

Oversight Board for Successor Agency
to the City of Santa Clara
Redevelopment Agency

Date: January 16, 2013

To: Oversight Board for Action

From: Acting City Manager/Executive Officer to Successor Agency

Subject: Oversight Board Approval of Resolution Approving the Housing Due Diligence Review

BACKGROUND AND ANALYSIS:

On January 10, 2012 the Oversight Board held a public meeting to receive public comment on the draft Due Diligence Review for the Low and Moderate Income Housing Fund prepared by MGO Associates on behalf of the County. At that meeting the Oversight Board heard presentations from the Successor Agency and the County and took public comment from approximately 10 speakers. At the conclusion of that meeting the Oversight Board requested additional information regarding the differences between the amounts determined to be available for distribution to the taxing entities by MGO and the County and those determined to be available by the Successor Agency. In particular, the Oversight Board Chair requested a chart providing a side-by-side comparison of the items in dispute.

The County has prepared a chart setting forth its view of the items in dispute (Attachment 1). The Successor Agency has also prepared a chart (Attachment 2). Additionally, this staff report, which supplements the staff report prepared by the Successor Agency for the January 10, 2013 meeting, provides additional information on the disputed issues. The Successor Agency has prepared a proposed resolution for adoption by the Oversight Board that is based on the Successor Agency's position with regards to the Due Diligence Review (Attachment 3). The Oversight Board's counsel has also prepared an alternative resolution approving the Due Diligence Review as submitted by MGO and the County (Attachment 4).

AB 1484 at Section 34179.6 requires that the Oversight Board review, approve and transmit to the State Department of Finance (DOF) the due diligence review that determines the amount of cash available for disbursement to the taxing entities. The Oversight Board may adjust any amounts provided in the due diligence review to reflect additional information and analysis and may request any materials from the Successor Agency necessary to assist in its review and approval. The Oversight Board is empowered to authorize a successor agency to retain assets identified as legally restricted assets that are not cash, and assets that are legally or contractually dedicated for the funding of enforceable obligations.

The Oversight Board's determinations are subject to review and approval of the DOF. The DOF may adjust any amounts determined to be available for distribution to taxing entities. The Successor Agency, upon receipt of the DOF's determination of the amount due may request a meet and confer with the DOF. After completion of the meet and confer process, the DOF will make a final determination of the amount available for distribution to the taxing entities.

DISCUSSION:

The differences between the Due Diligence Review prepared by MGO at the request of the County and the Successor Agency's determination fall into four categories identified on Attachment B to the Due Diligence Review. Each of these categories is discussed below.

1. Obligations and Expenditures subject to inclusion on future ROPS - \$17,716,867

This category of obligations represents obligations and contracts that were entered into by the former Redevelopment Agency (RDA) with third parties prior to the dissolution of the RDA. The County does not dispute that these obligations are enforceable obligations, but reads the Dissolution Statute and the provisions regarding the Due Diligence Review narrowly that only those obligations that were listed on the Enforceable Obligation Payment Schedule (EOPS) approved by the RDA in accordance with AB 26 can be considered as enforceable obligations for purposes of the Due Diligence Review and therefore these items have been disallowed. The County has acknowledged that the agreements can be listed on a future ROPS and the Successor Agency would be entitled to funding from the Redevelopment Property Tax Trust Fund (RPTTF) for these obligation but the timing and availability of RPTTF is uncertain.

The County is incorrect that the obligations were not listed on the EOPS. The Successor Agency listed the Cooperation Agreements with the Housing Authority which assigned the former RDA's obligations with respect to the contracts in this category on the EOPS, and the obligations in this category were performed in accordance with the Cooperation Agreement. The Cooperation Agreements provide the contractual basis for the underlying expenditures and were valid enforceable obligations at the time they were listed on the EOPS and continue to be valid enforceable obligations under the provisions of Health and Safety Code Section 34171(d)(3) which excludes agreements between the former redevelopment agency and other public entities for the provision of housing that are properly authorized pursuant to the Community Redevelopment Law from the type of agreements between the former redevelopment agencies and other public entities that are considered void upon dissolution of the redevelopment agency. The Cooperation Agreements with the Housing Authority qualifies as an agreement for the provision of housing that was properly authorized and therefore was not deemed void when the RDA was dissolved. The County's objection to these items because they were not listed on the EOPS is incorrect given the listing of the Cooperation Agreements on the original (approved by the RDA on August 16, 2011) and amended (approved by the RDA on January 24, 2012) EOPS. It should be noted that the Successor Agency did not continue to list the Cooperation Agreement on ROPS based on guidance from the County, which determined that since no additional funds from RPTTF were being requested to fund the obligations of the Cooperation Agreements, that there was no need to list them on the ROPS.

The expenditures made with respect to the obligations in this category also should not be included in the funds available for distribution pursuant to the statutory requirements for determining the amounts available for distribution. Pursuant to Section 34179.5 which sets forth the process for determining the amount available for distribution, the Due Diligence Review is to include assets that were transferred if an enforceable obligation to make the transfer did not exist. The statute and the agreed upon procedures for conducting the Due Diligence Review promulgated by the DOF have a very specific definition of "transfer" that is to be used for the Due Diligence Review which excludes

the transmission of money to another party for goods and services. The Due Diligence Review acknowledges that the expenditures in this category are for goods and services in the form of the construction of affordable housing units and the acquisition of property for purposes of constructing affordable housing. Since the expenditures were clearly for goods and services, these funds should not have been listed in the Due Diligence Review at all and certainly are not available for distribution to the taxing entities.

2. Loan from Housing Authority to City/Successor Agency - \$5,900,000

The County has determined that the transfer of these funds to the Successor Agency to pay Enforceable Obligations listed on an approved ROPS should not be deducted from the amounts available for distribution to the taxing entities because the funds were used for non-housing obligations. The County has acknowledged that the Successor Agency will receive a credit for these funds on the non-Housing Due Diligence Review, however, that determination poses significant risks to the Successor Agency and the City since failure to pay the amounts determined to be available for distribution to the taxing entities in the Housing Due Diligence Review can subject the City to sales and use tax offsets. The County's determination appears to give priority to form over substance at the risk of jeopardizing the City's general fund and also interprets the statutes incorrectly.

