

CRESCENT CITY REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

August 2014



JOHN CHIANG
California State Controller

August 26, 2014

Eugene M. Palazzo, City Manager
City of Crescent City
377 J Street
Crescent City, CA 95531

Dear Mr. Palazzo:

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

Our review found that the RDA transferred \$2,470,975 in assets after January 1, 2011, including unallowable transfers to the City totaling \$248,920, or 10.07% of transferred assets. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, 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: Emily Boyd, Finance Director
City of Crescent City
Bridget Lacey, Accounts Purchasing Clerk
City of Crescent City
Kathryn Murray, Chair
Oversight Board to the Crescent City Successor Agency
Clinton Schaad, Auditor-Controller
County of Del Norte
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
Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
Trisha Quiambao, 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 Crescent City 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 \$2,470,975 in assets after January 1, 2011, including unallowable transfers to the City of Crescent City (City) totaling \$248,920, or 10.07% of transferred assets. These assets must 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 (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 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 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 Crescent City Redevelopment Agency transferred \$2,470,975 in assets after January 1, 2011, including unallowable transfers to the City of Crescent City totaling \$248,920, or 10.07% of transferred assets. These assets must be turned over to the Successor Agency.

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 February 18, 2014. Eugene Palazzo, City Manager, responded by letter dated March 11, 2014 disagreeing with the review results. The City's response is included in this final review report as an attachment.

The City's response referenced a finding related to housing assets. That finding was eliminated due to a subsequent court ruling.

Restricted Use

This report is solely for the information and use of the City, 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

August 26, 2014

Finding and Order of the Controller

FINDING— Unallowable asset transfer to the City of Crescent City

The Crescent City Redevelopment Agency (RDA) made unallowable asset transfers totaling \$248,920 to the City of Crescent City (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 January 31, 2012, the RDA transferred \$248,920 to the City for repayment of a loan from the City's Water Fund.

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.

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of the above assets in the amount of \$248,920 and turn the assets over to the Successor Agency. The Successor Agency is directed to properly dispose of the assets in accordance with H&S Code section 34177 (d).

City's Response

The Successor Agency respectfully disagrees that the partial repayment of the loan of \$248,920 was not allowed. The payment was made prior to the dissolution of the Redevelopment Agency. Further, this transaction was reviewed as part of the Due Diligence Review process under Health and Safety Code section 341796, and the Department of Finance did not determine that this transfer was not allowed. The Successor Agency made all payments required under the Due Diligence Review Process set forth in AB 1484 and the state Department of Finance issued a Finding of Completion to the Successor Agency on May 9, 2013.

SCO's Comment

The SCO disagrees with the City.

Pursuant to H&S Code authority, the SCO asset transfer reviews are different from the DOF Due Diligence Reviews.

The SCO's authority under H&S Code section 34167.5 extends to all assets transferred after January 1, 2011, by the RDA to the city or county, or city and county that created the RDA or any other public agency.

The Finding and Order of the Controller remains as stated.

**Schedule 1—
Summary of Asset Transfers to the Successor Agency
and the City of Crescent City after January 1, 2011**

Date	Description	Total	Allowable	Unallowable	Adjustment	Clawback
January 31, 2012	Cash transfer to the City for Water Fund loan repayment	248,920	—	248,920	—	248,920
February 1, 2012	Cash transfer to the Successor Agency	700	700	—	—	—
February 1, 2012	Loans receivables transfer to the Successor Agency	363,228	363,228	—	—	—
February 1, 2012	Land transfer to the Successor Agency	200,000	200,000	—	—	—
February 1, 2012	Building and equipment transfer to the Successor Agency (net of depreciation)	283,875	283,875	—	—	—
February 1, 2012	Cash transfer to the Entity Assuming the Housing Functions	955,629	955,629	—	—	—
February 1, 2012	Receivables transfer to the Entity Assuming the Housing Functions	328,871	328,871	—	—	—
February 1, 2012	Land held for development transfer to the Entity Assuming the Housing Functions	89,752	89,752	—	—	—
		<u>2,470,975</u>	<u>2,222,055</u>	<u>248,920</u>	<u>—</u>	<u>248,920</u>

¹ See the Finding and Order of the Controller section.

