

# **COVINA REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

August 2013



**JOHN CHIANG**  
**California State Controller**

August 23, 2013

Daryl Parrish, City Manager  
City of Covina  
125 East College Street  
Covina, CA 91723

Dear Mr. Parrish:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Covina Redevelopment Agency (RDA) to the City of Covina (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Covina or any other public agencies have been reversed.

Our review found that the RDA transferred \$56,363,779 in assets to the Successor Agency, the City, and the Covina Housing Authority after January 1, 2011. This amount included an unallowable transfer of assets totaling \$7,324,246. However, the Oversight Board provided approvals for various assets totaling \$4,556,253. The remaining amount of unallowable transfers that are subject to H&S Code section 34167.5 is \$2,767,993, or 4.91% of total assets transferred; this amount should be turned over to the Successor Agency.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/kw

Attachment

cc: Dilu De Alwis, Finance Director  
City of Covina  
Kevin Stapleton, Chair  
Oversight Board to the Covina Successor Agency  
Wendy L. Watanabe, Auditor-Controller  
County of Los Angeles Department of Auditor-Controller  
Steven Szalay, Local Government Consultant  
Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Steven Mar, Bureau Chief  
Division of Audits, State Controller's Office  
Scott Freesmeier, Audit Manager  
Division of Audits, State Controller's Office  
Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Tuan Tran, Auditor-in-Charge  
Division of Audits, State Controller's Office  
Trisha L. Quiambao, Auditor  
Division of Audits, State Controller's Office

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Covina Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$56,363,779 in assets to the Successor Agency, the City, and the Covina Housing Authority after January 1, 2011. This amount included an unallowable transfer of assets totaling \$7,324,246. However, the Oversight Board provided approvals for various assets totaling \$4,556,253. The remaining amount of unallowable transfers that are subject to Health and Safety Code section 34167.5 is \$2,767,993, or 4.91% of total assets transferred; this amount should be turned over to the Successor Agency.

## Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred after January 1, 2011, between the RDA, the City, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

## **Objective, Scope, and Methodology**

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the RDA and City.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

## **Conclusion**

Our review found that the RDA transferred \$56,363,779 in assets to the Successor Agency, the City, and the Covina Housing Authority after January 1, 2011. This amount included an unallowable transfer of assets totaling \$7,324,246. However, the Oversight Board provided approvals for various assets totaling \$4,556,253. The remaining amount of unallowable transfers that are subject to H&S Code section 34167.5 is \$2,767,993, or 4.91% of total assets transferred; this amount should be turned over to the Successor Agency

Details of our findings are in the Findings and Orders of the Controller section of this report.

**Views of  
Responsible  
Officials**

We issued a draft report on May 7, 2013. Dilu De Alwis, Finance Director, responded by letter dated May 16, 2013, disagreeing with the review results. The City of Covina's response is included in this final review report as an attachment.

**Restricted Use**

This report is solely for the information and use of the Successor Agency, the Oversight Board, the City of Covina, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

August 23, 2013

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfers to the City of Covina**

The Covina Redevelopment Agency (RDA) made unallowable transfers of \$6,168,436 to the City of Covina (City) after January 1, 2011, which were not contractually committed to a third party prior to June 28, 2011. This amount is comprised of various real properties in the amount of \$3,514,006 and cash transfers in the amount of \$2,654,430.

- On March 1, 2011, the RDA transferred various real properties totaling \$3,514,006 (\$1,539,879 in land and \$1,974,127 in land held for resale) per Agency Resolution No. 11-660. However, it appears that some of those assets also may be subject to the provisions of Health and Safety (H&S) Code section 34181 (a). H&S Code section 34181 (a) states:

The oversight board shall direct the successor agency to do all of the following:

- (a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a government purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value.”
- On May 31, 2012, the Oversight Board determined that all properties were for a government purpose and retroactively approved the real properties transferred to the City of Covina, except for the property located at 135 East Badillo (\$325,988). On April 15, 2013, we held an exit conference with the Successor Agency representatives and addressed the finding of transferred property at 135 East Badillo. The Successor Agency representatives confirmed that this property is pending retroactive Oversight Board approval in the upcoming May 2, 2013 meeting.
- On March 10, 2011, the RDA made a loan repayment (interest and principal) to the City totaling \$1,312,401 per Agency Resolution No. 11-653. The RDA borrowed from the City to provide operating funds for ongoing project expenses as well as to establish sufficient debt to secure the RDA’s tax increment (per Agenda Item Commentary, January 25, 2011).

