

PUBLIC REVIEW COPY

Santee CDC Successor Agency

DUE DILIGENCE REVIEW REPORT FOR THE LOW AND MODERATE INCOME HOUSING FUND OF THE FORMER SANTEE COMMUNITY DEVELOPMENT COMMISSION

There will be a public comment session at a special meeting of the Oversight Board to the Santee CDC Successor Agency on **Tuesday, November 6, 2012, at 3:30 p.m.**, in the Santee City Council Chambers Conference Room located at 10601 Magnolia Avenue, Santee, California 92071, regarding the Due Diligence Review Report for the Low and Moderate Income Housing Fund prepared for the Santee Community Development Commission Successor Agency.

At this meeting, the Oversight Board will review and receive public comments regarding the Due Diligence Review Report for the Low and Moderate Income Housing Fund.

City of Santee
Successor Agency to the Community Development
Commission of the City of Santee

Independent Accountants' Report
On Applying Agreed-Upon Procedures

**Independent Accountants' Report on Applying
Agreed-Upon Procedures**

City of Santee
Successor Agency to the Community Development
Commission of the City of Santee
Santee, CA

We have performed the required agreed-upon procedures (AUP) to the Low and Moderate Income Housing Fund, enumerated in Attachment A, which were agreed to by the California State Controller's Office, and the State of California Department of Finance (State Agencies) solely to assist you in complying with the requirements described in AB 1484. Management of the Successor Agency is responsible for the accounting records pertaining to compliance with the applicable requirements of AB 1484. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A. Attachment A identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records and appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the applicable State Agencies and the City of Santee, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Teaman Ramirez & Smith, Inc.

October 30, 2012

Attachment A

List of Procedures for Due Diligence Review

City of Santee (Successor Agency)

General information regarding these procedures:

1. The procedures associated with Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) are to be applied separately to (a) the Low and Moderate Income Housing Fund of the Successor Agency and to (b) all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).
2. The due date for the report associated with the Low and Moderate Income Housing Fund is October 1, 2012.
3. The due date for the report associated with all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) is December 15, 2012.
4. Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures should be addressed in the report that is due on December 15, 2012.

Fiscal year references below refer to fiscal years ending on June 30. This language should be modified for those agencies that have a different fiscal year-end.

For purposes of the procedures below and the related exhibits, the amount of the assets presented should be based upon generally accepted accounting principles (GAAP), unless otherwise noted.

To the extent the procedures listed below are duplicative to the agreed upon procedures that were performed pursuant to HSC 34182 (a)(1), it is acceptable to obtain and use information from the HSC 34182 (a)(1) procedures for purposes of this due diligence review without having to re-perform the procedures. When this is done, the due diligence report should refer to the report that was issued for the agreed upon procedures performed under HSC 34182 (a)(1).

Certain assets may qualify as a deduction under more than one category of deduction. In such cases, care should be taken to ensure that such assets have been included as a deduction in the summary schedule only once.

Citation:

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

Suggested Procedure(s):

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the

Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Results:

The Santee City Council, on January 25, 2012, designated the San Diego County Housing Authority as the successor agency to assume the Santee Community Development Commission's housing assets and functions. To date there has been no actual transfer to the County Housing Authority. The following documents are attached at Exhibit A:

1. January 25, 2012 Santee City Council meeting minutes and agenda item 5A (staff report).
2. Listing of assets of the Low and Moderate Income Housing Fund of the Santee Community Development Commission as of January 31, 2012.

Citation:

34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

2. A. See attached at Exhibit B
2. B. No transfers were reported by the Successor Agency.
2. C. We obtained from the Successor Agency a copy of a loan agreement between the Santee Community Development Commission and the City of Santee dated June 8, 2011 authorizing a \$30,000 loan to the City of Santee.

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

3. A. See attached schedule at Exhibit C.
3. B. No transfers were reported by the Successor Agency.
3. C. We agreed the \$5,494,000 transfer to a Disposition and Development Agreement between the Community Development Commission of the City of Santee and Wakeland Housing and Development Corporation dated March 7, 2011.

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

Suggested Procedure(s):

4. Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller’s report filed for the Redevelopment Agency for that period.
 - D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

This step is not applicable for the Low and Moderate Income Housing fund.

Citation:

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012.

Suggested Procedure(s):

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Results:

We obtained the attached schedule (Exhibit D) from the Successor Agency listing total assets of \$17,702,006 for the Low and Moderate Income Housing Fund as of June 30, 2012. We agreed this schedule to a trial balance provided by the Successor Agency as of June 30, 2012.

