



January 25, 2013

Mr. Mikah Salsi, Program Specialist
City of Oroville
1735 Montgomery Street
Oroville, CA 95965

Dear Mr. Salsi:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original Low Moderate Income Housing (LMIHF) Due Diligence Review (DDR) determination letter dated November 28, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Oroville Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on November 2, 2012. Finance issued a LMIHF DDR determination letter on November 28, 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 January 15, 2013.

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. Specifically, we are making the following adjustment:

Balances retained to satisfy fiscal year 2012-13 obligations. In its November 28, 2012 letter, Finance disallowed \$245,502 out of the \$1,503,504 balance retained to satisfy Recognized Obligation Payment Schedule (ROPS) obligations for fiscal year 2012-13 because Redevelopment Property Tax Trust Fund (RPTTF) was requested for these obligations and not LMIHF. The Agency contends that the January through June 2013 ROPS (ROPS III) Meet and Confer determination changed the funding source on all obligations to reserve balances (Finance letter dated December 18, 2012). Therefore, the funding from LMIHF is required to meet existing housing obligations. Furthermore, these items are housing related obligations and were listed on the prior ROPS to be funded with LMIHF. Finance agrees with the Agency position as the initial LMIHF DDR determination was issued before the ROPS III Meet and Confer determination.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$782,499 (see table below):

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 782,499
Finance Adjustments	\$ -
Total LMIHF available to be distributed:	\$ 782,499

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.

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 Beliz Chappuie, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Pat Clark, Interim City Administrator, City of Oroville
Ms. Maria Solis, Auditor-Accountant, County of Butte, Auditor Controller
California State Controller's Office