- On July 28, 2011, the RDA made a loan repayment (interest and principal) to the City totaling \$1,342,029 per Agency Resolution No. 11-686. This loan was borrowed by the RDA from the City to provide operating funds for ongoing project expenses as well as to establish sufficient debt to secure the RDA's tax increment (per Agenda Item Commentary, July 19, 2011).

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Any assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e).

#### Order of the Controller

Based on H&S Code section 34167.5, the City would have been ordered to reverse the transfer of those stated assets in the amount of \$6,168,436. However, because the \$3,188,018 in public-use properties were approved by the Oversight Board, only the remaining \$2,980,418 must be transferred to the Successor Agency (see Schedule 1).

The Successor Agency is directed to properly dispose of the remaining assets in accordance with H&S Code section 34177 (d) and (e).

The Department of Finance (DOF) must approve the Oversight Board's decision in this matter. If the DOF does not approve this decision, the City is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

#### City of Covina's Response

Covina objects to SCO's determination that the transfer of funds to repay the 2011 operating loan to the City after January 1, 2011 was impermissible. This loan was evidenced by promissory note and resolutions dated June 15, 2010. Pursuant to the terms of promissory note the loan was repaid as funds were available on March 10, 2011 and July 28, 2011.

Of the total \$2,980,418 identified as subject to transfer to the Successor Agency under this finding, \$325,988 of this amount is the value of property located at 135 East Badillo. This piece of property is made up of three (3) lots; Lot 13 (valued at \$98,862), Lot 14 (valued at \$113,563), and Lot 15 (valued at \$113,563). The only Lot that the City has determined does not have a governmental purpose is Lot 15. Lots 13 and 14 were retroactively approved at the Oversight Board meeting held May 2, 2013. Therefore, the property located at 135 East Badillo, Lot 15, valued at \$113,563, will be returned to the Successor Agency and we concur with this portion of the finding.

Based on the above, the City will return property valued at \$113,563 to the Successor Agency. . .

The Oversight Board approved Resolution 13-22 related to this matter, and the action is under consideration of approval by the Department of Finance.

SCO's Comment

The SCO acknowledges the receipt of Oversight Board Resolution No. 13-22, which approved the transfer of Lot 13 and 14 to the City and the return of Lot 15 ownership to the Successor Agency. Necessary adjustments were made to Schedule 1 – RDA Assets Transferred to the City of Covina. (See Schedule 1.)

If the DOF does not approve this decision, then the City is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

With regards to the promissory note between the RDA and the City, pursuant to H&S Code section 34171(d)(2), enforceable obligation does not include agreements, contracts, or arrangements between the city, county, or city and county entered into after the first two years of the creation of the RDA. In this case, the RDA and the City entered into an agreement on June 15, 2010, which was long after the first two years of the creation of the Covina RDA (1969). The amount of \$2,654,430 remains subject to the H&S Code section 34167.5 and should be returned to the Successor Agency for proper disposal.

**FINDING 2—  
Unallowable asset  
transfers to the  
Covina Housing  
Authority**

The RDA made an unallowable asset transfer of \$1,155,810 to the Covina Housing Authority. This amount is comprised of various real properties in the amount of \$1,155,810 that were not contractually committed to a third party prior to June 28, 2011.

On March 10, 2011, the RDA transferred various real properties totaling \$1,155,810 per Agency Resolution No. 11-661. The properties provide affordable housing for homeless women and children, where they can live rent-free for a period of time. On April 5, 2012, the Oversight Board approved the real properties transferred to the Covina Housing Authority per Oversight Board Resolution No. 12-02.

