

December 18, 2012

Ms. Lorry Hempe
Public Works Special Projects Manager
City of Lynwood
11330 Bullis Road
Lynwood, CA 90262

Dear Ms. Hempe:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated November 21, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lynwood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 29, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on November 21, 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 December 6, 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.

- Items Nos. 7, 54, and 87 – Loans and agreements with the City of Lynwood totaling \$8.4 million are contracts between the City and the redevelopment agency (RDA). Finance continues to deny the items for the reasons previously provided. The former RDA was established in 1973. These loans were made from 1999 through 2006. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item 15 – Agreement – The Gardens in the amount of \$1.24 million. Finance no longer objects to the item. Finance previously denied the item 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 the RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. The Agency contends the item is an enforceable obligation because it is required per an Owner Participation Agreement (OPA) entered into on February 23, 2009. Section 4.2.3 of the OPA states that the Agency is to provide rental subsidy assistance in an amount equal

to \$23,010 annually, payable within 30 days of June 30. Therefore, this item is an enforceable obligation eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item 17 – Agreement – Unemployment in the amount of \$134,200. Finance no longer reclassifies the item as an administrative cost. Finance previously reclassified the item as an administrative cost counting towards the administrative cost cap. Per HSC section 34171 (d) (1) (C), legally enforceable payments required in connection with agencies' employees including unemployment payments are enforceable obligations. Therefore, the item is an enforceable obligation eligible for RPTTF funding.
- Items Nos. 15a, 25a, 27, 27b, 27c, 27d, 27e, 87a, and 96 – Staffing, affordable housing units, and preparation of the Housing Assets Transfer Report totaling \$256,015. Finance continues to deny the items for the reasons previously provided. 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. Additional review of these items indicates they are related to housing functions. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, the line items are not enforceable obligations and not eligible for RPTTF.
- Items Nos. 19a, 19b, 19d, 20, 22a – Settlement Agreement totaling \$22.4 million between Rogel v. LRA. Finance has approved or denied the items as outlined below. Finance previously denied the items as the documents provided were insufficient to confirm the total outstanding debt that was requested.

Item 19a – Settlement Agreement in the amount of \$10 million. Finance no longer objects to the item at this time. The Agency did not request any funding for this item during this ROPS period; therefore, this item is approved for \$0 funding. Finance will continue to review this item when an amount for funds is requested.

Item 19b – Settlement Agreement in the amount of \$3.25 million. Finance continues to deny the item. Review of the stipulation and order indicates the former RDA was obligated to deposit \$312,000 in the Low and Moderate Income Housing Fund (LMIHF) within 10 days of the entry of the order and \$250,000 within 18 months, which the parties agreed were the total amount payable to the LMIHF for planning and administrative cost obligations. The LMIHF no longer exists; therefore, future deposits cannot be made.

Item 19d – Settlement Agreement in the amount of \$3.25 million. Finance continues to deny the item at this time. The Agency indicated the item is still pending. Finance will continue to review this item once a final order has been issued.

Item 20 – Settlement Agreement in the amount of \$130,000. Finance continues to deny the item at this time. The Agency's obligation to engage a third party administrator and pay him or her is in Paragraph 21 of the Settlement Agreement; however, the Agency did not provide a contract for the administrator. Unless and until the Agency submits a contract for the administrator, the item will continue to be denied at this time.

Item 22a – Settlement Agreement in the amount of \$5.8 million. Finance continues to deny the item. The item cannot be tied to the stipulation agreement; therefore, Finance

is unable to ascertain if the funding requested is reasonable or necessary. Therefore, the item is not eligible for funding at this time.

- Items Nos. 24, 24a, and 24b – Disposition and Development Agreement (DDA) between the former RDA and AMCAL Park Place Fund (Developer) totaling \$2.8 million. Finance continues to deny the items. Finance denied the items as the Agency Note, Deed of Trust, Regulatory Agreement and Declaration of Covenants and Restrictions, and Grant Deed are not executed. In addition, Section 4.2 of the DDA, “Agency Financial Assistance,” states the Agency’s financial assistance is limited to the loan to the Developer. These items are not loan payments; therefore, the items are not enforceable obligations and not eligible for RPTTF funding.
- Items Nos. 26 and 26a – DDA between the former RDA and Casa Grande Development totaling \$7.6 million. Finance continues to deny the items. Finance previously denied the items as it is not clear from the documents provided that the RDA is obligated to pay these expenses. In addition, the DDA specified that the former RDA shall not be obligated to pay more than \$5.8 million to purchase the parcels; however, the Agency is requesting \$7.6 million. Additional review also indicates that in Section 3.4, “Cost of Construction,” the cost of developing the site and constructing all onsite and offsite improvements thereon shall be the responsibility of the developer. The description of these items on the ROPS is “construction of 120 single family units.” Therefore, the items are not enforceable obligations and not eligible for RPTTF funding.
- Item No. 57 – Unused bond proceeds totaling \$21.6 million. Notwithstanding the merit of the projects, Finance continues to deny the item. Finance denied the item as binding contracts obligating these proceeds have not been executed. We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in March 2011. Therefore, the item is not an enforceable obligation.
- Administrative costs claimed exceed the allowance by \$417,350. Several items listed in the ROPS were administrative in nature and have been reclassified. Refer to the table below to identify items that have reclassified and counted toward the administrative cap. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor Controller’s Office did not distribute administrative costs for the July through December 2012 period, thus leaving a balance of \$250,000 available for the January through June 2013 period.

In addition, per Finance’s letter dated November 21, 2012, the following items continue to be denied and were not contested by the Agency:

- Item No. 85 – Agreement payable to the City with no specified amount. This is a contract between the City and the former redevelopment agency. 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. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,141,472 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 11,658,511
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 7	96,200
Item 9*	10,000
Item 14*	30,000
Item 15a	27,156
Item 19b2^	2,752,180
Item 19d2^	2,750,000
Item 20	25,000
Item 22a	246,340
Item 24a	215,309
Item 25a	25,000
Item 26	1,000,000
Item 26a	159,220
Item 27	69,391
Item 27b	2,000
Item 27c	1,000
Item 27e	2,000
Item 42*	145,000
Item 49*	0
Item 50*	24,650
Item 52*	6,000
Item 54	344,881
Item 56*	80,000
Item 58*	10,000
Item 62*	1,300
Item 63*	5,000
Item 66*	900
Item 69*	500
Item 81*	5,000
Item 87	623,012
Item 87a	5,000
Item 92*	45,000
Item 96	6,000
Item 97*	54,000
Total approved RPTTF for enforceable obligations	\$ 2,891,472
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 3,141,472

* Reclassify to administrative cost.
 ^ Equals RPTTF portion of total cost.

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 2,411,902
Total RPTTF for the period January through June 2013	2,784,262
Total RPTTF for fiscal year 2012-13:	\$ 5,196,164
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 250,000

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Sarah Withers, Director of Community Development, City of Lynwood
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office