

# **DAVIS REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### **Review Report**

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

November 2013



**JOHN CHIANG**  
**California State Controller**

November 21, 2013

Steve Pinkerton, City Manager  
City of Davis Redevelopment/Successor Agency  
23 Russell Blvd., Suite 1  
Davis, CA 95616

Dear Mr. Pinkerton:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office reviewed all asset transfers made by the Davis Redevelopment Agency to the City of Davis or any other public agency after January 1, 2011. This statutory provision states, "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 turned over to the 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 rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Davis or any other public agencies have been reversed.

Our review found that the Davis Redevelopment Agency transferred \$59,200,807 in assets after January 1, 2011, including unallowable transfers of assets totaling \$38,390,912, or 64.85% of the transferred assets.

However, on February 27, 2013, the Oversight Board approved the transfer of \$25,625,707 in assets because the assets are to be used for housing purposes. No further action is necessary in relation to those assets.

The remaining \$12,765,205 in unallowable assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth Gonzalez, Bureau Chief, Local Government Compliance Bureau, by phone at (916)324-0622.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

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cc: Joseph Krovoza, Chairperson

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Davis Redevelopment Agency 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 rights to payments of any kind from any source.

Our review found that the Davis Redevelopment Agency transferred \$59,200,807 in assets after January 1, 2011, including unallowable transfers of assets totaling \$38,390,912, or 64.85% of the transferred assets.

However, on February 27, 2013, the Oversight Board approved the transfer of \$25,625,707 in assets because the assets are to be used for housing purposes. No further action is necessary in relation to those assets.

The remaining \$12,765,205 in unallowable assets must be turned over to the Successor Agency.

## 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 on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred after January 1, 2011, between the Davis Redevelopment Agency, the City of Davis, 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 turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

## **Objective, 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 Davis City Council and the Davis Redevelopment Agency.
- 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 Davis Redevelopment Agency transferred \$59,200,807 in assets after January 1, 2011, including unallowable transfers of assets totaling \$38,390,912, or 64.85% of the transferred assets.

However, on February 27, 2013, the Oversight Board approved the transfer of \$25,625,707 in assets because the assets are to be used for housing purposes. No further action is necessary in relation to those assets.

The remaining \$12,765,205 in unallowable assets must be turned over to the Successor Agency.

Details of our findings are in the Findings and Orders of the Controller section of this report. We also have included a detailed schedule of assets to be turned over to, or transferred to, the Successor Agency.

## **Views of Responsible Official**

We issued a draft review report on March 13, 2013. Steve Pinkerton, City Manager, responded by letter dated March 29, 2013, disagreeing with the review results. On September 10, 2013, we issued a revision of Finding 1. The City Manager responded by letter dated September 26, 2013, disagreeing with revised Finding 1. The City's responses are included in this final review report.

## **Restricted Use**

This report is solely for the information and use of the City of Davis, the Successor Agency, the Oversight Board, the Successor Housing Authority, 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 final.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

November 21, 2013

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfers to the City of Davis**

The Davis Redevelopment Agency (RDA) transferred \$10,638,763 in assets to public agencies. All of the asset transfers to public agencies occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On February 28, 2011, the RDA transferred \$869,065 in cash assets to pay off a loan to the City. This transfer was made in accordance with the February 1, 2011, RDA Agenda – Item 3, part 3.
- On March 1, 2011, the RDA transferred of \$5,378,592 in cash, \$4,203,885 in capital assets, and \$52,080 in loans receivable to the City. To accomplish those transfers, on March 1, 2011, the city and the RDA entered into an agreement under the Resolution 1254 and Special Joint Meeting Agenda – Item 2, part F.
- On January 31, 2012, the City received a total of \$135,141 in lease revenue generated from the capital assets the RDA transferred on March 1, 2011. The transfer was made due to the March 4, 2011, Assignment and Assumption of Leases, Covenants, and Agreements between the City and the RDA.

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 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, “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 government 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 as asset....”

### Order of the Controller

Based on H&S Code section 34167.5, the City is ordered to reverse the transfer of the above assets, described in Schedule 1 and Schedule 1A, in the amount of \$10,638,763 plus any interest earned, and return them to the Successor Agency.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e) and 34181(a).

#### City's Response to Draft Report

The City responded to an initial version of Finding 1 in a letter dated March 29, 2013 (Attachment 1). On September 10, 2013, the SCO issued a revised Finding 1 (Attachment 2); the City responded to the revision with a letter dated September 26, 2013, (Attachment 3). The SCO's comments to the two City responses are given below.

#### City's March 29, 2013 Response

##### A. \$635,196 cash assets – loan repayment

This loan was established in FY 96-97 from the City of Davis to the Redevelopment Agency. The term included 10 Year-Simple Interest & Principal Amortization Beginning June 25, 2003. The loan was paid off on 2/28/11. This was a long standing pre-existing debt payable to the City of Davis. There were no restrictions to paying off the loan prior to the final term date.

#### SCO's Comment

The City's comments regarding the lack of restrictions on paying off the loan early is adequately addressed in the SCO's Comment on the City's September 26, 2013 response given below.

#### City's September 26, 2013 Response

The increased amount of \$233,869 (to a total of \$869,065) reflects the amount that was paid during 2011 for principal and interest payments. This is consistent with the principal and interest payments made over the previous four year period. Initially SCO stated this was an allowable transfer as this payment was consistent with the RDA's past practice and did not reflect a prepayment of any sort. While it is our position that the full loan repayment was fully legal and should be honored, that is especially true for this \$233,869, in that it reflected the City's normal payments made pursuant to the express terms of the loan documents. We continue to believe this was an allowable transfer and the loan, in its entirety, was an enforceable obligation.

#### SCO's Comment

The SCO disagrees with the City's response. Pursuant to H&S Code section 34767.5, any asset transfers by the RDA to a city, county, city and county, or any other local public agency after January 1, 2011 must be returned to the Successor Agency in accordance with H&S Code sections 34177(d) and (e).

However, the agreement may be reinstated in accordance with H&S Code section 34191.4 once the Successor Agency obtains a Finding of Completion from the Department of Finance, pursuant to H&S Code section 34179.7.

The SCO finding remains as stated for the full transfer of \$869,066 in cash to the City.

City's March 29, 2013 Response

- B. \$5,378,592 cash (1)/ \$4,203,885 capital assets (2)/ \$52,080 loans receivable (3)
1. The Redevelopment Agency and the City entered into a Cooperation Agreement dated 2/2/11 to fund and complete redevelopment projects in accordance with the objectives and purposes of the Redevelopment Plan and Implementation Plan. Public Works Cooperation agreements are attached.
  2. On 3/1/11 the Davis Redevelopment Agency authorized the transfer of real property to the City of Davis by Resolution 1254. Many of the assets were originally owned by the City of Davis and built or acquired with funds of the City of Davis. The Redevelopment Agency assisted in eliminating blight in these areas; however they were original[ly] owned by the City. The assets were transferred back to the City to ensure the assets remain a community benefit as they were intended.
  3. Loans were initiated to facilitate commercial rehabilitation in the Redevelopment area. These loans were transferred to the City of Davis by Resolution 1254 on 3/1/11. The Monticello Bistro loan was executed by the Lessee on 1/31/11 and was committed to the Lessee in 2010. The City considers this a valid loan agreement.

SCO's Comment

1. Cash transfers to other public agencies are allowable, provided the assets are encumbered to a third party prior to June 28, 2011. One contract with a third party relating to the public works agreement was provided in the amount of \$997, and this encumbrance was deducted from the original finding of \$5,379,589. The remaining \$5,378,592 in cash assets should be transferred to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

The SCO finding remains as stated for the transfer of \$5,378,592 in cash to the City.

2. Regardless of the original owner or contribution to an asset, the capital assets listed in Schedule 1A were owned by the RDA on January 2, 2011. H&S Code section 34167(a) states that:

. . . redevelopment agencies take no actions that would further deplete the corpus of the agencies' funds *regardless of their original source* [emphasis added].

Additionally, pursuant to H&S Code section 34167.5, assets cannot be transferred to another public agency after January 1, 2011. If the City is concerned with assets that provide community benefit through governmental purpose, as stated in the report, these may be subject to the provisions of H&S Code section 34181(a).

The SCO finding remains as stated for the transfer of \$4,203,885 in capital assets to the City.

- 3 The SCO does not question the validity of the loan agreement. The agreement was entered into between the Davis Redevelopment Agency and Monticello Bistro, and the terms of this agreement are not affected by the passage of ABX1 26. Therefore, it is a former RDA asset that should be transferred to the Successor Agency.

The SCO finding remains as stated for the transfer of \$52,080 in loans receivable to the City.

#### City's March 29, 2013, Response

##### C. \$135,141 lease revenue

Pursuant to the action detailed in B2, the property was transferred to the City and the lease revenue reverts to the City.

#### SCO's Comment

Similar to item B3, the leases were entered into by the RDA and third parties prior to June 28, 2011, and therefore remain valid. Additionally, the assets detailed in B2 and Schedule 1A of the report are unallowable. All revenues obtained by the City from these unallowable transfers should be transferred to the Successor Agency pursuant to H&S Code section 34175(b).

The SCO finding remains as stated for the unallowable \$135,141 lease revenue earned by the City.

#### Summary of Finding 1

The SCO order remains as stated for Finding 1 – Unallowable asset transfers to the City of Davis in the amount of \$10,638,763 (see Schedule 1 and 1A).

## **FINDING 2— Unallowable asset transfers to the Successor Housing Authority**

The RDA made unallowable asset transfers of \$27,752,149 to the Successor Housing Authority (SHA). The asset transfers to the SHA occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On March 1, 2011, the RDA transferred \$13,368,421 in loans receivable and \$4,748,530 in capital assets to the SHA. To accomplish those transfers, on March 1, 2011, the City of Davis and the RDA entered into an agreement under the Resolution 1254 and Special Joint Meeting Agenda – Item 2, part F. These assets were transferred to the SHA on January 10, 2012, when the city elected to retain RDA housing assets per Resolution 12-004.
- On March 16, 2011, the RDA forgave a loan with the city, resulting in a \$1,600,000 reduction in housing loans receivable assets. This transfer was accomplished in accordance with the March 15, 2011

RDA Agenda – Item 3, part A. These assets were transferred to the SHA on January 10, 2012, when the city elected to retain RDA housing assets per Resolution 12-004.

- At January 31, 2012, the SHA received a total of \$124,403 in lease revenue generated from the capital assets the RDA transferred on March 1, 2011. This was accomplished with the March 11, 2011 Assignment and Assumption of Housing Leases, Covenants, and Agreements between the city and the RDA. These assets were transferred to the SHA on January 10, 2012 when the city elected to retain RDA housing assets per Resolution 12-004.
- On January 31, 2012 the RDA transferred \$4,966,074 in loans receivable to the SHA.
- The RDA transferred \$2,944,721 in cash assets to the SHA on February 1, 2012. This transfer was accomplished in accordance with the January 24, 2012 City/RDA Agenda – Item 8, part 2.

Pursuant to H&S Code section 34175(b) the RDA was required to transfer all assets, including housing assets, to the Successor Agency.

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.”

Additionally, H&S Code section 34181(c) requires the oversight board to direct the Successor Agency transfer housing assets pursuant to Section 34176.

#### Order of the Controller

Based on H&S Code section 34167.5, the Successor Housing Authority is ordered to reverse the transfer of the above assets, described in Schedule 2 and Schedule 2A, in the amount of \$27,752,149, and return them to the Davis Redevelopment Successor Agency.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e) and 34181(c).