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Any assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e). However, it appears that these assets also may be subject to the provisions of H&S Code section 34181 (c). H&S Code section 34181 (c) states:

The oversight board shall direct the successor agency to do all of the following:

- (c) Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176.

**Order of the Controller**

Based on H&S Code section 34167.5, the Covina Housing Authority would have been ordered to reverse the transfer of the stated assets in the amount of \$1,155,810. The Successor Agency would have been then directed to properly dispose of the assets in accordance with H&S Code section 34177 (d) and (e). However, because the transfers of these properties have been approved retroactively by the Oversight Board, no further action is necessary.

The DOF must approve the Oversight Board's decision in this matter. If the DOF does not approve this decision, the City is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

**City of Covina's Response**

The Order of the Controller states that the DOF must approve the Oversight Board's decision in the matter of the transfer of the two properties to the Covina Housing Authority. This approval has been received.

In addition to the Oversight Board April 5, 2012 meeting and resolution 12-02 mentioned in paragraph two, the Oversight Board met on December 5, 2012, to approve the Amended Housing Asset Transfer Form by the Oversight Board Resolution 12-17. The Amended Housing Asset Transfer Form included the two properties transferred to the Covina Housing Authority.

The February 21, 2013 letter from DOF to the City of Covina approved the Oversight Board action regarding resolution 12-02 and 12-07, and the Amended Housing Asset Transfer form. See the letter from DOF included in City of Covina's response.

SCO's Comment

The SCO acknowledges the City's response and receipt of back-up documentation pertaining to the DOF's approval of assets transferred to the Housing Authority. No further action is required.

**Schedule 1—  
Unallowable RDA Assets Transferred to  
the City of Covina  
January 1, 2011, through January 31, 2012**

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Unallowable transfers to the City of Covina

Current assets:

Cash transfers to the City (March 10, 2011)		\$ 1,312,401
Cash transfers to the City (July 28, 2011)		1,342,029
Land held for resale (March 1, 2011)		
135 E. Badillo (B of A Bldg); 8445-009-910 (8445-009-912) Lot 13	\$ 98,862	
135 E. Badillo (B of A Bldg); 8445-009-910 (8445-009-912) Lot 14	113,563	
135 E. Badillo (B of A Bldg); 8445-009-910 (8445-009-912) Lot 15	113,563	
Park at Citrus/San Bernardino	756,000	
547 North Citrus	451,881	
Puente/Third (Boss Brothers)	440,258	1,974,127

Capital assets:

Land (March 1, 2011)		
114 E College St, Portion of Civic Center Parking Structure	174,517	
Large piece of land on Holt/Garvey/Village Oak - Jalapa Park	694,718	
Strip of land on Shoppers Lane	188,068	
City Yard, 534 North Barrance	482,576	1,539,879

Total unallowable transfers to the City	6,168,436 <sup>1</sup>
Oversight Board approved transfers (May 31, 2012)	(3,188,018)
Oversight Board approved transfer (May 2, 2013)	(212,425)
Total transfers subject to Health and Safety Code section 34167.5	<u>\$ 2,767,993</u>

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<sup>1</sup> See the Findings and Orders of the Controller section.

**Attachment—  
City of Covina’s Response to  
Draft Review Report**

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# CITY OF COVINA

125 East College Street • Covina, California 91723-2199

Housing / Block Grant Programs

Telephone: (626) 384-5443  
Facsimile: (626) 384-5448

May 16, 2013

Steven Mar, Chief  
Local Government Audits Bureau  
State Controller  
Division of Audits  
PO Box 942850  
Sacramento, CA 94250-5874

Mr. Mar,  
This letter contains comments on the draft report received by the City on May 13, 2013.

## **Finding One (Page 4) response:**

### First and third bullet-point

Covina objects to SCO's determination that the transfer of funds to repay the 2011 operating loan to the City after January 1, 2011 was impermissible. This loan was evidenced by promissory note and resolutions dated June 15, 2010 (see attached). Pursuant to the terms of promissory note the loan was repaid as funds were available on March 10, 2011 and July 28, 2011.

