

ALHAMBRA REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

July 2014



JOHN CHIANG
California State Controller

July 31, 2014

Tara Schultz, Assistant City Manager
City of Alhambra
111 1st Street
Alhambra, CA 91801

Dear Ms. Schultz:

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

Our review found that the RDA transferred \$43,684,322 in assets after January 1, 2011, including unallowable transfers to the City totaling \$12,242,668, or 28.03% of the transferred assets.

However, on June 30, 2012, the City turned over \$10,865,023 in real property and \$481,297 in land held for resale to the Successor Agency. Additionally, on March 5, 2013, the City turned over \$896,348 in cash to the Successor Agency. Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Bureau Chief, Local Government Compliance Bureau by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Vanessa Reynoso, Deputy Director of Development Services
City of Alhambra
Dean Johnson, Assistant Finance Director
City of Alhambra
Wendy L. Watanabe, Auditor-Controller
County of Los Angeles
Mark Paulson, Chairman
Oversight Board
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
Ernesto Pangilinan, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Finding and Order of the Controller	4
Schedule 1—Unallowable Asset Transfers to the City of Alhambra	6
Attachment—City of Alhambra’s Response to Draft Review Report	

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Alhambra 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 \$43,684,322 in assets after January 1, 2011, including unallowable transfers to the City of Alhambra (City) totaling \$12,242,668, or 28.03% of the transferred assets.

However, on June 30, 2012, the City turned over \$10,865,023 in real property and \$481,297 in land held for resale to the Successor Agency. Additionally, on March 5, 2013, the City turned over \$896,348 in cash to the Successor Agency. 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 and oversight boards 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 (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 in the state 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 any other public agency. 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's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- 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 Alhambra Redevelopment Agency transferred \$43,684,322 in assets after January 1, 2011, including unallowable transfers to the City of Alhambra (City) totaling \$12,242,668, or 28.03% of the transferred assets.

However, on June 30, 2012, the City turned over \$10,865,023 in real property and \$481,297 in land held for resale to the Successor Agency. Additionally, on March 5, 2013, the City turned over \$896,348 in cash to the Successor Agency. Therefore, no further action is necessary.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on June 16, 2014. Tara Schultz, Assistant City Manager, responded by letter dated June 23, 2014, agreeing with the review results. The City'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 City of Alhambra, 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

July 31, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of Alhambra**

The Alhambra Redevelopment Agency (RDA) transferred \$12,242,668 in assets to the City of Alhambra (City). All of the asset transfers to the City occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

- On March 8, 2011, the RDA transferred various capital assets (land and buildings) with book values totaling \$10,865,023, to the City.
- On March 8, 2011, the RDA transferred the leases associated with the capital assets mentioned above to the City. During the period April 1, 2011 through January 31, 2012, the City collected \$896,348 in lease revenue for the properties in which the RDA was the lessor.
- On May 31, 2011, the RDA transferred \$481,297 in land held for resale to the City.

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. Those 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 some of those assets also may be subject to the provisions of 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; 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 governmental purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset.

Order of the Controller

Pursuant H&S Code section 34167.5, the City is ordered to return the above assets, described in Schedule 1, in the amount of \$12,242,668, and return them to the Successor Agency to be disposed of in accordance with H&S Code section 34177 (d) and (e). However, on June 30, 2012, the City turned over \$10,865,023 in real property and \$481,297 in land held for resale to the Successor Agency. Additionally, on March 5, 2013, the City turned over \$896,348 in cash to the Successor Agency. Therefore, no further action is required.

City's Response

We have reviewed your findings, and the details of the report and have determined that the information within is accurate. There are a few clerical errors in APN numbers on Schedule 1 and the description of the "Land held for resale" . . . We request that your office make these corrections and proceed with the Final Asset Transfer Review Report.

SCO's Comment

We have updated the APN numbers and the subtotal headings within Schedule 1. The Finding and Order of the Controller remain as stated.

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

Unallowable transfers to the City of Alhambra

Capital Assets

<u>Address/Description</u>	<u>APN</u>		
100 S. Monterey (Land)	5345-004-901	\$	125,400
100 S. Monterey (Land)	5345-004-903		135,000
100 S. Monterey (Land)	5345-004-904		183,411
100 S. Monterey (Land)	5345-004-910		30,791
Parking lot between Chapel and Monterey	5345-004-912		200,990
Parking lot between Chapel and Monterey	5345-004-915		49,485
110 W. Main (Land)	5344-025-901		38,880
110 W. Main (Building)	5344-025-901		42,120
Retail Stores (Buildings)	5344-025-902		605,000
2500 and 2568 Commonwealth (Land)	5342-005-914		3,712,762
Freemont Plaza (Buildings)	5342-005-914		5,741,184
Subtotal			<u>10,865,023</u>
Current Assets			
Cash/Lease Revenue			896,348
Land held for resale			481,297
Subtotal			<u>1,377,645</u>
Total unallowable transfers—City of Alhambra		\$	<u>12,242,668</u> ¹
Assets returned to the Successor Agency			
Property returned on June 30, 2012		\$	(10,865,023)
Land held for resale returned on June 30, 2012			(481,297)
Cash returned on March 5, 2013			(896,348)
Subtotal			<u>(12,242,668)</u>
Total unallowable transfers subject to H&S Code section 34167.5		\$	<u>—</u>

¹ See the Finding and Order of the Controller section.

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

City of Alhambra
Development Services Department

June 23, 2014



Gateway
to the
San Gabriel Valley

111
South First Street
Alhambra
California
91801

Ms. Elizabeth Gonzales, Chief
Local Government Compliance Bureau
State Controller's Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Draft Asset Transfer Review

Dear Ms. Gonzales,

We are in receipt of your letter dated June 16, 2014, with the attached Draft Asset Transfer Review Report. We have reviewed your findings, and the details of the report and have determined that the information within is accurate. There are a few clerical errors in APN numbers on Schedule 1 and the description of the "Land held for resale", which are listed below;

Parking lot between Chapel and Monterey	5345-004-912
Parking lot between Chapel and Monterey	5345-004-915
Fremont Plaza (Buildings)	5342-005-914

The "Land held for resale" appears under Current Assets and is listed as "Cash" under Assets returned to the Successor Agency. This should be changed to "Land held for resale" to match the previous description, as it is not cash.

We request that your office make these corrections and proceed with the Final Asset Transfer Review Report and forward it to us at your earliest convenience.

Mr. Pangilinan was a pleasure to work with during his review of our files. Thank you for your time and Mr. Pangilinan's thorough review of our records.

Sincerely,

Tara Schultz

Assistant City Manager/Development Services Director

Cc: Ernesto Pangilinan, Auditor-in-Charge
Division of Audits, State Controller's Office

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

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