

OVERSIGHT BOARD FOR SUCCESSOR AGENCY
TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY

AGENDA

City Council Chambers
Montclair Civic Center
5111 Benito Street
Montclair, CA

Regular Meeting
Wednesday, December 12, 2012
6:00 p.m.

As a courtesy, please silence your cell phones, pagers, and other electronic devices while the meeting is in session. Thank you.

William Ruh - Chairman, Montclair Mayor Paul Eaton Appointee
Tenice Johnson - Vice Chairperson, County of San Bernardino Citizen Appointee
Terry Catlin - Inland Empire Utilities Agency Appointee
Kim Erickson - Chaffey Community College District Appointee
Janet Kulbeck - City of Montclair Employee Organization Appointee
John Richardson - County of San Bernardino Appointee
Kim Stallings - Ontario-Montclair School District Appointee

Page No.

I. PRELIMINARY MATTERS

- A. Call to Order
- B. Roll Call

II. PUBLIC COMMENT

Any person wishing to address the Oversight Board on any matter, whether or not it appears on this agenda, is requested to complete a "Speaker Request" form, available at the door. The form should be completed and submitted to the Secretary prior to the beginning of this meeting or prior to an individual agenda item being heard by the Oversight Board. Each speaker will be afforded five minutes to address the Oversight Board. No action will be taken on any item not listed on the agenda pursuant to the Ralph M. Brown Act.

III. APPROVAL OF MINUTES

- A. Minutes of the Special Oversight Board Meeting of October 2, 2012
- B. Minutes of the Regular Oversight Board Meeting of October 10, 2012

IV. BUSINESS ITEMS

- | | |
|---|----|
| A. Consider Receiving and Filing Status Report Regarding Housing Due Diligence Review | 3 |
| B. Consider Receiving and Filing Status Report Regarding Nonhousing Due Diligence Review | 11 |
| C. Consider Recommendations Regarding Review of Asset Transfers Conducted by the State Controller's Office for Those Assets of the City of Montclair Redevelopment Agency for the Period From January 1, 2011, Through January 31, 2012 | 13 |
| D. Discussion Regarding the Potential of Retaining Oversight Board Legal Counsel | 24 |
| E. Consider Adoption of Resolution No. 12-15, a Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Directing the Transfer of Certain Housing Functions and Assets | 25 |

V. COMMUNICATIONS

- A. Staff
- B. Chairman and Members

VI. ADJOURNMENT

The above actions of the Oversight Board shall not become effective for three business days, pending any request for review by the DOF. If DOF requests review of the above Board actions, it will have ten days from the date of the request to approve the Oversight Board action or return it to the Oversight Board for reconsideration; and the action, if subject to review by DOF, will not be effective until approved by DOF.

The next regularly scheduled Oversight Board meeting will be held on January 9, 2012, at 6:00 p.m. in the City Council Chambers.

Reports, backup materials, and additional materials related to any item on this Agenda distributed to the Successor Agency Board after distribution of the Agenda packet are available for public inspection in the Office of the Secretary located at 5111 Benito Street, Montclair, California, between 7:00 a.m. and 6:00 p.m., Monday through Thursday.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Secretary at (909) 625-9416. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title II)

I, Yvonne L. Smith, Secretary, hereby certify that I posted, or caused to be posted, a copy of this Agenda not less than 72 hours prior to this meeting on the bulletin board adjacent to the north door of Montclair City Hall on December 6, 2012.

AGENDA REPORT

SUBJECT: CONSIDER RECEIVING AND FILING STATUS REPORT REGARDING HOUSING DUE DILIGENCE REVIEW	DATE: December 12, 2012
	SECTION: BUSINESS ITEMS
	ITEM NO.: A
	FILE I.D.: OBO050
	DEPT.: OVERSIGHT BOARD

REASON FOR CONSIDERATION: Staff will update the Oversight Board at the regular December 12, 2012 meeting on the status of the housing due diligence review for information of the Oversight Board.

BACKGROUND: As the Oversight Board will recall, the Dissolution Act, Parts 1.8 and 1.85, of the California Health and Safety Code, as modified by the Supreme Court's opinion in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 and as amended by Assembly Bill 1484 and effective June 27, 2012, in particular Section 34719.5, requires each successor agency to retain a licensed accountant for the purposes of determining the unobligated fund balances available for transfer to the taxing agencies. Two due diligence reviews are required: One relates to housing assets and obligations, and the other relates to nonhousing assets and obligations.

The Housing Due Diligence Audit Review was submitted to the Oversight Board, the County Auditor-Controller (CAC), the State Controller's Office (SCO), and the State Department of Finance (DOF) on September 27, 2012. This was prior to the deadline for submittal of the document on October 1, 2012. The meeting to receive public comments on the housing due diligence document was conducted on October 2, 2012, and the Oversight Board approved the housing due diligence report on October 10, 2012. The review had to be approved by the Oversight Board by October 15, 2012.

The Successor Agency selected and the County Auditor-Controller ("CAC") approved Teaman, Ramirez and Smith, Inc., an accounting firm with experience and expertise in local government accounting, to conduct the housing due diligence review to determine the unobligated balance available for transfer to taxing entities relating to housing assets and obligations in order to ascertain unobligated cash or cash equivalent balances to be available for transfer to local taxing entities.

Teaman, Ramirez, and Smith, Inc., found that the assets objected to by DOF in the Housing Asset Transfer list (the property at 4113 Kingsley Street and \$1 million loan to the Montclair Housing Corporation) to be enforceable housing obligations.

Staff received a letter from DOF dated November 7, 2012 adjusting the Housing Due Diligence Audit Review's stated balances. The letter from DOF is attached as Exhibit 1.

Prepared by: <u>M. STARRS</u>	Reviewed and Approved by: <u>M. STARRS</u>
Proofed by: <u>Gyenne L. Smith</u>	Presented by: <u>M. STARRS</u>

Staff submitted a request to "Meet and Confer" with DOF regarding its justification for adjusting audited balances. The "Meet and Confer" request is attached as Exhibit 2.

