

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

May 2013



JOHN CHIANG
California State Controller

May 16, 2013

Scott Barber, City Manager
City of Riverside/Redevelopment Successor Agency
3900 Main Street
Riverside, CA 92522

Dear Mr. Barber:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Redevelopment Agency of the City of Riverside (RDA) to the City of Riverside or to any other public agency after January 1, 2011. This statutory provision explicitly states that, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be returned to the Riverside Redevelopment Successor Agency.

Our review applied to all assets, including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights and any rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Riverside or to any other public agencies have been reversed.

Our review found that the Redevelopment Agency of the City of Riverside (RDA) transferred \$142,029,151 in assets. These included unallowable transfers of assets totaling \$64,250,302. Additionally, our review identified \$30,450,000 of RDA assets that have not yet been transferred to any agency. As a result, the total of unallowable transfers and retentions amounts to \$94,700,302, or 53.75% of the RDA total assets of \$176,182,271.

If you have any questions, please contact Mr. Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

cc: Scott Barber, City Manager
City of Riverside
Ron Loveridge, Oversight Board Chairman
City of Riverside
Paul Angulo, County Auditor-Controller
City of Riverside
Emilio Ramirez, Development Director
City of Riverside
Steven Szalay, Local Government Consultant
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Attachment 1—City’s Response to Draft Review Report

Attachment 2—SCO’s Comments

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Redevelopment Agency of the City of Riverside (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review found that the RDA transferred \$142,029,151 in assets. These included unallowable transfers of assets totaling \$64,250,302. Additionally, our review identified \$30,450,000 of RDA assets that have not yet been transferred to any agency. As a result, the total of unallowable transfers and retentions amounts to \$94,700,302, or 53.75% of the RDA total assets of \$176,182,271.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (California Redevelopment Association et al. v. Matosantos) upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred during that period between the Redevelopment Agency of the City of Riverside, the City of Riverside, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be returned to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objectives, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the Riverside City Council, the Redevelopment Agency of the City of Riverside, and the Riverside Housing Authority.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Redevelopment Agency of the City of Riverside transferred \$142,029,151 in assets. These included unallowable transfers of assets totaling \$67,724,594. Additionally, our review identified \$34,153,120 of RDA assets that have not yet been transferred to any agency. As a result, the total of unallowable transfers and retentions amount to \$101,877,714, or 57.83% of the RDA total assets of \$176,182,271.

Unallowable Asset Transfers:

Unallowable asset transfers to City of Riverside (Schedule 1)	\$ 64,250,302
Total unallowable transfers	<u>\$ 64,250,302</u>

Assets That Have Not Yet Been Transferred:

Riverside Redevelopment Agency assets that have not been transferred to the Successor Agency	\$ 30,450,000
Total Assets to be transferred to Successor Agency	<u>\$ 94,700,302</u>

The City of Riverside is ordered to immediately reverse the unallowable transfers and turn over the assets identified in this report to the Successor Agency (see Finding 1). Additionally, assets totaling \$30,450,000 that have not been transferred, must be transferred to the Successor Agency.

Details of our findings and orders of the Controller are contained in the Finding and Orders of the Controller section of this report.

**Views of
Responsible
Official**

We issued a draft review report on October 4, 2012. Scott Barber, City Manager, responded by letter dated November 16, 2012, disagreeing with the review results. The city's response is included in the final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Riverside, the Redevelopment Agency of the City of Riverside Successor Agency, the Successor Agency Oversight Board, and the SCO; it 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 when issued.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

May 16, 2013

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of Riverside

The Redevelopment Agency of the City of Riverside (RDA) made unallowable transfers of 70 properties totaling \$68,962,988 to the City of Riverside (City). All of the asset transfers to the City occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011. Those assets consisted of capital assets.

The unallowable transfers of the 70 properties consisted of the following:

- The RDA transferred 67 properties valued at \$67,431,858 in assets to the City during a bulk asset transfer in March of 2011. Although the City transferred the assets to the Successor Agency on January 31, 2012, the grant deeds never were transferred to the Successor Agency; instead, they stayed with the City. Health and Safety (H&S) Code section 34175(b) states that all assets are to be transferred to the control of the Successor Agency. As the Successor Agency only has partial control, this is an incomplete transfer.
- In addition to the 67 properties transferred, one additional property transferred, 3225 Market Street, consisted of a structure and a parking lot. As with the 67 properties mentioned above, the deed to the structure on 3225 Market Street never was transferred to the Successor Agency and stayed with the City. However, the deed to the parking lot on 3225 Market Street never was transferred to the City and still remains with the former RDA. The total value of the combined property is \$1,531,130.
- The RDA transferred the deeds to two additional properties at 8700 Cypress and 3441 Central Avenue, valued at \$0, to the City in the bulk transfer that occurred during March 2011. The grant deeds were never transferred to the Successor Agency. Furthermore, because the properties were valued at \$0, no transactions were posted in the City's or the Successor Agency's financial records.

Pursuant to H&S Code section 34167.5, any asset transfers by the RDA to a city, county, city and county, or any other public agency after January 1, 2011 must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

However, it appears that some of those assets also may be subject to the provisions of H&S Code section 34181(a). H&S Code section 34181(a) states, in part:

The oversight board shall direct the Successor Agency to do all of the following:

- (a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided however, that the oversight board may instead direct the successor agency to transfer

ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset...[emphasis added].