Citation:

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

Suggested Procedure(s):

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - A. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)

- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
- B. Grant proceeds and program income that are restricted by third parties:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
- C. Other assets considered to be legally restricted:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Results:

- 6. A. No restrictions were provided that meet this criteria.
- 6. B. No restrictions were provided that meet this criteria.
- 6. C. No restrictions were provided that meet this criteria.
- 6. D. N/A

Citation:

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

Suggested Procedure(s):

7. Perform the following procedures:
 - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

7. A. We obtained a listing from the Successor Agency that listed \$16,114,975 of assets as of June 30, 2012 that are not liquid or otherwise available for distribution. Based on the accounting records provided by the successor agency, we ascertained the values are recorded at purchase cost.
7. B. We traced the amounts referenced above to accounting records provided by the Successor Agency.
7. C. Not applicable. No discrepancies noted above.
7. D. Not applicable. All assets listed are recorded at book value.

Citation:

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

Suggested Procedure(s):

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

The Successor Agency did not claim any amounts, for asset balances as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations. Therefore, the above procedures are not applicable for the Low and Moderate Income Housing Fund.

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

The Successor Agency did not claim any amounts that are restricted to fund enforceable obligations as described above. Therefore the above procedures are not applicable to the Low and Moderate Income Housing Fund.

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.

- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
- ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
- iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

The Successor Agency did not claim any amounts as described above. Therefore, the above procedures do not apply to the Low and Moderate Income Housing Fund.

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

Results:

Not applicable - no procedures performed for A, B or C above.

Citation:

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

Suggested Procedure(s):

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Results:

The Successor Agency does not believe that cash balances need to be retained for purposes as described above.

Citation:

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

Suggested Procedure(s):

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Results:

See Exhibit E attached.

Suggested Procedure(s):

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Results:

The required representation letter from the Successor Agency management was obtained. We verified the letter included the provisions described above.

The following items were heard concurrently:

9. COMMUNITY DEVELOPMENT COMMISSION:

(Note: Minutes appear as Item 1B)

(A) Resolution of the Santee Community Development Commission amending the draft initial recognized obligation payment schedule pursuant to Assembly Bill 26. (Reso CDC 2-2012)

5. CONTINUED BUSINESS:

(A) Designation of the San Diego County Housing Authority to assume Santee Community Development Commission (CDC) housing assets and functions pursuant to Assembly Bill 1X 26.

City Manager Till presented the staff report. City Attorney Hagerty answered Council's questions.

ACTION: On motion of Council Member Dale, seconded by Council Member Minto, the San Diego County Housing Authority was designated as the successor agency to assume CDC housing assets and functions and the CDC Resolution amending the preliminary draft Initial Recognized Obligation Payment Schedule was adopted with all voting aye.

10. SANTEE PUBLIC FINANCING AUTHORITY:

(Note: Minutes appear as Item 1B)

11. CITY ATTORNEY REPORTS: None

Council Members recessed at 9:03 p.m. and convened in Closed Session at 9:10 p.m. with all Members present.

12. CLOSED SESSION:

(A) **CONFERENCE WITH LEGAL COUNSEL--ANTICIPATED LITIGATION**

(Government Code Section 54956.9)

Significant exposure to litigation pursuant to subdivision (B) of Section 54956.9: One case.

City of Santee
COUNCIL AGENDA STATEMENT

5A

MEETING DATE January 25, 2012**AGENDA ITEM NO.**

ITEM TITLE DESIGNATION OF THE SAN DIEGO COUNTY HOUSING AUTHORITY TO ASSUME SANTEE COMMUNITY DEVELOPMENT COMMISSION HOUSING ASSETS AND FUNCTIONS PURSUANT TO ASSEMBLY BILL 1X 26

DIRECTOR/DEPARTMENT City Manager, City Attorney

DISCUSSION

AB 1x 26 ("AB 26") dissolves all redevelopment agencies in California and authorizes the City of Santee, as the community that created the City's Community Development Commission ("CDC"), to elect whether to retain certain housing assets and all housing functions previously performed by the CDC. If the City elects to retain the housing assets and functions, the City will be responsible for performing all duties and obligations pertaining to the affordable housing functions of the CDC. AB 26 does not identify a continuing funding source for fulfilling these responsibilities and transfers unencumbered funds on deposit in the Low and Moderate Income Housing Fund ("LMI") to the County Auditor-Controller for distribution to applicable taxing agencies. CDC housing obligations must be fulfilled without the use of any LMI funds.

CDC housing authority assets include three residual receipt loans from the Cedar Creek, Shadow Hill and Forester Square projects, mobile home rehabilitation loans and one single family home improvement loan, but no real estate. CDC housing authority obligations may include meeting affordable housing production requirements, which are projected to include the production of 94 additional low and moderate to very low income units by the year 2033. In addition, CDC housing authority obligations include fulfilling replacement plan obligations for the Forester Square project, preparing annual reports on compliance with regulatory agreements for the three projects listed above during the 55-year terms for each regulatory agreement, monitoring receipt of residual loan payments, and monitoring construction, reviewing invoices, and authorizing payments on construction of the Forester Square project.

