

Meeting Date: 6/20/2016

Report Type: Communications

Report ID: 2016-00590

Title: Report Regarding Communications from the State Department of Finance and State Controller [Oral Report]

Location: Citywide

Recommendation: Receive and file.

Contact: Leslie Fritzsche, (916) 808-5450, Senior Project Manager and RASA staff, Economic Development Department, City of Sacramento

Presenter: Leslie Fritzsche, (916) 808-5450, Senior Project Manager and RASA staff, Economic Development Department, City of Sacramento

Department: Economic Development Dept

Division: Citywide Development

Dept ID: 18001031

Attachments:

1-Description/Analysis

2-Attachment 1

3-Attachment 2

4-Attachment 3

Description/Analysis

Issue Detail: On April 15, 2016, RASA staff received the Determination Letter for the Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 from the Department of Finance.

DOF denied the following items:

1. Property Tax Assessment Fees and Property Holding Costs for properties listed in the approved Long Range Property Management Plan as being held for Future Development i.e., properties to be transferred to the City at June 2011 value.
2. Project Management Costs for grant-funded environmental clean-up grants for 1340 Del Paso Boulevard and the El Monte Triangle.
3. Railyards Inland Master Phase – reimbursement for infrastructure expenditures
4. Rental Subsidy Agreements with Transitional Living Community Support, Volunteers of America and Lutheran Social Services representing rental subsidies for 216 formerly homeless individuals.
5. Rental Subsidy Agreement for Boulevard Court, a Mercy Housing project, representing rental subsidies for 75 formerly homeless individuals.
6. Property Disposition Costs
7. Settlement Costs for Canez Court Case – a lawsuit resulting from an accident on a RASA-owned property.

A Meet and Confer was requested for all of the items except for items 2 and 7. The Project Management Costs for the grant-funding environmental clean-up grants was not pursued since these grants are nearing completion. The litigation costs for the Canez Court Case was not challenged because a court judgement has not been made and inclusion on a future ROPS is a possibility.

The letter requesting the Meet and Confer included the justification for challenging the items. The letter is attached as Attachment 2. Because of the significant impact the loss of the rental subsidies would have, LaShelle Dozier, Executive Director of SHRA, sent a letter to the City Councilmembers and the Board of Supervisors. This letter is included as Attachment 3.

A Meet and Confer was held on April 25th and included RASA staff, SHRA staff and Railyard representatives. DOF staff indicated that they would provide their final determination by May 17th.

Staff from RASA, SHRA and Railyard representatives attended the Meet and Confer on April 25th. DOF representatives indicated that they will inform of their decision by May 17th.



April 15, 2016

Ms. Leslie Fritzsche, Senior Project Manager
Sacramento City
915 I Street
Sacramento, CA 95814

Dear Ms. Fritzsche:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Sacramento City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 27 – Property Tax Assessment fees in the total outstanding obligation amount of \$131,576 are not allowed. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) December 15, 2015. Pursuant to the approved LRPMP, properties with a permissible use of governmental or future development were approved for transfer to the City of Sacramento (City). As a result, the City is now responsible for all costs associated with those properties. The Agency is only responsible for properties with a permissible use of sale.

The Agency provided a list of project areas and associated fees that included all permissible uses. To the extent the Agency can provide a list of assessments solely for sale properties to support the annual estimated expenditures, funding may be approved in the future. Therefore, the requested amount of \$131,576 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.

- Item No. 47 – Property Holding costs in the amount of \$230,727 are partially allowed. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) December 15, 2015. Pursuant to the approved LRPMP, properties with a permissible use of governmental or future development were approved for transfer to the City of Sacramento (City). As a result, the Agency is only responsible for properties with a permissible use of sale.

Holding costs for properties with a permissible use of sale, totaling \$80,167, are allowed. However, holding costs for properties with a permissible use of governmental or future development are not allowed because they are no longer the obligation of the Agency. Therefore, the excess, \$150,560 (\$230,727 - \$80,167) is not considered an enforceable obligation and is not eligible for RPTTF funding on the ROPS.

- Item Nos. 124, 197, and 198 Rental Subsidy Agreements (Agreements), outstanding obligation amounts totaling \$15,209,972 are not allowed. It is our understanding the Agreements entered into on January 1, 2016 are between the Housing Authority of the City of Sacramento and various third-party vendors, the Agency is not a party to any of the Agreements.

