

CARSON REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

April 2015



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California State Controller

April 29, 2015

Cecil W. Rhambo, Jr., Acting City Manager
Carson Redevelopment/Successor Agency
701 E. Carson Street
Carson, CA 90745

Dear Mr. Rhambo:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Carson Redevelopment Agency (RDA) to the City of Carson (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 \$326,347,629 in assets after January 1, 2011, including unallowable transfers totaling \$15,294,635, or 4.69% of transferred assets. The unallowable transfers include \$8,564,557 to the City, and \$6,730,078 to the Carson Housing Authority (CHA).

However, the following corrective actions have been taken:

- On July 30, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$6,730,078 to the CHA as Housing Successor Agency.
- On January 31, 2012, the City sold land held for resale and deposited the sale revenue of \$7,802,487 into the former RDA funds.
- On April 3, 2013, the City quit-claimed two parcels of property with no book value to the Successor Agency.

Therefore, the remaining \$762,070 in unallowable transfers must be turned over to the Successor Agency. The City indicates that the Successor Agency will amend the Long-Range Property Management Plan (LRPMP) to include the property valued at \$762,070. Once the Department of Finance approves the LRPMP, no further action will be 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/tc

Attachment

cc: Linda F. Mann, Principal Administrative Analyst
City of Carson
Jim Dear, Oversight Board Chair
Carson Redevelopment/Successor Agency
John Naimo, Auditor-Controller
Los Angeles 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
Reginald Nidoy, Audit Manager
Division of Audits, State Controller's Office
Nesha Neycheva, 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 Carson 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 \$326,347,629 in assets after January 1, 2011, including unallowable transfers totaling \$15,294,635, or 4.69% of transferred assets. The unallowable transfers include \$8,564,557 to the City of Carson (City), and \$6,730,078 to the Carson Housing Authority (CHA).

However, the following corrective actions have been taken:

- On July 30, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$6,730,078 to the CHA as Housing Successor.
- On January 31, 2012, the City sold land held for resale and deposited the sale revenue of \$7,802,487 into the former RDA funds.
- On April 3, 2013, the City quit-claimed two parcels of property with no book value to the Successor Agency.

Therefore, the remaining \$762,070 in unallowable transfers must be turned over to the Successor Agency. The City indicates that the Successor Agency will amend the Long-Range Property Management Plan (LRPMP) to include the property valued at \$762,070. Once the Department of Finance approves the LRPMP, no further action will be 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 Carson Redevelopment Agency (RDA) transferred \$326,347,629 in assets after January 1, 2011, including unallowable transfers totaling \$15,294,635, or 4.69% of transferred assets. The unallowable transfers include \$8,564,557 to the City of Carson (City), and \$6,730,078 to the Carson Housing Authority (CHA).

However, the following corrective actions have been taken:

- On July 30, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$6,730,078 to the CHA as Housing Successor.
- On January 31, 2012, the City sold land held for resale and deposited the sale revenue of \$7,802,487 into the former RDA funds.

- On April 3, 2013, the City quit-claimed two parcels of property with no book value to the Successor Agency.

Therefore, the remaining \$762,070 in unallowable transfers must be turned over to the Successor Agency. The City indicates that the Successor Agency will amend the Long-Range Property Management Plan (LRPMP) to include the property valued at \$762,070. Once the Department of Finance approves the LRPMP, no further action will be necessary

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

Views of Responsible Officials

We issued a draft review report on January 9, 2015. Cecil W. Rhambo, Jr., Acting City Manager, responded by letter dated February 11, 2015. 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 Carson, 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

April 29, 2015

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of Carson

The Carson Redevelopment Agency (RDA) made unallowable asset transfers of \$8,564,557 to the City of Carson (City). The transfers 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 \$8,564,557 in land held for development per the Transfer Agreement between the RDA and the City dated March 8, 2011.

Pursuant to Health & 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. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City of Carson is ordered to reverse the transfers totaling \$8,564,557 and turn over the assets to the Successor Agency.

However, the following corrective actions have been taken:

- On January 31, 2012, the City sold land held for resale and deposited the sale revenue of \$7,802,487 into the former RDA funds.
- On April 3, 2013, the City quit-claimed two parcels of property with no book value to the Successor Agency.

Therefore, the remaining \$762,070 in unallowable transfers must be turned over to the Successor Agency.

