

BURBANK REDEVELOPMENT AGENCY

Review Report

ASSET TRANSFER REVIEW

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

June 2015



BETTY T. YEE
California State Controller

June 24, 2015

Ruth Davidson-Guerra, Assistant
Community Development Director
Burbank Redevelopment/Successor Agency
150 N. Third Street
Burbank, CA 91502

Dear Ms. Davidson-Guerra:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Burbank Redevelopment Agency (RDA) to the City of Burbank (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 \$213,372,117 in assets after January 1, 2011, including unallowable transfers to the City totaling \$74,384,333, or 34.84% of transferred assets.

However, the City took the following corrective actions:

- In June 2013, the City turned over \$17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid \$2,500,000 into the former RDA's unfunded CalPERS liability account.
- On March 14, 2014, the City turned over \$51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining \$2,305,838 in unallowable transfers must be turned over to the Successor Agency.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

Attachment

cc: 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
Cecilia Michaels, 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 Burbank 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 \$213,372,117 in assets after January 1, 2011, including unallowable transfers to the City of Burbank (City) totaling \$74,348,333, or 34.84% of transferred assets.

However, the City took the following corrective actions:

- In June 2013, the City turned over \$17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid \$2,500,000 into the former RDA's unfunded CalPERS liability account.
- On March 14, 2014, the City turned over \$51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining \$2,305,838 in unallowable transfers 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 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 Burbank Redevelopment Agency transferred \$213,372,117 in assets after January 1, 2011, including unallowable transfers to the City of Burbank (City) totaling \$74,348,333, or 34.84% of transferred assets.

However, the City took the following corrective actions:

- In June 2013, the City turned over \$17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid \$2,500,000 into the former RDA's unfunded CalPERS liability account.
- On March 14, 2014, the City turned over \$51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining \$2,305,838 in unallowable transfers 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 March 3, 2015. Ruth Davidson-Guerra, Assistant Community Development Director, formally responded by letter dated May 12, 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 Burbank, 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

June 24, 2015

Finding and Order of the Controller

FINDING— Unallowable asset transfers to the City of Burbank

The Burbank Redevelopment Agency (RDA) made unallowable asset transfers of \$74,348,333 to the City of Burbank (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

The unallowable transfers were as follows:

- On March 16, 2011, the RDA transferred \$13,000,000 in cash to the City for repayment of loans.
- On March 16, 2011, the RDA transferred 43 parcels to the City (see Attachment). The Mall Properties were listed in the RDA's financial statements with a value of \$51,947,795. The remaining 26 parcels were listed with zero dollar value.
- On June 14, 2011, the RDA transferred \$1,327,404 to the City per Resolution No. RDA 2245, to help fund various Burbank Housing Authority projects.
- On various dates throughout 2011, the RDA paid the City \$35,053 in interest on loans from the City.
- On various dates throughout 2011, the RDA made \$8,038,081 in payments to the Youth Endowment Services (YES) Fund. The YES fund was established by the City on January 15, 1991. The RDA passed resolution number R-1608, which states in part, the RDA will contribute 5% of all tax increment dollars received to the YES Fund.

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. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(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 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, 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 as asset....

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfers in the amount of \$74,348,333 and turn over the assets to the Successor Agency.

However, the City took the following corrective actions:

- In June 2013, the City turned over \$17,594,700 in cash to the Successor Agency.
- On July 9, 2013, the City paid \$2,500,000 into the former RDA's unfunded CalPERS liability.
- On March 14, 2014, the City turned over \$51,947,795 in capital assets to the Successor Agency.

Therefore, the remaining \$2,305,838 in unallowable transfers must be turned over to the Successor Agency.

City's Response

The City had no comment on the finding.

SCO's Comment

The Finding and Order of the Controller remain as stated.

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

On March 16, 2011, the RDA repaid City loans.	\$ 13,000,000
On March 16, 2011, the RDA transferred 43 parcels to the City.	51,947,795
On June 14, 2011, the RDA made a transfer according to Resolution No. RDA 2245 to help fund various Burbank Housing Authority projects.	1,327,404
On various dates throughout 2011, the RDA paid interest on loans from the City.	35,053
On various dates throughout 2011, the RDA transferred funds to the Youth Endowment Services (YES) Fund.	<u>8,038,081</u>
Total unallowable transfers	74,348,333
Less:	
Cash turned over to the Successor Agency (June 2013)	(17,594,700)
City paid a portion of the RDA's unfunded CalPERS liability (July 9, 2013)	(2,500,000)
Capital assets (43 parcels) turned over to the Successor Agency (March 14, 2014)	<u>(51,947,795)</u>
Total Transfers Subject to H&S Code section 34167.5	<u>\$ 2,305,838</u>