On November 29, 2012 a "Meet and Confer" meeting was conducted with representatives from DOF. Staff is awaiting the decision from DOF regarding the disputed issues.

FISCAL IMPACT: At this time, the fiscal impact of the housing due diligence review remains in dispute. However, the Successor Agency is prepared to pay the County the undisputed amount of \$6,870,583 by the December 15, 2012 deadline.

RECOMMENDATION: Staff recommends the Oversight Board receive and file the status report regarding the housing due diligence review.



DEPARTMENT OF
FINANCE

Exhibit 1

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 7, 2012

Mr. Donald Parker, Finance Director
City of Montclair
5111 Benito Street
Montclair, CA 91763

Dear Mr. Parker:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Montclair Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on October 11, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Balances needed to satisfy enforceable obligations for the 2011-12 fiscal year totaling \$1,165,547. This amount has been satisfied according to your Enforceable Obligation Payment Schedule (EOPS) for the period August through December 2012, and the adjustment is therefore denied.
- Balances needed to satisfy enforceable obligations for the 2012-13 fiscal year in the amount of \$14,014. Employee costs were denied by Finance in our letter dated October 12, 2012 as an inclusion to the Recognized Obligation Payment Schedule (ROPS) for the period of January through June 2013. Subsequently, the Agency requested a Meet and Confer session regarding the disputed item. However, no conclusion has been reached; therefore, Finance continues to object to this item.

If you disagree with Finance's adjusted amount of LMIHF balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$8.1 million (see table below). Pursuant to HSC 34179.6 (h) (1) (B), any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 6,870,583
Finance Adjustments	
Add:	
Denied ROPS items	\$ 1,179,561
Total LMIHF available to be distributed:	\$ 8,050,144

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 25, 2012 do not in any way eliminate the Controller's authority.

Mr. Donald Parker
November 7, 2012
Page 3

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Marilyn Staats, Deputy City Manager, City of Montclair
Ms. Vanessa Doyle, Auditor Controller, San Bernardino County
California State Controller's Office



MEET AND CONFER REQUEST FORM Exhibit 2

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state “[Agency Name] Request to Meet and Confer”. Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance’s website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance’s Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

- Successor Agency Housing Entity

AGENCY NAME: SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

- Housing Assets Transfers Due Diligence Reviews ROPS Period _____

DATE OF FINANCE’S DETERMINATION LETTER: August 25, 2012

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

- Meeting at Finance Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

1. DOF has adjusted the DDR computation for \$1,165,547 indicating "This amount has been satisfied according to your Enforceable Obligation Payment Schedule (EOPS) for the period August through December 2012, and the adjustment is therefore denied."

The total in this part of the computation relates to amount to be withheld to fund the payments required under the outstanding ROPS computations. In the preparation process, we detailed those amounts between ROPS II (7/12 - 12/12) and ROPS III (1/13 - 6/13). ROPS II showed the amount of \$1,165,547; however, just showing them on a ROPS does not mean that the obligations are satisfied. ROPS reporting allows the successor agency to report and make payments but since the amounts present are estimates and since approval through DOF and DDR reporting etc. have utilized administrative resources payments are not done immediately upon filing ROPS. These items continue to remain unsatisfied and therefore are claimed again on ROPS III. Therefore to adjust the DDR amount would cause these amounts to be paid to the taxing entities and not be utilized on the enforceable obligations present. Therefore, this adjustment should be removed.

2. The amount of \$14,014 of employee costs has been adjusted. It is indicated "Employee costs were denied by Finance in our letter dated October 12, 2012 as an inclusion to the Recognized Obligation Payment Schedule (ROPS) for the period of January through June 2013. Subsequently, the Agency requested a Meet and Confer session regarding the disputed item. However, no conclusion has been reached; therefore, Finance continues to object to this item." We understand that a meet and confer session is pending; however, to adjust this will require payment to the taxing entities and if a final determination is not received on that meet and confer the money will be gone without the ability of getting it back. Based upon this the successor agency continues its objection to the disallowance of this item in ROPS III and corresponding this adjustment here and will continue to pursue the meet and confer on this and other outstanding items.

B. Background/History *(Provide relevant background/history, if applicable.)*

No background information is needed as DOF has copies of our ROPS II and III and those can be referred to during the discussion.

Agency Contact Information

Name: Marilyn Staats
Title: Deputy City Manager

Phone: (909) 625-9412

Email: mstaats@cityofmontclair.org

Date: November 8, 2012

Name: Donald Parker
Title: Finance Director

Phone: (909) 625-9418

Email: dparker@cityofmontclair.org

Date: November 8, 2012

Department of Finance Local Government Unit Use Only

REQUEST TO MEET AND CONFER DATE: APPROVED DENIED

REQUEST APPROVED/DENIED BY: _____ DATE: _____

MEET AND CONFER DATE/TIME/LOCATION: _____

MEET AND CONFER SESSION CONFIRMED: YES DATE CONFIRMED: _____

DENIAL NOTICE PROVIDED: YES DATE AGENCY NOTIFIED: _____

Form DF-MC (Revised 9/10/12)

AGENDA REPORT

SUBJECT: CONSIDER RECEIVING AND FILING STATUS REPORT REGARDING NONHOUSING DUE DILIGENCE REVIEW	DATE: December 12, 2012
	SECTION: BUSINESS ITEMS
	ITEM NO.: B
	FILE I.D.: OBO050
	DEPT.: OVERSIGHT BOARD

REASON FOR CONSIDERATION: Staff will update the Oversight Board at the regular December 12, 2102 meeting on the status of the nonhousing due diligence review required by Health and Safety Code Section 34179.5 regarding nonhousing assets.