#### City’s Response

- A. \$13,368,421 loans receivable / \$4,748,530 capital assets

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received the Oversight Board approval on 2/27/13. These are now considered allowable transfers and should be removed from the Asset Transfer Review.



Additional Correction:

Schedule 2A lists CHOC CAL HFA \$526,442 under loans receivable. This loan was approved in December 2010, a Settlement Agreement was approved in February 2011, and the loan was forgiven in March 2011. This loan should be removed from the Asset Transfer Review or the Value listed on Schedule 2A should be changed to \$0.

SCO's Comment

The SCO agrees in part with the City's response. On February 27, 2013, the Oversight Board approved the revised Housing Asset Transfer Form in response to the December 10, 2012 Department of Finance determination letter. Since the Oversight Board has already approved the transfer retroactively, with exception of the CHOC CAL HFA loan receivable for \$526,442, no further action is necessary in relation to the transfer of \$12,841,979 in loans receivable and \$4,748,530 in capital assets.

The finding is adjusted to reflect that the City of Davis need not reverse the transfer of assets in the amount of \$17,590,509.

However, the SCO disagrees with the City's response regarding the removal of the CHOC CAL HFA loan receivable for \$526,442 from the Asset Transfer Review. Although the loan agreement was entered into on December 21, 2007, and a settlement agreement was entered into on February 28, 2011, the loan was not forgiven in March 2011, but instead recorded as transferring to the City with the other March 1, 2011 transfers. Since the asset was not listed in the February 27, 2013 Oversight Board approval, the asset should be returned to the Successor Agency.

The SCO finding remains as stated for the transfer of \$526,442 in loans receivable to the City.

Please note that if the loan receivable has since been forgiven with Community Housing Opportunities Corporation, H&S Code Section 34167.5 requires the SCO to order the return of any asset transferred to a public agency after January 1, 2011, back to the Successor Agency.

City's Response

B. \$1,600,000 Loan Forgiven-Pacifico

This loan was executed in March 2000. The Redevelopment Agency never had an ownership interest in Pacifico. The Agency did lend the City funding to purchase the first loan from the bank, but it later forgave that loan to the City by Resolution 1256 (attached). This loan should be removed from the Asset Transfer Review or the Value listed on Schedule 2A should be changed to \$0.

SCO's Comment

The SCO disagrees with Part B of the City's response to Finding 2. H&S Code section 34167.5 requires the SCO to order the return of any asset transferred to a public agency after January 1, 2011, back to the Successor Agency. Although the cash assets were disbursed prior to January 1, 2011, the RDA retained the equivalent in assets in the form of a receivable. Therefore, a transfer occurred after January 1, 2011, when the loan was forgiven, resulting in a reduction of RDA assets.

The SCO finding remains as stated for the \$1,600,000 loan forgiven between the RDA and the City.

City's Response

C. \$124,403 lease revenue

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received the Oversight Board approval on 2/27/13. Therefore lease revenue for these capital assets is valid and consistent with the Department of Finance Housing Asset Transfer Form and allowable. This should be removed from the Asset Transfer Review.

SCO's Comment

The SCO agrees with the City. On February 27, 2013, the Oversight Board approved the revised Housing Asset Transfer Form in response to the December 10, 2012 Department of Finance determination letter. Since the Oversight Board has already approved the transfer retroactively, no further action is necessary in relation to the transfer of asset finding in the amount of \$124,403.

City's Response

D. \$4,966,074 loans receivable-New Harmony

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received the Oversight Board approval on 2/27/13. These are now considered allowable transfers and should be removed from the Asset Transfer Review.

SCO's Comment

The SCO agrees with the City. On February 27, 2013, the Oversight Board approved the revised Housing Asset Transfer Form in response to the December 10, 2012 Department of Finance determination letter. Since the Oversight Board has already approved the transfer retroactively, no further action is necessary in relation to the transfer of asset finding in the amount of \$4,966,074.

City's Response

E. \$2,944,721 cash assets-New Harmony

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received the Oversight Board approval on 2/27/13. These are now considered allowable transfers and should be removed from the Asset Transfer Review.

SCO's Comment

The SCO agrees with the City. On February 27, 2013, the Oversight Board approved the revised Housing Asset Transfer Form in response to the December 10, 2012 Department of Finance determination letter. Since the Oversight Board has already approved the transfer retroactively, no further action is necessary in relation to the transfer of asset finding in the amount of \$2,944,721.

Summary of Finding 2

The SCO has revised Finding 2 – Unallowable asset transfers to the Successor Housing Authority to reflect that assets in the amount of \$2,126,442 are still ordered to be transferred to the Successor Agency (see Schedule 2 and 2A).

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

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## Unallowable Transfers to the City of Davis:

Current Assets <sup>1</sup>

Cash	\$ 6,382,798
Loans Receivable	52,080

Capital Assets <sup>1</sup>

Land and Buildings	<u>4,203,885</u>
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Total Unallowable Transfers – City of Davis	<u>\$ 10,638,763</u>
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<sup>1</sup> Detail listing of assets on Schedule 1A.

**Schedule 1A—  
Unallowable RDA Asset Transfers  
to the City of Davis (Detailed Listing)  
January 1, 2011, through January 31, 2012**

APN/Description	Value <sup>1</sup>
Cash	
Loan Payoff to Fund 621	\$ 869,065
Downtown Area Capital Revitalization	5,378,592
Lease Revenue	135,141
Loans Receivable	
Natsoulas	3,310
Monticello Bistro	48,770
Capital Assets	
070-204-07 – 303 Third Street (building only)	1,989,502
070-243-08 – 616/618 Second Street	805,520
070-243-15 – 604 Second Street, 610 Second Street, and 190 E Street	470,545
070-243-13/14 – 101 F Street, 117 F Street, 615 First Street, and 623 First Street	827,608
070-251-17 – 226 F Street	10,710
070-260-22 – 1021 Olive Drive	100,000
None – 4225 Chiles Road	—
Total Unallowable Assets Transferred to the City	<u>\$ 10,638,763</u>

<sup>1</sup> Rounded.

**Schedule 2—  
Unallowable RDA Asset Transfers  
to the Successor Housing Authority  
January 1, 2011, through January 31, 2012**

Unallowable Transfers to the Successor Housing Authority:	Draft Review Values	Adjustments	Final Review Values
Current Assets <sup>1</sup>			
Cash	\$ 3,069,124		
Oversight Board Approval of January 31, 2012 Transfer		\$ (124,403)	
Oversight Board Approval of February 1, 2012 Transfer		(2,944,721)	
Loans Receivable	19,934,495		
Oversight Board Approval of March 1, 2011 Transfer		(12,841,979)	
Oversight Board Approval of January 31, 2012 Transfer		(4,966,074)	
Capital Assets <sup>1</sup>			
Land and Buildings	4,748,530		
Oversight Board Approval of March 1, 2011 Transfer		(4,748,530)	
Total Unallowable Transfers - Successor Housing Authority	<u>\$ 27,752,149</u>	<u>\$ 25,625,707</u>	<u>\$ 2,126,442</u>

<sup>1</sup> Detail listing of assets on Schedule 2A.

**Schedule 2A—  
Unallowable RDA Asset Transfers  
to the Successor Housing Authority (Detailed Listing)  
January 1, 2011, through January 31, 2012**

APN/Description	Draft Review Values	Adjustments	Final Review Values
Cash			
Cash	\$ 2,944,721	\$ (2,944,721)	
Lease Revenue	124,403	(124,403)	
Loans Receivable			
Willowcreek/Oakshade	\$ 897,010	\$ (897,010)	
Windmere II Apts/Loans 1 & 2	545,640	(545,640)	
Twin Pines Apt/Redevelopment Loan	181,764	(181,764)	
Owendale	1,553,402	(1,553,402)	
Tremont Greens	1,244,852	(1,244,852)	
Oakshade East	900,000	(900,000)	
CHOC CAL HFA	526,442		\$ 526,442
Eleanor Roosevelt Circle	2,123,219	(2,123,219)	
Walnut Terrace	1,830,421	(1,830,421)	
Cesar Chavez Plaza	400,000	(400,000)	
Moore Village	2,768,491	(2,768,491)	
Rosa Parks	50,660	(50,660)	
CHOC - Homestead Project	346,520	(346,520)	
Pacifico (Forgiven)	1,600,000		1,600,000
New Harmony	4,966,074	(4,966,074)	
Capital Assets			
070-312-14/15 233 & 239 J St - Solar Co-op	\$ 832,700	\$ (832,700)	
069-210-054 3159 Albany Circle - Leased	167,319	(167,319)	
069-210-053 3165 Albany Circle - Leased	178,474	(178,474)	
069-210-050 3186 Albany Circle	167,319	(167,319)	
069-210-051 3192 Albany Circle	178,474	(178,474)	
069-210-052 3198 Albany Circle	167,319	(167,319)	
071-241-001 2019 Arena Drive - Leased	209,149	(209,149)	
036-701-018 2301 Glacier Place - Leased	209,149	(209,149)	
036-701-015 2303 Glacier Place	161,742	(161,742)	
036-701-017 2305 Glacier Place	209,149	(209,149)	
036-701-014 2307 Glacier Place - Leased	161,742	(161,742)	
036-701-016 2309 Glacier Place - Leased	209,149	(209,149)	
036-701-013 2311 Glacier Place	161,742	(161,742)	
068-282-049 5524 Marden Drive	181,263	(181,263)	
068-300-004 5503 Tufts Street - Leased	224,208	(224,208)	
068-300-008 5509 Tufts Street - Leased	220,304	(220,304)	
068-300-007 5515 Tufts Street	220,304	(220,304)	
068-300-003 5521 Tufts Street - Leased	224,208	(224,208)	
068-300-006 5527 Tufts Street - Leased	220,304	(220,304)	
068-300-002 5533 Tufts Street - Leased	224,208	(224,208)	
068-300-005 5539 Tufts Street - Leased	220,304	(220,304)	
Total Unallowable Assets Transferred to SHA	<u>\$ 27,752,149</u>	<u>\$ (25,625,707)</u>	<u>\$ 2,126,442</u>

<sup>1</sup> Rounded.

**Attachment 1—  
City of Davis Response to  
Draft Review Report**

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CITY MANAGER'S OFFICE

23 Russell Boulevard - Davis, California 95616  
530/757-5602 - FAX: 530/757-5603 - TDD: 530/757-5666



**March 29, 2013**

Steven Mar  
State Controller's Office  
Division of Audits  
PO Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Mar:

Pursuant to the March 13, 2013 letter from Jeffrey Brownfield, the City of Davis provides the following comments to the State Controller's Office findings included in the Draft Asset Transfer Review.

**Finding 1:**

**A. \$635,196 cash assets -- loan repayment**

This loan was established in FY 96-97 from the City of Davis to the Redevelopment Agency. The term included 10 Year-Simple Interest & Principal Amortization Beginning June 25, 2003. The loan was paid off on 2/28/11. This was a long standing pre-existing debt payable to the City of Davis. There were no restrictions to paying off the loan prior to the final term date.

**B. \$5,378,592 cash (1)/ \$4,203,885 capital assets (2)/ \$52,080 loans receivable (3)**

1-The Redevelopment Agency and the City entered into a Cooperation Agreement dated 2/2/11 to fund and complete redevelopment projects in accordance with the objectives and purposes of the Redevelopment Plan and Implementation Plan. Public Works Cooperation agreements are attached.

2-On 3/1/11 the Davis Redevelopment Agency authorized the transfer of real property to the City of Davis by Resolution 1254. Many of the assets were originally owned by the City of Davis and built or acquired with funds of the City of Davis. The Redevelopment Agency assisted in eliminating blight in these areas; however they were original owned by the City. The assets were transferred back to the City to ensure the assets remain a community benefit as they were intended.

