



June 5, 2013

REVISED

Mr. Mike Miller, Housing Manager
City of Palmdale
38250 Sierra Highway
Palmdale, CA 93550

Dear Mr. Miller:

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) Meet and Confer determination letter dated December 15, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Palmdale Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on October 18, 2012. Finance issued a LMIHF DDR determination letter on November 13, 2012 and a subsequent LMIHF DDR Meet and Confer determination letter on December 15, 2012.

Based on a review of clarifying information provided to Finance after the Meet and Confer process, Finance is reversing its previous adjustment made to the DDR's stated balance of LMIHF available for distribution to the taxing entities. Finance originally denied the Agency's request to retain \$2.7 million due to a lack of evidence there would be insufficient property taxes to pay future obligations. The Agency has since demonstrated a need to retain \$2.7 million in LMIHF balances to pay housing obligations where Redevelopment Property Tax Trust Fund (RPPTF) will be insufficient within the required timeframe.

As a result, Finance's final determination is there are no unencumbered LMIHF balances available for distribution to the taxing entities. Therefore, the possible remedies that Finance and the County Auditor-Controller may seek if an Agency fails to remit the full ordered sums, as communicated to the Agency in our March 4, 2013 and April 4, 2013 letters, no longer applies.

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.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Karen Johnston, Assistant Director of Finance, City of Palmdale
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office