BACKGROUND: Health and Safety Code Section 34179.5 requires each successor agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances of nonhousing former redevelopment funds for transfer to the taxing entities. The due diligence review is currently being conducted by the audit firm of Teaman, Ramirez and Smith, Inc. Key dates in the nonhousing due diligence review include the following:

DUE DILIGENCE REVIEW SCHEDULE AND DEADLINES

<i>Nonhousing Review</i>	
Due diligence review due from Successor Agency to Oversight Board, CAC, OSC, and DOF	December 15, 2012
Oversight Board deadline to conduct hearing, review, approve, and submit due diligence review	January 15, 2013
DOF deadline to issue a "Finding of Completion"	April 1, 2013
Successor Agency deadline to Request a Meet and Confer With DOF about reviews	Five days of DOF action (no later than April 6, 2013)
Successor Agency deadline to make transfers to County Auditor-Controller based on DOF findings	April 10, 2013

Prepared by: <u>M. STAATS</u>	Reviewed and Approved by:	M. STAATS
Proofed by: <u>Yvonne Smith</u>	Presented by:	M. STAATS

At this time, it appears that if the auditors complete the due diligence review on December 15, 2012, as required, the Oversight Board will be requested to conduct the hearing to consider public comments in early January. Five business days must elapse before the Board could then conduct the meeting to consider approval of the due diligence report.

FISCAL IMPACT: There is no fiscal impact related to receipt and filing of this report.

RECOMMENDATION: Staff recommends that the Oversight Board receive and file the status report regarding the nonhousing due diligence review.

AGENDA REPORT

SUBJECT: CONSIDER RECOMMENDATIONS REGARDING REVIEW OF ASSET TRANSFERS CONDUCTED BY THE STATE CONTROLLER'S OFFICE FOR THOSE ASSETS OF THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY FOR THE PERIOD FROM JANUARY 1, 2011, THROUGH JANUARY 31, 2012	DATE: December 12, 2012
	SECTION: BUSINESS ITEMS
	ITEM NO.: C
	FILE I.D.: OBO050
	DEPT.: OVERSIGHT BOARD

REASON FOR CONSIDERATION: Pursuant to provisions of AB 26, the State Controller's Office was charged with review of asset transfers made by redevelopment agencies from January 1, 2011, through January 31, 2012. The City of Montclair Successor Agency received a draft copy of the Asset Transfer Review from the State Controller dated November 6, 2012. Staff has responded to the State Controller's Office draft report and seeks concurrence from the Oversight Board on staff recommendations.

Staff requests a discussion with the Oversight Board at the December 12, 2012 meeting regarding the provisions of the *Draft Findings and Orders of the Controller*. The November 6, 2012 letter from the Controller is attached as Exhibit 1. However, the State Controller has indicated that the *Draft Findings and Order of the Controller* is not a public document. Therefore, this document has been included as a separate insert in your agenda.

BACKGROUND: AB 26 was signed into law by the Governor on June 28, 2011. AB 26 contained retroactive provisions which invalidated the transfer of certain assets to governmental entities as of January 1, 2011. As the Oversight Board will recall, the validity of AB 26 and AB 27 was legally challenged and the Supreme Court did not make a determination in the case of *California Redevelopment Association, et. al. v. Matosantos* until December 29, 2011.

The City of Montclair Redevelopment Agency did transfer certain assets to the City in March 2011 including property and bond proceeds. After the Supreme Court decision, the City understood that these assets would be subject to transfer. The City only spent bond proceeds for projects under construction and to defease the bonds for the Mission Boulevard Tax Allocation Notes. Most of the nonhousing properties transferred to the City are or will be used for public purposes. Upon the advice of Counsel, the City did not transfer assets back to the Successor Agency but assumed such assets would be transferred due to action of the law or would be subject to transfer.

In April 2011, the City of Montclair Redevelopment Agency entered into a financial transaction with the Montclair Housing Corporation. The Housing Corporation entered into a purchase agreement with the Redevelopment Agency regarding 98 units of multi-family and single-family housing. The purchase price of units was approximately

Prepared by: <u>U. STAATS</u>	Reviewed and Approved by: <u>M. STAATS</u>
Proofed by: <u>J. Smith</u>	Presented by: <u>U. STAATS</u>

\$12 million. These units were owned by the Redevelopment Agency but were operated by the Housing Corporation for the purpose of increasing the supply of affordable housing. All the units contained affordability covenants. In the opinion of Counsel, the purchase of these units was not subject to transfer to the Successor Agency because the units were validly transferred to a separate third party California Corporation, albeit the members of the City Council compose the Board of Directors of such corporation.

Successor Agency staff was provided with ten days to respond to the *Draft Findings and Order of the Controller*. The response by staff to the *Draft Findings and Order of the Controller* is attached as Exhibit 2. Staff briefly summarizes the findings of the Controller and provides recommendations below regarding the disposition of the findings to solicit comments or concurrence from Oversight Board Members:

- I. **Controller's Finding:** The former Redevelopment Agency transferred title to seven properties to the City of Montclair for public purposes. It is ordered that these be transferred to the Successor Agency and then transferred back to the City.

Staff Recommendation: Staff has no objection to the transfer of properties to the Successor Agency and, subsequently, the transfer of the properties to the City where indicated and approved by the Oversight Board. The properties subject to transfer include the following:

- 4385 Holt Boulevard. This property is located directly west of the historic Reeder Ranch Citrus Ranch and grove house. The property was purchased by the Redevelopment Agency for the purpose of being used for parkland to include an interpretive center to be constructed in cooperation with the George C. and Hazel H. Reeder Heritage Foundation. The property was purchased with tax-exempt tax allocation bond revenue. Any sale proceeds would have to be used to defease the tax allocation bonds.
- **Controller's Finding:** The former Redevelopment Agency transferred title to seven properties to the City of Montclair for public purposes. It is ordered that these be transferred to the Successor Agency and then transferred back to the City.
- 9499 Monte Vista Avenue. Located on the northeast corner of Monte Vista Avenue and Palo Verde Street, this parcel became the home of Freedom Plaza Park. The property was a remnant parcel left over from the land acquired by the Redevelopment Agency for the Monte Vista Avenue eastbound entrance to the I-10 Freeway. Inadequate to support a building, the parcel was developed by the Redevelopment Agency as a public park.
- 4690 Palo Verde Street. This property is located directly east of the Monte Vista Avenue eastbound entrance to the I-10 Freeway. The property was a remnant parcel left over from the land acquired by the Redevelopment Agency for the Monte Vista Avenue eastbound entrance to the I-10 Freeway. The Redevelopment Agency improved the parcel with paving and lighting. It has been leased to Ontario Nissan, Inc., for some time. There are approximately ten years remaining on the lease inclusive of the remaining option term. Staff believes this property should ultimately be subject to disposition. In the meantime, staff requests the Oversight Board to provide authorization to staff to direct appraisal of this property to determine fair market rent.

- 8752 Monte Vista Avenue. The Redevelopment Agency purchased this property from the San Bernardino Associated Governments (SANBAG) in 1999. SANBAG had received the property in trade from the California Department of Transportation when the Montclair Transcenter was completed. The southerly portion of the property was used for construction of the Montclair Police facility. The northern portion of the parcel was improved for the Police Department Impound Lot. This property should be retained for public use.
- 4985 Richton Street. This parcel consists of the one-acre property in the center portion of the Montclair Transcenter currently landscaped in grass and containing a child care center building. SANBAG requested the assistance of the Redevelopment Agency in acquiring 20 acres for the multimodal Montclair Transcenter including rail, bus, and park-and-ride services. Nineteen acres of the site was transferred to Caltrans ownership. SANBAG retained ownership of one acre and placed the Redevelopment Agency on the deed as 50 percent owner. The site was purchased with federal funds.

The City currently operates a child care program on site and is responsible for maintenance of the one-acre parcel. When the Gold Line light rail commuter line is extended through to Montclair, the remainder of the one-acre parcel will be reconfigured as a platform for the Gold Line station. This property should be retained for public use.

- Southeast Corner of Ramona Avenue and State Street. This vacant parcel is a remnant from the Ramona Avenue grade separation and the ring road that had to be constructed. The parcel is slightly larger than two acres. It was purchased with tax-exempt tax allocation bonds. Therefore, any proceeds from the sale of the site would be used to defease bonds. Monte Vista Water District has expressed interest in purchasing a small portion of the site to add to its existing water facility. This property should be subject to disposition.

2. **Controller's Finding:** The former Redevelopment Agency did not transfer 4113 Kingsley Street to the Successor Agency and is ordered to transfer title to the Successor Agency.

Staff Recommendation: The property is considered a housing asset by the Successor Agency. It was purchased with Housing Funds and is subject to a Purchase Option Agreement. Staff does not object to the transfer of this property provided it be considered a housing asset and sold to the housing developer.

3. **Controller's Finding:** The Controller finds that the transfer of properties to the Montclair Housing Corporation after January 11, 2011, was improper because all asset transfers to cities, counties, or other public agencies must be returned to the Successor Agency. The Controller's Office orders the reversal of the transfer in the amount of \$12,141,000 and the assets returned to the Successor Agency.

Staff Recommendation: Counsel has determined that the Montclair Housing Corporation is a California corporation formed under provisions of the Corporations Code and is a separate, third-party entity not subject to asset transfer. Furthermore, the housing properties are currently occupied by approximately 300 qualifying low- and moderate-income families. Approximately 80 percent of units contain covenants restricting residency to very low-income families. The remaining units are restricted to low- to moderate-income families. The properties are subject to 55-year affordability

covenants. The properties have limited market value given the covenants, and any consideration of these units as nonhousing assets not subject to affordability restrictions would likely cause the displacement of most of these residents.

4. **Controller's Finding:** The former Redevelopment Agency transferred unspent bond proceeds to the City and utilized a portion of the proceeds to complete existing projects and to accomplish debt service on the former Redevelopment Agency's debt. The remaining balance is order to be transferred to the Successor Agency.

Staff Recommendation: Staff does not object to transfer of unspent bond proceeds back to the Successor Agency. However, it should be made clear that no attempt was made to conceal such transfer and these transactions were fully disclosed in financial audits issued by the City and former Redevelopment Agency. The transfer of proceeds was made prior to the adoption of AB 26, and all the costs paid with the bond proceeds were valid enforceable obligations. The utilization of bond proceeds to pay debt service was approved by the Oversight Board and the Department of Finance. Prior to transfer of these moneys back to the Successor Agency, the City Council will have to approve that situation.

The Successor Agency is attempting to obtain a finding a completion to utilize unspent bond proceeds.

FISCAL IMPACT: There is no fiscal impact associated with review of staff recommendations regarding the review of asset transfers conducted by the State Controller's Office.

RECOMMENDATION: Staff recommends the Oversight Board consider recommendations regarding review of the asset transfers conducted by the State Controller's Office of the City of Montclair Redevelopment Agency's assets for the period from January 1, 2011, through January 31, 2012.



Exhibit 1

JOHN CHIANG
California State Controller

November 6, 2012

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Edward C. Starr, City Manager
City of Montclair/Redevelopment Successor Agency
5111 Benito Street
Montclair, CA 91763

Dear Mr. Starr:

The State Controller's Office (SCO) reviewed the asset transfers made by the Montclair Redevelopment Agency for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review disclosed that the City of Montclair Redevelopment Agency (RDA) transferred \$33,856,070 in cash and receivables to the Successor Agency, per the successor agency general ledger. The RDA also transferred seven capital assets, valued at \$0, and \$14,154,996 in bond proceeds to the City of Montclair. In addition, the RDA sold housing assets to the Montclair Housing Corporation for \$12,141,000 secured by a note. Those assets need to be turned over to the Successor Agency. The City of Montclair RDA transferred a total of \$60,152,066 in assets, including unallowable transfers of \$26,295,996 or 43.72%.