3-Loans were initiated to facilitate commercial rehabilitation in the Redevelopment area. These loans were transferred to the City of Davis by Resolution 1254 on 3/1/11. The Monticello

CITY OF DAVIS



Bistro loan was executed by the Lessee on 1/13/11 and was committed to the Lessee in 2010. The City considers this a valid loan agreement.

C. \$135,141 lease revenue

Pursuant to the action detailed in B2, the property was transferred to the City and the lease revenue reverts to the City.

Finding 2:

A. \$13,368,421 loans receivable / \$4,748,530 capital assets

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received Oversight Board approval on 2/27/13. These are now considered allowable transfers and should be removed from the Asset Transfer Review.

B. \$1,600,000 Loan Forgiven-Pacifico

This loan was executed in March 2000. The Redevelopment Agency never had an ownership interest in Pacifico. The Agency did lend the City funding to purchase the first loan from the bank, but it later forgave that loan to the City by Resolution 1256 (attached). This loan should be removed from the Asset Transfer Review or the Value listed on Schedule 2A should be changed to \$0.

C. \$124,403 lease revenue

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received Oversight Board approval on 2/27/13. Therefore lease revenue for these capital assets is valid and consistent with the Department of Finance Housing Asset Transfer Form and allowable. This should be removed from the Asset Transfer Review.

D. \$4,966,074 loans receivable-New Harmony

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received Oversight Board approval on 2/27/13. These are now considered allowable transfers and should be removed from the Asset Transfer Review.

E. \$2,944,721 cash assets-New Harmony

Pursuant to direction by the Department of Finance, the Successor Agency revised the Housing Asset Transfer Form (attached) and received Oversight Board approval on 2/27/13. These are now considered allowable transfers and should be removed from the Asset Transfer Review.

*Steven Mar*  
*March 29, 2013*  
*Page 3*

Additional Correction:

Schedule 2A lists CHOC CAL HFA \$526,442 under loans receivable. This loan was approved in December 2010, a Settlement Agreement was approved in February 2011, and the loan was forgiven in March 2011. This loan should be removed from the Asset Transfer Review or the Value listed on Schedule 2A should be changed to \$0.

If you need further documentation or have questions, please contact Stacey Winton, 530-757-5661 or [swinton@cityofdavis.org](mailto:swinton@cityofdavis.org)

Sincerely,

A handwritten signature in black ink, appearing to be 'Steve Pinkerton', written over the word 'Sincerely,'.

Steve Pinkerton  
City Manager

**OVERSIGHT BOARD RESOLUTION NO. 13-05**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE DAVIS REDEVELOPMENT  
SUCCESSOR AGENCY APPROVING THE REVISED HOUSING ASSETS TRANSFER  
FORM OF THE DAVIS REDEVELOPMENT SUCCESSOR AGENCY**

WHEREAS, on August 1, 2012, the City of Davis, as the Housing Successor Agency of the Redevelopment Agency of the City of Davis submitted the required Housing Asset Form to the California State Department of Finance;

WHEREAS, staff of the Housing Successor Agency subsequently responded to questions from the Department of Finance and received a letter of no objection from the Department of Finance dated September 5, 2012;

WHEREAS, the Successor Agency subsequently prepared a Due Diligence Review of the Housing Assets, which was reviewed by the Successor Agency Board, and twice by the Davis Redevelopment Successor Oversight Board, including a public comment meeting held on October 29, 2012 and a final review and action meeting on November 7, 2012.

WHEREAS, the Successor Agency subsequently submitted the Due Diligence Review for Housing to the State Department of Finance on November 4, 2012 and the Department of Finance provided a written determination back on December 10, 2012, which resulted in the Successor Agency requesting a Meet and Confer with state staff; and

WHEREAS, after attending a Meet and Confer session on January 3, 2013, the Successor Agency received a state determination letter on January 16, 2013 that directed the Successor Agency to complete revisions to its Housing Assets Transfer Form.

NOW, THEREFORE, BE IT RESOLVED by the Davis Redevelopment Agency Oversight Board that the attached amended Housing Assets Transfer Form (Exhibit A) of this resolution is approved as amended and that the amended form with this resolution shall be submitted to the Department of Finance in response to their determination letter.


PASSED AND ADOPTED by the Oversight Board of the Davis Redevelopment Successor Agency on this 27<sup>th</sup> day of February, 2013, by the following vote:


AYES: Bruce Colby, Alan Fernandes, Katherine Hess, Joe Krovoza, Jon Sharpe,  
Erik Vink

NOES: None

ABSENT: Jim Provenza

ATTEST:

  
Stacey Winton  
Board Staff

  
Joseph F. Krovoza  
Oversight Board Chairperson

**EXHIBIT A:**  
**AMENDED HOUSING ASSETS TRANSFER FORM**

DEPARTMENT OF FINANCE  
HOUSING ASSETS LIST  
ASSEMBLY BILL X1 26 AND ASSEMBLY BILL 1484  
(Health and Safety Code Section 34176)

Former Redevelopment Agency:	<u>Redevelopment Agency of the City of Davis</u>				
Successor Agency to the Former Redevelopment Agency:	<u>City of Davis</u>				
Entity Assuming the Housing Functions of the former Redevelopment Agency:	<u>City of Davis</u>				
Entity Assuming the Housing Functions Contact Name:	<u>Danielle Foster</u>	<u>Title</u>	<u>Housing &amp; Human Svcs Sup</u>	<u>Phone (530) 747-5853</u>	<u>E-Mail Address dfoster@cityofdavis.org</u>
Entity Assuming the Housing Functions Contact Name:	<u>Pamela Day</u>	<u>Title</u>	<u>Accountant</u>	<u>Phone (530) 747-5826</u>	<u>E-Mail Address pday@cityofdavis.org</u>

All assets transferred to the entity assuming the housing functions between February 1, 2012 and the date the exhibits were created are included in this housing assets list.  
The following Exhibits noted with an X in the box are included as part of this inventory of housing assets:

Exhibit A - Real Property	
Exhibit B - Personal Property	
Exhibit C - Low-Mob Encumbrances	X
Exhibit D - Loans/Grants Receivables	X
Exhibit E - Rents/Operations	
Exhibit F - Rents	
Exhibit G - Deferrals	

Prepared By: Danielle Foster

Date Prepared: 7/26/2012, revised 2/20/2013

City of Davis  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item	Type of Asset	Legal Title and Description	Carrying Value of Asset	Total square footage	Square footage reserved for low-mod housing	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant?	Date of transfer to Housing Successor Agency	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition by the former RDA	Interest in real property (option to purchase, easement, etc.)
1	Low-Mod Housing	068-210-054, 3159 Albany Circle	\$100,000	3,049	3,049	Yes	Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$0	7/1/2010	Owner
2	Low-Mod Housing	069-210-053, 3169 Albany Circle	\$100,000	3,485	3,485	Yes	Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$0	7/1/2010	Owner
3	Low-Mod Housing	071-241-001, 2019 Arena Drive	\$100,000	7,307	7,307	Yes	Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$0	7/1/2010	Owner
4	Low-Mod Housing	068-701-018, 2301 Glacier Place	\$120,000	3,049	3,049	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$0	7/1/2010	Owner
5	Low-Mod Housing	068-701-016, 2309 Glacier Place	\$120,000	2,613	2,613	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$0	7/1/2010	Owner
6	Low-Mod Housing	068-701-014, 2307 Glacier Place	\$100,000	3,049	3,049	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$0	7/1/2010	Owner
7	Low-Mod Housing	068-300-003, 5521 Tufts Street	\$100,000	2,614	2,614	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$100,000	7/1/2010	Owner
8	Low-Mod Housing	068-300-008, 5509 Tufts Street	\$120,000	2,614	2,614	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$100,000	7/1/2010	Owner
9	Low-Mod Housing	068-300-006, 5527 Tufts Street	\$120,000	2,614	2,614	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$100,000	7/1/2010	Owner
10	Low-Mod Housing	068-300-004, 5503 Tufts Street	\$100,000	3,485	3,485	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$100,000	7/1/2010	Owner
11	Low-Mod Housing	068-300-005, 5539 Tufts Street	\$120,000	2,614	2,614	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$4,153,429	\$0	\$100,000	7/1/2010	Owner





Item	Type of Asset a/	Legal Title and Description	Carrying Value of Asset	Total square footage	Square footage reserved for low-mod housing	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant, b/	Date of transfer to Housing Successor Agency	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition by the former RDA	Interest in real property (option to purchase, easement, etc.)
	Low-Mod Housing Covenant	070-312-014/015, 233/239 J Street	N/A	12,025	12,025	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$825,000	\$0	\$93,000	2/23/2011	Affordable Housing Covenant Holder
23	Low-Mod Housing Covenant	070-280-024, 1220 Olive Drive	N/A	93,654	93,654	Yes	City Inclusionary Requirement & CA RDA Law	3/11/2011	\$400,000	\$0	\$0	8/17/2006	Affordable Housing Covenant Holder
24													

a/ Asset types may include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Exhibit B - Personal Property

City of Davis  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of Asset	Description	Carrying Value of Asset	Category	Transfer to Housing Successor Agency	Acquisition cost funded with Low-Mid Income Housing Fund monies	Acquisition costs funded with other RDA funds	Acquisition costs funded with non-RDA funds	Date of acquisition by the former RDA
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a/ Asset types any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low and moderate income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds.

Exhibit C - Low-Mod Encumbrances

City of Davis  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of housing built or acquired with funds of	Date contract for enforceable obligation was executed	Contractual counterparty	Total amount currently owed for the enforceable obligation	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant b/	Current owner of the property	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other-RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition of the property
1	low-mod housing- rental, New Harmony	11-Mar-11	New Harmony L.P., Managing G.P. Sacramento-Yolo Mutual Housing Association	3,571,589	Yes	CA Redevelopment Law, tax credits, federal HOME funds requirements, local inclusionary requirements	Sacramento-Yolo Mutual Housing Association	\$7,538,699	N/A	\$13,263,035	Under construction. Started November 2011, planned to finish January 2012.
2	low-mod housing- rental, New Harmony	11-Mar-11	Best, Best, and Kreiger	13,647	Yes	CA Redevelopment Law, tax credits, federal HOME funds requirements, local inclusionary requirements	Sacramento-Yolo Mutual Housing Association		(part of line above)		Under construction. Started November 2011, planned to finish January 2012.
3	Legal Fees related to low-mod housing- Davis Area Cooperative Housing Association	21-Mar-11	Best, Best, and Kreiger	208,315	Yes	CA Redevelopment Law, local inclusionary requirements	City of Davis	\$4,159,429	N/A	N/A	Properties completed from 2003 through 2005.
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5											
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7											
8											
9											
10											

