



November 8, 2012

Ms. Angela Kraetsch, Director of Administrative Services
City of Arroyo Grande
300 East Branch Street
Arroyo Grande, CA 93420

Dear Ms. Kraetsch:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Arroyo Grande (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 15, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

Based on our review, Finance made no adjustments to the Low and Moderate Income Housing Fund (LMIHF) balance available for allocation to the affected taxing entities. As a result, there are no unencumbered LMIHF balances available for distribution.

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 Robert Scott, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Steve Adams, City Manager, City of Arroyo Grande
Ms. Barbara Godwin, Property Tax Manager, County of San Luis Obispo
California State Controller's Office