



August 25, 2012

Ms. Bonnie Luttrell, Director of Finance
City of Needles
817 Third Street
Needles, CA 92363

Dear Ms. Luttrell:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Needles submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 27, 2012 for the period February 1, 2012 through July 27, 2012.

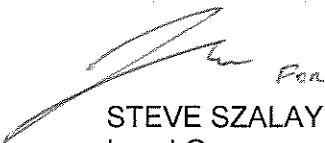
HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to the following asset or transfer of asset identified on your Form:

- Exhibit A, item 1 – Finance was informed by the successor agency that the property was purchased using Low and Moderate Income Housing Asset Funds (LMIHF) that restrict its use to low and moderate housing purposes pursuant to HSC section 33334. However, no documents were provided that substantiate the use of LMIHF to purchase the property or demonstrate that the property meets the housing asset definition.

Except for item disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Mr. David Brownlee, City Manager, City of Needles
Mr. Larry Walker, Auditor Controller, San Bernardino Auditor Controller
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino Auditor Controller
Ms. Linda Santillano, Supervising Accountant, San Bernardino Auditor Controller
Ms. Franciliza Zyss, Accountant III, San Bernardino Auditor Controller
California State Controller's Office