a/ May include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

## Exhibit D - Loans/Grants Receivables

City of Davis  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Was the Low-Mod Housing Fund amount issued for a loan or a grant?	Amount of the loan or grant	Date the loan or grant was issued	Person or entity to whom the loan or grant was issued	Purpose for which the funds were loaned or granted	Are there contractual requirements specifying the purposes for which the funds may be used?	Repayment date, if the funds are for a loan	Interest rate of loan	Current outstanding loan balance (as of 1/31/13)
	Loan	\$7,538,699, (\$3,922,109.70 disbursed as of Feb 1, 2012)	approved 3/1/2011, documents signed 3/11/11	New Harmony L.P., managing GP, Sacramento Yolo Mutual Housing Association	Construction of low mod housing	Yes	55 years from construction completion (Feb 2013)	3%, with residual receipts payments	\$ 6,650,977.92
1	Loan	\$ 2,123,219.00	signed 8/30/2007	NP Eleanor Associates, L.P.	Construction of low mod housing	Yes	55 years from the MHP Closing Date (9.4.07)	3%, with residual receipts payments	\$ 2,468,242.10
2	Loan			Rosebloom Associates	Construction of low mod housing and tax-credit buyout	Yes	40 years from date of amended and restated documents (9.8.08)	3%, with residual receipts payments	\$ 406,957.53
3	Loan	\$ 358,552.90	signed 8/8/2008	Heather Glen Associates	Tax Credit Buyout	Yes	40 years from date of amended and restated documents (7.1.08)	3%, with residual receipts payments	\$ 53,893.63
4	Loan	\$ 47,379.00	signed 7/1/2008	Homestead Supportive Housing Corporation	Construction of low mod housing	Yes	55 years from date of amended and restated documents (1.30.08)	3%, with residual receipts payments	\$ 399,381.08
5	Loan	\$ 346,630.00	signed 1/30/2008	Community Housing Opportunities Corporation	Rehabilitation of low mod housing	Yes	55 years from date of amended and restated documents (12.16.09)	3%, with residual receipts payments	\$ 55,472.70
6	Loan	\$ 50,660.00	signed 12/16/2009	Yolo Mutual Housing Association and Sacramento Mutual Housing Association	Acquisition of land for low mod housing	Yes	57 years from date of amended and restated documents (4.23.07)	3%, with residual receipts payments	\$1,057,500.00
7	Loan	\$ 900,000.00	signed 4/23/2007	Tremont Green Associates	Construction of low mod housing	Yes	55 years from date of amended and restated documents (12.1.03)	3%, with residual receipts payments	\$1,587,186.30
8	Loan	\$ 1,244,552.00	signed 12/1/2003	Walnut Terrace Limited Partnership	Construction of low mod housing	Yes	Annual payments of \$70,802 starting 11/1/2035	payment amounts stated	\$2,283,450.19
9	Loan	\$ 1,830,421.00	signed 6/17/2004	Windmere II Limited Partnership	Construction of low mod housing	Yes	55 years from date of amended and restated documents (9.22.98)	3%	\$ 589,211.52
10	Loan	\$ 593,000.00	signed 9/22/1998			Yes			



Exhibit E - Rents/Operations

City of Davis  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of payment a/	Type of property with which they are associated b/	Property owner	Entity that collects the payments	Entity to which the collected payments are ultimately remitted	Purpose for which the payments are used	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant c/	Item from Exhibit A the rent/operation is associated with (if applicable)
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a/ May include revenues from rents, operation of properties, residual receipt payments from developers, conditional grant repayments, costs savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

b/ May include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

c/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Exhibit F - Rents

City or County of xxxx  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of payment a/	Type of property with which the payments are associated b/	Property owner	Entity that collects the payments	Entity to which the collected payments are ultimately remitted	Purpose for which the payments are used	Is the property encumbered by a low/mod housing covenant?	Source of low/mod housing covenant c/	Item # from Exhibit A if item is associated with it (if applicable)
1	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	1
2	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	2
3	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	3
4	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	4
5	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	5
6	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	6
7	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	7

Item #	Type of payment a/	Type of property with which the payments are associated: b/	Property owner	Entity that collects the payments	Entity to which the collected payments are ultimately remitted	Purpose for which the payments are used	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant: c/	Item # from Exhibit A the rent is associated with (if applicable)
8	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	8
9	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	9
10	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	10
11	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	11
12	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Property Management and Upkeep	Yes	City Inclusionary Requirement & RDA Housing Set-aside Funds	12
13	Rent	Low-Mod Housing	Davis RDA	Davis RDA	Davis RDA	Lease Management	Yes	RDA Housing Set-aside Funds	21

a/ May include rents or home loan payments.

b/ May include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

c/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.



Exhibit G - Deferrals

City or County of xxxxx  
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Purpose for which funds were deferred	Fiscal year in which funds were deferred	Amount deferred	Interest rate at which funds were to be repaid	Amount currently amount owed	Date upon which funds were to be repaid
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**RDA RESOLUTION NO. 1256**

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS  
FORGIVING ITS LOAN OF \$1.6 MILLION UNDER THE  
PACIFICO PROJECT COOPERATIVE AGREEMENT WITH THE CITY OF DAVIS  
IN EXCHANGE FOR THE RECORDATION OF AFFORDABLE HOUSING  
COVENANTS BY THE CITY OF DAVIS TO ENSURE ONGOING AFFORDABILITY  
OF THE PACIFICO AFFORDABLE HOUSING PROJECT**

WHEREAS, the Pacifico Affordable Housing Project at 1752 Drew Circle is a 112-bed affordable cooperative rental housing project that was developed using land and funding provided by the City of Davis Affordable Housing Program; and

WHEREAS, the Pacifico Affordable Housing Project was unable to stay current on its debt, due to project vacancies, ultimately leading to foreclosure proceedings by its senior lender, First Northern Bank, in late 2009 through March 2010; and

WHEREAS, the City of Davis held debt in the Pacifico Affordable Housing Project, including the second lien on the property and was able to secure the affordability of Pacifico by advancing \$1.6 million loaned from the Agency for the repayment of First Northern Bank; and

WHEREAS, a goal of the Redevelopment Agency is the creation and preservation of affordable housing, including projects outside of its project area, like Pacifico, that benefit the Project Area through the disbursement of affordable housing throughout the city; and

WHEREAS, the City of Davis foreclosed on the Pacifico Affordable Housing Project and became owner of the project as a result of the foreclosure sale on January 25, 2011, with the goal of rehabilitating the project for the purpose of preserving affordable housing.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Davis that the Board forgives its loan of \$1.6 million from the Redevelopment Agency's Housing Set-Aside Fund (fund 954) to the City's Housing Trust Fund (fund 160), as approved in closed session on March 30, 2010 and reported out of closed session at that meeting, and reflected in the Pacifico Project Cooperation Funding Agreement (Exhibit A) based on the City's agreement to place affordability covenants on Pacifico. This loan is fulfilled based on the condition that the City of Davis record the necessary covenants against the property that will ensure ongoing affordability of the project to low and very-low income households and compliance with redevelopment requirements regarding the provision of affordable housing.

NOW, FURTHER, BE IT RESOLVED by the Agency that the Pacifico Project Cooperative Agreement, as approved in closed session March 30, 2010 and reported out of closed session at that meeting and provided in Exhibit A, is fulfilled by the City of Davis and the Board provides the Agency Director authorization to take any further actions and to execute any further documents necessary to implement the action set forth herein.

PASSED AND ADOPTED by the Redevelopment Agency Board of the City of Davis on this 15<sup>th</sup> day of March, 2011, by the following vote:

AYES: Greenwald, Souza, Swanson, Wolk, Krovoza

NOES: None



Joseph F. Krovoza  
Board Chair

ATTEST:



Zoe S. Mirabile  
Board Secretary

## PACIFICO PROJECT COOPERATION FUNDING AGREEMENT

THIS AGREEMENT is entered into as of the thirteenth day of April, 2010, by and between the CITY OF DAVIS (the "City") and the REDEVELOPMENT AGENCY OF THE CITY OF DAVIS (the "Agency").

### Recitals

A. The City and the Agency, acting pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.), desire to cooperate to conserve affordable housing within the City.

B. Pursuant to the Community Redevelopment Law, the Agency is performing a public function of the City and providing for affordable housing and the removal of blight within the City.

C. The Pacifico Project located at 1752 Drew Avenue, Davis, was developed on a City affordable housing land dedication site as a cooperative for low income students. The City provided funding in the approximate amount of \$ 1,017,000 for the construction of this Project. Conventional funding was provided by First Northern Bank of Dixon in the original amount of \$2,075,000 the conventional funding loans secured by deeds of trust have priority over the City's loans and the City's affordability covenant. First Northern also made a loan under the federal Affordable Housing Program ("AHP") in the amount of \$250,000 that is secured by a third deed of trust. The Project is currently in default on all of its loans and is subject to a foreclosure proceeding.

D. First Northern Bank has agreed to accept a discounted payoff from the City in exchange for which First Northern Bank will reconvey its first and second deeds of trust and subordinate its third deed of trust, if necessary. This discounted payoff will permit the City to safeguard its existing investment in the Project and to retain the affordability restrictions on the Project.

E. The City and the Agency desire to enter into this Agreement for the following purposes:

(1) To facilitate the conservation of affordable housing in furtherance of the functions of the Agency under the Community Redevelopment Law; and

(2) To provide for a loan to the City from the Low and Moderate Income Housing Fund of the Agency to permit the City to advance funds under the City's Housing Trust Fund loan to remove and subordinate First Northern's liens, as set forth below, and to safeguard the City's Housing Trust Fund loan on the Project, and to provide for the continuation of this affordable housing within this City

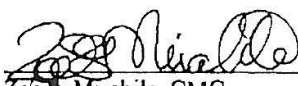
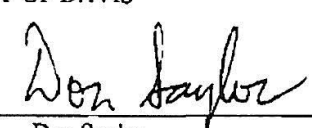

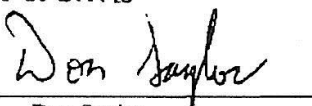
### Agreements

1. The Agency agrees to loan to the City from the Low and Moderated Income Housing Fund of the Agency the not to exceed sum of \$1.7 million dollars to be used to advance funds under the City's Housing Trust Fund loan on the Pacifico Project to pay the discounted payoff amount to First Northern Bank of Dixon to obtain reconveyance of the first and second deed of trust (in the original total amount of

\$2,075,000) and subordination of the third deed of trust securing the First Northern Bank/AHP loan on the Pacifico Project. The parties understand and agree that the First Northern Bank/AHP loan in the original principal amount of \$250,000 shall remain on the Property but shall be subordinated to the City's Housing Trust Fund Loan. As set forth in its loan document, the AHP loan will be forgiven 15 years from its original date of March 29, 2000, if the affordability restriction remains on the Project. The Agency and the City understand and agree that the Pacifico Project may remain, in whole or in part, a cooperative or may be renovated to accommodate apartments or other living units. However, the parties agree that the Project shall remain affordable to low and moderate income individuals and families as required by the Community Redevelopment Law. The City and the Agency also agree that loan repayments or other revenue from the Project shall be used, in part or in whole, and consistent with the any costs incurred by, or approved by the City and/or the Agency, to renovate and/or maintain the project, to repay the Agency's loan to the City and the City's loan, as the Agency and the City shall agree. Although the parties recognize that payment may not occur for a few years and that repayment may also occur over a period of time, it is the express intent of the parties that the Agency shall be entitled to repayment of the loan to the City made under this Agreement, consistent with the City's Housing Trust Fund's financial ability to pay and income generated by the Pacifico Project.

2. The City will keep records of activities and services undertaken pursuant to this Agreement and the costs thereof so that an accurate determination of the City's liability to the Agency can be made. The City shall periodically, but not less than annually, submit to the Agency a statement of the costs incurred and payments made by the City pursuant to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST:  Zoe S. Mirabile, CMC City Clerk	CITY OF DAVIS By:  Don Saylor Mayor Pro Tempore
	"CITY"
ATTEST:  Zoe S. Mirabile, CMC Secretary	REDEVELOPMENT AGENCY OF THE CITY OF DAVIS By:  Don Saylor Vice Chairperson
	"AGENCY"

## ASSIGNMENT, TERMINATION AND SETTLEMENT AGREEMENT

THIS ASSIGNMENT, TERMINATION AND SETTLEMENT AGREEMENT ("Agreement") is made as of February 28, 2011, by and between COMMUNITY HOUSING OPPORTUNITIES CORPORATION, a California nonprofit public benefit corporation ("CHOC") and the REDEVELOPMENT AGENCY OF THE CITY OF DAVIS, a public body, corporate and politic ("Agency").

