

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

240



FROM: Successor Agency to the Redevelopment Agency

SUBMITTAL DATE:
September 13, 2012

SUBJECT: Adoption of Resolution 2012-013 to Approve the Report of the Due Diligence Review of the Unobligated Low and Moderate Income Housing Funds and Other Assets of the Successor Agency to the Redevelopment Agency for the County of Riverside

RECOMMENDED MOTION: That the Board of Supervisors:

1. Adopt Resolution No. 2012-013 to approve the Report of the Due Diligence Review of the Low and Moderate Income Housing Funds (LMIHF) fund assets of the Successor Agency to the Redevelopment Agency for the County of Riverside; and
2. Authorize submittal of the Due Diligence Review of the (LMIHF) to the Oversight Board.

BACKGROUND: (Commences on Page 2)

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD AGENDA: No

SOURCE OF FUNDS: Successor Agency Low and Moderate Income Housing Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:
Jennifer L. Sargent

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS OF THE SUCCESSOR AGENCY TO
THE REDEVELOPMENT AGENCY**

On motion of Supervisor Benoit, seconded by Supervisor Stone and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: October 2, 2012
xc: RDA, EDA

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

Prev. Agn. Ref.:

District: All

Agenda Number: 4.5

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

FORM APPROVED COUNTY COUNSEL
BY: ANITA C. WILLIS 9-12-12

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

BACKGROUND:

Pursuant to Assembly Bill x1 26, the redevelopment dissolution bill, the Riverside County Board of Supervisors adopted Resolution No. 2012-034 on January 10, 2012, which accepted the designation as the Successor Agency for the Redevelopment Agency and further designated such actions and functions to be performed as Successor Agency to the Economic Development Agency (EDA). Additionally, on January 10, 2012, the Riverside County Board of Supervisors also adopted Resolution No. 2012-035, which elected to transfer the responsibility for performing all the housing functions previously performed by the Redevelopment Agency for the County of Riverside to the Housing Authority of the County of Riverside. On February 1, 2012, all California redevelopment agencies were dissolved by this legislation.

On June 27, 2012, the governor signed AB 1484 legislation further amending provisions of the CA Health and Safety Code as it relates to the dissolution of redevelopment agencies. Health & Safety Code(HSC) Section 34179.5 requires each Successor Agency to employ a licensed accountant, approved by the County Auditor-Controller(CAC) and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated and unencumbered cash and cash equivalent balances available for transfer to taxing entities. Due Diligence Procedures, for use by Licensed Accountants who will conduct the Due Diligence Reviews, were developed by the California CPA society with input from the State Controller's Office and the Department of Finance(DOF) and were approved on August 31st. The Successor Agency has selected the CPA firm of Teaman, Ramirez, & Smith, Inc., which has performed previous audits of the County Redevelopment Agency and is an approved CPA firm on the list from the CAC.

The first Due Diligence Review to be conducted is the review of the unobligated (LMIHF) Housing fund and assets, with final report approval and submission to the DOF by October 15, 2012. A separate Form 11 and resolution will be prepared for the Due Diligence Review of all other funds and accounts of the former Redevelopment Agency to be conducted in October or early November with the final report approval and submission to the DOF by January 15, 2013.

Due Diligence Review results of the Low and Moderate Income Housing Fund must be submitted to the Oversight Board (OB), the County Auditor-Controller (CAC), the Department of Finance (DOF) and the State Controller's Office (SCO) by October 1, 2012. Prior to final review and approval of the report by the Oversight Board on or before October 15, 2012, a Public Hearing must be held at least five days prior to its approval action. Transmission of the approved report must be submitted by October 15, 2012, to the DOF and the County Auditor-Controller. The attached report of the Due Diligence Review results indicates if any LMIHF funds are unencumbered and eligible for transfer to other taxing entities.

The DOF review of the report determinations provided will be completed no later than November 9, 2012, and will be conveyed via a letter. Successor Agencies have five days from receipt of the decision to request a meet and confer to discuss any disputes with the DOF. The DOF must conduct the meet and confer and confirm or modify findings within 30 days. Then, the Successor Agency must transfer amounts deemed to be unencumbered by the DOF within 5 days.

(Continued)

Successor Agency to the Redevelopment Agency
Adoption of Resolution 2012-013 to Approve the Report of Due Diligence Review of the Low and Moderate Income Housing Funds of the Successor Agency to the Redevelopment Agency for the County of Riverside
September 13, 2012
Page 3

BACKGROUND: (Continued)

County Counsel has reviewed and approved Successor Agency Resolution No. 2012-013 as to form. Staff recommends that the Board of Supervisors approve the Report of the Due Diligence Review of the Low and Moderate Income Housing Funds and submit the report to the Oversight Board for the conduct of a public hearing and final approval before submission to the State Department of Finance by October 15, 2012.

Attachments:

- Resolution Number 2012-013
- Report of Due Diligence Review

1 **BOARD OF SUPERVISORS**

SUCCESSOR AGENCY

2 **RESOLUTION NUMBER 2012-013**

3 **RESOLUTION TO APPROVE THE REPORT FOR THE DUE DILIGENCE REVIEW OF**
4 **THE UNOBLIGATED LOW AND MODERATE INCOME HOUSING FUNDS (LMIHF)**
5 **AND OTHER ASSETS OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT**
6 **AGENCY FOR THE COUNTY OF RIVERSIDE**

7 **WHEREAS**, ABx1 26 is codified in the California Health and Safety Code;

8 **WHEREAS**, pursuant to ABx1 26, the Riverside County Board of Supervisors
9 adopted Resolution No. 2012-034 on January 10, 2012, which accepted the
10 designation as the Successor Agency for the Redevelopment Agency and further
11 designating the actions and functions to be performed as said Agency to the
12 Economic Development Agency(EDA) ;

13 **WHEREAS**, pursuant to ABx1 26, the Riverside County Board of Supervisors
14 also adopted Resolution No. 2012-035 on January 10, 2012, which elected to transfer
15 the responsibility for performing all the housing functions previously performed by the
16 Redevelopment Agency for the County of Riverside to the Housing Authority of the
17 County of Riverside;

