



February 6, 2013

Ms. June Overholt, Director of Administrative Services  
Banning Housing Authority  
City of Banning  
99 East Ramsey Street  
Banning, CA 92220

Dear Ms. Overholt:

Subject: Housing Assets Transfer Form

This letter supersedes Finance's Housing Asset Transfer Form letter dated August 30, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the Banning Housing Authority as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 31, 2012, for the period February 1, 2012 through July 31, 2012. Finance issued its determination related to those transferred assets on August 30, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items that was objected to by Finance.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed.

Exhibit A, Item 2 – Mixed use property. Finance continues to object to the transfer of this property. Finance previously determined documentation provided was not sufficient to demonstrate that the property is for low and moderate income housing purposes pursuant to HSC section 34176 (e) (1). The Agency contends Item 2 is intended for low to moderate income housing purposes as evidenced by the fact that the property is being rented at below market rates and had been so historically for the last 10 years due to its uninhabitable condition. Section 1.08 of the current lease agreement for the property states "Use of Premises" that the first floor of the premises is to be occupied by the art gallery and the second floor is to be used as storage and residential housing as determined by the tenant. However, the transfer agreement between the former City of Banning Community Redevelopment Agency (RDA) and the City of Banning (City) dated March 8, 2011 states Item 2 is intended for public use to be developed for street, easements, open space, and public facilities such as police stations. Documents provided do not demonstrate an intent to use Item 2 for low to moderate income housing purposes and is therefore, not eligible for transfer to the housing successor agency pursuant to HSC section 34176 (e) (1). Although the Agency did not report on its Form a transfer of rental income associated with Item 2, Finance would object to any such transfer of the rental income based on the reasons provided above.

In addition, based on review of documents provided during the Meet and Confer process, Finance notes that other former RDA properties were transferred on March 8, 2011 from the former RDA to the City. These properties were not included on the Form and were therefore outside the scope of our review. However, these transfers are subject to review by the California State Controller in accordance with HSC section 34167.5.

This is Finance's final determination related to the assets reported on your Form. Except for items disallowed as noted above, Finance is not objecting to the remaining items listed on your Form. Assets transferred deemed not to be a housing asset shall be returned to the successor agency.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Zai AbuBakar, Community Development Director, City of Banning  
Mr. Bill Manis, Economic Development Director, City of Banning  
Ms. Pam Elias, Chief Accountant, Property Tax Division, Riverside  
County Auditor Controller  
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor Controller  
Ms. April Nash, Supervising Accountant, Riverside County Auditor Controller  
California State Controller's Office