



February 25, 2013

Mr. Gary Chapman, Finance Director
City of Fortuna
PO Box 545, 621 11th Street
Fortuna, CA 95540

Dear Mr. Chapman:

Subject: Housing Assets Transfer Form

This letter supersedes the California Department of Finance's (Finance) Housing Asset Transfer Form letter dated August 29, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Fortuna as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on July 30, 2012, for the period February 1, 2012 through July 30, 2012. Finance issued its determination related to those transferred assets on August 29, 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 session was held on February 13, 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, Line Items 1 and 2 – Land. Finance no longer objects to the transfers. Finance originally objected to the transfers because the documentation provided was not sufficient to demonstrate whether the properties are for low and moderate income housing purposes pursuant to HSC section 34176 (e) (1). Furthermore, the former redevelopment agency's ownership or interest in Item 2 was not supported with documentation. During the Meet and Confer process, the Agency provided additional documents showing the purchases were made to provide low and moderate income housing. Therefore, the items are housing assets pursuant to HSC section 34176 (e) (1).
- Exhibit D, Line Items 3 and 4 – Loan Receivables. Finance no longer objects to the transfers. Finance originally objected to the transfers because the amendments extending the timeframe for the developer to receive a loan from the Successor Agency were executed after June 27, 2011. The Loan and Purchase Notes were executed on March 1, 2012. HSC section 34163 (c) prohibits an agency from amending or modifying agreements, obligations, or contracts with any entity for any purpose after June 27, 2012. During the Low and Moderate Income Due Diligence Review Meet and Confer process, Finance determined that the Disposition and Development Agreement dated April 7, 2008 supports the Agency's obligations to the project. Therefore, the items are housing assets pursuant to HSC section 34176 (e) (3).

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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 Mary Halterman, Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. Joe Mellett, Auditor-Controller, Humboldt County
California State Controller's Office