



# OVERSIGHT BOARD

6.

OF THE CITY OF LONG BEACH AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

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May 7, 2012

## OVERSIGHT BOARD MEMBERS

### RECOMMENDATION:

Approve the Initial Recognized Obligation Payment Schedule for the period of January 1, 2012 through June 30, 2012; and

Approve the proposed Administrative Budget for the period of February 1, 2012 through June 30, 2012.

### DISCUSSION

Section 34177(l)(2)(A) of the California Health and Safety Code, as adopted by AB1X 26 (the "Dissolution Act"), requires the Successor Agency to prepare a Recognized Obligation Payment Schedule (ROPS) forward looking to each six-month fiscal period. Each ROPS must list dates, amounts and payment sources of the former Redevelopment Agency's enforceable obligations. The attached ROPS (Exhibit A) was approved by the Successor Agency on February 21, 2012.

The ROPS is based on the Enforceable Obligation Payment Schedule (EOPS), a list of the total outstanding debts and obligations of the former Long Beach Redevelopment Agency as of August 28, 2011. The EOPS was approved by the Successor Agency on February 21, 2012.

The Dissolution Act requires that each six-month ROPS identify the source of payment for each obligation from among the following:

- Low- and Moderate-Income Housing Fund
- Bond Proceeds
- Reserve Balances
- Administrative Cost Allowance
- The Redevelopment Property Tax Trust Fund (maintained by the County)
- Other revenue sources including rents, interest earnings and asset sale proceeds

The Dissolution Act also prescribes that the ROPS be presented to the Oversight Board for review and approval. A copy of the approved ROPS must be submitted to the Los Angeles County Auditor-Controller, the State Controller's Office, the State Department of Finance (DOF), and be posted on the Successor Agency's website.

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Pursuant to Health and Safety Code (HSC) section 34169 (g) (1), the Long Beach Redevelopment Agency submitted its EOPS to the California Department of Finance (DOF). The DOF is required to review the EOPS for compliance with the characteristics of enforceable obligations in accordance with HSC section 34171 (d). On March 30, 2012 the DOF provided the SA with its EOPS review findings. The DOF opined that several EOPS items do not meet the characteristics of an enforceable obligation pursuant to HSC section 34171 and instructed the SA to remove the items from all ROPS. However, SA's are provided the opportunity to discuss and provide the DOF with further evidence that the questioned items meet the definition of an Enforceable Obligation. Subsequently, the SA is requesting Oversight Boards approval of the ROPS as submitted, pending resolution of the questioned items. See Exhibit D for correspondence from SA counsel on this issue.

Additionally, pursuant to Section 34177(j) of the Dissolution Act, the Successor Agency is allowed an administrative cost allowance, subject to Oversight Board approval. For the first Initial ROPS period, through June 30, 2012, the allowance is capped at an amount not to exceed five percent of the property tax allotted to the Successor Agency.

The administrative cost allowance includes items such as salaries, including departmental overhead costs for Successor Agency staff carrying out the necessary actions to wind down the Agency's affairs; preparation of the EOPS, ROPS and Administrative Budgets; and operational costs associated with these actions (Exhibit C).

Exhibit B outlines the proposed Administrative Budget for the Successor Agency and Housing Successor Agency for the period of July 1, 2012 through December 31, 2012. Because the Dissolution Act does not explicitly exclude Housing Successor Agency administrative costs as part of the administrative cost allowance, and the City has retained both roles, both Successor Agency and Housing Successor Agency administrative costs have been included. The Successor Agency approved the Administrative Budget on April 17, 2012.

The proposed Administrative Budget from February through June is approximately \$3.5 million, and exceeds the prescribed five percent by an estimated \$200,000. The ROPS identifies approximately \$66 million in obligations to be paid by the Redevelopment Property Tax Trust Fund, which converts to a \$3.5 million administrative allocation.

While the proposed Administrative Budget does not conform to the administrative cost allowance prescribed by AB1X 26, it is a legitimate representation of the costs necessary to perform the functions of the Successor Agency. In the event that all of the administrative costs on the attached budget are not reimbursed, Successor Agency fund balance, housing program income funds and potential increases in property tax distributions to the City of Long Beach from the former redevelopment project areas could help address the shortfall.

Prior to the Redevelopment Agency's (Agency) dissolution on February 1, 2012, the Los Angeles County Auditor-Controller had remitted nearly one-half of the tax increment revenue due for Fiscal Year 2012 to the Agency. Based on these remittances, the Auditor-Controller has taken the position that no additional funds will be disbursed to cover

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enforceable obligations and administrative costs for the February to June period. Subsequently, all enforceable obligations and administrative costs through June 2012 have and will continue to be funded from existing Successor Agency fund balances.

This matter was reviewed by Deputy City Attorney Richard Anthony on April 30, 2012.

Respectfully submitted,



PATRICK H. WEST  
CITY MANAGER

PHW:AJB:RMZ:DLH

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Attachments: Exhibit A – Initial Recognized Obligation Payment Schedule for  
January 1 - June 30, 2012  
Exhibit B – Administrative Budget for February 1 - June 30, 2012  
Exhibit C – Administrative Functions  
Exhibit D – Rutan & Tucker, LLP Letter

Name of Redevelopment Agency: City of Long Beach  
Project Area(s) North, Central, Downtown, West Beach, West Long Beach Industrial, Poly High, Los Altos

EXHIBIT A

INITIAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE  
JANUARY 1, 2012 through JUNE 30, 2012

A	B	C	D	E	I	J	K	L	M	N	O	Q
Project Area	Project Name / Debt Obligation	Payee	Description	Paid Jan 2012	Est. Feb 2012	Est. March 2012	Est. April 2012	Est. May 2012	Est. June 2012	Total Due Jan to June, 2012	Funding Source	
(1)	A	20% TI to Housing	Low-Mod Housing Fund	Deferred TI for SERAF FY10 Payment	4,180,470					4,180,470	RPTTF	
			General City Overhead, Engineering Services, Financial Management, Public Works, Civic Center Rent, Tech Services MOU, Workers Comp, KPMG Financial Audit Services, Property Insurance, Financial System Charges, Dept Admin Overhead, City Auditor Desk Audit, Employee Parking, Fleet Services	261,130	261,130	261,130	261,130	261,130	261,130	1,566,780	Admin. cost	
(2)	A	Administrative Costs	City of Long Beach									
(3)	A	Administrative Costs	Parking Network	Housing Services - 110 Pine Avenue #1200 Parking	90	90	90	90		450	Admin. cost	
(4)	A	Administrative Costs	Successor Agency	Office supplies/Training/Financial Auditing	-	100	20,100	20,500	20,100	80,900	Admin. cost	
(5)	A	Affordable Housing Compliance Monitoring	City of Long Beach	Administer required Monitoring Program	-	9,727	9,727	9,727	9,727	48,635	Admin. cost	
(6)	A	Affordable Housing Services	Calif. Assoc. of Local Housing Finance Agencies	Annual Membership				275		275	Admin. cost	
(7)	A	Affordable Housing Services	California Housing Consortium	Annual Membership				500		500	Admin. cost	
(8)	A	Affordable Housing Services	Housing California	Annual Membership				500		500	Admin. cost	
(9)	A	Affordable Housing Services	Natl Assoc. of Afford. Housing Lenders	Annual Membership				500		500	Admin. cost	
(10)	A	Affordable Housing Services	Natl Assoc. of Local Housing Finance Agencies	Annual Membership				1,300		1,300	Admin. cost	
(11)	A	Affordable Housing Services	Southern Calif. Assoc. of Nonprofit Housing	Annual Membership	275			-		275	Admin. cost	
(12)	A	Art Projects	Arts Council for Long Beach	FY11 Contract for Art and Administration	-	8,408	1,250			9,658	RPTTF	
(13)	A	Bond Administration	U.S.Bank	Annual Administration Fees	7,025		5,975			13,000	RPTTF	
(14)	A	Calpers/Sick Leave/Post Ret. Health/MC/Vacation/Severance	City of Long Beach	Unfunded RDA share Liability/Severance Costs			380,366	72,059	72,059	596,543	Admin. cost	
(15)	A	Code Enforcement	City of Long Beach, Development Services	City Code Enforcement	795,195					795,195	RPTTF	
(16)	A	Dues & Subscriptions	APAM/EDC/ICSC/JUL/Architect Record	Memberships and Subscriptions			800			800	Admin. cost	
(17)	A	Employee Costs	Employees of Agency and Housing	Payroll for Employees	506,143	506,143	445,946	127,385	127,385	1,840,387	Admin. cost	
(18)	A	Graffiti Abatement	Public Works	Graffiti Abatement	566,500					566,500	RPTTF	
(19)	A	Housing Services Bureau	110 Pine Avenue Holding LLC	110 Pine Suite 1200 lease	16,930	16,930	16,930	16,930	16,930	101,580	Admin. cost	
(20)	A	Neighborhood Enhancement Area	City of Long Beach, Development Services	Single Family Residential Rebate	6,270	10,000	15,000	20,000	30,000	106,270	Low-Mod Fund	
(21)	A	Neighborhood Stabilization Program (NSP2)	Contractors	Single Family Rehabilitation Grants	2,100	18,410	66,280	66,280	359,515	872,100	Low-Mod Fund	
(22)	A	Project Area Administration	Alteryx/DemographicsNow	Demographic Information			2,685			2,685	RPTTF	
(23)	A	Project Area Administration	A-Throne	Fence Rental		66	66	66	66	330	RPTTF	
(24)	A	Project Area Administration	Bergman & Allderice	Legal Services	371	2,741				3,112	RPTTF	
(25)	A	Project Area Administration	Best, Best & Krieger	Legal Services Agreement				2,000		2,000	RPTTF	
(26)	A	Project Area Administration	Chicago Title Company	Title Services		5,000				5,000	RPTTF	
(27)	A	Project Area Administration	City of Long Beach Billing& Collections	Business License Fees			1,000			1,000	RPTTF	
(28)	A	Project Area Administration	CRA	Professional Development and Organizational Support		2,000				2,000	RPTTF	

