



December 14, 2012

Mr. Kevin Radecki, City Manager
City of Industry
15625 East Stafford Street
City of Industry, CA 91744

Dear Mr. Radecki:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original LMIHF DDR determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Industry Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (Finance) on October 15, 2012. Finance issued a LMIHF DDR determination letter on November 9, 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 4, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising the adjustment made in our previous LMIHF DDR determination letter. Specifically, we are revising the transfer of the 20% set-aside in the amount of \$17.6 million to the Housing Authority of the County of Los Angeles (HACOLA). During the Meet and Confer process, the Agency provided additional information including California Government Code Section 65584.3 and the agreement for the transfer of low and moderate income set aside funds, dated December 28, 1992.

Upon review of the additional information, Finance concluded the \$17.6 million that transferred to HACOLA in July 2011 is an enforceable obligation because they were derived from fiscal year 2010-11 tax increment. Therefore, these balances are restricted and the LMIHF balances available for distribution to the taxing entities will be revised by \$17.6 million. The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to zero.

However, the Agency should note, contrary to the Agency's belief that the payment obligation to HACOLA remains an enforceable obligation for future ROPS periods; the requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34163 states an agency shall not have the authority to, and shall not make any future deposits to the LMIHF. GC section 65584.3 (a) states that for the period of time that 20 percent of all tax increment revenue accruing from all redevelopment projects, and required to be set aside for low- and moderate-income housing pursuant to HSC section 33334.2, is annually transferred to the

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HACOLA. Since no further deposits will be made into the LMIHF, no further transfers will be made to the HACOLA.

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities.

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 September 24, 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. Linda Pollock, Contracted Finance Manager for City of Industry
Ms. Chris Brown, Administrative Assistant, City of Industry
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office