### RECITALS

A. On August 8, 2007, the Agency entered into a loan agreement with the California Housing Finance Agency ("CalHFA") in accordance with CalHFA's Residential Development Loan Program ("RDLP"), whereby CalHFA agreed to loan to the Agency an amount not to exceed One Million Nine Hundred Eight Thousand Dollars (\$1,908,000.00) (the "RDLP Loan") to be used for predevelopment and construction costs in connection with the development of a mixed use development that would include a minimum of twenty-eight (28) for-sale residential units that would be conveyed to a community land trust to be operated as affordable housing units, and certain other improvements (the "Project") on property owned by the City of Davis and located at 2990 Fifth Street, Davis, CA 95616.

B. On December 21, 2007, the Agency entered into a loan agreement (the "Loan Agreement") with CHOC pursuant to which the Agency agreed to make a loan from the funds received by the Agency from CalHFA through the RDLP Loan to CHOC in a total amount not to exceed One Million Nine Hundred Eight Thousand Dollars (\$1,908,000.00) to be used for predevelopment and construction costs to be incurred in connection with the Development of the Project. On December 21, 2007, CHOC executed a promissory note (the "Note") in favor of the Agency in the amount of One Million Nine Hundred Eight Thousand Dollars (\$1,908,000.00) requiring CHOC to repay any amounts disbursed to CHOC pursuant to the terms of the Loan Agreement.

C. Pursuant to the terms of the Loan Agreement, the Agency disbursed Five Hundred Twenty-Six Thousand Four Hundred Forty One Dollars and Forty Six Cents (\$526,441.46) to CHOC through periodic disbursements for predevelopment costs associated with the Project. CHOC used the disbursed funds to pay for certain predevelopment work product required for the development of the Project, and fund other costs associated with obtaining development entitlements and securing financing for the Project.

D. CHOC incurred an additional Sixty-Seven Thousand Eight Hundred Eight Dollars (\$67,808.00) in predevelopment costs in connection with the Project after the last disbursement by Agency to date.

E. Notwithstanding the efforts of CHOC and the Agency, the Project as originally contemplated by the Agency and CHOC is not financially feasible, and as a result the Agency and CHOC are not proceeding with the Project.

F. The Agency and CHOC desire to enter into this Agreement to dispose of any obligations to one another under the terms of the Loan Agreement, to assign the existing work product generated by CHOC in connection with the Project to Agency, and for the Agency to

extinguish the outstanding amount due from CHOC under the Loan Agreement and the Note.

F. As a condition to and as consideration for Agency's willingness to extinguish the outstanding amount owed by CHOC pursuant to the Loan Agreement and the Note, Agency requires that CHOC assign to Agency all of CHOC's right, title and interest in and to (i) all surveys, site plans, plans and specifications for onsite and offsite improvements prepared in connection with the Project and/or any improvements to be constructed and/or located upon the Property, together with any and all existing amendments, modifications, supplements, general conditions and addenda thereto; (ii) all permits, licenses, warranties, indemnities and approvals (including without limitation all building permits and other governmental entitlements and approvals) issued to CHOC from time to time with respect to the Property; (iii) all engineering reports, soils and environmental reports, site plans, surveys, working drawings, other reports, drawings, and plans referred to and any other documents that are intended to set forth the design of the Project, whether fully or partially completed; (iv) those certain agreements and contracts between CHOC and any third parties, heretofore entered into for the account of Assignor pertaining to any architectural, design, civil engineering, structural engineering, construction, utilities, off-site improvements, services and other matters related to or in connection with the Property, together with any and all existing amendments, modifications, supplements, general conditions and addenda thereto (the "Contracts"); and (v) all of the Assignor's right, title, and interest in the Contracts, together with all present and future rights, benefits, and claims arising from the Contracts (collectively, the "**Assigned Documents**").

#### **TERMS AND CONDITIONS**

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged:

##### **1. Assignment of Assigned Documents.**

**1.1 Assignment Clause.** CHOC hereby irrevocably assigns, transfers and conveys to Agency all of CHOC's right, title and interest in and to the Assigned Documents.

**1.2 Absolute Assignment.** The Assignment constitutes a present and absolute assignment from CHOC to Agency of the Assigned Documents as of the Effective Date.

**1.3 Delivery of Assigned Documents.** On the Effective Date of this Agreement, CHOC shall deliver the Assigned Documents to Agency c/o Danielle Foster, Housing and Human Services Superintendent, City of Davis, 23 Russell Blvd., Suite 5, Davis, CA 95616.

**2. Final Disbursement.** Upon receipt of the Assigned Documents, Agency shall make a final disbursement of Fifty Thousand Dollars (\$50,000.00) pursuant to the terms of the Loan Agreement for pre-development costs incurred by CHOC in connection with the Project.

**3. Termination of Loan Agreement.** The assignment of the Assigned Documents as set forth herein constitutes a settlement and satisfaction of all amounts owed pursuant to the Loan Agreement and Promissory Note. Upon receipt of the Assigned Documents by Agency and disbursement to CHOC of the final disbursement described in Section 2 of this Agreement,

the Loan Agreement shall be deemed terminated, and neither party shall have any further rights thereunder. Upon termination of the Loan Agreement as set forth herein, no further amount is due and owing from CHOC to Agency under the Loan Agreement and Promissory Note, and the Promissory Note shall be returned to CHOC.

4. **Mutual Release.** With the exception of the obligations imposed under this Agreement, CHOC and Agency, for themselves, their respective officers, directors, members, managers, partners, agents, employees, attorneys, successors and assigns hereby release and discharge each other, and their respective officers, directors, shareholders, members, agents, employees, attorneys, heirs, successors and assigns, individually and collectively, of and from any and all possible debts, claims, rights, demands, actions, obligations, liabilities, and causes of action of any and every kind, nature and character whatsoever, whether known or unknown, asserted or unasserted, which either party does or may now have, or may in the future have against one another arising out of or relating to the Loan Agreement, the Note, or development of the Project.

The parties each understand and agree that this release extends to all claims of every nature and kind whatsoever, known or unknown, suspected or unsuspected, and each party hereby waives all rights under California Civil Code section 1542, which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

5. **General Provisions.** This Agreement is further made on the following terms, covenants and conditions:

5.1 **CHOC's Representations and Warranties.** CHOC hereby represents and warrants to Agency that:

5.1.1 **No Prior Assignment.** No previous assignment of CHOC's interest in and to or rights under the Assigned Documents has been made; and

5.1.2 **Performance Under the Assigned Documents.** All covenants, agreements and conditions required to be performed or to occur under the Assigned Documents as of the date hereof by CHOC have been performed or occurred. No amount is due or owing to any architect, engineer, contractor or other third party for any work performed on or pursuant to any of the Assigned Documents.

5.2 **Indemnification of Agency.** CHOC hereby agrees to protect, indemnify, defend and hold Agency free and harmless from and against any and all claims, causes of action, demands, damages, liens, liabilities, losses, costs and expenses (including reasonable attorneys' fees) arising from any breach by CHOC of the representations and warranties set forth in Section 5.1 above.



5.3 **Severability.** If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

5.4 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

5.5 **Attorneys' Fees.** In the event of any dispute arising out of this Agreement or any action or proceeding to enforce the provisions of this Agreement, the prevailing party in such dispute, action or proceeding shall be entitled to recover from the losing party all costs and expenses incurred by the prevailing party in connection therewith, including without limitation court costs and reasonable attorneys' fees and expenses.

5.6 **Further Acts.** CHOC shall, upon request of Agency, execute, acknowledge (if appropriate) and deliver any and all documents and instruments and do or cause to be done all further acts reasonably necessary or appropriate to effectuate the provisions of this Agreement, including without limitation, assisting Agency in obtaining the consent to this Agreement from any and all architects and engineers who prepared Assigned Documents, including but not limited to Cunningham Engineering, Harriman & Associates and Mogavero Notestine Associates, in the form provided in the Consent attached to this Assignment.

5.7 **Non-Admission of Liability.** It is understood and agreed that this settlement involves a compromise of disputed claims. Neither this Agreement, nor any payment of any sum of money in connection with this Agreement, shall constitute, be deemed, or construed as, an admission of liability, fault or responsibility on the part of any party, which liability, fault or responsibility is expressly denied.

5.8 **Final Agreement.** The terms of this Agreement are intended by the parties as a final expression of their agreement and understanding with respect to such terms as are included in this Agreement and may not be contradicted by any evidence of prior or contemporaneous agreements. The parties further intend that this Agreement constitutes the complete and exclusive statement of its terms, and that no evidence whatsoever may be introduced to vary the terms in any proceeding involving this Agreement.

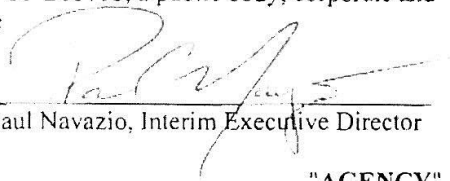
5.9 **No Oral Modifications.** This Agreement shall not be modified by oral representation made before, during or after the execution of this Agreement. All modifications must be in writing and signed by the parties.

5.10 **Counterparts/Facsimile Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Each party executing this Assignment and transmitting a facsimile signature thereto to any other party shall have evidenced an intention to be legally bound thereby and accordingly, shall have entered into a binding agreement.

[AGREEMENT CONTINUED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Agency and CHOC have executed this Agreement as of the date first above written.

REDEVELOPMENT AGENCY OF THE  
CITY OF DAVIS, a public body, corporate and  
politic

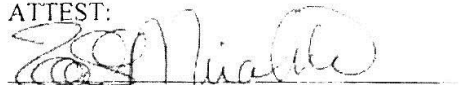
By:   
Paul Navazio, Interim Executive Director

"AGENCY"

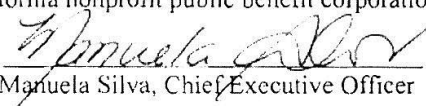
APPROVED AS TO FORM:

  
Agency Counsel

ATTEST:

  
Agency Secretary

COMMUNITY HOUSING  
OPPORTUNITIES CORPORATION, a  
California nonprofit public benefit corporation

By:   
Manuela Silva, Chief Executive Officer

"BORROWER"

**RDA RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF  
DAVIS APPROVING AND AUTHORIZING THE EXECUTION OF AN PUBLIC  
WORKS AGREEMENT BY AND BETWEEN THE AGENCY AND THE CITY  
OF DAVIS FOR THE FUNDING OF SERVICES AND PROJECTS WITHIN THE  
DAVIS REDEVELOPMENT PROJECT**

**WHEREAS**, the City Council of the City of Davis ("City") approved and adopted the Redevelopment Plan ("Redevelopment Plan") for the Davis Redevelopment Project (the "Redevelopment Project") on November 25, 1987; and

**WHEREAS**, the Redevelopment Agency of the City of Davis ("Agency") is vested with the responsibility to carry out the Redevelopment Plan within the Redevelopment Project Area (the "Redevelopment Project Area"); and

**WHEREAS**, the Redevelopment Plan provides for the Agency to assist with the construction and installation of necessary public infrastructure and facilities, to facilitate the repair, restoration and/or replacement of existing infrastructure and facilities, to provide affordable housing, to perform specific actions necessary to promote the redevelopment and the economic revitalization of the Redevelopment Project Area, and to take all other necessary actions to implement the Redevelopment Plan; and

**WHEREAS**, the Agency has adopted a Five-Year Implementation Plan for the Redevelopment Project Area (the "Implementation Plan") which establishes goals, among other things, to support affordable housing, economic development, community revitalization, and commercial revitalization; and

**WHEREAS**, to implement the programs and activities associated with each goal, the Agency has made redevelopment fund commitments based on estimated available tax increment revenue, bond proceeds and debt financing structures; and

**WHEREAS**, pursuant to Section 33220 of the California Community Redevelopment Law (Health & Safety Code Section 33000 *et seq.*) ("CRL"), certain public bodies, including the City, may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment activities, programs and projects in furtherance of and in accordance with the Redevelopment Plan (the "Projects"); and

**WHEREAS**, the City and the Agency have entered into an amended and restated Cooperation Agreement dated February 2, 2011, that provides for the City's cooperation and assistance in Agency services, projects and programs and the reimbursement of funding for such cooperation and assistance from the Agency to the City.

