



REVISED

October 10, 2013

Mr. Kenneth A. Domer, Assistant City Administrator
City of Placentia
401 E. Chapman Avenue
Placentia, CA 92870

Dear Mr. Domer:

Subject: Low and Moderate Housing Fund Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letters dated February 21, 2013 and March 29, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Placentia Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to Finance on January 28, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued a LMIHF DDR determination letter on February 21, 2013. Subsequent to a Meet and Confer process on one or more items adjusted by Finance, Finance issued a final determination letter on March 29, 2013.

Based on a review of additional information and documentation provided to Finance during and subsequent to the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Assets held as of June 30, 2012 in the amount of \$287,177. Finance is no longer adjusting \$287,177 of the allowance for doubtful accounts. Based on information provided during the Meet and Confer process, we determined that the receivables were offset by transfers to the Placentia Housing Successor Agency on or about February 1, 2012 per the Agency's Housing Asset Transfer Form. Finance did not object to the transfer of these items in our letter dated September 5, 2012. Therefore, they do not represent assets held by the Successor Agency.
- Sale of property located at 913 Bradford Avenue in the amount of \$285,000. Finance denied the transfer of the property in the LMIHF DDR. Subsequent to the meet and confer, the Agency provided additional information in their Oversight Board (OB) Resolution 2013-08 to support the 913 Bradford Avenue property as a housing asset. Finance reviewed the OB resolution and the additional information and determined in our August 23, 2013 letter that the property is a housing asset of the Placentia Housing Successor Agency. Therefore, the adjustment is no longer necessary.

- Assets held as of June 30, 2012 in the amount of \$45,499. According to information provided by the Agency, the amount represents unencumbered cash that was transferred from the Agency's LMIHF and deposited in the Placentia Housing Successor Agency's Low and Moderate Income Housing Asset Fund during the period March 2012 and June 2012. However, pursuant HSC 34176 (a) (1), all housing assets, excluding any unencumbered cash amounts on deposit in the LMIHF, are to be transferred to the Housing Successor Agencies. Because unencumbered cash is not considered a housing asset, the amount is denied for transfer to the City as housing successor and should be available for distribution to the taxing entities.
- Request to retain funding in the amount of \$160,802. Per a review of the DDR by the Agency, the Agency determined the restriction of \$160,802 was identified in error. It was placed to cover the payment of bond proceeds payable by the Redevelopment Property Tax Trust Fund (RPTTF). Therefore, an increase in the amount of \$160,802 to the OFA balance will be made.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$46,274 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (160,027)
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance	45,499
Requested retained balance not supported	160,802
Total LMIHF available to be distributed:	\$ 46,274

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities. 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, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC section 34179.6 (h) (1) (B) states that 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.

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

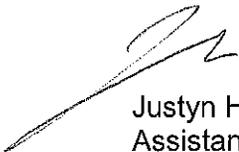
which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

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 sections 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 do not in any way eliminate the Controller's authority.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



Justyn Howard
Assistant Program Budget Manager

cc: Mr. Troy Butzlaff, City Administrator, City of Placentia
Ms. Karen Ogawa, Finance Director, City of Placentia
Mr. Frank Davies, Property Tax Manager, Orange County