A	B	C	D	E	I			J	K	L	M	N	O	Q
	Project Area				Paid Jan 2012	Est. Feb 2012	Est. March 2012	Est. April 2012	Est. May 2012	Est. June 2012	Total Due Jan to June, 2012	Funding Source		
	Project Name / Debt Obligation	Payee	Description											
(29)	A Project Area Administration	DataQuick	Property/Title services		250	250	250	250	250	250	1,500	RPTTF		
(30)	A Project Area Administration	Deil 456 NMH-AGLA	Grand opening-demolition ceremony Catering		253	150	150	150	150		853	Admin. cost		
(31)	A Project Area Administration	Experian	Credit profiles		87	87	87	87	87	87	522	Admin. cost		
(32)	A Project Area Administration	Flowers by Vicki - Mone Floral	Grand opening-demolition ceremony flowers/balloons		100	161					261	Admin. cost		
(33)	A Project Area Administration	Foster Hooper	Storage space rental - Housing/RDA		450	450	450	450	450	450	2,700	Admin. cost		
(34)	A Project Area Administration	Hahn & Hahn	Legal Services - ongoing eminent domain				4,000				4,000	RPTTF		
(35)	A Project Area Administration	HdL Coren	Property Tax Consultant		2,438	27,536		2,438		2,438	34,850	RPTTF		
(36)	A Project Area Administration	Howroyd Wright (Apple One)	Temp Staffing Services		472	472	472	472			1,888	Admin. Cost		
(37)	A Project Area Administration	Iron Mountain	Storage space rental		155	155	155	155	155	155	930	Admin. cost		
(38)	A Project Area Administration	JCL Barricade	Barricade Services		75	125					200	RPTTF		
(39)	A Project Area Administration	Kane, Ballmer, & Berkman	Legal Services Agreement		862	1,000	1,000	1,000	1,000	1,000	5,862	RPTTF		
(40)	A Project Area Administration	Keyser Marston Associates	Financial Consulting Services		3,937	4,000	4,000	5,000	3,045		19,982	RPTTF		
(41)	A Project Area Administration	Konica/Minolta	Copier Lease/Maintenance		480	300	300	300	300	300	1,980	Admin. Cost		
(42)	A Project Area Administration	Leibold McClendon & Mann	Legal Services		16,751	5,000	5,000	5,000	5,000	5,000	41,751	RPTTF		
(43)	A Project Area Administration	Lidgard & Associates	Appraisal services						565,000		565,000	RPTTF		
(44)	A Project Area Administration	Long Beach Nonprofit Partnership (LBNP)	Annual Membership						500		500	Admin. cost		
(45)	A Project Area Administration	National Council for Comm Dev	Section 108 Loan Consulting		3,834	3,834	3,834	3,834	3,834	3,834	23,004	Admin. cost		
(46)	A Project Area Administration	Office Depot	Office Supplies		4,025	850	850	600	600	600	7,525	Admin. Cost		
(47)	A Project Area Administration	Rulan & Tucker	Legal Services		-	1,000					1,000	RPTTF		
(48)	A Project Area Administration	Smith-Emery Laboratories	Soil Testing			13,000					13,000	RPTTF		
(49)	A Project Area Administration	United Parcel Services (UPS)	Overnight shipping services		49	20	25	25			119	Admin. Cost		
(50)	A Project Area Administration	Wallin, Kress, Reisman & Kranitz, LLP	Legal Services			1,000					1,000	RPTTF		
(51)	A Project Area Administration	Weststar Loan Servicing	Loan Servicing Fees		345	345	345	345	345	345	2,070	Admin. cost		
(52)	A Project Area Administration	Equity North Investments	Property Maintenance Agency-wide		42,733	22,917	22,000	22,000	22,000	22,000	153,650	RPTTF		
(53)	A Property Maintenance	Overland, Pacific & Cutler	Property Maintenance Agency-wide		77,950	25,000	25,000	25,000	25,000	25,000	202,950	RPTTF		
(54)	A Single-Family Owner-Occupied Home Rehab	Contractors	Owner-Occupied Mod-Income single-family home rehab Low-Mod Fund		-	10,800	-	10,800	8,400	-	30,000	RPTTF		
(55)	A State Water Board	SWRCB	Permit Fees			2,000					2,000	RPTTF		
(56)	C 101 W. PCH	Willmac Enterprises	ENA Deposit-legal fees, financial analysis, or refund						25,000		25,000	Reserve balance		
(57)	C 1330 Gladys Avenue	Jesse Dean	Creative Office Tenant Improvement			48,793					48,793	RPTTF		
(58)	C 1500 Pine # 8 - LBHDC	City of Long Beach	Carrying Costs - Residential Condo utilities		100	100	100	100	100	100	600	Low-Mod Fund		
(59)	C 1500 Pine # 8 - LBHDC	Millennia Development, Inc.	Carrying costs - Residential Condo HOA Dues		200	200	200	200	200	200	1,200	Low-Mod Fund		
(60)	C 1900 Atlantic	Overland, Pacific & Cutler	Property Management/Maintenance		5,673	5,673	5,673	5,673	5,673	5,673	34,038	RPTTF		
(61)	C 20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - Central		213,145						213,145	RPTTF		
(62)	C 2175 Atlantic	Long Beach Housing Development Company	Purchase of 2175 Atlantic		222,750						222,750	RPTTF		
(63)	C 3243 E. Anaheim	Howard CDM	Facade Improvement - Construction			106,789					106,789	RPTTF		
(64)	C 345 E. 8th	Equity North Investments	Fence Installation			1,900					1,900	RPTTF		
(65)	C Armory Lofts	Appleby-Pickard	OPA - Loan for Development Costs			28,900					28,900	Reserve balance		
(66)	C Armory Lofts	Appleby-Pickard	Performance Deposit for ENA and OPA			10,000					10,000	Reserve balance		
(67)	C Monitoring	SCS Engineers	Groundwater Monitoring			2,000					2,000	Low-Mod Fund		