Further, H&S Code section 34181(c) states that “the oversight board shall direct the successor agency to: (c) Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to section 34176.”

Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to complete the transfer of assets described in Schedule 1, except for the properties already sold and classified as public facilities, by transferring the deeds to the Successor Agency and recording the properties in the Successor Agency’s financial records. The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code section 34177(d) and (e) and 34181(a) and (c).

Response from City

Other than for those properties detailed below, we agree that the remaining properties are Successor Agency properties and assets. We have been treating them as Successor Agency properties but have not transferred them to the Successor Agency because the title companies refused to recognize any such transfer. Now, upon receipt of the State Controller Office’s Final Asset Transfer Review Report, we will be able to take that report to the title companies and officially, of record, transfer the properties to the Successor Agency.

See Attachment 1 for full response.

SCO’s Comment

See Attachment 2 and adjustments to Schedule 1.

**FINDING 2—
RDA assets were not transferred to the Successor Agency**

Four properties with a cumulative book value of \$34,153,120 were not transferred to the Successor Agency and consequently, remain with the former RDA.

<u>Address</u>	<u>Book Value</u>
3615–3653 Main St. and 3700 Sixth St. Parking Lot behind 3615–3653 Main St.	\$ 3,703,120 *
2851 and 2831 University Ave.	500,000
California Tower - 3737 Main St.	835,000
	<u>29,115,000</u>
Total	34,153,120
* Less 3615-3653 Main St. and 3700 Sixth St. property	<u>3,703,120</u>
Total	<u>\$ 30,450,000</u>

H&S Code section 34175(b) states:

All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012. . . .

Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to ensure that the remaining RDA assets described above, be transferred to the Successor Agency. The Successor Agency is directed to properly dispose of these assets in accordance with H&S Code sections 34177(d), (e) and (l), and 34181(a).

Response from City

See Attachment 1.

SCO's Comment

See Attachment 2. Based on the city's response, we have deleted the 3615-3653 Main Street and 3706 Sixth Street property from the finding.

**Schedule 1—
Unallowable RDA Assets Transfers
to the City of Riverside
January 1, 2011, through January 31, 2012**

Capital Assets (Land and Improvements Held for Resale)	Draft Review Values	Adjustment	Final Review Values
8717 Indiana	\$ 919,660		\$ 919,660
8674 and 8616 California Avenue->8690 California Ave.	3,239,109		3,239,109
Magnolia b/t Taft and MYI	522,466		522,466
RCTC Surplus	1,072,698		1,072,698
Madison-Emerald-Library SI	148,000		148,000
Main Street 213-271-006	350,000		350,000
Merill Ave 213-140-004 5 and 6	3,500,000		3,500,000
3631 Merrill Ave	831,723		831,723
3645 Merrill Ave	1,000,162		1,000,162
3661 Merrill Ave	873,638		873,638
3870 Ottawa Ave	1,206,120		1,206,120
1910 University	1,618,977		1,618,977
Parking Lot Vine-91 FWY	125,663		125,663
4085 Vine Street	1,650,000		1,650,000
2811 University Ave	336,793		336,793
2871 University Ave	26,437		26,437
2791 University Ave	428,097		428,097
2771 University Ave	490,775		490,775
1865 University Ave	478,369	\$ (478,369)	—
1971 University Ave	2,981,615		2,981,615
1393 University Ave	1,578,478		1,578,478
1953 University Ave	213,487		213,487
2015-2025 University Ave	652,520		652,520
2227 and 2243 University Ave	720,032		720,032
2731 and 2751 University Ave	1,102,758		1,102,758
2585 and 2617 University Ave	1,004,745		1,004,745
1st to 3rd 213-031-003	320,000		320,000
1st to 3rd 213-022-009	1,177,000		1,177,000
4307 Park Ave	118,113		118,113
4587 Mulberry	843,162	(843,162)	—
3225 Market (include 3245 Market) (structure)	1,531,130	(1,531,130)	—
4586 Olivewood	1,100,000	(1,100,000)	—
1st to 3rd 213-031-002	485,537		485,537
3210 Market Street	2,334,415		2,334,415
4271 and 4293 Market	568,855		568,855
980 Dalton Road	709,511		709,511
1006 Dalton Road	856,920		856,920
3190 Main Street	403,011		403,011
3750 Main Street	2,508,076		2,508,076
4565 Mulberry Ave	373,745		373,745
4575 Mulberry Ave	373,757		373,757
6963 Streeter Ave	1		1
3654 First Street	2,957,734		2,957,734
1901 Massachusetts	1,300,000		1,300,000
3460 Orange Street	3,894,252		3,894,252

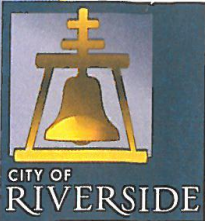
Schedule 1 (continued)

