



March 21, 2013

Ms. Linda Daniels, Assistant City Manager  
City of Rancho Cucamonga  
P.O. Box 807  
Rancho Cucamonga, CA 91730

Dear Ms. Daniels:

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 Rancho Cucamonga as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on August 1, 2012, for the period February 1, 2012 through August 1, 2012. Finance issued its determination related to those transferred asset 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 4, 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 – Finance continues to object to the transfer of this item. The Agency contends the purpose of the acquisition was for affordable housing as demonstrated in a Staff Report dated May 1, 1991; however, the Staff Report does not restrict the property for low and moderate income housing purposes and no further documentation was provided. Therefore, Finance has determined this item is not a housing asset as defined in HSC section 34176 (e).

However, Finance notes that to the extent the Agency would like to continue with the development of Item 1, HSC section 34191.5 (c) (2) states that one of the property disposition options available to the successor agency of the former redevelopment agency is the retention of property for future development purposes pursuant to an approved Long Range Property Management Plan. If this option is selected, HSC section 34180 (f) (1) states that the city, county, or city and county must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to HSC section 34188, for the value of the property retained.

- Exhibit C, Item 1 – Housing Bond proceeds. Finance continues to object to the transfer of this item. HSC section 34176 (e) (2) states funds that are encumbered by an enforceable obligation to build or acquire low and moderate income housing are considered to be housing assets. However, there were no contracts in place prior to

June 27, 2011 to build or acquire property. Therefore, the encumbrance does not exist and the Item does not meet the definition of a housing asset per HSC section 34176 (e) (2).

Finance notes that pursuant to HSC section 34191.4 (c), successor agencies of former redevelopment agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued.

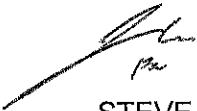
The second process, which can be utilized by the Agency, is set forth in HSC section 34176 (g), which authorizes the Agency to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants. The proceeds must have been derived from bonds that were issued for the purposes of affordable housing and issued prior to January 1, 2011. To initiate this process, the Agency is required to provide notice to the successor agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board. These commitments and designations will not be considered valid or binding until they are included in and approved and valid ROPS.

- Exhibit D, Item 75, and Items 82 through 85 – Finance continues to object to the transfer of these items. The Agency contends the documents provided pledge a portion of future revenue from the Low and Moderate Housing Set-Aside Fund. Review of the documents provided indicates in section 3.11 (for items 75 and 82-84) that, in the event of a change in redevelopment law, the City and Agency shall not be obligated to honor the pledge of funds. In addition, per the meet and confer request form, the items listed are grants and are not expected to be repaid; therefore, these items are not housing assets as defined in HSC section 34176 (e) and are not transferrable.

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 Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Larry Walker, Auditor-Controller, San Bernardino County  
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County  
Ms. Linda Santillano, Supervising Accountant, San Bernardino County  
Ms. Franciliza Zyss, Accountant III, San Bernardino County  
Mr. Albert Aleman, San Bernardino County  
Ms. Ashley Schwenk, San Bernardino County  
California State Controller's Office