



Transmitted via e-mail

April 10, 2020

John Raymond, Director of Community Development
City of Carson
701 East Carson Street
Carson, CA 90745

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Carson Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 29, 2020. Finance has completed its review of the ROPS 20-21.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 35 - Reimburse Remediation in the requested amount of \$7,323,151 in Other Funds is denied. Through prior ROPS reviews, Finance has approved the funds necessary to satisfy this obligation; and the Agency's August 22, 2019 memo to Finance indicates all required payments to the developer have been made. It is our understanding the Agency is requesting Other Funds for this obligation to correct an accounting error made in the prior period adjustment (PPA) process from the ROPS 16-17 period. However, requesting funds on the ROPS to correct an accounting error is not an enforceable obligation as defined by HSC section 34171. Although the Agency's reported cash balances indicate a June 30, 2018 balance of \$7,323,151 in Other Funds, the Agency claims these funds are not actually available and are the result of the accounting error. Therefore, Finance will not require the Agency to use these funds prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 72 – Disposition and Development Agreement (DDA) related to Avalon Courtyard in the amount of \$234,818 is partially allowed. It is our understanding, pursuant to the obligation payment schedule, only \$160,525 is due during the ROPS 20-21 period. Therefore, of the requested \$234,818, the excess \$74,293 is not eligible for RPTTF funding.
- Item No. 73 – DDA related to Carson Terraces in the amount of \$109,826 is partially allowed. It is our understanding, pursuant to the obligation payment schedule, only \$73,320 is due during the ROPS 20-21 period. Therefore, of the requested \$109,826, the excess \$36,506 is not eligible for RPTTF funding.

- Item No. 178 – Tax Allocation Bonds 2020 (TABs 2020) totaling \$8,500,000 is not allowed. It is our understanding the Agency is requesting RPTTF funding for debt service for bonds not yet issued, but for which the Agency believes it is obligated to issue. Since the Agency has not received oversight approval for the issuance of these bonds as required by HSC section 34177.5(f), and because there is no obligation of the Agency to fund any remediation costs or issue debt for such costs, this line item is not approved. In order for the Agency to be authorized to issue bonds as listed in Item No. 178, there must be an enforceable obligation specifically requiring the Agency to make payments, which includes an irrevocable pledge of property tax increment, and which requires the issuance of bonds. (See HSC section 341775(a)(4)). The Agency lists the 2015 Settlement Agreement (Settlement Agreement) and the 2006 Owner Participation Agreement, as amended (OPA), as support for this line item. However, neither agreement supports a conclusion that the Agency is obligated to pay for any such costs or to issue bonds beyond what the Agency has previously issued.

Specifically, while the 2015 Settlement Agreement required the Agency to issue bonds in an amount to deposit a net \$50.5 million in proceeds with the Carson Reclamation Authority (CRA), this obligation was satisfied with the issuance of the Agency's 2015 Subordinate Tax Allocation Bonds, Series B. With the prior satisfaction of the Agency's obligation to deposit \$50.5 million of bond proceeds, there is no further obligation of the Agency related to remediation costs. While the Agency also lists the OPA as support for the contention that the Agency is obligated to pay for remediation costs or issue bonds, there is no such obligation in the OPA (other than what became the \$50.5 million obligation which has previously been satisfied). Specifically, as set forth in the OPA, the obligation for remediation and for remediation costs was the obligation of the developer, Carson Marketplace. Upon the execution of the Settlement Agreement, the CRA assumed all of Carson Marketplace's obligations, including the remediation costs. (See sections 4 and 8 of the Settlement Agreement). Therefore, the requested \$8,500,000 is not eligible for RPTTF funding.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's (CAC) review of the PPA form submitted by the Agency, as adjusted by Finance. Specifically, based on additional information provided by the Agency, Finance made adjustments to the PPA form to accurately reflect actual expenditures for Item Nos. 72 and 73 in the amount of \$74,923 and \$36,506, respectively, totaling \$111,429, which were inadvertently omitted from the ROPS 17-18 PPA form. With the Agency's concurrence, Finance reduced the CAC's ROPS 17-18 PPA amount by \$111,429, from \$622,792 to \$511,363 as noted on the following page:

Item No.	Item Name	Available RPTTF	CAC Reported Actual RPTTF	Finance Adjusted Actual RPTTF	Actual RPTTF Difference
72	DDA Avalon Courtyard	\$160,524	\$73,869	\$148,792	\$74,923
73	DDA Carson Terraces	\$73,320	\$36,385	\$72,891	\$36,506
	Total	\$233,844	\$110,254	\$221,683	\$111,429

The Agency's maximum approved RPTTF distribution for the reporting period is \$19,749,334, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. 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 20-21 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 20-21 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.

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The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the 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 Kylie Oltmann, Supervisor, or Nicole Prisakar, Staff, at (916) 322-2985.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer", with a large circular flourish on the left and a horizontal line extending to the right.

JENNIFER WHITAKER
Program Budget Manager

cc: Diane Hadland, Consultant, City of Carson
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 8,021,999	\$ 20,281,997	\$ 28,303,996
Administrative RPTTF Requested	283,750	283,750	567,500
Total RPTTF Requested	8,305,749	20,565,747	28,871,496
RPTTF Requested	8,021,999	20,281,997	28,303,996
<u>Adjustment(s)</u>			
Item No. 72	(74,293)	0	(74,293)
Item No. 73	(36,506)	0	(36,506)
Item No. 178	0	(8,500,000)	(8,500,000)
	(110,799)	(8,500,000)	(8,610,799)
RPTTF Authorized	7,911,200	11,781,997	19,693,197
Administrative RPTTF Authorized	283,750	283,750	567,500
ROPS 17-18 prior period adjustment (PPA)	(511,363)	0	(511,363)
Total RPTTF Approved for Distribution	\$ 7,683,587	\$ 12,065,747	\$ 19,749,334