Although AB 1484 requires that the Due Diligence Review be completed for both the Low and Moderate Income Housing Fund and for all other funds of the former RDA, it does not specify that the only expenditures and enforceable obligations that can be considered for the Housing Fund Due Diligence Review are limited to housing expenditures. Moreover, the County's position relies on the pre-dissolution distinctions between the Low and Moderate Income Housing Fund and the Non Housing Funds of the RDA. Post dissolution, the Successor Agency is only authorized to create a single fund, the Redevelopment Obligation Retirement Fund and all funds of the former RDA are deposited into this single fund. The Dissolution Statute does not specify that housing funds are to be segregated from non-housing funds within the Redevelopment Obligations Retirement Fund and generally does not make distinctions between the two funds post dissolution.

It should be noted that the County on its chart has classified this item as an item disallowed because it was entered into after the former RDA was suspended but this mischaracterizes the use of the funds. The funds were used for enforceable obligations that the County approved on the ROPS, and thus obligations entered into prior to suspension. Additionally the loan from the Housing Authority to the City which was subsequently loaned to the Successor Agency was approved by the Oversight Board in accordance with Health and Safety Code Section 34178(a) which allowed such loans post suspension.

3. Balances denied by DOF in which the City has requested to initiate the Meet and Confer process to object to the DOF denial - \$17,060,859

The items in this category represent encumbrances for obligations that were incurred by the former RDA prior to dissolution. The County has disallowed these items on the basis that the payments are due in the future. The Due Diligence Review process allows the retention of cash for items such as those listed in this category if it can be demonstrated that the future flow of revenue to the Successor

Agency will be insufficient to provide the required funds when due. The County has determined that the Successor Agency cannot show that there will be insufficient revenues, but fails to provide any projections of future revenues and obligations as required in the Due Diligence Review. Additionally, whether the Successor Agency will have sufficient revenues in the future depends upon the outcome of the litigation currently pending with the 49ers. The 49ers claim that they are entitled to all RPTTF available after payment of the enforceable obligations currently listed on the ROPS. If they are correct, there will not be sufficient funds to pay the obligations listed in this category when the obligations become due. Because of the uncertainty resulting from the 49ers litigation, the Successor Agency has determined that there will not be sufficient funds to fund these obligations and thus must retain the funds in the Due Diligence Review.

4. Balances denied by the DOF in which the City has not requested to initiate the Meet and Confer process - \$6,907,667

This item is more correctly categorized with item 1 above. This item represents contracts entered into for the construction of an affordable housing project which is currently under construction. The funds were transferred pursuant to the Cooperation Agreement, which as discussed above was an enforceable obligation at the time of the transfer. Additionally the funds were spent for goods and services and thus are not considered funds "transferred" as defined in the statute and do not belong in the determination of the available funds pursuant to Section 34179.5(a)(3).

RECOMMENDATION:

The Successor Agency recommends that the Oversight Board approve the resolution prepared by the Successor Agency approving the Housing Due Diligence Review and finding that the unencumbered funds available for distribution to the taxing entities is \$15,594,575 and making the findings set forth in the resolution.



Alan Kurotori
Acting City Manager/
Executive Officer to Successor Agency

Documents Related to this Report:

- | | |
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| Attachment No. 1 | County Comparison Chart |
| Attachment No. 2 | Successor Agency Comparison Chart |
| Attachment No. 3 | Successor Agency Proposed Resolution |
| Attachment No. 4 | Oversight Board Counsel Resolution |

County's position

Reconciliation of amount per Due Diligence Review to the amount per City of Santa Clara:

	Amount	1. Disallowed items without an enforceable obligation	2. Disallowed items entered into after June 27, 2011	Likely Valid Enforceable Obligations		Total
				3(b). If paid without EOPS/ROPS authority	3 (c). If not yet paid - disallowed offset	
Amount to be remitted to county for disbursement to taxing entities as calculated						
Less: Obligations and expenditures subject to inclusion on future ROPS						
Item #1 - Housing Administration and Grants to Non-Profit Housing Service	179,432	-	-	179,432	-	
Item #3 - BAREC Senior Housing	11,666,211	-	-	11,666,211	-	
Item #6 - Bill Wilson Center - The Commons Project	1,258,497	-	-	680,996	577,501	
Item #9 - ROEM Senior Housing Project 2525 El Camino Real	157,091	-	-	157,091	-	
Item #14 - 1430 El Camino Real Housing Project Presidio	4,455,636	-	-	4,422,621	33,015	
Subtotal	17,716,867	-	-	17,106,351	610,516	
(17,716,867)						
Less: Loan from Housing Authority to City / Successor Agency						
Item # 18 - Loan from Housing Authority to City / Successor Agency	5,900,000	-	5,900,000	-	-	
(5,900,000)						
Less: Balances denied by the DOF in which the City has requested to initiate the Meet and Confer process to object the DOF's denial.						
Item # 2 - First Time Homebuyers Financing Program	3,460,196	3,460,196	-	-	-	
Item # 3 - BAREC Senior Housing	8,036,561	-	8,036,561	-	-	
Item # 4 - Sacco Surplus Site Monroe/San Tomas Expressway Housing Project	4,564,102	4,564,102	-	-	-	
Item # 5 - First Time Homebuyer Program for Condominium Conversions	1,000,000	1,000,000	-	-	-	
Subtotal	17,060,859	9,024,298	8,036,561	-	-	
(17,060,859)						
Less: Balances denied by the DOF in which the City has not requested to initiate the Meet and Confer process.						
Item # 9 - ROEM Senior Housing Project 2525 El Camino Real	6,907,667	-	6,907,667	-	-	
(6,907,667)						
Amount to be remitted to the County Auditor-Controller for disbursement to taxing entities per City of Santa Clara						
\$ 15,594,575						

Successor Agency's position

Reconciliation of amount per Due Diligence Review to the amount per City of Santa Clara:

Amount to be remitted to county for disbursement to taxing entities as calculated				Total
Amount	1. Valid Enforceable Obligations on Adopted EOPS on 8-16-11 and amended on 1-24-12	2. Authorized Loan to pay non-housing Enforceable Obligations on ROPS 1 & 2		\$ 63,179,968
Less: Obligations and expenditures subject to inclusion on future ROPS				
Item #1 - Housing Administration and Grants to Non-Profit Housing Service	179,432	179,432	-	(17,716,867)
Item #3 - BAREC Senior Housing	11,666,211	11,666,211	-	
Item #6 - Bill Wilson Center - The Commons Project	1,258,497	1,258,497	-	
Item #9 - ROEM Senior Housing Project 2525 El Camino Real	157,091	157,091	-	
Item #14 - 1430 El Camino Real Housing Project Presidio	4,455,636	4,455,636	-	
Subtotal	17,716,867	17,716,867	-	
Less: Loan from Housing Authority to City / Successor Agency				
Item # 18 - Loan from Housing Authority to City / Successor Agency	5,900,000	-	5,900,000	(5,900,000)
Less: Balances denied by the DOF in which the City has requested to initiate the Meet and Confer process to object the DOF's denial.				
Item # 2 - First Time Homebuyers Financing Program	3,460,196	3,460,196	-	(17,060,859)
Item # 3 - BAREC Senior Housing	8,036,561	8,036,561	-	
Item # 4 - Sacco Surplus Site Monroe/San Tomas Expressway Housing Project	4,564,102	4,564,102	-	
Item # 5 - First Time Homebuyer Program for Condominium Conversions	1,000,000	1,000,000	-	
Subtotal	17,060,859	17,060,859	-	
Less: Balances denied by the DOF in which the City has not requested to initiate the Meet and Confer process.				
Item # 9 - ROEM Senior Housing Project 2525 El Camino Real	6,907,667	6,907,667	-	(6,907,667)
Amount to be remitted to the County Auditor-Controller for disbursement to taxing entities per City of Santa Clara				\$ 15,594,575

RESOLUTION NO. _____ (OVERSIGHT BOARD)

RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA REGARDING APPROVAL OF THE REPORT ON THE HOUSING FUND DUE DILIGENCE REVIEW, MAKING FINDINGS FOR RETENTION OF ASSETS AND DETERMINATION OF THE AMOUNT OF CASH AND CASH EQUIVALENTS THAT ARE AVAILABLE FOR DISBURSEMENT TO TAXING ENTITIES AND TAKING SPECIFIED ACTIONS WITH RESPECT TO THE LOW AND MODERATE INCOME HOUSING FUND DUE DILIGENCE REVIEW PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 34179.5 AND 34179.6

WHEREAS, the California state legislature enacted Assembly Bill x1 26 (the “Dissolution Act”) to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.); and

WHEREAS, pursuant to Health and Safety Code Section 34173, the City Council of the City of Santa Clara declared that the City of Santa Clara (the “City”), would act as successor agency (the “Successor Agency”) for the dissolved Redevelopment Agency of the City of Santa Clara (the “Dissolved RDA”) effective February 1, 2012; and

WHEREAS, pursuant to AB 1484 (“AB 1484”), enacted June 27, 2012 to amend various provisions of the Dissolution Act, the Successor Agency is now declared to be a separate legal entity from the City; and

WHEREAS, the Dissolution Act provides for the appointment of an oversight board (the “Oversight Board”) with specific duties to approve certain Successor Agency actions pursuant to Health and Safety Code Section 34180 and to direct the Successor Agency in certain other actions pursuant to Health and Safety Code Section 34181; and

WHEREAS, pursuant to Health and Safety Code Section 34179.5 (as added by AB 1484) the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara (the “Auditor-Controller”), to conduct a due diligence

review to determine the unobligated balances of the Low and Moderate Income Housing Fund held by the Successor Agency available for transfer to taxing entities as required under AB 1484 and the Dissolution Act; and

WHEREAS, the County of Santa Clara, on behalf of the Successor Agency hired a licensed accountant, approved by the Auditor-Controller, to prepare the due diligence review of the Housing Fund (the “Housing Fund Due Diligence Review”) in conformance with Health and Safety Code Section 34179.5; and

WHEREAS, the County and the Successor Agency have reached different conclusions regarding the amount of the unobligated balance of the Housing Fund held by the Successor Agency; and

WHEREAS, the Successor Agency has presented information included in the staff report and supplemental information supporting its determination of the unobligated balance of the Housing Fund; and the County has presented its audit of the former Dissolved Redevelopment Agency to support its determination of the unobligated balance of the Housing Fund; and

WHEREAS, in compliance with Health and Safety Code Section 34179.6, the Housing Fund Due Diligence Review has been submitted by the Successor Agency to the Oversight Board for the Oversight Board’s approval, and has also been submitted to the Santa Clara County Administrative Officer, the Auditor-Controller, the State Controller, and the State Department of Finance (the “DOF”), along with copies of the Successor Agency’s recognized obligation payment schedules for the Fiscal Year 2012-13, as approved by the Oversight Board (the “FY 2012-13 ROPS’s”); and

WHEREAS, the accompanying Housing Fund Due Diligence Review and the staff report provides supporting information upon which the actions set forth in this Resolution are based.

WHEREAS, following receipt of the Report on the Due Diligence Review, the Oversight Board is required to convene a public comment session, to be held not less than five business days prior to the approval vote by the Oversight Board; and

WHEREAS, the Oversight Board held a public comment session on the Report on the Due Diligence Review on January 10, 2013; received the Successor Agency's comments, public comments, and opinions from the County; asked questions for clarification; and requested specific information; and

WHEREAS, the Oversight Board held a public meeting on January 18, 2013; received additional public testimony and information from the Successor Agency and the County; and considered the Report on the Due Diligence Review; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6(c) the Oversight Board is authorized to adjust any amounts reflected in the Due Diligence Review to reflect additional information and analysis.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board hereby finds and determines that the foregoing recitals are true and correct, and together with the following documents and information form the basis for the approvals, authorizations, findings, and determinations set forth in this Resolution: (1) the Housing Fund Due Diligence Review; (2) the FY 2012-13 ROPS's; (3) information provided by the Successor Agency staff; (4) information provided by the public at the public comment session held by the Oversight Board on January 10, 2013, as required under Health and Safety Code Section 34179.6(b); and (5) the opinions offered by the Auditor-Controller on the Non-Housing Fund Due Diligence Review.

BE IT FURTHER RESOLVED that in accordance with the Dissolution Act and AB 1484, the Oversight Board hereby approves the Housing Fund Due Diligence Review in the form on file with the Oversight Board's designated communication official reconciled to the Successor

Agency's determination of the unobligated balance of the Housing Fund as set forth in Attachment B to the Housing Fund Due Diligence Review.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the City of Santa Clara as the Housing Successor to the Dissolved RDA to retain assets or funds, that are not cash or cash equivalent, under Health and Safety Code Section 34179.5(c)(5)(C) in the amount of Seventy Seven Million One Hundred Seventeen Thousand One Hundred Twenty Six Dollars (\$77,117,126) from the funding source and for the purposes identified in Attachment No. 1, incorporated herein by this reference.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the City of Santa Clara as the Housing Successor to the Dissolved RDA to retain assets or funds, including any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, under Health and Safety Code Section 34179.5(c)(5)(D) in the amount of Seventeen Million Sixty Thousand Eight Hundred Fifty Nine Dollars (\$17,060,859) from the funding source and for the purposes identified in Attachment No. 2, incorporated herein by this reference.

