



March 8, 2013

Mr. Gary Parsons, Economic Development Manager
City of Ridgecrest
100 W California Avenue
Ridgecrest, CA 93555

Dear Mr. Parsons:

Subject: Housing Assets Transfer Form

This letter supersedes the California Department of Finance's (Finance) Housing Asset Transfer Form letter dated August 30, 2012. Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), Ridgecrest Housing Authority as Housing Successor Agency (Agency) submitted a Housing Assets Transfer Form (Form) to Finance on July 31, 2012 for the period February 1, 2012 through July 31, 2012. Finance issued its determination related to those transferred assets on August 30, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items that was objected to by Finance.

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 D, Items 3 through 8 – Loans totaling \$3 million. Finance originally objected to the transfers because these loans were issued after June 27, 2011. HSC 34163 (a) (1) prohibits a redevelopment agency (RDA) from entering into agreements, obligations, or contracts with any entity for any purpose after June 27, 2011. The Agency did not object to the determination for Items 4 through 8; therefore, those items are not housing assets pursuant to HSC section 34176 (e) (3).

For Exhibit D, Item 3 – Finance continues to object to the transfer. Finance's determination is consistent with our determination on the associated \$3 million loan to Ridgecrest Pacific Associates as identified in our Low and Moderate Income Housing Fund Due Diligence Review (DDR) letter dated January 11, 2013. The Letter of Commitment between the former RDA and Ridgecrest Pacific Associates dated March 23, 2011, stated, "The loan is subject to the final execution of a promissory note, deed of trust, regulatory agreement, and an Owner Participation Agreement (OPA)." The Letter of Commitment was contingent on the execution of the OPA and other documents. However, there was no obligation in the Letter of Commitment on the former RDA to enter into the OPA, which was still to be negotiated. In addition, the condition to enter into the OPA was not fulfilled prior to ABx1-26 since the former RDA executed the OPA on December 25, 2011, when it had no authority to do so. Specifically, HSC section 34163 (a) prohibits a RDA from making loans or enter into agreements after June 27,

2011. Therefore, this Item is not an enforceable obligation and is not a housing asset pursuant to HSC section 34176 (e) (3).

- Exhibit D, Item 38 – Loan in the amount of \$50,978 does not qualify as a housing asset because documents supporting this asset were not provided. The Agency did not object to the determination; therefore, the item is not a housing asset pursuant to HSC section 34176 (e) (3).

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,

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: Ms. Tess Sloan, Assistant Finance Director, City of Ridgecrest
Ms. Ann K. Barnett, Auditor-Controller, Kern County
California State Controller's Office