**WHEREAS**, to carry out the Projects in accordance with the objectives and purposes of the Redevelopment Plan and Implementation Plan, the Agency desires further assistance and cooperation in the completion of the Projects, and the City agrees to aid the Agency and cooperate with the Agency to expeditiously implement the Projects, and to undertake and complete all actions necessary or appropriate to ensure that the objectives of the Redevelopment Plan and Implementation Plan are fulfilled within the time effectiveness of the Redevelopment Project Area; and

**WHEREAS**, in consideration of the Agency's desire to ensure timely implementation and completion of the Projects, the Agency wishes to enter into a Public Works Agreement with the City to formalize the pledge of Agency Funds, to pay for certain services and to pay for costs relating to the Projects;

**NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The Agency hereby approves the Public Works Agreement ("Public Works Agreement") in substantially the form attached as Exhibit "A" to this resolution. The Agency further approves and authorizes the payment to the City of amounts that are authorized in and in accordance with the Public Works Agreement.

**Section 2.** The Executive Director is hereby authorized and directed to execute the Public Works Agreement on behalf of the Agency, subject to any minor conforming, technical or clarifying changes approved by Agency Counsel. The Executive Director is hereby further authorized and directed to take such further actions and execute such documents as are necessary to carry out the Public Works Agreement on behalf of the Agency, including without limitation the repayment of amounts due and owing, or that may become due and owing, to the City as set forth in and in accordance with the Public Works Agreement.

**PASSED AND ADOPTED** at a regular meeting of the Redevelopment Agency of the City of Davis held on this \_\_\_\_\_ day of \_\_\_\_\_, 2011, by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

**PUBLIC WORKS AGREEMENT  
CITY OF DAVIS REDEVELOPMENT PROJECT**

THIS PUBLIC WORKS AGREEMENT (the "Agreement") is entered into this 15<sup>th</sup> day of March, 2011, by and between the REDEVELOPMENT AGENCY OF THE CITY OF DAVIS, a public body, corporate and politic (the "Agency"), and the CITY OF DAVIS, a municipal corporation (the "City").

Recitals

- A. The Redevelopment Plan (the "Plan") for the Davis Redevelopment Project (the "Project") was originally adopted by the City Council of the City of Davis (the "City") on November 25, 1987, by Ordinance No. 1454.
- B. Pursuant to the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.), the Agency is carrying out the Redevelopment Plan for the Project in the redevelopment project area (the "Project Area").
- C. Pursuant to Health and Safety Code Section 33220, the City is authorized to aid and cooperate with the Agency in carrying out the Project and take actions necessary to ensure the fulfillment of the purposes of the Redevelopment Plan and to prevent the recurrence or spread in the Project Area of conditions causing blight.
- D. The Agency and the City have been working on 1. (re)development of a hotel in conjunction with the development of a new conference facility, 2. construction of additional parking in the downtown in along with new retail and office development to serve the Project Area, 3. completion of Hunt Boyer Mansion tank house relocation and site improvements, 4. construction of Central Park restroom and playground improvements, which improvements are contained in the Redevelopment Plan, Implementation Plan and City Council Goals.
- E. In furtherance of the Project, the Agency and the City desire to enter into an agreement pursuant to which the City will install and construct certain public improvements to serve the Project (the "Improvements") as described in the Public Improvements, attached hereto as Exhibit A and incorporated herein, and the Agency shall pay the City for a portion of the cost of such Improvements in an amount not to exceed \$7,000,000.

F. The Redevelopment Agency has issued bonds to provide additional funding for the development of the hotel / conference facility and additional parking to serve the Project Area.

G. The Agency and the City have determined that the Improvements are of benefit to the Project, that no other reasonable means of financing such Improvements are available to the community and that the payment of funds by the Agency pursuant to this Agreement will assist in the elimination of one or more blighting conditions within the Project area.

H. This Public Works Agreement is not a project under the California Environmental Quality Act because it is a financing document, and not approval of a project.

#### Agreements

NOW, THEREFORE, THE AGENCY AND THE CITY HEREBY AGREE AS FOLLOWS:

#### Section 1. Purpose

The purpose of this Agreement is to provide for the design, construction and installation of certain public improvements to serve and benefit the Project and to implement and carry out the Redevelopment Plan for the Project.

#### Section 2. The Improvements

Within the Project Area, the City shall cause the Improvements to be designed, constructed and installed in a satisfactory and proper manner pursuant to plans and specifications to be prepared by the City and submitted to the Agency for its approval. The City shall acquire land and other property interests necessary in order to complete the Improvements. The City's obligation to design, construct and install any portion of the Improvements is conditioned upon receipt of the payment from the Agency described in Section 3 of this Agreement, and receipt of other funds sufficient to pay the total cost of designing, constructing and installing such portion of the Improvements. The parties contemplate that the total cost of the Improvements will be approximately the amounts shown on Exhibit A, but it is understood that said amounts are estimates only and that the actual costs of any of the Improvements will be determined at the time said Improvement is undertaken by the City.

#### Section 3. Payment by the Agency.

Immediately upon the execution of this Agreement and in consideration of the undertakings of the City under Section 2 of this Agreement, after first making adequate provision for the payment of principal and interest due on any bonds or other indebtedness of the Agency which have been incurred by the Agency in carrying out

the Project and for which the annual tax allocations to the Agency from the Project (the "Tax Allocations") are pledged or committed, the Agency shall pay to the City an amount not to exceed SEVEN MILLION DOLLARS (\$7,000,000.00). All funds paid to the City under this Agreement shall, upon receipt by the City, constitute general funds of the City. Agency acknowledges that, but for the availability of the funding pledged pursuant to this Agreement, to complete the Improvements, the City would not undertake the Improvements contemplated in this Agreement. Further, City is acting in reliance on this Agreement and the availability of Agency's pledge of Tax Allocations in entering into contracts with third party contractors for the Improvements. Following completion of the Improvements, the City may but is not required to reimburse the Agency for the funds advanced pursuant to this Agreement as funds are available, provided, however, that funds paid to the City by the Agency shall in no event be construed as a loan.

Section 4. Indebtedness of the Agency.

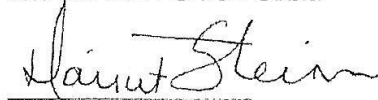
This Agreement constitutes an indebtedness of the Agency incurred in carrying out the Project, and a pledging of Tax Allocations from the Project to repay such indebtedness, under the provisions of Section 16 of Article XVI of the California Constitution and Sections 33670-33674 of the Health and Safety Code; provided, however, that such pledge of Tax Allocations shall be subordinate and subject to any pledge of Tax Allocations from the Project to repay bonds or other indebtedness incurred by the Agency in carrying out the Project.

Section 5. Liability and Indemnification.

Pursuant to Section 895.4 of the Government Code, the Agency and the City agree that each will assume the full liability imposed upon it or any of its officers, agents or employees for injury caused by a negligent or wrongful act or omission occurring in the performance of this Agreement, and each party agrees to indemnify and hold harmless the other party for any loss, cost or expense that may be imposed upon such other party by virtue of Sections 895.2 and 895.6 of the Government Code. Agency further acknowledges that in the event it fails to make the payments due to the City under this Agreement, Agency shall be liable to City for all damages incurred as a result of its failure to pay the City the amounts due under this Agreement. Such damages shall include amounts owed pursuant to third party contracts entered into in reliance on this Agreement.

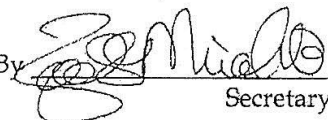
IN WITNESS WHEREOF, the Agency and the City have executed this Agreement as of the date first above written.

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney

REDEVELOPMENT AGENCY OF THE  
CITY OF DAVIS

By   
\_\_\_\_\_  
Executive Director

By   
\_\_\_\_\_  
Secretary

"AGENCY"

CITY OF DAVIS

By   
\_\_\_\_\_  
City Manager

By   
\_\_\_\_\_  
City Clerk

"CITY"



EXHIBIT A  
PUBLIC IMPROVEMENTS

**PROJECT 1. HOTEL / CONFERENCE FACILITY**

The City has been in discussions with two existing downtown area hoteliers to redevelop their properties to add a new approximately 400 person capacity conference facility with new full service hotel rooms. Both hoteliers have completed feasibility studies including initial site planning, architectural drawings, and construction cost estimating. Consideration of these projects and determination to enter into exclusive right to negotiate is scheduled for City Council consideration in March 2011. After that, if approved, the selected hotelier will submit applications for land use entitlement, including environmental review under the California Environmental Quality Act, which are subject to review and approval by the City. If approved, City assistance is anticipated for the construction of the conference facility, parking, and off-site improvements.

<u>Expense</u>	<u>Estimated Cost</u>	<u>Expenditure Date</u>
Architect/Engineering	\$400,000	By April 2011
Environmental/Permitting	\$500,000	By November 2011
Loan for Construction of Conference Facility	\$5 -\$10,000,000	By June 2012
Total:	\$5-10,900,000	

**PROJECT 2. DOWNTOWN MIXED USE PROJECT**

The City has identified several opportunities for redevelopment of its surface parking lots in downtown with new retail, office, and/or residential development. Preliminary feasibility analysis has been completed for both the 3<sup>rd</sup>, 4<sup>th</sup>, E and F Street block and the 2<sup>nd</sup>, 3<sup>rd</sup>, G and H Street block. Phase 1 environmental reports have been completed. A request for an exclusive right to negotiate was received in February 2011 for the disposition and development of the city's parking lot on the 2<sup>nd</sup>, 3<sup>rd</sup>, G and H Street block. This agreement is scheduled for City Council consideration in March 2011. After that, property owner or the City will submit applications for land use entitlement, including environmental review under the California Environmental Quality Act, which are subject to review and approval by the City.

<u>City Expense</u>	<u>Estimated Cost</u>	<u>Expenditure Date</u>
Architect/Engineering	\$300,000	By October 2011
Site Remediation and Preparation	\$500,000	By November 2012
Construction of Off-site Improvements	\$2,500,000	By March 2013
Construction of Parking Structure	\$5,000,000	By March 2013
Total:	\$8,800,000	

#### **PROJECT 3. Hunt Boyer Tankhouse and Site Improvements**

The Hunt Boyer Tankhouse was relocated in 2010 to accommodate the construction of a new café / office building on the site. A new foundation and structure shoring was performed during the relocation. Final renovation plans and specifications are being completed including site landscaping and lighting improvements for the site. Plans are scheduled for bid in April and construction anticipated for May and June 2011.

