



December 18, 2012

Mr. Kevin Radecki, Executive Director
Administration Offices
City of Industry
15625 East Stafford Street
City of Industry, CA 91744

Dear Mr. Radecki:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Industry Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 13, 2012. Subsequently, the Agency requested a Meet and Confer session on one of the items denied by Finance. The Meet and Confer session was held on November 29, 2012.

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 item being disputed.

- Item No. 26 and 27 – Housing Authority of the County of Los Angeles (HACOLA) 20% set aside totaling \$38 million. Finance continues to deny the items. Finance denied the items as the requirement to set aside 20 percent of redevelopment agency (RDA) tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund (LMIHF) be remitted to the county auditor controller for distribution to the taxing entities. This will be accomplished through the due diligence review process pursuant to HSC section 34179.5 and 34179.6. The Agency contends the items are enforceable obligations because Government Code (GC) section 65584.3 requires the former RDA pay 20 percent of all tax increment it receives to the HACOLA and the agreement for the transfer of LMIHF dated December 28, 1992, by and among the City of Industry, the former RDA, and HACOLA implements GC Section 65584.3 and requires such payments. However, per HSC section 34163 an agency shall not have the authority to, and shall not make any future deposits to the LMIHF. GC section 65584.3 (a) states that this provision is effective “for the period of time that 20 percent of all tax increment revenue accruing from all redevelopment projects and required to be set aside for low- and moderate-income housing pursuant to HSC section 33334.2 is annually transferred to the HACOLA.” Since no further deposits will be made into the LMIHF, no further

transfers will be made to the HACOLA. Therefore, these line items are not enforceable obligations and will not be eligible for funding.

- Item No. 102, 119, 165, 205, 217, 253, and 254 – Construction projects totaling \$142 million. Finance continues to deny the items. Finance denied the items as it is our understanding that contracts are not in place for these line items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The Agency contends the items are enforceable obligations because they are in connection with the Industry East project, a Disposition and Development Agreement (DDA) between the former RDA and Industry East, LLC, dated June 24, 1999 pursuant to which the former RDA entered into a lease agreement with the Developer dated June 24, 1999.

For Items 102, 119, 165, 253, and 254, Section 1.2.1 of the 1999 Lease Agreement states it “shall not be a legally binding document unless and until the Lessor [the former RDA] complies with CEQA, including without limitation the completion and certification of an Environmental Impact Report [EIR].” The former RDA completed the EIR, but has not completed the mitigation requirements. Therefore, the former RDA has not satisfied the requirements of CEQA, and the lease is not legally binding. Furthermore, in order to complete the mitigation requirements, the Agency would have to enter into new enforceable obligations, which is prohibited per HSC section 34163 (b). Therefore, the items are not enforceable obligations. To the extent the items are to be funded with bond proceeds, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

For Items 205 and 217, the Agency stated the items were not to be funded with Redevelopment Property Tax Trust Fund (RPTTF) but the proceeds from the disposition of assets under the long-range property management plan. The funding of these projects is based on future events that have not occurred. Therefore, the items are currently not enforceable obligations to be placed on the current ROPS.

- Item No. 129 – Financial Consulting Agreement in the amount of \$162,402. Finance continues to deny the item at this time. Finance denied the items as HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding the agreement entered into on November 10, 2011 is between the City of Industry and a third party and the Agency is not a party to the agreement. The Agency contends the item is an enforceable obligation because it is in connection with the Industry East project, a DDA between the former RDA and Industry East, LLC dated June 24, 1999, pursuant to which the former RDA entered into a lease agreement with the Developer dated June 24, 1999. In all instances where the City contracts are included on a ROPS, such City contracts are for the sole purpose of implementing the underlying enforceable obligation imposed on the former RDA pursuant to the DDA, 1999 Lease, and the Industry East Mitigation Monitoring Program. However, no agreements have been entered into prior to June 27, 2011. Therefore, the item is not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a Finding of Completion is received from Finance per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

In addition, per Finance's ROPS letter dated October 13, 2012, Item No. 21, 23, 24, and 25 totaling \$19,350, although enforceable, are considered general administrative expenses and continues to be reclassified. These items were not disputed by the Agency

The Agency's maximum approved RPTTF distribution for the reporting period is: \$39,633,415 as summarized in the following table:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 57,728,515
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 21*	6,000
Item No. 23*	3,300
Item No. 24*	6,750
Item No. 25*	3,300
Item No. 27	19,130,100
Total approved RPTTF for enforceable obligations	\$ 38,579,065
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	1,054,350
Total RPTTF approved:	\$ 39,633,415

*Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Ms. Linda Pollock, Contracted Finance Manager for City of Industry
Ms. Chris Brown, Administrative Assistant, City of Industry
Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office