

WOODLAND REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

March 2013



JOHN CHIANG
California State Controller

March 25, 2013

Palel Navazio, City Manager
City of Woodland Redevelopment Successor Agency
300 First Street
Woodland, CA 95695

Dear Mr. Navazio:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office reviewed all asset transfers made by the Woodland Redevelopment Agency to the City of Woodland 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 Woodland Redevelopment Successor Agency.

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

Our review found that the City of Woodland Redevelopment Agency transferred \$9,679,976 in assets, which included unallowable transfers of assets totaling \$4,367,027, or 45.11%, that should have been turned over to the Successor Agency. However, on February 26, 2013, the City of Woodland Successor Agency Oversight Board approved the transfer of \$4,367,027 in loan receivables because the assets are used for housing purposes. No further action is needed by the Woodland Redevelopment Successor Agency.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

cc: Wendy Ross, Economic Development Manager
Woodland Redevelopment/Successor Agency
City of Woodland
Dave Flory, Chairperson of the Oversight Board
Woodland Redevelopment/Successor Agency
City of Woodland
Steven Szalay, Local Government Consultant
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Steven Mar, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Mathew Rios, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Finding and Order of the Controller	4
Schedule 1—RDA Assets Transferred to the Entity Assuming Housing Functions	5

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Woodland 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 City of Woodland Redevelopment Agency transferred \$9,679,976 in assets, which included unallowable transfers of assets totaling \$4,367,027, or 45.11%, that should have been turned over to the Successor Agency. However, on February 26, 2013, the City of Woodland Successor Agency Oversight Board approved the transfer of \$4,367,027 in loan receivables because the assets are used for housing purposes. No further action is needed by the Woodland Redevelopment 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 Code (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 redevelopment agencies (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 Woodland Redevelopment Agency, the City of Woodland, 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.

Objectives, Scope, and Methodology

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

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City of Woodland, the RDA, and the Successor 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 City of Woodland Redevelopment Agency transferred \$9,679,976 in assets, which included unallowable transfers of assets totaling \$4,367,027, or 45.11%, that should have been turned over to the Successor Agency in accordance with ABX1 26.

However, on February 26, 2013, the Oversight Board of the Successor Agency to the Woodland Redevelopment Agency approved the transfer of \$4,367,027 in loan receivables because the assets are used for housing purposes. No further action is needed by the Woodland Redevelopment Successor Agency.

Details of our findings and Orders of the Controller are in the Findings and Orders of the Controller section of this report.

**Views of
Responsible
Officials**

At an exit conference on January 25, 2013, we discussed the review results with Paul Navazio, City Manager; Wendy Ross, Economic Development Manager; and Kimberly McKinney, Finance Officer, who agreed with the review results. They further agreed that a draft review report was not necessary and that we could issue the review report as final.

Restricted Use

This report is solely for the information and use of the City of Woodland Redevelopment Successor Agency, the City of Woodland, the City of Woodland Successor Agency Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

March 25, 2013

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to Entity
Assuming Housing
Functions**

The City of Woodland Redevelopment Agency (RDA) made an unallowable asset transfer of \$4,367,027, described in Schedule 1, to the entity assuming the housing functions. The asset transfers occurred during the period of January 1, 2011, through February 1, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011.

On January 31, 2012, the RDA transferred a total of \$4,367,027 in loan receivables to the entity assuming housing functions. Based on Health and Safety (H&S) Code section 34177(e), the Successor Agency, not the entity assuming the housing functions, is responsible for the disposition of assets and properties of the former RDA.

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

Pursuant to H&S Code section 34177(e) the “Successor Agency is to dispose of all former RDA assets”...as directed by the oversight board. . .” Also, pursuant to H&S Code section 34177(g) the Successor Agency is to “[e]ffectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.” However, H&S Code section 34181(c) requires the Oversight Board to direct the Successor Agency to transfer housing assets to the appropriate entity pursuant to section 34176.

Order of the Controller

Based on H&S Code section 34167.5, the entity assuming the housing functions would have been ordered to reverse the transfer of the above assets, described in Schedule 1, in the amount of \$4,367,027. However, on February 26, 2013 the Successor Agency Oversight Board approved the transfer of the housing assets under H&S Code 34176. No further action is needed by the Woodland Redevelopment Successor Agency.

**Schedule 1—
RDA Assets Transferred to
the Entity Assuming Housing Functions
January 1, 2011, through January 31, 2012**

Unallowable transfers to the entity assuming the housing functions:	
Loans/grants receivables	<u>\$ 4,367,027</u>
Total unallowable assets transferred	<u>\$ 4,367,027</u>

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

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