



**PLEASANT HILL REDEVELOPMENT
SUCCESSOR AGENCY STAFF REPORT
TO THE CONTRA COSTA COUNTY
CONSOLIDATED OVERSIGHT BOARD**

Meeting Date: September 28, 2020

TO: CONTRA COSTA COUNTY CONSOLIDATED OVERSIGHT BOARD MEMBERS

SUBJECT: RESOLUTION APPROVING PLEASANT HILL SUCCESSOR AGENCY AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JANUARY 1, 2021 THROUGH JUNE 30, 2021 (AMENDED ROPS 20-21)

SYNOPSIS

The City of Pleasant Hill Redevelopment Successor Agency (Successor Agency) prepared a Recognized Obligation Payment Schedule (ROPS) for the July 1, 2020 through June 30, 2021 period (ROPS 20-21), which was approved by the Contra Costa County Consolidated Oversight Board (Oversight Board) and the California Department of Finance (DOF). It is necessary to amend the ROPS in order to receive \$230,335 in additional revenues to pay down approved enforceable obligations as permitted by law. The Successor Agency requests adoption of the attached resolution approving the Amended ROPS 20-21B for the period January 1, 2021 through June 30, 2021.

DISCUSSION

Background

The Successor Agency is required to prepare a ROPS for each 12-month period of its operations, broken down into two periods from July through December (ROPS A), and January through June (ROPS B). The ROPS lists all projected financial obligations of the former Agency due over the upcoming fiscal year and the amount of property tax increment revenue (now called "Redevelopment Property Tax Trust Funds" or "RPTTF" revenue) needed to pay those obligations.

The Pleasant Hill Successor Agency had a total outstanding obligation of approximately \$39 million as of the ROPS 20-21. DOF approved \$3,134,993 in ROPS 20-21 payments due between July 1, 2020 and June 30, 2021. Obligations consist of bonds and related fees, developer agreements, and loans owed to the Low and Moderate Income Housing Asset Fund.

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The Successor Agency is permitted to amend the ROPS to increase the amounts requested for approved enforceable obligations in the ROPS B period if necessary to make required payments. Staff has determined it is necessary to amend the ROPS 20-21B to make a payment on ROPS Item 5, which is a payment owed to a third party under an Owner Participation Agreement (OPA). The Successor Agency is also requesting increased funds under ROPS Item 1 to correct for an inaccurate Prior Period Adjustment made to the ROPS 20-21. This is discussed in greater detail in the next section.

Analysis

ROPS Item 5, Friedmans @ Crossroads OPA (\$100,000 increase)

Staff is requesting \$100,000 of additional funding for ROPS Item 5. This obligation must be paid as part of an Owner Participation Agreement owed to PH Holdings LP (“OPA”).

The OPA requires an annual payment that varies based on project site assessed values, actual tax collections, and other factors. The payment is made in two installments each year. When the ROPS is prepared in January for the upcoming fiscal year, the OPA payment is estimated based on projected growth in assessed values, tax collections, and County administrative charges. The payment amount must be recalculated and “trued-up” in August of each year after actual assessed values and other factors are known.

The fiscal year 2020-21 payment calculation was updated in August 2020 based on actual site assessed values. The updated calculation determined that an estimated \$600,000 payment is owed for the ROPS 20-21 period. More detailed calculations are provided as Attachment 1 to this staff report.

DOF originally approved a \$500,000 payment on the ROPS 20-21 based on the Successor Agency’s January 2020 estimates. The payment increased because site assessed values increased significantly after certain properties subject to the OPA were sold in September 2019. Table 1 shows that the difference between the updated calculation and the original estimate is \$78,513. This is only an estimate; the actual payment amount will not be known until supplemental tax bills are issued for the properties. The Successor Agency is rounding up the projected payment to \$100,000 in case the supplemental tax estimate is too low. DOF has directed the Successor Agency to overestimate payments in order to avoid being underfunded on the ROPS. Any difference between the approved and actual payment amount will be reconciled through a Prior Period Adjustment.

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Amended ROPS 20-21 Item 5 Table 1

Pleasant Hill Successor Agency

	Total Owed	Less Amount Approved on ROPS	Additional RPTTF Needed
2020-21 Taxes	529,475		
2019-20 Supplemental Taxes	49,038		
Total¹	\$ 578,513	\$ 500,000	\$ 78,513

¹Rounded up to \$100,000 in case supplemental taxes are greater than estimated.