18 **WHEREAS**, on February 1, 2012, all California redevelopment agencies were
19 eliminated and the County of Riverside assumed all the former redevelopment
20 functions previously performed by the Redevelopment Agency;

21 **WHEREAS**, on June 27, 2012, the governor signed AB 1484, legislation
22 amending provisions of the CA Health and Safety Code as it relates to the dissolution
23 of redevelopment agencies;

24 **WHEREAS**, Health & Safety Code (HSC) section 34179.5 requires each
25 Successor Agency to employ a licensed accountant, approved by the County Auditor-
26 Controller (CAC) and with experience and expertise in local government accounting,
27 to conduct a Due Diligence Review to determine the unobligated and unencumbered
28 cash and cash equivalent balances available for transfer to taxing entities. Due

1 Diligence Procedures were developed by the California CPA society with input from
2 the State Controller's Office (SCO) and the Department of Finance(DOF) and were
3 approved for use on August 31st;

4 **WHEREAS**, the Successor Agency has selected the CPA firm of Teaman,
5 Ramirez, & Smith, Inc. who has performed previous audits of the Redevelopment
6 Agency and is an approved CPA firm on the list from the CAC;

7 **WHEREAS**, the first Due Diligence Review to be conducted is the review of
8 the unobligated Low and Moderate Income Housing Funds (LMIHF) and assets;

9 **WHEREAS**, the Successor Agency Board is required to review and approve
10 the Due Diligence Review and authorize submittal to the Oversight Board (OB) for the
11 conduct of a public hearing and final approval.

12 **NOW THEREFORE, BE IT RESOLVED, FOUND, DETERMINED AND**
13 **ORDERED** by the Board of Supervisors of the County of Riverside in regular session
14 assembled on October 2, 2012 as follows:

15 1. That the Board of Supervisors hereby finds and declares that the above
16 recitals are true and correct.

17 2. That the Board of Supervisors approves the attached report of the Due
18 Diligence Review of the unobligated LMIHF funds and assets.

19 ///

20 ROLL CALL:

21 ///

Ayes: Buster, Tavaglione, Stone, Benoit, and Ashley

22 ///

Nays: None

23 ///

Absent: None

24 ///

The foregoing is certified to be a true copy of a resolution duly
adopted by said Board of Supervisors on the date therein set forth.

25 ///

KECIA HARPER-IHEM, Clerk of said Board

26 ///

By: _____

27 ///

Deputy

28 ///

///

FORM APPROVED COUNTY COUNSEL
BY: *[Signature]*
DATE: 9-12-12
KAVINA CAVILLAS

**County of Riverside
Successor Agency to the Redevelopment Agency
for the County of Riverside**

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

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

Board of Supervisors
County of Riverside
Successor Agency to the Redevelopment
Agency for the County of Riverside
Riverside, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the State of California Department of Finance and the California State Controller's Office, solely to assist the Successor Agency to the Redevelopment Agency for the County of Riverside (the "Successor Agency") with the due diligence review procedures provided by the State of California Department of Finance required under Assembly Bill 1484. Management of the Successor Agency is responsible for the accounting records pertaining to the compliance with the applicable requirements of Assembly Bill 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 below 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 the 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 Successor Agency, Successor Agency Oversight Board, the Riverside County Auditor-Controller and the applicable State Agencies, 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 records.

_____, 2012

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund**

**Attachment A
Results of Procedures Performed**

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:

We obtained a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. The amounts were agreed to the accounting records with a fair market value adjustment. The amount of assets transferred on February 1, 2012 was \$182,479,429 according to the listing.

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:

In discussions with Successor Agency staff, the State Controller's Office did not perform a review of transfers under Sections 34167.5 and 34178.8. Therefore, we performed the above procedures. We obtained the listing of transfers from the Successor Agency, see *Attachment B*. We noted no exceptions, as a result of our procedures.

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:

In discussions with Successor Agency staff, the State Controller's Office did not perform a review of transfers under Sections 34167.5 and 34178.8. Therefore, we performed the above procedures. We obtained the listing of transfers from the Successor Agency, see *Attachment B*. We noted no exceptions, as a result of our procedures.

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:

We noted no exceptions, as a result of our procedures. The supporting documents provided by the Successor Agency was the following:

<u>Fiscal Year/Period</u>	<u>Supporting Documents</u>
June 30, 2010	Audited Financial Statements
June 30, 2011	Audited Financial Statements
January 31, 2012	Trial Balance and Financial Reports
June 30, 2012	Trial Balance and Financial Reports

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 noted no exceptions, as a result of our procedures. See *Attachment C* for the listing of all assets of the Low and Moderate Income Housing as of June 30, 2012 provided by the Successor Agency.

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:

We noted no exceptions, as a result of our procedures. See *Attachment D* for the listing of asset balances held on June 30, 2012 restricted by debt covenants. There were no time limitations indicated in the Official Statements of the related debt. Therefore, the restrictions are in effect until the related assets are expended for their intended purpose.

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:

We obtained the listing of the assets as of June 30, 2012 that are not liquid or available for distribution. This consisted of loans receivable and land held for resale purchased at cost. We agreed the amounts to the previous audited financial statements and noted the following:

Loans Receivable:

There was a difference of \$21,684,180 from the previous audited financial statements (fiscal year 2011). This difference consisted of \$21,283,479 of additional loans, \$233,314 of loan payments received and a \$634,015 net prior period adjustment for loans receivable not previously recorded or were not proper receivables. The circumstances of the additions were related to previous agreements that the former redevelopment agency had entered into before dissolution.

Land Held for Resale:

There was a difference of \$3,789,116 from the previous audited financial statements (fiscal year 2011). This consisted of a \$(5,192,218) prior period adjustment and \$1,403,102 of land purchases. The prior period adjustments mostly consisted of properties that were deeded over to other agencies and parties in prior years. The additions were related to previous agreements that the former redevelopment agency had entered into before dissolution.

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.
 - 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.
- 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.
- 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:

See *Attachment E* provided by the Successor Agency for the listing of enforceable obligations that dedicated or restricted for funding. Steps B and C above are non-applicable.