<u>City Expense</u>	<u>Estimated Cost</u>	<u>Expenditure Date</u>
Architect/Engineering	\$10,000	By March 2011
Construction	\$100,000	By May 2011
Total:	\$110,000	

#### **PROJECT 4. Central Park Improvements**

City Council at its February 15, 2011 meeting approved an update to the Central Park Masterplan for the construction of new restroom and accessible playground improvements at the north end of the park. Construction drawings are being prepared with anticipation for construction to commence by Fall of 2011.

<u>City Expense</u>	<u>Estimated Cost</u>	<u>Expenditure Date</u>
Construction	\$500,000	By October 2011
Total:	\$500,000	

**RDA RESOLUTION NO. 1263**

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS  
APPROVING AND AUTHORIZING THE EXECUTION OF FIRST AMENDMENT  
TO PUBLIC WORKS AGREEMENT BY AND BETWEEN THE AGENCY AND THE  
CITY OF DAVIS FOR THE FUNDING OF SERVICES AND PROJECTS WITHIN  
THE DAVIS REDEVELOPMENT PROJECT**

WHEREAS, the City Council of the City of Davis ("City") approved and adopted the Redevelopment Plan ("Redevelopment Plan") for the Davis Redevelopment Project (the "Redevelopment Project") on November 25, 1987; and

WHEREAS, the Redevelopment Agency of the City of Davis ("Agency") is vested with the responsibility to carry out the Redevelopment Plan within the Redevelopment Project Area (the "Redevelopment Project Area"); and

WHEREAS, the Redevelopment Plan provides for the Agency to assist with the construction and installation of necessary public infrastructure and facilities, to facilitate the repair, restoration and/or replacement of existing infrastructure and facilities, to provide affordable housing, to perform specific actions necessary to promote the redevelopment and the economic revitalization of the Redevelopment Project Area, and to take all other necessary actions to implement the Redevelopment Plan; and

WHEREAS, the Agency has adopted a Five-Year Implementation Plan for the Redevelopment Project Area (the "Implementation Plan") which establishes goals, among other things, to support affordable housing, economic development, community revitalization, and commercial revitalization; and

WHEREAS, to implement the programs and activities associated with each goal, the Agency has made redevelopment fund commitments based on estimated available tax increment revenue, bond proceeds and debt financing structures; and

WHEREAS, pursuant to Section 33220 of the California Community Redevelopment Law (Health & Safety Code Section 33000 *et seq.*) ("CRL"), certain public bodies, including the City, may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment activities, programs and projects in furtherance of and in accordance with the Redevelopment Plan (the "Projects"); and

WHEREAS, the City and the Agency have entered into an amended and restated Cooperation Agreement dated February 2, 2011, that provides for the City's cooperation and assistance in Agency services, projects and programs and the reimbursement of funding for such cooperation and assistance from the Agency to the City; and

WHEREAS, to carry out the Projects in accordance with the objectives and purposes of the Redevelopment Plan and Implementation Plan, the City has agreed to aid the Agency and cooperate with the Agency to expeditiously implement the Projects, and to undertake and complete all actions necessary or appropriate to ensure that the objectives of the Redevelopment Plan and Implementation Plan are fulfilled within the time effectiveness of the Redevelopment Project Area; and

WHEREAS, the City and the Agency have entered into a Public Works Agreement dated March 15, 2011, to ensure timely implementation and completion of the Projects, to formalize the pledge of Agency Funds, to pay for certain services and to pay for costs relating to the Projects; and

WHEREAS, the City and Agency desire to amend the Public Works Agreement to provide that the City will provide certain additional tasks and undertake certain additional services in furtherance of the Projects, and the Agency will pledge and pay additional Agency Funds for such services.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS DOES HEREBY RESOLVE AS FOLLOWS:

**Section 1.** The Agency hereby approves the First Amendment to Public Works Agreement ("Amendment") in substantially the form attached as Attachment 1 to this resolution. The Agency further approves and authorizes the payment to the City of amounts that are authorized in and in accordance with the Amendment.

**Section 2.** The Executive Director is hereby authorized and directed to execute the Amendment on behalf of the Agency, subject to any minor conforming, technical or clarifying changes approved by Agency Counsel. The Executive Director is hereby further authorized and directed to take such further actions and execute such documents as are necessary to carry out the Amendment on behalf of the Agency, including without limitation the repayment of amounts due and owing, or that may become due and owing, to the City as set forth in and in accordance with the Amendment.

PASSED AND ADOPTED by the Agency Board of the Redevelopment Agency of the City of Davis on this 21<sup>st</sup> day of June, 2011 by the following vote:

AYES: Greenwald, Swanson, Wolk, Krovoza  
NOES: None  
ABSENT: Souza



Joseph F. Krovoza  
Board Chairperson

ATTEST:



Zoe S. Mirabile, CMC  
Board Secretary

**SECOND AMENDMENT TO PUBLIC WORKS AGREEMENT  
CITY DAVIS REDEVELOPMENT PROJECT**

THIS SECOND AMENDMENT TO PUBLIC WORKS AGREEMENT (the "Second Amendment") is entered into this 28 day of June, 2011, by and between the REDEVELOPMENT AGENCY OF THE CITY OF DAVIS, a public body, corporate and politic (the "Agency"), and the CITY OF DAVIS, a municipal corporation (the "City").

Recitals

A. On March 15, 2011, the Agency and City entered into the Public Works Agreement—City Davis Redevelopment Project (the "Agreement"), pursuant to which the City will install and construct certain Improvements as defined in the Agreement. The Improvements include, among other things, a project that will to redevelop downtown area properties with a hotel-conference facility.

B. On June 21, 2011, the Agency and City entered into the First Amendment to the Agreement (the "First Amendment"), pursuant to which the City agreed to undertake certain Additional Improvements and the Agency agreed make certain payments to the City to complete the Additional Improvements.

C. The Agency and City desire to enter into this Second Amendment to provide that the City will undertake certain other future improvements in furtherance of the Project, and that the Agency will provide access to funding necessary to pay for such future improvements through an assignment of the agency's right to disbursement of bond proceeds, which shall be entered into concurrently with this Second Amendment.

D. This Second Amendment to the Agreement is not a project under the California Environmental Quality Act because it is a financing document, and not approval of a project.

#### Agreements

NOW, THEREFORE, THE AGENCY AND THE CITY HEREBY AMEND THE AGREEMENT AS FOLLOWS:

##### Section 1. Defined Terms

All capitalized terms not defined in this Second Amendment shall have the meaning as defined in the Agreement.

##### Section 2. Purpose

The purpose of this Second Amendment is to provide for the design, construction and installation of certain public improvements to serve and benefit the Project and to implement and carry out the Redevelopment Plan for the Project.

##### Section 3. Future Improvements

In addition to the Improvements to be undertaken by City in accordance with the Agreement and the First Amendment, City agrees to cause future improvements (the "Future Improvements") that are contemplated in the Redevelopment Plan to be designed, constructed and installed within the Project Area in furtherance of the Redevelopment Project. The Future Improvement shall be designed, constructed and installed in a satisfactory and proper manner pursuant to plans and specifications to be prepared by the City and submitted to the Agency for its approval. The City shall acquire land and other property interests necessary in order to complete the Future Improvements. In undertaking such Future Improvements, the City shall comply with all applicable laws and other requirements, including but not limited to the Community Redevelopment Law (Health & Safety Code §§33000 *et seq.*), the Redevelopment Plan, and the Five Year Implementation Plan adopted by the Agency. The City's obligation to design, construct and install any portion of the Future Improvements is conditioned upon the assignment of the Agency's right to disbursement described in Section 4 of this Agreement, and receipt of other funds sufficient to pay the total cost of designing, constructing and installing such portion of the Future Improvements.

##### Section 4. Assignment of Rights to Disbursement of Bond Proceeds.

Immediately upon the execution of this Amendment and in consideration of the undertakings of the City under Section 3 of this Second Amendment, the Agency and City shall enter into an Assignment of Rights to Disbursement of Bond Funds (the "Assignment"), whereby the Agency shall assign to City the right to receive disbursement of the proceeds from the issuance of Agency bonds to finance the completion of the Future Improvements. The terms and conditions of the Assignment are incorporated herein by this reference. All funds disbursed to the City pursuant to the Assignment for the completion of the Future Improvements described in this Second Amendment shall, upon receipt by the City, constitute general funds of the City. Agency acknowledges that, but for the availability of the funding pledged pursuant to this Amendment, to complete the Future Improvements, the City would not undertake the Future Improvements contemplated in this Amendment. Following completion of the Future Improvements, the City may but is not required to reimburse the Agency for the funds advanced pursuant to this Second Amendment as funds are available, provided, however, that funds paid to the City by the Agency shall in no event be construed as a loan.

Section 5. Indebtedness of the Agency.

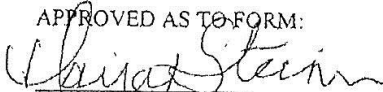
This Amendment constitutes an indebtedness of the Agency incurred in carrying out the Project, and a pledging of Tax Allocations from the Project to repay such indebtedness, under the provisions of Section 16 of Article XVI of the California Constitution and Sections 33670-33674 of the Health and Safety Code; provided, however, that such pledge of Tax Allocations shall be subordinate and subject to any pledge of Tax Allocations from the Project to repay bonds or other indebtedness incurred by the Agency in carrying out the Project.

Section 6. Agreement In Full Force and Effect.

Except as modified by this Amendment, all terms and provisions of the Agreement and the First Amendment remain in full force and effect and are binding on the Agency and City.

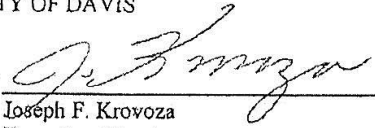
IN WITNESS WHEREOF, the Agency and the City have executed this Agreement as of the date first above written.

APPROVED AS TO FORM:


  
Harriet Steiner  
City Attorney

REDEVELOPMENT AGENCY OF THE  
CITY OF DAVIS

By

  
Joseph F. Krovoza  
Executive Director

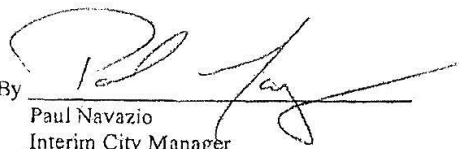
By

  
Zoe S. Mirabile  
Board Secretary

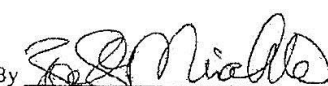
"AGENCY"

CITY OF DAVIS

By

  
Paul Navazio  
Interim City Manager

By

  
Zoe S. Mirabile  
City Clerk

"CITY"

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## ASSIGNMENT OF RIGHTS TO DISBURSEMENT OF BOND FUNDS

This ASSIGNMENT OF RIGHTS TO DISBURSEMENT OF BOND FUNDS ("Assignment") is entered into effective as of June \_\_\_\_, 2011, by and between the REDEVELOPMENT AGENCY OF THE CITY OF DAVIS, a public body, corporate and politic (the "Agency"), and the CITY OF DAVIS, a municipal corporation (the "City").

### RECITALS

A. The Agency has prepared a Redevelopment Plan ("**Redevelopment Plan**") for the Davis Redevelopment Project Area ("**Project Area**"), which results in the allocation of taxes from the Project Area to the Agency for purposes of redevelopment. The intent of the Redevelopment Plan is, in part, to document blighted conditions in the Project Area and identify projects that the Agency intends to pursue.