A	B	C	D	E	I			J	K	L	M	N	O	Q
	Project				Paid	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Total Due	Funding
	Project Name / Debt Obligation	Payee	Description		Jan 2012	Feb 2012	March 2012	April 2012	May 2012	June 2012	Jan to June, 2012	Source		
(68)	C	Cherry Avenue Widening	Flavel	Appraisal services = 1925 E. PCH	5,180						5,180	RP TTF		
(69)	C	Cherry Avenue Widening	Hahn & Hahn	Legal Services Agreement	37,806	5,000	5,000				47,806	RP TTF		
(70)	C	Cherry Avenue Widening	Hill & Miss Enterprises/LA Superior Court	1925 E. PCH Goodwill	705,610						705,610	RP TTF		
(71)	C	City Loan	City of Long Beach	Central Project Area blight removal	1,867,380						1,867,380	RP TTF		
(72)	C	Coronado	Brookfield Homes	Development/Second Mortgage Assistance Loans - New affordable ownership condos. 48 units. 100% affordable.		600,000					600,000	Low-Mod Fund		
(73)	C	Craftsman Park	Melendrez	Architectural Services/Project Management		4,778	5,000	2,500	2,500		14,778	OS Bonds		
(74)	C	Craftsman Park	Totum Corp.	Construction Manager		2,276	2,500	2,500	2,500		13,276	OS Bonds		
(75)	C	Deukmejian Courthouse	Administrative Office of the Courts	Reimbursement for Off-Site Improvements		2,000,000					2,000,000	RP TTF		
(76)	C	Habitat Homes - Pine/14th	Habitat for Humanity of Greater Los Angeles	Rehab/New Construction Single-Family homes					637,200		637,200	Low-Mod Fund		
(77)	C	Homeland Cultural Center - MacArthur Park	KOAM Corp (CBM Consulting)	Construction Mgmt. Services	650						650	OS Bonds		
(78)	C	Homeland Cultural Theater	AM&C	Surety		259,599					259,599	OS Bonds		
(79)	C	Homeland Cultural Theater	Padilla Inc.	Labor Compliance Auditor		4,696					4,696	OS Bonds		
(80)	C	Homeland TI	Fernald	Architect - Design/Construction Administration		2,000	2,000	2,000	2,000		10,000	OS Bonds		
(81)	C	Homeland TI	Public Works	Plan Check / Bidding / Project Mgmt.	173	1,000	1,000	1,000	1,000		5,173	OS Bonds		
(82)	C	McBride Park Teen Center	Construct 1 One Corp.	Contractor	196,710	49,640	50,000	230,000			526,350	OS Bonds		
(83)	C	McBride Park Teen Center	Martinez Architects	Architect		9,170					9,170	OS Bonds		
(84)	C	McBride Park Teen Center	Perceptive Enterprises	Labor Compliance		2,500	2,500				5,000	OS Bonds		
(85)	C	McBride Park Teen Center	Public Works	Inspection services	378						378	OS Bonds		
(86)	C	McBride Park Teen Center	Totum Corp.	Construction Manager	178						178	OS Bonds		
(87)	C	McBride Senior Center	Martinez Architects	Architect		1,688	2,000	2,000	2,000		9,688	OS Bonds		
(88)	C	McBride Senior Center	Totum Corp.	Construction Manager		2,000	2,000	2,000	2,000		10,000	OS Bonds		
(89)	C	MIG Daisy Avenue	Sully-Miller Contracting Company	Contractor	68,121						68,121	RP TTF		
(90)	C	Orizaba Park Community Center	Fernald, Inc.	Architectural Services		5,000	5,000	5,000	5,000		25,000	RDA Bonds		
(91)	C	Orizaba Park Community Center	Totum Corp.	Construction Mgmt. Services		-	3,000	3,000	3,000		12,000	RDA Bonds		
(92)	C	Orizaba Park Expansion	Kleinfelder	Materials Observation / Testing		785					785	RDA Bonds		
(93)	C	Orizaba Park Expansion	Mackone Development, Inc.	Contractor	18,585	133,709	133,710				286,004	RDA Bonds		
(94)	C	Orizaba Park Expansion	Public Works	Construction Inspection / Mgmt.	3,651	3,000	2,000				8,651	RDA Bonds		
(95)	C	Orizaba Train - Art Fabrication	Patrick Vogel Design	Fabrication	22,476						22,476	RP TTF		
(96)	C	Orizaba Train - Art Installation	Patrick Vogel Design	Installation	6,715	3,000	30,000				39,715	RP TTF		
(97)	C	Palace Hotel	LINC Housing	Affordable Housing Rehab Project	16,062	672,116					688,178	Low-Mod Fund		
(98)	C	Pass Through Payments	Various	FY11-12 Pass Through Payments - Central Project Area			2,889,311				2,889,311	RP TTF		
(99)	C	PE Row	County of LA	Plan Check		1,500					1,500	OS Bonds		
(100)	C	PE Row	Landmark Site Contractors	Contractor	-	77,000					77,000	OS Bonds		
(101)	C	PE Row	Transystems	Construction Management	5,075	10,000	9,925				25,000	OS Bonds		
(102)	C	Pine Avenue Residential Rehab	Jamboree Housing Corporation	Rehab family affordable rental housing. 14 units. 100% affordable.	337,179	1,500,000					1,837,179	Low-Mod Fund		
(103)	C	Pine Avenue Residential Rehab	Comprehensive Housing Services	Labor compliance monitoring					50,625		50,625	Low-Mod Fund		
(104)	C	Senior Art Colony and Annex - Phase I	Comprehensive Housing Services	Labor compliance monitoring					50,000		50,000	Low-Mod Fund		
(105)	C	Senior Art Colony and Annex - Phase I	Long Beach Senior Artists Colony - LP Long Beach Regal	New senior affordable rental housing. 200 units. 100% affordable.	1,089,695	842,061	842,061	842,061	842,061	842,061	5,300,000	Low-Mod Fund		

