



August 31, 2012

Mr. Eugene M. Palazzo, City Manager
City of Crescent City
377 J Street
Crescent City, CA 95541

Dear Mr. Palazzo:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Cypress (City) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 26, 2012 for the period February 1, 2012 through July 26, 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 may have 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 assets or transfer of assets identified on your Form:

HSC section 34163 (b) prohibits a redevelopment agency from entering into contracts with any entity after June 27, 2011. Therefore, the following items do not qualify as transferable housing assets:

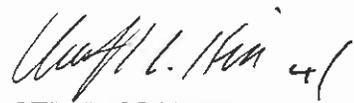
- Exhibit A, Item 1 – Vacant property located at 655 H Street. The former redevelopment agency purchased the property on July 18, 2011. Per HSC section 34163, the former redevelopment agencies were prohibited from entering into contracts or purchasing land after June 27, 2011.
- Exhibit A, Item 2 – City Center Motel. It is unclear that this Motel, or the \$22,000 lien that has been placed against it in the name of the City (not the former redevelopment agency), meets the statutory definition of a transferable housing asset.

Except for items disallowed as noted above, Finance is not objecting to the remaining items, if any 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.

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Please direct inquiries to Nichelle Thomas, Supervisor or Wendy Griffe, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay". The signature is fluid and cursive, with a small flourish at the end.

STEVE SZALAY
Local Government Consultant

cc: Mr. Kenneth McDonald, Finance Director, City of Crescent City
Mr. Clinton Schadd, Auditor-Controller, Del Norte County
Ms. Patty Murray, Tax Manager, Del Norte County
California State Controller's Office