The calculation of current unrestricted balances necessary for retention is as follows:

Resources:		
Current Dedicated or Restricted Balances	\$	33,165,339
Forecasted Annual Revenues		<u>-</u>
Total Resources		33,165,339
Less Forecasted Annual Spending		<u>-</u>
Total	\$	<u><u>33,165,339</u></u>

The amount of calculation is a positive result.

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:

We obtained the final ROPS for the period of July 1, 2012 through December 31, 2012. However, the ROPS for the period January 1, 2012 through June 30, 2013 is currently under review by the State. So, we obtained the most current version. See *Attachment F* for the listing of obligations provided by the Successor Agency of balances needed to satisfy the fiscal year 2013 obligations.

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 *Attachment G*. The schedule includes a \$12,082,500 obligation currently in appeal by the Successor Agency. The schedule and notes to the schedule were prepared by the Successor Agency.

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:

We noted no exceptions, as a result of these procedures.

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment B**

**Redevelopment Agency for the County of Riverside
Transfer Listing - LMIHF Assets Transferred to Other Funds within the County
January 1, 2011 through January 31, 2012**

DATE	DESCRIPTION	AMOUNT	PURPOSE
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N/A

**Redevelopment Agency for the County of Riverside
Transfer Listing - LMIHF Assets Transferred to Parties outside of the County
January 1, 2011 through January 31, 2012**

DATE	DESCRIPTION	AMOUNT	PURPOSE
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8/18/2011	Date Palm Mobile Home Park - APN 608-340-029	1,935,964.34	Grant Deed to developer, Desert Meadows Housing Partners, LP, pursuant to the requirements of the Disposition and Development Agreement dated as of June 29, 2010.
1/31/2012	Mission Village SF/Glen Avon Housing - APN 169-100-009, 169-100-010, 169-100-014, 169-100-038	3,098,108.65	Grant Deed to Mission Village Senior Apartments, L.P. on September 1, 2008 (recorded 9/23/08); adjusted off of our Asset listing as of 1/31/12
5/23/2011	Molino Way/Commonwealth Land Title - APN 181-082-036	141,700.00	Grant Deed to Housing Authority on May 23, 2011, pursuant to DDA dated 4/21/2011.

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment B**

**Redevelopment Agency for the County of Riverside
Transfer Listing - LMIHF Assets Transferred to Other Funds within the County
February 1, 2012 through June 30, 2012**

DATE	DESCRIPTION	AMOUNT	PURPOSE
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N/A

**Redevelopment Agency for the County of Riverside
Transfer Listing - LMIHF Assets Transferred to Parties outside of the County
February 1, 2012 through June 30, 2012**

DATE	DESCRIPTION	AMOUNT	PURPOSE
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N/A

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment C**

**Successor Agency to the Redevelopment Agency
SCHEDULE A
LMIHF Assets held by the Successor Agency as of June 30, 2012**

	AMOUNT
ASSETS:	
Cash and Investments	37,179,901
Cash and Investments with Fiscal Agent	39,974,577
Interest Receivable	17,285
Loans Receivable	66,041,026
Land Held for Resale	34,367,805
TOTAL ASSETS	<u>177,580,594</u>

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment D**

**Successor Agency to the Redevelopment Agency
SCHEDULE B
LMIHF Assets Legally Restricted
(by debt covenants, grant restrictions and other restrictions)**

	AMOUNT
Restricted by 2010 & 2011 Housing Series A and A-T debt covenants:	
Tres Lagos Senior Apartments page 17, line 4	1,500,000
Highgrove Family Apartments page 17, line 46	7,047,912
Orange Blossom Lane page 18, line 73 and 74	418,307
Assets Restricted by Debt Covenants	<hr/> 8,966,219 <hr/>

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment E**

**Successor Agency to the Redevelopment Agency
SCHEDULE D
LMIHF BALANCE RESTRICTED FOR ENFORCEABLE OBLIGATIONS
As of June 30, 2012**

	Enforceable Obligations LMIHF	Enforceable Obligations Bond Proceeds	Total
	42,873,916	54,860,474	97,734,390
	(711,799)	(13,578,533)	(14,290,332)
	42,162,117	41,281,941	83,444,058

Balance Restricted for funding of Enforceable Obligations
Outstanding Balance of Enforceable Obligations per ROPS 1
 Less: actual payments from January 2012 to June 2012
Net Outstanding Balance

Less: Assets Legally Restricted by Debt Covenants (schedule B)

Less: Projects denied by the DOF
 DOF letter dated April 25, 2012:

- page 17, line 35 Mission Village Single family Subdivision
- page 17, line 43 Vista Rio Apartments / Mission Plaza
- page 18, line 86 Mountain View Estates Mobile Home Park
- page 18, line 101 Middleton Street and 66th Avenue Project
- page 18, line 111 100 Palms Housing Project

Restricted Balance net of Projects Denied by DOF

Less: RORF received to fund Enforceable Obligations above

Balance Restricted for Enforceable Obligations under ROPS 1

12,932,117	20,233,222	33,165,339
0	0	0
12,932,117	20,233,222	

Projects under appeal with the DOF:

