



December 18, 2012

Ms. Margarita Cruz, Redevelopment Manager
City of Inglewood
One Manchester Boulevard
Inglewood, CA 90301

Dear Ms. Cruz:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 4, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Inglewood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 20, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 4, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 14, 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 items being disputed.

- Item No. 20 – Demolition in the amount of \$300,000. Finance denied the item as HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. It is our understanding that no contract is in place for this item. The Agency contends the item is an enforceable obligation because they need to demolish “red tagged” buildings. However, there are no contracts in place and HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for funding on this ROPS.
- Item Nos. 31 and 32 – Construction loan disbursements and legal support on Abode communities totaling \$8.3 million. Finance continues to deny the items at this time. Finance denied the items as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Since these contracts were signed on January 23, 2012 and January 31, 2012 respectively, these line items are not enforceable obligations and not eligible for Low and Moderate Income Housing Fund (LMIHF) funding. The Agency noted that the wrong funding source was identified for the items on the ROPS. The funding source should be Bonds, not LMIHF. 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.

- Item Nos. 33 through 38 - City of Inglewood Housing Authority expenses totaling \$427,039. Finance continues to deny the items. Finance denied the items as HSC Section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Inglewood assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. The Agency contends the items are enforceable obligations because these are costs for monitoring covenant restrictions. However, there were no contracts in place prior to June 27, 2011. Obligations associated with the former RDA's previous monitoring obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of monitoring obligations; to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484. Furthermore, any unencumbered balances in the LMIHF are to be transferred to the county auditor controller for distribution to the affected taxing entities. Therefore, the items are not enforceable obligations and not eligible for LMIHF.
- Item No. 46 – Locust Street Senior Center project in the amount of \$20 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that no contract is in place for this item; therefore, this item is not an enforceable obligation and not eligible for Bond funding at this time. 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.
- Item No. 48 – Architectural Peer Review in the amount of \$120,000. Finance continues to deny the item. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Because the contract was signed on July 26, 2012, this line item is not an enforceable obligation and not eligible for LMIHF funding. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of obligations. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484. Furthermore, any unencumbered balances in the LMIHF are to be transferred to the county auditor controller for distribution to the affected taxing entities. Therefore, the item is not an enforceable obligation and not eligible for LMIHF.
- Item No. 49 – Century Blvd Reconstruction in the amount of \$30 million. Finance continues to deny the item at this time. Finance denied the item as it is our

understanding the agreement entered into on July 13, 2010 is between the City of Inglewood (City) and AECOM Technical Services and the Agency is not a party to the agreement. Therefore this item is currently not an enforceable obligation and not eligible for bond funding at this time. 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.

- Item No. 50 – Construction loan disbursements for 8205 Crenshaw project in the amount of \$4 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that no contract is in place for this item; therefore, this item is currently not an enforceable obligation and not eligible for bond funding at this time. 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.
- Item Nos. 55, 56, and 57 – KP Auto expenses totaling \$1.3 million. Finance continues to deny these items. Finance denied these items as HSC Section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Because the contracts were signed on January 31, 2012, these line items are not enforceable obligations and not eligible for funding. The Agency contends the items are enforceable obligations because there is a remediation clause in the Development and Disposition Agreement (DDA) and they received an order from the State Water Resources Quality Control Board (SWRQCB). However, the DDA, executed January 31, 2012, is between the City and the Developer, and the order provided by the Agency from SWRQCB was to submit a comprehensive groundwater assessment work plan by April 6, 2011. The former RDA is not a party to the DDA and even if the former RDA were a party to the DDA, it was entered into after June 27, 2011. Therefore, these items are not enforceable obligations.
- Item No. 60 – Tax Exempt Bond Proceeds in the amount of \$51 million. Finance continues to deny the item at this time. Finance denied the item as it is our understanding that contracts are not in place for this line item. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this item is currently not an enforceable obligation and not eligible for bond funding on this ROPS. 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.
- Item No. 61 – Housing Bond Proceeds in the amount of \$31 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts are not in place for this line item. In addition, the entity assuming the housing functions did not undergo the requirements outlined in HSC section 34175 (g) which allows for the expenditure of housing bond proceeds provided certain processes are followed. Therefore, this line item is currently not an enforceable obligation and not eligible for bond funding on this ROPS. 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.

- Item No. 83 – Property Maintenance in the amount of \$50,000. Finance continues to deny the item. Finance denied the item as it is our understanding that contracts are not in place. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. The Agency contends the item is an enforceable obligation because it is a cost of maintaining assets prior to disposition. However, the Agency did not provide documentation showing the properties to be maintained or contracts for the maintenance. Therefore, the item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.
- Item Nos. 85 through 99 – Statutory Pass-through payments totaling \$1 million. Finance continues to deny the items. Finance denied the items as HSC section 34183 (a) (1) the county auditor-controller will make the required pass-through payments starting with the July through December 2012 ROPS. The Agency contends the items are enforceable obligations because these are pass-through payments that were not made for fiscal year 20110-11. However, pass through payments are now made by the county auditor controller. The Agency should inform the county auditor controller of prior pass through payments not made. Therefore, the items are not enforceable obligations and not eligible for funding on this ROPS.
- Item No. 102 – Hollywood Park project implementation cost in the amount of \$22 million. Finance no longer objects to the item. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that no expenditure contracts are in place for this item. The Agency contends the item is an enforceable obligation because the Owner Participation Agreement (OPA) with Hollywood Park Land Company, LLC was entered into on July 8, 2009. Recital H of the OPA defines the Agency Infrastructure Payments, which states that the former RDA has agreed to provide financial assistance to the participant in connection with the development of the Hollywood Park Project, which is solely for the construction, alteration, demolition, installation, repair work with respect to certain public works of improvement. The works of public improvement which are eligible for the Agency Infrastructure Payments consists of the Public Improvements listed on Exhibit C of the OPA. Therefore, the item is an enforceable obligation.
- Claimed administrative costs exceed the allowance by \$65,759. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$424,241 for administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs for the July through December 2012 period, thus leaving \$424,241 available for the January through June 2013 period. Although \$250,000 is claimed for administrative cost, Item numbers 1, 2, and 3 totaling \$240,000 for legal representation and administrative services are considered administrative expenses and should be counted toward the cap. Therefore, \$65,759 of excess administrative cost is not allowed.

The Agency contends the items are enforceable obligations because legal representation and administrative services are considered administrative expenses and should be counted toward the cap. Finance continues to reclassify Items 1, 2, and 3 as administrative costs since they do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

- o Any litigation expenses related to assets or obligations.
- o Settlements and judgments.
- o The costs of maintaining assets prior to disposition.
- o Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$7,947,891 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 7,813,650
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 1*	60,000
Item No. 2*	30,000
Item No. 3*	150,000
Item 83	50,000
Total approved RPTTF for enforceable obligations	\$ 7,523,650
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	424,241
Total RPTTF approved:	\$ 7,947,891

*Reclassified as administrative cost.

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 6,617,701
Total RPTTF for the period January through June 2013	7,523,650
Total RPTTF for fiscal year 2012-13:	\$ 14,141,351
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	424,241
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 424,241

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.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending from the end.

STEVE SZALAY
Local Government Consultant

cc: Ms. Sharon Koike, Assistant Finance Director, City of Inglewood
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office