DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 4, 2016

Ms. Sarah T. Schlenk, Agency Administrative Manager
City of Oakland
250 Frank H. Ogawa Plaza
Suite 3315
Oakland, CA 94612

Dear Ms. Schlenk:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Oakland 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 January 26, 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 determinations:

- Item No. 6 – Claimed administrative costs exceed the allowance by $226,930. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed Redevelopment Property Tax Trust Fund (RPTTF) in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is $1,794,454 for the fiscal year 2016-17. Although $2,021,384 is claimed for administrative cost, only $1,794,454 is available pursuant to the cap. Therefore, $226,930 of excess administrative cost is not allowed.

- Item No. 207 – 9451 MacArthur Blvd-Evelyn Rose Project in the total outstanding amount of $517,500 is not approved. Finance continues to deny this item. This item was denied during the January through June 2013 (ROPS III) period because Low and Moderate Income Housing Fund (LMIHF) deferral payments were not eligible for repayment. The Agency now contends the item is not a LMIHF deferral payment, and explained repayment to LMIHF is required because the former redevelopment agency (RDA) expended LMIHF funds on an affordable housing project located at 9451 MacArthur Boulevard, which was never completed. The RDA ultimately sold the property to another developer in 2002 for development of non-affordable housing. The Agency contends that due to the removal of the affordable housing covenant tied to the property, the Agency is required to pay back LMIHF funds used. The Agency has not provided sufficient documentation to support requirement to repay the LMIHF. Therefore, the requested RPTTF in the amount of $517,500 is not approved.

- Item No. 370 – Low and Moderate Income Housing Project management cost in amount of $1,620,828 is partially approved. The Agency provided a breakdown of how the total requested amount was allocated to housing projects listed on ROPS 16-17. Of the requested amount, a total of $734,850 was related to the Oak to 9th Project (Brooklyn Basin) under Item No. 423. As noted in the bullet below, Item No. 423 is not an enforceable obligation. Therefore, the related project development costs are also not an enforceable obligation of the Agency. As a result, of the requested $1,620,828, the amount of $734,850 is not eligible for RPTTF funding.

- Item No. 423 – Oak to 9th Project (Brooklyn Basin) is not an enforceable obligation of the Agency. The Cooperation Agreement dated August 24, 2006 between the former RDA and the Oak to Ninth Community Benefits Coalition did not require the RDA to provide additional funding beyond the enforceable obligation to purchase the Affordable Housing Parcels pursuant to the Development Agreement dated August 24, 2006 between the RDA and Oakland Harbor Partners, LLC. The Agency fulfilled its only enforceable obligation when it acquired the parcels during the July 1, 2014 through December 30, 2014 ROPS period under Item No. 422 using 2011 housing bond proceeds. Therefore, the development of affordable housing units is not an enforceable obligation of the Agency as defined in HSC section 34171 (d). As such, the additional funding requested in the amount of $4,000,000 in RPTTF is not approved.

  We note that the Agency is requesting re-authorization to use $2,545,000 in excess bond proceeds, which were approved on a previous ROPS. The Agency received a Finding of Completion on May 29, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) and housing bonds issued prior to June 28, 2011 in a manner consistent with the bond covenants. Such expenditures constitute the creation of an "excess bond proceeds obligation" payable from available excess bond proceeds. Additionally, during ROPS 15-16B, Agency staff acknowledged the Agency's use of bond proceeds was pursuant to recent Senate Bill 107 changes. As such, Finance approved bond funding for pre-development costs of the affordable housing units in accordance with HSC section 34176 (g), not because the item was an enforceable obligation. Finance is re-authorizing the Agency's request to use $2,545,000 in excess housing bond proceeds in accordance with HSC section 34176 (g), as the funds may not have been expended.

  Additionally, Finance notes the Agency was authorized to transfer approximately $96,000,000 to the City of Oakland (City) pursuant to a bond expenditure agreement. To the extent there are excess pre-2011 bond proceeds and/or 2011 housing bond proceeds, the City and/or Agency may choose to use such proceeds to fund Item No. 423; and if necessary, repurpose available excess bond proceeds for the Oak to 9th Project. Should the Agency desire to increase the amount of excess bond proceeds for Item No. 423, a Meet and Confer should be requested to obtain authorization to expend additional excess bond proceeds.

  Finally, our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1) and excess housing bond proceeds pursuant to HSC section 34176 (g). Such approval should not be construed as approval of the project itself as an enforceable obligation. Therefore, we have changed the Obligation Type from "OPA/DDA/Construction" to "Bond Funded Project – Housing".

- Item No. 426 – West Oakland Loan Indebtedness in the total outstanding amount of $2,717,524 is not approved. Pursuant to HSC section 34191.4 (b) (3), interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent and repayments shall be applied first to principal, and second to interest.

  The Agency provided Oversight Board Resolution No. 2013-16, which found the loan was for legitimate redevelopment purposes. It is our understanding the RDA was to repay the City of Oakland (City) for costs incurred totaling $2,689,535 for various projects in the West Oakland project area. Although a 2011 Funding Agreement was provided, the Agency was unable to provide sufficient financial documentation to support the current outstanding principal amount owed. As a result, Finance could not determine if the Agency's reported total outstanding balance was accurate and if the requested $1,813,238 for the ROPS 16-17 period exceeded the balance owed. Therefore, this item is not eligible for RPTTF funding at this time.

Except for the items denied in whole or in part or reclassed, 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/

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 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $62,108,332 as summarized in the Approved RPTTF Distribution table on page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (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:

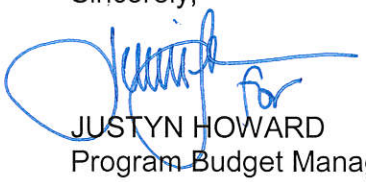
http://www.dof.ca.gov/redevelopment/ROPS

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 Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Patrick Lane, Development Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 19,342,195	$ 48,037,270	$ 67,379,465
Requested Administrative RPTTF	580,266	1,441,118	2,021,384
Total RPTTF requested for obligations on ROPS 16-17	**19,922,461**	**49,478,388**	**$ 69,400,849**
Total RPTTF requested	**19,342,195**	**48,037,270**	**67,379,465**
Denied Items			
Item No. 207	(517,500)	0	(517,500)
Item No. 370	(367,425)	(367,425)	(734,850)
Item No. 423	(2,000,000)	(2,000,000)	(4,000,000)
Item No. 426	(906,619)	(906,618)	(1,813,237)
	(3,791,544)	(3,274,043)	(7,065,587)
Total RPTTF authorized	**15,550,651**	**44,763,227**	**$ 60,313,878**
Total Administrative RPTTF requested	**580,266**	**1,441,118**	**2,021,384**
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(226,930)	(226,930)
Total Administrative RPTTF authorized	**580,266**	**1,214,188**	**$ 1,794,454**
Total RPTTF approved for distribution	**16,130,917**	**45,977,415**	**$ 62,108,332**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 61,084,234
Less sponsoring entity loan and Administrative RPTTF	1,269,106
Actual RPTTF distributed for 2015-16 after adjustment	59,815,128
Administrative Cap for 2016-17 per HSC section 34171 (b)	1,794,454
ROPS 16-17 Administrative RPTTF after Finance adjustments	2,021,384
Administrative Cost Allowance in excess of the cap	**$ (226,930)**