

DOF Memorandum dated October 15, 2012 referencing ROPS III involves specifically the denial of two items, nos. 20 & 43. The following outlines the Successor Agency's & Oversight Board's position:

Items 20 & 43: DOF's finding of Non-Qualification as Enforceable Obligations

Item No. 20- Downtown Development in the amount of \$246 million from bond proceeds. The Owner Participation Agreement (OPA) between Cathedral City Redevelopment Agency and City Urban Revitalization Corporation is not specific to any projects. Additionally, no construction contracts are in place. Pursuant to HSC section 34173(b), an agency is prohibited from enter from entering into a contract after June 27, 2011. Therefore, this is not an enforceable obligation.

1. The reference of \$246 million in bond proceeds is incorrect. We struggled with how to illustrate this on ROPS 3 with the requirement for same line item in DOF's instructions (This was split into separate items on ROPS 1 & ROPS II). Retrospectively, would have divided item 20 into two line items on ROPS 3 between the two funding sources – Bond proceeds and RPTTF. The delineation was noted on the Notation Page of ROPS 3.

Total bond funding is \$20 M of which \$4 M is being requested in ROPS 3

Total RPTTF is \$230 M, none of which is being requested in ROPS 3

2. City Urban Revitalization Corporation ("CURC") is a third-party developer, formed in 2001, has an independent board, has invested primarily in the hotel project with land acquisition commencing in 2001 involving 68 parcels and over 100 households.

- (a) Owner Participation Agreement ("OPA") is tied specifically to Disposition & Development Agreement ("DDA") – as noted on Notation Page of ROPS 3 for Item 20

- (b) First Amended and Restated OPA entered into on February 23, 2011

- (c) DDA entered into on June 8, 2011

- (d) Use of grant proceeds are specifically identified for projects

- OPA – Section 2.02(c) – land acquisition is specifically identified

- OPA – Section 2.02(d) – Refers to Exhibit C for projects

- OPA Exhibit C

- Item 1. Resort Conference Hotel

- Item 8. Land Acquisition

- Item 9. Demolition

- DDA – Section 2.02(b) Grant from OPA used as funding source

- DDA – Section 3.01(a) For uses identified in Summary Report – Exhibit D

- Financial Summary Report – Exhibit D

- Hotel is clearly identified in Summary Report – Referred to as Parcel 1

- Total development costs \$140 Million

- Total assistance required and committed is \$37 million

- Identifies private parcels to be acquired

- Other specific projects (7) involving multiple sites are also identified

- (e) In discussions with CURC, CURC has indicated it will pursue legal action for damages if commitment is not honored

Successor Agency of Cathedral City- MEET & CONFER 11/13/12

- (f) **2007 Tax Allocation Revenue Bond official statement** identifies commitment of \$25 million of proceeds to CURC for hotel project
3. The reference to *Pursuant to HSC section 34173(b)*, Successor Agency is NOT entering into new contracts but is merely honoring existing enforceable obligation. CURC is the entity that is contracting as part of their everyday business operations. In addition, we believe this is the wrong code section for the basis of DOF's denial.

Item No. 43. - Eagle Canyon Dam Memorandum of Understanding (MOU) in the amount of \$500,000 of bond proceeds. *The MOU is an intent to contract in the future; however, no contracts are in place. Pursuant to HSC section 34173(b), an agency is prohibited from entering into a contract after June 27, 2011. Therefore, this is not an enforceable obligation.*

1. Additional Documentation- Cooperation Agreement, dated July 27, 2010, with the Riverside County Flood Control and Water Conservation District (Exhibit 6) was provided to DOF as part of the Meet and Confer request.
- (a) District Drainage and Flood Control Facilities within a Redevelopment project area of Cathedral City, consistent with HSC 34171(d)(1)(G)(3)
 - (b) Over \$22 million project from multiple agencies
 - (c) Recites funding of up to \$1.5 million dollars for environmental cleanup as part of the flood control project and is the responsibility of City. ROPS I,II & III requests \$500,000
 - (d) Riverside County Flood Control and Water Conservation District is not the County but a Special District
2. Additional Documentation- Reimbursement Agreement-(provided to analysts however not provided during the Meet & Confer request). City and Agency dated January 17, 2011 states the RDA will reimburse the City for all project improvements. Eagle Canyon Dam (\$2.5 million) is a specific project improvement as is Storm Drain Line 43 and 43(a) (\$9.0 million), which is part of the entire project. The funding being requested is \$500,000 because other funding sources were by secured by Riverside County Flood Control District.
3. **2007 Tax Allocation Revenue Bond** identifies commitment of funds for a flood control system, which includes Eagle Canyon Dam and the Storm Drain Lines..
4. The reference to *Pursuant to HSC section 34173(b)*, Successor Agency is NOT entering into new contracts but is merely honoring an existing enforceable obligation. Riverside County Flood Control and Water Conservation District is the entity contracting as part of their business operations. In addition, we believe this is the wrong code section for the basis of DOF's denial.