

December 3, 2012

Mr. Ron Clark, Finance Officer
City of La Verne
3660 D Street
La Verne, CA 91750

Dear Mr. Clark:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original LMIHF DDR determination letter dated November 15, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of La Verne 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 15, 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 26, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance continues to believe the adjustments made to the DDR's stated balance of LMIHF available for distribution to the taxing entities is appropriate. HSC section 34179.6 (d) authorizes Finance to make these adjustments. We maintain the adjustments continue to be necessary for the following reasons:

- It is not necessary to retain LMIHF balances for the 1996 Revenue Bonds in the amount of \$5.075 million and for the Affordable Housing Agreement with Hutton Development Company in the amount of \$1.15 million. Based on our review of your DDR, the Agency has not adequately proven there will be insufficient property tax revenues to pay for the \$6.2 million in obligations nor have they conducted the thorough analysis necessary to retain current unencumbered LMIHF balances pursuant to HSC section 34179.5 (c) (5) (D). Therefore, your request to retain current LMIHF balances for future obligations is denied and the LMIHF available for distribution to the affected taxing entities will be adjusted by \$2.8 million.

During the November 26, 2012 LMIHF DDR Meet and Confer session, the Agency concurred with the adjustments made in our November 15, 2012 determination letter. Concurrence was dependent upon the understanding that enforceable housing bond obligations listed on the Recognized Obligation Payment Schedules (ROPS) can be funded with Redevelopment Property Tax Trust Fund (RPTTF) in future periods. To the extent there is sufficient tax increment, enforceable obligations as defined by HSC section 34171 (d) are eligible for RPTTF funding in future ROPS periods.

- LMIHF obligations totaling \$1.5 million were approved by Finance for the ROPS period July through December 2012 and January through June 2013. As such, Finance is adjusting the balance to reflect the \$1.5 million in approved ROPS II and III expenditures.

The Agency's LMIHF balance available for distribution to the affected taxing entities continues to be \$1,262,696 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$0
Finance Adjustments	
Add:	
Requested retained balance not supported:	2,762,696
Approved LMIHF expenditures for ROPS II and III:	(1,500,000)
Total LMIHF available to be distributed:	\$ 1,262,696

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

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.

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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 29, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Richard Martinez, Accounting Manager, City of La Verne
Ms. Kristina Burns, Manager, Los Angeles County Auditor Controller's Office
California State Controller's Office