



December 27, 2012

Ms. Debbie Potter, Development Manager
City of Alameda
2263 Santa Clara Avenue, Rm. 120
Alameda, CA 94501

Dear Ms. Potter:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated November 25, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Alameda successor agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on October 30, 2012. Finance issued a LMIHF DDR determination letter on November 25, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on December 13, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising the adjustments made in our previous LMIHF DDR determination letter. Specifically, we are revising the following adjustments:

- Balances retained for the Alameda Unified School District (AUSD) for affordable housing project in the amount of \$4,614,333. Finance's May 31, 2012 letter denied the agreement as an enforceable obligation on the Recognized Obligation Payment Schedules (ROPS) for the periods January through June 2012 and July through December 2012. Further, the transfer of the asset included in Housing Assets Transfer (HAT) form Exhibit C was disallowed with August 31, 2012 Finance letter. No contracts have been executed for anticipated projects. According to the Agency, the agreement is a pass through agreement with AUSD, in which the former redevelopment agency passed through eight percent of its LMIHF to AUSD by depositing the funds into a "District Housing Fund". These funds were held in a trust account and are restricted for use by AUSD for eligible affordable housing projects. The SA provided accounting records for the "Districts Housing Fund" as of June 30, 2012, which agreed to the DDR balance. Therefore, \$4,614,333 is allowed as a balance restricted for use.
- A total of \$49,009 out of the \$1,027,219 encumbered for the Jack Capon Villa project. The project was reported as an encumbrance on the HAT form and approved by Finance to be transferred to the housing successor entity. However, the HAT amount was \$978,210. Therefore, the difference of \$49,009 (\$1,027,219-\$978,210) was not allowed to be retained. According to the Agency, the DDR fund balance was as of June 30, 2012 and the HAT balance was as of July 31, 2012. The difference was due to

payments made during July 2012. The Agency provided documents to demonstrate total payments of \$47,057 including \$46,187 to Satellite Housing and \$870 for legal fees. The Agency explained that the remaining payments totaling \$1,952 were incorrectly allocated to the Agency and should be included in the fund balance to be remitted. Therefore, the amount not allowed to be retained is revised to \$1,952.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$1,952 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Balance retained not supported	1,952
Total LMIHF available to be distributed:	\$ 1,952

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

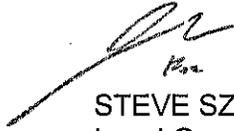
Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's

Ms. Debbie Potter
December 27, 2012
Page 3

Housing Assets Transfer letter dated August 31, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending from the end of the signature.

STEVE SZALAY
Local Government Consultant

cc: Mr. Fred Marsh, Controller, City of Alameda
Ms. Carol S. Orth, Division Chief, Tax Analysis, County of Alameda
California State Controller's Office