



December 18, 2012

Mr. Jim DellaLonga, Senior Project Manager
Economic Development Department
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92842

Dear Mr. DellaLonga:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated September 17, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Garden Grove Successor Agency (Agency) submitted a ROPS to the California Department of Finance (Finance) on August 3, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on September 17, 2012. Subsequently, the Agency requested a Meet and Confer session for one or more of the items denied by Finance. The Meet and Confer session was held on October 4, 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 those specific items being disputed.

- Item 21 – Site C Development and Disposition Agreement (DDA) in the amount of \$48.5 million. Finance denied the item as an enforceable obligation because the agreement was executed on June 28, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The Agency contends that the agreement is an enforceable obligation because the contract was formed when the former redevelopment agency approved it at its board meeting on June 14, 2011. Assuming the agreement was executed prior to June 28, 2011, Finance continues to deny the Site C DDA as an enforceable obligation.

The DDA required the purchase and development of property and are subject to the availability of funds. The DDA had it within the former redevelopment agency's discretion to make the availability of funds determination but it was not acted upon before June 28, 2012. In addition, the DDA requires other actions the Agency would now have to take (i.e. selection of a hotel operator, acquisition of land, and financing, and construction contracts). However, redevelopment dissolution laws prohibit the Agency from performing these actions.

In addition, per Finance's ROPS III letter dated September 17, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 18 – Low and Moderate Housing Fund deficit in the amount of \$13.8 million. The requirement to set aside 20 percent of redevelopment agency tax increment for low and moderate income housing purposes ended with the passing of redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the County Auditor Controller for distribution to the taxing entities.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$14,720,107 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF Funding Requested For Obligations	\$14,814,862
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 18	0 *
Item No. 21	0 *
Total approved RPTTF for enforceable obligations	<u>\$14,814,862</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>380,364</u>
Total RPTTF Approved:	\$15,195,226
Less: Adjustment to Redevelopment Obligation Retirement Fund**	475,119
Adjusted RPTTF:	\$14,720,107

* No payments requested for the reporting period.

**As reported on ROPS III Summary Sheet by the Agency

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 Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Mr. Matthew Fertal, City Manager, City of Garden Grove
Mr. Kingsley Okereke, Director of Finance, City of Garden Grove
Mr. Frank Davies, Administrative Manager, County of Orange
California State Controller's Office