BE IT FURTHER RESOLVED that the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5 and as set forth in the Housing Fund Due Diligence Review is Fifteen Million Five Hundred Ninety Four Thousand Five Hundred Seventy Five Dollars (\$15,594,575) (the "Housing Fund Due Diligence Review Payment"), which amount, subject to the DOF's approval of the Housing Fund Due Diligence Review, shall be transmitted to the Auditor-Controller for allocation to affected taxing entities pursuant to the terms of AB 1484 and the Dissolution Act. The Oversight Board has made its determination of the amount available for disbursement to the

taxing entities in accordance with all of the provisions set forth in The Dissolution Act and on the basis of the following findings:

1. The Dissolved Redevelopment Agency entered into a Cooperation Agreement for Payment of Costs Associated with Certain Redevelopment Agency Funded Low and Moderate Income Housings Projects with the City of Santa Clara which subsequently assigned its rights and obligations under the Cooperation Agreement to the Santa Clara Housing Authority effective on March 8, 2011 ("Cooperation/Assignment Agreement"). Pursuant to the Cooperation/Assignment Agreement the Housing Authority agreed to complete certain low and moderate income housing projects on behalf of the Dissolved Redevelopment Agency in exchange for the commitment by the Dissolved Redevelopment Agency to provide to the Housing Authority the Low and Moderate Income Housing Funds.
2. The Cooperation/Assignment Agreement was validly executed and authorized at the time it was entered into and the Housing Authority performed certain obligations as required under the Cooperation/Assignment Agreement subsequent to the execution of the Cooperation/Assignment Agreement.
3. The Cooperation/Assignment Agreement was listed on the Enforceable Obligation Payment Schedule prepared and originally approved by the Dissolved Redevelopment Agency on August 16, 2011 and subsequently amended on January 24, 2012.
4. Pursuant to Health and Safety Code Section 34171(d)(3) agreements between the Dissolved Redevelopment Agency and other public entities for the provision of housing properly authorized under Part I (commencing with Section 33000) are not deemed void upon dissolution of the Dissolved Redevelopment Agency.

5. Pursuant to Health and Safety Code Section 34179.5(b)(3) the Housing Fund Due Diligence Review is required only to list those assets that were “Transferred” where the “Transfer” was not for goods and services. The Dissolved RDA expended funds in accordance with the Cooperation/Assignment Agreement for goods and services and thus do not meet the definition of “Transferred” for purposes of the Housing Fund Due Diligence Review.
6. In accordance with the Cooperation/Assignment Agreement and the Enforceable Obligation Payment Schedule, the Housing Authority disbursed Twenty Four Million Six Hundred Twenty Four Thousand Five Hundred Thirty Four Dollars (\$24,624,534) for low and moderate income housing projects as set forth in Attachment No. 3.
7. The Housing Authority also disbursed Five Million Nine Hundred Thousand Dollars (\$5,900,000) to the City which in turn loaned the funds to the Successor Agency to pay Recognized Obligations listed on the Recognized Obligation Payment Schedule approved by the Oversight Board and the Department of Finance for the periods of January through June 2012 and July through December 2012.

BE IT FURTHER RESOLVED, that the Oversight Board hereby authorizes and directs the Successor Agency staff to take all actions necessary under the Dissolution Act and AB 1484 to file, post, mail or otherwise deliver via electronic mail, internet posting, and/or hardcopy, all notices and transmittals necessary or convenient in connection with the approval of the Housing Fund Due Diligence Review and to take any other actions necessary to ensure the validity of the Housing Fund Due Diligence Review and the validity of the retention of the funds specified to be retained by this Resolution. The Oversight Board acknowledges and agrees that the Successor Agency may invoke the meet and confer process identified in Health and Safety Code Section

34179.6(e) to resolve any disputes regarding the amounts or sources of funds identified by the DOF as eligible to be retained. In addition, the Oversight Board authorizes and directs the Successor Agency staff to make the Housing Fund Due Diligence Review Payment as required under Health and Safety Code Section 34179.6 and pursuant to the terms of this Resolution.

BE IT FURTHER RESOLVED that this Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

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CERTIFICATION

I hereby certify the foregoing to be a true copy of a resolution passed and adopted by the Oversight Board of the Successor Agency for the City of Santa Clara Redevelopment Agency at a special meeting thereof held on the _____ day of January, 2013, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

APPROVE:

ATTEST:

Don Gage
Chairperson

Bernadette DeSousa
Acting Clerk to the Oversight Board

Attachments incorporated by reference:

1. ATTACHMENT NO. 1: VALUE OF NON-CASH ASSETS AUTHORIZED TO BE RETAINED BY THE SUCCESSOR AGENCY PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5(c)(5)(C)
2. ATTACHMENT NO. 2: FUNDS AUTHORIZED TO BE RETAINED BY THE SUCCESSOR AGENCY PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5(c)(5)(D)
3. ATTACHMENT NO. 3: FUNDS EXPENDED BY THE HOUSING AUTHORITY PURSUANT TO THE COOPERATION AGREEMENT FOR GOODS AND SERVICES (HEALTH AND SAFETY CODE SECTION 34179.5(b)(3))

ATTACHMENT No. 1

VALUE OF NON-CASH ASSETS AUTHORIZED TO BE RETAINED BY THE
SUCCESSOR AGENCY PURSUANT TO HEALTH AND SAFETY CODE SECTION
34179.5(c)(5)(C)

(Assets or Funds That Are Not Cash Or Cash Equivalent)

No.	Asset Identification (APN)	Purpose for Retention	Amount of Non-Cash Asset Retained
1.	GASB 31	Non-cash asset	1,100,604
2.	Acct Rec Accrued Interest-Bank	Non-cash asset	69,815
3.	AR Housing 1st Time Homebuyer Loans	Non-cash asset	12,004,765
4.	NCIP Loans	Non-cash asset	341,182
5.	Loans Receivable	Non-cash asset	56,496,990
6.	Land: 3575 DeLaCruz Bl APN:097-31-069	Non-cash asset	1,703,500
7.	Land: SE San Tomas/Monroe	Non-cash asset	5,400,270
8.		Non-cash asset	
9.		Non-cash asset	
10.		Non-cash asset	
Total to be retained under Section 34179.5(c)(5)(B)			77,117,126

