



October 1, 2012

Ms. Daisy Rose
Analyst
California Department of Finance
Local Government Unit
Sacramento, CA
Daisy.Rose@dof.ca.gov

**SUBJECT: RESPONSE TO DOF RELATED TO THIRD ROPS FOR FISCAL PERIOD
JANUARY 1 THROUGH JUNE 30, 2013**

Dear Ms. Rose,

This letter responds to your request dated September 27 for supporting documentation and information for certain items in our Third Recognized Obligation Payment Schedule (ROPS) for the fiscal period from July 1 to December 31, 2012.

Item 1. City Loan (City-Agency Cooperation Agreement)

For the City loan to the Agency including interest, supply executed contracts/agreements for this loan in order to verify the date the loan was approved.

Response: A copy of the Cooperative Agreement dated June 15, 1993 is attached as Item 1. The San Gabriel Redevelopment Agency's minutes of the June 15, 1993 meeting is attached verifying the date the loan was approved. The loans occurred annually and are delineated on the annual City of San Gabriel Statement of Indebtedness (SOI). The most recent SOI Form A filed for the 2011-12 tax year is attached for your information and use. Also attached is the City of San Gabriel Schedule of RDA Successor Agency Payable as of 6/30/2012 and the City of San Gabriel Schedule of Redevelopment Payable as of 1/31/2012. This Schedule of RDA Successor Agency Payable shows the \$4,270,807 as the ending balance. The amount of \$230,250 represents the Successor Agency's repayment of the City's loan which is shown on the Third ROPS leaving a remaining total outstanding debt or obligation after 6/30/2013 of \$4,040,557.

Item 17. Agreement for the Provision of Affordable Housing between the Agency and CETT Investments

What is the obligation of the Financial Assistance with the Payee CETT Investments Corporation? Please supply the executed contract/agreement in the amount of \$1,668,900 as stated on the form.

Response: The executed contract/agreement with CETT Investments Corporation is included in Item 17 Attachment. The Agreement requires the Agency to purchase affordability covenants in four moderate-income two-bedroom units at \$288,600/each for a total of \$1,154,400. In addition, the

developer is to set aside one two-bedroom unit for a very low-income household. At the Agency's option, the unit may be required to be sold at an affordable housing cost to a very low-income household, or the Agency may purchase the unit for subsequent rental to a very low-income household. In the second option, the sales price is equal to \$514,500. In the first option, the cost to purchase an affordability covenant is \$460,600. Therefore the Agency's maximum financial commitment is \$1,668,900. The Agency's financial assistance to the purchasers of the units constitute loans that are to be repaid, without interest, upon the first sale of the unit following expiration of the 45 year affordability covenant. The Agency note will be subordinated to the home buyer's first trust deed loan used to purchase the home. The Agreement may be terminated by the Agency if the developer does not complete construction by April 6, 2013, 27 months from the January 6, 2011 date of the Agreement. The mixed-use project is currently under construction.

Item 25. San Gabriel Blvd. Streetscape Improvement Project

Supply the construction contract that has been executed for the project (signed and dated) which includes the amount listed on the form.

Response: The Item 25 Attachment contains the construction contract for \$758,497.75. The contract was approved by the City Council and Agency on July 19, 2011 and the Meeting Minutes are attached. We issued various change orders during construction which increased the contract amount by \$926,041.47. There were two funding sources for this project, RDA in the amount of \$553,869.75 and federal CDBG funds in the amount of \$372, 171.72. The Notice of Completion was filed April 3, 2012. The contracts associated with this project were entered into prior to June 28, 2011, with the exception of the construction contract with Marina which was entered into after that date in reliance on the City's election to continue redevelopment under ABx1 27.

The Successor Agency filed an appeal on June 15, 2012 to DOF requesting that all provisions of AB x1 26 and 27 be applied in the review of this item. A copy of the appeal package is contained in Item 25.

Health and Safety Code §34177.3((d), added by AB 1484, has retroactively declared invalid contracts entered into in reliance on ABx1 27. However, the balance of the Successor Agency's legal analysis in its appeal remains valid. The Oversight Board is empowered to and has authorized the City to retain the improvements. Notwithstanding AB1484's declaration that the contract was ultra vires, it is inconceivable that a court would allow the Successor Agency to recover the money from the contractor. Accordingly, the expenditure should either be treated as an enforceable obligation or be written off as an unrecoverable loss for which neither the City nor the Successor Agency is responsible to provide indemnification.

