DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 14, 2012

Mr. Ken Duran, Assistant City Manager
City of San Dimas
245 Bonita Avenue
San Dimas, CA 91773

Dear Mr. Duran:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original LMIHF DDR determination letter dated November 8, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of San Dimas 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 12, 2012. Finance issued a LMIHF DDR determination letter on November 8, 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 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 adjustments made in our previous LMIHF DDR determination letter. Specifically, we are revising the following adjustment:

- Grove Station Housing Assistance in the amount of $2.7 million. Finance denied this item during the Recognized Obligation Schedule for the period January to June 2013 because a contract was not in place for this line item prior to June 27, 2011. Through the ROPS III Meet and Confer process, Finance no longer objects to this item. The Agency contends the Owner Participation and Disposition and Development Agreement (OPDDA) was entered into on February 16, 2006. On March, 17, 2012 the Agency approved a resolution approving an Assignment and Assumption agreement securing a new developer. Finance finds the OPDDA continues to be an enforceable obligation regardless of the assignment of the new developer. This item constitutes an encumbrance of and is eligible for funding from the LMIHF. Therefore, our previous adjustment is revised to include the $2.7 million previously denied to be held by the Agency to pay the OPDDA enforceable obligation.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to $366,949 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	366,949
Finance Adjustments		
Add:		
Denied ROPS items:		0
Total LMIHF available to be distributed:	$	366,949

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.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Barbara Bishop, Finance Manager, City of San Dimas
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office