

April 11, 2016

Mr. Steven Adams, City Manager  
City of King  
212 South Vanderhurst Avenue  
King City, CA 93930

Dear Mr. Adams:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of King Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 9 – Hearne Note in the total outstanding amount of \$469,816 for the July 1, 2016 through December 31, 2016 (ROPS A period) has been adjusted. It is our understanding the Agency requested the incorrect amount. Per discussion with Agency staff and review of documentation provided, the \$450,000 requested in Other Funds should be zero and the \$19,816 requested in Redevelopment Property Tax Trust Fund (RPTTF) should be \$58,549. As a result, the total Other Funds requested has been decreased by \$450,000 and the total RPTTF funding requested for enforceable obligations has been increased by \$38,733 (\$58,549 - \$19,816) for the ROPS A period.
- Item No. 19 – Downtown Addition Housing Project in the amount of \$1,000,000 in Other Funds. 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 1) provide down payment assistance and second trust

deed loans to purchasers of up to 15 percent of the for-sale homes or 2) 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.

Except for the item denied in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,204,193 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination

only applies to items when funding was requested for the 12-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 Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Mike Howard, Finance Director, City of King  
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 644,063	\$ 271,397	\$ 915,460
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>769,063</b>	<b>396,397</b>	<b>\$ 1,165,460</b>
Adjustment to Agency Requested RPTTF	38,733	0	38,733
Adjustment to Agency Requested Administrative RPTTF	0	0	0
<b>Total RPTTF adjustments</b>	<b>38,733</b>	<b>0</b>	<b>\$ 38,733</b>
Total RPTTF authorized	682,796	271,397	954,193
Total Administrative RPTTF authorized	125,000	125,000	250,000
<b>Total RPTTF approved for distribution</b>	<b>807,796</b>	<b>396,397</b>	<b>\$ 1,204,193</b>