A	B	C	D	E	I	J	K	L	M	N	O	Q
	Project Are			Description	Paid Jan 2012	Est. Feb 2012	Est March 2012	Est. April 2012	Est. May 2012	Est. June 2012	Total Due Jan to June, 2012	Funding Source
	Project Name / Debt Obligation	Payee										
(106)	C Shoreline Gateway	Bergman & Alderdice	Legal Services				2,272	2,272	2,272	2,272	9,088	RPTTF
(107)	C Shoreline Gateway	ICB	RDA Guaranty on Predev Loan to Developer		6,008,750						6,008,750	RPTTF
(108)	C Shoreline Gateway	Keyser Marston Associates	Financial Consulting Services				909	909	909	909	3,636	RPTTF
(109)	C The Courtyards	Clifford Beers, Inc.	Affordable Housing Rehab Project				400,000				400,000	Low-Mod Fund
			Development of three new single-family homes on Henderson and Chestnut, and the rehabilitation of the existing home at 1650 Magnolia, for low-income families.									
(110)	C Washington School HAP Focus Area Scattered Sites Development	Habitat for Humanity of Greater Los Angeles	Construction Costs for Landscaping		12,500	-	208,659				208,659	Low-Mod Fund
(111)	C Willmore Rehab-226 10th Street	Equity North Investments	Construction Costs for Landscaping			-					12,500	RPTTF
(112)	C Willmore Rehab-734 Maine	Hulean Tyler and Deborah Behar	Construction Costs for Landscaping		-	-	12,500				12,500	RPTTF
(113)	C Willmore Rehab-734 Maine	Troller Mayer	Design Services for Landscaping		-	-	2,500				2,500	RPTTF
(114)	C/D Central/Downtown Parking Lots	Central Parking	Parking Lot Management		-	-				200,000	200,000	Other revenue
(115)	C/N Project Area Administration	Pepper Russell	PAC Secretarial Services		4,471	7,400					11,871	Admin. Cost
(116)	D 20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - Downtown		182,715						182,715	RPTTF
(117)	D 309 Pine	Heery Int'l	TIs			16,109	4,510				20,619	RPTTF
(118)	D Bikestation Long Beach	Angeles Contractor, Inc.	Construction and sign			36,853					36,853	RPTTF
(119)	D Bikestation Long Beach	Public Works	Inspection services			5,000					5,000	RPTTF
(120)	D Broadway & Elm	City Ventures/KMA/Alderdice	ENA Deposit-legal fees, financial analysis, or refund			50,000					50,000	Other revenue
(121)	D Broadway & Promenade	Forest City California Residential Development Inc./KMA/Alderdice	ENA Deposit-legal fees, financial analysis, or refund			50,000					50,000	Other revenue
(122)	D City Loan	City of Long Beach	Downtown redevelopment project area planning			750,000					750,000	RPTTF
(123)	D City Place Garage	Amano McGann, Inc	Automated Parking Equipment			98,938					98,938	RPTTF
(124)	D City Place Garage	City of Long Beach	Parking Structure Upgrade Cost Reimbursement		828,625						828,625	RPTTF
(125)	D Downtown Long Beach Associates (DLBA) Support	DLBA	Economic Development, Marketing, Outreach, Special Events		38,473	16,000	16,000	16,000	16,000	16,000	118,473	RPTTF
(126)	D Pacific & 3rd/4th	City Ventures/KMA/Alderdice	ENA Deposit-legal fees, financial analysis, or refund			50,000					50,000	Other revenue
(127)	D Pine Court Conversion	Pacific Court - Pine Square Partners /KMA/Alderdice/Trimming	MOU Deposit-legal fees, financial analysis, bond counsel, or refund			35,000					35,000	Other revenue
(128)	D Promenade Maintenance District	Reserve Data Analysis, LLC	Promenade Maintenance Fee Study			1,600	1,595				3,195	RPTTF
(129)	D Promenade North Block	ValleyCrest Landscape Development, Inc.	Streetscape improvements on The Promenade north block between First St. and Broadway			2,428,195					2,428,195	RPTTF
(130)	D Promenade South Block	ValleyCrest Landscape Development, Inc.	Streetscape improvements on The Promenade south block between Ocean Blvd. and First St.		4,054						4,054	RPTTF
(131)	D Property Based Improvement District	DLBA	Property Assessments (Annual Prop Tax Assessment)			65,852					65,852	RPTTF
(132)	D SBDC Consultant	SBDC/LBCC	Consultant Services - SBDC			80,500	12,500	12,500			105,500	RPTTF
(133)	D The Designory Business Retention	The Designory	Reimbursement of Parking Expenses		3,150		3,150			3,150	9,450	RPTTF
(134)	L 20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - Los Altos		6,977						6,977	RPTTF
(135)	L Los Altos Project Area	Various	FY11-12 Pass Through Payments - Los Altos Project Area				4,803				4,803	RPTTF
(136)	L Los Altos Project Area	LA County Office of Educ.	Tax Sharing Agreement- HH&S 33676				32,825				32,825	RPTTF
(137)	L Los Altos Project Area	LA County Flood Control District	Tax Sharing Agreement- HH&S 33676				4,059,230				4,059,230	RPTTF
(138)	N 20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - North		395,815						395,815	RPTTF
(139)	N 2010 Tax Allocation Bonds	Bank of New York	Bonds issue to fund North RDA projects		1,249,938	1,256,977				1,844,938	4,351,853	RPTTF
(140)	N 3361 Andy Street	LBHDC	4-unit affordable housing rehab		2,940						2,940	Low-Mod Fund

A	B	C	D	E	I	J	K	L	M	N	O	Q
Project #	Project Name / Debt Obligation	Payee	Description	Paid Jan 2012	Est. Feb 2012	Est. March 2012	Est. April 2012	Est. May 2012	Est. June 2012	Total Due Jan to June, 2012	Funding Source	
(141)	N 3756 LB Blvd - Bike Shop	Howard CDM	Facade Improvement - Construction	-	1,904	4,238				6,142	RPTTF	
(142)	N 3853 Atlantic - Nino's Rest	International City Escrow	Facade Improvement - Construction	117,859	-	-	-	-	-	117,859	RPTTF	
(143)	N 3853 Atlantic - Nino's Rest	RRM	Facade Improvement - Architect		2,000	2,000	2,180			6,180	RPTTF	
(144)	N 4306 Atlantic - EJ Malloys	International City Escrow	Facade Improvement - Escrow Services		35,294					35,294	RPTTF	
(145)	N 5299 Long Beach Blvd	Urban Arena	Facade Design		3,000					3,000	RPTTF	
(146)	N 5301 LBB Parking (El Ranchito)	Overland, Pacific & Culler	SCS site remediation work		40,000	40,000	40,000	40,000	40,000	200,000	RPTTF	
(147)	N 5368 Long Beach Blvd (Paseo)	Addscape, Inc.	Construction		37,440	20,240				57,680	RPTTF	
(148)	N 5376-5390 LBB CFIP	Overland, Pacific & Culler	Sign (Furniture Warehouse)		7,500					7,500	RPTTF	
(149)	N 5376-5390 LBB CFIP	Urban Arena	Architectural design services		5,000					5,000	RPTTF	
(150)	N 5414 Long Beach Blvd	Urban Arena	Facade Design		3,000					3,000	RPTTF	
(151)	N Admiral Kidd Park	Padilla Inc.	Labor Compliance Auditor		18,769					18,769	OS Bonds	
(152)	N Artesia Blvd. Median Improvement	AECOM	Landscape Architect	20,366		9,634				30,000	RDA Bonds	
(153)	N Artesia Blvd Median Improvement	City of Long Beach	Construction			-	166,666	166,667	166,667	500,000	RDA Bonds	
(154)	N Artesia Blvd Median Improvement	Public Works	Plan Check, bidding, construction/project mngmnt			-	16,668	16,666	16,666	50,000	RDA Bonds	
(155)	N Atlantic Ave. Median Improvement	AECOM	Landscape Architect		25,000	74,772				99,772	RDA Bonds	
(156)	N Atlantic Ave. Median Improvement	City of Long Beach	Construction				208,333	208,333	208,333	624,999	RDA Bonds	
(157)	N Atlantic Ave. Median Improvement	Public Works	Plan Check, bidding, construction/project mngmnt		2,500		20,833	20,833	20,833	64,999	RDA Bonds	
(158)	N Belwood Apartments	Hunt Capital Partners	Rehabilitation of 34 rental units for low-income households						3,300,000	3,300,000	Low-Mod Fund	
(159)	N Belwood Apartments	TBD	Labor Compliance Monitoring						15,000	15,000	Low-Mod Fund	
(160)	N Bixby Knolls Shopping Center	GASKA	Facade Improvement	-	-	500,000				500,000	RPTTF	
(161)	N BK&A	Bixby Knolls Business Improvement Association	Business Improvement District	12,731	59,272	16,667	16,667	16,667	16,667	138,671	RPTTF	
(162)	N Davenport Park Development	Bryan A Shirat & Assoc.	Landfill Closure/Land Use Consultant	1,843	6,000	6,000	6,000	6,000	6,000	31,843	OS Bonds	
(163)	N Davenport Park Development	LSA Associates	Prepare EIR	-	30,000					30,000	OS Bonds	
(164)	N Davenport Park Development	State Water Quality	Environmental Approval/Monitoring		10,000					10,000	OS Bonds	
(165)	N Expo Building (4321 Atlantic)	City of Long Beach	Fire/Life Safety Renovations and Code Compliance	-	-	100,000	100,000		-	200,000	RPTTF	
(166)	N Fire Station 12	CBM Consulting, Inc.	Construction management	29,229	42,530	42,500	42,500	42,500	42,616	241,875	RDA Bonds	
(167)	N Fire Station 12	Gonzales Construction	Construction			750,000	750,000	1,000,000	1,000,000	3,500,000	RDA Bonds	
(168)	N Fire Station 12	Kleinfeider	Inspection services	2,450	15,000	15,000	15,000	15,000	15,000	77,450	RDA Bonds	
(169)	N Fire Station 12	Mary McGrath Architects	Contract administration/architecture	26,000	33,000	33,000	33,000	33,000	33,000	191,000	RDA Bonds	
(170)	N Fire Station 12	Solis Group	Labor Compliance		6,000	6,000	6,000	6,000	6,000	30,000	RDA Bonds	
(171)	N Fire Station 12	Vislink	Communications tower			67,299		67,299		134,598	RDA Bonds	
(172)	N Fire Station 12	Westnet	Alarm system				59,026		59,025	118,051	RDA Bonds	
(173)	N North Neighborhood Library	LPA, Inc.	North Library Design	5,133	6,000	6,000	6,000	6,000	6,000	35,133	RDA Bonds	
(174)	N Orange Twist	Gordia Group	Project Management Fees		518					518	RPTTF	
(175)	N Orchard Supply Lease Agreement	Orchard Supply	Sales Tax Rebate		11,500					11,500	RPTTF	
(176)	N Oregon Park Development	City Development Dept.	City Plan Check/Permit/Inspection Fees		10,000					10,000	RDA Bonds	
(177)	N Oregon Park Development	LA County	Easement Agreement/Plan Check		50,000					50,000	RDA Bonds	
(178)	N Oregon Park Development	RJM Design Group	Landscape Architect		9,333	9,333	9,334			28,000	RDA Bonds	
(179)	N Oregon Park Development	Public Works	Plan Check, bidding, construction/project mngmnt		933	933	30,100	30,100	30,100	92,166	RDA Bonds	
(180)	N Oregon Park Development	City of Long Beach	Construction				291,667	291,667	291,667	875,001	RDA Bonds	
(181)	N Oregon Park Development	So Cal Edison	Reroute Utility/Plan Check		18,000					18,000	RDA Bonds	

