



December 15, 2012

Mr. Brian Saeki, Director of Community Development  
City of Downey  
11111 Brookshire Avenue  
Downey, CA 90241

Dear Mr. Saeki:

**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 8, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Successor Agency to the Downey Redevelopment Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on October 15, 2012. Finance issued a LMIHF DDR determination letter on November 8, 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 November 30, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising the adjustments made in our previous LMIHF DDR determination letter. While the Agency was approved for only \$3 million in LMIHF expenditures during fiscal year 2012-13, the Agency is requesting to retain an additional \$1.3 million to cover expenses related to the View Affordable Housing project. The \$1.3 million request is the remaining balance that was approved but not yet spent during the January through June 2012 ROPS period (ROPS I). The obligation is a Disposition and Development Agreement dated November 9, 2010. Since the obligation was for a ROPS I approved and encumbered item, we are no longer making the adjustment to the DDR. The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to zero.

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 31, 2012 do not in any way eliminate the Controller's authority.

Mr. Brian Saeki  
December 15, 2012  
Page 2

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Edward Velasco, Housing Manager, City of Downey  
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office  
California State Controller's Office