



December 20, 2012

Mr. John Duckett, Assistant City Manager  
City Shasta Lake  
1650 Stanton Drive  
Shasta Lake, CA 96019

Dear Mr. Duckett:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated November 15, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Shasta Lake Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on October 11, 2012. Finance issued a LMIHF DDR determination letter on November 15, 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 November 27, 2012.

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:

- Your request to retain \$1.8 million of the LMIHF balances for the Meade Street Senior Housing Project continues to be denied. A portion of this project's funding was denied by Finance in our letter dated August 17, 2012 as an inclusion to the Housing Asset Transfer (HAT) Form. The portion of this project's funding continued to be denied by Finance in our HAT Meet and Confer determination letter dated December 14, 2012. The December 14, 2012 letter states that notwithstanding the merit of the project, the Authority only provided documentation to establish \$200,000 is encumbered by an enforceable obligation for low and moderate income housing purposes pursuant to HSC 34176 (e)(2). Therefore, Finance continues to object to \$1.8 million out of the \$2 million reported as Exhibit C, Item 1 – Low Income Senior Housing.

The Agency's LMIHF balance available for distribution to the affected taxing entities continues to be \$3,219,820 (see table below).

<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 1,419,820
Finance Adjustments	
Add:	
Requested retained balance not supported:	1,800,000
<b>Total LMIHF available to be distributed:</b>	<b>\$ 3,219,820</b>

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 17, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,



**STEVE SZALAY**  
Local Government Consultant

cc: Ms. Carol Martin, City Manager, City of Shasta Lake  
Ms. Sherri Jenkins, Managing Accountant, Shasta County  
California State Controller's Office