In addition, the Oversight Board (OB) did not submit any of the Agreements to Finance for review and approval. Pursuant to 34179 (h) (1), written notice and information about all actions taken by an OB shall be provided to Finance as an approved resolution by electronic means and in a manner of the department's choosing.

Furthermore, pursuant to HSC section 34176 (b), the Agency transferred the responsibility for performing the housing functions, including all rights, powers, assets, duties, and obligations associated with the housing activities, to the Housing Authority of the City of Sacramento. Therefore, these items are not enforceable obligations and the requested amount of \$676,008 (\$244,272 + \$194,424 + \$237,312) for the ROPS 16-17 period is not eligible for RPTTF funding.

- Item No. 216 – Project Management costs in the total outstanding obligation amount of \$6,600 are not allowed. It is our understanding the Agency received a grant from the State Water Resources Control Board for the remediation of 1340 Del Paso Boulevard. However, the Agency was unable to provide the order for remediation from the Department of Toxic Substances or the grant agreement. Additionally, it is our understanding the remediation may have been voluntary. To the extent the Agency can provide an order for remediation and an executed grant agreement to support costs, the funding may be approved in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$6,600 is not eligible for RPTTF funding on the ROPS.
- Item No. 221 – Project Management costs in the total outstanding obligation amount of \$7,116 are not allowed. It is our understanding the Agency received a grant from the State Water Resources Control Board for the remediation of the El Monte Triangle. However, the Agency was unable to provide the order for remediation from the Department of Toxic Substances or documentation to support the requested amount. Additionally, it is our understanding the remediation may have been voluntary. To the extent the Agency can provide an order for remediation and invoices to support costs, the funding may be approved in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$7,116 is not eligible for RPTTF funding on the ROPS.
- Item Nos. 303 and 308 – Railyards Inland Master Phase and Initial Phase Owner Participation Agreements (OPA), outstanding obligation amounts totaling \$214,952,000 (\$127,943,834+ \$87,008,166) are not allowed. The OPAs provided as support for these items were assigned to a new developer on March 15, 2011, retroactive to October 22, 2010, the date when the new developer acquired title to the subject property through foreclosure. However, the Agency has not provided sufficient documentation to support the Assignment and Assumption of the Railyards OPAs as an ongoing enforceable obligation of the Agency.

To the extent the Agency can provide sufficient documentation to support the requested amounts, such as amended Master Phase and Initial Phase OPAs with the new developer, or development agreements between the new developer and other third-parties, this item may be deemed enforceable and eligible for funding in subsequent ROPS periods. Therefore, these items are not enforceable obligations and the \$137,274 requested for Item No. 308 is not eligible for RPTTF funding on this ROPS.

- Item No. 355 – Rental Subsidy Agreement in the total outstanding obligation amount of \$1,442,922 is not allowed. It is our understanding this Agreement, entered into on July 22, 2008, is between Sacramento Housing and Redevelopment Agency and Mercy Housing California; the former redevelopment agency is not a party to the agreement. Therefore, this item is not an enforceable obligation and the requested amount of \$396,864 for the ROPS 16-17 period is not eligible for RPTTF funding.
- Item No. 385 – Property Disposition Costs in the amount of \$250,000 are partially allowed. The Agency provided an estimate for annual costs totaling \$124,900. However, the Agency doubled the amount by requesting funding in the amount of \$125,000 in both the July 1, 2016 through December 31, 2016 period (ROPS A period) and the January 1, 2017 through June 30, 2017 period (ROPS B period). Therefore, the requested amount of \$125,000 is not eligible for RPTTF funding in the ROPS B period.
- Item No. 419 – Settlement Costs for the Canez Court Case in the amount of \$100,000 is not allowed. It is our understanding the case has been set for trial on August 1, 2016. Additionally, it is our understanding that although the case was initially filed in 2013, there have been no attorney costs claimed to date with respect to this case. Requesting funding for contingencies is not an allowable use of funds; however, to the extent the Agency can provide a court judgment, or some other agreement mandating payment, to support the amounts claimed, the Agency may be eligible for funding on subsequent ROPS. Therefore, the requested amount of \$100,000 is not eligible for RPTTF funding at this time.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/)