As you may be aware, the Court has recently found that a loan between the Agency and the City of Murrieta which was repaid in 2011 was permissible. In *City of Murrieta v. DOF et al.* (Sacramento Superior Court case no. 34-2012-80001346), on April 30, 2013, the court issued a preliminary injunction prohibiting DOF and the County Auditor-Controller from imposing penalties against the City pursuant to Health & Safety Code Section 34179.6. This case involves a 2004 agreement in which the city loaned approximately \$3.8 million to the former redevelopment agency. In 2009, the city council created a formal repayment schedule for the loan whereby the redevelopment agency would make annual \$500,000 payments to the City's general fund to pay off various loans, including this loan. On June 21, 2011, pursuant to the loan agreement, the City approved an accelerated repayment of the balance of the loan. In accordance with the accelerated repayment schedule, the redevelopment agency paid off the balance of the loan in December, 2011. In the Successor Agency's Low and Moderate Income Housing Fund Due Diligence Review (DDR), DOF denied the December 2011 accelerated repayment of the loan. The Court, by granting the injunction, has indicated that the City will likely prevail and that the accelerated repayment was permissible.

The Covina loan is very similar in structure to the loan in the Murrieta case. The payment was required by prior contract. We maintain that this was an enforceable obligation subject to payment, and therefore not an unallowable transfer, and not subject to clawback.

Of the total \$2,980,418 identified as subject to transfer to the Successor Agency under this finding, \$325,988 of this amount is the value of property located at 135 East Badillo. This piece of property is made up of three (3) lots; Lot 13 (valued at \$98,862), Lot 14 (valued at \$113,563) and Lot 15 (valued at \$113,563). The only Lot that the City has determined does not have a governmental purpose is Lot 15. Lots 13 and 14 were retroactively approved at the Oversight Board meeting held May 2, 2013. Therefore, the property located at 135 East Badillo, Lot 15, valued at \$113,563, will be returned to the Successor Agency and we concur with this portion of the finding.

Based on the above, City will return property valued at \$113,563 to the Successor Agency.

**Finding One (Page 4) response:**

Second bullet-point:

The property at 135 E. Badillo Street consists of three lots: Lots 13, 14 and 15. The Oversight Board met on May 2, 2013, and considered the approval of the transfer of Lots 13 and 14 as they are used for a governmental purpose. The Oversight Board approved Resolution 13-22 related to this matter, and the action is under consideration of approval by the Department of Finance.

**Finding Two, (Page 6) response:**

The Order of the Controller states that the DOF must approve the Oversight Board's decision in the matter of the transfer of the two properties to the Covina Housing Authority. This approval has been received.

In addition to the Oversight Board April 5, 2012 meeting and resolution 12-02 mentioned in paragraph two, the Oversight Board met on December 5, 2012, to approve the Amended Housing Asset Transfer Form by Oversight Board Resolution 12-17. The Amended Housing Asset Transfer Form included the two properties transferred to the Covina Housing Authority.

The February 21, 2013 letter from DOF to the City of Covina approved the Oversight Board Action regarding resolutions 12-02 and 12-07, and the Amended Housing Asset Transfer form. See the attached letter from DOF.

Sincerely,



Dilu de Alwis  
Finance Director

**RESOLUTION NO. 10-6853**

A RESOLUTION OF THE COVINA REDEVELOPMENT AGENCY APPROVING AND AUTHORIZING EXECUTION OF PROMISSORY NOTES MADE BY THE AGENCY TO THE CITY OF COVINA FOR FISCAL YEAR 2010-2011

WHEREAS, the CITY OF COVINA ("City") is assisting the Covina Redevelopment Agency ("Agency") in carrying out the Revitalization Redevelopment Project No. 1 ("Project No. 1") and the Revitalization Redevelopment Project No. 2 ("Project No. 2") and has authorized a loan to the Agency; and

WHEREAS, the Agency desires to accept the loans and give its notes to the City; and

WHEREAS, the Promissory Note for Project No. 1 ("Project No. 1 Note") has been prepared from the Agency to the City, in which the Agency shall pay to the City the amount and on the terms set forth in said Note, attached hereto as Exhibit "A."