Capital Assets (Land and Improvements Held for Resale)	Draft Review Values	Adjustment	Final Review Values
3861-3879-3893 3rd Street	1,403,044		1,403,044
4019 Mission Inn Ave	1,135,762		1,135,762
3456 Sixth St- Papafingos	10,000		10,000
3650 Market St- Stalder Bldg	1,219,396		1,219,396
Main St Mall- Sinkhorn- Peitro	64,018		64,018
Market St Gateway	277,425		277,425
14th and Sedgwick Outside	20,000		20,000
3902 University-Salvation	300,000		300,000
Btwn Fairmnt Pk and Mission	9,239		9,239
3743 Mission Inn-Loring Pkg	91,000		91,000
LHFR XFER APN 213031004	540,000		540,000
11073 Hole Ave	472,446		472,446
Holden-Bushnell 146-182-080	395,000		395,000
11099 Hole Ave	1,936,000		1,936,000
11096 Hole Ave	1,245,316		1,245,316
4870 La Sierra Ave	1,901,438		1,901,438
10191 10221 10233 Cypress Ave	572,785	(572,785)	—
11124 Pierce Street	603,770		603,770
10920 Magnolia Ave 6	1,820,000		1,820,000
4922-4946 La Sierra Ave	3,201,783		3,201,783
8956 and 8986 Cypress Ave	187,240	(187,240)	—
4950 4952 4966 La Sierra Ave	1,605,644		1,605,644
4900 4916 4918 La Sierra Ave	1,024,141		1,024,141
8700 Cypress	—		—
3441 Central Ave	—		—
Total Unallowable Transfers- City of Riverside	<u>\$ 68,962,988</u>	<u>\$ 4,712,686</u>	<u>\$ 64,250,302</u>

¹ Amount rounded

² See the Findings and Orders of the Controller section.

**Attachment 1—
City's Response to
Draft Review Report**



Office of the
City Manager

November 16, 2012

Steven Mar
Chief, Local Government Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Mar:

Subject: Asset Transfer Review

This letter is in response to the Draft Report of the Asset Transfer Review ("Draft Report") regarding the Redevelopment Agency of the City of Riverside.

Other than for those properties detailed below, we agree that the remaining properties are Successor Agency properties and assets. We have been treating them as Successor Agency properties but have not transferred them to the Successor Agency because the title companies refused to recognize any such transfer. Now, upon receipt of the State Controller Office's Final Asset Transfer Review Report, we will be able to take that report to the title companies and officially, of record, transfer the properties to the Successor Agency.

The intent of this correspondence is to provide clarification on certain properties listed in Schedule 1 of the Draft Report. The following discussion will provide the Successor Agency's position and justification as to the disposition of those certain properties as well as limitations that presently exist on such properties.

1. Properties Subject to Agreements.

We want to advise you that the following properties are subject to Agreements or bond covenants entered into between the Redevelopment Agency and various third parties (i.e., developers). The Successor Agency is able, in most transactions, to step in and assume the obligations of the Redevelopment Agency. However, since the Redevelopment Agency no longer exists, how do you propose to officially, of record, transfer the properties and/or the subject agreements? The subject properties and agreements are listed below:

7 California Tower – 3737 Main Street (\$29,115,000): On May 10, 1994, the City Council and the Redevelopment Agency authorized the purchase of 3737 Main Street. The property contains an approximately 160,000 square foot office tower with 22,400 square feet of ground floor retail. The acquisition and renovation of the building was financed with lease revenue bonds issued by the Agency. The term of the bonds runs through 2024 and debt service on the bonds is funded with lease revenue.

Shortly thereafter, the Agency entered into a lease agreement with the State of California – Department of General Services (DGS) for the property. As detailed in the lease, DGS may assume ownership of the property at the conclusion of the lease on October 1, 2024 in the amount of \$1. DGS also has an option to purchase the property before the lease concludes but must repay any outstanding bond debt at that time. Furthermore, as part of the lease, the Agency agreed to lease back the ground floor retail of the property from DGS for the duration of the lease.

The Successor Agency has, by operation of law as of February 1, 2012, assumed the obligations for this lease agreement.

1st to 3rd 213-022-009 (\$1,777,000): This property is a part of the Raincross Promenade Phase II project. On September 13, 2005, the Agency entered into a Disposition and Development Agreement with River-Regional, LLC to develop up to 150 for sale condominiums and on-site amenities on a 2.5 acre site between Market and Main Streets, and Second and Third Streets.

On September 19, 2006, the Agency approved Amendment No. 1 to the DDA with River-Regional, LLC to increase the project site area, from 2.5 acres to 5 acres between Market and Main Streets, and Third and First Streets, for the development of 228-250 condominium units, also known as the Raincross Promenade Phase I and II.

The Successor Agency has, by operation of law as of February 1, 2012, assumed the obligations for this agreement.

3650 Market Street – Stalder Building (\$1,219,396) and Parking Lot Behind 3615-3653 Main Street: On November 5, 2002, the Agency approved the purchase of APNs 213-222-003 (3650 Market Street) and 213-222-002, and on January 10, 2006, the Agency adopted a Resolution of Necessity authorizing the acquisition of APN 213-222-001, an underutilized property fronting Market Street. These properties were acquired as part of the Agency's on-going efforts to target underutilized and blighted properties for acquisition to develop projects that are more consistent with the Merged Downtown/Airport Industrial Project Area and the Downtown Specific Plan.

On April 18, 2006, the Agency entered into a Disposition and Development Agreement with MetroRiverside, LLC (Developer) to develop the Fox Plaza Project, which included APNs 213-222-001, -002 (the parking lot behind 3615-3653 Main Street) and -003, also, specifically known as Phase 1B project. The proposed project consists of 165 residential units, 22,000 square feet retail/restaurant, and a 365 space parking structure on a 1.2 acre site on Market Street between Mission Inn Avenue and Sixth Street.

