



November 9, 2012

Ms. Angela Freitas, Deputy Director  
Stanislaus County Planning Department  
1010 10th Street, Suite 3400  
Modesto, CA 95354

Dear Ms. Freitas:

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

The Stanislaus County 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 October 26, 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.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- The Vacant Lot in the amount of \$53,216 (acquisition cost w/ LMIHF) reported on the Housing Asset Transfer was denied by Finance in our letter dated August 31, 2012. This item is not a cash equivalent; therefore the adjustment will not affect the amount remitted to the county for disbursement to taxing entities. However this item will need to be included in the long range management plan. Two adjustments were made regarding this item; an adjustment to add in the disallowed transfer and an adjustment to recognize it as an asset other than cash or cash equivalent.
- The California Rural Legal Assistance (CRLA) agreement in the amount of \$10,052,753 was denied by Finance in our letter dated April 26, 2012 and has not been approved for payment. Therefore, this obligation is not eligible for payment and the associated balances must be remitted to the county for disbursement to the taxing entities.

If you disagree with Finance's adjusted amount 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/)

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$10,052,753 (see table below). 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.

<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 0
Add:	
Denied ROPS items:	10,052,753
Denied HAT items:	53,216
Non-cash asset adjustment:	(53,216)
<b>Total LMIHF available to be distributed:</b>	<b>\$ 10,052,753</b>

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.

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, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

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.

Finally, we note that failure to return assets that were deemed an unallowable transfer, and which were ordered returned to the Agency by the Controller or by Finance, would be a violation of Penal Code section 424.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

  
STEVE SZALAY  
Local Government Consultant

cc: Ms. Lauren Klein, CPA, Auditor-Controller, Stanislaus County  
Ms. Marianne Rucker, Manager, Stanislaus County  
CA State Controller's Office