Assembly Bill 1484 (AB 1484) was passed on June 27, 2012, adding Health and Safety Code section 34178.8, which states, "...the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. ...". The SCO has initiated the review associated with AB 1484, and will complete that at a later date.

Please submit any comments concerning the draft report within 10 days after you receive this letter. In particular, you should address the accuracy of our findings. We may modify the report based on your comments or additional data that develops as we complete the review. Also, we will include your comments in the final report.

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

Please send your response to Steven Mar, Chief, Local Government Audits Bureau, at the 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 as final.

This draft audit report is confidential. We limit report access and distribution to those referenced in this letter. However, when we issue the final report, it becomes a public record.

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

Sincerely,

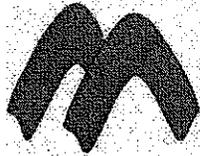
Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

Attachment

cc: Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
Anita Bjelobrk, Auditor-in-Charge
Division of Audits, State Controller's Office



MONTCLAIR

Exhibit 2

November 15, 2012

Mr. Jeffrey V. Brownfield,
Chief, Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

**RE: Draft Transfer Asset Audit Report
City of Montclair Redevelopment Agency and its Successor Agency**

Dear Mr. Brownfield:

I am in receipt of the draft copy of the Transfer Asset Review conducted on the City of Montclair Redevelopment Agency and its Successor Agency. In connection with that engagement, we provide the following responses to the comments made and the conduct of this engagement.

Conduct of the Review and Representations Made

We fully cooperated with the personnel of your office that performed this review. Those personnel represented the process to be accomplished in an open and professional manner. Specifically, they represented that it would be an open process with any findings to be discussed with us, and that we would be provided with a summary of all findings at the end of the field work with opportunity to address any subsequent changes. We received a summary of those findings with specific indication that, "Should any additional items come to our attention during the course of preparing the draft report, we will contact you by telephone and e-mail to inform you of the additional items".

During the exit conference, findings were discussed and agreed to by us, including the finding that the receivable for the sale of \$12,141,000 of housing properties to the Montclair Housing Corporation would need to be recorded, but no further action would be proposed. I am dismayed, then, that the draft report indicates this sale should be voided and those assets returned. Our notification of this change occurred by e-mail the day after we received the draft report. This non-notification prior to reporting, coupled with a 10 day response period, makes responding to this change completely impossible which is what the represented process was designed to avoid. Since the exit conference occurred on August 16, 2012 and we were not notified of the change until November 6, 2012, it would appear this late notification is to include an additional finding designed to increase the computed percentage of un-allowed transferred assets, rather than determining the legal status of that transaction.

Conclusion Reached

The conclusion indicates that \$26,295,996 is classified as unallowable transfers. It is indicated that "Those assets need to be turned over to the Successor Agency for use in paying off all allowable obligations and bond debt."

CITY OF MONTCLAIR

5111 Benito Street, P.O. Box 2308, Montclair, CA 91763 (909) 626-8571 FAX (909) 621-1584

Mayor Paul M. Eaton • Mayor Pro Tem Carolyn Raft • Council Members: Leonard Paulitz, J. John Dufrey, Bill Ruh • City Manager: Edward C. Starr

November 15, 2012

Response

We disagree with this amount and the conclusion reached. The amount of \$26,295,996 is composed of \$14,154,996 of pre January 1, 2011 bond proceeds and \$12,141,000 of housing properties sold to the Montclair Housing Corporation. We state that only these two amounts are present, and the computation listed on Page 3 is mathematically incorrect as the components listed do not total the amount presented. We have addressed each of these matters separately, below. We also take exception with the conclusion that return of these assets would be used in "paying off all allowable obligations and bond debt". This statement is entirely incorrect. AB 1484 allows successor agencies that receive a finding of completion to use pre-January 1, 2011 unexpended bond proceeds for the purpose specified in the bond documents. The City of Montclair as Successor Agency for the City of Montclair Redevelopment Agency is currently pursuing that finding of completion and will utilize those unexpended proceeds for the purpose intended upon receipt of it. Utilization of these proceeds to pay bonded debt would only occur if that finding of completion cannot be obtained; furthermore, we do not believe the State Controller's Office has the legal authority to specify the utilization of those proceeds in that manner.

Additionally, the housing properties specified are real property and improvements currently occupied by approximately 300 qualifying low- and moderate-income families. Approximately 80 percent of the units contain covenants restricting residency to very low income families. The remaining units are restricted to persons of low- to moderate-income. These covenants applied prior to the sale of the units to the Montclair Housing Corporation. These real properties are covered by affordability covenants and would under AB 1484 be transferred to the Successor Housing Entity. Therefore, sale proceeds from these are not available to pay any obligations of the former redevelopment agency. To indicate that these items are to be used to retire obligations of the former redevelopment agency is in error, misstates legal and bond requirements, and incorrectly imparts available resources to readers of the State Controller's report.

Views of Responsible Officials

The Report indicates "At an exit conference on August 16, 2012, we discussed the review results with Donald Parker, Finance Director, and Marilyn Staats, Director of Redevelopment/Public Works. At the exit conference, we stated that the final report will include the views of responsible officials."

Response

As stated above, we assert and attest that the results of this review were completely discussed with officials of our organization, and changes to the findings presented were made by your office with no opportunity for resolution, explanation, or response by our personnel. The indication that discussions were conducted with us, without referencing that unilateral changes were made by your office, infers to the reader that we were completely aware of the finding(s) to be presented. That statement is incorrect and should be modified to indicate what actually occurred.

November 15, 2012

The draft report indicates that the final report will include our views on these findings. Specific comments are listed below addressing the findings and I would ask that you include those as presented. If your office truly wishes to be perceived as objective, our responses should be presented utilizing the same font size and structure as the findings. In that way, presentation bias could be avoided which has occurred in previous audit reports of the State Controller's Office. I would also ask that the general comments above also be included and that no subsequent evaluation of our response be done unless we are allowed to respond to those comments as well.