- page 18, line 86 Mountain View Estates Mobile Home Park

12,082,500

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
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Job Code	Project Name / Debt Obligation	Total Outstanding Debt or Obligation	Payments by month	ACTUALS	Net Outstanding Balance	Legal Description of Enforceable Obligation	Amount Appropriated	Legal Document Language
			Total	Total				
1	12345-11 USA HELP-Homebuyer Educ/Foreclosure	19,416.74	10,419.74	10,419.86	0.00	BOG	125,000.00	Professional Services Agreement (B)
2	12345-13 Public Notice Publication Costs/Various	7,047.22	2,000.00	7,047.22	7,047.22	BOG 4.1 1221/99		(B)
3	Misc JC's Weed Abatement - RDA Housing	25,335.00	8,500.00		25,335.00	BOG 4.1 1221/99		(B)
4	10103-32 Tres Lagos Senior Apartments	1,500,000.00			1,500,000.00	BOG 0.2 71/712	4,365,000.00	Loan Agreement for Tres Lagos dated June 5, 2007 Line 23/24 of the agreement to use low mod funds.
5	0103-32 Tres Lagos Senior Apartments	9,000,000.00	1,000,000.00		9,000,000.00	BOG 0.2 71/712	4,365,000.00	Loan Agreement for Tres Lagos dated June 5, 2007 Line 24/24 of the agreement to use low mod funds.
6	JVPA-383A 37th St & Wallace Infill Housing Project	151,750.00	151,750.00	136,375.00	15,375.00	BOG 4.2 91/609	3,100,000.00	Agreement with Riverside Housing Development Corporation (B)
7	JVPA-450 Mira Loma Infill Housing Project	350,000.00			350,000.00	BOG 4.4 6/606	350,000.00	Agreement with the County of Riverside Housing Authority (B)
8	JVPA-451 Mustang Lane Infill Housing Project	4,000,000.00			4,000,000.00	BOG 4.2 10/1706	1,195,000.00	Agreement with "Moby" EPICOR Community Housing (B)
9	JVPA-451B Mustang Lane Infill Housing Project	222,952.20	222,952.20	63,382.40	159,569.74	BOG 4.1 3/3109	2,116,523.00	Agreement with BOJ LLC Mustang Adoptions Homes, LLC Page 2, Lines 9 through 11 to use Low and Moderate Income Housing Funds.
10	JVPA-451A Mustang Lane Infill Housing Project	32,424.80			32,424.80	BOG 4.1 11/611	187,624.00	FIRST AGREEMENT to BOJ LLC Mustang Adoptions Homes, LLC Page 2, Lines 9 through 11 to use Low and Moderate Income Housing Funds.
11	JVPA-506 Figueroa Home Improvement Loan	11,513.66	11,513.66	11,513.66	0.00	Agreement BOS 4.1 1221/99	43,015.16	Page 1 of the First Amendment to the Agreement for Anticollateral Services with TR Design Group, Lines 19 and 20 to use Low and Moderate Income Housing Funds. (B)
12	JVPA-506A Figueroa Home Improvement Loan	25,000.00	5,871.60	5,871.60	19,128.34	BOG 4.1 1221/99		Page 1 of the First Amendment to the Agreement for Anticollateral Services with TR Design Group, Lines 19 and 20 to use Low and Moderate Income Housing Funds. (B)
13	JVPA-506J Coltonwood Infill/Crestmore Apartments	743,011.87	170,373.87	1,065.00	726,644.46	BOG 4.2 1223/09		Agreement with TR Design Group, Lines 19 and 20 to use Low and Moderate Income Housing Funds. (B)
14	JVPA-506G Coltonwood Infill/Crestmore Apartments	1,065.00	1,065.00	1,065.00	0.00	BOG 4.2 1223/09		Agreement with TR Design Group, Lines 19 and 20 to use Low and Moderate Income Housing Funds. (B)
15	JVPA-506K Coltonwood Infill/Crestmore Apartments	7,240.00	7,240.00	0,958.72	431.28	BOG 4.2 1223/09		Agreement with TR Design Group, Lines 19 and 20 to use Low and Moderate Income Housing Funds. (B)
16	JVPA-671 SI Imperial LLC/Foreclosed Homes	201,818.01	75,000.00		201,818.01	BOG 4.1 91/09	3,000,000.00	USPT Agreement with SI Imperial LLC dated September 1, 2019. Line 20 of the Agreement to use Low Mod Funds. (B)
17	JVPA-671AA SI Imperial LLC/6448 29th St	24,510.64	24,510.64	450.00	24,060.64	BOG 4.1 91/09		Same as above number 16. (B)
18	JVPA-671AB SI Imperial LLC/6600 Frank Avenue	43,600.01	43,600.01		43,600.01	BOG 4.1 91/09		Same as above number 16. (B)
19	JVPA-671AC SI Imperial LLC/4110 Freibar St	102,125.87	102,125.87	87,811.04	14,314.83	BOG 4.1 91/09		Same as above number 16. (B)
20	JVPA-671AD SI Imperial LLC/4466 Agate Street	92,479.32	92,479.32	57,896.71	34,582.61	BOG 4.1 91/09		Same as above number 16. (B)
21	JVPA-671AE SI Imperial LLC/250 Tarragona Dr	97,421.00	97,421.00	80,751.07	16,669.93	BOG 4.1 91/09		Same as above number 16. (B)
22	JVPA-671AF SI Imperial LLC/387 Pacific Avenue	94,340.43	94,340.43	82,000.23	11,559.20	BOG 4.1 91/09		Same as above number 16. (B)
23	JVPA-671B SI Imperial LLC/21051 Club Dr Perris	5,829.13	5,829.13		5,829.13	BOG 4.1 91/09		Same as above number 16. (B)
24	JVPA-671C SI Imperial LLC/32550 Crescent Ave Lake Elsinore	10,860.64	10,860.64	3,784.17	7,076.47	BOG 4.1 91/09		Same as above number 16. (B)
25	JVPA-671D SI Imperial LLC/151 Patrick Cir Riverside	36,435.25	36,435.25	24,982.42	11,452.83	BOG 4.1 91/09		Same as above number 16. (B)
26	JVPA-671E SI Imperial LLC/6563 Villa Vista Dr	31,275.31	31,275.31	18,430.14	12,845.17	BOG 4.1 91/09		Same as above number 16. (B)
27	JVPA-671F SI Imperial LLC/8520 Donna Way Riverside	37,635.24	37,635.24	23,785.74	13,849.50	BOG 4.1 91/09		Same as above number 16. (B)
28	JVPA-671G SI Imperial LLC/4023 Kenneth St Riverside	38,119.13	38,119.13	14,083.38	24,035.75	BOG 4.1 91/09		Same as above number 16. (B)
29	JVPA-671H SI Imperial LLC/10472 54th St Mira Loma	30,869.42	30,869.42	13,071.42	17,798.00	BOG 4.1 91/09		Same as above number 16. (B)
30	JVPA-671I SI Imperial LLC/6684 63rd St Riverside	26,082.92	26,082.92	7,239.13	18,843.79	BOG 4.1 91/09		Same as above number 16. (B)
31	JVPA-671J SI Imperial LLC/6563 Tournament Dr Riverside	27,143.17	27,143.17		27,143.17	BOG 4.1 91/09		Same as above number 16. (B)
32	JVPA-671K SI Imperial LLC/4141 Estrada Dr, Jurupa Valley	27,412.13	27,412.13		27,412.13	BOG 4.1 91/09		Same as above number 16. (B)
33	JVPA-671L SI Imperial LLC/4141 Estrada Dr, Jurupa Valley	27,412.13	27,412.13		27,412.13	BOG 4.1 91/09		Same as above number 16. (B)

