DEPARTMENT OF FINANCE

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April 26, 2012

Mr. Chris Pahule, Assistant Director
Sacramento Housing & Redevelopment Agency
801 12th Street
Sacramento, CA 95814

Dear Mr. Pahule:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original LMIHF DDR determination letter dated March 25, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the County of Sacramento Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (Finance) on February 27, 2013. Finance issued a LMIHF DDR determination letter on March 25, 2013. 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 April 22, 2013.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance continues to believe the adjustments made to the DDR's stated balance of LMIHF available for distribution to the taxing entities is appropriate. HSC section 34179.6 (d) authorizes Finance to make these adjustments. We maintain the adjustments continue to be necessary for the following reason:

The asset transfer to the Sacramento Housing Authority in the amount of $262,659 was denied in Finance's letter regarding the Housing Asset Transfer Form on August 31, 2012. Subsequently, a Housing Meet and Confer session was held and Finance continued to deny the item in our letter dated March 22, 2013. Additionally, the California State Controller's Office (Controller) denied the transfer in its Asset Transfer Review Report letter dated February 7, 2013, and the Agency was ordered to reverse the transfer. Finance continues to deny this transfer and abides by the Controller's findings.

The Agency's LMIHF balance available for distribution to the affected taxing entities continues to be $262,659 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	-
Finance Adjustments		
Add:		
Disallowed transfers	$	262,659
Total LMIHF available to be distributed:	$	262,659

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.

HSC section 34179.6 (h) (3) authorizes Finance to consider an installment payment plan. Should the Agency not possess the 262,659 required to be remitted through the LMIHF DDR process, please work with Finance to collaboratively develop a payment plan.

Pursuant to HSC section 34167.5 and 34178.8, the 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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Lori Miller, Finance Manager, Sacramento Housing & Redevelopment Agency
Mr. Carlos Valencia, Senior Accounting Manager, Sacramento County
California State Controller's Office