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



377 J STREET CRESCENT CITY, CALIFORNIA 95531-4025

Administration/Finance: 707-464-7483
Utilities: 707-464-6517

Public Works/Planning: 707-464-9506
FAX: 707-465-4405

March 11, 2014

Jeffrey V. Brownfield, CPA
Chief, Division of Audits
State Controller's Office
PO Box 942850
Sacramento, CA 94250-5874

RE: Management's Response to Findings
Asset Transfer Review

Dear Mr. Brownfield:

This is in response to your February 18, 2014, letter regarding the findings from the Asset Transfer Review. We received your letter on February 20, 2014, and requested an extension of our time to respond from March 2 to March 12. That request was granted via email by Trisha Quiambao (see attached copy of email).

Following are our responses to the audit findings, which we respectfully request be included in the final Asset Transfer Review document:

Finding 1:

The Successor Agency respectfully disagrees that the partial repayment of the loan of \$248,920 was not allowed. The payment was made prior to the dissolution of the Redevelopment Agency. Further, this transaction was reviewed as part of the Due Diligence Review process under Health and Safety Code section 341796, and the Department of Finance did not determine that this transfer was not allowed. The Successor Agency made all payments required under the Due Diligence Review Process set forth in AB 1484 and the state Department of Finance issued a Finding of Completion to the Successor Agency on May 9, 2013.

Finding 2:

The SCO determined that \$418,623 of housing assets should be returned by the Housing Successor, which is the City of Crescent City, to the Successor Agency. These housing assets were transferred to the Housing Successor upon the dissolution of the former Redevelopment

State Controller's Office
Asset Transfer Review
Management's Response to Findings
March 11, 2014
Page 2

Agency. As the SCO may be aware, a recent trial court decision held that the SCO exceeded its authority in ordering a similar transfer of housing assets from the Housing Successor to the Successor Agency, merely to have the Oversight Board order those same assets to be re-transferred back to the Housing Successor. (*City of Fresno et al. v. State of California, et al.*, Sacramento County Superior Court Case No. 34-2013-80001450) On that basis, therefore, the City declines to transfer the cited housing assets to the Successor Agency.

Notwithstanding the above, the Oversight Board did, in fact, adopt a resolution directing transfer of housing assets set forth in the Department of Finance approved Housing Asset List to the City of Crescent City acting as the Housing Successor Agency pursuant to California Health and Safety Code Section 34181(c) on October 30, 2013. (Copy of resolution attached).

Based on the above, we request that the receivables of \$328,871 and land held for transfer of \$89,752 be moved from the Clawback column to the Adjustment column in Schedule 1 of the Asset Transfer Review final document.

We appreciate your inclusion of our responses to the audit findings in the final Asset Transfer Review report.

Sincerely,



Eugene M. Palazzo
City Manager

Attachment: Oversight Board Resolution 2014-04

OVERSIGHT BOARD
RESOLUTION 2013-04

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF CRESCENT CITY ACKNOWLEDGING STATE DEPARTMENT OF FINANCE REVIEW AND FINDING REGARDING THE HOUSING ASSET LIST, AND DIRECTING TRANSFER OF HOUSING ASSETS SET FORTH IN DEPARTMENT OF FINANCE APPROVED HOUSING ASSET LIST TO THE CITY OF CRESCENT CITY, ACTING AS THE HOUSING SUCCESSOR AGENCY, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34181(c)

WHEREAS, the California state legislature enacted Assembly Bills x1 26 and 1484 to dissolve and unwind the affairs of redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*); and