This property remains vested in the Redevelopment Agency. This property is currently under contract for sale via an Amended and Restated Disposition and Development Agreement that was executed on March 30, 2010 for the development of the Fox Plaza Phase II, which is for a mixed use development.

The Successor Agency has, by operation of law as of February 1, 2012, assumed the obligations for this agreement.

8674 and 8616 California Avenue – 8690 California Avenue (\$3,239,109): On November 7, 2006, the Redevelopment Agency approved a Land Exchange Agreement with California Square Partners (CSP) transferring equal portions of the six existing parcels owned by the Agency and CSP in order to reconfigure the parcels into two; the Agency post exchange property and the CSP post exchange property.

On July 28, 2009, the Redevelopment Agency approved an Amended and Restated Land Exchange Agreement which divided the project into two phases. Currently, a portion of the Agency's post-exchange property is used by CSP for customer parking for their Maxi Foods Supermarket. As part of the Amended and Restated Land Exchange Agreement, the Agency approved a "Grant of License" allowing parking on the Agency's post-exchange property to CSP's tenants.

The Successor Agency has, by operation of law as of February 1, 2012, assumed the obligations for this agreement.

3743 Mission Inn – Loring Parking (\$91,000): On November 5, 1991, the Agency entered into an OPA with Riverside Commercial Investors – Loring L.P. (RCI) in relation to the acquisition and rehabilitation of the Loring Building. Subsequently, on August 11, 1992, the Agency and RCI entered into a lease relating to the adjacent Agency-owned property whereby RCI was to construct, maintain, and lease 25 parking spaces in which to serve the Loring Building.

On October 25, 2002, the Agency approved the First Amendment to the aforementioned lease as a result of the reconfiguration of the parking lot in order to accommodate the development of a restaurant. The lease commences on October 29, 1992 and expires on October 28, 2020 with no renewal options.

The Successor Agency has, by operation of law as of February 1, 2012, assumed the obligations for this agreement.

2. Properties Subject to determination of valid debt by Department of Finance (DOF) / Meet and Confer set for November 20, 2012.

The following properties are subject to determination of valid debt by Department of Finance. The properties below are involved in loan transactions between the Redevelopment Agency and the City of Riverside which, if deemed valid by DOF, will mean the properties are Successor Agency assets. However, if the loan transactions are not considered valid by DOF, then the properties may be determined to be City of Riverside assets. The subject properties are listed below:

? 3615-3653 Main Street (\$3,703,120): On July 14, 2009, the City Council and Redevelopment Agency Board approved the Agency's acquisition of 3615-3653 Main Street via a loan from the City. The property note is held by an Enterprise Fund tied to the City's workers compensation fund.

The DOF has objected to the loan between the City and the former Redevelopment Agency, which the Successor Agency is discussing via the Meet and Confer process with the DOF on November 20, 2012. Subsequent to this process, the Successor Agency will be notified from

DOF on its determination on whether the subject loan is an enforceable obligation as defined in Health and Safety Code 34171 (d). In the event the loan is not recognized by the DOF, the subject property will not be deemed Agency property and must be conveyed to the City to allow for resale and repayment to the Enterprise Fund to make the City rate payers whole. Should the DOF validate the debt associated with the property, we agree to transfer the property to the Successor Agency.

4587 Mulberry (\$843,162) and 4586 Olivewood (\$1,100,000): On May 1, 2007, the City Council and Redevelopment Agency Board approved the Agency's acquisition of City-owned 4587 Mulberry Street and 4586 Olivewood Avenue via a loan from the City dated June 27, 2007. The property note is held by an Enterprise Fund tied to the City's sewer rate payers.

The DOF has objected to the loan between the City and the former Redevelopment Agency, which the Successor Agency will discuss with DOF via the Meet and Confer process on November 20, 2012. In the event the loan is not recognized by the DOF, the subject properties will not be deemed Agency properties and must be conveyed to the City to allow for resale and repayment to the Enterprise Fund to make the City rate payers whole. Should the DOF validate the debt associated with the property, we agree to transfer the properties to the Successor Agency.

3225 Market Street: On August 24, 2010, the City Council and Redevelopment Agency Board approved the Agency's acquisition of 3225 Market Street via a loan from the City dated September 7, 2010. The property note is held by an Enterprise Fund tied to the City's rate payers.

The DOF has objected to the loan between the City and the former Redevelopment Agency, which the Successor Agency is currently disputing. In the event the loan is not recognized by the DOF, the subject property will not be deemed Agency property and must be conveyed to the City to allow for resale and repayment to the Enterprise Fund to make the City rate payers whole. Should the DOF validate the debt associated with the property, we agree to transfer the property to the Successor Agency.

3. Properties are now Housing Authority Assets, approved by DOF.

The following properties were transferred to the Housing Authority as the result of Oversight Board direction and pursuant to Health and Safety Code section 34181(c). The Housing Asset Transfer Form submitted to DOF for review and approval, which include the subject properties, was approved by DOF on September 11, 2012.

