



May 17, 2016

Ms. Margarita Cruz, Redevelopment Manager
City of Inglewood
One Manchester Boulevard
Inglewood, CA 90301

Dear Ms. Cruz:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 31, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Inglewood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on March 31, 2016. 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 April 12, 2016.

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 Nos. 15 and 17 – Disposition costs in the total outstanding amount of \$1,440,000. Finance continues to deny these items. Finance previously denied these items because the costs are not necessary to sell the properties and the Agency should not incur these costs pursuant to HSC section 34177.3 (b).

During the Meet and Confer process, the Agency contended that HSC section 34177.3 (b) states that successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including acquiring necessary legal counsel. Further, the Agency contends the legal services provided by Kane, Ballmer, & Berkman (Item No. 15) and the economic feasibility services provided by Keyser Marston (Item No. 17) will not include the prohibited services listed in HSC section 34177.3 (b), which includes, planning, redesign or design, demolition, alteration, or construction, construction financing, site remediation, site development or improvement, land clearances and seismic retrofits.

However, it is our understanding that the services provided for these items are not necessary for the Agency to sell the properties because those services primarily serve the interest of the developer who intends to purchase the properties. Specifically, the Agency stated that the purpose behind the legal services provided by Kane, Ballmer &

Berkman, such as ascertaining whether the developer needs to conduct environmental reviews, helping the developer secure entitlements, and assisting the developer with structuring a disposition and development agreement with the City of Inglewood (City), are to ensure that the developer will be able to develop their proposed project.

Furthermore, the services proposal from Keyser Marston, which the Agency provided as supporting documentation during the ROPS review process, indicates that the purpose behind their services are also to primarily help the developer plan their proposed project. Specifically, Keyser Marston proposed to estimate the developer's proposed project construction costs, review the project's operating and income expenses, and help the City create a disposition and development agreement with the developer.

As such, these legal and economic feasibility services are considered planning services, which is prohibited in HSC section 34177.3 (b). Therefore, Finance continues to deny these items as enforceable obligations, and the \$400,000 requested for Item No. 15 and the \$80,000 requested for Item No. 17 are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 105 – Parking Structure Operations in the requested amount of \$152,814 is not allowed. Finance previously retired this item during ROPS 16-17 as initially requested by the Agency. During the Meet and Confer process, the Agency requested that Finance unretire this item and increase the requested amount from \$0 to \$152,814 in Other Funds for ROPS 16-17.

The Agency anticipates they will submit to Finance an amendment to their approved Long Range Property Management Plan (LRPMP) sometime after the July 1, 2016 through December 31, 2016 (ROPS A) period. The amendment would request the transfer of 115 Locust Street (Property No. 13 on the LRPMP), for governmental use pursuant to HSC section 34181. The Agency contends that before they are able to submit the amendment, they will be required to expend funding to cover maintenance costs for this property. The Agency provided a spreadsheet of the cost breakdown for this item, which includes staffing, internal management, maintenance, and security costs, as well as two sample monthly invoices to support staffing and security costs.

However, Property No. 13 was approved for Future Development on the Agency's LRPMP and properties approved for Future Development are not eligible to receive funding for property maintenance and disposition costs. As such, the Agency should proceed with the transfer of the property to the City as currently approved in the LRPMP. Therefore, this item is not an enforceable obligation and the requested amount of \$152,814 in Other Funds for ROPS 16-17 is denied.

In addition, per Finance's letter dated March 31, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 11, 12, and 14 – Disposition AB26 Implementation for remediation costs totaling \$180,000 for ROPS 16-17. The Agency requested to reduce funding to zero for these obligations. As such RPTTF funding has been reduced by \$180,000.
- Item Nos. 26 and 27 – Groundwater Monitoring/Investigation/KP Auto totaling \$120,000 for ROPS 16-17. The Agency requested to reduce funding to zero for these obligations. As such RPTTF funding has been reduced by \$120,000.

- Item Nos. 46, 49, and 121 – Various Pre-2011 bond funded projects funded with \$36,627,245 in Bond Proceeds. The Agency received a Finding of Completion on December 29, 2014 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation type from Improvement/Infrastructure and Project Management Costs to “Bond Funded Project – Pre-2011”. Such approval, however, should not be construed as approval of the project or agreement itself as an enforceable obligation.

In addition, for Item No. 121, this project should be funded entirely by Bond Proceeds for the ROPS A period. As such, the Agency requested to move \$200,000 from Other Funds to Bond Proceeds. Therefore, Other Funds has been reduced by \$200,000 and Bond Proceeds has been increased by \$200,000.

- Item No. 102 – Project Implementation Cost Hollywood Park in the amount of \$1,000,000 funded with Other Funds. The Agency requested to reduce funding by \$25,000 for each ROPS A and B period. As such Other Funds has been reduced by \$50,000 for ROPS 16-17.
- Item No. 131 – Disposition costs relating to property appraisals in the amount of \$277,400 is partially allowed. Finance approved the Agency’s LRPMP on October 1, 2015, which directs several properties listed on the LRPMP to be sold. The Agency provided prior invoices as well as contracts; however, only appraisal costs in the amount of \$102,500 related to such properties were supported. As such the excess amount of \$174,900 is not allowed on ROPS 16-17.
- Item No. 133 – Housing Administrative Cost in the amount of \$150,000 funded with Other Funds for ROPS 16-17. The Agency requested this in error and requested to reduce funding to zero. As such, Other Funds has been reduced by \$150,000 for ROPS 16-17.
- The claimed administrative costs exceed the allowance by \$85,342. HSC section 34171 (b) (3) limits the fiscal year 16-17 Administrative Cost Allowance (ACA) to three percent of actual distributed 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 \$534,658 for the fiscal year 2016-17. Although \$620,000 is claimed for administrative cost, only \$534,658 is available pursuant to the cap. Therefore, \$85,342 of excess administrative cost is not allowed.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 \$23,965,583 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>

This is Finance's final 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Sharon Koike, Assistant Finance Director, City of Inglewood
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles 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)	\$ 14,645,819	\$ 10,040,006	\$ 24,685,825
Requested Administrative RPTTF	310,000	310,000	620,000
Total RPTTF requested for obligations on ROPS 16-17	14,955,819	10,350,006	\$ 25,305,825
Adjustment to Agency Requested RPTTF	(300,000)	(300,000)	(600,000)
Total RPTTF adjustments	(300,000)	(300,000)	\$ (600,000)
Total RPTTF Requested	14,345,819	9,740,006	24,085,825
<u>Denied Items</u>			
Item No. 15	(200,000)	(200,000)	(400,000)
Item No. 17	(40,000)	(40,000)	(80,000)
Item No. 131	(65,700)	(109,200)	(174,900)
	(305,700)	(349,200)	(654,900)
Total RPTTF authorized	14,040,119	9,390,806	\$ 23,430,925
Total Administrative RPTTF requested	310,000	310,000	620,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(85,342)	(85,342)
Total Administrative RPTTF authorized	310,000	224,658	\$ 534,658
Total RPTTF approved for distribution	14,350,119	9,615,464	\$ 23,965,583

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 17,821,924
Less sponsoring entity loan and Administrative RPTTF	0
Actual RPTTF distributed for 2015-16 after adjustment	17,821,924
Administrative Cap for 2016-17 per HSC section 34171 (b)	534,658
ROPS 16-17 Administrative RPTTF after Finance adjustments	620,000
Administrative Cost Allowance in excess of the cap	\$ (85,342)