WHEREAS, the City Council of the City of Crescent City (the "City Council") declared that the City of Crescent City, acting in a separate legal capacity and as a separate public entity pursuant to Health and Safety Code Section 34173(g), will act as successor agency (the "Successor Agency") for the dissolved Redevelopment Agency of the City of Crescent City (the "Dissolved RDA") effective February 1, 2012; and

WHEREAS, an oversight board for the Successor Agency (the "Oversight Board") has been established and is functioning in accordance with Health and Safety Code Section 34179; and

WHEREAS, pursuant to Health and Safety Code Section 34176(a)(1), the City Council elected that the City of Crescent City (the "City") will retain the housing assets and functions previously performed by the Dissolved RDA, and will serve as the successor housing agency of the Dissolved RDA effective February 1, 2012; and

WHEREAS, pursuant to Health and Safety Code Section 34176(a)(2), on July 37, 2012, the City submitted the required housing asset transfer list (the "Housing Asset List") to the California Department of Finance (the "Department"); and

WHEREAS, a copy of the submitted Housing Asset List is attached to this Resolution as Exhibit A; and

WHEREAS, the Housing Asset List constitutes a list of all "housing assets" of the Dissolved RDA, as defined in Health and Safety Code Section 34176(e), including: real and personal property interests acquired for low-and moderate-income housing purposes; encumbered funds; loan and grant receivables for assistance provided by the Low and Moderate Income Housing Fund ("Housing Fund"); rents and payments from housing operations; and amounts owed to the Housing Fund as a result of previously deferred or

borrowed Housing Fund deposits; and

WHEREAS, the City received a letter from the Department dated March 3, 2013, a copy of which is attached to this Resolution as Exhibit B, approving all housing assets listed in the Housing Asset List (the "Department Approval Letter"); and

WHEREAS, as used in this Resolution, the term "Housing Assets" means all of the assets set forth in the Housing Asset List approved by the Department; and

WHEREAS, the State Controller's Office (the "SCO") is conducting reviews of the assets of all the dissolved redevelopment agencies throughout the State, including the Dissolved RDA's assets, and has preliminarily indicated its view that the transfer of the Housing Assets to the City, as housing successor of the Dissolved RDA, requires Oversight Board action directing transfer of those Housing Assets (in addition to the previous Department approval of the Housing Asset List described above); and

WHEREAS, to comply with the SCO's view, the Successor Agency has requested that the Oversight Board direct transfer of all of the Housing Assets set forth in the Housing Asset List to the City as the housing successor for the Dissolved RDA, as authorized by Health and Safety Code Section 34181(c), including Oversight Board direction for the Successor Agency to enter into such documents and agreements as are appropriate to accomplish this transfer, such as an assignment and assumption agreement for the Housing Assets between the Successor Agency and the City; and

WHEREAS, the accompanying Housing Asset List and staff report (the "Staff Report") provide supporting information upon which the actions set forth in this Resolution are based.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board of the Successor Agency hereby finds, resolves, approves, determines, and directs as follows:

SECTION 1. The foregoing recitals are true and correct, and together with the following documents and information form the basis for the approvals, authorizations, findings, and determinations set forth in this Resolution: (1) the Housing Asset List; (2) the Department Approval Letter; (3) the Staff Report; and (4) the information provided by the Successor Agency and City staff and the public.

SECTION 2. The Oversight Board hereby acknowledges and confirms that, pursuant to Health and Safety Code Section 34176(a)(2) and as evidenced by the Department Approval Letter, the Department has already fully approved all of the Housing Assets set forth in the Housing Asset List to comprise housing assets as defined in Health and Safety Code Section 34176(e).

SECTION 3. In accordance Health and Safety Code Section 34181(c), the Oversight Board hereby authorizes and directs the transfer of the all of the Housing Assets set forth in the Housing Asset List to the City, acting as the housing successor to the Dissolved RDA.

