



May 18, 2012

Jeff Kirkpatrick  
 OC Community Services  
 Orange County Development Agency  
 1770 Broadway, Floor 4  
 Santa Ana, CA 92706

Dear Mr. Kirkpatrick:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Orange County (OC) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 8, 2012 for the period July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Public Improvement Reimbursement Agreements between the OC Development Agency, OC Public Works, and OC Community Resources totaling \$303.3 million. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The following projects were executed on June 28, 2011:

Page	Item No.	Project Name / Debt Obligation	Payee	Amount
1	1	Silverado Community Center	OC Parks	\$12,000,000
1	2	Community Stabilization Program	County of Orange	\$31,200,000
1	3	Animal Control Facility	OC Animal Care	\$763,239
1	4	Colonia Storm Drain Project	OC Public Works	\$4,000,000
1	5	El Modena Community Center	OC Community Resources	\$3,000,000
1	6	Orange-Olive Alleyway	OC Public Works	\$230,000
1	7	Modjeska Olive Storm Drain	OC Public Works	\$1,500,000
1	8	Inter-Canyon Bridge Improvement	OC Public Works	\$75,000
1	9	Mid-Way Storm Drain	OC Public Works	3,600,000
1	10	Eastside Water Association	OC Community Resources	\$180,000
2	1	Birch Hills Apartment Homes	Jamboree Housing Corps	\$3,990,000
2	4	Avenida Villas Apartments	AMCAL Avenida Fund, L.P.	\$344,923
2	7	Emergency Shelter/Homeless Shelter	OC Community Resources	5,000,000
2	8	Affordable Housing	OC Community Resources	\$22,413,318
2	9	The Ranch Project	OC Community Resources	\$215,000,000
				<b><u>\$303,296,480</u></b>

- Administrative expenses of \$727,055. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. The County is allowed \$388,619 for administration costs. Therefore, \$727,055 of the claimed \$1,115,673 is not allowed.

The following items were considered administrative expenses: Item No. 15 on page 1, Item No. 10 on page 2, and Item No. 4 on page 3.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov).

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Frank Davies, Administrative Manager, Orange County