



December 27, 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

This letter supersedes Finance's original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated November 20, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Union City Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on October 25, 2012. Finance issued a LMIHF DDR determination letter on November 20, 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 13, 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:

- Transfer to a third party in the amount of \$200,000. The amount was an August 2011 payment for the Tropics Rental Assistance Program agreement. The obligation was denied as an enforceable obligation on Finance's September 21, 2012 letter for the 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, including transferring of LMIHF for obligations that did not exist prior to January 1, 2011. The agreement was amended June 28, 2011 to commit an additional \$2 million, in which \$200,000 would be disbursed annually for 10 years. However, because Finance did not select the obligation for review during the January through June 2012 and July through December 2012 ROPS periods, the payment was allowed; therefore, Finance is allowing the \$200,000 payment made during August 2011. However, the Meet and Confer for ROPS III has determined that Item No. 9 is not an enforceable obligation. It is Finance's position that, even though an agreement existed prior to June 27, 2011, the June 28, 2011 amendment changed the Agency's financial obligations. Therefore, this item continues to be denied and, beginning with ROPS III, future payments related to the agreement are not allowed.

However, Finance continues to believe some of the adjustments made to the DDR's stated balance of LMIHF 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(s):

- Transfer to the City's Economic Development Fund in the amount of \$2,932,169. The former 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. However, 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.

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

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (1,300,000)
Finance Adjustments	
Add:	
Disallowed transfers	\$ 2,932,169
Balance retained to satisfy 2012-13 fiscal year	1,300,000
Less:	
Balance legally restricted	(2,932,169)
Total LMIHF available to be distributed:	\$ -

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 Dutra-Vernaci, Mayor, City of Union City
Ms. Joan Malloy, Economic and Community Development Director, City of Union City
Ms. Carol S. Orth, Tax Analysis Division Chief, Alameda County Auditor Controller
California State Controller's Office