DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 11, 2012

Ms. Pam Statsmann, Assistant Finance Director
City of Lancaster
44933 N. Fern Avenue
Lancaster, CA 93534

Dear Ms. Statsmann:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The Successor Agency of the former Lancaster Redevelopment 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 November 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. 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.

Based on our review, Finance made no adjustments to the Low and Moderate Income Housing Fund (LMIHF) balance available for allocation to the affected taxing entities. As a result, there are no unencumbered LMIHF balances available for distribution.

Although there are no unencumbered balances available for distribution, non-liquid housing assets totaling $69.4 million that transferred to the housing entity was denied by Finance in our Housing Assets Transfer letter dated August 25, 2012. Since this does not affect the LMIHF liquid asset balance available for distribution to the affected taxing entities, no adjustment will be made. The eventual determination of these assets will be contemplated through the Housing Asset Transfer Meet and Confer process which has yet to be scheduled.

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 25, 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: Ms. Elizabeth Brubaker, Director Housing & Neighborhood Revitalization, City of Lancaster
Ms. Barbara Boswell, Finance Director, City of Lancaster
Ms. Kristina Burns, Manager, Los Angeles County Auditor Controller's Office
California State Controller's Office