Item 28. Street Haul Route Rehab / San Gabriel Blvd. Streetscape Bridge Enhancements for Trench

What is the obligation of this reimbursement? What is the situation and what deems this line item an enforceable obligation? Supply the documentation of executed agreements or contracts for the amount of this reimbursement.

Response: The San Gabriel Redevelopment Agency and City of San Gabriel approved a Betterment Agreement with the Alameda Corridor-East Construction Authority (ACE) regarding construction of various items as part of the construction of the San Gabriel Trench Grade Separation Project on March 8, 2011. This agreement is included in the Item 28 Attachment. Within the City of San Gabriel, the Union Pacific railroad track will be lowered in a trench to create grade separations and safety improvements. The Agreement provides \$419,243 of RDA funds for architectural treatments to the San Gabriel Boulevard bridge and \$264,612 of RDA funds for haul route to be reimbursed to ACE on a schedule with payments made to an escrow account in 2012, 2013, and 2014 for a total of \$685,000. These segments of the Trench project are located in the former redevelopment project area. Pursuant to the Agreement, ACE incorporated architectural plans specifications provided by the Agency into the Trench construction bid documents to be implemented by ACE's construction contractor. ACE entered into a construction contract with Walsh Construction Co. for the Trench project in July 2012 and construction is underway.

Item 29. San Gabriel Blvd. Gateway Corridor Improvements Project (Fairview to Grand)

Elaborate on this line item and the grant that was awarded. What are the terms of this grant and the situation of its awarding? Supply supporting documentation (signed and dated contracts) of this Metro grant award.

Response: On January 18, 2011, the San Gabriel Redevelopment Agency authorized the City Manager to apply for a 2011 MTA Call for Projects grant for \$500,000 and approved future RDA matching grants to make the application competitive. The minutes of this Council/Agency meeting are attached under item 29. Subsequently the City of San Gabriel submitted a grant application for the San Gabriel Boulevard Gateway Corridor Improvement Project. On September 14, 2011, the City was notified that its grant application was one of 180 applications received by Metro and one of 72 projects approved by the Metro Board of Directors. The funding amount received was \$538,307.

Metro awarded the project in its 2011 Call for Projects. The Metro Board report for September 14, 2011 is included as part of the Item 29 Attachment. The San Gabriel Boulevard Gateway Corridor Improvements Project is programmed for funding in fiscal years 15 and 17 as shown on Page 9 of Attachment B and the approved project scope and grant amount is shown on Page 38 of Attachment F of the Metro Board report. Typically, the funding agreement is executed in the beginning of the first programming year. In our case, we would execute the agreement with Metro in July 2014.

The Successor Agency filed an appeal on June 15, 2012 to DOF requesting that all provisions of AB x1 26 and 27 be applied in the review of this item as well as Item 25 above. A copy of the appeal package is included in the Item 25 Attachment noted above.

Please let me know if you have any questions regarding these items and I will gladly assist you.

Sincerely yours,



Robin D. Scherr
Economic Development Manager

ATTACHMENTS

Item 1:

City-Agency Cooperative Agreement dated June 15, 1993 (City Loan) including Agency Meeting Minutes of June 15, 1993

Statement of Indebtedness Form A as of June 30, 2011

City of San Gabriel Schedule of RDA Successor Agency Payable as of 6/30/2012

City of San Gabriel Schedule of Redevelopment Payable as of 1/31/12

Item 17:

Agency and CETT Investment Agreement for the Purchase of Affordability Covenants
January 4, 2011 City Council and Agency Meeting Minutes

Item 25:

Construction Contract with Marina Landscaping dated July 19, 2011

City Council and Agency Meeting Minutes of July 19, 2011

Successor Agency Appeal Letter to Mark Hill dated June 15, 2012 and attachments

Item 28:

City, Agency and ACE Betterment Agreement dated March 9, 2011.

City Council and Agency Meeting Minutes of March 8, 2011

Item 29:

City Council and Agency Minutes of January 18, 2011

September 14, 2011 Metro Board Report (Item 10) approving the 2011 Call for Projects

Successor Agency Appeal Letter to Mark Hill dated June 15, 2012 and attachments (See Item 25 above)

cc: California Department of Finance: Micheal Barr, Kylie Le
Los Angeles County Auditor-Controller: Kristina Burns, Arlene Barrera,
Successor@auditor.lacounty.gov
City of San Gabriel: Tom Marston, Peter Wallin