



December 13, 2012

Dear Mr. Mark Sawicki, Economic Development and Housing Manager  
City of San Carlos  
600 Elm Street  
San Carlos, CA 94070

Dear Mr. Sawicki:

**Subject: Low and Moderate Income Housing Fund Due Diligence Review**

This letter supersedes Finance's original LMIHF DDR determination letter dated November 7, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of San Carlos 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 October 15, 2012. Finance issued a LMIHF DDR determination letter on November 7, 2012. Subsequently, the Agency requested a Meet and Confer session regarding one item for which Finance did make an adjustment. The Meet and Confer Session was held on December 3, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising the stated balance of LMIHF available for distribution to the taxing entities. Specifically, we are revising the following:

- Through the Recognized Obligation Payment Schedule (ROPS) Meet and Confer process, the reserve for the settlement agreement with local school and community college districts was determined to be an enforceable obligation. This was specifically determined because the Superior Court of the State of California signed the stipulated judgments between the Agency and the San Mateo County Community College District, the Sequoia Union High School District, and the San Carlos Elementary School District on December 7, 2012. Therefore the Agency is authorized to retain all balances in the LMIHF for payment of the settlement agreement.

As a result, the Agency has no LMIHF balances available for distribution to the affected taxing entities (see table below).

<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 4,496,017
Finance Adjustments	
Subtract:	
Balances Retained for Settlement Agreement	\$ 4,496,017
<b>Total LMIHF available to be distributed:</b>	<b>\$ -</b>

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

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 September 5, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Zach Stacy, Manager or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Rebecca Mendenhall, Administrative Services Director, City of San Carlos  
Mr. Al Savay, Community Development Director, City of San Carlos  
Ms. Shirley Tourel, Deputy Controller, San Mateo County  
California State Controller's Office