A	B	C	D	E	I	J	K	L	M	N	O	Q
	Project Are	Project Name / Debt Obligation	Payee	Description	Paid Jan 2012	Est. Feb 2012	Est March 2012	Est. April 2012	Est. May 2012	Est. June 2012	Total Due Jan to June, 2012	Funding Source
(182)	N	Pass Through Payments	Various	FY11-12 Pass Through Payments - North Project Area			6,684,264				6,684,264	RP TTF
(183)	N	Ramona Park Apartments	Palm Desert Development Company	New 61-unit low income senior rental housing						8,640,000	8,640,000	Low-Mod Fund
(184)	N	South Waterfront Hotels Street Improvement	Portside Partners (The Ensemble Group)	Public Improvement Reimb. Marriott and Hotel Maya			6,250	6,250	213,736		213,736	RP TTF
(185)	N	Sprint Cell Tower - Project Adm'n.	DM&A	Relocation valuation services	-	-	6,250		6,250	6,250	25,000	RP TTF
(186)	N	Vons Lease Agreement	Vons	Sales Tax Rebate		49,735					49,735	RP TTF
(187)	P	20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - Poly High	7,549						7,549	RP TTF
(188)	P	Neighborhood Development Program	City of Long Beach	Poly High Public Improvements		25,000					25,000	RP TTF
(189)	P	Pass Through Payments	Various	FY11-12 Pass Through Payments - Poly High			32,432				32,432	RP TTF
(190)	P	Poly Gateway	Meindrez	Architectural Services		2,000	2,000				4,000	RP TTF
(191)	P	Poly Gateway	Fast-Track Construction	Contractor		13,040					13,040	RP TTF
(192)	P	Poly Gateway	Public Works	Construction Inspection / Mgmt.			1,000				1,000	RP TTF
(193)	P	Poly Gateway Monument Signs	Equity North Investments	Electrical Work for Monument Signs		15,000	15,000				30,000	RP TTF
(194)	P	Poly Gateway Monument Signs	Equity North Investments	Fabrication / Installation	10,000	10,000	20,000				40,000	RP TTF
(195)	P	Poly Gateway Monument Signs	Frank R. Webb architects	Sign design		2,252					2,252	RP TTF
	PMW/WS/											
(196)	N	2002 Tax Allocation Bonds	Bank of New York	Bonds issue to fund RDA projects	553,186	1,856,272			2,181,595	10,775,366	15,366,421	RP TTF
(197)	W	20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - West Beach	14,529						14,529	RP TTF
(198)	W	Pass Through Payments	Various	FY11-12 Pass Through Payments - West Beach			44,805				44,805	RP TTF
	W/D/ L/C/											
(199)	N	2005 Tax Allocation Bonds	Bank of New York	Bonds issue to fund RDA/Housing projects	4,494,018	5,041,867				9,986,174	19,522,059	RP TTF
(200)	WS	1300 W. 14th St.	Avalon Boats	Facade Improvement - Construction		56,668					56,668	RP TTF
(201)	WS	1461-65 Cola Ave.	Lester Box	Performance Deposit			10,000				10,000	Other revenue
(202)	WS	1539 Santa Fe Ave.	International City Escrow	Facade Improvement - Construction		30,000					30,000	RP TTF
(203)	WS	1560 W. PCH - Golden Star	Alchemy	Facade Improvement - Architect		1,500					1,500	RP TTF
(204)	WS	1570 Cola - Alias Marine	Environ	Facade Improvement - Architect		556					556	RP TTF
(205)	WS	1650 Seabright/188-91 W. 16th Street	1600 Seabright, LLC (Parker Diving)	Performance Deposit						10,000	10,000	Other revenue
(206)	WS	1655 Cola Ave A&A Aerospace	BOA	Facade Improvement - Architect	340						340	RP TTF
(207)	WS	1690 Hayes - Bruno & Sons	BOA	Facade Improvement - Architect		340					340	RP TTF
(208)	WS	1690 Hayes - Bruno & Sons	International City Escrow	Facade Improvement - Construction		30,850					30,850	RP TTF
(209)	WS	20% TI to Housing	Low-Mod Housing Fund	20% TI Obligation to Housing Fund - West Side	108,406						108,406	RP TTF
(210)	WS	2200 W. 16th St.	BOA	Facade Improvement - Architect		340					340	RP TTF
(211)	WS	Convention Center	City of Long Beach	Convention Center expansion		538,181					538,181	RP TTF
(212)	WS	Cowles Street	City Light and Power	Alley Lighting	6,225						6,225	RP TTF
(213)	WS	Pass Through Payments	Various	FY11-12 Pass Through Payments - West Side			500,872				500,872	RP TTF
(214)	WS	West Long Beach Project Area	Westside Project Area Committee	PAC Administration	16,806	4,000					20,806	RP TTF
(215)	WS	Westside Storm Drain	AECOM	Phase 1,2&3 Design				25,000	25,000		50,000	RP TTF
(216)	WS	Westside Storm Drain	Olsson, Inc.	Contractor	82,197	84,737	70,000	120,000	500,000	600,000	1,456,934	RP TTF
(217)	WS	Westside Storm Drain	Willdan Associates	Inspection services	10,260	12,730	11,000	15,000	15,000	15,000	78,990	RP TTF
(218)	WS	Westside Storm Drain	Kleinfelder	Materials Observation / Testing	847	10,000	10,000	10,000	2,000	2,000	34,847	RP TTF
(219)	WS	Westside Storm Drain	Public Works	Engineering / Construction Mgmt. Services		2,000	3,000	3,000	3,000	3,000	14,000	RP TTF

A	B	C	D	E	I	J	K	L	M	N	O	Q
	Project Area	Project Name / Debt Obligation	Payee	Description	Paid Jan 2012	Est. Feb 2012	Est March 2012	Est. April 2012	Est. May 2012	Est. June 2012	Total Due Jan to June, 2012	Funding Source
(220)	WS/	1992 Tax Allocation Bonds Series	U.S.Bank	Bonds issue to fund RDA projects		1,672,156			1,056,500	5,251,600	7,980,256	RPTTF
	D	Grand total			25,579,346	22,255,486	19,163,935	3,800,612	9,058,446	44,485,138	124,342,963	

Project Area:

- A All
- D Downtown
- C Central
- L Los Altos
- N North
- P Poly High
- W West Beach
- WS West Side