Magnolia between Taft and Myers (\$522,466): APN's 234-101-057, 054 and 051 (3753 Myers Street and alley) were included on the Housing Assets List approved by the DOF on September 11, 2012 and were subsequently transferred by deed to the Housing Authority on October 9, 2012. As such, it is not possible to transfer this property back to the Successor Agency.

We agree to transfer APN's 234-101-028, 050, 058 (Taft and Myers Properties) to the Successor Agency.

3902 University-Salvation (\$300,000): APN's 215-022-017 and 018 (3902 University Avenue) were included on the Housing Assets List approved by the DOF on September 11, 2012 and

were subsequently transferred by deed to the Housing Authority on October 9 2012. As such, it is not possible to transfer this property back to the Successor Agency.

Holden-Bushnell (\$395,000): APN 146-182-080 (11049 Bogart Avenue) was included on the Housing Assets List approved by the DOF on September 11, 2012 and were subsequently transferred by deed to the Housing Authority on October 9, 2012. As such, it is not possible to transfer this property back to the Successor Agency.

14th and Sedgwick Outside (\$20,000): The former Redevelopment Agency conveyed APN's 221-110-024 and 025 by deed to the City of Riverside Housing Authority on June 30, 2011 pursuant to a Disposition and Development Agreement dated August 26, 2010. As such, it is not possible to transfer this property back to the Successor Agency.

4. Properties are now Public Facilities, approved by Oversight Board.

The following properties were transferred to the City of Riverside, because they are public facilities, pursuant to Oversight Board direction and authorized by Health and Safety Code section 34181(a):

RCTC Surplus (\$1,072,698): The Oversight Board approved the transfer of a portion of the RCTC Madison Properties to the City of Riverside at its March 30, 2012 meeting. The properties were originally approved for purchase from the Riverside County Transportation Commission (RCTC) by the Redevelopment Agency Board at the January 9, 2007 City Council meeting.

A small portion of this property (approximately 15,000 square feet located on the corner of Madison Avenue and Railroad Avenue) is required for an upcoming grade separation project on Madison Avenue. The City of Riverside - Public Works Department is currently designing the aforementioned grade separation project and construction will commence upon design completion and contractor selection. We agree to transfer the greater part of the RCTC Surplus property, which is approximately 3.81 acres, to the Successor Agency.

As the intended use of this small portion of the RCTC Surplus property will be for a government use, including a city maintained grade separation, as allowed under Health and Safety Code section 34181 (a), a 15,000 square foot portion of the property was approved for transfer to the City by the Oversight Board on March 30, 2012.

Madison-Emerald-Library (\$148,000): The Oversight Board approved the transfer of 2965 Madison Street to the City of Riverside at its March 30, 2012 meeting. The property was originally approved for purchase from the Riverside Unified School District (RUSD) by the Redevelopment Agency Board at the April 21, 1998 City Council meeting. The property was purchased by the Agency for government purposes including the construction of a new library in the Casa Blanca community.

On March 3, 2010, the former Redevelopment Agency deeded a portion of the property which contained the new library to the City while maintaining the rear of the property for potential development. However, no development opportunities currently exist for the rear property as it is completely landlocked. Conversely, the property is proposed for additional public parking for the library and adjacent City of Riverside - Public Utilities Department Customer Service Center.

Public parking for the library and customer service center is currently shared and in limited amount.

As the intended use of the property will be for a government purpose, including parking for City owned facilities, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board on March 30, 2012.

Parking Lot Vine – 91 Fwy (\$125,663): The Oversight Board approved the transfer of 3575 Vine Street to the City of Riverside at its March 30, 2012 meeting. The property was originally approved for purchase by the Redevelopment Agency Board at its November 19, 2002 meeting. The property was purchased by the Agency for governmental purposes including the retention of a pylon sign, which serves to promote community activities, attractions, events and programs in the City and businesses within the Marketplace area, and preservation of an existing public parking lot on the site.

Furthermore, given the property's small and irregular size, no development options currently exist. The highest and best use for the property continues to be for a pylon sign and small public parking lot.

As the current and continual use of the property will be for a government purpose, including the continued use of a pylon sign devoted exclusively to City public service and event messages and a permanent public parking lot, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board on March 30, 2012.

4085 Vine Street (\$1,650,000): The Oversight Board approved the transfer of 4085 Vine Street to the City of Riverside at its March 30, 2012 meeting. The property was originally approved for purchase by the Redevelopment Agency Board at its June 12, 2007 meeting. The property was purchased for government purposes including the City Council's direction to begin the process of planning a proposed Transit Center adjacent to the existing Downtown Metrolink commuter rail station, which would include various public and private transit agencies (including, but not limited to, Riverside Transit Agency and Greyhound) that serve both regional and national transit demands.

Additionally, in May 2010 Psomas was retained to conduct a Multi-Modal Transit Center Feasibility and Design study, which was completed in June 2012 and concluded that the property will be adequate to accommodate an 18-bus bay facility. Furthermore, on November 13, 2012, the City Council adopted a resolution designating the property as the Multi-Modal Transit Center location.

Negotiations with the various public and private transit agencies for the construction of a new multi-modal transit center continue to move forward. Furthermore, given the property's close proximity to the existing Metrolink, a multi-modal transit center (serving the general public) is the highest and best use for the property and will help promote public transportation as a cost effective alternative to vehicular travel.

