DEPARTMENT OF FINANCE
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Revised

May 19, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letters dated April 4, 2016, and May 17, 2016. 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 of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 26, 2016. Finance issued a ROPS determination letter on April 4, 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 21, 2016. Subsequent to the issuance of the May 17, 2016 letter, the Agency requested to decrease the amounts for Item Nos. 421 and 422.

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 No. 207 – 9451 MacArthur Blvd-Evelyn Rose Project in the total outstanding amount of $517,500. Finance continues to deny this item. During the initial review the Agency contended that the repayment to the Low and Moderate Income Housing Fund (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 former RDA ultimately sold the property to another developer in 2002 for development of non-affordable housing. Furthermore, the Agency contended that due to the removal of the affordable housing covenant tied to the property, the Agency is required to pay back the LMIHF funds used. However, Finance initially denied this item because the Agency did not provide sufficient documentation to support requirement to repay the LMIHF.

  During the Meet and Confer process, the Agency contended that HSC section 34171 (d) (1) (G) provides that payments owing to the LMIHF are enforceable obligations and are payable to the LMIHF of the housing successor. However, HSC section 34171 (d) (1) (G) specifically limits repayments to amounts borrowed from, or payments owing to, the LMIHF of a former RDA, which had been deferred. The amount that the Agency contends is owed was not a result of funds being borrowed or amounts

owed as a result of a deferral. As such, this item does not meet the definition of an enforceable obligation pursuant to HSC section 34171 (d) (1) (G). Therefore, this item is not an enforceable obligation and the requested Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of $517,500 is denied.

- Item No. 370 – Low and Moderate Income Housing Project management cost in amount of $1,620,828. Finance continues to partially approve this item. 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, which was initially denied. During the Meet and Confer process, the Agency requested that the project management costs for Item No. 423 be reconsidered if that item is approved for funding.

  As noted in the bullet below, Item No. 423 is not an enforceable obligation, but rather it is an excess bond proceeds obligation pursuant to HSC section 34191.4 (c) (1). The use of excess bond proceeds does not constitute an enforceable obligation pursuant to HSC section 34171 and therefore, do not create further enforceable obligations. As such, the Agency's request to fund project management costs incidental to the use of excess bond proceeds is not eligible for funding out of RPTTF. Finance notes that to the extent allowable, the Agency should use available bond proceeds to fund project management costs and should request such funding on a ROPS. 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. 421 – MacArthur BART affordable housing in the amount of $5,200,000 from excess bond proceeds. This item was not reviewed during the initial review. Subsequent to the Meet and Confer process, the Agency requested that this item be decreased by $2,200,000 to $3,000,000 for ROPS 16-17 and the funding source be changed to RPTTF. Finance decreases the amount requested to a total of $3,000,000 and changes the funding source to RPTTF. Additionally, the outstanding balance has been updated to $16,005,000 for ROPS 16-17.

- Item No. 422 – Oak to 9th Project – Land Acquisition in the amount of $0. This item was not reviewed during the initial review. Subsequent to the Meet and Confer process, the Agency requested that this item be funded at $1,000,000 from RPTTF for ROPS 16-17. Finance approves the amount requested of $1,000,000 from RPTTF. Additionally, the outstanding balance has been updated to $21,545,373 for ROPS 16-17.

- Item No. 423 – Oak to 9th Project (Brooklyn Basin) is not an enforceable obligation of the Agency. Finance continues to deny the request for RPTTF funding, but increases the excess bond proceeds requested as this item is an excess bond proceeds obligation pursuant to HSC section 34191.4 (c) (1).

  We note that the Agency initially requested 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). 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.

During the Meet and Confer process, the Agency requested that excess bond proceeds be increased by $2,000,000 for a total of $4,545,000 for ROPS 16-17. As such, Finance approves a total of $4,545,000 in excess bond proceeds and continues to deny the requested amount of $4,000,000 in RPTTF.

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 continue to change 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. Finance continues to deny this item. Finance initially denied this item because the Agency was unable to provide sufficient financial documentation to support the current outstanding principal amount owed. During the Meet and Confer process, the Agency provided a summary of actual expenditures. The summary shows that expenditures incurred by the City started in fiscal year 2011-12, which were in accordance with the list of projects in the First Amendment to Funding Agreement dated March 25, 2011, between the City and the former RDA. Additionally, documents provided by the Agency indicated that contracts entered into by the City were after June 27, 2011. As such, the outstanding balance as of June 27, 2011, was $0 for the loan agreement approved by the Oversight Board (OB) in OB Resolution 2013-16.

  ABx1 26 requires agencies to expeditiously wind down the affairs of the dissolved RDAs and provides successor agencies with limited authority only to the extent needed to implement the wind down of RDA affairs and perform under enforceable obligations. As of June 27, 2011, RDAs were prohibited from creating any new obligations and engaging in any new redevelopment. As of February 1, 2012, the RDA's authority was suspended and the RDA ceased to exist. Any transfers of the RDA's powers to a third party were also impacted by the prohibitions and the dissolution. Since the RDA no longer had the power to take out or make new loans or engage in any other activity to create obligations as of June 27, 2011, these powers could no longer be transferred to a third party. Thus, any specific obligations, whether by the RDA or a third party acting on behalf of the RDA, that did not exist as of June 27, 2011, are not enforceable obligations on the successor agency within the meaning of HSC section 34171 (d) (1). As such, the various contracts entered into by the City with third parties after June 27, 2011, are not obligations of the Agency.

  Therefore, for the above reasons, this item is not an enforceable obligation and the $1,813,238 requested for ROPS 16-17 is denied.

In addition, per Finance's letter dated April 4, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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 RPTTF funding 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.

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.

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 $66,108,332 as summarized in the Approved RPTTF Distribution table on page 6 (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

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

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**
Adjustment to Agency Requested RPTTF	2,000,000	2,000,000	4,000,000
Total RPTTF adjustments	**2,000,000**	**2,000,000**	**$ 4,000,000**
Total RPTTF requested	**21,342,195**	**50,037,270**	**71,379,465**
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	**17,550,651**	**46,763,227**	**$ 64,313,878**
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	**18,130,917**	**47,977,415**	**$ 66,108,332**

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)**