	Expenditures by Funding Source											
1)	Redevelopment Property Tax Trust Fund (RPTTF)				23,015,365	16,724,674	16,238,772	447,005	4,716,363	28,659,753	88,801,932	
2)	Reserve Balance				-	38,900	-	-	25,000	-	63,900	
3)	Admin. Cost				799,014	808,619	1,141,767	513,839	517,317	513,102	4,293,648	
4)	Low-Mod Fund				1,454,546	3,644,887	1,532,300	928,641	1,869,701	13,181,876	22,611,951	
5)	OS Bonds				205,007	492,616	82,925	248,000	18,000	16,500	1,063,048	
6)	RDA Bonds				105,414	360,790	1,158,181	1,663,127	1,912,065	1,903,907	7,103,484	
7)	Other Revenue				-	185,000	10,000	-	-	210,000	405,000	
	Grand Total				25,579,346	22,255,486	19,163,935	3,800,612	9,058,446	44,485,138	124,342,963	

# EXHIBIT B

## Administrative Budget Successor Agency & Housing Successor Agency February 1 - June 30, 2012

	Successory Agency		Housing Successor Agency		Total	Total	Total
	Feb	March-June	Feb	March-June	Feb	March-June	Feb-June
Personnel Costs	205,565	334,230	152,577	325,228	358,142	659,458	1,017,600
Personnel Count	19.91	8.25	15.75	6.75	35.66	15.00	
City Department Services	151,567	606,268	44,429	177,716			
City Indirect Cost Allocation	84,377	337,228	40,420	161,680	124,797	498,908	623,705
Operating Expenses	360	2,260	1,025	2,920	1,385	5,180	6,565
Prof & Specialized Services	4,738	18,808	275	3,575	5,013	22,383	27,396
Total Administrative Budget	446,607	1,298,794	238,726	671,119	685,333	1,969,913	2,655,246

## **Exhibit C**

### **Long Beach Successor Agency Administrative Functions**

#### **Development**

- Administer the wind down and completion of former RDA activities and operations
- Prepare Successor Agency ROPS and administrative budgets for Oversight Board approval
- Ensure compliance with bond indentures and maintain required reserves
- Coordinate communications and requests for information from Successor Agency, Oversight Board, L.A. County Auditor-Controller, State Department of Finance, and State Controller's Office
- Provide staff support to the Successor Agency and Oversight Board
- Enforce covenants and provisions associated with enforceable obligations

#### **Financial**

- Administer the Redevelopment Obligation Retirement Funds
- Ensure timely payments required by Enforceable Obligations
- Monitor AB 26 financial compliance
- Prepare continuing disclosure as required by debt indentures
- Ensure Debt covenant compliance
- Manage Successor Agency accounting, reporting and bank transaction
- Perform analysis and monitor of cash flow
- Maintain reserves in the amount of required indentures
- Coordinate completion of audited financial statements and agreed upon procedures

#### **Legal**

- Advise the Successor Agency and staff on all legal issues concerning AB 26 and prevailing law
- Represent the Successor Agency and staff either directly or through special counsel relationships before administrative bodies, such as the Oversight Board and before all courts in all litigation such as contract disputes and municipal litigation

### **Housing Successor Agency Administrative Functions**

#### **Affordable Housing Continuing Covenant Enforcement**

- Assembles, organizes, and ensures that all documentation is complete in records and project files for a wide variety of projects with deed-restricted units

- Reviews all loans from low and moderate income housing funds to ensure that the terms of each loan are being met, proper reports are being filed by borrowers, and that residual receipts are being properly calculated.
- Monitors lease-up of vacated units to ensure compliance with regulatory restrictions.
- Conducts annual monitoring of deed restricted units, including preparation of letters, certification and related follow-up.
- Prepares correspondence and reports, completes a variety of forms and applications

### **Completion of Construction of Affordable Housing Developments**

- Review construction budgets to ensure sufficient funds and cost reasonableness
- Reviews architectural plans and engineering reports to ensure compliance with building and zoning codes
- Ensure that projects meet code requirements and are in compliance with Affordable Housing Covenants
- Inspects and evaluates construction work in progress to ensure compliance with plans, specifications, workmanship and quality of work. Determines percentage of work completed for progress payments to contractors. Review all material and labor lien releases and Building and Safety sign-offs.
- Coordinates pre-construction meetings with contractor to review scope of work and provision of construction contract
- Reviews and recommends approval of change orders
- Coordinates review of Federal (Davis Bacon) Section 3 and State prevailing wage requirements
- Coordinates projects with other City departments and outside regulatory agencies
- Prepares reports and correspondence

### **Financial**

- Ensure timely payments required by Enforceable Obligations
- Manage Housing Successor Agency accounting, reporting and bank transaction
- Perform analysis and monitor of cash flow
- Prepare Housing Successor Agency ROPS and administrative budgets for Oversight Board approval

### **Legal**

- Advise the Housing Successor Agency and staff on all legal issues concerning AB 26 and prevailing law

May 2, 2012

**VIA E-MAIL**

Patrick H. West  
City Manager, City of Long Beach  
333 West Ocean Boulevard  
Long Beach, CA 90802

Robert E. Shannon  
City Attorney, City of Long Beach  
333 West Ocean Boulevard  
Long Beach, CA 90802

Re: Long Beach Oversight Board Approval of the City of Long Beach's Recognized  
Obligations Payment Schedule ("ROPS")

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Dear Mr. West and Mr. Shannon:

As special counsel to the City of Long Beach (the "City") with respect to implementation of ABx1 26, the bill that dissolved and calls for the winding up of the affairs of the former Redevelopment Agency of the City of Long Beach (the "RDA"), I have been asked to provide you with my firm's legal opinion as to two issues: (1) whether 2 City/RDA loan/reimbursement agreements listed on the City's initial Recognized Obligations Payment Schedule ("ROPS") for the January 1, 2012-June 30, 2012, time period and on its ROPS for the July 1, 2012-December 31, 2012, time period are in fact legitimate "enforceable obligations" of the former RDA; and (2) whether the City, as the housing successor to the RDA, is entitled to utilize unexpended proceeds from the RDA's \$55,665,000 2005 Tax Allocation Bond (Housing Projects) issue (the "2005 Housing Bonds") to fund 2 affordable housing projects identified on its ROPS. This letter is responsive to that request.

1. **The City/RDA Loan/Reimbursement Agreements Are "Enforceable Obligations."**

The 2 City/RDA loan/reimbursement agreements in question are the following: (1) the January 20, 2011, Amended and Restated Loan Agreement (Downtown Project Area) for project area planning entered into between the RDA, as borrower, and the City, as lender, in the principal sum of \$94,838,615.49 (referred to herein as the "City/RDA Loan Agreement" and identified as Line Item 122 on the initial 1/1/12-6/30/12 ROPS and as Line Item 59 on the 7/1/12-12/31/12 ROPS); and (2) the January 20, 2011, CityPlace Reimbursement Agreement

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entered into between the RDA and City in the sum of \$4,955,213.00 (referred to herein as the "CityPlace Agreement" and identified as Line Item 60 on the 7/1/12-12/31/12 ROPS).<sup>1</sup>

In our opinion, the obligations in question both qualify as "enforceable obligations" and are entitled to be approved by the Long Beach Oversight Board for the following reasons:

A. The obligations were each lawfully entered into by the City and RDA and served valid redevelopment purposes. Consider the following:

- With regard to the City/RDA Loan Agreement, the Community Redevelopment Law expressly authorized the City to provide financial assistance to the RDA (see, e.g., Health & Safety Code §§ 33220, 33600, 33601, 33610, 33614; see also Government Code § 53600 *et seq.*) and, as has been noted by a leading commentator "the community [i.e., the city that activates a redevelopment agency] is [or was] often the primary source of 'seed' capital to fund the costs of adoption of a redevelopment plan and initial program activities." (Goldfarb Lipman, *A Legal Guide to California Redevelopment* (2006), p. 205.) If instead of "internally" borrowing seed money from the City the RDA had financed its activities with bonds issued to private third party lenders there is no question they would be "enforceable obligations" within the meaning of ABx1 26. (See Health & Safety Code § 34171(d)(1)(A) and (B).) Given that the City was willing to invest its own surplus funds in its RDA and took the financially prudent step of avoiding the need for the RDA to borrow money on the open market and pay interest to third parties, we see no fair or equitable rationale for concluding that the City's authorized investment should be wiped out.
- With regard to the CityPlace Agreement, the Community Redevelopment Law expressly authorized the RDA's reimbursement and the City Council and RDA Board of Directors properly made all of the findings and determinations required