Finding 1

The former redevelopment agency transferred title to seven properties to the City of Montclair which were utilized for public purposes. It is ordered that title to these be transferred to the Successor Agency and then transfer to the City be accomplished as specified in the Health and Safety Code.

Response

Due to the confusion which existed at the time that AB 26 was implemented, the former redevelopment agency was under the impression, after consulting with its legal counsel, that properties used for governmental purposes should be transferred to the City of Montclair to continue to be used for those public purposes. While this process will have no substantive effect on the ultimate use of the properties, we will agree to transfer the properties to the Successor Agency and then transfer the properties to the City of Montclair for a public purpose in accordance with the Health and Safety Code requirements.

Finding 2

The former redevelopment agency did not transfer real property located at 4113 Kingsley Street to the Successor Agency and is ordered to transfer title to this property to the Successor Agency.

Response

This property has been and currently is considered by the Successor Agency as a housing asset. It was purchased with housing fund moneys and is currently subject to an option agreement for development as a housing project. As such, it has been listed on the Housing Asset Transfer Form, submitted to the Department of Finance for transfer ultimately to the Montclair Housing Authority (Successor Housing Entity); however, for unknown reasons the Department of Finance objected to that transfer. Presently, there is a meet and confer request pending on that decision. We do not object to the order to transfer the title on this property to the Successor Agency; however, we believe that it should be transferred to the Successor Housing Entity and sold to the housing developer in accordance with the option agreement.

Finding 3

Prior to AB 26 being adopted, the former redevelopment agency sold low- and moderate-income housing properties, operated by the Montclair Housing Corporation (Corporation), to the Corporation for \$12,141,000. As part of that sale, affordability covenants were reinstated on the properties for a period of 55 years.

November 15, 2012

Response

The draft report cites as authority for Finding 3 the provisions of Health & Safety Code § 34167.5, § 34177(d) and (e) which, in combination, prohibit the transfer of property by the Agency to the City or any other public agency after January 1, 2011 and require the retransfer of any properties so transferred. Those sections are inapplicable to the transfers to the Montclair Housing Corporation. The Montclair Housing Corporation is a California corporation formed under the provisions of Corporation Code. It is not a city, a city and county or any other public entity. The Montclair Housing Corporation is a separate, third party entity to which the restrictions of § 34167.5 and § 34177(d) and (e) do not apply. We feel that this transaction was validly done between a California corporation and the former redevelopment agency prior to the adoption of AB 26 which eliminated redevelopment. We agreed with the State Controller's personnel to record the receivable from this transaction (offset by an uncollectible as payments would be forgiven as long as the affordability covenants were maintained); however, we disagree with the unilateral change in this finding presented by the State Controller's Office in this draft report.

Finding 4

The former redevelopment agency transferred unspent bond proceeds to the City of Montclair and utilized a portion to complete existing projects and to accomplish some debt service on the former redevelopment agency's debt. The remaining balance is ordered to be transferred back to the Successor Agency.

Response

The former redevelopment agency did transfer unspent pre-January 1, 2011 bond proceeds to the City of Montclair for administration, which is allowed by the bond instruments. No attempt was made to conceal this administrative option as these transactions were fully disclosed in financial audits issued by the City and the former redevelopment agency and they were included in regulatory reports filed with the State Controller's Office. These transfers were also done prior to the introduction and adoption of AB 26 which eliminated redevelopment agencies. The project costs incurred were all valid enforceable obligations and the utilization of proceeds to pay debt service was approved by the Oversight Board, the County of San Bernardino and the Department of Finance. The Successor Agency is presently attempting to complete the liquidation process of the former redevelopment agency and obtain a finding of completion from the Department of Finance. Once that is obtained, the Successor Agency will be allowed to utilize these unspent bond proceeds as specified in the bond documents. If that cannot be obtained, these would be utilized to defease the bond issues to which they relate. We do not object to the order to transfer these unspent bond proceeds back to the Successor Agency; however, to accomplish this will require governing board actions by the City of Montclair.

Conclusion

We understood that the State Controller's Office was charged with the responsibility to perform these reviews and we cooperated fully in providing resources and time to allow this to be

Letter: Draft Transfer Asset Audit Report Response

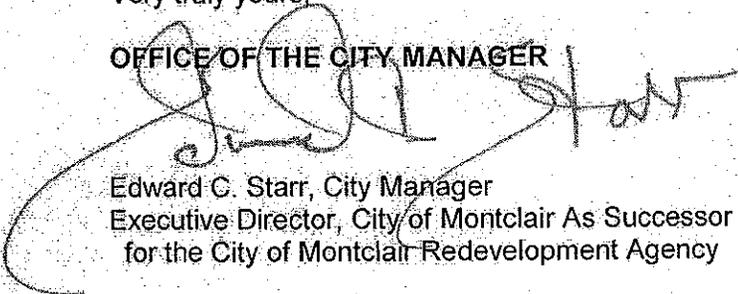
November 15, 2012

accomplished. I sincerely hope that the State Controller's Office will review the comments above and consult with us prior to issuing a final report. In that way misinformation can be avoided.

If you have any questions regarding the above comments or items that we can clarify, please do not hesitate to contact Mr. Donald L. Parker, CPA, Finance Director at (909)625-9418 or by e-mail at dparker@cityofmontclair.org.

Very truly yours,

OFFICE OF THE CITY MANAGER



Edward C. Starr, City Manager
Executive Director, City of Montclair As Successor Agency
for the City of Montclair Redevelopment Agency

AGENDA REPORT

SUBJECT: DISCUSSION REGARDING THE POTENTIAL
OF RETAINING OVERSIGHT BOARD LEGAL
COUNSEL

DATE: December 12, 2012

SECTION: BUSINESS ITEMS

ITEM NO.: D

FILE I.D.: OBO050

DEPT.: OVERSIGHT BOARD

REASON FOR CONSIDERATION: The Oversight Board requested at its last meeting that an item be agendized to discuss the potential of retaining legal counsel to represent the interests of the Oversight Board.

