



May 17, 2018

Mr. Adam D. Benson, Agency Administrative Manager
City of Oakland
150 Frank H. Ogawa Plaza
Oakland, CA 94612

Dear Mr. Benson:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Oakland Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 24, 2018. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 30, 2018.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 7, 8, and 10 – Public Employee's Retirement System, Other Post-Employment Benefits, and Unemployment obligations in the total outstanding amounts of \$21,120,833, \$10,654,015, and \$1,256,443, respectively. Finance continues to deny these items. No additional documentation was provided during the ROPS 18-19 Meet and Confer. It is our understanding the agreement entered into on September 1, 1970 is between the California Public Employees' Retirement System and the City of Oakland (City); the former Redevelopment Agency (RDA) is not a party to the agreement. Therefore, these items are not enforceable obligations and the requested Redevelopment Property Tax Trust Fund (RPTTF) amounts of \$1,317,884 and \$665,616 for Item Nos. 7 and 8, respectively, are not allowed. No funding was requested for Item No. 10 for ROPS 18-19.
- Item No. 207 – 9451 MacArthur Boulevard-Evelyn Rose Project in the total outstanding amount of \$517,500. Finance continues to deny this item. No additional documentation was provided during the ROPS 18-19 Meet and Confer. According to the Agency, repayment to the Low and Moderate Income Housing Fund (LMIHF) is required because the former RDA expended LMIHF funds on an affordable housing project, which was never completed. The RDA ultimately sold the property to another developer in 2002 for development of non-affordable housing. The Agency contends due to the removal of the affordable housing covenant tied to the property, the Agency is required to pay back the LMIHF funds used. Furthermore, the Agency continues to contend HSC section 34171 (d) (1) (G) provides that payments owing to the LMIHF are enforceable obligations and are payable to the LMIHF of the housing successor.

However, HSC section 34171 (d) (1) (G) specifically limits repayments to amounts borrowed from, or payments owing to, the LMIHF of the RDA, which had been deferred. The amount the Agency contends is owed was not because of funds being borrowed or amounts owed because of a deferral. As such, this item does not meet the definition of an enforceable obligation pursuant to HSC section 34171 (d) (1) (G). Therefore, this item is not an enforceable obligation and the requested amount of \$517,500 in RPTTF funding is not allowed.

- Item No. 370 – Housing Project Management Costs in the amount of \$1,333,416 remains partially approved. The request includes \$750,000 in Bond Proceeds and \$583,416 in RPTTF funding, totaling \$1,333,416. Finance continues to deny the request for RPTTF funding for this item. During the Meet and Confer, the Agency was unable to provide documentation to support how the costs represent an enforceable obligation of the Agency.

It is our understanding these costs are related to housing obligations approved for transfer on the Housing Asset Transfer (HAT) form (i.e., real property, encumbrances, and/or loan receivables) to the Housing Successor Entity. Pursuant to HSC section 34176 (a) (1), the Agency may retain enforceable obligations related to housing assets transferred to the Housing Successor Entity. However, there are no contractual agreements obligating the Agency to perform project management on these housing assets. Therefore, because the housing assets have been transferred, related project management costs are the obligation of the Housing Successor Entity, not the Agency. It is our understanding the \$750,000 requested in Bonds Proceeds is for Item No. 423 – Oak to 9th, which is an excess bond funded item; therefore, Bond Proceeds in the amount of \$750,000 are allowed. However, the requested amount of \$583,416 in RPTTF funding is not allowed.

- Item No. 371 – Construction Monitoring Services in the amount of \$56,180. Finance continues to deny RPTTF funding for this item. During the Meet and Confer, the Agency was unable to provide documentation to support how the costs represent an enforceable obligation of the Agency.

It is our understanding these costs are related to monitoring construction services related to the Calaveras Project. The Calaveras Project was identified on the HAT and Finance approved its transfer to the Housing Successor Entity. Pursuant to HSC section 34176 (a) (1), the Agency may retain enforceable obligations related to housing assets transferred to the Housing Successor Entity. However, there are no contractual agreements obligating the Agency. Therefore, these costs related to the Calaveras Project are an obligation of the Housing Successor Entity, not the Agency. As a result, the requested amount of \$56,180 in RPTTF funding is not allowed.

- Item Nos. 397 through 403 – Housing obligations funded with Bond Proceeds in the amount of \$36,667. Finance continues to reclassify these obligations from OPA/DDA/Construction to “Bond Funded Project – Housing”. No additional documentation was provided during the ROPS 18-19 Meet and Confer.

Finance reviewed these items in connection with our review of Item No. 370. Based on review of documentation provided, these obligations were listed on the HAT and approved for transfer to the Housing Successor Entity. The Agency received a Finding of Completion on May 29, 2013 and is allowed to expend bond proceeds in a manner consistent with the bond covenants. Therefore, funding is specifically limited to the use of excess bond proceeds pursuant to HSC sections 34176 (g) and 34191.4 (c) (1). Therefore, we have changed the obligation type from OPA/DDA/Construction to "Bond Funded Project – Housing". However, such approval should not be construed as approval of the agreements themselves as enforceable obligations.

