

OVERSIGHT BOARD  
SUCCESSOR AGENCY  
TO THE WEST HOLLYWOOD  
COMMUNITY DEVELOPMENT COMMISSION

AUGUST 23, 2012

SUBJECT: CONSIDER A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JANUARY 1, 2013 THROUGH JUNE 30, 2013, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34180

INITIATED BY: SUCCESSOR AGENCY  
(David Wilson, Interim Director of Finance) *DW*  
(Elizabeth Savage, Manager – Rent Stabilization & Housing) *EM*  
(John Leonard, Project Development Administrator) *JLL*  
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STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of the Recognized Obligation Payment Schedule and Successor Agency Administrative Budget for the period from January 1, 2013 through June 30, 2013.

RECOMMENDATION:

Adopt Resolution No. \_\_\_\_\_ "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JANUARY 1, 2013 THROUGH JUNE 30, 2013, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34180"

BACKGROUND ANALYSIS:

**A. AB x1 26 and AB 1484**

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down the former redevelopment agency operations and obligations. Pursuant to Health and Safety Code Section ("H&SC") 34177(m), successor agencies are required to continue to make payments due for enforceable obligations of the former redevelopment agencies. A Recognized Obligation Payment Schedule ("ROPS") must be prepared by the

AGENDA ITEM VII.5.

Successor Agency setting forth the minimum payments and due dates of payments required by enforceable obligations for each six-month fiscal period and presented to the Oversight Board of the Successor Agency ("Oversight Board") for approval.

H&SC Section 34177(j) also requires that each successor agency prepare an administrative budget for each six month period and submit that administrative budget to their oversight board for approval. Administrative budgets include the following three items:

- 1) Estimated amounts for successor agency administrative costs for the upcoming six-month period;
- 2) Proposed sources of payment for the costs identified in the administrative budget; and
- 3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.

On June 27, 2012, a clean-up bill to AB x1 26 was enacted by the State Legislature ("AB 1484"). AB 1484 created specific new deadlines for ROPS review and approval, intended to provide the reviewing agencies additional time for review. The Successor Agency was required to submit a copy of the draft ROPS to the County Administrative Officer, County Auditor-Controller ("Auditor-Controller"), and Department of Finance ("DOF") at the same time that it submitted the ROPS to the Oversight Board for approval; this requirement was met. The Auditor-Controller is authorized to object to any item on the ROPS or the proposed funding source prior to or after Oversight Board consideration. If the Oversight Board disagrees with the Auditor-Controller, it may refer the matter to DOF for final determination.

The date by which the ROPS for the period from January 1, 2013 through June 30, 2013 ("ROPS No. 3") must be approved by the Oversight Board and submitted to the DOF, Auditor-Controller, and State Controller's Office was accelerated from October 1, 2012 to September 1, 2012. DOF will have 45 days to review and approve the ROPS, or object to any of the enforceable obligations. If the Successor Agency disputes DOF's determination, it can request to meet and confer with DOF within 5 days of their determination. DOF will make the final determination regarding the dispute and must notify the Successor Agency and Auditor-Controller of its determination with 15 days before the date of property tax distribution by the Auditor-Controller.

If the Successor Agency and Oversight Board fail to meet the September 1 deadline, the City of West Hollywood may be liable for substantial penalties, including a \$10,000 per day penalty for each day past the deadline that the ROPS is not submitted to DOF. The fourth and all subsequent approved ROPS must be submitted to DOF at least 90 days in advance of the Auditor-Controller's

semi-annual distribution of funds from the Redevelopment Property Tax Trust Fund.

AB x1 26, as amended by AB 1484, also details the administrative cost allowance provided to each successor agency. Pursuant to H&SC Section 34171(b) the administrative cost allowance provided to each successor agency, for each fiscal-year, starting with the 2012-13 fiscal year, can be up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund, for the successor agency, or two hundred and fifty thousand dollars (\$250,000), whichever is greater, unless the Oversight Board reduces the amount. AB x1 26, as amended by AB 1484, also provides that the administrative cost allowance detailed above shall exclude, and shall not apply to, any administrative costs that can be paid for from bond proceeds or from sources other than property tax. Lastly, it states that, the administrative cost allowance shall exclude any litigation expenses related to assets or obligations, settlements and judgments, the costs of maintaining assets prior to disposition, and employee costs associated with work on specific project implementation activities, including items such as construction inspection, project management, or actual construction.