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment E**

Job Code	Project Name / Debt Obligation	Total Outstanding Debt or Obligation		Payments by month		ACTUALS		NET Outstanding Balance	Legal Description of Enforceable Obligation	Amount Appropriated	Legal Document Language
				Total		Total					
34	JVPA-728	Mission Village Single-Family Subdivision	510,699.80	\$	90,000.00	141.01	510,699.80	2005.4.3.12/14/10	Habitat for Humanity, LLC	567,150.00	Development Loan
35	JVPA-729	Mission Village Single-Family Subdivision	4,500,000.00	\$	-	-	4,500,000.00	Project Default			
36	JVPA-731	Melino Way Infill Housing Project	39,036.00	\$	-	-	39,036.00	2004BOS 4.6.9/10/11		40,000.00	
37	JVPA-731A	Melino Way Infill Housing Project	133,000.00	\$	-	-	133,000.00	2004BOS 4.6.9/10/11		133,000.00	
38	JVPA-732	Habitat Riverside MOU - 2011-2012	339,433.22	\$	339,433.22	231,439.72	107,993.50	2005.4.3.9/17/11		500,000.00	
39	JVPA-732A	Habitat Riverside MOU - 2012-2013	500,000.00	\$	-	-	500,000.00	2005.4.3.9/17/11		500,000.00	
40	JVPA-732B	Habitat Riverside MOU - 2013-2014	500,000.00	\$	-	-	500,000.00	2005.4.3.9/17/11		500,000.00	
41	JVPA-717A	Visa Rio Apartments/Mission Plaza	95,970.08	\$	95,970.08	10,100.72	79,869.36	2005.4.2.11/2/10		200,465.00	
42	JVPA-733	Visa Rio Apartments/Mission Plaza	618,000.00	\$	618,000.00	348,010.21	269,989.79	2005.4.1.6/7/11		618,000.00	
43	JVPA-733A	Visa Rio Apartments/Mission Plaza	4,730,000.00	\$	-	-	4,730,000.00	Project Default			
44	JVPA-733B	Visa Rio Apartments/Mission Plaza	75,000.00	\$	-	-	75,000.00	Net set-up			
45	JVPA-733C	Visa Rio Apartments/Mission Plaza	200,000.00	\$	-	-	200,000.00	Net set-up			
46	0502-06A1	Highgrove Family Apartments	7,083,935.04	\$	1,000,000.00	36,023.32	7,047,911.72	2005.4.5.6/9/11		7,475,000.00	
47	0102-20A	Traci Green/MHRP	3,000.00	\$	3,000.00	-	3,000.00	2005.4.4.6/13/06			
48	0102-30	Traci Green/MHRP	1,000.00	\$	1,000.00	-	1,000.00	2005.4.1.12/21/09			
49	0102-29B	Traci Green/MHRP	40,000.00	\$	40,000.00	31,070.48	6,929.52	2005.4.1.12/6/11		40,000.00	
50	0102-33A	Murieta Infill Housing Project	53,900.00	\$	10,000.00	-	53,900.00	2005.4.4.9/22/09		538,000.00	
51	0303-25J	Murieta Infill Housing Project	75,000.00	\$	50,000.00	-	75,000.00	2005.4.4.9/22/09		538,000.00	
52	0303-13D	North Hemet Housing	12,943.22	\$	12,943.22	-	12,943.22	Agreement BOS 4.1.12/21/09		65,500.00	
53	0303-20	North Hemet Housing	108,409.16	\$	108,409.16	56,051.00	48,357.20	2005.4.3.9/15/09			
54	0303-25C	North Hemet Housing	5,029.08	\$	5,029.08	4,446.57	592.51	2005.4.5.9/31/10		1,913,060.00	
55	0303-25F	North Hemet Housing	300,947.24	\$	300,947.24	7,744.95	293,202.29	2005.4.1.12/14/10		565,827	
56	0303-25G	North Hemet Housing	4,277.00	\$	4,277.00	-	4,277.00	2005.4.4.6/14/11		6,000.00	
57	0303-25H	North Hemet Housing	1,950.00	\$	1,950.00	-	1,950.00	2005.4.4.6/14/11		1,650.00	
58	0303-25I	North Hemet Housing	5,000.00	\$	5,000.00	-	5,000.00	2005.4.4.6/14/11		5,000.00	
59	0303-25J	North Hemet Housing	1,433.00	\$	1,433.00	-	1,433.00	2005.4.1.12/21/09			
60	0303-25K	North Hemet Housing	11,900.00	\$	11,900.00	2,900.00	8,999.99	2005.4.1.12/21/09			
61	0303-25M	North Hemet Housing	2,900.00	\$	2,900.00	-	2,900.00	2005.4.1.12/21/09			
62	0303-25N	North Hemet Housing	288,200.00	\$	100,000.00	10,852.78	277,247.22	2005.4.1.11/1/11		333,200	
63	0303-25O	North Hemet Housing	25,000.00	\$	15,000.00	4,532.50	20,467.50	2005.4.1.11/1/11		333,200	

