

MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Approving the Due Diligence Review of Low and Moderate Income Housing Funds for unobligated balances available for transfer to the taxing entities and finding that all funds are obligated and, therefore, no funds are available for transfer to the taxing entities

EXECUTIVE SUMMARY

Pursuant Section 34179.5 and Section 34179.6 of the California Health & Safety Code, the Successor Agency engaged Macias Gini & O'Connell LLP ("MGO") to conduct the due diligence review to determine the unobligated balances available for transfer to taxing entities.

Sections 34179.5 and 34179.6 require the due diligence review be separated into two submissions to the Oversight Board; the first submission relates to the Low and Moderate Income Housing Fund ("LMIHF") of the former Redevelopment Agency, and the second submission relates to all other assets that remain with the Successor Agency.

The Due Diligence Review for the LMIHF (the "Review") requires the submission to the Oversight Board, the State Department of Finance ("DOF"), the State Controller's Office ("SCO"), and the City Controller by October 1, 2012. A public comment session must be held at least five business days before the approval by the Oversight Board. An Oversight Board approved Review must be transmitted to DOF and the City Controller by October 15, 2012. A separate Due Diligence review for all other funds and accounts is required to be submitted to the Oversight Board by December 15, 2012 and must be approved and submitted to the State by January 15, 2013.

MGO performed the procedures that were agreed upon by DOF and SCO for the Low and Moderate Income Housing Funds of the former Redevelopment Agency. In summary, the Review found that all housing assets and its associated obligations were transferred to the Mayor's Office of Housing ("MOH"), as the Successor Housing Agency, on February 1, 2012, that all funds are obligated, and, therefore, there are no funds available for distribution to the taxing entities.

DISCUSSION

On September 27, 2012, the Review was made available to the public on the Oversight Board website, and was transmitted to DOF, SCO and the City Controller concurrent with the submission to the Oversight Board.

On October 2, 2012, the Oversight Board held a Public Comment Session for the Due Diligence Review of the Low and Moderate Income Housing Fund, more than 5 days in advance of the October 12, 2012 meeting. At the October 2 Oversight Board meeting, Cynthia Pon, C.P.A, represented MGO and presented their findings that \$330,689,779 of housing assets were transferred to the Mayor's Office of Housing as the designated Successor Housing Agency. These amounts include real property, non-depreciable capital assets along with cash balances. In addition to the transfer of housing assets, housing obligations were also transferred to the Mayor's Office of Housing. Because the housing obligations transferred were equal to the assets that were transferred, there remained no funds available to be distributed to the taxing entities.

Once approved by the Oversight Board, the Successor Agency staff will submit the final approved review by October 15, 2012 to DOF, SCO and the City Controller.

(Originated by Amy Lee, Deputy Director)

A handwritten signature in blue ink, appearing to read 'Tiffany Bohee', followed by a horizontal flourish.

Tiffany Bohee
Executive Director