WHEREAS, the Promissory Note for Project No. 2 ("Project No. 2 Note") has been prepared from the Agency to the City, in which the Agency shall pay to the City the amount and on the terms set forth in said Note, attached hereto as Exhibit "B."

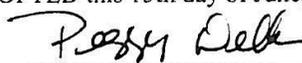
NOW, THEREFORE, BE IT RESOLVED BY THE COVINA REDEVELOPMENT AGENCY AS FOLLOWS:

SECTION 1. The Project No. 1 Note is hereby approved, and the Chairperson is authorized to execute said Note on behalf of the Agency.

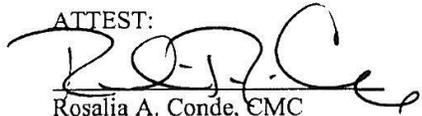
SECTION 2. The Project No. 2 Note is hereby approved, and the Chairperson is authorized to execute said Note on behalf of the Agency.

SECTION 3. The Secretary shall certify to the passage and adoption of this resolution and the same shall thereupon take effect and be in force.

PASSED, APPROVED AND ADOPTED this 15th day of June, 2010.

  
Peggy Delach, Mayor

ATTEST:

  
Rosalia A. Conde, EMC  
Deputy City Clerk

L  
APPROVED AS TO FORM:

  
\_\_\_\_\_  
Edward W. Lee, City Attorney

I, ROSALIA A. CONDE, CMC, Deputy City Clerk of the City of Covina, hereby CERTIFY that **Resolution No. 10-6853** was adopted by the Covina City Council at a regular meeting of the City Council held on **Tuesday, June 15, 2010** and was approved and passed by the following vote:

AYES: Council Members Allen, Low, Stapleton, Mayor Pro Tem King, Mayor Delach

NOES: None

ABSENT: None

ABSTAIN: None

L  
  
\_\_\_\_\_  
Rosalia A. Conde, CMC  
Deputy City Clerk

Exhibit A

PROMISSORY NOTE WITH INTEREST  
PROJECT NO. ONE

\$2,215,000

June 30, 2010

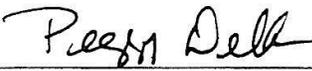
For value received, the COVINA REDEVELOPMENT AGENCY ("Agency") promises to pay to the CITY OF COVINA ("City") at Covina, California, the sum of Two Million Two Hundred and Fifteen Dollars (\$2,215,000) with interest at the rate of Eight and one quarter Percent (8.25%) per annum from the date of this note until paid.

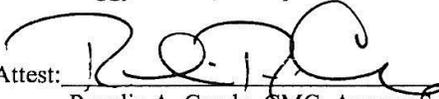
Principal in the amount of \$1,788,180 and all accrued and unpaid interest shall be due and payable on demand or on June 30, 2011, whichever occurs first.

Principal and interest shall be payable in lawful money of the United States.

Agency shall pay City only from tax increments available to Agency pursuant to the Redevelopment Plan for the Covina Revitalization Redevelopment Project No. 1 ("Project") as adopted by Ordinance No. 1268 on July 15, 1974, in accordance with Sections 33670-33674, of the California Redevelopment Law and Section 19, Article XIII of the California Constitution. The amount of this debt shall be subordinate to any tax increment bonds, which have been issued or authorized to be issued by the Agency.

COVINA REDEVELOPMENT AGENCY

By:   
Peggy Delach, Chairperson

Attest:   
Rosalia A. Conde, CMC, Agency Secretary

PROMISSORY NOTE WITH INTEREST  
PROJECT NO. TWO

\$275,000

June 30, 2010

For value received, the COVINA REDEVELOPMENT AGENCY ("Agency") promises to pay to the CITY OF COVINA ("City") at Covina, California, the sum of Two Hundred Seventy Five Thousand Dollars (\$275,000) with interest at the rate of Eight and one quarter Percent (8.25%) per annum from the date of this note until paid.