ATTACHMENT No.2

FUNDS AUTHORIZED TO BE RETAINED BY THE SUCCESSOR AGENCY
PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5(c)(5)(D)

(Assets or Funds, Including Any Current Balances That Are Legally or Contractually
Dedicated or Restricted for the Funding of an Enforceable Obligation)

No.	Funding Source	Purpose for Retention	Amount Retained
1.	LMIHF	First Time Homebuyer Financing Program	3,460,196
2.	LMIHF	BAREC Senior Housing development	8,036,561
3.	LMIHF	Monroe/San Tomas site development	4,564,102
4.	LMIHF	First Time Homebuyer Condo Conversion Program	1,000,000
5.			
6.			
7.			
8.			
9.			
10.			
Total to be retained under Section 34179.5(c)(5)(D)			17,060,859

ATTACHMENT No. 3

FUNDS EXPENDED BY THE HOUSING AUTHORITY PURSUANT TO THE
COOPERATION AGREEMENT FOR GOODS AND SERVICES (Health and Safety Code
Section 34179.5(b)(3))

No.	Project Description	Date of Expenditure	Amount Disbursed
1.	Admin/Grants to Non-Profits	7-1-2010 thru 6-30-2011	179,432
2.	BAREC Land Acquis	January 5, 2012	11,666,211
3.	BWC The Commons Proj	4-24-2077 thru 6-20-2011	1,258,497
4.	ROEM Sr Apt Proj	3-17-2011 thru 6-27-2011	157,091
5.	ROEM Sr Apt Proj	6-28-2011 thru 5-16-2012	6,907,667
6.	Presidio 1430 ECR Apts	6-28-2011 thru 9-15-2011	4,455,636
7.			
8.			
9.			
10.			
Total expenditures			24,624,534

RESOLUTION NO. ____ (OVERSIGHT BOARD)

RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF
SANTA CLARA, APPROVING THE REPORT ON THE DUE
DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME
HOUSING FUNDS OF THE FORMER REDEVELOPMENT AGENCY
OF THE CITY OF SANTA CLARA PURSUANT TO HEALTH AND
SAFETY CODE SECTIONS 34179.5 AND 34179.6

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to the Redevelopment Agency to the Oversight Board of the City of Santa Clara (“Successor Agency”) to hire a licensed accountant, approved by the County Auditor-Controller, to conduct a Due Diligence Review to determine the unobligated balances available for transfer to taxing entities or alternatively to use an audit provided by the County Auditor-Controller; and

WHEREAS, Macias, Gini & O’Connell was retained by the County Auditor-Controller in accordance with Health and Safety Code Section 34179.5; and

WHEREAS, Macias, Gini & O’Connell conducted the due diligence review of the Low and Moderate Income Housing Funds to meet the requirements of Sections 34179.5 and 34179.6, and prepared a Report on the Due Diligence Review for Low and Moderate Income Housing Funds, a copy of which is attached hereto and incorporated by reference and referred to herein as “Report on the Due Diligence Review” for convenience; and

WHEREAS, the Report on the Due Diligence Review includes, among other requirements, the amount of cash and cash equivalents determined to be available for taxing entities; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6(a), by October 1, 2012, the Successor Agency must provide the Oversight Board, the County Administrative Officer, County Auditor-Controller, State Controller, and the Department of Finance, the results of the Due Diligence Review of the Low and Moderate Income Housing Fund; and

WHEREAS, by October 15, 2012, for the Low and Moderate Income Housing Fund, the Oversight Board must review, approve, and transmit to the Department of Finance and the County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities; and

WHEREAS, for a variety of reasons the Report on the Due Diligence Review was not completed by the dates set forth in Health and Safety Code Section 34179; and

WHEREAS, in compliance with Health and Safety Code Section 34179.6, the Report on the Due Diligence Review has been submitted by the Successor Agency to the Oversight Board for the Oversight Board's approval, and has also been submitted to the Santa Clara County Administrative Officer, the County Auditor-Controller, the State Controller, and the State Department of Finance (the "DOF"), along with copies of required Recognized Obligation Payment Schedules; and

WHEREAS, following receipt of the Report on the Due Diligence Review, the Oversight Board is required to convene a public comment session, to be held not less than five business days prior to the approval vote by the Oversight Board; and

WHEREAS, the Oversight Board held a public comment session on the Report on the Due Diligence Review on January 10, 2013; received the Successor Agency's comments, public comments, and opinions from the County-Auditor-Controller; asked questions for clarification; and requested specific information; and

WHEREAS, the Oversight Board held a public meeting on January 18, 2013; received additional public testimony and information from the Successor Agency and the County Auditor Controller; and considered the Report on the Due Diligence Review.

**NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO
THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA DOES
HEREBY RESOLVE AS FOLLOWS:**

Section 1. Recitals. The recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Approval of Report on Due Diligence Review. Following its review of the Report on the Due Diligence Review, its consideration of public comments, its consideration of oral and documentary opinions and information from the County Auditor Controller and Successor Agency received before or during the public comment sessions held on January 10 and January 18, 2013, and pursuant to Health and Safety Code Section 34179.6, the Oversight Board hereby approves the Report on the Due Diligence Review set forth in Exhibit A, attached hereto and incorporated herein by reference.

Section 3. Submittal to Department of Finance. The Oversight Board hereby directs staff to submit to the Department of Finance and the County Auditor Controller, as soon as possible, this Resolution and a copy of the Report on the Due Diligence Review set forth in Exhibit A.

