



December 15, 2012

Ms. Sheryl Montgomery, Senior Administrative Analyst
City of Anaheim
201 South Anaheim Boulevard, Suite 1003
Anaheim, CA 92805

Dear Ms. Montgomery:

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 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Anaheim Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on September 28, 2012. However, because the DDR and supporting documentation submitted by the Agency did not provide the required information, in our letter dated November 9, 2012, Finance reported that the Agency's DDR submission was invalid. 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 November 28, 2012.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on a review of clarifying information provided to Finance during the Meet and Confer process, the following adjustments were made:

- Total amount of assets held by the Agency as of June 30, 2012 should have been \$114,382. As such, the balance has been adjusted by \$98,368. It is our understanding that the retention of this balance is to pay for outstanding obligations that have not appeared on prior Recognized Obligation Payment Schedules (ROPS). Because these obligations have not been reviewed and approved by Finance, they are not enforceable obligations, and therefore, not eligible for LMIHF funding.
- The transfer of \$13,788,222 for Avon Dakota acquisition costs is denied. The Agency did not identify the cash transferred to the Anaheim Housing Authority (Authority) in the DDR provided to Finance. However, general ledgers were provided during the Meet and Confer process which identified the transaction.

The Avon Dakota project was denied as an enforceable obligation by Finance in our letter dated October 13, 2012. As a result of the Recognized Obligation Payment Schedule (ROPS) Meet and Confer process, Finance continues to deny this item as an enforceable obligation. Additionally, the Agency requested Redevelopment Property Tax Trust Fund funding on the January through June 2012 and July through December 2012 ROPS schedules, not LMIHF. Therefore, the transfer of LMIHF to the Authority is denied.

- The transfer of \$10,601 in available cash is denied. The Agency did not identify the cash transferred to the Authority in the DDR provided to Finance. However, general ledgers were provided during the Meet and Confer process which identified the transaction.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$13,897,191 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance	98,368
Denied ROPS items	13,788,222
Disallowed transfers	10,601
Total LMIHF available to be distributed:	\$ 13,897,191

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.

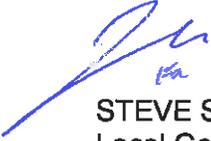
Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the

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city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer Meet and Confer letter dated October 5, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Nichelle Thomas, Supervisor or Wendy Griffe, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kerry Kemp, Community Investment Manager, City of Anaheim
Mr. Jeff Kirkpatrick, Administrative Manager, Orange County Community Resources
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office