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment E**

Job Code	Project Name / Debt Obligation	Total Outstanding Debt or Obligation		Payments by month		ACTUALS		Net Outstanding Balance	Legal Description of Enforceable Obligation	Amount Appropriated	Legal Document Language
				Total		Total					
64	North Hemet Housing	20,000.00	\$	10,000.00		20,000.00	BOG 4.1 11/9/11	33,332.00	RDCA Resolution No. 2011-0535 RDCA Resolution No. 2010-059		(2)
65	North Hemet Housing	3,438.25	\$	3,438.25		3,184.00	BOG 4.1 12/14/10	859.87			(2)
66	North Hemet Housing	5,050.00	\$	5,050.00		5,050.00	BOG 4.4 7/29/11				(2)
67	North Hemet Housing	48,930.00	\$	34,938.00		48,930.00	BOG 4.4 7/29/11				(2)
68	North Hemet Housing	1,888.00	\$	1,888.00		1,888.00	BOG 4.4 7/29/11				(2)
69	North Hemet Housing	1,500.00	\$	1,500.00		1,500.00	BOG 4.1 12/21/09				(2)
70	North Hemet Housing	1,500.00	\$	1,500.00		1,500.00	BOG 4.1 12/21/09				(2)
71	North Hemet Housing	35,000.00	\$	20,000.00		35,000.00	BOG 4.5 8/31/10	\$	1,813,850.00	RDCA Resolution No. 2010-047 and Acquisition Agreement from Jim Wilson	(2)
73	Orange Blossom Lane	471,362.00	\$	88,430.41		88,430.41	BOG 4.3 9/30/08	\$	665,000.00	Kevada Housing Development Agreement Second Amendment	(2)
74	Orange Blossom Lane	36,375.40	\$			36,375.40	BOG 4.0 8/26/08	\$	6,060,000.00	Kevada Housing Development Agreement and First Amendment	(2)
75	Legacy Apartments, Thousand Palms	5,110,000.00	\$	5,110,000.00		4,380,000.00	BOG 4.3 2/18/11	\$	7,300,000.00	LOAF Agreement with Thousand Palms Apartments Limited Partnership	(2)
76	Los Venedos - Resolution	3,500,000.00	\$	500,000.00		3,500,000.00	BOG 4.5 01/26/12	\$	3,300,000.00	Loan Agreement with Desert Alliance for Community Empowerment.	(2)
77	Paseo de Los Arcos III	3,000,000.00	\$			3,000,000.00	BOG 4.6 8/16/11 & 4.3 11/08/08	\$	3,058,000.00	Agency loan of \$1,525,000 in 2009. RDCA Resolution No. 2011-0537 for \$1.5 million, page 1, line 12, concerning low road funds.	(2)
78	Mobile Home Abatement/Duran's Farm	125,000.00	\$	125,000.00		108,000.00	BOG 4.1 12/21/09	\$	125,000.00	Agreement with Duran's Farming and Clean up - no indication for the dedication of low road funds.	(2)
79	Dele Palm Mobile Home Park	4,791,211.98	\$	3,549,875.37		3,600,211.98	BOG 4.1 6/29/10	\$	7,900,000.00	Disposition and Development Agreement with National Community Development Bank of Los Angeles to Develop Mobile Home Housing Project. Page 1 Item D to see Low Road Funds.	(2)
80	CALHFA HELP Loan Fund/Valencia	103,125.00	\$	103,125.00		103,125.00	BOG 4.2 10/21/08			Loan Agreement with the Coconino Valley Housing Coalition.	(2)
81	CALHFA HELP Loan Fund/Nuestro Orgullo	302,353.18	\$	302,353.18		302,353.18	BOG 4.3 10/21/08			Loan Agreement with the Coconino Valley Housing Coalition.	(2)
82	CALHFA HELP Loan Fund/Nuestro Orgullo	137,500.00	\$	137,500.00		137,500.00	BOG 4.3 10/21/08			Loan Agreement with the Coconino Valley Housing Coalition.	(2)
83	Mobile Home Park Development Standards	425.00	\$	425.00		425.00	BOG 4.1 12/21/09	\$	8,300.00	Professional Services Agreement with KTCY Group, Inc. - no indication of low road funds.	(2)
84	Ripley/Mesa Verde Infill Housing Project	50,451.82	\$	50,451.82		50,451.82	BOG 4.1 9/12/06	\$	480,000.00	Development Agreement with Ramo Housing Alliance	(2)
85	Mountain View Estates Mobile Home Park	2,742,290.07	\$	1,290,720.00		2,652,211.07	BOG 4.1 4/28/08	\$	5,000,000.00	Funding Agreement with Desert Empire Homes	(2)
86	Mountain View Estates Mobile Home Park	12,062,500.00	\$	6,007,500.00		9,925,988.00	BOG 4.6 12/31/12	\$	12,062,500.00	Loan Agreement with Desert Empire.	(2)
87	Mountain View Estates Mobile Home Park	905,000.00	\$	300,000.00		905,000.00	BOG 4.6 12/31/12			Loan Agreement with Desert Empire. Agreement with Coconino Valley Homes - no indication of low road funds.	(2)
88	Mountain View Estates Mobile Home Park	75,000.00	\$	75,000.00		75,000.00	BOG 4.1 12/21/09	\$	75,000.00	Agreement with Overland Public Culter, Inc. - no indication of low and mod funds.	(2)
89	Vilalobos Mobile Home Park	12,522.50	\$	12,522.50		7,508.75	BOG 4.1 12/21/09	\$	82,000.00	RDCA Resolution No. 2010-056	(2)
90	Vilalobos Mobile Home Park	143,379.52	\$	143,379.52		126,862.67	BOG 4.6 10/19/10	\$	963,000.00	RDCA Resolution No. 2010-056	(2)
91	Vilalobos Mobile Home Park	849.00	\$	849.00		849.00	BOG 4.6 10/19/10	\$	963,000.00	RDCA Resolution No. 2010-056	(2)
92	Vilalobos Mobile Home Park	3,005.00	\$	3,005.00		3,005.00	BOG 4.6 10/19/10	\$	963,000.00	RDCA Resolution No. 2010-056	(2)
93	Vilalobos Mobile Home Park	117,358.11	\$	117,358.11		76,368.11	BOG 4.4 4/9/11	\$	905,000.00	RDCA Resolution No. 2011-009 - no indication of low and mod funds.	(2)

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PRELIMINARY & TENTATIVE
for DISCUSSION PURPOSES ONLY

Due Diligence Review Agreed-Upon Procedures Low and Moderate Income Housing Fund Attachment F

