



November 20, 2012

Ms. Heather Ippoliti, Finance Director
Town of Windsor
9291 Old Redwood Hwy
P.O. Box 100
Windsor, CA 95492`

Dear Ms. Ippoliti:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's Low and Moderate Income Housing Fund Due Diligence Review (DDR) letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Windsor successor agency (Agency) submitted an oversight board approved DDR to the California Department of Finance (Finance) on October 15, 2012. Finance issued its determination related to your DDR on November 9, 2012. It has come to our attention that the table in the November 9, 2012 letter listed an incorrect DDR available balance. Therefore, Finance is issuing a revised letter to correctly state the unencumbered Low and Moderate Income Housing Fund (LMIHF) balance available for distribution to the taxing entities.

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 adjustment is made:

- The Windsor Redwood project (GAP financing commitment) in the amount of \$1 million was denied by Finance in our letter dated May 7, 2012 as an inclusion to the ROPS II form. This item was also denied on the Housing Asset Transfer in our letter dated August 31, 2012. This amount is not eligible for payment and must be remitted to the county for disbursement to the taxing entities.

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/

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$5,055,965 (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.

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 4,055,965
Finance Adjustments	
Add:	
Denied ROPS/HAT item:	1,000,000
Total LMIHF available to be distributed:	\$ 5,055,965

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.

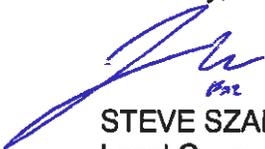
Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain 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 Zachary Stacy, Manager, or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

Ms. Heather Ippoliti
November 20, 2012
Page 3

cc: Mr. David Kelley, Assistant Town Manager, Town of Windsor
Mr. David E. Sundstrom, Auditor-Controller, Sonoma County