



Revised

December 21, 2012

Paul Melikian, Director of Finance & Administrative Services
City of Reedley
1733 Ninth Street
Reedley, CA 93654

Dear Mr. Melikian:

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) determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Reedley Successor Agency (Agency) submitted an oversight board approved (LMIHF) (DDR) to the California Department of Finance (Finance) on October 9, 2012. Finance issued a LMIHF DDR determination letter on November 9, 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 27, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising some of the adjustments made in our previous DDR determination letter. Specifically, we are revising the following adjustments:

- Finance originally denied balances needed to satisfy enforceable obligations for the Recognized Obligation Payment Schedules (ROPS) January 1 through June 30, 2013 period totaling \$190,160 for the following obligations:
 - Housing Element Update in the amount of \$20,206
 - Housing Operation Costs in the amount of \$16,500
 - Housing Project Management costs to the City of Reedley totaling \$169,954

The Agency provided additional documentation during the November 27, 2012 Meet and Confer session to support the Housing Element Update and Housing Operation Costs as enforceable obligations. The Agency also provided clarifying information to support the Housing Project Management costs as direct staff costs associated with approved housing obligations.

- The Reedley Family Housing to Corporation for Better Housing in the amount of \$750,000 was originally denied because the Agency did not request funding on the ROPS for the January 1 through June 30, 2013 period. However, based on new information provided, Finance was able to determine that the Agency requested funding

during the ROPS July 1, 2012 through December 31, 2012 period, but has not expended the funds.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$328,240, as reported on the DDR. 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.

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Please direct inquiries to Nichelle Thomas, Supervisor or Wendy Griffe, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish at the end.

STEVE SZALAY
Local Government Consultant

cc: Ms. Darlene Mata, Planning Manager, City of Reedley
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office