DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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February 25, 2013

Mr. John Bramble, City Manager
City of Merced
678 West 18th Street
Merced, CA 95340

Dear Mr. Bramble:

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 Merced as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on August 1, 2012, for the period February 1, 2012 through August 1, 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 2, 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 – All properties listed were transferred prior to February 1, 2012. Finance no longer objects to the transfer of these assets. Finance objected to the transfer of these assets as HSC section 34176 (a) (2) states the list shall include assets transferred between February 1, 2012 and the date upon which the list is created. Although the properties are housing assets, they are still subject to review by the State Controller's Office since the properties were transferred prior to February 1, 2012.

- Exhibit C, Item 2 – Low-Mod Encumbrance. The encumbrance which existed to fund a $3 million construction loan as stated in a Disposition and Development Agreement dated March 7, 2011 between the former Redevelopment Agency (RDA) of the City of Merced and the developer was retired by issuance of the Deed Restriction Covenant and Loan Agreement dated September 8, 2011 between the developer and the City of Merced Public Financing and Economic Development Authority (Authority). The Agency did not object to the determination and agreed to remove the item from the Form.

- Exhibit D, Items 3, 4, and 5 – Loans Receivable. The Authority executed the Deed Restriction Covenant and Loan Agreement dated September 8, 2011 with the developer to retire the encumbrance noted above for the Woodbridge Apartments, along with two

participation notes. However, the former RDA was not a party to these loan agreements. The Agency did not object to the determination and agreed to remove the items.

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 Suess, Dispute Resolution Supervisor, or Mary Halterman Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Elaine Post, Development Manager, City of Merced Housing Division
Ms. Lisa Cardella-Presto, Auditor-Controller, Merced County
California State Controller's Office