

**COMMUNITY DEVELOPMENT
COMMISSION OF THE CITY OF
HUNTINGTON PARK**

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

November 2014



JOHN CHIANG
California State Controller

November 26, 2014

Julio Morales, Interim City Manager
Huntington Park Redevelopment/Successor Agency
6550 Miles Avenue, Room 205
Huntington Park, CA 90255

Dear Mr. Morales:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Community Development Commission of the City of Huntington Park (RDA) to the City of Huntington Park (City) 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 the asset 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 to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$40,536,530 in assets after January 1, 2011, including unallowable transfers to the City totaling \$7,001,948, or 17.27% of transferred assets.

However, on March 18, 2013, the City turned over \$7,001,948 in property to the Successor Agency. Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: John Naimo, County Auditor-Controller
Los Angeles County
Elba Guerrero, Chairperson of the Oversight Board
Huntington Park Redevelopment/Successor Agency
Annie Ruiz, Acting Director of Finance
Huntington Park Redevelopment/Successor Agency
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Nicole Baker, Auditor-in-Charge
Division of Audits, State Controller's Office
Michael Mock, Auditor
Division of Audits, State Controller's Office

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Asset Transfer Review Report

Summary

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

Our review found that the RDA transferred \$40,536,530 in assets after January 1, 2011, including unallowable transfers to the City of Huntington Park (City) totaling \$7,001,948, or 17.27% of transferred assets.

However, on March 18, 2013, the City turned over \$7,001,948 in property to the Successor Agency. Therefore, no further action is necessary.

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 and oversight boards 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.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state 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."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. 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 action 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's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- 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 Community Development Commission of the City of Huntington Park transferred \$40,536,530 in assets after January 1, 2011, including unallowable transfers to the City of Huntington Park (City) totaling \$7,001,948, or 17.27% of transferred assets.

However, on March 18, 2013, the City turned over \$7,001,948 in property to the Successor Agency. Therefore, no further action is necessary.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on September 2, 2014. Fernanda Palacios, Redevelopment Project Manager, responded by email on November 5, 2014, stating that the City had no comment. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Huntington Park, the Successor Agency, the 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

November 26, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfers to the
City of Huntington
Park**

The Community Development Commission of the City of Huntington Park (RDA) made unallowable asset transfers of \$7,001,948 to the City of Huntington Park (City). The transfers occurred after January 1, 2011, and were not contractually committed to a third party prior to June 28, 2011.

On March 17, 2011, the RDA made unallowable transfers of \$7,001,948 in property to the City of Huntington Park. On March 18, 2013, the \$7,001,948 in property was turned over to the Successor Agency.

Pursuant to Health and 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. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code Section 34177(e).

Order of the Controller

Pursuant to H&S Code Section 34167.5, the City is ordered to reverse the transfer of assets in the amount of \$7,001,948 and turn them over to the Successor Agency. However, on March 18, 2013, the City turned over \$7,001,948 in property to the Successor Agency. Therefore, no further action is necessary.

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

Properties transferred on March 17, 2011:

APN	Address	Value
6318-028-900, 6318-029-900	6100-6114 Carmelita Avenue, 6126 Bear Avenue, 3806-3629 East 61 st Street	\$ 680,308
6009-033-900, 901, 902, and 6009-034-900, 901	5959-6169 South Alameda Street	<u>6,321,640</u>
Total unallowable transfers		7,001,948
Less property turned over to the Successor Agency on March 18, 2013		<u>(7,001,948)</u>
Total transfers subject to H&S Code section 34167.5		<u>\$ —</u>

**Attachment—
Auditee’s Response to
Draft Review Report**

Baker, Nicole

From: Palacios, Fernanda <fpalacios@hpca.gov>
Sent: Wednesday, November 05, 2014 4:01 PM
To: Baker, Nicole
Subject: RE: Redevelopment Asset Transfer Draft Report

Hi Nicole,

We don't have any comment on the report.

Fernanda

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

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