Successor Agency to the Redevelopment Agency
SCHEDULE E

LMIHF BALANCES NEEDED TO SATISFY ROPS FOR THE 2012-2013 FISCAL YEAR

Purpose of Withholding Funds for ROPS 3	Enforceable Obligations LMIHF	Enforceable Obligations Bond Proceeds	Total
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ROPS 3 RORF is being utilized to fund payment of debt service and other enforceable obligations. The following projects are listed to use Low & Moderate Income Housing Funds or Bonds on ROPS 3 because there is no other funding source available:

CALHFA HELP Loan (page 1, line 43 - ROPS 3)	1,990,625		1,990,625
Public Notice - (page 10, line 284 of ROPS 3)	72,953		72,953
Weed Abatement Projects (page 10, line 285 ROPS 3)	374,465		374,465
Mira Loma Infill Housing (page 10, line 289 ROPS 3)	125,000		125,000
North Hemet Housing (page 11, line 333)	41,348		41,348
Sherman Road Romoland (page 11, line 319)	1,155		1,155
Legal Counsel for Housing Projects (page 11, line 320)	1,200,000		1,200,000
Project Staffing (page 11, line 321)	1,200,000		1,200,000
North Hemet Housing Real Prop Staff Salary (page 11, line 342)	87,496		87,496
Villalobos Real Prop Staff Salary (page 12, line 351)	33,454		33,454
Middleton Street & 66th Avenue Staff Salary (page 12, line 357)	43,748		43,748
Hernandez Mobile Home Staff Salary (page 12, line 361)	250,000		250,000
Asset Disposition Costs (page 12, line 365)	25,000		25,000
Molino Way Infill Housing (page 9, line 325 ROPS 3)		129,644	129,644
North Hemet Housing (page 9, lines 335)		794,417	794,417
Middleton & 66th Ave (page 10, line 356)		70,000	70,000
Hernandez Mobile Home Park (page 10, line 359, 360, 362)		729,684	729,684
Title & Escrow Closing Costs (page 10, line 364)		50,000	50,000
Fencing (page 10, line 365)		75,000	75,000
		5,445,244	1,848,745

LMIHF NEEDED TO SATISFY ROPS 3

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment G**

**Successor Agency to the Redevelopment Agency
SUMMARY OF LMIHF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES
June 30, 2012**

Notes

Total Amount of Assets held by the Successor Agency for the LMIHF as of June 30, 2012	\$ 177,580,594	
Add: Amount of any assets transferred to the City or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist	0	Not applicable
Less: Assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments	(8,966,219)	Projects restricted by Bond Covenants
Less: Assets that are not cash or cash equivalents	(100,408,831)	Loans Receivable and Land Held for Resale
Less: Balances needed to satisfy ROPS for the 2012-2013 fiscal year	(33,165,339)	Projects included in ROPS 1
Less: Amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	(7,293,989)	Projects needed to satisfy ROPS 2 and 3
Less: Projects under appeal with the DOF (see detail justification in ROPS 3)	(12,082,500)	Not applicable
	<u>\$ 15,663,716</u> ¹	Mountain View Estates (page 18, line 86 of ROPS 1)

¹ Additional amounts may be retained due to obligations of the Agency listed on Schedule F.

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment G**

**Successor Agency to the Redevelopment Agency
SCHEDULE F**

CASH BALANCES NEEDED TO BE RETAINED BY THE AGENCY

Total

City of Coachella Housing Successor - Request for \$1,000,000 to fund ongoing obligations and responsibilities.	1,000,000
City of Norco Housing Successor - Request for \$500,000 to fund ongoing obligations and responsibilities.	500,000
Request to Retain \$1,000,000 to address exposure to litigation associated with Disposition and Development Agreements (DDAs) entered into pursuant to the Voluntary Redevelopment Program of ABx1 27	1,000,000

TOTAL AMOUNT NEEDED TO BE RETAINED ████████████████████

**Due Diligence Review Agreed-Upon Procedures
Low and Moderate Income Housing Fund
Attachment G**

City of Coachella Housing Successor – Request for \$1,000,000 to fund ongoing obligations and responsibilities.

The City of Coachella provided formal notice, pursuant to *Health & Safety Code (HSC) § 34176*, to the Housing Authority of the County of Riverside (Housing Successor or Authority) of its election not to retain the housing assets and functions of the former Coachella Redevelopment Agency (Former Coachella RDA), transferring the housing function to the Housing Successor.

HSC 34176 (b) provides, in pertinent part, as follows:

“If a city, county....does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, *all rights, powers, assets, duties, and obligations* associated with the housing activities of the agency, excluding enforceable obligations retained by a successor agency....*shall* be transferred as follows:

- (1)
- (2) If there is one local housing local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.” (Emphasis added)

HSC 34176 does not provide the Housing Authority of the County of Riverside the option to decline the tender by the City of Coachella (City) of its Former Coachella RDA housing responsibilities. Nevertheless, the Authority has requested that the City include funding for the housing activities through its Recognized Obligation Payment Schedule (ROPS). However, to date they have declined to do so indicating that they simply do not have the funds.

Pending Litigation and Associated Liabilities

The Former Coachella RDA transfer includes limited assets and substantial liability and obligations, including two ongoing legal actions concerning the default of a development loan to Rancho Housing Alliance, Inc. (Rancho) in the amount of \$6,000,000 plus accrued interest. The two pending actions include a Superior Court action for breach of contract (Case No. INC 1102649) initiated by the Former Coachella RDA; and a Chapter 11 Bankruptcy action filed by Rancho as a result of the aforementioned action (Case No. 6:11-bk-27519-SC). The estimated residual value of the underlying real property is estimated at between \$400,000 and \$1,000,000.

There are several complicating factors associated with this transfer and the aforementioned legal actions. First, there is an ongoing obligation to continue to prosecute/defend and seek to recover the bond proceeds for use in accordance with the bond covenants. Over \$100,000 in legal fees has been expended to date on these matters. Year to date expenditures for legal fees is approximately \$55,000. It is anticipated that this amount could exceed \$500,000 before the bankruptcy action is resolved. Rancho has proposed a reorganization plan,

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however, at this stage; it is unclear whether it will be successful. There is also a related entity, DACE, Inc., which could be possibly be joined as a party, or in a separate action to pierce the corporate veil since the entities are closely related.