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$33,425,365 as summarized in the Approved RPTTF Distribution Table on page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

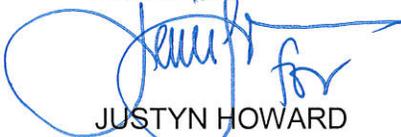
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time 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 it was 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 the redevelopment dissolution statutes. 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 Agency in the RPTTF.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Dennis Kauffman, Operations Manager, City of Sacramento
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	6,392,743	27,890,954	34,283,697
Requested Administrative RPTTF	436,333	436,333	872,666
Total RPTTF requested for obligations on ROPS 16-17	6,829,076	28,327,287	\$ 35,156,363
Total RPTTF requested	6,392,743	27,890,954	34,283,697
Denied Items			
Item No. 27	(65,788)	(65,788)	(131,576)
Item No. 47	(75,280)	(75,280)	(150,560)
Item No. 124	(122,136)	(122,136)	(244,272)
Item No. 197	(97,212)	(97,212)	(194,424)
Item No. 198	(118,656)	(118,656)	(237,312)
Item No. 216	(6,600)	0	(6,600)
Item No. 221	(7,116)	0	(7,116)
Item No. 308	(137,274)	0	(137,274)
Item No. 355	(198,432)	(198,432)	(396,864)
Item No. 385	0	(125,000)	(125,000)
Item No. 419	(50,000)	(50,000)	(100,000)
	<u>(878,494)</u>	<u>(852,504)</u>	<u>(1,730,998)</u>
Total RPTTF authorized	5,514,249	27,038,450	\$ 32,552,699
Total Administrative RPTTF authorized	436,333	436,333	\$ 872,666
Total RPTTF approved for distribution	5,950,582	27,474,783	\$ 33,425,365

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state “[Agency Name] Request to Meet and Confer”. Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34177 (m) and (o).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance’s website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance’s Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

Successor Agency Housing Entity

AGENCY NAME:

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

Housing Assets Transfers Due Diligence Reviews x ROPS Period: July 1, 2016 – June 30, 2017

DATE OF FINANCE’S DETERMINATION LETTER: April 15, 2016

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

x Meeting at Finance Conference Call Combination Meeting/Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) (*List only the item number and description from the ROPS*)

Item No. 27 – Property Tax Assessments

Item No. 47 – Property Holding Costs

Item Nos. 124,197,198,355 – Rental Subsidy Agreements

Item Nos. 303 and 308 – Railyards Inland Master Phase and Initial Phase Owner Participation Agreements

Item No. 385 – Property Disposition Costs

Item No. 419 – Settlement Costs for Canez Case

B. Background/History (*Provide relevant background/history, if applicable.*)

See attached letter

C. Justification (*Must be specific and include attachments/documentation to support the Agency's position. Please tie each attachment to the specific line item listed above that it supports.*)

See attached letter

Agency Contact Information

Name: Leslie Fritzsche
Title: Senior Project Manager
Phone: 916.870-8483
Email: lfritzsche@cityofsacramento.org

Name: Dennis Kauffman
Title: Operations Manager
Phone: 916.808.5843
Email: dkauffman@cityofsacramento.org

Department of Finance Local Government Unit Use Only

REQUEST TO MEET AND CONFER DATE: _____ APPROVED ___ DENIED ___
REQUEST APPROVED/DENIED BY: _____ DATE: _____
MEET AND CONFER DATE/TIME/LOCATION: _____
MEET AND CONFER SESSION CONFIRMED: ___ YES DATE CONFIRMED: _____
DENIAL NOTICE PROVIDED: ___ YES DATE AGENCY NOTIFIED: _____

Form DF-MC (Revised 10/14/2015)

City of Sacramento
Redevelopment Agency
Successor Agency (RASA)

April 22, 2016

SENT BY E-MAIL

Nichelle Thomas, Supervisor
Justyn Howard, Program Budget Manager
State Department of Finance
915 L Street
Sacramento CA 95814-3706

RE: 2016-17 Recognized Obligation Payment Schedule
Request for Meet and Confer

Dear Ms. Thomas and Mr. Howard:

The City of Sacramento (City), in its capacity as the Redevelopment Agency Successor Agency (RASA) for the dissolved Redevelopment Agency of the City of Sacramento (Agency), hereby submits a Meet and Confer request regarding the Department of Finance's (DOF) determination dated April 15, 2016 for the 2016 - 17 Recognized Obligation Payment Schedule (ROPS). Provided below is information and the basis for RASA's disagreement with DOF's determination for certain ROPS line items, which are in the same order as set forth in DOF's letter. We respectfully ask for a reconsideration of these items.

