



March 2, 2013

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

This letter supersedes the California Department of Finance's (Finance) Housing Asset Transfer Form letter dated August 31, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Crescent City Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on July 26, 2012, for the period February 1, 2012 through July 26, 2012. Finance issued its determination related to those transferred assets on August 31, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items that was objected to by Finance. The Meet and Confer session was held on February 22, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed.

- Exhibit A, Item 1 – Vacant property located at 655 H Street. Finance no longer objects to the transfer. Finance originally objected to the transfer because the former redevelopment agency (RDA) purchased the property on July 18, 2011. Per HSC section 34163 (b), agencies were prohibited from entering into contracts or purchasing land after June 27, 2011. The Agency contends the item is a housing asset because the purchase agreement was dated April 21, 2011. The Agency provided the purchase agreement, which was prior to June 27, 2011, and accounting records showing the purchase was paid out of the Low and Moderate Income Housing Fund (LMIHF). Therefore, the item is a housing asset pursuant to HSC section 34176 (e) (1).
- Exhibit A, Item 2 – City Center Motel. Finance no longer objects to the transfer. Finance originally objected to the transfer because it is unclear that this Motel, or the \$22,000 lien that has been placed against it in the name of the City of Crescent City (not the former RDA), meets the statutory definition of a transferable housing asset. The Agency contends the item is a housing asset because the lien was acquired with LMIHF funds and a lien is an interest in real property. The Agency provided the City Council action approving the compromise amount for payment dated prior to June 27, 2011 and accounting records showing the payment was made from the LMIHF. Therefore, the item is a housing asset pursuant to HSC section 34176 (e) (1).

Mr. Palazzo
March 2, 2013
Page 2

This is Finance's final determination related to the assets reported on your Form. Except for items disallowed as noted above, Finance is not objecting to the remaining items listed on your Form. Assets transferred deemed not to be a housing asset shall be returned to the successor agency.

Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor or Mary Halterman, Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left.

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