



REVISED

November 30, 2012

Ms. Mary Swink, Director of Development Services
City of Alhambra
111 South First Street
Alhambra, CA 91801

Dear Ms. Swink:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Alhambra Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on October 12, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities.

On November 9, 2012, Finance issued a letter stating the Agency's Low and Moderate Income Housing Fund (LMIHF) balance available for distribution to the affected taxing entities was \$4.3 million. Based on review of the additional documents provided by the Agency on November 14, 2012, Finance is no longer making the adjustment in the amount of \$380,715. It is now our understanding two items that were requested and approved in the January to June 2012 Recognized Obligation Payment Schedule (ROPS) were actually paid after June 30, 2012. Due to the timing difference, the DDR's June 30, 2012 cash balance included these encumbered funds; however, Finance's adjustment did not allow for the actual expenses incurred in fiscal year 2012-13. Therefore, the Agency's LMIHF balance available for distribution to the affected taxing entities is \$3,914,434 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 3,914,434
Finance Adjustments	
Add:	
Requested retained balance not supported:	0
Total LMIHF available to be distributed:	\$ 3,914,434

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 the 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 Housing Assets Transfer letter dated August 30, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Silvia Smith, Project Manager, City of Alhambra
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office