**B. ROPS No. 3**

The enforceable obligations listed on ROPS No. 3 are similar to those listed on ROPS No. 1 and ROPS No. 2, which were approved by the Oversight Board on May 21, 2012 and subsequently approved by DOF on May 31, 2012. Additionally, ROPS No. 3 includes two items which have been added based on additional obligations imposed by AB 1484 and the ongoing LAUSD litigation (see below) involving the Successor Agency.

Item No. 10, concerning a contract with Lance, Soll, and Lunghard for auditing services, has been added to pay for auditing and due diligence reviews required by AB x1 26 and AB 1484.

Item No. 11, concerns payments required to be made by the Successor Agency to the Los Angeles Unified School District pursuant to a Writ of Mandate issued in *Los Angeles Unified School District v. County of Los Angeles*, Case No. BS108180. The Court held that the County did not properly calculate certain pass-through payments to be made to LAUSD and that the County and successor agencies are now required to pay LAUSD the difference in the amount owed, plus interest, as part of its ROPS No. 3 obligations. The amount owed is dependent on certain calculations to be provided by the County and cannot be known at this time, but will be available before the Oversight Board considers approval of the ROPS. Therefore, Successor Agency staff will notify the Oversight Board of the proper amount at the August 23 meeting, for inclusion on the ROPS. The following provides brief descriptions of the enforceable obligations listed on ROPS No. 3.

**Enforceable Obligation Detail - January 1, 2013 through June 30, 2013**

- 1a) 2003 Tax Allocation Bond Debt Service (Non-Housing Principal) – Non-housing portion of principal repayment; due on September 1 of each year.  
Payments Due: None  
Payment Source: n/a
- 1b) 2003 Tax Allocation Bond Debt Service (Non-Housing Interest) – Non-housing portion of interest payment; one half of the interest payment is due on March 1 and September 1 of each year.  
Payments Due: \$183,420  
Payment Source: Redevelopment Property Tax Trust Fund (“RPTTF”)
- 1c) 2003 Tax Allocation Non-Housing Bond Fees – Bond fee payment for non-housing portion; due on September 1 of each year.  
Payments Due: None  
Payment Source: n/a
- 1d) 2003 Tax Allocation Bond Debt Service (Housing Principal) – Housing portion of principal repayment; due on September 1 of each year.  
Payments Due: None  
Payment Source: n/a
- 1e) 2003 Tax Allocation Bond Debt Service (Housing Interest) – Housing portion of interest payment; one half of the interest payment is due on March 1 and September 1 of each year.  
Payments Due: \$80,228  
Payment Source: RPTTF
- 1f) 2003 Tax Allocation Housing Bond Fees – Bond fee payment for housing portion; due on September 1 of each year.  
Payments Due: None  
Payment Source: n/a
- 2a) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Principal) – Principal repayment for non-housing bonds; due on September 1 of each year. The Series A Tax-Exempt Bonds were issued on March 2, 2011, with proceeds in the amount of \$30,560,000. The Series A Bond proceeds are encumbered for the implementation of Phase 1 of the Plummer Park Master Plan, pursuant to the bond

covenants contained in the Bond Official Statement "Plan of Finance"; see ROPS items 8a and 8b.

Payments Due: None  
Payment Source: n/a

- 2b) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Interest) – Interest payment for non-housing bonds; one half of the interest payment is due on March 1 and September 1 of each year. The Series A Tax-Exempt Bonds were issued on March 2, 2011, with proceeds in the amount of \$30,560,000. The Series A Bond proceeds are encumbered for the implementation of Phase 1 of the Plummer Park Master Plan, pursuant to the bond covenants contained in the Bond Official Statement "Plan of Finance"; see ROPS items 8a and 8b.

Payments Due: \$1,038,250  
Payment Source: RPTTF

- 2c) 2011 Tax Allocation Non-Housing Bonds Series A Bond Fees – Bond fee payment for non-housing bonds; due on March 1 of each year.

Payments Due: \$1,590  
Payment Source: RPTTF

- 3a) 2011 Tax Allocation Housing Bonds Series B Debt Service (Principal) – Principal repayment for housing bonds; due on September 1 of each year. The Series B Bonds were issued on March 2, 2011, with proceeds in the amount of \$9,420,000. The Series B Bond proceeds are encumbered for low and moderate income housing projects within the East Side Redevelopment Project Area, pursuant to the bond covenants contained in the Bond Official Statement "Plan of Finance"; see ROPS items 5b, 6b, and 6c.

