



December 15, 2012

Mr. Luke Watson, Senior Planner  
City of Temecula  
41000 Main Street  
Temecula, CA 92589

Dear Mr. Watson:

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

This letter supersedes Finance's original LMIHF DDR determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Temecula 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 15, 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 6, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising some of the adjustments made in our previous DDR determination letter. Specifically, we are revising the following adjustment:

Assets legally restricted in the amount of \$4 million. Finance originally denied the Agency's request to retain the \$4 million for an obligation related to the Front Street Owner Participation Agreement. During the Meet and Confer process, the Agency provided additional information concerning the expense. This item should not have been adjusted due to the restrictive nature of the bond proceeds. Therefore, Finance is reversing the adjustment.

However, Finance continues to believe some of 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:

- Balances retained for enforceable obligations in the amount of \$1,141,528. The Agency does not disagree with this adjustment.

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

<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ (1,445,574)
Finance Adjustments	
Add: Requested retained balance not supported	\$ 1,141,528
<b>Total LMIHF available to be distributed:</b>	<b>\$ -</b>

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 Beliz Chappuie, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Rudy Graciano, Revenue Manager, City of Temecula  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
Auditor Controller  
California State Controller's Office