DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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August 30, 2012

Mr. Ron Garratt, Interim City Manager
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Mr. Garratt:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Santa Clara (City) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 31, 2012 for the period February 1, 2012 through July 31, 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 our review and application of law, Finance is objecting to the following assets or transfer of assets identified on your Form:

- Exhibit A, Item 5 – Land at 2525 El Camino Real (ROEM Project) does not qualify as a housing asset because the acquisition portion of the project is not an enforceable obligation. The Acquisition Loan Agreement for this property is dated July 12, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

- Exhibit A, Item 6 – Land at 90 N. Winchester Boulevard (BAREC Project) does not qualify as a housing asset because the agreement was amended after June 27, 2012. HSC section 34163 (c) prohibits amending or modifying existing agreements.

- Exhibit A, Item 7 and 8 – Master Lease for BWC Quetzal House. Both of these items are dependent upon master leases between the City of Santa Clara and the agency. HSC section 34163 (c) prohibits amending or modifying existing agreements.

- Exhibit C, Item 1 – $1.1 million amount associated with the Bill Wilson Center. Based upon conversations with the City, it is our understanding that this obligation has been paid in full. Therefore, the $1.1 million is not an enforceable obligation and is not an encumbrance housing asset.

- Exhibit C, Item 2 – $4.6 million amount associated with the Monroe/San Tomas site. Based upon conversations with the City, we understand that no contracts have been entered into by June 27, 2011; therefore, this item is not an enforceable obligation.

- Exhibit C, Item 3 – $8 million encumbrance for the BAREC Project. The Purchase and Sale Agreement was entered into on August 20, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

- Exhibit C, Item 4 – The Habitat for Humanity $381,289 line item does not qualify as a transferable housing asset because the successor agency is not a party to the underlying agreement. Therefore, the item is not an enforceable obligation.

- Exhibit C, Item 5 – The First Time Homebuyer Financing Program is based upon contracts with the City and not the successor agency. Therefore, the $5.4 million line item is not an enforceable obligation and is not an encumbrance housing asset.

- Exhibit C, Item 6 – Based upon conversations with the City and a review of underlying agreements, the Housing Services line item is a grant receivables already included in Exhibit D and is a duplicate of the amounts indicated as being owed for the obligation. The balance of the amount was associated with anticipated administrative and monitoring costs for the successor housing entity associated with these grants. Administrative and monitoring costs are not housing encumbrance assets and are not eligible for transfer.

- Exhibit D, Item 35 – $7 million loan for 2525 El Camino Real. The loan does not qualify as a housing asset because the agreement supporting the purchase of the asset is not an enforceable obligation of the successor agency. The acquisition loan agreement portion of this project was entered into on July 12, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. As a result, only the $249,425 associated with the Predevelopment Loan Agreement dated April 19, 2011 is eligible for transfer.

- Exhibit D, Items 88 through 99 – Grants totaling $465,129 were entered into after June 27, 2011 and are not enforceable obligations. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

- Exhibit D, Items 252 through 265 – First Time Homebuyer loans totaling $1.1 million were entered into after June 27, 2011 and are not enforceable obligations. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

Except for the 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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Gary Ameling, Director of Finance, Housing Agency, City of Santa Clara
Mr. Jeff Pederson, Housing and Community Services Division Manager, Housing Agency, City of Santa Clara
Ms. Tamara Haas, Assistant Finance Director, City of Santa Clara
Ms. Irene Lui, Division Manager, Santa Clara County
Ms. Jacelyn Ma, Property Tax Apportionment Manager, Santa Clara County
Ms. Manju Beher, Santa Clara County
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