Payments Due: None  
Payment Source: n/a

- 3b) 2011 Tax Allocation Housing Bonds Series B Debt Service (Interest) – Interest payment for housing bonds; one half of the interest payment is due on March 1 and September 1 of each year. The Series B Bonds were issued on March 2, 2011, with proceeds in the amount of \$9,420,000. The Series B Bond proceeds are encumbered for low and moderate income housing projects within the East Side Redevelopment Project Area, pursuant to the bond covenants contained in the Bond Official Statement "Plan of Finance"; see ROPS items 5b, 6b, and 6c.

Payments Due: \$410,694  
Payment Source: RPTTF

- 3c) 2011 Tax Allocation Housing Bonds Series B Bond Fees – Bond fee payment for housing bonds; due on March 1 of each year.

Payments: \$1,590  
Payment Source: RPTTF

- 4) City Advancement and Reimbursement Agreement - This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period. It was placed on ROPS No. 3 pursuant to H&SC Section 34817(a)(1).

Payments: None (obligation retired/paid-off)  
Payment Source: n/a

- 5a) ALA – Janet Witkin Center Project (Affordable Housing Loan) – This enforceable obligation will be paid off during the period July 1, 2012 through December 31, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period. It was placed on ROPS No. 3 pursuant to H&SC Section 34817(a)(1).

Payments: None (obligation to be retired/paid-off)  
Payment Source: n/a

- 5b) ALA – Janet Witkin Center Project (Oversight [Employee] Costs) – Direct employee costs to manage and oversee the terms and conditions of the agreement during pre-development and construction, including construction monitoring, to insure prudent and appropriate use of bond proceeds by the contractors and developer.

Payments: \$36,413  
Payment Source: 2011 Series B Housing Bond proceeds

- 6a) La Brea Courtyard Project (Pre-Development Loan) – This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period. It was placed on ROPS No. 3 pursuant to H&SC Section 34817(a)(1).

Payments: None (obligation retired/paid-off)  
Payment Source: n/a

- 6b) La Brea Courtyard Project (Permanent Financing Loan) – On November 15, 2010, the CDC executed a loan with WHCHC for acquisition and pre-development financing for the project. This second loan for the project would be in the amount of \$3.5 million, and would provide a portion of the permanent financing for the project. Construction on the project began the week of May 7, 2012. This obligation is funded from 2011

Series B Housing Bond proceeds, as encumbered BY the bond covenants.

Payments: \$3,500,000  
Payment Source: 2011 Series B Housing Bond proceeds

- 6c) La Brea Courtyard Project (Oversight [Employee] Costs) – Direct employee costs to manage and oversee the terms and conditions of the agreements during pre-development and construction, including construction monitoring to insure prudent and appropriate use of CDC funds and bond proceeds by the contractors and developer.

Payments: \$35,664  
Payment Source: 2011 Series B Housing Bond proceeds

- 7) West Hollywood Community Housing Corporation – Disabled Access Improvements and Rehabilitation of Low and Moderate Income Affordable Housing Projects – WHCHC has a portfolio of 334 affordable housing units in the City. Most of these units are located in the former East Side Redevelopment Project Area. Several buildings are in need of rehabilitation and renovation, including greater access for the disabled. The \$1,823,938.77 cost for this project will be funded by proceeds from the 2011 Series B Housing Bonds, as encumbered by the bond covenants.

Payments: None  
Payment Source: n/a

- 8a) Phase 1 – Plummer Park Master Plan (Construction Costs – Hard and Soft) – The Plummer Park Master Plan was first adopted by the City Council in March 1994, and updated by the City Council on October 4, 2004. The Master Plan was developed through broad community outreach and the work of the Park Master Plan Steering Committee. Implementation of the Master Plan was included in the Five-Year Implementation Plan adopted by the West Hollywood Community Development Commission on December 17, 2007, as well as the list of the City's Capital Projects. Schematic design drawings for the Park were approved by Council on October 18, 2010. The project includes implementation of Phase 1 of the Plummer Park Master Plan, which would create 179 spaces of underground parking, replacing surface parking, and would also demolish outdated buildings to add an acre of open space to the Park. It would also include extensive landscape and lighting improvements, disabled access, and better security and visibility in the park. This project is funded completely by proceeds from the 2011 Series A Non-Housing Bonds, as encumbered by the bond covenants.

Payments: \$1,050,000  
Payment Source: 2011 Series A Non-Housing Bond proceeds

- 8b) Phase 1 – Plummer Park Master Plan (Oversight [Employee] Costs) – Direct employee costs to manage and oversee the project during pre-development to insure prudent and appropriate use of tax-exempt bond proceeds.

Payments: \$64,360  
Payment Source: 2011 Series A Non-Housing Bond proceeds

- 9) FY11-12 (July 2011 – Jan 2012) Pass-Through Payments – This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period. It was placed on ROPS No. 3 pursuant to H&SC Section 34817(a)(1).