Health and Safety Code section 34176 provides that where there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, and the City elects not to retain CDC housing assets and obligations, the City then selects which local housing authority will assume the CDC housing assets and functions. Both the San Diego County Housing Authority and the City of Santee's Housing Authority have authority to operate within the City's jurisdictional boundaries. However, there is a clear financial risk to the City in the City Housing Authority assuming responsibility of the CDC housing functions. It is unclear whether any costs incurred could be reimbursed as a state mandate if the City Housing Authority assumes responsibility for these functions. There is no obvious benefit to the City in assuming this responsibility. The approved Forester Square Apartments affordable housing complex can proceed to construction under the conditions already imposed by City Council action. Future mandates for the provision of low and moderate income housing and other housing-related programs would be forwarded to the County, which is recognized as the primary provider of social services in the region.

FINANCIAL STATEMENT ^{jm} If the City or the City Housing Authority was to retain housing assets and functions, all associated costs would be borne by the General Fund. By designating the County Housing Authority, all associated costs become the County's responsibility.

CITY ATTORNEY REVIEW N/A Completed

RECOMMENDATION Designate the San Diego County Housing Authority as the successor agency to assume CDC housing assets and functions.

ATTACHMENT None

City of Santee
Low and Moderate Income Housing Fund
Assets Held as of January 31, 2012

Cash and Investments	\$	1,576,930.04
Accrued Interest		7,942.00
Rehab Loans Receivable		686,326.50
SOCAL Loan Receivable		4,058,887.36
Cedar Creek Apts Loan		5,636,087.00
First Time Homebuyers Loan Receivable		5,512,771.17
Unrealized Gain (Loss) on Investments		23,319.00
Advances to Other Funds		<u>30,000.00</u>
Total	\$	<u><u>17,532,263.07</u></u>

City of Santee Successor Agency
 Schedule of Transfers
 1/1/2011 thru 6/30/2012

Exhibit B

Date	Fund	Transfer From	Transfer To	Type of Asset	Value	Reason for Transfer
1/1/2011 to 1/31/2012:						
1)	6/8/2011	195 Low Mod	City of Santee	Cash	<u>30,000.00</u> *	
			Total transfers		<u><u>30,000.00</u></u>	

2/1/2012 to 6/30/2012

No asset transfers reported

* Based on a loan agreement approved on June 8, 2011 to cover administrative costs incurred by the Santee Mobile Home Fair Practices Commission to evaluate an application for a rental rate adjustment from the owner of a mobile home park in the City of Santee. This obligation was reported on all Enforceable Obligation Payment Schedules, draft Recognized Obligation Payment Schedules (ROPS) and the ROPS covering the period from January 1, 2012 through June 30, 2012 that were submitted to the State Department of Finance.

1) Loan was approved on June 8, 2011 but was not made until September 1, 2011.

City of Santee Successor Agency
 Schedule of Transfers
 1/1/2011 thru 6/30/2012

Exhibit C

Date	Fund	Transfer From	Transfer To	Type of Asset	Value	Reason for Transfer
1/1/2011 to 1/31/2012:						
12/19/2011	195	Low Mod	Wakeland Housing and Development Corporation	Cash	<u>5,494,000.00</u> *	
			Total transfers		<u><u>5,494,000.00</u></u>	

2/1/2012 to 6/30/2012

No asset transfers reported

*The Community Development Commission of the City of Santee (CDC) entered into a Disposition and Development Agreement with Wakeland Housing and Development Corporation on March 7, 2011. The agreement provided for a loan to Wakeland Housing and Development Corporation for \$5,494,000. This obligation was reported on all Enforceable Obligation Payment Schedules, draft Recognized Obligation Payment Schedules (ROPS) and the ROPS covering the period from January 1, 2012 through June 30, 2012 that were submitted to the State Department of Finance.

City of Santee
 Low and Moderate Income Housing Fund
 Assets Held as of June 30, 2012

Cash and Investments	\$	1,580,453.11
Accrued Interest		6,578.01
Rehab Loans Receivable		686,326.50
SOCAL Loan Receivable		4,096,590.46
Cedar Creek Apts Loan		5,702,037.00
Forester Sq Apts Loan		5,581,446.17
Unrealized Gain (Loss) on Investments		18,575.00
Advances to Other Funds		<u>30,000.00</u>
Total	\$	<u><u>17,702,006.25</u></u>