The entire principal and all accrued and unpaid interest shall be due and payable on demand or on June 30, 2011, whichever occurs first.

Principal and interest shall be payable in lawful money of the United States.

Agency shall pay City only from tax increments available to Agency pursuant to the Redevelopment Plan for the Covina Revitalization Redevelopment Project No. 2 ("Project") as adopted by Ordinance No. 1547 on September 6, 1983, and as amended by Ordinance No. 1640 on July 20, 1987, in accordance with Sections 33670-33674, of the California Redevelopment Law and Section 19, Article XIII of the California Constitution. The amount of this debt shall be subordinate to any tax increment bonds, which have been issued or authorized to be issued by the Agency.

COVINA REDEVELOPMENT AGENCY

By: Peggy Delach  
Peggy Delach, Chairperson

Attest: Rosalia A. Conde  
Rosalia A. Conde, CMC, Agency Secretary

**RESOLUTION NO. 13-22**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COVINA REDEVELOPMENT AGENCY APPROVING THE TRANSFER OF APN 8445-009-912, A FORMER COVINA REDEVELOPMENT AGENCY PROPERTY AT 135 E. BADILLO STREET, COVINA, USED FOR GOVERNMENTAL PURPOSES TO THE CITY OF COVINA PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34177(e) AND 34181(a), MAKING CERTAIN FINDINGS WITH REGARD THERETO, DIRECTING THE SUCCESSOR AGENCY TO TRANSFER THE PROPERTIES, AND APPROVING SUCCESSOR AGENCY ACCEPTANCE OF THE QUITCLAIM DEED TRANSFERRING OWNERSHIP OF LOT 15 APN 8445-009-911 FROM THE CITY OF COVINA TO THE SUCCESSOR AGENCY**

**WHEREAS**, the City Council of the City of Covina (“City”) approved and adopted redevelopment plans (“Redevelopment Plan”) for a redevelopment project area known as Project Area No. 1 on July 15, 1974 and a redevelopment project area known as Project Area No. 2 on September 19, 1983, and amended on July 13, 1987 to add territory (collectively, the “Project Areas” and individually the “Project Area”); and

**WHEREAS**, for the improvement of the Project Areas and the immediate neighborhoods in which the Project Areas are located, the Covina Redevelopment Agency (“Agency”) had recognized the need for certain public improvements, which improvements were located within the boundaries of, and contiguous to, the Project Areas, and

**WHEREAS**, pursuant to CRL Section 33445, a redevelopment agency was able, with the consent of the City Council, to pay all or part of the value of land located inside or contiguous to a project area, if the City Council makes certain findings and transfer such property; and

**WHEREAS**, in accordance with CRL Section 33445, the Agency had used its tax increment funds received pursuant to CRL Section 33670 to pay for all or part of the cost of the value of land for two properties (collectively, “Properties”), as listed below:

<u>Former APN</u>	<u>New APN</u>	<u>Description</u>
8445-009-910	8445-009-912	Lots 13 and 14, Parking lot, Badillo Street Covina
8445-009-910	8445-009-911	Lot 15, vacant lot, 135 E. Badillo Street, Covina

**WHEREAS**, the City Council made the required findings for the transfer of the Properties pursuant to CRL Section 33445 as set forth in City Council Resolution 11-6957 on April 19, 2011; and

**WHEREAS**, the Agency made the required findings for the transfer of the Properties pursuant to CRL Section 33445 as set forth in City Council Resolution 11-674 on April 19, 2011; and

**WHEREAS**, Health and Safety Code Section 34177(e) allows the Successor Agency to dispose of assets and properties of the former redevelopment agency as directed by the oversight board; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181; and

**WHEREAS**, Health and Safety Code Section 34181(a) allows the Oversight Board to direct the Successor Agency to transfer ownership of assets that were constructed and used for a governmental purpose to the appropriate public jurisdiction, and

**WHEREAS**, the Oversight Board has determined that Lots 13 and 14 were constructed and are being used for governmental purposes as a public parking lot, but that no declared governmental use has been determined for Lot 15, and

**WHEREAS**, the Successor Agency is the lead agency pursuant to the California Environmental Quality Act (codified as Public Resources Code Sections 21000 *et seq*) ("CEQA") and the State CEQA Guidelines; and

**WHEREAS**, Successor Agency staff has determined that the Agency's authorization of the transfer is exempt from CEQA, pursuant to the CEQA Guidelines set forth in California Code of Regulations, Title 14, Section 15378(b)(5), which provides that such authorizations are not considered a project subject to CEQA review because the transfer of the Properties is an organizational activity that will not result in direct or indirect physical changes in the environment.

