



December 19, 2012

Mr. Omar Dadabhoy, Development Executive Director
City of Stanton
7800 Katella Avenue
Stanton, CA 90680

Dear Mr. Dadabhoy:

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 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Stanton 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 9, 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 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 reasons:

- An escrow deposit refund payment in the amount of \$154,058 was received after completion of the DDR, and increased the total amount of assets held as of June 30, 2012 to \$2,870,114. The Agency does not dispute the adjustment; however, the Agency would like to retain the funds to cover the \$7.5 million deficit as discussed below.

Finance originally denied the Agency's request to retain \$1,241,565 and the escrow deposit refund payment of \$154,058 to cover a \$7.5 million deficit. Several of the items identified in the cash flow analysis were denied by Finance as an inclusion to the Recognized Obligation Payment Schedule for the period January through June 2013 and the Agency subsequently requested a Meet and Confer Session. The results of the Meet and Confer Session were communicated to the Agency in the letter dated December 18, 2012.

After adjusting the cash flow analysis presented in Exhibit 4 for items denied by Finance in the ROPS Meet and Confer session, the Agency will no longer experience a deficit and sufficient funds are available to cover current enforceable obligations. Therefore, the request to retain funds to cover a cash deficit is still denied.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$1,395,623 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance	\$ 154,058
Requested retained balance not supported	1,241,565
Total LMIHF available to be distributed:	\$ 1,395,623

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 June 30, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Szalay".

STEVE SZALAY
Local Government Consultant

cc: Ms. Terri Marsh, Director of Administrative Services, City of Stanton
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office