Section 4. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

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CERTIFICATION

I hereby certify the foregoing to be a true copy of a resolution passed and adopted by the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of Santa Clara at a special meeting thereof held on the _____ day of January, 2013, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

APPROVE:

ATTEST:

Don Gage
Chairperson

Bernadette DeSousa
Acting Clerk to the Oversight Board

Attachments incorporated by reference:

Santa Clara Successor Agency Due Diligence Review for Low and Moderate Income Housing Funds Pursuant to Health and Safety Code Section 34179.5

I:\2013 Oversight Committee\Agenda Reports\2013 Oversight Board Agenda Reports\January 18 2013 OS Meeting\Due Diligence Review County Counsel (HCM).Docx

County of Santa Clara
Finance Agency

County Government Center
70 West Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5205 FAX: (408) 287-7629



Wednesday, December 19, 2012

Hon. John Chiang, State Controller
P.O. Box 942850
Sacramento, CA 94250

Ms. Ana Matosantos, Director
Department of Finance
915 L Street
Sacramento, CA 95814

Oversight Board for the Santa Clara Successor Agency
1500 Warburton Ave.
Santa Clara, CA 95050

City of Santa Clara Successor Agency
1500 Warburton Ave.
Santa Clara, CA 95050

Re: Santa Clara Successor Agency Due Diligence Review for Low and Moderate Income Housing Funds Pursuant to Health and Safety Code Section 34179.5

Dear State Controller, Department of Finance, Oversight Board, and Successor Agency:

We present this Due Diligence Report for the Santa Clara Successor Agency ("Agency") in accordance with Health and Safety Code section 34179.5. The agreed upon procedures were completed by Macias Gini & O'Connell, retained under contract by the Santa Clara County Finance Agency. Management of the Successor Agency is responsible for the accounting records.

The information presented in this report meets the requirements of Health and Safety Code section 34179.5 for the Low and Moderate Income Housing Funds of the Agency. The County Finance Agency has verified all information with the establishment of assets and liabilities per the agreed upon procedures report issued on December 17, 2012, pursuant to Health and Safety Code section 34182.

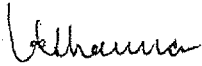
As shown on Attachment B, the entire amount to be remitted is due to unallowable asset transfers from the former RDA to the City and its component unit (the City's Housing Authority). The Successor Agency disagrees with the amount to be remitted primarily because

Housing Due Diligence Report for the Santa Clara Successor Agency
Wednesday, December 19, 2012
Page 2 of 2

the Housing Authority has expended or committed the vast majority of the transferred cash, as shown in the reconciliation on Attachment B. However, as explained in greater detail in the comprehensive AUP report, these are not allowable offsets, although a portion of the amounts may be recovered on future ROPS.

The amount to be remitted to the Auditor-Controller for distribution to taxing entities pursuant to Health and Safety Code section 34179.6 is shown in Attachment B as **\$63,179,968** as of June 30, 2012, plus interest earned on the entire amount from June 30, 2012, through the date of remittance.

Respectfully submitted,



Vinod K. Sharma, C.P.A.
Director of Finance
County of Santa Clara

Attachments:

- Attachment A – Agreed-Upon Procedures and Findings
- Attachment B – Summary of Balances Available for Allocation
- Attachment C – Asset Transfers
- Attachment C1 – Description of Disbursements

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

The agreed-upon procedures, as it relates to the Low and Moderate Income Housing Funds of the former Agency and the Successor Agency, and findings are as follows:

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on or about February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Finding: We obtained from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on or about February 1, 2012 and agreed the assets listed to the recorded balances reflected in the accounting records of the Successor Agency. The Successor Agency reported no assets that were transferred from the former redevelopment agency to the Successor Agency on or about February 1, 2012

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report.

Finding: The State Controller's Office has not completed its review of transfers required under both Sections 34167.5 and 34178.8, nor issued its report regarding such review.

If this has not yet occurred, perform the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to the City of Santa Clara (City) for the period from January 1, 2011 through January 31, 2012 and noted that the former Agency transferred assets in the amount of \$136,899,997, of which \$59,782,871 represented cash assets to the Housing Authority of the City of Santa Clara, a component unit of the City. See Attachment C for the listing of the assets transferred with descriptions of the purpose and in what sense the transfer was required by one of the former Agency's enforceable obligations or other legal requirements.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to the City and noted that the Successor Agency did not list any transfers to the City for the period from February 1, 2012 through June 30, 2012.

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Findings: As described in Attachment C, at June 30, 2012 cash in the amount of \$63,179,968 was not required by enforceable obligations or other legal requirements, and therefore, should be remitted to the County Auditor-Controller for disbursement to taxing entities. As summarized in Attachment C1, the Successor Agency and/or the Housing Authority of the City of Santa Clara listed obligations and expenditures in the amount of \$17,716,867 representing enforceable obligations for the period June 28, 2011 through June 30, 2012 that may be included in future Recognized Obligation Payment Schedules and subject to the approval by the State and the Oversight Board. The Successor Agency applied the amount of \$17,716,867 against the cash to be remitted to the County Auditor-Controller for disbursement to taxing entities of \$63,179,968 as discussed in Procedure 10.

At June 30, 2012 the Housing Authority of the City of Santa Clara has cash available in the amount of \$35,212,462 to remit to the County Auditor-Controller for disbursement to taxing entities. See reconciliation of the cash balance available at June 30, 2012.

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report.

Finding: The State Controller's Office has not completed its review of transfers required under both Sections 34167.5 and 34178.8 nor issued its report regarding such review.

If this has not yet occurred, perform the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to any other public agency or to private parties and noted that the Successor Agency did not list any transfers for the period from January 1, 2011 through January 31, 2012.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the Successor Agency to any other public agency or to private parties and noted that the Successor Agency did not list any transfers during the period from February 1, 2012 through June 30, 2012.

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Findings: The procedure is not applicable. The Successor Agency did not list any transfers of assets to any other public agency or to private parties for the period January 1, 2011 to June 30, 2012.

4. Perform the following procedures:

- A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
- B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010, to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Finding: This procedure pertains to the Successor Agency as a whole as such this procedure will be addressed in the agreed-upon procedures report that is due on December 15, 2012, pursuant to guidance provided by the Department of Finance.

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Finding: We obtained from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 and agreed the assets listed to the recorded balances reflected in the accounting records of the Successor Agency. The Successor Agency reported no assets of the Low and Moderate Income Housing Fund held by the Successor Agency at June 30, 2012.

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - A. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - B. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - C. Other assets considered to be legally restricted:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Finding: We noted the Successor Agency did not have asset balances of the Low and Moderate Income Housing Fund held by the Successor Agency on June 30, 2012 and thus did not have asset balances that are restricted.

7. Perform the following procedures:
 - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

- B. If the assets listed at 7.A. are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
- C. For any differences noted in 7.B., inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
- D. If the assets listed at 7.A. are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Finding: We noted the Successor Agency did not have asset balances of the Low and Moderate Income Housing Fund held by the Successor Agency on June 30, 2012 and thus did not have asset balances that are not liquid or otherwise available for distribution.

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
 - i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

- a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
- iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule:
 - i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
 - i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

Finding: We noted the Successor Agency did not have asset balances of the Low and Moderate Income Housing Fund held by the Successor Agency on June 30, 2012 and thus did not have asset balances that need to be retained to satisfy enforceable obligations. As such the procedures listed are not applicable.

