DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

January 11, 2013

Mr. Alex Kung, Assistant to the City Administrator
City of Vernon
4305 Santa Fe Avenue
Vernon, CA 90058

Dear Mr. Kung:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Vernon 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 December 18, 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.

Based on our review, Finance made no adjustments to the Low and Moderate Income Housing Fund (LMIHF) balance available for allocation to the affected taxing entities. As a result, there are no unencumbered LMIHF balances available for distribution.

Per the DDR, the CPA firm noted through the review of accounting records the Agency did not have any low and moderate income housing fund (LMIHF). Due to the City of Vernon's (City) pervasive industrial environment, the Southern California Association of Governments (SCAG) 2006-2014 Regional Housing Needs Assessment (RHNA) report determined the City has a zero future housing need, which is consistent with the1989-1994 and1998-2005 assessment. Therefore, the City has no existing housing need and did not set aside the required 20 percent of tax increment revenues.

Pursuant to HSC Section 33334.2 (1) (A), the requirement to set aside 20 percent of tax increment revenues is not necessary if the Agency deems no need exists in the community to improve, increase, or preserve the supply of low-and moderate-income housing.

Given the unique circumstance, Finance reserves the right to take action at a later date should Finance become aware that LMIHF unencumbered balances actually exist. This includes requesting the Agency to distribute unencumbered LMIHF balances to the affected taxing entities.

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 September 19, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Gustavo Lamanna, Esq, Counsel to Successor Agency
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor Controller
California State Controller's Office