**NOW, THEREFORE, BE IT RESOLVED** by the Governing Board of the Oversight Board of the Successor Agency to the Covina Redevelopment Agency as follows:

**Section 1.**     **Recitals.** The Recitals set forth above are true and correct and incorporated herein.

**Section 2.**     **34181 (a) Findings.** The Governing Board of the Oversight Board of the Successor Agency affirms, finds and determines, based on the information made available in the staff report accompanying this Resolution, the oral presentation of Agency staff, and all other written and oral evidence presented to the Governing Board at or prior to the public meeting, that:

Lots 13 and 14, APN 8445-009-912, were properties acquired, constructed and/or used for a governmental purpose. As the transfer is contingent on the City continuing the governmental purpose on these sites and paying any costs associated with their continued use there is no value to the City for assuming these continued responsibilities and costs for the use of these assets.

Lot 15, APN 8445-009-011 has no declared governmental use and, as such, the Successor Agency is authorized and directed to accept a quitclaim deed transferring ownership from the City of Covina to the Successor Agency.

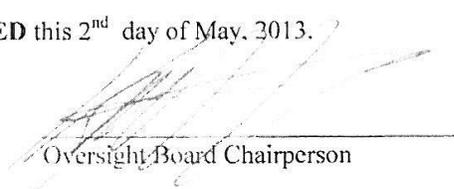
**Section 3.** **Implementation.** The Governing Board hereby authorizes and directs the Executive Director of the Successor Agency to take any action and execute any documents necessary to implement the property transfer and this Resolution, as may be approved by both the Executive Director and the Successor Agency Counsel.

**Section 4.** **Severability.** If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

**Section 5.** **Certification.** The Oversight Board Secretary, shall certify to the adoption of this Resolution.

**Section 6.** **Effective Date.** Pursuant to Health and Safety Code section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

PASSED, APPROVED AND ADOPTED this 2<sup>nd</sup> day of May, 2013.

  
Oversight Board Chairperson

ATTEST:

  
Cyndie Petersen  
Oversight Board Secretary

**CERTIFICATION**

I, Cyndie Peterson, Secretary to the Oversight Board of the Successor Agency to the Covina Redevelopment Agency, do hereby CERTIFY that Resolution No. 13-22 was adopted by the Oversight Board of the Successor Agency to the Covina Redevelopment Agency, at a special meeting held this 2nd day of May, 2013, and was approved and passed by the following vote:

AYES: HALL, RIVERA, ROSSI, SANDT, STAPLETON

NOES: NONE

ABSTAIN: NONE

ABSENT: FONSECA, VIZCARRA

  
Cyndie Petersen  
Oversight Board Secretary



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

February 21, 2013

Ms. Lisa Brancheau, Assistant to the City Manager  
City of Covina  
125 East College Street  
Covina, CA 91723

Dear Ms. Brancheau:

Subject: Approval of Oversight Board Action

The City of Covina Successor Agency (Agency) notified the California Department of Finance (Finance) of its April 5, 2012 and December 5, 2012 oversight board (OB) resolutions no. 12-02 and no. 12-17 on December 10, 2012. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB resolution no. 12-02 directing the Agency to transfer ownership of the housing assets and properties of the former redevelopment agency to the Covina Housing Authority and OB resolution no. 12-17 ratifying the amended Housing Asset Transfer form are approved. This is our determination with respect to the OB actions taken.

Please direct inquiries to Kylie Le, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY  
Local Government Consultant

cc: Mr. Dilu de Alwis, Finance Director, City of Covina  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**