B. On March 1, 2011, the Agency entered into that certain Indenture of Trust (the "Indenture"), by and between the Agency and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), as supplemented by a First Supplement to Indenture of Trust by and between the Agency and Trust (the "First Supplement").

C. In order to finance additional programs, projects and activities of benefit to the Redevelopment Project and pursuant to the Indenture as supplemented by the First Supplement, the Agency authorized the issuance of its \$13,310,000 aggregate principal amount of 2011 Subordinate Tax Allocation Bonds, Series A (Davis Redevelopment Project) (the "Series A Bonds"), and \$4,690,000 aggregate principal amount of its Davis Redevelopment Project 2011 Taxable Tax Allocation Bonds, Series B (the "Taxable Series B Bonds").

D. On June 2, 2011, the City and Agency entered into that certain Second Amendment to the Public Works Agreement, pursuant to which the City agreed to undertake those redevelopment projects defined in the Indenture as the Series A Project, and those redevelopment projects defined in the First Supplement as the Series B Project.

E. As considerations for City's agreement to undertake and complete the Series A Project and Series B Project on behalf of the Agency, the Agency desires to assign to City the right to receive disbursements of funds from the Redevelopment Fund pursuant to Section 3.04 of the Indenture to aid in the financing of the Series A Project and the Series B Project.

NOW, THEREFORE, the CITY and AGENCY agree as follows:

1. **Defined Terms.** All capitalized terms not defined in this Amendment shall have the meaning as defined in the Indenture or the First Supplement.
2. **Assignment of Rights to Disbursement pursuant to Indenture.** For value received pursuant to the Second Amendment to the Public Works Agreement, the Agency hereby assigns and transfers all of its right, title and interest to the disbursement of funds from the

\$2507.00001\6070014.1



Redevelopment Fund pursuant to Section 3.04 of the Indenture. Under the terms of this Assignment, the City shall have the right to submit a Written Certificate of behalf of the Agency setting forth the amount required to be disbursed and the purpose for which the disbursement is to be made and shall specify the subaccount from which disbursement is to be made by the Trustee. The City shall not be required to obtain any further consent or authorization from Agency prior to requesting a disbursement from the Trustee pursuant to Section 3.04 of the Indenture.

3. **Compliance with Indenture.** City agrees that it shall comply with the terms of the Indenture and the First Supplement in the use or expenditure of any funds disbursed to City pursuant to this Assignment and the Indenture. Notwithstanding the foregoing, the City shall not assume any of the Agency's obligations under the terms of the Indenture or the First Supplement, except with regard to use or expenditure of the funds disbursed to the City.

4. **Amendments.** No amendment, modification, discharge, recession or variance from this Assignment shall be binding on any party unless contained in a subsequent, written document, signed by the party against whom enforcement is sought.

5. **Successors.** This Assignment shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

6. **Severability.** If any term, provision or condition of this Assignment is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Assignment shall remain in full force and effect.

7. **Governing Law.** This Assignment is made in and shall be governed under the laws of the State of California.

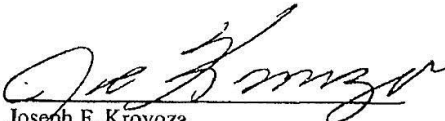
*Signatures Continue on Next Page*


IN WITNESS WHEREOF, the Agency and the City have executed this Agreement as of the date first above written.

APPROVED AS TO FORM:

  
Harriet Steiner  
City Attorney

REDEVELOPMENT AGENCY OF THE  
CITY OF DAVIS


By   
Joseph F. Krovoza  
Executive Director

By   
Zoe S. Mirabile  
Board Secretary

"AGENCY"

CITY OF DAVIS

By   
Paul Navazio  
Interim City Manager

By   
Zoe S. Mirabile  
City Clerk

"CITY"

**Attachment 2—  
SCO Revised Finding 1**

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JOHN CHIANG  
California State Controller

September 10, 2013

Steve Pinkerton, City Manager  
City of Davis Redevelopment/Successor Agency  
23 Russell Blvd., Suite 1  
Davis, CA 95616

Dear Mr. Pinkerton:

The State Controller's Office has made a change to the findings in the draft redevelopment agency asset transfer review report dated March 13, 2013. This change was discussed with your staff in a phone conversation on July 18, 2013. A copy of the revised finding, along with a revised Schedule 1, is enclosed.

Please submit any comments concerning the revised finding within 10 calendar days after you receive this letter. In particular, you should address the accuracy of our revised finding. We may modify the revised finding in the final report based on your comments. In the final report, we will include your comments regarding the revised finding, along with any other comments you previously provided regarding the other three findings included in the draft report.

Please send your response to Steven Mar, Chief, Local Government Audits Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, California 94250-5874. If we do not receive your comments within the specified time, we will release the report, with the revised finding, as final.

The revised finding, like the original draft asset transfer review report, is confidential. We limit access to the revised finding and distribution to those referenced in the letter. However, when we issue the final report, it becomes a public record.

If you have any questions, please contact Mr. Mar by phone at (916) 324-7226.

Sincerely,

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/nh

Attachment

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874  
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 (916) 324-8907  
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 (323) 981-6802

## Finding and Order of the Controller

### **FINDING 1— Unallowable asset transfers to the City of Davis**

The Davis Redevelopment Agency (RDA) transferred \$10,638,763 in assets to public agencies. All of the asset transfers to public agencies occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On February 28, 2011, the RDA transferred \$869,065 in cash assets to repay a loan to the City. This transfer was accomplished in accordance with the February 1, 2011 RDA Agenda – Item 3, part 3.
- On March 1, 2011, the RDA transferred of \$5,378,592 in cash, \$4,203,885 in capital assets, and \$52,080 in loans receivable to the City. To accomplish those transfers, on March 1, 2011, the City and the RDA entered into an agreement under the Resolution 1254 and Special Joint Meeting Agenda – Item 2, part F.
- On January 31, 2012 the City received a total of \$135,141 in lease revenue generated from the capital assets the RDA transferred on March 1, 2011. This was accomplished with the March 4, 2011, Assignment and Assumption of Leases, Covenants, and Agreements between the City and the RDA.

Pursuant to Health & Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 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:

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 government 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 as asset. . . .

Additionally, pursuant to H&S Code 341 62(a)(6), the RDA may not pledge or encumber, for any purpose, any of its revenues or assets, including rents from leases. H&S Code 341 62(a)(6) states:

- (a) commencing on the effective date of this act, an agency shall be unauthorized and shall not take action to incur indebtedness, including, but not limited to, any of the following:
- (6) Pledge or encumber, for any purpose, any of its revenues or assets. As used in this part, an agency's "revenues and assets" include, but are not limited to... rents... As used in this part, to "pledge or encumber" means to make a commitment of... an agency's revenues or assets, whether by... lease. . . .

Order of the Controller

Based on H&S Code section 34167.5, the City of Davis is ordered to reverse the transfer of the above assets, described in Schedule 1 and Schedule 3, in the amount of \$10,638,763 plus any interest earned, and return them to the Successor Agency.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e) and 34181(a).

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

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## Unallowable Transfers to the City of Davis:

Current Assets<sup>1</sup>

Cash	\$ 6,382,798
Loans Receivable	52,080

Capital Assets<sup>1</sup>

Land and Buildings	4,203,885
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Total Unallowable Transfers – City of Davis	<u>\$ 10,638,763</u>
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<sup>1</sup> Detail listing of assets on Schedule 1A.

Schedule ~~X~~ 1A**RDA Asset Transfers to the City of Davis  
January 1, 2011, through January 31, 2012**

APN/Description	Value <sup>1</sup>
Cash	
Loan Repayment to Fund 621	\$ 869,065
Downtown Area Capital Revitalization	5,378,592
Lease Revenue	135,141
Loans Receivable	
Natsoulas	3,310
Monticello Bistro	48,770
Capital Assets	
070-204-07 – 303 Third Street (building only)	1,989,502
070-243-08 – 616/618 Second Street	805,520
070-243-15 – 604 Second Street, 610 Second Street, and 190 E Street	470,545
070-243-13/14 – 101 F Street, 117 F Street, 615 First Street, and 623 First Street	827,608
070-251-17 – 226 F Street	10,710
070-260-22 – 1021 Olive Drive	100,000
None – 4225 Chiles Road	—
Total Unallowable Assets Transferred to the City	<u>\$ 10,638,763</u>

<sup>1</sup> Rounded.



**Attachment 3—  
City of Davis Response to  
Revised Finding 1**

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CITY MANAGER'S OFFICE

23 Russell Boulevard - Davis, California 95616  
530/757-5602 - FAX: 530/757-5603 - TDD: 530/757-5666



**September 26, 2013**

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

Dear Mr. Mar:

Pursuant to the September 10, 2013 letter from Jeffrey Brownfield, the City of Davis provides the following comments to the State Controller's Office revised findings included in the Draft Asset Transfer Review.

We noted one change to Finding 1:

- On February 28, 2011 the RDA transferred \$869,065 in cash assets to repay a loan to the City. This transfer was accomplished in accordance with the February 1, 2011 RDA Agenda-Item3, part3.

In the original draft dated March 13, 2013, the amount included was \$635,196, an increase of \$233,869. With regards to the revised amount we respond with the following:

The full \$869,065 was the balance of a loan established in FY 96-97 from the City of Davis to the Redevelopment Agency. The term included 10 Year-Simple Interest & Principal Amortization beginning June 25, 2003. The loan was paid off on 2/28/11. This was a long standing pre-existing debt payable to the City of Davis. There were no restrictions to paying off the loan prior to the final term date.

The increased amount of \$233,869 reflects the amount that was paid during 2011 for principal and interest payments. This is consistent with the principal and interest payments made over the previous four year period. Initially SCO stated this was an allowable transfer, see Attachment 1, as this payment was consistent with the RDA's past practice and did not reflect a prepayment of any sort. While it is our position that the full loan repayment was fully legal and should be honored, that is especially true for this \$233,869, in that it reflected the City's normal payments made pursuant to the express terms of the loan documents. We continue to believe this was an allowable transfer and the loan, in its entirety, was an enforceable obligation.

CITY OF DAVIS

September 26, 2013  
Page 2

If you need further documentation or have questions, please contact Stacey Winton, 530-757-5661 or [swinton@cityofdavis.org](mailto:swinton@cityofdavis.org)

Sincerely,

A handwritten signature in black ink that reads "Steve Pinkerton" followed by a stylized flourish that appears to be "tr/Sa".

Steve Pinkerton  
City Manager

**Attachment 1**

**From:** DTobia@sco.ca.gov [mailto:Dtobia@sco.ca.gov]  
**Sent:** Wednesday, March 27, 2013 3:19 PM  
**To:** Pamela Day  
**Subject:** FW: 2/28/11 Loan Payment

Hi Pam,

The loan repayment falls under the H&S Code Section 34167.5 that is stated in the draft report. Although it is a transfer to a public agency after January 1, 2011, transfers that have been regular payments in prior years are not uncommon reductions in RDA assets and deemed allowable. Therefore, it is policy of the SCO to reduce any accelerated payments and payoffs by the regular annual payment, if any.

In this case since the interest payments were irregular, to make it simple the reduction was calculated by the prior years' principal payments and scheduled simple interest for FY10-11, with the outstanding deferred interest spread evenly throughout the remainder of the repayment schedule.

Please let me know if you have any more questions.

Sincerely,

***Daniel Tobia***  
Staff Services Management Auditor  
State Controller's Office  
Division of Audits – Local Government Audits Bureau  
Cell: 916.591.1351 | Desk: 916.322.1476 | Fax: 916.324.6900 |  
Email: [dtobia@sco.ca.gov](mailto:dtobia@sco.ca.gov)

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**