MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Public Comment Session for the Due Diligence Review of the Low and Moderate Income Housing Fund, required under Sections 34179.5 and 34179.6 of the Health and Safety Code

EXECUTIVE SUMMARY

At the last Oversight Board meeting, Agency staff presented an overview of Assembly Bill No.1484 (“AB 1484”) which provided for a number of changes and requirements. In addition to procedural changes, Section 34179.5 and Section 34179.6 required that the Successor Agency employ a licensed accountant, with expertise and experience in local government accounting, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. With the approval of the City’s Controller, the Agency engaged Macias Gini & O’Connell LLP (“MGO”) to conduct the due diligence review as required.

AB 1484 requires that the due diligence review be separated into two submissions to the Oversight Board; the first submission relates to the housing assets 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 Low and Moderate Income Housing Fund (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.

In performing the Review, 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 were transferred to the Mayor’s Office of Housing (“MOH”), as the Successor Housing Agency, on February 1, 2012, and therefore there are no housing assets to be distributed to the taxing entities. A public comment session for the Review will be held at the Oversight Board meeting on October 2, 2012.
DISCUSSION

Under the Due Diligence Review required under Sections 34179.5 and 34179.6 of the Health and Safety Code, MGO reviewed the following:

- Value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012;
- Value of transfer after January 1, 2011 through June 30, 2012 by the Redevelopment or Successor Agency to the City and County (excluding payment for goods and services) with documentation of enforceable obligations related to the transfer;
- Value of transfer after January 1, 2011 through June 30, 2012 by the Redevelopment or Successor Agency to any other public agency or private party (excluding payment for goods and services) with documentation of enforceable obligations related to the transfer;
- Accounting information related to balances, assets and liabilities for FY 2010-11 and 2011-12;
- A separate accounting for balance for the Low and Moderate Income Housing fund;
- Listing of asset balances with information and documentation of restrictions of such balances such as grant proceeds, unspent bond proceeds and other legal restrictions.

Agency staff has worked with MGO to provide the above information and additional requirements detailed in Sections 34179.5 and 34179.6. The Review concludes that there were no transfers during the specified periods (for purposes of this Review, transfers do not include agreements in exchange for goods and services, i.e. letter agreements, personal service contracts, or loan agreements), and that the City, through MOH, assumed the former Redevelopment Agency’s housing assets effective February 1, 2012. The Oversight Board acknowledged this transfer of housing assets in its Resolution No. 3-2012, adopted on March 6, 2012. MGO also noted that the State’s Department of Finance reviewed a Housing Asset Transfer List prepared by MOH on August 1, 2012, and DOF stated in their letter dated September 7, 2012, that they had no objections to the transfer of any of those assets to MOH. Finally, the Review states that there were no Low and Moderate Income Housing asset balances remaining with the Successor Agency and thus there were no such asset balances available for distribution to taxing entities.

NEXT STEPS

Per AB 1484, a public comment session must be held at least five business days prior to the Oversight Board taking action on the Review. The public comment session will take place at the meeting of October 2nd, and the Review will come before the Oversight Board for its approval at the meeting on October 12th. Representatives from MGO will present their finding and will be available for questions on October 2nd. The Review has been
made available to the public on the Oversight Board website, and is being transmitted to DOF, SCO and the City Controller concurrent with the submission to the Oversight Board.

(Originated by Amy Lee, Deputy Director)

Tiffany Bohoe
Executive Director

Attachment:

1. Audit Findings: Due Diligence Review required under Sections 34179.5 and 34179.6 of the Health and Safety Code