

# **STANTON REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

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



**JOHN CHIANG**  
California State Controller

December 2014



**JOHN CHIANG**  
*California State Controller*

December 29, 2014

Stephen M. Parker  
Interim Director of Administrative Services  
Stanton Redevelopment/Successor Agency  
7800 Katella Ave  
Stanton, CA 90680

Dear Mr. Parker:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Stanton Redevelopment Agency (RDA) to the City of Stanton (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 the asset 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 or any other public agencies have been reversed.

Our review found that the RDA transferred \$115,428,960 in assets after January 1, 2011, including unallowable transfers totaling \$37,359,947 or 32.37% of transferred assets. The unallowable transfers included \$21,910,453 to the City and \$15,449,494 to the Housing Authority.

However, the following corrective actions have been taken:

- On August 15, 2013, the Successor Agency transferred ownership of \$2,688,334 in government-purpose assets to the City.
- On October 22, 2013, and November 30, 2013, the City turned over a total of \$19,222,119 in assets to the Successor Agency.
- On January 16, 2014, the Oversight Board approved the transfer of \$15,449,494 in assets to the Housing Authority.

Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at [egonzalez@sco.ca.gov](mailto:egonzalez@sco.ca.gov).

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

cc: David J. Shawver, Oversight Board Chair  
Stanton Redevelopment/Successor Agency  
Jan Grimes, Auditor-Controller  
Orange County  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Elizabeth González, Bureau Chief  
Division of Audits, State Controller's Office  
Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Daniel Tobia, Auditor-in-Charge  
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 Stanton 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 \$115,428,960 in assets after January 1, 2011, including unallowable transfers totaling \$37,359,947 or 32.37% of transferred assets. The unallowable transfers included \$21,910,453 to the City of Stanton (City) and \$15,449,494 to the Housing Authority.

However, the following corrective actions have been taken:

- On August 15, 2013, the Successor Agency transferred ownership of \$2,688,334 in government-purpose assets to the City.
- On October 22, 2013, and November 30, 2013, the City turned over a total of \$19,222,119 in assets to the Successor Agency.
- On January 16, 2014, the Oversight Board approved the transfer of \$15,449,494 in assets to the Housing Authority.

Therefore, no further action is necessary.

## 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.

H&S Code section 34167.5, states in part, “. . .the Controller shall review the activities of redevelopment agencies 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.”

The SCO identified asset transfers 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 action 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, the Successor Agency, the Oversight Board, the City, and the Housing Authority.
- 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 Stanton Redevelopment Agency transferred \$115,428,960 in assets after January 1, 2011, including unallowable transfers totaling \$37,359,947 or 32.37% of transferred assets. The unallowable transfers included \$21,910,453 to the City of Stanton (City) and \$15,449,494 to the Housing Authority.

However, the following corrective actions have been taken:

- On August 15, 2013, the Successor Agency transferred ownership of \$2,688,334 in government-purpose assets to the City.
- On October 22, 2013, and November 30, 2013, the City turned over a total of \$19,222,119 in assets to the Successor Agency.

- On January 16, 2014, the Oversight Board approved the transfer of \$15,449,494 in assets to the Housing Authority.

Therefore, no further action is necessary.

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

## **Views of Responsible Officials**

At an exit conference on December 19, 2013, we discussed the review results with Stephen Parker, Interim Director of Administrative Services; Omar Dadabhoy, Community Development Director; Bing Courtney, Accounting Manager; and Elizabeth Hull, City Attorney.

On November 13, 2014, Mr. Dadabhoy agreed that a draft review report was not necessary and that the report could be issued as final.

## **Restricted Use**

This report is solely for the information and use of the City, the Housing Authority, the Successor Agency, the Oversight Board, 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

December 29, 2014

# Findings and Orders of the Controller

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

The Stanton Redevelopment Agency (RDA) made unallowable asset transfers of \$21,910,453 to the City of Stanton (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable transfers were as follows:

- On March 31, 2011, the RDA transferred \$9,029,261 in cash as a loan repayment to the City.
- On June 28, 2011, the RDA transferred \$12,881,192 in capital assets to the City per RDA Agenda Item 7A.

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. Those 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

Pursuant to H&S Code section 34167.5, the City of Stanton is ordered to reverse the assets totaling \$21,910,453 and turn over the assets to the Successor Agency.

However, the following corrective actions have been taken:

- On August 15, 2013, the Oversight Board passed Resolution No. SOB 2013-05 directing the Successor Agency to transfer ownership of \$2,688,334 in government-purpose assets to the City pursuant to H&S Code sections 34177 and 34181.
- On October 22, 2013, the City turned over \$10,192,858 in capital assets to the Successor Agency.
- On November 30, 2013, the City turned over \$9,029,261 in cash assets to the Successor Agency.

Therefore, no further action is necessary.

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

The Stanton Redevelopment Agency (RDA) made unallowable asset transfers of \$15,449,494 to the Housing Authority. The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On June 28, 2011, the RDA transferred \$15,449,494 in capital assets to the Housing Authority per RDA Agenda Item 7B.

Pursuant to Health and Safety (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, that were not contractually committed to a third party prior to June 28, 2011, to the extent not prohibited by state and federal law. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

In accordance with H&S Code section 34176(b)(2):

- (b) If a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the successor agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:
  - (2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.

And in accordance with H&S Code section 34177(g):

Successor agencies are required to do all of the following:

- (g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

**Order of the Controller**

Pursuant to H&S Code section 34167.5, the Housing Authority is ordered to reverse the transfers in the amount of \$15,449,494 and turn over the assets to the Successor Agency. However, on January 16, 2014, the Successor Agency effectuated the transfer of housing functions and assets of \$15,449,494 to the Housing Authority in accordance with H&S Code section 34176(b)(2) and 34177(g) and under Resolution SOB 2014-02. Therefore, no further action is necessary.

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**Schedule 1—  
Unallowable RDA Asset Transfers to  
the City of Stanton  
January 1, 2011, through January 31, 2012**

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Unallowable asset transfers to the City of Stanton:

Cash transfer for loan repayment (March 31, 2011)	\$ 9,029,261
Capital assets transfer (June 28, 2011)	<u>12,881,192</u>
Total unallowable asset transfers	21,910,453
Oversight Board approval of government-purpose assets (August 15, 2013)	(2,688,334)
Capital assets turned over to Successor Agency (October 22, 2013)	(10,192,858)
Cash turned over to Successor Agency (November 30, 2013)	<u>(9,029,261)</u>
Total transfers subject to H&S Code section 34167.5	<u><u>\$ —</u></u>

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**Schedule 2—  
Unallowable RDA Asset Transfers to  
the Housing Authority  
January 1, 2011, through January 31, 2012**

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Unallowable asset transfers:

Capital assets transferred on June 28, 2011	\$ 15,449,494
Total unallowable asset transfers	15,449,494
Oversight Board approval on January 16, 2014 (Resolution No. SOB 2014-02)	<u>(15,449,494)</u>
Total transfers subject to H&S Code section 34167.5	<u><u>\$ —</u></u>

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

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