**Attachment 1—
List of RDA Properties Transferred**

BURBANK REDEVELOPMENT AGENCY REAL PROPERTY INTERESTS
EXHIBIT B

Property Address	Asset-System Number	Cost	Assessor's Parcel Number	Redevelopment Project Area	Size (Description or Estimated)	Term	Notes
No Address	N/A	N/A	2405011802	Golden State	16,653 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
No Address	N/A	N/A	2405011803	Golden State	5277 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
10 W MAGNOLIA BLVD	N/A	N/A	2436-002-903	N/A	26,700 square feet		Landscaped Island (San Fernando Blvd. & Hollywood Way)
427 W VALENCIA AVE	39901	N/A	2457-000-300	South San Fernando	233 Jasper (Thomas Amer Coll) site	Thu 06/20/81	Agency Upgraded 25% interest City Owned 75% interest
313 W VALENCIA AVE	42856	N/A	2457-001-301	N/A-Housing	1 unit	Thu 06/20/81	35 year lease w/ Burbank Housing Corporation
57 E PALM AVE	N/A	525,866.13	2458-002-900	N/A-Housing	1 story building 13,000 S.F.F.		35 year lease w/ Burbank Housing Corporation
133 ORANGE GROVE AVE	N/A	N/A	2458-005-500	City Centre	Painting Structure		North End of Orange Grove Blvd First & San Fernando
374 E ORANGE GROVE AVE	N/A	N/A	2458-005-501	City Centre	Block 11 N. Garlands	Thu 9/20/13	ATM Located at Corner West Fargo Bank Building
140 E ORANGE GROVE AVE	N/A	N/A	2458-010-019	City Centre	Painting Structure	Thu 4/20/88	Ground Lease & Operating Agmt HDR & Consumer Bros' Partnership
120 E ORANGE GROVE AVE	N/A	N/A	2458-010-019	City Centre	Agency Sublease parking	Thu 9/20/19	Parking Spaces Lease w/ Universal City Studios Credit Union
No Address	N/A	N/A	2458-010-115	City Centre	2,300 square feet		Between Electrical Building Parking Structure
800 N SAN FERNANDO BLVD	11807	N/A	2458-022-300	City Centre	37,150 square feet	Thu 11/20/84	Lease of Real Property 99% Property Interest (K.O. Burger)
No Address	N/A	See Mail Land	2458-022-301	City Centre	37,150 square feet		Remainder portion of real parcel (adjacent to K.O. Burger)
No Address	N/A	See Mail Land	2458-022-302	City Centre	27,000 square feet		Adjacent to real parcel
111 W BURBANK BLVD	N/A	N/A	2458-022-303	Golden State	27,000 square feet		Adjacent to real parcel
107 W BURBANK BLVD	N/A	N/A	2458-022-304	Golden State	27,000 square feet		Adjacent to real parcel
101 W BURBANK BLVD	N/A	N/A	2458-022-305	Golden State	27,000 square feet		Adjacent to real parcel
No Address	N/A	N/A	2458-022-306	Golden State	27,000 square feet		Adjacent to real parcel
No Address	N/A	N/A	2458-022-307	Golden State	24,000 square feet		Adjacent to real parcel
2712 N HOLLYWOOD WAY	N/A	N/A	2460-005-900	Golden State	31,326 square feet	Month to Month	Landscaped Island (San Fernando Blvd. & Hollywood Way)
2760 N HOLLYWOOD WAY	40913	N/A	2460-009-900	Golden State	31,326 square feet	Month to Month	Landscaped Island (San Fernando Blvd. & Hollywood Way)
2780 N HOLLYWOOD WAY	N/A	N/A	2460-009-901	Golden State	31,326 square feet	Month to Month	Month to Month Lease w/ Airport Authority
No Address	N/A	N/A	2460-011-300	Golden State	15,882 square feet	Month to Month	Month to Month Lease w/ Airport Authority
1819 GRISNER AVE	42538	N/A	2460-011-301	Golden State	6,569 square feet	Month to Month	Month to Month Lease w/ Airport Authority
Multiple mail-related parcels	12105	51,947,795.00	2460-013-900	N/A-Housing	17,428 square feet	Thu 01/20/83	Hollywood Way adjacent infrastructure
			Multiple	City Centre	564 APNs below	Thu 11/20/84	35 year lease with Burbank Housing Corporation for 70 units
							Lease of Real Property to Habitat-Burbank Partnership

As retrieved from the Oracle system on 1/24/12

Mail Properties

- 2460-23-044
- 2460-23-045
- 2460-23-046
- 2460-23-047
- 2460-23-048
- 2460-23-049
- 2460-23-050
- 2460-23-051
- 2460-23-052
- 2460-23-054
- 2460-23-055
- 2460-23-056
- 2460-23-057
- 2460-23-058
- 2460-23-059
- 2460-23-060
- 2460-23-061
- 2460-23-062
- 2460-23-063

**Attachment 2—
City's Response to Draft Review Report**



CITY OF BURBANK
COMMUNITY DEVELOPMENT DEPARTMENT

150 North Third Street, P.O. Box 6459, Burbank, California 91510-6459
www.ci.burbank.ca.us

May 15, 2015

Jeffrey V. Brownfield
Chief, Division of Audits
Office of the California State Controller
ATTN: Cecilia Michaels, Auditor-in-Charge
PO Box 942850
Sacramento, CA 94250-5874

SUBJECT: BURBANK REDEVELOPMENT AGENCY ASSET TRANSFER AUDIT
REPORT – March 3, 2015

Dear Mr. Brownfield:

The State Controller's Office draft asset transfer audit report, dated March 3, 2015 has been reviewed and we have no comments. If there are no changes to the draft report, please issue the final report to me with cc's to the following:

Mark Scott, City Manager
Amy Albano, City Attorney
Cindy Giraldo, Financial Services Director

In the interim, please feel welcome to contact me with any questions you might have.

Sincerely,

Ruth Davidson-Guerra
Assistant Community Development Director
Successor Agency Implementing Official

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

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