



REVISED

December 14, 2015

Mr. Gary Parsons, Project Manager  
City of Ridgecrest  
100 W California Avenue  
Ridgecrest, CA 93555

Dear Mr. Parsons:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letters dated December 10, 2012 and January 11, 2013, respectively. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Ridgecrest Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on November 14, 2012. Finance issued a LMIHF DDR determination letter on December 10, 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 7, 2013 and Finance subsequently issued a revised LMIHF DDR determination letter on January 11, 2013.

Finance's January 11, 2013 LMIHF DDR determination letter took exception to a senior housing project loan in the amount of \$3 million. Specifically, Finance noted the Letter of Commitment between the Agency and Ridgecrest Pacific Associates dated March 23, 2011 stated, "The loan is subject to the final execution of a promissory note, deed of trust, regulatory agreement, and an Owner Participation Agreement (OPA)." Finance further concluded these conditions were not fulfilled prior to ABx1-26 since the RDA executed the OPA on December 15, 2011. Since HSC section 34163 (a) prohibits redevelopment agencies from making loans or entering into agreements after June 27, 2011, Finance maintained the senior housing project loan was not an enforceable obligation.

The Agency continued to disagree with Finance's determination and sought relief through litigation. A third LMIHF DDR determination letter is necessary to comply with the Ruling by the Superior Court of the State of California, County of Sacramento, Case No. 34-2013-80001438. The Court remanded the matter to Finance to review and consider new evidence and issue a revised determination as to whether the Commitment Letter is an enforceable obligation.

The Agency provided a DVD of the March 16, 2011 City Council public meeting as additional support that this loan was a RDA commitment in place prior to June 27, 2011. Based on a review of the DVD, Finance maintains our position that the Agency did not have a valid loan agreement in place prior to June 27, 2011. Based on the varying information presented through the DVD of the City Council Meeting, it is clear that the approval of the agreement (if any) would happen at a later meeting. Even without considering the varying information presented, the City

Council clearly conditioned the Letter of Commitment, noting they were not approving the actual OPA, which would need to be presented and approved by the City Council at a later time. Therefore, the Letter of Commitment is not an enforceable obligation and Finance continues to deem it not necessary for the Agency to retain the requested funds.

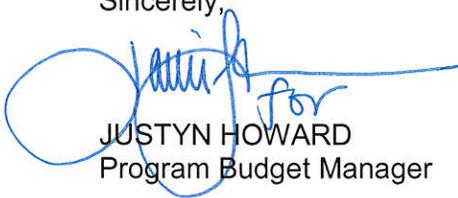
Therefore, the Agency's LMIHF balance available for distribution to the affected taxing entities will continue to remain the same at \$7,244,940 (see table below).

<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 4,244,940
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance:	3,000,000
<b>Total LMIHF available to be distributed:</b>	<b>\$ 7,244,940</b>

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities.

Please direct inquiries to Kylie Oltmann, Supervisor or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,

  
JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Tess Sloan, Assistant Finance Director, City of Ridgecrest  
Ms. Mary B. Bedard, Auditor-Controller, Kern County