SECTION 4. The Successor Agency Executive Director, or the Executive Director's designee, is hereby authorized and directed to execute all documents and take all actions necessary and appropriate to effectuate the transfer of all of the Housing Assets set forth in the Housing Asset List to the City, including, without limitation, executing and implementing an assignment-and-assumption-agreement-with-the-City-with-respect-to-the-transfer-of-the-Housing-Assets.

SECTION 5. The transfer of the Housing Assets set forth in the Housing Asset List to the City is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301 (as an action resulting in continuation of an existing facility) and Section 15061(b)(3) (as an action which it can be seen with certainty will not have a significant effect on the environment). The Oversight Board's Designated Contact Official, or the Designated Contact Official's designee, is hereby authorized and directed to file a notice of exemption in accordance with CEQA in connection with approval of this Resolution and the transfer of the Housing Assets to the City.

SECTION 6. The Successor Agency is hereby directed to notify the Department of the actions set forth in this Resolution in accordance with Health and Safety Code Sections 34179(h) and Section 34181(f).

SECTION 7. This Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

ADOPTED October 30, 2013 by the Members of the Oversight Board of the Successor Agency by the following vote, to wit:

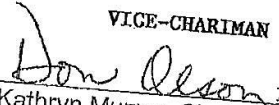
AYES: BOARD MEMBER FINIGAN, JANIS, PALAZZO, PHILLIPS, AND VICE-CHAIR OLSON

NOES: NONE

ABSTAIN: NONE

ABSENT: CHAIRWOMAN MURRAY

VICE-CHARIMAN


FOR
Kathryn Murray, Chairperson

Attest

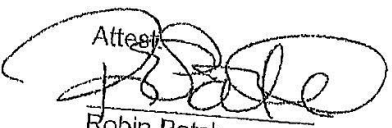

Robin Patch
Oversight Board Secretary

EXHIBIT A

DEPARTMENT OF FINANCE
HOUSING ASSETS LIST
ASSEMBLY BILL X1 26 AND ASSEMBLY BILL 1484
(Health and Safety Code Section 34176)

Former Redevelopment Agency: City of Crescent City
 Successor Agency to the Former Redevelopment Agency: City of Crescent City
 Entity Assuming the Housing Functions of the Former Redevelopment Agency: City of Crescent City
 Entity Assuming the Housing Functions Contact Name: Eugene M. Palazzo Title: City Manager Phone: 707-494-7483 ext 232 E-Mail Address: epalazzo@crecentcity.org
 Entity Assuming the Housing Functions Contact Name: Kenneth McDonald Title: Finance Director Phone: 707-464-7483 ext 224 E-Mail Address: kmcdonald@crecentcity.org

All assets transferred to the entity assuming the housing functions between February 1, 2012 and the date the exhibits were created are included in this housing assets list. The following Exhibits noted with an X in the box are included as part of this inventory of housing assets:

X
X

- Exhibit A - Real Property
- Exhibit B - Personal Property
- Exhibit C - Low-Mid Encumbrances
- Exhibit D - Loans/Grants Receivables
- Exhibit E - Rents/Operations
- Exhibit F - Rents
- Exhibit G - Deferrals

Prepared By: Kenneth McDonald, Finance Director
 Date Prepared: 7/27/2012

EXHIBIT A

Exhibit A - Real Property

City of Crescent City
Inventory of Assets Received Pursuant to Health and Safety Code section 34175 (a) (2)

No	Undeveloped property	Invested @ 4.5% H SI	Development Item / Use / St	1-Feb-12		No	28-Jun-11	
				\$0	222,000		\$0	\$0
1	Undeveloped property			\$0	222,000	No	\$0	\$0
2	Undeveloped property			\$0	222,000	No	\$0	\$0
3								
4								
5								
6								
7								
8								
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10								
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a/ Asset types may include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

EXHIBIT A

Exhibit G - Deferrals

City of County of xxxxx
 Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

1	HSC 33690(c)(1) & 33690.5(c)(1)	\$ 306,871	0%	\$ 306,871
2				
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EXHIBIT B

