



April 15, 2016

Ms. Leslie Fritzsche, Senior Project Manager  
Sacramento City  
915 I Street  
Sacramento, CA 95814

Dear Ms. Fritzsche:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Sacramento City 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 28, 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. 27 – Property Tax Assessment fees in the total outstanding obligation amount of \$131,576 are not allowed. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) December 15, 2015. Pursuant to the approved LRPMP, properties with a permissible use of governmental or future development were approved for transfer to the City of Sacramento (City). As a result, the City is now responsible for all costs associated with those properties. The Agency is only responsible for properties with a permissible use of sale.

The Agency provided a list of project areas and associated fees that included all permissible uses. To the extent the Agency can provide a list of assessments solely for sale properties to support the annual estimated expenditures, funding may be approved in the future. Therefore, the requested amount of \$131,576 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.

- Item No. 47 – Property Holding costs in the amount of \$230,727 are partially allowed. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) December 15, 2015. Pursuant to the approved LRPMP, properties with a permissible use of governmental or future development were approved for transfer to the City of Sacramento (City). As a result, the Agency is only responsible for properties with a permissible use of sale.

Holding costs for properties with a permissible use of sale, totaling \$80,167, are allowed. However, holding costs for properties with a permissible use of governmental or future development are not allowed because they are no longer the obligation of the Agency. Therefore, the excess, \$150,560 (\$230,727 - \$80,167) is not considered an enforceable obligation and is not eligible for RPTTF funding on the ROPS.

- Item Nos. 124, 197, and 198 Rental Subsidy Agreements (Agreements), outstanding obligation amounts totaling \$15,209,972 are not allowed. It is our understanding the Agreements entered into on January 1, 2016 are between the Housing Authority of the City of Sacramento and various third-party vendors, the Agency is not a party to any of the Agreements.

In addition, the Oversight Board (OB) did not submit any of the Agreements to Finance for review and approval. Pursuant to 34179 (h) (1), written notice and information about all actions taken by an OB shall be provided to Finance as an approved resolution by electronic means and in a manner of the department's choosing.

Furthermore, pursuant to HSC section 34176 (b), the Agency transferred the responsibility for performing the housing functions, including all rights, powers, assets, duties, and obligations associated with the housing activities, to the Housing Authority of the City of Sacramento. Therefore, these items are not enforceable obligations and the requested amount of \$676,008 (\$244,272 + \$194,424 + \$237,312) for the ROPS 16-17 period is not eligible for RPTTF funding.

- Item No. 216 – Project Management costs in the total outstanding obligation amount of \$6,600 are not allowed. It is our understanding the Agency received a grant from the State Water Resources Control Board for the remediation of 1340 Del Paso Boulevard. However, the Agency was unable to provide the order for remediation from the Department of Toxic Substances or the grant agreement. Additionally, it is our understanding the remediation may have been voluntary. To the extent the Agency can provide an order for remediation and an executed grant agreement to support costs, the funding may be approved in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$6,600 is not eligible for RPTTF funding on the ROPS.
- Item No. 221 – Project Management costs in the total outstanding obligation amount of \$7,116 are not allowed. It is our understanding the Agency received a grant from the State Water Resources Control Board for the remediation of the El Monte Triangle. However, the Agency was unable to provide the order for remediation from the Department of Toxic Substances or documentation to support the requested amount. Additionally, it is our understanding the remediation may have been voluntary. To the extent the Agency can provide an order for remediation and invoices to support costs, the funding may be approved in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$7,116 is not eligible for RPTTF funding on the ROPS.
- Item Nos. 303 and 308 – Railyards Inland Master Phase and Initial Phase Owner Participation Agreements (OPA), outstanding obligation amounts totaling \$214,952,000 (\$127,943,834+ \$87,008,166) are not allowed. The OPAs provided as support for these items were assigned to a new developer on March 15, 2011, retroactive to October 22, 2010, the date when the new developer acquired title to the subject property through foreclosure. However, the Agency has not provided sufficient documentation to support the Assignment and Assumption of the Railyards OPAs as an ongoing enforceable obligation of the Agency.