Item No. 27 and 47 – Property Tax Assessment and Property Holding Costs

DOF proposes to disallow payments for property tax assessments and holding costs for those properties identified in the Long Range Property Management Plan (the "Plan") that the City of Sacramento (City) elected to retain for future development. DOF approved the Plan on December 31, 2015 (not December 15th as stated in the April 15th letter). DOF claims that is the date that RASA is no longer obligated to fund any holding costs for properties that remain in RASA's ownership. Nothing in the Dissolution Law (AB 1x 26, AB 1484 and SB 107) supports that claim. RASA is still the legal owner of those "retain for future development" properties.

Per the Dissolution Law required property disposal procedures, the City cannot purchase any of the RASA properties until each property has been appraised by an independent appraiser approved by the Oversight Board. Then the City must obtain approval of a compensation agreement for each property by each of the area's taxing entities. The staff of each taxing agency needs an opportunity to

review the appraisal report and to obtain the signature of an individual authorized to execute the document. In some instances that requires a formal action by the board of the taxing entity. Only after RASA has executed compensation agreements from all of the taxing entities and the City Council has approved the funding can the formal sale of each property occur. Once escrow closes, then the compensation agreement is implemented by transferring the sales proceeds to the County Auditor-Controller.

The City followed this process for the RASA property at 408 J Street, anticipating that the Plan would have been approved by DOF well before the end of last year. After a two-month appraisal process, it took an additional six months before RASA obtained approval of the compensation agreement for that property from all of the taxing entities. The County of Sacramento required the document to be approved by the County Board of Supervisors, resulting in an extended approval timeframe. This will likely be the case for each of the properties since the County is one of the main taxing entities. Therefore, RASA should remain liable for the holding costs of RASA-owned properties while RASA staff is working through the State-mandated process and thus the estimated holding costs and assessments were included on the 16-17 ROPS.

Item Nos. 124,197 and 198 - Rental Subsidy Agreements

Contrary to findings stated in the DOF letter, the Rental Subsidy Agreements (Agreements) are an enforceable obligation of the former Redevelopment Agency of the City of Sacramento and should be included on the ROPS 16-17, as they were on all previous ROPS. On January 1, 1994, a Memorandum of Understanding (MOU) (Attachment 1) was entered into between the Housing Authority of the City of Sacramento, the Housing Authority of the County of Sacramento, the Redevelopment Agency of the City of Sacramento, and the Redevelopment Agency of the County of Sacramento (collectively "Agency") and the County of Sacramento for the consolidation of community and social services to improve service delivery. The MOU required the Agency to pay for services rendered under the MOU on a fiscal year basis running from January through December. The MOU created a funding obligation which remains in place today. Funding for the Agreements is included in the annual Agency budgets under the Public Services category (Attachment 2) with redevelopment funding as the source.

While the Agreements remain an enforceable obligation of the former Redevelopment Agency, under Health and Safety Code §34176, the Housing Authority of the City of Sacramento was designated the local authority to retain the housing assets and housing functions previously performed by the Redevelopment Agency of the City of Sacramento. The Housing Authority elected to serve in that role. Therefore, it is appropriate for the Housing Authority to enter into the annual Agreements. The agreements are entered into annually because various performance related factors can change from time to time such as the number of

people served by the programs, the needs of the people housed, and the costs associated with housing them. Transitional Living Community Support, Inc.(TLCS), Lutheran Social Services (LSS) and Volunteers of America (VOA) are the providers of the community services programs. The TLCS, LSS, and VOA programs currently house 216 formerly homeless individuals whose housing will likely be lost if the RPTTF funding of \$676,008 is not approved.

Enclosed is a copy of the 1994 MOU, the 2008-12 and 2016 Public Services budgets, and 2016 Agreements with TLCS (Attachment 3), LSS (Attachment 4) and VOA (Attachment 5).

