



November 30, 2012

Mr. Will Kaholokula, Director of Finance and Administrative Services
City of Bell Gardens
7100 S. Garfield Avenue
Bell Gardens, CA 90201

Dear Mr. Kaholokula:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The Successor Agency to the Bell Gardens Community Development Commission (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 25, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

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 our review of your DDR, the following adjustments were made:

- Your request to retain current balances to pay for future administrative expenses in the amount of \$807,510 is not allowed. To the extent your request is to pay for the housing entity's administrative expenses, HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Bell Gardens assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor.

To the extent this request is to retain funding for the Agency's future administrative expenses, HSC section 34171 (b) allows for the Redevelopment Property Tax Trust Fund (RPTTF) to cover these costs up to a certain cap. Therefore, your request to retain current LMIHF balances for future administrative obligations is denied and the LMIHF available for distribution to the affected taxing entities will be adjusted by \$807,510.

- Your request to retain \$342,481 in LMIHF balances for fiscal year 2012-13 expenses is partially denied. LMIHF obligations totaling \$42,376 were approved by Finance for the

ROPS period July through December 2012. Furthermore, LMIHF funding was not requested on the ROPS covering the January through June 2013 period. Therefore, the LMIHF balance available for distribution to the affected taxing entities will be adjusted to reflect the \$42,376 in approved fiscal year 2012-13 ROPS expenditures.

If you disagree with Finance's adjusted amount of LMIHF balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$1,337,321 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 229,706
Finance Adjustments	
Requested restricted balance not supported:	\$ 807,510
Requested retained balance not supported:	\$ 342,481
Approved LMIHF expenditures for ROPS II:	(42,376)
Total LMIHF available to be distributed:	\$ 1,337,321

Absent a Meet and Confer request, 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.

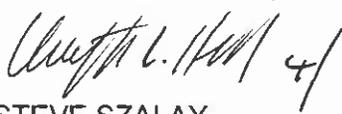
Mr. Kaholokula
November 30, 2012
Page 3

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,

A handwritten signature in black ink, appearing to read "Steve Szalay", with a stylized flourish at the end.

STEVE SZALAY
Local Government Consultant

cc: Mr. Phil Wagner, City Manager, City of Bell Gardens
Mr. John Oropeza, Assistant City Manager, City of Bell Gardens
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office