As the intended use of the property is for a government purpose, including the creation of a multi-modal transit center, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board on March 30, 2012.

980 and 1006 Dalton Road (\$709,511 and \$856,920): The Oversight Board approved the transfer of 980 and 1006 Dalton Road to the City of Riverside at its March 30, 2012 meeting. The properties were originally approved for purchase by the City at the October 24, 2006 and November 13, 2007 City Council meetings. The properties were purchased by the City for government purposes including the provision of much needed storage space to properly store, inventory, monitor, secure, and preserve City's assets. On May 20, 2008, the Agency acquired the property from the City for continued government purposes.

Under the Agency's ownership, the properties continued to be occupied by the Riverside Metropolitan Museum and the City's General Services Department and are used as storage space and parking for employees. As the Museum continues to grow and expand its services, the need for storage space is increasingly important in maintaining items that require indoor temperature and humidity controlled storage.

As the current and continued use of the properties is for a government purpose, including storing and preserving City assets, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board on March 30, 2012.

1901 Massachusetts (\$1,300,000): The Oversight Board approved the transfer of 1901 Massachusetts Avenue to the City of Riverside at its March 30, 2012 meeting. The property was originally approved for purchase by the City Council at its December 19, 2006 meeting. The property was purchased by the City for government purposes including the provision of additional parking for the adjacent Hulen Place homeless shelter which is City-owned and operated. Furthermore, as part of the property purchase, the City assumed the A-1 Grit lease, which is a manufacturing company occupying the property.

In January 2010, the Agency deeded a small portion of the property to the City, which is now being used as a parking lot for the Hulen Place Homeless Shelter. The remainder of the property is currently occupied by A-1 Grit.

The property is incorporated into a homeless shelter and public facility campus (owned by the City) and is located in a flood zone, which requires a storm drain to be installed through the middle of the property. This is for an overall government purpose.

3460 Orange Street (\$3,984,252): The Oversight Board approved the transfer of 3460 Orange Street to the City of Riverside at its March 30, 2012 meeting. The property was originally purchased by the City from a private party in December 2005 for government purposes primarily to allow the City of Riverside - Public Utilities Department to continue to occupy the building located on the property. In March 2008, the Agency acquired the property from the City for continued government purposes.

The 20,010 square foot building on the property is currently occupied by the City of Riverside - Public Utilities Department and operated as a customer service and call center, with 1,507 square feet of the building subleased to the Gas Company in order to provide a common location for

Riverside residents to pay their utility bills. A lease agreement for use of the property between the former Redevelopment Agency and the City of Riverside is in effect until June 30, 2028. Furthermore, a lease agreement between the Redevelopment Agency and the Southern California Gas Company is in effect on a month-to-month basis.

In order to purchase the property, the Agency borrowed \$5,000,000 through an inter-fund loan from the City with a term of 20 years and interest calculated at the City's annual cash pool interest rate. Rent revenue from the aforementioned leases fully offsets the debt service on the inter-fund loan, as well as related administrative costs.

As the current use of the property is a government purpose, including office use by City employees, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board. Furthermore, upon transfer to the City, the Agency's debt obligation related to the acquisition of the property became the City's obligation.

3456 Sixth Street – Papafingos (\$10,000): The Oversight Board approved the transfer of 3456 Sixth Street to the City of Riverside at its March 30, 2012 meeting. The property was originally approved for purchase by the Redevelopment Agency Board at its June 3, 1986 meeting. The property was purchased by the Agency for government purposes including to provide a public parking lot for the Municipal Auditorium, a City-owned and operated public facility.

As the current use of the property is government purposes, including the preservation of a public parking lot for the Municipal Auditorium, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board.

Between Fairmount Park and Mission (\$9,239): The Oversight Board approved the transfer of the Fairmount Park properties to the City of Riverside at its March 30, 2012 meeting. In May 2005, the City of Riverside – Public Utilities Department declared the Fairmount Park properties surplus and authorized their transfer to the Redevelopment Agency. Shortly thereafter, the Redevelopment Agency sold one parcel and intended to convey the Fairmount Park properties back to the City for incorporation into Fairmount Park for use as park land.

Public park land is the only suitable use as the general plan designation calls for "open space", the properties are surrounded by public park land and open space, and no development opportunities currently exist.

As the intended use of the properties is for government maintained park land, as allowed under Health and Safety Code section 34181 (a), the properties were approved for transfer to the City by the Oversight Board.

8700 Cypress: The Oversight Board approved the transfer of 8700 Cypress Avenue to the City of Riverside at its March 30, 2012 meeting. The property was originally purchased by the Anza Fire Protection District on November 26, 1952. On January 17, 1962, the Anza Fire Protection District was dissolved and the property reverted to City ownership.

Shortly thereafter, the property was leased to the Alvard Unified School District for use as a community garden. On November 21, 2008, the City conveyed the property to the Agency. The

intent of the Agency in returning property ownership to the City is to allow for it to be used as a park and recreation facility to include a community garden, which will be used by the local community and the Arlanza elementary school (located adjacent to the property).

As the intended use of the properties is a government use, including a park and recreation facility to include a community garden, as allowed under Health and Safety Code section 34181 (a), the property was approved for transfer to the City by the Oversight Board.