Item Nos. 303 and 308 – Railyards Inland Master Phase and Initial Phase Owner Participation Agreements

On May 13, 2008, the Redevelopment Agency of the City of Sacramento entered into two related owner participation agreements with S. Thomas Enterprises of Sacramento, LLC (“Thomas”), the owner of the Downtown Sacramento Railyards: (1) a Master Owner Participation Agreement (“Master OPA”) and (2) an Initial Phase Infrastructure Owner Participation Agreement (“Initial Phase OPA”) (Attachments 6 and 7). Both agreements pledge tax increment to reimburse the landowner for infrastructure and other improvements. The western portion of the Railyards, consisting of roughly 100 acres, is referred to as the “Initial Phase Property,” to be developed under the Initial Phase OPA.

On October 22, 2010, the Railyards was acquired by Thomas’ lender, IA Sacramento Holdings, L.L.C. (“Inland”), pursuant to a deed in lieu of foreclosure. Inland became the “Developer” under the OPAs. The Redevelopment Agency consented to the assignment of the Master OPA and Initial Phase OPA from Thomas to Inland pursuant to and in accordance with that certain Consent to Assignment and Assumption of Railyards Owner Participation Agreements, dated March 15, 2011 (Attachment 8). The Agency’s consent was needed since Thomas did not assign the OPAs to Inland. Pursuant to Sections 2.4, 11.6 and 11.10 of the Master OPA and Section 10.6 of the Initial Phase OPA, Inland acquired all of Thomas’ right title and interest to the Master OPA and Initial Phase OPA.

Section 10.6 of the Initial Phase OPA specifically addresses the foreclosure circumstance and the ability of the Inland to automatically assume the role of the Developer under the Initial Phase OPA stating:

Foreclosure of any encumbrance securing the Loan, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power contained in such encumbrance, or any conveyance of the Initial Phase Property from the Owner to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Agency. Upon such foreclosure, sale or conveyance, the Agency shall recognize the

resulting purchaser or other transferee as the Developer under this Initial Phase Infrastructure OPA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this Initial Phase Infrastructure OPA (except for the obligation to pay damages except to the extent of any monies due and unpaid from Developer under this Initial Phase Infrastructure OPA by assumption agreement satisfactory to the Agency.

This provision of the OPA did not require the consent of the Agency, as long as the new landowner assumed the OPA obligations.

The major purpose of the Master OPA and Initial Phase OPA is to make tax increment funds available to reimburse Developer for the cost of certain qualified infrastructure necessary to make development of the Initial Phase Property feasible. The 6th Street Roadway Project was specifically included as one of the projects eligible for reimbursement under the terms of the Initial Phase OPA. To carry out the Master OPA and Initial Phase OPA, Inland, the City of Sacramento and Chicago Title Insurance Company entered into the 6th Street Roadway Project Escrow Agreement dated December 20, 2010, (the "Escrow Agreement"). Under the Escrow Agreement, Inland deposited with Chicago Title Insurance Company, as escrow holder, \$7,865,000 ("Escrow Funds") to be used to pay a portion of the cost of designing and constructing the 6th Street Roadway and related public improvements. To date, a total of \$7,210,903.77 has been paid out of the Escrow Funds for the 6th Street Project. Invoices documenting these costs have been provided to DOF staff.

On September 3, 2015, the new Railyards landowner, Downtown Railyards Venture LLC ("Developer") acquired the Railyards property from Inland and simultaneously succeeded to all rights and obligations under the Master OPA and Initial Phase OPA pursuant to a written Assignment and Assumption of Railyards Owner Participation Agreements, dated September 3, 2015 (Attachment 9). Inland assigned its right to reimbursement for the 6th Street Roadway Project to the Developer, and the Developer expressly assumed the OPA obligations. Although the Redevelopment Agency was dissolved as of February 1, 2012, consent to the assignment of the Master OPA and the Initial Phase OPA by the Redevelopment Agency Successor Agency ("RASA") was not required per the terms of Section 11.2 of the Master OPA and Section 10.2 of the Initial Phase OPA in light of the assignment agreement between Inland and the Developer.

On January 16, 2016, RASA received the first request from the Developer for reimbursement under the initial Phase OPA for costs incurred for the 6th Street Roadway Project (Attachment 10). All of the improvements paid by Inland qualify for reimbursement under the Master OPA and the Initial Phase OPA. Inland did not seek reimbursement for these costs at the time they were incurred because no tax increment funds from the Railyards were available at that time.