City's Response

The City requested that the Successor Agency be given the opportunity to apply to the California Department of Finance (DOF) with a request to amend its Long-Range Property Management Plan (LRPMP) to include the Reflections Mini Park, located at 21208 Shearer Avenue, as a transfer at no cost to the City, pursuant to, and in accordance with paragraph (C)(2)(A) of section 34191.5 of the H&S Code.

SCO's Comment

The Order of the Controller remains as stated. Once the DOF approves the LRPMP, no further action will be necessary.

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

The Carson Redevelopment Agency (RDA) made unallowable asset transfers of \$6,730,078 to the Carson Housing Authority (CHA). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On April 11, 2011, the RDA transferred \$6,730,078 in land held for development per the Amended and Restated Agreement between the RDA and the CHA.

Pursuant to Health & 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. 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 CHA is ordered to reverse the transfers in the amount of \$6,730,078 and turn over the assets to the Successor Agency. However, on July 30, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$6,730,078 to the CHA in accordance with H&S Code section 34176(b)(2) and 34177 (g). Therefore, no further action is necessary.

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

Land held for resale:

March 8, 2011	21208 Shearer Avenue	\$ 762,070
March 8, 2011	APN 7406-018-908, 909 (two parcels)	—
March 8, 2011	2201 E. 223rd Street	<u>7,802,487</u>
Total unallowable transfers		<u>8,564,557</u>
January 31, 2012	Land held for resale sold; proceeds deposited with the RDA	(7,802,487)
April 3, 2013	Two parcels quit-claimed to the Successor Agency	<u>—</u>
Transfers subject to Health and Safety Code section 34167.5		<u><u>\$ 762,070</u></u>

**Attachment—
City's Response to Draft Review Report**



CITY OF CARSON

February 11, 2015

Jeffrey V. Brownfield, CPA
Chief, Division of Audits
P.O. Box 942850
Sacramento, CA 94250

Re: State Controller's Office's Review of Asset Transfers by the Carson Redevelopment Agency to the City of Carson or any other Public Agency after January 1, 2011.

Dear Mr. Brownfield:

This letter is in response to your letter to former City Manager Nelson Hernandez, dated January 9, 2015, regarding the referenced subject. Thank you for acknowledging the three corrective actions that have been successfully taken by the City of Carson (City), the Carson Successor Agency (Agency) and the Carson Housing Authority (Authority). I would now like to address the last outstanding item; that of the remaining \$762,070 in unallowable transfers which your letter indicates must be turned over to the Agency.

To begin, although your letter does not indicate so, the 21208 Shearer Avenue property is actually a small, 17,000 square foot, passive neighborhood park. The former Carson Redevelopment Agency (RDA) was underway designing and developing the park prior to announcement of the dissolution of redevelopment in California. The RDA continued to perform its enforceable obligation and completed the park. Design and construction for the park totaled about \$750,000. Moreover, this was also a Brownfield remediation, required by the Regional Water Quality Control Board (RWQB) in order to build the park. The RWQB required the Carson Redevelopment Agency to record a Covenant of Environmental Restrictions on the property, which it did on August 16, 2010, limiting its use to that of a passive park. In fact, the remediation was done in furtherance of, and immediately prior to, the property's development as a park.

Upon completion of the park, on March 8, 2011, the RDA transferred ownership to the City. The transfer occurred prior to the requirement of Due Diligence Audits, Long Range Property Management Plans (LRPMP) or Findings of Completion. Had the park's development occurred later it would have been included on the LRPMP with a request to be transferred to the City

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WEBSITE: ci.carson.ca.us

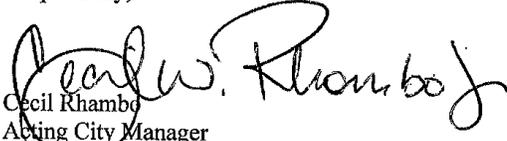
pursuant to paragraph (c)(2)(A) of Section 34191.5 of the Health & Safety Code, enacted by AB No.1484.

Therefore, what I propose is that the Agency be given the opportunity to apply to the State Department of Finance (DOF) with a request to amend our LRPMP to include Reflections Mini Park, located at 21208 Shearer Avenue, as a transfer at no cost to the City of Carson pursuant to and in accordance with paragraph (c)(2) (A)of Section 34191.5 of the Health & Safety Code.

Should you have any questions please don't hesitate to contact me at (310) 952-1729.

Thank you for your time and consideration.

Respectfully,


Cecil Rhambo
Acting City Manager

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

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