DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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REVISED

November 16, 2012

Ms. Elena Bolbolian, Principal Administrative Officer
City of Glendale
633 East Broadway, Suite 201
Glendale, CA 91206

Dear Ms. Bolbolian:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Glendale Successor Agency (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.

On November 9, 2012, Finance issued a letter detailing our determination of your DDR. It has come to our attention, the November 9, 2012 letter contained a clerical error in the second bullet below. As such, we are issuing a revised letter with a strikethrough to reflect the changes.

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 restrict $4.4 million of LMIHF is partially denied. The $4.4 million balance is comprised of $919,949 in reserves with the fiscal agent and $3.5 million in accounts payable. The Agency has not adequately proven the accounts payables totaling $3.5 million are legally restricted. Additionally, these payables are for administrative type expenses and do not contain a restriction for use on low and moderate income housing. Fiscal year 2012-13 Recognized Obligation Payment Schedules (ROPS) indicate the Redevelopment Property Tax Trust Fund (RPTTF) is the authorized source of funding for these types of expenditures. Therefore, the LMIHF balance available for distribution will be adjusted by $3.5 million.

- Your request to retain LMIHF balances totaling $11.2 million for the 2012-13 fiscal year is partially denied. Two million of the $11.2 million was identified as being approved for LMIHF funding in the ROPS periods covering fiscal year 2012-13. Therefore, the request to retain funding for the remaining $9.2 is ~~not~~ denied and the LMIHF balance available to the affected taxing entities will be adjusted by $9.2 million.

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 $3.8 million (see table below). Pursuant to HSC 34179.6 (h) (1) (B), 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.

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	(8,908,467)
Finance Adjustments		
Add:		
Restricted balance not supported:	$	3,498,558
Requested retained balance not supported:		9,189,710
Total LMIHF available to be distributed:	$	3,779,801

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, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

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 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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Anne Bockenkamp, Housing Coordinator, City of Glendale
Ms. Kristina Burns, Manager, Los Angeles County Auditor Controller's Office
California State Controller's Office