- Item No. 426 – West Oakland Loan Indebtedness in the total outstanding amount of \$2,749,243 is not allowed. Finance continues to deny this item. No additional documentation was provided during the ROPS 18-19 Meet and Confer. Finance previously determined the outstanding loan balance at June 27, 2011 was zero. The Agency contends the loan balance was \$2,689,534.51. The Agency additionally contends this item is an enforceable obligation and should be funded with RPTTF since Finance did not initiate Oversight Board (OB) Resolution No. 2013-016, which found the loan to be for legitimate redevelopment purposes.

It is our understanding the City incurred expenditures in fiscal year 2011-12, which were in accordance with the list of projects in the First Amendment to the Funding Agreement dated March 25, 2011 between the City and the former RDA. Additionally, it is our understanding the contracts entered into by the City to complete the projects were after June 27, 2011.

ABx1 26 requires agencies to expeditiously wind-down the affairs of the dissolved RDAs and provides successor agencies with limited authority necessary for the wind-down of RDA affairs and to perform under enforceable obligations. As of June 27, 2011, RDAs were prohibited from creating any new obligations and engaging in any new redevelopment activities.

As of February 1, 2012, the RDAs' authority was suspended and the RDAs ceased to exist. Any transfers of the RDAs' powers to a third party were also impacted by the prohibitions of dissolution law. Since the RDAs no longer had the power to take out or make new loans or engage in any other activity to create obligations as of June 27, 2011, these powers could no longer be transferred to a third party. Thus, any specific obligations, whether by the RDA or a third party acting on behalf of the RDA that did not exist as of June 27, 2011, are not enforceable obligations to the successor agency within the meaning of HSC section 34171 (d) (1). As such, the various contracts entered into by the City with third parties after June 27, 2011 are not obligations of the Agency.

Therefore, for the reasons stated above, the outstanding balance as of June 27, 2011 continues to be zero for the loan approved by the OB under OB Resolution No. 2013-016. As a result, the \$1,813,238 in RPTTF funding requested is not allowed.

In addition, per Finance's letter dated April 13, 2018, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- The claimed administrative costs exceed the allowance by \$8,210. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater, not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$1,970,638 for fiscal year 2018-19. Although \$1,978,848 is claimed for ACA, only \$1,970,638 is available pursuant to the cap. Therefore, as noted in the table below, \$8,210 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2017-18	\$ 67,617,360
Less distributed Administrative RPTTF	(1,929,416)
RPTTF distributed for 2017-18 after adjustments	65,687,944
ACA Cap for 2018-19 per HSC section 34171 (b)	1,970,638
ACA requested for 2018-19	1,978,848
Total ACA	1,978,848
ACA in Excess of the Cap	\$ (8,210)

- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$348,429 in Other Funds available to fund enforceable obligations on the ROPS 18-19. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 54 – Central District project and other staff/operations in the amount of \$1,294,134 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$945,705 and the use of \$348,429 in Other Funds, totaling \$1,294,134.

The Agency's maximum approved RPTTF distribution for the reporting period is \$64,377,376 as summarized in the Approved RPTTF Distribution table on Page 6 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

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This is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

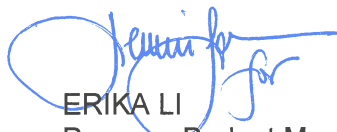
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 18-19 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Mr. Patrick Lane, Development Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis Division Chief, Alameda County

Attachment

Approved RPTTF Distribution			
For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 18,198,017	\$ 49,510,984	\$ 67,709,001
Administrative RPTTF Requested	989,424	989,424	1,978,848
Total RPTTF Requested	19,187,441	50,500,408	69,687,849
RPTTF Requested	18,198,017	49,510,984	67,709,001
<u>Adjustments</u>			
Item No. 7	(658,942)	(658,942)	(1,317,884)
Item No. 8	(332,808)	(332,808)	(665,616)
Item No. 54	(348,429)	0	(348,429)
Item No. 207	(517,500)	0	(517,500)
Item No. 370	(291,708)	(291,708)	(583,416)
Item No. 371	(28,090)	(28,090)	(56,180)
Item No. 426	(906,619)	(906,619)	(1,813,238)
	(3,084,096)	(2,218,167)	(5,302,263)
RPTTF Authorized	15,113,921	47,292,817	62,406,738
Administrative RPTTF Requested	989,424	989,424	1,978,848
Excess Administrative Costs	0	(8,210)	(8,210)
Administrative RPTTF Authorized	989,424	981,214	1,970,638
Total RPTTF Approved for Distribution	\$ 16,103,345	\$ 48,274,031	\$ 64,377,376