



August 30, 2012

Ms. Tori Hannah, Finance Director  
City of Capitola  
420 Capitola Ave  
Capitola, CA 95010

Dear Ms. Hannah:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Capitola submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 31, 2012 for the period February 1, 2012 through July 31, 2012.

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

- Exhibit C, Item 1 – A Cooperative Agreement with the Housing Authority of the County of Santa Cruz in the amount of \$867,204. HSC Section 34176 (e) (2) allows for encumbrances to build or acquire low and moderate income housing. There is no specific scope listed within the Cooperative Agreement to build or acquire low and moderate income housing. Therefore, this item is not a transferrable housing asset.

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

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY,  
Local Government Consultant

cc: On following page

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cc: Ms. Lonnie Wagner, Accountant II, City of Capitola  
Ms. Mary Jo Walker, Auditor Controller, Santa Cruz County  
Ms. Marianne Ellis, Property Tax Accounting Manager, Santa Cruz County  
California State Controller's Office