DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 13, 2012

Ms. Rae James, Director
County of Placer
3091 County Center Dr., suite 260
Auburn, CA 95603

Dear Ms. James:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The County of Placer 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 November 16, 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.

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:

- Balances restricted for funding of an enforceable obligation in the amount of $353,032. According to the Agency, the amount is required to fund a portion of the $2 million loan obligation for the Quartz Ridge project. Although the obligation was listed on a draft Recognized Obligation Payment Schedule (ROPS) for the period January through June 2012 (ROPS I), the project was not listed on the final ROPS I submitted to Finance on May 24, 2012. The Agency explained that the project was not listed on ROPS I and the subsequent ROPS for the 2012-13 fiscal year because the project was transferred to the housing successor agency. However, since the project is not listed as an obligation on the Agency's ROPS, the amount is not allowed to be retained.

- An amount of $1,364,000 retained to satisfy fiscal year 2012-13 obligations. The amount consisted of $1,300,000 a California Housing Finance Agency loan approved on the ROPS for the period July through December 2012 for Redevelopment Property Tax Trust Fund (RPTTF). The remaining amount of $64,000 was for items that were not listed as enforceable obligations on a ROPS approved by Finance. Therefore, $1,364,000 is not supported by enforceable obligations listed as being funded with LMIHF for the 2012-13 fiscal year and is not allowed to be retained.

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 $2,625,197 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	908,165
Finance Adjustments		
Add:		
Balance restricted for use not supported		353,032
Requested retained balance for 2012-13 fiscal year not supported		1,364,000
Total LMIHF available to be distributed:	$	2,625,197

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.

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.

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 Agency's failure to recover and 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 29, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,

For

STEVE SZALAY
Local Government Consultant

cc: Ms. Allison Carlos, Principal Management Analyst, Placer County
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office