EDMUND G. BROWN JR., GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-5700 ■ WWW.DOF.CA.GOV

March 2, 2013

Mr. Eugene M. Palazzo, City Manager
City of Crescent City
377 J Street
Crescent City, CA 95541

Dear Mr. Palazzo:

Subject: Housing Assets Transfer Form

This letter supersedes the California Department of Finance's (Finance) Housing Asset Transfer Form letter dated August 31, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Crescent City Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on July 26, 2012, for the period February 1, 2012 through July 28, 2012. Finance issued its determination related to those transferred assets on August 31, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items that was objected to by Finance. The Meet and Confer session was held on February 22, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed.

- Exhibit A, Item 1 – Vacant property located at 656 H Street. Finance no longer objects to the transfer. Finance originally objected to the transfer because the former redevelopment agency (RDA) purchased the property on July 18, 2011. Per HSC section 34163 (b), agencies were prohibited from entering into contracts or purchasing land after June 27, 2011. The Agency contends the item is a housing asset because the purchase agreement was dated April 21, 2011. The Agency provided the purchase agreement, which was prior to June 27, 2011, and accounting records showing the purchase was paid out of the Low and Moderate Income Housing Fund (LMIHF). Therefore, the item is a housing asset pursuant to HSC section 34176 (e) (1).
- Exhibit A, Item 2 – City Center Motel. Finance no longer objects to the transfer. Finance originally objected to the transfer because it is unclear that this Motel, or the \$22,000 lien that has been placed against it in the name of the City of Crescent City (not the former RDA), meets the statutory definition of a transferable housing asset. The Agency contends the item is a housing asset because the lien was acquired with LMIHF funds and a lien is an interest in real property. The Agency provided the City Council action approving the compromise amount for payment dated prior to June 27, 2011 and accounting records showing the payment was made from the LMIHF. Therefore, the item is a housing asset pursuant to HSC section 34176 (e) (1).

EXHIBIT B

Mr. Palazzo
March 2, 2018
Page 2

This is Finance's final determination related to the assets reported on your Form. Except for items disallowed as noted above, Finance is not objecting to the remaining items listed on your Form. Assets transferred deemed not to be a housing asset shall be returned to the successor agency.

Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor or Mary Halterman, Analyst at (916) 445-1548.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Kenneth McDonald, Finance Director, City of Crescent City
Mr. Clinton Schadd, Auditor-Controller, Del Norte County
Ms. Patty Murray, Tax Manager, Del Norte County
California State Controller's Office



OVERSIGHT BOARD AGENDA REPORT

TO: Members of the Oversight Board of the Successor Agency to the Dissolved Redevelopment Agency of the City of Crescent City

DATE: October 30, 2013

SUBJECT: Consider and Approve a Resolution entitled Resolution No. 2013-04 of the Oversight Board of the Successor Agency to the Dissolved Redevelopment Agency of the City of Crescent City Approving the Transfer of Housing Assets to the City of Crescent City for Further Administration

RECOMMENDATION

At the time of its dissolution, the Redevelopment Agency of the City of Crescent City (the "Dissolved RDA") possessed certain housing assets from the operation of its affordable housing program. The Dissolved RDA's general successor agency (the "Successor Agency"), and the City of Crescent City (the "City"), acting in its capacity as the Dissolved RDA's designated housing successor agency, have obtained Department of Finance (the "Department") approval that these housing assets of the Dissolved RDA are to be transferred to the City for further administration.

At this time and pursuant to Health and Safety Code Section 34181(c), it is requested and recommended that the Oversight Board for the Successor Agency adopt the attached resolution acknowledging the Department's review and findings regarding the Housing Asset List (attached to the resolution and further described below), and authorizing and directing the transfer to the City of the housing assets of the Dissolved RDA identified in the Housing Asset List.