- 9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Finding: We noted the Successor Agency does not have cash balances as of June 30, 2012 that need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule for the period of July 1, 2012 through June 30, 2013.

**City of Santa Clara, Successor Agency to the
Redevelopment Agency of the City of Santa Clara**

**Attachment A – Agreed-Upon Procedures and Findings
Low and Moderate Income Housing Funds**

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Finding: See Attachment B for the results of this procedure for the Low and Moderate Income Housing Fund. As described in Attachment C, at June 30, 2012 cash in the amount of \$63,179,968 was not required by enforceable obligations or other legal requirements, and therefore, should be remitted to the County Auditor-Controller for disbursement to taxing entities.

As discussed at Procedure 2, the Housing Authority of the City of Santa Clara has cash available in the amount of \$35,212,462 at June 30, 2012. As described in Attachment B, the Successor Agency believes that the amount to be remitted to the County Auditor-Controller for disbursement to taxing entities should also factor the following activities:

- 1) Obligations and expenditures on enforceable obligations during the period from June 28, 2011 to June 30, 2012 that may be included in future Recognized Obligation Payment Schedules in the amount of \$17,716,867;
- 2) Loan disbursed from the Housing Authority of the City of Santa Clara to City / Successor Agency in the amount of \$5,900,000;
- 3) Balances denied by the DOF in which the City had requested to initiate the Meet and Confer process to object the DOF's denial in the amount of \$17,060,859; and
- 4) Balances denied by the DOF in which the City has not requested to initiate the Meet and Confer process but subsequently decided to object the DOF's denial in the amount of \$6,907,667.

See the computation of the amount to be remitted to the County Auditor-Controller for disbursement to taxing entities of \$63,179,968 and the computation of the amount to be remitted to the County for disbursement to taxing entities as calculated by the Successor Agency of \$15,594,575 at Attachment B.

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding: No exceptions noted as a result of this procedure.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA

ATTACHMENT B - LOW AND MODERATE INCOME HOUSING FUND ASSETS TRANSFERRED TO THE SUCCESSOR AGENCY THAT ARE AVAILABLE TO DISTRIBUTE TO AFFECTED TAXING ENTITIES

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ -
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	63,179,968
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Amount to be remitted to the County Auditor-Controller for disbursement to taxing entities	\$ 63,179,968

	Notes
Reconciliation of amount per Due Diligence Review to the amount per City of Santa Clara:	
Amount to be remitted to county for disbursement to taxing entities as calculated above	\$ 63,179,968
Less: Obligations and expenditures subject to inclusion on future ROPS	(17,716,867)
Less: Loan from Housing Authority to City / Successor Agency	(5,900,000)
Less: Balances denied by the DOF in which the City has requested to initiate the Meet and Confer process to object the DOF's denial.	(17,060,859)
Less: Balances denied by the DOF in which the City has not requested to initiate the Meet and Confer process.	(6,907,667)
Amount to be remitted to the County Auditor-Controller for disbursement to taxing entities per City of Santa Clara	\$ 15,594,575

REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA

Attachment C - Low and Moderate Income Housing Funds
Asset Transfers to the Housing Authority of the City of Santa Clara for the Period of January 1, 2011 through January 31, 2012

Asset Description	Name of the recipient	Date of Transfer	Book value of asset at date of transfer	Describe the purpose of the transfer and specify the enforceable obligation or other legal requirement requiring such transfer and the date of such requirement.	Finding
Cash	Housing Authority of the City of Santa Clara	3/8/2011	\$ 59,782,871	Assets listed are subject to the Cooperation Agreement For Payment of Costs	The transfers between the former Agency and the Housing Authority of the City of Santa Clara on March 8, 2011 under the Cooperation Agreement dated February 8, 2011 summarized are subject to review by the State Controller's Office (SCO). The SCO will make the final determination as to the enforceability of the obligations under the Cooperation Agreement.
GASB 31 Unrealized Gain/Loss	Housing Authority of the City of Santa Clara	3/8/2011	1,100,604	Associated With Certain Redevelopment Agency Funded Low and Moderate Income Housing Projects, entered into between the City of Santa Clara and Redevelopment Agency of the City of Santa Clara, dated February 8, 2011, and the Assignment and Assumption Agreement (Cooperation Agreement for Payment of Costs Associated with Certain Redevelopment Agency Funded Low and Moderate Income Housing Projects between the City of Santa Clara and City of	
Accr Rec Accrued Int-Bank	Housing Authority of the City of Santa Clara	3/8/2011	69,815		
AR Housing 1st Time Home Lo	Housing Authority of the City of Santa Clara	3/8/2011	12,004,765		
NCIP Loans	Housing Authority of the City of Santa Clara	3/8/2011	341,182		
Loans Receivable	Housing Authority of the City of Santa Clara	3/8/2011	56,496,990		
Land held for resale	Housing Authority of the City of Santa Clara	3/8/2011	7,103,770		
			136,899,997		
			(77,117,126)		
			<u>\$ 59,782,871</u>		
			<u>\$ 59,782,871</u>		

Transaction	Date	Cash Balance	Description
	3/8/2011	\$ 59,782,871	Total cash transferred from the former Agency to the Housing Authority of the County of Santa Clara (Housing Authority)
	3/8/11 - 6/27/11	(1,445,217)	Less allowable cash expenditures for the period 3/8/11 through 6/27/11 (See details at Attachment C1)
	3/8/11 - 6/27/11	2,844,280	Transfer of 20% set-aside property tax increment to the Housing Authority.
	3/8/11 - 6/27/11	687,678	Cash received on interest from cash and investments.
	3/8/11 - 1/31/12	302,804	Program income received by the Housing Authority before dissolution.
	6/28/11 - 6/30/12	3,085,698	Transfer of 20% set-aside property tax increment to the Housing Authority. The Housing Authority subsequently transferred back the cash received to the Agency.
	6/28/11 - 6/30/12	1,007,552	Cash received on interest from cash and investments
	11/15/11 - 1/23/12	(3,085,698)	Successor Agency and Oversight Board approved transfer from Housing Authority to Successor Agency on 5-22-2012 in the amount of \$3,082,026 to pay debt service payment on ROPS I due May 25, 2012 to fiscal agent. Difference between what is on books and agenda report is due to a County error on the tax increment remittance that was correct in August 2012. Transfer made to avoid default on all bonds.
		<u>63,179,968</u>	
		(28,309,492)	
		<u>341,986</u>	
		(27,967,506)	
		<u>\$ 35,212,462</u>	

Summary of cash activity from March 8, 2011 through June 30, 2012:

Add: Cash received by Housing Authority of City of Santa Clara

Less: Return of cash previously received by the Housing Authority of Santa Clara
Total cash transferred to the Authority for which an enforceable obligation with a 3rd party requiring such a transfer did not exist.