In anticipation of resolving the litigation at some point, the Housing Successor would require additional funds to successfully complete the planned project in accordance with the bond covenants. These expenditures would include legal, financial, project management, project related fees, staffing and other costs associated with meeting the obligations associated with the project.

Other Responsibilities and Obligations

Additionally, the Former Coachella RDA is transferring the administrative and monitoring obligations associated with approximately 40 first time homebuyer loans and affordable housing projects. By the very nature of these loans, it is unlikely that there will be any significant repayment. It is a function of servicing the loans and monitoring compliance with the affordability covenants.

The Former Coachella RDA does not have housing assets and/or funds to cover these expenses; so essentially, the transfer to the Housing Successor is a transfer of liabilities and obligations. The Housing Successor (Housing Authority does not have the capacity to absorb these responsibilities and obligations without funding. Therefore, it is requested that the Successor Agency to the Redevelopment Agency for the County of Riverside (Successor Agency) retain \$1,000,000 in Low and Moderate Income Housing Funds for the operation of the housing function of the Former Coachella RDA housing functions.

City of Norco Housing Successor – Request for \$500,000 to fund ongoing obligations and responsibilities.

The City of Norco provided formal notice, pursuant to *Health & Safety Code (HSC) § 34176*, to the Housing Authority of the County of Riverside (Housing Successor or Authority) of its election not to retain the housing assets and functions of the former Norco Redevelopment Agency (Former Norco RDA), transferring the housing function to the Housing Successor.

HSC 34176 (b) provides, in pertinent part, as follows:

“If a city, county....does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, *all rights, powers, assets, duties, and obligations* associated with the housing activities of the agency, excluding enforceable obligations retained by a successor agency....*shall* be transferred as follows:

(1)

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City of Norco Housing Successor – Request for \$500,000 to fund ongoing obligations and responsibilities. - Continued

(2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.” (Emphasis added)

HSC 34176 does not provide the Housing Authority of the County of Riverside the option to decline the tender by the City of Norco (City) of its Former Norco RDA housing responsibilities. Nevertheless, the Authority has requested that the City include funding for the housing activities through its Recognized Obligation Payment Schedule (ROPS). However, to date the City has declined to do so indicating that they simply do not have the funds.

Responsibilities and Obligations

Additionally, the Former Norco RDA is transferring the administrative and monitoring obligations associated with first time homebuyer loans and affordable housing projects. By the very nature of these loans, it is unlikely that there will be any significant repayment. It is simply a function and obligation of servicing the loans and monitoring compliance with the affordability covenants. Moreover, the true nature and extent of the liabilities and obligations associated with the Former Norco is unknown at this time. Thus, the Authority will need sufficient reserves to address these responsibilities and obligations.

The Former Norco RDA does not have housing assets and/or funds to cover these expenses; so essentially, the transfer to the Housing Successor is a transfer of liabilities and obligations. The Housing Successor (Housing Authority does not have the capacity to absorb these responsibilities and obligations without funding. Therefore, it is requested that the Successor Agency to the Redevelopment Agency for the County of Riverside (Successor Agency) retain \$500,000 in Low and Moderate Income Housing Funds for the operation of the housing function of the Former Norco RDA housing functions.

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Request to Retain \$1,000,000 to address exposure to litigation associated with Disposition and Development Agreements(DDAs) entered into pursuant to the Voluntary Redevelopment Program of ABx1 27

Pursuant to ABx1 27, which was invalidated by the California Supreme Court in *CRA, et al v. Matosantos*, et al on December 29, 2011,(53 Cal.4th 231) redevelopment agencies were allowed to adopt an ordinance agreeing to make payments to the State, and upon adoption, continue to operate and function pursuant to California redevelopment law (CRL). The Redevelopment Agency for the County of Riverside (Former RDA) adopted such an ordinance on July 26, 2011 to continue pursuant to ABx1 27. Subsequent to adoption of the ordinance (also on July 26, 2011 and thereafter prior to the implementation of the stay on redevelopment activities imposed by the court), the Former RDA approved and executed several third party agreements including, but not limited to DDAs, loan agreements and other transactions.

AB 1484 was enacted and became effective on June 27, 2012. AB 1484 included provisions which provided that such actions and agreements were “ultra vires.” *Health & Safety Code* section 34177.3, which provides, in pertinent part:

“Redevelopment agencies that resolved to participate in the Voluntary Alternative Redevelopment Program ... were and are subject to the provisions of Part 1.8 (commencing with Section 34161). ***Any actions taken by redevelopment agencies to create obligations after June 27, 2011, are ultra vires and do not create enforceable obligations.***” (Emphasis added)

This provision is contrary to well settled law. The Contracts Clause of the United States Constitution provides that, “No State.....shall pass any....law impairing the obligation of contracts.” (U.S. Const., art I, § 10.) The contracts clause imposes “limits upon the power of the State to abridge *existing contractual relations*, even in the exercise of its otherwise legitimate police power.” *Mercury Cas Co v Scottsdale Indem Co*, 156 Cal.App.4th 1212, 1224. The general rule is that a subsequent change in law will not render unenforceable a previously created contractual right.” *Moran v. Harris*, 130 Cal.App.3d 872, 918-919, n.6.

Funding for Anticipated Legal Expenses

To the extent that the State declares otherwise enforceable third party obligations entered into by the Former RDA “unenforceable obligations,” the Successor Agency will be subject to legal actions, including but not limited to specific performance, justifiable reliance and damages, by the third party entities with whom they have contracted. These entities, along with the Former RDA justifiably relied on then existing law. The law does not allow retroactive invalidation of otherwise valid agreements. The Successor Agency will incur substantial legal costs in defending these actions, and will likely be subject to damages for any breach of these agreements based upon denials by the State. Thus, the Successor Agency requests to retain \$1,000,000 for legal costs associated with affordable housing projects and obligations which fall into this category.