



May 25, 2012

Alan Wolken, Director
Richmond Community Redevelopment Agency
City of Richmond
440 Civic Center Plaza
Richmond, CA 94804

Dear Mr. Wolken:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Richmond Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 18, 2012 for periods of the January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through June 2012 ROPS

In Finance's letter dated May 1, 2012, we questioned the following items:

- Items 28 and 29, on page 1, totaling \$17.4 million
- Item 5, on page 2, in the amount of \$29 million
- Item 12 on page 2 and item 23 on page 3, totaling \$15.8 million

Based on review of additional information provided by the Agency on May 11, 2012 and revised ROPS submitted on May 18, 2012, the following do not qualify as enforceable obligations:

- Item 50 on page 1 and item 9 on page 2 and item 10 on page 2 (formerly item 28 on page 1): Our understanding is that these remaining obligations relate to the second phase of construction per a Disposition and Development Agreement (DDA). However, the DDA is too vague to be enforceable.
- Item 51 on page 1 and item 15 on page 2 (formerly item 5 on page 2): Our understanding is that certain pre-development work has occurred, such as right-of-way negotiations and utilities relocation. However, a contract for construction of the underpass is set to go out for bid in July 2012.
- Items 22 and 48 on page 2 (formerly item 12 on page 2 and item 23 on page 3, respectively): These are contracts between the City of Richmond and a third-party, not the former redevelopment agency and a third-party. Because the City is ultimately responsible for payment of these contracts, these items are not enforceable obligations of the Agency.
- Administrative expenses totaling \$454,693. HSC section 34171 (b) limits administrative expenses for 2011-12 to five percent of property tax allocated to the successor agency

or \$250,000, whichever is greater. Five percent of the property tax allocated is \$464,033. Therefore, \$454,693 of the claimed \$918,726 is not an EO. The following items were identified as administrative expenses:

- o Page 1, items 17 through 19
- o Page 3, items 1 through 15

July to December 2012 ROPS:

- Item 50 on page 1 and items 9 and 10 on page 2 totaling \$17.4 million for the Metrowalk Phase II Disposition and Development Agreement. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 28, 2011. It is our understanding that contracts for the remainder of the rehabilitation and construction improvements have not been awarded.
- Item 51 on page 1 and item 15 on page 2 totaling \$29 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 28, 2011. It is our understanding that contracts for this line item have not been awarded.
- Items 22 and 48 on page 2 totaling \$15.8 million. It is our understanding that these loans are between the City of Richmond and a third party. As the RDA is neither a party to the loan nor responsible for payment of the loan, these line items are not enforceable obligations per HSC 34167 (d) (2).
- Administrative expenses totaling \$293,584. HSC section 34171 (b) limits administrative expenses for 2012-13 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$329,930. Therefore, \$293,584 of the claimed \$623,514 is not an EO. The following items were identified as administrative expenses:
 - o Page 1, items 17 through 19
 - o Page 3, items 1 through 15

Except for items disallowed in whole or in part as enforceable obligations noted above and in Finance's letter dated May 1, 2012, Department of Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPPTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. 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 in the RPTTF.

Mr. Wolken
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Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive, slightly slanted style.

MARK HILL
Program Budget Manager

cc: Mr. Ted Ferrer, Senior Accountant, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County Auditor-Controller's Office
Mr. Jay Wilverding, Chief Accountant, Contra Costa County Auditor-Controller's Office