

DUE DILIGENCE REVIEWS

2-B: Update on Due Diligence Reviews (DDR) – Low Moderate Income Housing Fund (LMIHF) and Non-Housing (other funds) and Accounts, and State Department of Finance Determination on Recognized Obligations Payment Schedule (ROPS) 13-14A, were presented.

Andy Agle, Director of Housing and Economic Development gave a summary of communications between staff and the Department of Finance (DOF) since the February 25, 2013 meeting. He reported the following had occurred since the last scheduled meeting:

- On February 26, the City received a letter from Department of Finance (DOF) related to the Housing Asset Transfer form. A couple adjustments were made based on the Meet and Confer where the DOF agreed that the High Park East loans were appropriately transferred to the Housing Successor Agency. The pre-development loans were Agency loans; therefore it was appropriate that these loans were transferred to the Housing Successor Agency.
- On March 21st, the City received a letter from the County Auditor Controller stating that for the upcoming ROPS period the amount that would be distributed to the Successor Agency should be reduced by \$17,000.
- On April 1st, the City received a letter regarding the non-housing (other funds) DDR from the DOF stating that a balance of over \$49 million was due to be paid (cash assets). With respect to Parking Structures 7 and 8, DOF determined that based on the original financing lease agreement, title to the parking structures can be transferred to the City.
- On April 3rd, received a Final Determination letter on the Housing Due Diligence Review, stating upon further review, it was determined that of the original \$55 million due, over \$19 million of those funds that are Bank of America loan proceeds cannot be distributed to the taxing entities because they are governed by the original loan documents. Because the High Place East loan was a housing obligation, the DOF reduced the amount due to \$31.6 million, and of that amount \$12.5 million has already been paid, leaving \$19 million still in dispute.
- On April 8th, staff submitted a Meet and Confer request regarding the Non-Housing DDR, pursuant to Agency obligations; some of those funds were related to Agency contracts administered by the City and some were related to 3rd party obligations.
- On April 14th, the City received a DOF letter for ROPS 13–14A (period beginning July 2013). DOF included the following findings: while bond reserves are required by bond documents, the reserves are not enforceable obligations because they are not due during the period; any housing loans entered into by the City, even if pursuant to Redevelopment Agency enforceable obligations, are denied; DOF Housing Administration costs are denied; and total administrative cost are to be adjusted to include line items that were submitted separately on the ROPS

- On April 17th, the City received a revised letter from the County Auditor Controller, saying that there should be no adjustment to the ROPS June 2013 payment because overpayment exceeds the underpayment.
- On April 18th, staff requested a Meet and Confer for ROPS 13-14A to respond to issues raised including: bond reserves are enforceable obligations, even though if they are not to be paid during this period; City loans are carrying out Agency commitment letters; approval to use the 2008 Bank of America loan proceeds on current projects; and that the DOF should be fair with regard to credit for overpayment versus underpayment.

Discussion ensued, and questions of clarification were asked and answered of staff.

On order of the Chair, this information was received and filed.

PUBLIC INPUT

There was no one present for public input.

ANNOUNCEMENTS

On order of the Chair the following announcements were made: due to a conflict with the Memorial Day Holiday, the next regular scheduled meeting in May is cancelled, and a special meeting will have to be scheduled; Election of Chair and Vice Chair needs to be addressed at a regular upcoming meeting; and, additional information was requested of staff regarding the Santa Barbara Parking lot decision.

ADJOURNMENT

On order of the Chair, the Oversight Board meeting was adjourned at 6:02 p.m.

ATTEST:



Denise Anderson-Warren
Secretary

APPROVED:



Paul J. Silvern
Chair