11096 Hole Avenue (\$1,245,316): This property was acquired by the City and closed escrow on June 21, 2010 using Redevelopment Agency funds as part of the Five Points Street Improvement Project. However, this property is a small wedge that is being used as a City median and cannot be sold. As such, it needs to remain as a permanent public street improvement pursuant to Health and Safety Code section 34181 (a).

As stated above, the transfer of all the above noted properties to the City for use as public facilities was approved by the Oversight Board on March 30, 2012 pursuant to Health and Safety Code section 34179 (h). Section 34179 (h), in effect at that time, allowed the DOF three (3) days upon notification of the Oversight Board actions to notify the Successor Agency of any concerns in relation to said actions. The DOF did not object to any of the Oversight Board actions/approvals within the allowable time period and as such, the above noted properties were deemed approved on March 30, 2012. As such, pursuant to Health and Safety Code Section 34179 (h) and the Oversight Board's actions, the properties will be transferred to the City for as public facilities.

5. Properties are not owned by Redevelopment Agency of the City of Riverside

The following properties are not subject to disposition by the Successor Agency because they are not owned by the Redevelopment Agency of the City of Riverside for the reasons indicated herein:

1865 University Avenue (\$478,369): This property has been sold to a private third party pursuant to a purchase and sale agreement executed on March 21, 2011 for development of a retail center. Furthermore, the purchase agreement also included 1875 University Avenue. In addition, on August 30, 2012 the Oversight Board adopted a resolution approving the conveyance of the property from the City to the Successor Agency in order to convey the property to a private third party developer with no objection from the DOF and escrow closed on September 21, 2012. As such, it is not possible to transfer this property to the Successor Agency since it is now privately owned.

Main Street-Sinkhorn-Peitr (\$64,018): This property was conveyed by deed from the former RDA to a third party on September 8, 2003. As such, it is not possible to transfer this property back to the Successor Agency since it is now privately owned.

10191 Cypress Avenue (APN# 150-120-021): This is vacant land adjacent to the City's Fire Station #7 and was acquired by the City in 1965. As such, it should not be transferred to the Successor Agency since the Redevelopment Agency never acquired title to the property.


10191, 10221 & 10233 Cypress Avenue: 10191 Cypress Avenue (APN# 150-120-021) has never been held by the Redevelopment Agency. This City acquired this property in 1965. This should not be considered a Successor Agency property. With regard to 10221 & 10223 Cypress Avenue (APN's 150-120-020 & 150-102-005) immediately adjacent to Fire Station #7, these properties were never owned by the Redevelopment Agency and also should not be considered Successor Agency properties. The purchase and sale agreement for acquisition of these properties was between the City of Riverside and Bernice Vola Mason. Title was conveyed from Bernice Vola Mason to the City of Riverside in approximately June 2007. These properties have been and continue to be used by the City Fire Department. Further, these properties were not taken to the Oversight Board for approval as a public facility pursuant to Health and Safety Code section 34181 (a) because these properties have always been vested with the City of Riverside.

8956 and 8986 Cypress Avenue (\$187,240): This is vacant land that was sold by the former RDA to the Alford Unified School District on July 15, 2011 pursuant to a purchase and sale agreement that was executed on March 31, 2011. As such, it is not possible to transfer the property to the Successor Agency since it is owned by an independent third party.

1910 University Avenue (\$1,618,977): This property is currently in escrow and under contract for sale with a private third party for a development of a mixed-use project pursuant to a purchase and sale agreement executed on March 21, 2011.

Should you have any questions regarding the clarifications relating to the properties listed above, please call Emilio Ramirez at (951) 826-5649. We appreciate your time and request for comment and additional data regarding the Draft Report. All back-up documentation relating to this matter will be mailed to your office.

Sincerely,


per Scott Barber
City Manager

cc: Gregory P. Priamos, City Attorney
Al Zelinka, Community Development Director
Emilio Ramirez, Development Director

Attachment 2— SCO’s Comments

The City of Riverside (City) raised concerns about several properties that the State Controller’s Office (SCO) addresses in the Findings and Orders of the Controller section. The City’s contention is that the assets transferred automatically by operation of law so that no action is needed, and that the Successor Agency has, therefore, assumed the obligations for the lease agreements on these properties. However, this does not address the fact that some of the assets cannot be transferred without a change in the ownership documents that are still in City’s name. Because the city council was the board of the former RDA, the City is responsible for ensuring that the ownership transfers occur.

The City fully agrees with the SCO in the matter of 44 properties to be transferred to the Successor Agency. However, the City raised issues with 30 properties, and its concerns differ for each of the 30 properties. The City grouped properties into five categories different from the SCO findings, combining properties in Findings 1 and 2.

The SCO is in agreement with the City on all but the properties discussed below. Once the assets are transferred to the Successor Agency, the Successor Agency may dispose of the assets in accordance with Health and Safety (H&S) Code section 34177(d) and (e).

1. The following four properties are discussed in SCO’s Finding 1. According to the City, the properties are subject to development agreements with third parties. The City contends that the assets transfer automatically by operation of law so that no action is needed.

