



December 10, 2012

Ms. Victoria Beatley, Finance Director  
City of Seal Beach  
211 8<sup>th</sup> Street  
Seal Beach, CA 90740

Dear Ms. Beatley:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Seal Beach Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on November 14, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

The DDR indicates the Low and Moderate Income Housing Fund (LMIHF) amount to be remitted to the County for distribution to taxing entities is \$1,033,023. However, the Agency requested to retain funding in the amount of \$1,033,023 for the Mobile Home Park Revenue Bonds (Bonds). The Agency has also requested \$180,000 to make the required payment for the January through June 2012 period from Redevelopment Property Tax Trust Fund (RPTTF). As a result of the January through June 2013 Recognized Obligation Payment Schedule (ROPS III) Meet and Confer process, Finance is approving the use of RPTTF to make the required payment for the ROPS III period and each period thereafter until the maturity date of the Bonds has been reached. Therefore, Finance concludes that this money should be distributed to the affected taxing entities.

Consequently, the Agency's LMIHF balance available for distribution to the affected taxing entities is \$1,033,023.

If you disagree with Finance's determination of LMIHF balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

Absent a Meet and Confer request, 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.

Pursuant to HSC 34179.6 (h) (1) (B), 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.

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 Agency's failure to recover and remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

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 29, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Alayna Hoang, Finance Manager, City of Seal Beach  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office