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<sup>1</sup> While both the City/RDA Loan Agreement and the CityPlace Agreement are dated subsequent to January 1, 2011, it is important to note that they restate and memorialize obligations and arrangements between the City and RDA that existed well prior to that date. The City/RDA Loan Agreement was originally entered into on September 11, 1974, and was subsequently amended and supplemented with similar agreements on December 5, 1977, July 11, 1978, November 14, 1983, October 20, 1992, and October 2, 2002, and the purpose of the January 20, 2011, City/RDA Loan Agreement was simply to consolidate the prior agreement(s), as amended, and establish a single repayment schedule. (*Id.*, Recitals D-H.) The CityPlace Agreement memorialized actions taken by the RDA and City in Fiscal Years 2009, 2010, and 2011 whereby the RDA, in light of the City's budget problems, agreed to pick up the City's Fiscal Year 2012-2017 annual debt service payments on the 2001 Plaza Parking Facility Lease Revenue Bonds that were issued in conjunction with the redevelopment of the former Long Beach Plaza site.

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to justify it, including that the publicly owned CityPlace parking structure improvements are of benefit to the Downtown Redevelopment Project Area, that the improvements help to alleviate conditions of blight in the redevelopment project area, and that "no other reasonable means of financing the . . . improvements are available to the community." (See Health & Safety Code § 33445, RDA Resolution Nos. R.A. 16-2009, 17-2009, 13-2010, and City Council Resolution Nos. 09-0059 and 10-0107.) Given the City's budget shortfalls, the RDA's agreement to "step up" and cover the City's debt service payments on the 2001 Plaza Parking Facility Revenue Bonds through Fiscal Year 2017 was necessary and appropriate "for the purpose of securing or repaying those indebtedness obligations" (Health & Safety Code § 34171(d)(2)).

B. The obligations both provide for repayment over a reasonable term of years at reasonable interest rates. The City/RDA Loan Agreement is repayable at a modest 3%/year interest rate. (*Id.*, Section 1.) The reimbursements under the CityPlace Agreement are simply a "pass through" rate based on the debt service provided for in the 2001 Plaza Parking Facility Revenue Bonds.

C. The obligations were both initially approved prior to January 1, 2011 (see footnote 1, *supra*), as part of the issuance of indebtedness obligations and solely for the purpose of securing or repaying those indebtedness obligations, all within the meaning of Health & Safety Code Section 34171(d)(2)(A) (part of the definition of "enforceable obligations" in ABx1 26). Neither of them was a last minute attempt to avoid Governor Brown's or the California Legislature's efforts in early 2011 to eliminate redevelopment agencies.

D. Our opinion that the obligations in question are "enforceable obligations" under ABx1 26 is consistent with the interpretation given to that phrase by the California Attorney General's office. On January 27, 2012, Ross Moody, Deputy Attorney General, acknowledged in open court in the case of *City of Cerritos v. State of California*, Sacramento County Superior Court Case No. 34-2011-80000952, that "to the extent [a] city has entered into indebtedness or contract [with its redevelopment agency] for those same purposes [i.e., in reliance upon being repaid with tax increment revenues] there is no reason that AB 26 would invalidate those contracts." (See Reporter's Transcript, pp. 61-65, a copy of which is being provided herewith.)

E. If ABx1 26 were interpreted such that the RDA obligations to the City cannot be repaid and the other payment priorities in Health & Safety Code §§ 34183 and 34188 are enforced as written, the result would be a legislative reallocation of property tax revenues among taxing entities on something other than a pro rata basis and without the requisite 2/3 vote, in violation of Article 13, § 25.5(a)(3) of the California Constitution (Proposition 1A). So including the City/RDA Loan Agreement and CityPlace Agreements on the City's ROPS is, we

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believe, essential to ensuring that ABx1 26 is implemented in a manner that meets constitutional requirements.

F. We acknowledge ABx1 26 is ambiguous on this issue, but we are hopeful the ambiguity will be clarified by the Legislature in AB 1585, which recently passed the California Assembly with a 2/3 vote (as urgency legislation) and is now pending in the State Senate. (See proposed amendments to Health & Safety Code §§ 34171(d)(2)(C) and 34180(k).) The City/RDA Loan Agreement and CityPlace Agreement would fit within the criteria for "enforceable obligations" as proposed in AB 1585.

G. If the City/RDA Loan Agreement and CityPlace Agreement are *not* listed on the ROPS there is a danger that funds owing to the City will be "swept" to the Los Angeles County Auditor-Controller and disbursed to other taxing entities that are not entitled to receipt of the funds, which will result in accounting problems, confusion, potential offsets of funds owing to the taxing entities at a later date, and even litigation.

H. We recognize that the Department of Finance is taking a contrary position to the position set forth in this letter. Nevertheless, successor agencies and Oversight Boards statewide are *approving* hundreds of ROPS that include city/RDA and county/RDA loan and reimbursement agreements in them. We believe the Long Beach Oversight Board should do likewise, if for no other reason than to keep this issue alive for Long Beach. If the issue is not settled by AB 1585 or similar legislation, it likely will end up being resolved in the courts. In our opinion, there is no good reason why Long Beach should be deprived of the opportunity to pursue its legal rights and remedies on this issue, just as hundreds of other cities and counties statewide are doing.

I. Finally, it is worth mentioning that under ABx1 26 even if the existing City/RDA agreements are for some reason deemed to be invalid and not binding, the City, in its capacity as successor agency to the dissolved RDA, expressly retains the authority to "enter or reenter" into the very same agreements with the City in its "normal" city capacity "upon obtaining the approval of its oversight board." (Health & Safety Code § 34178(a). We are not at the point of needing to ask the City (in its 2 capacities) to "enter or reenter" into the City/RDA Loan Agreement or the CityPlace Agreement, nor are we at the point of needing to ask the Oversight Board to approve the re-approval of those agreements, as authorized by this statute, but given that ABx1 26 authorizes such a procedure we believe it should make the Oversight Board more comfortable approving them as "enforceable obligations" if for no other reason than to resolve the status of the agreements more quickly.

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**2. The City Has the Authority as Housing Successor to the RDA to Expend Housing Bond Proceeds for Affordable Housing Purposes.**

The 2 affordable housing projects in question are: (1) the Belwood Apartments project (identified as Line Items 158 and 159 on the initial 1/1/12-6/30/12 ROPS and as Line Items 78 and 79 on the 7/1/12-12/31/12 ROPS); and (2) the Ramona Park Apartments project (identified as Line Item 183 on the initial 1/1/12-6/30/12 ROPS and as Line Item 103 on the 7/1/12-12/31/12 ROPS).

In our opinion, the City has the authority to retain unexpended proceeds from the 2005 Housing Bonds to fund the Belwood and Apartments and Ramona Park Apartments (and other) affordable housing projects for the following reasons:

A. Pursuant to Health & Safety Code §34176(a), the City of Long Beach timely elected to act as the "housing successor" to the RDA, which entitles the City to "retain the housing assets and functions of the [RDA], excluding [only] any amounts on deposit in the [RDA's] Low and Moderate Income Housing Fund."

B. Unexpended proceeds of the 2005 Housing Bonds constitute "housing assets" of the former RDA. Those unexpended proceeds are *not* "amounts on deposit in the [RDA's] Low and Moderate Income Housing Fund" within the meaning of Health & Safety Code § 34176(a). In this regard, the February 1, 2005, Indenture of Trust entered into by and between the former RDA and The Bank of New York Trust Company, N.A. ("Trustee"), for the 2005 Housing Bonds required the bond proceeds to be deposited in a "Housing Proceeds Fund" established and held by the Trustee, *not* in the RDA's Low and Moderate Income Housing Fund (*id.*, see definitions of "Housing Proceeds Fund" and "Trustee" in Section 1.01, Section 2.01, and Sections 3.02-3.03).