Prior Period Adjustment Correction (\$130,335)

The Successor Agency is requesting an additional \$130,335 to correct for an inaccurate Prior Period Adjustment (PPA) 17-18, which reduced funding for the ROPS 20-21. The Contra Costa County Auditor-Controller (CAC) advised the Successor Agency to request a correction on the Amended ROPS 20-21 after conferring with DOF.

The CAC is responsible for distributing RPTTF revenues to Successor Agencies to fund the ROPS. It is also responsible for reviewing approved versus actual expenditures in prior years. If a Successor Agency spends less money than approved on a ROPS item, the difference is deducted as a PPA from a future RPTTF distribution. For example, if DOF approved spending \$100 on a ROPS item, but a successor agency only spent \$50, the next RPTTF distribution is decreased by \$50. This ensures that successor agencies utilize unspent funds sitting in their accounts before the CAC distributes additional RPTTF revenues.

When the CAC distributed RPTTF for ROPS 17-18B obligations in January 2018, it mistakenly made an overpayment of \$130,335 to the Successor Agency. The CAC subsequently reduced the January 2019 (ROPS 18-19B) RPTTF distribution by \$130,335 to correct for the ROPS 17-18B overpayment. The Successor Agency was expected to save the \$130,335 overpayment from January 2018 to apply to ROPS 18-19 obligations.

When the Successor Agency prepared the PPA 17-18 form reporting the amount of RPTTF available for ROPS 17-18 obligations, the \$130,335 overpayment was included as available RPTTF. This resulted in a self-reported PPA of \$78,343. The CAC determined during its review that the \$130,335 should not be included as available RPTTF for ROPS 17-18 obligations, because it should be reserved for ROPS 18-19 obligations. This resulted in the CAC calculating a PPA of \$0.

In the ROPS 20-21 determination letter, DOF did not apply the CAC's \$0 PPA and instead applied a \$78,343 PPA. The CAC noticed the error, and after conferring with DOF, they advised the Successor Agency to amend the ROPS 20-21 to correct the discrepancy. The

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CAC's e-mail to the Successor Agency making this recommendation is provided as Attachment 2 to this staff report.

Although the inaccurate PPA amount was \$78,343, the Successor Agency is requesting \$130,335 because that is the amount thought to be available for ROPS 17-18 obligations based on the CAC's overpayment. If the Successor Agency were to request only \$78,343, its ROPS 17-18 obligations would be underfunded by \$51,992 (see Table 2).

<u>Amended ROPS 20-21 PPA Correction</u>	<u>Table 2</u>
Pleasant Hill Successor Agency	
ROPS 17-18 RPTTF Distributed (Actual)	\$ 3,124,020
ROPS 17-18 Expenditures (Actual)	3,045,677
Difference	\$ 78,343
Reduction to correct for ROPS 17-18B Overpayment	(130,335)
ROPS 17-18 Shortfall	\$ (51,992)
Amended ROPS 20-21 Correction Requested	\$ 130,335

The \$130,335 correction is being requested under Amended ROPS 20-21 Item 1, however it impacts all ROPS items. If the Oversight Board or DOF denies the amendment, the ROPS 17-18B overpayment of \$130,335 will be deducted twice from Successor Agency revenues: once through the PPA 17-18, and second through the CAC's ROPS 18-19 deduction.

RECOMMENDED ACTION

Successor Agency staff recommends that the Oversight Board adopt a resolution approving the Amended ROPS 20-21B of the City of Pleasant Hill Redevelopment Successor Agency for January 1, 2021 through June 30, 2021.

ALTERNATIVES TO RECOMMENDED ACTION

Alternatives include not approving the proposed ROPS or revising the identified line items or funding amounts.

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Attachments:

1. Detailed Payment Calculations for ROPS 20-21, Item 5
2. Email correspondence with County Auditor-Controller directing Successor Agency to amend ROPS 20-21 to make up for inaccurate Prior Period Adjustment
3. Resolution of the Oversight Board for the City of Pleasant Hill Redevelopment Successor Agency Approving an Amended Recognized Obligation Payment Schedule of the City of Pleasant Hill Redevelopment Successor Agency for the Period January 1, 2021 through June 30, 2021

Exhibit A Pleasant Hill Redevelopment Successor Agency Amended
Recognized Obligation Payment Schedule January 1, 2021
through June 30, 2021 (Amended ROPS 20-21B)