceable obligation to develop housing. Based on a review of the Disposition, Development, and Loan Agreement (DDLA), Section 3.4 and Exhibit R of the DDLA requires the Agency to pay all costs of the Agency II CIP Improvements, which are defined as, "The restoration of Baxter Creek and the creation of the Greenway along the restored creek, including landscaping, pathways, and other related infrastructure improvements satisfactory to HCD and its administration of IIG." Therefore, this item is an enforceable obligation under the DDLA.

However, the Agency has not supported the amount requested for the six-month period. It is unclear how the Agency arrived at the total estimated costs and sufficient documentation has not been provided to support the request. Pursuant to HSC section 34171 (h), the Agency may only request the minimum amounts of payments required. The Agency has not provided supporting documents, such as contracts, invoices, or project timelines, to show that the amount requested is the estimated minimum amount due in the next six-month period.

Therefore, this item is an enforceable obligation of the Agency and will be eligible for RPTTF funding on subsequent ROPS once the Agency has supported the amount needed from the RPTTF to complete the project. Furthermore, the Other Funds requested are related to grants awarded to the City, not the Agency. As such, Finance reduces the RPTTF funding to \$0 on this ROPS due to insufficient documents and

denies the Other Funds requested because these are not the Agency's funds. The City may spend its grant funds on the project without review and approval from Finance.

In addition, per Finance's letter dated November 6, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 69 – Miraflores Legal Services in the amount of \$245,000 is partially allowed. It is our understanding an Agreement for Legal Services dated September 2015 between the Agency and Holland & Knight, LLP provides legal services related to the Miraflores project at a cost not to exceed \$520,000.

While this agreement is an enforceable obligation, the Agency has previously expended \$436,929 under the contract. As a result, only \$83,071 remains available. Furthermore, the Agency is requesting another \$245,000 on this ROPS. Therefore, the excess, \$161,929 (\$520,000 - \$436,929 - \$245,000) is not eligible for funding from Other Funds or Bond Proceeds.

- The Agency's claimed administrative costs exceed the allowance by \$178,098. HSC section 34171 (b) (2) limits the fiscal year 2015-2016 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The Contra Costa County Auditor-Controller distributed \$250,000 for the July through December 2015 period, leaving a balance of \$211,567 available for the January through June 2016 period. Although \$389,665 is claimed for administrative costs, only \$211,567 is available pursuant to the cap. Therefore, \$178,098 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), 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) also specifies the prior period adjustment self-reported by the Agency is 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 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:

Item No.	Obligation	Funding Source	Approved Amount
1.	1998 Tax Allocation Refunding Bond	Other Funds	\$2,714
3.	2003A Tax Allocation Revenue Bond	Other Funds	\$302
4.	2003B Tax Allocation Revenue Bond	Other Funds	\$1,249
5.	2004A Tax Allocation Revenue Bond	Other Funds	\$201
7.	2010A Tax Allocation Refunding Bond	Other Funds	\$4,220
11.	2004A Tax Allocation Revenue Bond	Other Funds	\$1,356
12.	2004B Tax Allocation Revenue Bond	Other Funds	\$428
14.	2007B Tax Allocation Capital Appreciation Bond	Other Funds	\$1,802
67.	Miraflores Project - Remediation	Other Funds	\$23,446
69.	Miraflores	Other Funds	\$218,315
121.	2014A Refunding Bonds	Other Funds	\$5,227
122.	2014B Refunding Bonds	Other Funds	\$3,727

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) 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 items 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 \$10,725,088 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	12,988,827
Total RPTTF requested for administrative obligations	389,665
Total RPTTF requested for obligations on ROPS 15-16B	\$ 13,378,492
Total RPTTF requested for non-administrative obligations	12,988,827
Denied Items	
Item No. 120	(648,000)
Item No. 123	(600,000)
	(1,248,000)
Total RPTTF authorized for non-administrative obligations	\$ 11,740,827
Total RPTTF requested for administrative obligations	389,665
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(61,939)
Total RPTTF authorized for administrative obligations	\$ 327,726
Total RPTTF authorized for obligations	\$ 12,068,553
ROPS 14-15B prior period adjustment	(1,343,465)
Total RPTTF approved for distribution	\$ 10,725,088

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	7,516,714
Total RPTTF for 15-16B (January through June 2016)	11,740,827
Total RPTTF for fiscal year 2015-2016	19,257,541
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	577,726
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	327,726
ROPS 15-16B administrative obligations after Finance adjustments	(389,665)
Administrative costs in excess of the cap	\$ (61,939)

During the ROPS 15-16B period, the Agency reported cash balances and activity for the period January 1, 2015 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 (I) (1) (E) requires these cash 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 (j). 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. Chadrick Smalley, Manager, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County