Item No. 355 – Rental Subsidy Agreement

DOF's letter states that the former redevelopment agency is not a party to the Permanent Supportive Housing Rent Subsidy Agreement (Agreement). DOF apparently did not have a copy of the Assignment and Assumption Agreement for the Permanent Supportive Housing Rent Subsidy Agreement that was executed between the Redevelopment Agency of the City of Sacramento and the Sacramento Housing and Redevelopment Agency on May 6, 2011.

Boulevard Court is a 75 unit Permanent Supportive Housing Development housing chronically homeless individuals. On July 17, 2008, the Redevelopment Agency of the City of Sacramento (Resolution No. 2008-044) authorized and approved a Permanent Supportive Housing Rent Subsidy Agreement not to exceed \$3,228,810 for the purpose of guaranteeing rental assistance for up to 49 units for up to 16 years with Mercy Housing California. The Agreement was attached to the Resolution as Exhibit C. The development involved several funding sources including 9% Federal Low-Income Housing Tax Credits, a \$7,596,000 loan from the State of California Housing and Community Development MHP Program, and a \$2,475,644 loan from the California Housing Finance Agency's Mental Health Services Act Program. The tax credits were only approved based on the \$3,228,810 guarantee of rental assistance for up to 49 units for up to 16 years. The project will be in default of all funding agreements if Boulevard Court closes due to insufficient operating funds.

On July 22, 2008 the Sacramento Housing and Redevelopment Agency, the Joint Powers Agency staffing the Redevelopment Agency of the City of Sacramento, entered into the Agreement with Mercy Housing. On May 6, 2011, an Assignment and Assumption Agreement for the Permanent Supportive Housing Agreement was executed between the Redevelopment Agency of the City of Sacramento and the Sacramento Housing and Redevelopment Agency.

Without the \$397,864 RPTTF funding for the annual rent subsidy, the development will not be able to operate and the 75 individuals currently housed at the development will be displaced and likely become homeless again.

For these reasons, the Agreement is an enforceable obligation and payment of Line 355 allowed, as it has been for all previous ROPS.

Enclosed as Attachments 11 – 14 is a copy of Resolution No. 2008-044, the Permanent Supportive Housing Rent Subsidy Agreement, the Assignment and Assumption Agreement for Permanent Supportive Housing Rent Subsidy Agreement, and Resolution 82-383 establishing the Joint Powers Agency.

Nichelle Thomas and Justyn Howard
RE: 2016 – 17 ROPS – Request for Meet and Confer
April 22, 2016
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Item No. 385 – Property Disposition Costs

During the previous ROPS cycle, ROPS 15-16B, DOF asked RASA staff to provide back-up documentation related to the estimated \$125,000 in property disposition costs for that six-month period. The documentation was provided in the form of an excel spreadsheet (See Attachment 15). In preparing estimates for the year period covered by the 16 – 17 ROPS the number was doubled in anticipation that the same level of activity would be maintained over the entire year. The figures provided were for six months not annual thus we request that Item No. 385 be \$250,000.

Item No. 419 – Settlement Costs for the Canez Court Case

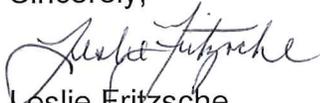
While DOF recognizes that RASA is liable for payment of any costs for persons that are injured due to the condition of RASA properties, DOF claims that RASA cannot list such costs until there is a court judgment or settlement agreement. DOF claims that “funding for contingencies is not an allowable use of funds,” but this case is not a contingency. There is pending litigation that demands a much higher payment amount for the person’s injuries. RASA set the \$100,000 amount on the ROPS as a reasonable estimate of the amount that could be owed. The ROPS process allows for including good faith estimates of payments that may be owed during the fiscal year. Any amounts claimed that were not required to make payment are returned to the County Auditor-Controller through the true-up process for the next annual ROPS.

Once there is a jury decision or a settlement for the Canez case later this year, RASA must have the funds on hand to make payment. The court process does not allow for delaying payment owed for up to a year. Otherwise, severe financial penalties can be imposed by the court against RASA. The City is not obligated to loan RASA any funds to cover such payment, and RASA has no other source of funds to cover the judgement or settlement payment.

