



August 31, 2012

Ms. Emma Karlen, Finance Director
Milpitas Housing Authority
455 East Calaveras Boulevard
Milpitas, California 95035

Dear Ms. Karlen:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the Milpitas Housing Authority (Authority) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on August 1, 2012 for the period February 1, 2012 through August 1, 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 an asset or transfer of asset identified on your Form.

Exhibit D, Item 107 is a \$7.4 million receivable balance. The receivable is derived from an inter-fund loan the former Redevelopment Agency's Low and Moderate Income Housing Fund (LMIHF) provided to the City of Milpitas (City). The purpose of the loan was to fund a City streetscape improvement project, a non-LMIHF project. HSC Section 34176 (e) (3) allows for a transfer of any loan or grant receivable funded from the LMIHF from homebuyers, homeowners, nonprofit or for-profit developers to the Authority. However, the receivable is not derived from low and moderate income housing-related loans or grants. Therefore, the \$7.4 million receivable is not a housing asset and may not be transferred to the Authority.

Except for the item 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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: On the following page

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Ms. Irene Lui, Division Manager, Santa Clara County Controller-Treasurer
Ms. Jacelyn Ma, Property Tax Apportionment Manager, County of Santa Clara
Ms. Manju Beher, Internal Auditor Supervisor, County of Santa Clara
California State Controller's Office