To the extent the Agency can provide sufficient documentation to support the requested amounts, such as amended Master Phase and Initial Phase OPAs with the new developer, or development agreements between the new developer and other third-parties, this item may be deemed enforceable and eligible for funding in subsequent ROPS periods. Therefore, these items are not enforceable obligations and the \$137,274 requested for Item No. 308 is not eligible for RPTTF funding on this ROPS.

- Item No. 355 – Rental Subsidy Agreement in the total outstanding obligation amount of \$1,442,922 is not allowed. It is our understanding this Agreement, entered into on July 22, 2008, is between Sacramento Housing and Redevelopment Agency and Mercy Housing California; the former redevelopment agency is not a party to the agreement. Therefore, this item is not an enforceable obligation and the requested amount of \$396,864 for the ROPS 16-17 period is not eligible for RPTTF funding.
- Item No. 385 – Property Disposition Costs in the amount of \$250,000 are partially allowed. The Agency provided an estimate for annual costs totaling \$124,900. However, the Agency doubled the amount by requesting funding in the amount of \$125,000 in both the July 1, 2016 through December 31, 2016 period (ROPS A period) and the January 1, 2017 through June 30, 2017 period (ROPS B period). Therefore, the requested amount of \$125,000 is not eligible for RPTTF funding in the ROPS B period.
- Item No. 419 – Settlement Costs for the Canez Court Case in the amount of \$100,000 is not allowed. It is our understanding the case has been set for trial on August 1, 2016. Additionally, it is our understanding that although the case was initially filed in 2013, there have been no attorney costs claimed to date with respect to this case. Requesting funding for contingencies is not an allowable use of funds; however, to the extent the Agency can provide a court judgment, or some other agreement mandating payment, to support the amounts claimed, the Agency may be eligible for funding on subsequent ROPS. Therefore, the requested amount of \$100,000 is not eligible for RPTTF funding at this time.

Except for the items denied in whole or in part, 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 (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 \$33,425,365 as summarized in the Approved RPTTF Distribution Table on page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the 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:

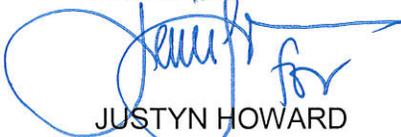
<http://www.dof.ca.gov/redevelopment/ROPS>

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 Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Dennis Kauffman, Operations Manager, City of Sacramento  
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento 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)	6,392,743	27,890,954	34,283,697
Requested Administrative RPTTF	436,333	436,333	872,666
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>6,829,076</b>	<b>28,327,287</b>	<b>\$ 35,156,363</b>
<b>Total RPTTF requested</b>	<b>6,392,743</b>	<b>27,890,954</b>	<b>34,283,697</b>
<b>Denied Items</b>			
Item No. 27	(65,788)	(65,788)	(131,576)
Item No. 47	(75,280)	(75,280)	(150,560)
Item No. 124	(122,136)	(122,136)	(244,272)
Item No. 197	(97,212)	(97,212)	(194,424)
Item No. 198	(118,656)	(118,656)	(237,312)
Item No. 216	(6,600)	0	(6,600)
Item No. 221	(7,116)	0	(7,116)
Item No. 308	(137,274)	0	(137,274)
Item No. 355	(198,432)	(198,432)	(396,864)
Item No. 385	0	(125,000)	(125,000)
Item No. 419	(50,000)	(50,000)	(100,000)
	<u>(878,494)</u>	<u>(852,504)</u>	<u>(1,730,998)</u>
<b>Total RPTTF authorized</b>	<b>5,514,249</b>	<b>27,038,450</b>	<b>\$ 32,552,699</b>
<b>Total Administrative RPTTF authorized</b>	<b>436,333</b>	<b>436,333</b>	<b>\$ 872,666</b>
<b>Total RPTTF approved for distribution</b>	<b>5,950,582</b>	<b>27,474,783</b>	<b>\$ 33,425,365</b>