



March 22, 2013

Mr. Edmund Suen, Finance Director
City of East Palo Alto
2415 University Avenue
East Palo Alto, CA 94303

Dear Mr. Suen:

Subject: Housing Assets Transfer Form

This letter supersedes the California Department of Finance's (Finance) Housing Asset Transfer Form letter dated August 31, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of East Palo Alto as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on August 1, 2012, for the period February 1, 2012 through August 1, 2012. Finance issued its determination related to those transferred asset on August 31, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items that was objected to by Finance. The Meet and Confer was held on February 1, 2013.

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 1 – Vacant land totaling \$2.6 million. Finance no longer objects to the transfer of this item. The Agency provided documentation to show the property was purchased using Low to Moderate Income Housing Funds; therefore, the item is a housing asset as defined in HSC section 34176 (e).
- Exhibit C, Item 2 – Hazardous Materials Cleanup totaling \$100,000. Finance continues to object to the transfer of this item. Funding for this item was included on ROPS I and was approved by Finance. At the time of the Meet and Confer review, funds approved had had been expended; therefore, there is no longer a encumbrance to transfer.
- Exhibit E, Item 59 – Buyer's Occupancy and Resale Restriction Agreement with Option to Purchase with no listed cash value. Finance no longer object to the transfer of this item; however, we note this item should not be listed in Exhibit E. The Agency claims this Item is listed to preserve the affordability covenants on the property. Therefore, the Item should be listed in Exhibit A pursuant to HSC section 34176 (e) (1).

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 or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Carlos Martinez, Economic Development Manager, City of East Palo Alto
Mr. Robert Adler, Auditor/Controller, San Mateo County
Ms. Shirley Tourel, Deputy Controller, San Mateo County
Ms. Robyn Rose, Senior Internal Auditor, San Mateo County
California State Controller's Office