



May 5, 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 (County) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 23, 2012 for the period January through June 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:

- No documentation to support the following projects and /or debt obligations, totaling \$43.1 million, was provided.

| Page | Item No. | Project Name / Debt Obligation | Payee | Amount |
|------|----------|---------------------------------|--|----------------------------|
| 1 | 1 | Silverado Community Center | OC Parks | \$3,000,000 |
| 1 | 2 | Community Stabilization Program | County of Orange | \$7,800,000 |
| 1 | 3 | Animal Control Facility | OC Animal Care | \$763,239 |
| 1 | 5 | El Modena Community Center | OC Community Resources | \$3,000,000 |
| 1 | 7 | Modjeska Olive Storm Drain | OC Public Works | \$703,000 |
| 1 | 8 | Inter-Canyon Bridge Improvement | OC Public Works | \$888,566 |
| 2 | 1 | Birch Hills Apartment Homes | Jamboree Housing Corps | \$3,990,000 |
| 2 | 2 | Stonegate Apt. Homes | Katella Family Housing Partner, LP | \$936,495 |
| 2 | 3 | Stonegate Apt. Homes II | Katella II Family Housing Partners, LP | \$593,460 |
| 2 | 4 | Avenida Villas Apartments | AMCAL Avenida Fund, L.P. | \$1,989,358 |
| 2 | 5 | Buena Vista Apartments | C&C Development and OHDC | \$2,877,117 |
| 2 | 7 | Affordable Housing | Developers | \$4,563,094 |
| 2 | 8 | The Ranch Project | Rancho Mission Viejo, LLC | \$10,000,000 |
| 2 | 10 | Professional Services | Rosenow Spevacek Group | \$375,000 |
| 2 | 11 | Professional Services | Affordable Housing Clearing House | \$375,000 |
| 2 | 12 | Professional Services | Terra West Advisors | \$250,000 |
| 2 | 13 | Professional Services | CSH | \$500,000 |
| 2 | 14 | Professional Services | Nancy Lewis Associates, Inc. | \$500,000 |
| | | | | <u>\$43,104,329</u> |

- Administrative cost claimed exceeds allowance by \$880,952. The HSC section 34171 (b) limits the fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. The County is allowed \$437,903 for administration costs. Therefore, \$880,952 of the claimed \$1,318,855 is not allowed. The following items were considered administrative expenses: Item Nos. 17 on page 1, 9 on page 2, 8 on page 3, and 19 on page 4.

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.

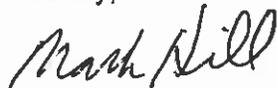
Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to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

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