BACKGROUND: The Oversight Board may request the Successor Agency to supply funding for special counsel to represent the interests of the Oversight Board.

If the Oversight Board desires to engage the services of special counsel, a method for soliciting proposals from legal firms could be considered by the Board.

FISCAL IMPACT: Successor Agency administrative funds would have to be used to retain special counsel for the Oversight Board.

Prepared by:

M. STAATS
Yvonne R. Smith

Reviewed and
Approved by:

M. STAATS

Proofed by:

Presented by:

M. STAATS

AGENDA REPORT

SUBJECT: CONSIDER ADOPTION OF RESOLUTION NO. 12-15, A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY DIRECTING THE TRANSFER OF CERTAIN HOUSING FUNCTIONS AND ASSETS	DATE: December 12, 2012 SECTION: BUSINESS ITEMS ITEM NO.: E FILE I.D.: OBO050 DEPT.: OVERSIGHT BOARD
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REASON FOR CONSIDERATION: The Oversight Board is requested to direct the transfer of certain housing functions and assets to primarily facilitate the exercise of a valid Option Agreement between the former Redevelopment Agency and National Community Renaissance regarding the property located at 4113 Kingsley Street.

BACKGROUND: As the Oversight Board may recall, the Board approved the List of Housing Assets to transfer to the Montclair Housing Authority on July 25, 2012, pursuant to Resolution No. 12-11. The list of assets transferred to the Montclair Housing Authority is attached as Exhibit A to Resolution 12-15.

The Department of Finance (DOF) completed its review of the List of Housing Assets on August 25, 2012. DOF objected to the property located at 4113 Kingsley Street being transferred (no reason stated) and indicated that the loan from the former Redevelopment Agency to the Montclair Housing Corporation for \$1 million was not valid. DOF believes the loan is not valid because it was dated after AB 26 was signed, but the loan was approved by the legislative authority prior to the signature of AB 26. The letter from DOF is attached as Exhibit 1. The Successor Agency filed a request to "Meet and Confer" on September 12, 2012. A copy of the "Meet and Confer" request form is attached as Exhibit 2, however, the many attachments to the document have not been included to reduce voluminous duplication. Successor Agency staff, Successor Agency Counsel, and representatives from National Community Renaissance (National CORE) conducted the "Meet and Confer" with representatives from DOF on November 21, 2012.

The property at 4113 Kingsley Street is subject to an Option Agreement (Exhibit 3) allowing National Community Renaissance to purchase the site to construct 18-unit multifamily housing units for very low-income developmentally disabled individuals. National CORE has secured funding to build the project from the federal Housing and Urban Development Department (HUD) 811 Program and has received an allocation of 9 percent tax credits. The Option Agreement will expire on December 31, 2012. In order to build the project and to satisfy HUD financing guidelines, HUD must know that the subject property has opened escrow in January 2013. Pursuant to the Option Agreement, escrow must be opened five working days after National CORE exercises its option to purchase.

Prepared by: <u>M. STAATS</u>	Reviewed and Approved by: <u>M. STAATS</u>
Proofed by: <u>[Signature]</u>	Presented by: <u>M. STAATS</u>

If the property at 4113 Kingsley Street is not considered a housing asset by DOF, it would be subject to asset disposal under an Asset Management Plan. DOF has not developed the guidelines for the Asset Management Plan for nonhousing assets at this time. In any case, consideration of the Kingsley Street site as a nonhousing asset would cause National CORE to lose its financing with HUD, given the time constraints, and would cause the community to lose a needed element to its affordable housing program. In a letter dated November 19, 2012 (Exhibit 4), National CORE indicates that if a failure by the Successor Housing Agency causes a default, National CORE may seek legal remedy. This correspondence was sent to DOF as a part of the "Meet and Confer" process.

Staff is requesting the Oversight Board direct the transfer of those certain housing assets, the property at 4113 Kingsley Street and the loan to the Montclair Housing Corporation, in the event DOF reverses its disapproval of the two indicated items. This will assure the items are considered housing assets and the Successor Agency would be able to open escrow with National CORE. In addition, it is hoped this action would clarify any title issues regarding 4113 Kingsley Street so that National CORE would be able to obtain clear title to the property.

RECOMMENDATION: Staff recommends the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency adopt Resolution No. 12-15 directing the transfer of certain housing functions and assets.



DEPARTMENT OF
FINANCE

Exhibit 1

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

August 25, 2012

Ms. Marilyn J. Staats, Redevelopment Director
City of Montclair
5111 Benito Street
Montclair, CA 91763

Dear Ms. Staats:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Montclair Housing Agency submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 26, 2012 for the period February 1, 2012 through July 26, 2012.

Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to Exhibit A, Item 1, Real Property and Exhibit C, Item 1, Low-Mod Encumbrances because HSC section 34163 (b) prohibits new contracts after June 27, 2011. HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency.

Except for items disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Larry Walker, San Bernardino County Auditor-Controller
California State Controller's Office



MEET AND CONFER REQUEST FORM Exhibit 2

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state “[Agency Name] Request to Meet and Confer”. Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance’s website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance’s Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

- Successor Agency Housing Entity

AGENCY NAME: SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

- Housing Assets Transfers Due Diligence Reviews ROPS Period _____

DATE OF FINANCE’S DETERMINATION LETTER: August 25, 2012

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

- Meeting at Finance Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

In the response, dated August 25, 2012 from the Department of Finance (DOF), it is indicated that DOF is objecting to two items. Those items are specifically discussed below. It is also indicated that HSC Section 34176 (e) defines a housing assets. It is unclear on what basis DOF's objection is being made as for the first item (4113 Kingsley Street) no explanation is provided and for the second item, an approved loan. A reference to the documentation date is present and no discussion is done of the approval date of the item. Section 34176 (e) as it relates to these items is as follows:

(e) For purposes of this part, "housing asset" includes all of the following:

- (1) Any real property, interest in, or restriction on the use of real property, whether improved or not, and 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.
- (2) Any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing, as defined by the Community Redevelopment Law . . .

