



October 11, 2012

Mr. Steve Valenzuela, Chief Financial Officer  
CRA/LA – A Designated Local Authority  
1200 West 7<sup>th</sup> Street, 2F  
Los Angeles, CA 90017

Dear Mr. Valenzuela:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Los Angeles (City) as Successor Agency to the Community Redevelopment Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 100 through 126 – Agreements between City of Los Angeles and the Agency totaling \$50.6 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. Therefore, these items are not enforceable obligations and not eligible for funding. To the extent some of the items above are valid loan agreements, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods upon receiving a Finding of Completion from Finance.
- Item No. 156 – Put / Call Option Agreement in the amount of \$22 million. The Agency has the option to purchase the parking garage from the developer at any time within 20 years following the date of Certification of Completion. However, the agreement is an option that may be exercised; and does not contractually obligate the Agency. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 157 – Financial assistance payment to the developer in the amount of \$6 million. The promissory note provided is not signed or dated; thus, Finance cannot determine the evidence provided supports this line item as an enforceable obligation. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 212 – Environmental Protection Agency grant match in the amount of \$240,000. The Agency did not provide documentation to support this item. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$13,130,037. 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 \$1,697,327 for administrative expenses. The Los Angeles Auditor Controller's Office distributed \$686,346 of administrative costs for the July through December 2012 period, thus leaving \$1,010,981 available for the January through June 2013 period. Although \$2,599,802 is claimed for administrative costs, item numbers 127 through 141, 202, 204, 205, 216, 227, 229, 234, 236, 238, 247 through 250, 253, 256, and 262 totaling \$11,541,216 are considered administrative expenses and should be counted toward the cap. Therefore, \$13,130,037 of excess administrative cost is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$34,710,346 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 86,660,053
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 100	4,256,741
Item 101	3,000,000
Item 107	50,820
Item 108	34,994
Item 109	9,155
Item 110	5,387,244
Item 111	3,419,878
Item 112	3,306,530
Item 114	2,753,960
Item 115	1,218,608
Item 116	906,010
Item 117	850,000
Item 118	710,754
Item 119	653,911
Item 123	263,367
Item 124	182,500
Item 125	175,000
Items 127*	1,395,000
Items 128*	114,576
Items 129*	41,247
Items 130*	22,320
Items 131*	15,500
Items 132*	13,392
Items 133*	9,300
Items 134*	9,300
Items 135*	9,300
Items 136*	5,580
Items 137*	2,790
Items 138*	1,860
Items 139*	930
Items 140*	930
Items 141*	651
Items 202*	375,000
Items 204*	809,985
Items 205*	587,193
Item 216*	140,000
Item 227*	41,260
Item 229*	30,000
Item 234*	13,073
Item 236*	10,157
Item 238*	8,102
Item 247*	534,000
Item 248*	250,000

Item 249*	131,051
Item 250*	52,914
Item 253*	350,000
Item 256*	250,000
Item 262*	6,315,805
Item 156	8,000,000
Item 157	6,000,000
Item 212	240,000
<b>Total approved RPTTF for enforceable obligations</b>	<b>\$ 33,699,365</b>
<b>Plus: Allowable RPTTF distribution for administrative cost for ROPS III</b>	<b>1,010,981</b>
<b>Total RPTTF approved:</b>	<b>\$ 34,710,346</b>

\*Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 22,878,216
Total RPTTF for the period January through June 2013	33,699,365
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 56,577,581</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	1,697,327
Administrative allowance for the period of July through December 2012	686,346
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 1,010,981</b>

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Mr. Valenzuela  
October 11, 2012  
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Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



**STEVE SZALAY**  
Local Government Consultant

cc: Mr. Nicholas Saponara, Acting Special Assistant to CFO, CRA/LA – Designated Local Authority  
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office