



April 14, 2013

Ms. Nancy Edwards, Interim Executive Director  
City of Santa Ana Successor Agency  
60 Civic Center Plaza, M-25  
Santa Ana, CA 92701

Dear Ms. Edwards:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Ana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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. 20 – Housing Loan for Educational Revenue Augmentation Fund (ERAF) payment in the amount of \$1,888,769 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund (LMIHF) shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC 34176 (e)(6)(B). HSC section 34176 (e)(6)(B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of the ERAF loan beginning with ROPS 14-15A.
- Item No. 127 – South Main Commercial Corridor (SMCC) Loan for Supplemental Educational Revenue Augmentation Fund (SERAF) payment in the amount of \$6 million. The RDA used SMCC project area funds to pay the SERAF obligation in fiscal year 2009-10. HSC 33690 (c) allows funds to be borrowed from and subsequently repaid to the Low and Moderate Income Housing Fund (LMIHF). Finance denies the item as the law does not require SERAF payments from other sources to be repaid with tax increment distributions. HSC section 34171 (d) (1) (B) allows loans of moneys borrowed by the RDA for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. Therefore,

this item is currently not an enforceable obligation, and not eligible for funding on the ROPS.

- Administrative costs funded by RPTTF exceed the allowance by \$386,404. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$358,767. Therefore, \$386,404 of the claimed \$745,171 is not an enforceable obligation. The following items were considered administrative expenses and therefore have been reclassified:
  - Item No. 59 – Litigation Services in the amount of \$400,000
  - Item No. 97 – Project Management Services in the amount of \$482
  - Item No. 98 – Project Management Services in the amount of \$1,559
  - Item No. 99 – BARCO project costs in the amount of \$1,690
  - Item No. 102 – Project Costs for CC&R Obligation in the amount of \$70
  - Item No. 103 – Non-housing Asset Maintenance & Disposition costs in the amount of \$2,112
  - Item No. 116 – Audited Financial Statements in the amount of \$45,153

Additionally, pursuant to the Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) Determination, as outlined in the letter dated April 8, 2013, the following adjustments were made to the ROPS 13-14A schedule:

- Item Nos. 68, 74, 76, 78, 80, 82, and 84 – Vista Del Rio Housing Partners LP, Station District Phases R1, R2, and Santa Ana WBBB Development and Disposition Agreements (DDAs). These obligations will be fully funded as of June 30, 2013. Therefore, additional funding is no longer required to fund these items.
- Item No. 70 – Habitat for Humanity Development and Disposition Agreement (DDA). The total outstanding amount remaining to be funded for this obligation has been adjusted to \$1,543,728.
- Item No. 72 – Station District FS DDA. The total outstanding amount remaining to be funded for this obligation has been adjusted to \$1.25 million.
- Item Nos. 69, 71, 73, 75, 77, 79, 81, 83, 85, 87, and 88 – Vista Del Rio Housing Partners LP, Station District Phases R1, R2 and FS, Station District Settlement Lawsuit, Habitat for Humanity, and Santa Ana WBBB DDAs, and associated Asset Maintenance costs. The total outstanding amount remaining to be funded for these obligations has been adjusted to \$1,215,739.
- Item No. 86 – Station District Lawsuit Settlement in the amount of \$800,000. Per Finance's letter dated April 8, 2013, the total amount available in the fund should not exceed \$200,000 per fiscal year. Therefore, the request has been adjusted to \$100,000 for the 13-14A period. To the extent funds are drawn in the future, the Agency's request to replenish the obligation should be placed on a future ROPS, not to exceed \$600,000 through the fiscal year 2015-16.
- Item Nos. 128 through 147 – Duplicative line items representing requests for Vista Del Rio Housing Partners LP, Station District Phases R1, R2, and FS, Station District

Lawsuit Settlement, Habitat for Humanity, and Santa Ana WBBB DDAs and associated project costs have been deleted from the ROPS form because funding has been provide as described above.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 \$12,317,675 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 35,881,432
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 20	1,000,000
Item 59*	400,000
Item 97*	482
Item 98*	1,559
Item 99*	1,690
Item 102*	70
Item 103*	2,112
Item 116*	45,153
Item 127	500,000
Plus: Adjustments based on LMIHF DDR Determination	
Item Nos. 69, 71, 73, 75, 77, 79, 81, 83, 85, 87:	1,215,739
Habitat for Humanity, Santa Ana WBBB, Station District R1, Station District R2, Stration District FS, Station District Settlement Lawsuit, and Vista Del Rio project costs.	
Item Nos. 70, 72, 86:	2,893,728
Habitat for Humanity, Station District FS, and Station District Lawsuit Settlement**.	
Minus: Deleted line items based on the LMIHF DDR Determination	
Items 128 -147	26,080,925
Total approved RPTTF for enforceable obligations	\$ 11,958,908
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	358,767
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 12,317,675</b>

\*Reclassified as administrative cost

\*\* Item No. 86 Station District Lawsuit Settlement is authorized for \$200,000 for fiscal year 2013-14; the amount in the above table represents the amount approved for ROPS 13/14A, totaling \$100,000.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Sandi Gottlieb, Program Manager  
Mr. Frank Davies, Property Tax Manager, County of Orange  
California State Controller's Office