Total amount disbursed from June 28, 2011 to June 30, 2012

Other program income and reconciling items

Deficit of cash to be remitted to County Auditor-Controller for disbursement to taxing entities at June 30, 2012

Cash held by the Housing Authority of the City of Santa Clara at June 30, 2012 per accounting records

Attachment C1 - Low and Moderate Income Housing Funds
Description of Disbursements and Enforceable Obligations for the Period of March 8, 2011 through June 30, 2012

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REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA

Attachment C1 - Low and Moderate Income Housing Funds
Description of Disbursements and Enforceable Obligations for the Period of March 8, 2011 through June 30, 2012

#	Description of the Enforceable Obligation	Encumbered balance per Cooperation Agreement dated 3/8/2011	Encumbered balance at 6/30/2012 per City's accounting records	Cash disbursed on enforceable obligations through June 27, 2011	Obligations and expenditures subject to inclusion on future ROPS	Total amount disbursed from June 28, 2011 and Cumer to June 30, 2012	Amount subject to Meet with the State per City	City identified as specific enforceable obligation	Findings	Obligations listed on the ROPS EOPS?	Housing Asset Transfer Form (HAT) objection by DOF?	City's response to HAT Form objection
7	910-9186 CIP Downtown Housing	8,500,000	7,138,018	-	-	-	-	Funds appropriated for affordable housing development to be located in the University Project Area.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A
8	915-9308 CIP Downtown Housing	-	4,000,000	-	-	-	-	Funds appropriated for affordable housing development to be located in the University Project Area.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A
9	910-9187 CIP ROPM Senior Housing Project 2523 El Camino Real	7,000,000	2,638	92,334	157,091	6,095,029	-	Financing for project development, land acquisition, and construction of a 48-unit apartment project, project introduction to Council (Jan 12, 2011), Pde Loan Grant (Apr 19, 2011), Acquire Loan Grant (July 12, 2011), AHA (Jan 24, 2012).	Pursuant to Redevelopment Loan Agreement dated April 19, 2011, the Agency agreed to loan up to \$249,425 to the third party. Pursuant to the Acquisition Loan Agreement dated July 12, 2011, the Authority agreed to loan the third party \$379,000 for site acquisition and additional predevelopment costs. The agreement also further committed the Authority to loan additional funds up to \$249,000. The Acquisition Loan Agreement was entered into after June 28, 2011 and does not constitute an enforceable obligation of the Agency.	NO	Objected by DOF - item #10	No objection to DOF's objection
10	910-9184 CIP Charities Housing Acquisition-Kahala Project	4,000,000	4,000,000	-	-	-	-	Funds appropriated for costs associated with acquisition and rehabilitation of an existing apartment facility in a substandard condition.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A
11	915-9300 CIP allocated for difference between Cash and Unspent Appropriations	-	653,409	-	-	-	-	N/A	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A
12	915-9302 CIP Purchase Old Fire Station 46 Site Montague Habitat for Humanity	391,000	376,586	400	-	4,833	-	Habitat Loan Agreement with City (August 17, 2010) for federal HOME funding predicated on HA financing and site transfer. Use requirement affordable housing impractical without budgeted appropriations.	Pursuant to a HOME Capital Loan Agreement between the City of Santa Clara and the third party dated August 17, 2010, As a result, this did not constitute an enforceable obligation of the Agency. During the period March 8, 2011 to June 28, 2011, the Agency disbursed \$4,433 pursuant to the 2011 Cooperation Agreement between the City and the Agency, which is considered an allowable pre-freeze expenditure.	NO	Objected by DOF - item #7	No objection to DOF's objection
13	915-9305 CIP Neighborhood Conservation & Improvement Program (NCIP)	1,263,250	619,393	94,234	-	470,645	-	Grants to homeowners for needed home repairs, including housing rehabilitation for hardship accessibility.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation. During the period March 8, 2011 to June 28, 2011, the Agency disbursed funds pursuant to the Cooperation Agreement between the City and the Agency, which is considered an allowable pre-freeze expenditure.	NO	N/A	N/A
14	915-9306 CIP 1430 El Camino Real Housing Project Prebid	3,860,000	33,015	598,446	4,455,636	4,422,621	-	Pde Loan Grant between RDA and CORP Affordable Housing Fund (3/5/10) and Pde Loan Grant (8-30-11), and Affordable Housing Loan Grant (8-30-11).	Pursuant to Affordable Housing Loan Agreement dated May 11, 2010, the Agency agreed to loan up to \$200,000 to the third party. Pursuant to the Acquisition Loan Agreement dated February 8, 2011, the Agency agreed to loan up to \$1,240,000 to the third party. The agreement also further committed the Agency to loan additional funds up to a total (all inclusive) maximum of \$8,000,000. As of June 28, 2011, \$598,446 was disbursed. The Agency disbursed an additional \$4,422,621 during the period from June 28, 2011 to June 30, 2012, and remaining unencumbered balance based on the City's accounting record was \$33,015 and these balance are considered potentially allowable for future ROPS.	NO	N/A	N/A
15	915-9309 CIP Acquisition of City Housing	2,000,000	2,000,000	-	-	-	-	Funds appropriated for acquisition of four single-family homes recently owned by the City and used for affordable housing purposes through existing four agreements.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A
16	ClubMontague PTHB overpayment	-	50,000	-	-	-	-	Unidentified overpayment by Cit Mortgage on First Time Home Buyer Program. Overpayment by Cit Mortgage made to RDA Housing made via wire on 2/5/08 and this obligation needs to be resolved and refunded. Investigation process is on going with Cit Mortgage.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation. Based on the City's assertion and the documents provided, the third party overpaid \$50,000 to the former Agency in August 2008 and as of the report date, the investigation is still in process.	NO	N/A	N/A
17	Accounts Payable	-	45	-	-	-	-	N/A	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A

Attachment C1 - Low and Moderate Income Housing Funds
Description of Disbursements and Enforceable Obligations for the Period of March 8, 2011 through June 30, 2012

Total