



February 15, 2013

Ms. Kellee Fritzal, Deputy Director  
Huntington Beach Housing Authority  
City of Huntington Beach  
2000 Main Street  
Huntington Beach, CA 92648-2702

Dear Ms. Fritzal:

Subject: Housing Assets Transfer Form

This letter supersedes Finance's Housing Asset Transfer Form letter dated August 31, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Huntington Beach as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on August 1, 2012, for the period February 1, 2012 through August 1, 2012. Finance issued its determination related to those transferred assets 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 session was held on January 30, 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.

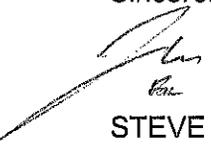
Exhibit C, Item 1 – An encumbrance related to an Owner Participation Agreement (OPA) between the former redevelopment agency (RDA) and Makallon Atlanta Huntington Beach, LLC. Finance continues to object to the transfer. Finance originally objected to the transfer because Oversight Board Resolution 2012-04 terminated this OPA. Therefore, this encumbrance no longer exists. The Agency contends the item is a housing asset because the funds included on the Form are needed to pay the cost of carrying out the statutory obligation for housing production requirements as described in an Affordable Housing Plan dated June 6, 2006. However, obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of statutory obligations; to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484. Since there is no enforceable obligation associated with the encumbrance listed, the item does not meet the definition of HSC section 34176 (e) (2) and is not a housing asset eligible for transfer.

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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 Sues, Dispute Resolution Supervisor or Mary Halterman Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Lori Ann Farrell, Director of Finance, City of Huntington Beach  
Mr. Frank Davies, Administrative Manager, Orange County  
California State Controller's Office