8674 and 8616 California Avenue->8690 California Avenue	\$	3,239,109
1st to 3rd 213-022-009	\$	1,177,000
3650 Market St- Stalder Building	\$	1,219,396
3743 Mission Inn-Loring Pkg	\$	91,000

These properties still are in the City’s name. The RDA transferred them to the City in the bulk transfer during March 2011. The transfer to the Successor Agency is not complete without the change in ownership documents. H&S Code section 34175(b) states that all assets are to be transferred to the control of the Successor Agency. As the Successor Agency only has partial control, this is still an incomplete transfer.

The SCO finding remains as stated for these four properties.

The following property is subject to a lease agreement with the Department of General Services (DGS), according to the City. This property is part of SCO’s Finding 2.

California Tower-3737 Main Street	\$	29,115,000
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The City contends that a transfer of the lease might result in a breach. However, documentation that the City provided regarding this property indicates that the transfer would not be considered a breach, but merely an amendment to the existing agreement. Just as the Successor Agency inherited the obligations for the lease agreement, the Successor Agency must have complete control over the property.

H&S Code section 34173(b) states that “except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to the act adding this part, all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies.”

The SCO finding remains as stated for this property.

2. The following properties are part of SCO's Findings 1 and 2. The City lists these properties as "Properties Subject to determination of valid debt by Department of Finance (DOF) / Meet and Confer set for November 20, 2012."

3615-3653 Main Street	\$	3,703,120
4587 Mulberry	\$	843,162
4586 Olivewood	\$	1,100,000
3225 Market Street	\$	1,531,130

The city notes that these properties still are in the City's name. The DOF did not approve the loans during the Meet and Confer. The SCO does not have the authority to determine whether the four properties are the City's properties. However, because they were acquired by the RDA through a loan from the City's Enterprise Fund and not the RDA tax increment, these four properties are not subject to claw back.

The SCO agrees with the City. These properties listed above are not subject to claw back and need not be turned over to the Successor Agency.

3. The following four properties are part of SCO's Finding 1. The City categorized them as "Properties are now Housing Authority Assets, approved by DOF."

Magnolia between Taft and Myers	\$	522,466
3902 University-Salvation	\$	300,000
Holden-Bushnell	\$	395,000
14 th and Sedgwick Outside	\$	20,000

The City contends that all housing asset transfers, regardless of when they were made, are subject solely to approval by the DOF, if required information described in H&S Code section 34176(a)(2) is included on the housing report.

The information in the housing report is limited to transfers made after February 1, 2012 by the Successor Agency with the approval of the Oversight Board. However, in this case the Successor Agency was denied the opportunity to make that transfer. We have discussed this issue with the DOF and they concur that the report was not intended to include transfers made by the RDA. The DOF's decision to not object to transfers by the RDA does not mean that they are approved by the DOF. Instead, such transfers are subject to review and decisions by the SCO under H&S Code section 34167.5. These properties must be turned over to the Successor Agency.

The SCO finding remains as stated.

4. The City states that the following 12 properties were transferred to the City because they are public facilities.

RCTC Surplus	\$	1,072,698
Madison-Emerald-Library SI	\$	148,000
Parking Lot Vine-91 FWY	\$	125,663
4085 Vine Street	\$	1,650,000
980 Dalton Road	\$	709,511
1006 Dalton Road	\$	856,920
1901 Massachusetts	\$	1,300,000

3460 Orange Street	\$	3,894,252
3456 Sixth St-Papafingos	\$	10,000
Btwn Fairmnt Pk and Mission	\$	9,239
11096 Hole Ave	\$	1,245,316
8700 Cypress	\$	—

On March 30, 2012, the Successor Agency received retroactive approval by the Oversight Board to transfer of the 12 properties described above.

Pursuant to H&S Code section 34167.5, the City would be ordered to return the assets to the Successor Agency for disposition under H&S Code section 34177(d) and (e) with approval by the Oversight Board, pursuant to H&S Code section 34181(a) and (c). However since the Oversight Board has already approved the transfer retroactively, no further action is necessary in relation to the transfer of asset finding.

Please note that the DOF must approve the Oversight Board's decision in this matter. If the DOF does not approve this decision, then the City is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

5. The City lists the following five properties as "Properties are not owned by Redevelopment Agency of the City of Riverside." These properties are part of SCO Finding 1.

1865 University	\$	478,369
8956 and 8986 Cypress Avenue	\$	187,240
10191, 10221, and 10233 Cypress Avenue	\$	572,785
Main Street-Sinkhorn-Peitr	\$	64,018
1910 University Avenue	\$	1,618,977

The SCO is in agreement with the City regarding the first three properties. These properties, while still listed on the RDA books during the review period, have been sold or never were owned by the RDA. However, the SCO is in disagreement with the City regarding the Main Street-Sinkhorn-Peitr property and the 1910 University Avenue property.

The Main Street-Sinkhorn-Peitr property is divided into multiple sections. The City contends that the section at issue was transferred to a third party in 2003. However the transfer applied to a different section of the property. Currently, the part in question is under a lease agreement and must be transferred to the Successor Agency.

1910 University Avenue is in escrow until March 21, 2013. After further discussion, the City informed the SCO that this particular escrow will extend until further notice. As with the Main Street-Sinkhorn-Peitr property, the City must transfer the property to the Successor Agency, especially as this property was transferred to the City in the bulk transfer of March 2011 and never was turned over to the Successor Agency.

H&S Code section 34173(b) applies to these two properties, and states that "except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to the act adding this part, all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies." The SCO finding remains as stated for these two properties.

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