Payments: None (obligation retired/paid-off)  
Payment Source: n/a

- 10) Audit Services Required by AB x1 26, as Amended by AB 1484 – Auditing and accounting services to complete annual audit and due diligence reviews, as required by AB x1 26, as amended by AB 1484.

Payments: \$22,416  
Payment Source: RPTTF

- 11) Writ of Mandate in Los Angeles Unified School District v. County of Los Angeles – On June 15, 2012, a writ of mandate was issued in *Los Angeles Unified School District v. County of Los Angeles*, which imposes additional obligations on Los Angeles County and successor agencies within the County regarding pass-through payment calculations. First, the Auditor-Controller must recalculate pass-through payments for each fiscal year from 2003-04 through January 31, 2012, consistent with the Court's order, and notify each successor agency of the correct amount. Successor agencies must then calculate the amount of statutory pass-through payments due to LAUSD pursuant to the writ of mandate, including 7% interest on the amount due. The amount owed by the Successor Agency must be listed on the January – June 2013 ROPS and the full amount owed must be remitted to LAUSD on or before the first distribution date for the January – June 2013 ROPS. At this time the Auditor-Controller has not provided the Successor Agency with the recalculated pass-through payment amounts pursuant to the writ of mandate. Once the Successor Agency receives the recalculated pass-through payment amounts, Successor Agency staff will calculate the amount owed to LAUSD and place that payment amount on the January 2013 through June 2013 ROPS.

Payments: TBD  
Payment Source: RPTTF



- 12) Successor Agency Administrative Costs/Budget – Various administrative costs for continued operation of the Successor Agency, for the period January 1, 2013 through June 30, 2013. See Attachment 2.

Payments: \$125,000  
Payment Source: Administrative Allowance

**C. Administrative Budget**

The Successor Agency has prepared a proposed Administrative Budget for the period from January 1, 2013 through June 30, 2013 (“Administrative Budget No. 3”), which is included as Attachment 2. Administrative Budget No. 3 includes estimates of administrative costs and sources of payment, as required by AB x1 26. Administrative Budget No. 3 is based on a \$250,000 cost allowance for the entire fiscal year (2012-13), excluding any amounts which can be paid from bond proceeds or sources other than property tax. Staff determined that the “3 percent” calculation, as detailed previously, would yield an administrative cost allowance of \$121,789 for the entire 2012-13 fiscal year, substantially less than the fixed amount of \$250,000. Pursuant to AB x1 26, the Successor Agency may use other assets and revenues to pay for any administrative costs in excess of the administrative cost allowance.

For Administrative Budget No. 3, the Successor Agency estimates administrative costs in the amount of \$128,255. The budget includes Successor Agency staffing costs, overhead costs, as well as other contract and legal services. All staffing costs associated with projects funded through bond proceeds were not included. Administrative Budget No. 3 costs will be paid for with one-half of the Successor Agency \$250,000 administrative cost allowance for the fiscal year 2012-13. Upon approval of Administrative Budget No. 3 the Successor Agency will request \$125,000 in administrative cost allowance funds from the Auditor-Controller, one-half of the \$250,000 administrative cost allowance for fiscal year 2012-13. The requested amount of \$125,000 is also listed on the Successor Agency’s Recognized Obligation Payment Schedule for the same period (January 2013 through June 2013); see ROPS item 12.

**FISCAL IMPACT:**

\$6,549,625 in RPTTF, 2011 Series A and B Bond proceeds, and Administrative Allowance would be allocated to meet the obligations detailed on ROPS No. 3, as detailed in the following table. This amount will be amended prior to Oversight Board approval to incorporate the amount owed to LAUSD pursuant to the Writ of Mandate discussed above.

<b>Funding Source</b>	<b>Amount</b>	<b>ROPS Line Items Paid</b>
RPTTF	\$1,738,188	1b, 1e, 1f, 2b, 2c, 3b, 3c, 10, 11
2011 Series A Non-Housing Bond Proceeds	\$1,114,360	8a, 8b
2011 Series B Housing Bond Proceeds	\$3,572,077	5b, 6b, 6c
Administrative Allowance	\$125,000	12
<b>Total</b>	<b>\$6,549,625</b>	

ATTACHMENTS:

- Attachment 1: Recognized Obligation Payment Schedule for the period from January 1, 2013 through June 30, 2013.
- Attachment 2: Successor Agency Administrative Budget for the period from January 1, 2013 through June 30, 2013.
- Attachment 3: Resolution