



November 20, 2012

Mr. Mark Evanoff, Redevelopment Manager  
City of Union City  
34009 Alvarado-Niles Road  
Union City, CA 94587

Dear Mr. Evanoff:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Union City 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 25, 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:

- Transfer to a third party in the amount of \$200,000. The Agency's LMIHF general ledger indicates a payment was made for the Tropics Rental Assistance Program in the amount of \$200,000 on August 23, 2011. The obligation was denied as an enforceable obligation on Finance's letter dated September 21, 2012 for January to June 2013 Recognized Obligation Payment Schedule (ROPS III). HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. The grant agreement was amended June 28, 2011. Therefore, \$200,000 is added as an adjustment to the fund balance.
- Transfer to the City's Economic Development Fund of \$2,932,169. The redevelopment agency transferred the unspent bond proceeds to Union City (City), which was not supported by an enforceable obligation. Therefore, Finance is making an adjustment to account for the disallowed transfer to the City. Further, since the amount is restricted bond funds, another adjustment is made to reduce the fund balance by \$2,932,169.
- An amount of \$1,300,000 retained to satisfy obligations for fiscal year 2012-13. This amount relates to an enforceable obligation listed as Item No. 17 on ROPS III, in which

the Redevelopment Property Tax Trust Fund funding is requested, not LMIHF. Therefore, \$1,300,000 is not allowed to be retained.

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 \$200,000 (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:	\$ (1,300,000)
Finance Adjustments	
Add:	
Denied ROPS III Item No. 17	\$ 200,000
Disallowed transfer	2,932,169
Balance retained to satisfy fiscal year 2012-13	1,300,000
Balance legally restricted	(2,932,169)
<b>Total LMIHF available to be distributed:</b>	<b>\$ 200,000</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.

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 31, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Rich Digre, Director of Administrative Services, City of Union City  
Ms. Carol S. Orth, Tax Analysis Division Chief, Alameda County Auditor Controller  
California State Controller's Office