BACKGROUND

The California State Legislature enacted Assembly Bill x1 28 (the "Dissolution Act") in June of 2011 to dissolve redevelopment agencies formed under the Community Redevelopment Law. Under the Dissolution Act, all California redevelopment agencies, including the Dissolved RDA were dissolved effective February 1, 2012.

Pursuant to Health and Safety Code Section 34176(a)(1), the City Council of the City of Crescent City elected that the City will retain the housing assets and functions previously performed by the Dissolved RDA, and will serve as the successor housing

1
2B

agency of the Dissolved RDA effective February 1, 2012 (City Resolution 2012-04).

In June 2012, the California legislature enacted AB 1484 to amend the Dissolution Act. AB 1484 imposed some significant new requirements on successor agencies, housing successor agencies, and oversight boards of dissolved redevelopment agencies. One of these requirements was for the City to create a Housing Asset List that identifies all housing assets of the Dissolved RDA intended for transfer to the City, as housing successor agency of the Dissolved RDA, under the Dissolution Act and AB 1484. Health and Safety Code Section 34176(e) defines "housing assets" as: all real and personal property interests acquired for low and moderate income housing purposes; encumbered funds; loan and grant receivables for assistance provided by the Low and Moderate Income Housing Fund ("Housing Fund"); rents and payments from housing operations; and amounts owed to the Housing Fund as a result of previously deferred or borrowed Housing Fund.

On July 27, 2012, the City submitted its Housing Asset List to the Department (Exhibit A to Resolution). The City received a letter from the Department dated March 2, 2013 (Exhibit B to Resolution) approving all housing assets listed on the Housing Asset List for transfer to the City as housing successor agency. The Housing Asset List includes the following assets:

- A. Vacant land parcel, 655 H Street (Former El Patio Hotel), \$89,752
- B. Development Ilen, 708 J Street (Former City Center Hotel Property), \$22,000
- C. ERAF Loan Receivable, Due from Successor Agency, \$306,871

Any proceeds from the future sale or liquidation of these assets are restricted by the dissolution law for future housing programs.

ANALYSIS

The City (and most housing successors in the State) believed that housing assets set forth in the Housing Asset List approved by Department transferred to the City by operation of law and therefore did not require an Oversight Board action to direct this transfer.

The State Controller's Office (the "SCO") is conducting reviews of the assets of all of the dissolved redevelopment agencies around the State. The SCO has preliminarily indicated its interpretation, in connection with review for other communities, that the transfer of the housing assets to the housing successor of each dissolved redevelopment agency requires action by the applicable oversight board directing transfer of those housing assets (in addition to the previous Department approval of the Housing Asset List described above), although it is not clear on which part of the Dissolution Act or AB 1484 this interpretation is based.

To accommodate this view of the SCO, the Successor Agency requests that the Oversight Board adopt the attached resolution acknowledging the Department's

previous review and approval of the Housing Asset List, and authorizing and directing the transfer of the housing assets set forth in the approved Housing Asset List to the City in its capacity as housing successor of the Dissolved RDA,

FISCAL IMPACT

There is no foreseeable impact resulting from the adoption of the resolution approving the Housing Asset List and the transfer of the listed housing assets to the City. Transfer of the housing assets to the City does not create any new enforceable obligations of the Dissolved RDA, but rather facilitates the City's management of the housing assets of the Dissolved RDA consistent with the Dissolution Act and AB 1484.

ATTACHMENTS

- A. Resolution No. 2013-04 of the Oversight Board of the Successor Agency to the dissolved Redevelopment Agency of the City of Crescent City Approving the Transfer of Housing Assets to the City of Crescent City for Further Administration
- B. Exhibit A to Resolution 2013-04 - July 27, 2013 Housing Assets List
- C. Exhibit B to Resolution 2013-04 - March 2, 2013 Letter from Department of Finance

**State Controller's Office
Division of Audits
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