Please reach me by email at lfritzsche@cityofsacramento.org. If you are unable to reach me by email, please contact Dennis Kauffman at (916) 808-5843 or dkauffman@cityofsacramento.org.

We hope this letter and the attachments provide you additional information which will lead to a revised determination on these issues. We look forward to working with you through the Meet and Confer process.

Sincerely,



Leslie Fritzsche
Senior Project Manager

Nichelle Thomas and Justyn Howard
RE: 2016 – 17 ROPS – Request for Meet and Confer
April 22, 2016
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cc: John F. Shirey, City Manager, City of Sacramento
LaShelle Dozier, Executive Director, Sacramento Housing and
Redevelopment Agency
Leyne Milstein, Finance Director, City of Sacramento
Dennis Kauffman, Operations Director, Finance Department, City of
Sacramento
Sheryl Patterson, Senior Deputy Legal Counsel, City of Sacramento

Enclosures:

Attachment 1 – Memorandum of Understanding with County of Sacramento
Attachment 2 – SHRA Public Services Budget 2008-12 and 2016
Attachment 3 – Transitional Living Community Support Rental Subsidy
Agreements for Carols Place and Palmer Apartments
Attachment 4 - Lutheran Social Services Rental Subsidy Agreements for
Transitional Housing Program for Families, Transitional
Housing Program for Youth and Connections Program
Attachment 5 – Volunteers of America Rental Subsidy Agreement
Attachment 6 - Railyards Master Owner Participation Agreement
Attachment 7 - Railyards Initial Phase Owner Participation Agreement
Attachment 8 - 2011 Assignment and Assumption of Railyards Owner
Participation Agreements
Attachment 9 - 2015 Assignment and Assumption of Railyards Owner
Participation Agreements
Attachment 10 - January 15, 2016 Letter from Downtown Railyard Venture, LLC
requesting reimbursement under Railyards Initial Phase OPA
Attachment 11 - Redevelopment Agency Resolution, June 17, 2008 and Owner
Participation Agreement
Attachment 12 – Permanent Supportive Housing Rent Subsidy Agreement
Attachment 13 – Joint Exercise of Powers Agreement creating Sacramento
Housing and Redevelopment Agency
Attachment 14 - Assignment/Assumption of Boulevard Court Rental Subsidy
Agreement
Attachment 15 – Previously provided Excel spreadsheet estimating property
disposition costs for six-months



MEMORANDUM

To: Sacramento City Councilmembers
Sacramento County Board of Supervisors

From: La Shelle Dozier, Executive Director

Date: April 28, 2016

Re: Challenge to 2016-2017 Funding for Homeless Rental Subsidy Agreements

The Agency has been informed that the State of California Department of Finance (DOF) no longer finds several previously approved Rental Subsidy Agreements to be eligible for Redevelopment Property Tax Trust Funds (RPTTF). Prior to the demise of redevelopment, the Agency used Redevelopment Housing funds to provide rental support to several social service agencies. In addition, rental subsidies were also provided to permeant supportive housing. Without continued annual funding, approximately 271 formerly homeless individuals will likely be without housing.

Annual Rental Subsidies are provided to TLCS Inc. (\$237,312), Lutheran Social Services (\$194,424) and Volunteers of America (\$244,272) for 216 individuals at eight locations within the City and unincorporated County. The DOF has approved the Rental Subsidy Agreements for the past 3 years.

The RPTTF has been used to fund the Boulevard Court Rental Subsidy Agreement. Boulevard Court is a 75 unit Permanent Supportive Housing Development housing chronically homeless individuals. Without the \$397,864 RPTTF funding for the annual rental subsidy, the development may not be able to operate and the 75 individuals currently housed at the development will be displaced. Again, the DOF has previously approved the annual funding.

On April 22, 2016 the City of Sacramento, in its capacity as the Redevelopment Agency Successor Agency submitted documentation supporting the enforceability of the Rental Subsidy Agreements and requested to Meet and Confer with DOF. The Meet and Confer has been scheduled for Monday, May 2, 2016.

Given the need for more, not less, housing for the homeless, I wanted to make sure you are aware that this important funding source is in jeopardy after July 1, 2016. I will update you on the results of the meeting with DOF as soon as they are available.