C. The only authorized use of the unexpended proceeds of the 2005 Housing Bonds is for affordable housing purposes. In this regard, the Indenture of Trust requires bond proceeds to be used for "the financing of the housing activities of the Agency, consistent with the requirements of [Health & Safety Code] Section 33334.3 and other applicable provisions of the Redevelopment Law." It would violate the Indenture of Trust for unexpended proceeds to be disbursed to the County Auditor-Controller for allocation among the taxing entities.

D. The 2005 Housing Bonds and, in particular, the Indenture of Trust clearly constitute "enforceable obligations" of the former RDA. (See Health & Safety Code § 34171(d)(1)(A) and (B).) Section 34174(a) provides that "nothing in [ABx1 26] is intended to be construed as an action or circumstance that may give rise to an event of default under any of the documents governing the enforceable obligations." Section 34175(a) further provides that

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"[i]t is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. . . ." Finally, and most directly on point, Section 34177(b) expressly provides that "[b]ond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case the proceeds may be used to defease the bonds." (Emphasis added.) Since the purposes for which the 2005 Housing Bonds—financing affordable housing activities of the former RDA—still can be achieved, through the City acting as the former RDA's housing successor, the unexpended bond proceeds *must* be used for those purposes. It would be a violation of ABx1 26 to prevent the City from using the bond proceeds to implement the Belwood Apartments and Ramona Park Apartments affordable housing projects.

\* \* \*

Please let me know if you have any questions or comments regarding the subjects addressed in this letter.

Very truly yours,

RUTAN & TUCKER, LLP



Jeffrey M. Oderman

JMO:jmo  
Enclosure

cc: Amy Bodek, Director of Development Services  
Richard Anthony, Deputy City Attorney

1 Section 16 of the State Constitution and other  
2 Supreme Court authority.

3 So 34171 D2 does protect -- excuse me, does  
4 protect enforceable obligations that -- some  
5 enforceable obligations between the city and the  
6 redevelopment agency, and there is also a process  
7 in AB 26 for placing what are claimed enforceable  
8 obligations onto the obligation payments schedule  
9 and that is present in AB 26 itself.

10 THE COURT: Um-um. So what would be an  
11 example of a obligation that would not be  
12 enforceable as a result of this paragraph,  
13 paragraph 2 that you've been talking about here?

14 MR. ODERMAN: Was that directed at me, your  
15 Honor?

16 THE COURT: I am going to ask him, but I'll  
17 ask you in a second. I'll ask you first. Can you  
18 give me a specific example of what you think a  
19 contract would be that would not be honored in  
20 this context?

21 MR. ODERMAN: The City of Cypress entered  
22 into a loan agreement with its redevelopment  
23 agency some years ago in good-faith pursuant to  
24 then existing law to provide seed money to the  
25 redevelopment agency so that it could get going  
26 with its redevelopment program.

27 It's refinanced that loan in 2009, at a 5  
28 percent interest rate, and there are 23 million

1 dollars remain due and owing on that loan.

2 It's wiped out by AB 26 by this provision of  
3 AB 26. It does not qualify within either of the  
4 two very limited exceptions to the general rule  
5 that contracts between the city and redevelopment  
6 agency are eliminated.

7 THE COURT: Let me get a comment from the  
8 State.

9 MR. MOODY: May I be heard?

10 THE COURT: Sure.

11 MR. MOODY: I think that's far from clear.  
12 Obviously what the legislature was trying to get  
13 at here was once Governor Brown suggested he  
14 thought redevelopment agencies should go away, all  
15 sorts of shenanigans started to occur between  
16 redevelopment agencies and their sponsors.

17 This is an attempt to prevent things like  
18 we're going to take all your cash and we're going  
19 to transfer it to the city.

20 And that's not going to be an enforceable  
21 obligation, but when you read the very terms of  
22 the section that they're citing, it says that  
23 written agreements entered into that are for the  
24 purpose of securing or repaying indebtedness may  
25 be deemed enforceable.

26 I would point out the fatal flaw in the  
27 argument being advanced by petitioners is that  
28 they do not ever deal with the Article 16 Section

1 16 requirement that this money flow to  
2 redevelopment obligations until the debts are  
3 paid.

4 And the discussion in the California Supreme  
5 Court opinion at pages 34 and 35 are very  
6 illuminating. And they talk about redevelopment  
7 agencies quote "Have a conditional right to the  
8 allocation of tax increment to the extent of any  
9 existing indebtedness," that's at the bottom of  
10 34.

11 And then on 35 the Court notes that part 1.8  
12 here in AB 26 respects the need to satisfy  
13 existing indebtedness. So if you have  
14 indebtedness that was incurred pursuant to Article  
15 16 Section 16 tax increment you have people buying  
16 notes, signing contracts, purchasing bonds in  
17 reliance on tax increment backing that up AB 26  
18 takes care of those people. And to the extent the  
19 city has entered into indebtedness or contract for  
20 those same purposes there is no reason that AB 26  
21 would invalidate those contracts.

22 THE COURT: Now, I'm going to go back here,  
23 and I'm going to ask you to wrap it up. I want  
24 you to bring this back to the pro rata share.

25 MR. ODERMAN: Thank you, your Honor.  
26 Before leaving this point, I'd like to also bring  
27 the Court's attention, section 34178 A at page 37  
28 of the bill, which reads -- I'll read just the

1 beginning part of it commencing on the operative  
2 date of this part which would now be February 1.

3 THE COURT: Wait just a second. I am not  
4 with you yet. Give me the cite again. Page 37?

5 MR. ODERMAN: 37.

6 THE COURT: 37 is 34175.

7 MR. ODERMAN: 34178. It is 34178, I may be  
8 looking at a different version of the bill.

9 MR. MOODY: Page 28.

10 MR. GOLDSTEIN: Yeah, I think it is page 28.

11 MR. ODERMAN: 28. Okay.

12 THE COURT: Let me have just a moment to get  
13 up with you. Okay.

14 MR. ODERMAN: "Commencing on the operative  
15 date of this part agreements, contracts or  
16 arrangements between the city or county, or city  
17 and county that created the redevelopment agency  
18 and the redevelopment agency are invalid and shall  
19 not be binding on the successor agency."

20 THE COURT: Right.

21 MR. ODERMAN: So this is one of --

22 THE COURT: Isn't that just an attempt  
23 prevent -- excuse me, sweetheart arrangements?

24 MR. ODERMAN: No. Your Honor.

25 THE COURT: During the phase out and  
26 transition period?

27 MR. ODERMAN: No. It's, it applies to any  
28 contractual arrangements. The agency hasn't had

1 the authority to enter into a new contract since  
2 June of last year.

3 THE COURT: I understand that. And this  
4 would be in anticipation that they are about to be  
5 phased out, you enter into as many contracts as  
6 you can to have enforceable obligation that  
7 sustain the redevelopment agency contrary to the  
8 intent of the law.

9 MR. ODERMAN: Well.

10 THE COURT: It's a freeze.

11 MR. ODERMAN: If the legislature -- that's  
12 not what the legislature did.

13 THE COURT: I'm over here. Am I  
14 misconstruing this provision?

15 MR. MOODY: No, you're not, Judge. For him  
16 to stop at that point in his recitation is quite  
17 misleading.

18 THE COURT: I understand the notwithstanding  
19 and then the exceptions that are identified there.

20 MR. MOODY: Right. So there is a whole host  
21 of things.

22 THE COURT: Now, I want to get you back to  
23 the pro rata share.

24 MR. ODERMAN: Yes, your Honor. Again, there  
25 are five -- four we identified, five really  
26 elements to this waterfall that all come into play  
27 before the pro rata distribution.

28 And those are -- and they are not just