It is the opinion of the Successor Agency, Successor Agency Counsel, and its Oversight Board, that the objections raised are incorrect. Specifically, these items meet the definition of the Health and Safety Code and, In the opinion of the Successor Agency these items should be approved.

Specific discussion of situations present:

1. Housing Asset Transfer Form-Exhibit A, Item 1, Real Property-4113 Kingsley Street:

Department of Finance (DOF) did not deem this property a housing asset. The Successor Agency disputes this conclusion based on history, fact, and the documentation provided.

2. Housing Asset Transfer Form-Exhibit C, Item 1, Low and Moderate Income Housing Fund Encumbrance-Promissory Note for \$1 million

DOF prohibits the encumbrance because the Agreement was executed on July 1, 2012. The Successor Agency disputes this conclusion on legal grounds.

B. Background/History (Provide relevant background/history, if applicable.)

1. Exhibit A, Item 1, Real Property-4113 Kingsley Street

In 1994, the City of Montclair and the former City of Montclair Redevelopment Agency began looking at the long-term renovation and rehabilitation of blighted multifamily residential units and underutilized area in the southwest section of the City. The City named this area the "San Antonio Gateway." The City and Agency began by working with owners of existing multifamily units on property maintenance issues through formation of "property owners associations." With success in upgrading the existing multifamily units, the Agency focused on the acquisition of vacant property that had become a haven for the homeless and for illegal dumping. The Agency acquired its first vacant parcel in 2003. This parcel was acquired with Low and Moderate Income Housing Funds and, in partnership with a nonprofit housing developer, 75 units of very low-income family housing began construction in 2008. Planning then began on development of an 85-unit low income senior project in the San Antonio Gateway area in 2004. The nonprofit housing developer, National Community Renaissance, received a HUD loan for the project in 2006. With the HUD loan, tax credit financing, and Redevelopment Agency assistance, the Redevelopment Agency transferred ownership of the land for the senior project to the nonprofit organization in 2008. The grand opening of the senior project took place in March 2010. National Community Renaissance then negotiated acquisition of a 1.75 acre property located directly north of the senior project site in 2007. The property had contained a deteriorated shopping center. The only tenant in the center was a liquor store that posed a significant neighborhood problem with loitering, drinking, and fighting. With Redevelopment Agency assistance and tax credit financing, a 50-unit very low income affordable family housing project was completed in 2011. In 2009, the Redevelopment Agency purchased the property at 4113 Kingsley Street with Low and Moderate Income Housing Funds for the expressed purpose of developing an affordable special needs housing project. The development of this property was to be the final project to complete the improvement of the San Antonio Gateway area. The one-half acre site contained a vacant deteriorated single-family home. The 4113 Kingsley Street location is directly adjacent to the 50-unit family project. In fact, the projects are to share joint access. With Redevelopment Agency assistance, 18 units of affordable special needs housing were to be constructed. The project has successfully been awarded HUD 811 financing and is slated to receive 9 percent tax credit financing.

The former Redevelopment Agency's intentions regarding the 4113 Kingsley Street property as an affordable housing asset were established before any discussion of redevelopment dissolution. In fact, the Department of Finance's (DOF's) attention is directed to Exhibit A and Exhibit B. These exhibits are the City of Montclair's Action Plans regarding housing improvements in the City. Exhibit A-(Housing Action Plan for 2009) pages 9 and 10 show the 4113 Kingsley Street site and discuss its acquisition for affordable housing for special needs individuals. In addition, Exhibit B (Housing Action Plan for 2010) pages 6, 7, and 15, discuss the Option Agreement provided to National Community Renaissance needed for application to HUD for financing.

Exhibit C, Item 1, Low and Moderate Income Housing Encumbrance-Promissory Note

The former City of Montclair Redevelopment Agency purchased property for provision of replacement housing. The property located at 5444 Palo Verde Street, contains two dwelling units on a single lot. The property was transferred to the Montclair Housing Corporation for rehabilitation. The goal of the Montclair Housing Corporation is to rent the rehabilitated homes to families for affordable housing. The site is vastly overgrown with vegetation that covers portions of the houses; it has uplifted and broken existing fencing, and has created an extremely deteriorated presence. The interior of the homes contain many code violations and will require, among other things, the replacement of entire electrical systems, removal of an illegal second story addition, and removal of an illegally enclosed garage. The loan approved by the Redevelopment Agency Board of Directors to the Montclair Housing Corporation on June 20, 2011 would cover costs related to rehabilitation of this property.

C. Justification (Provide additional attachments to this form, as necessary.)

1. Exhibit A, Item 1, Real Property-4113 Kingsley Street

The property located at 4113 Kingsley Street is a housing asset pursuant to Health and Safety Code Section 34176(e)(1) for the following reasons:

- The property at 4113 Kingsley Street was approved for purchase with Low and Moderate Income Housing Fund monies on January 20, 2009, with the purpose of using the site for a special needs housing project as reflected in the staff report presented at the meeting labeled Exhibit C and the Minutes of the January 20, 2009 meeting of the Redevelopment Agency Board of Directors labeled Exhibit D.
- On October 10, 2009, the Redevelopment Agency Board of Directors approved an Option Agreement with National Community Renaissance providing the nonprofit with the opportunity to purchase the site for the purpose of developing affordable rental housing for persons with disabilities. An Option Agreement extension was approved on December 30, 2010. The Option Agreement documents are attached as Exhibit E and Exhibit F.
- The U.S. Department of Housing and Urban Development (HUD) provided National Community Renaissance with a Section 811 Funding Agreement for the project dated July 30, 2010 based on the Option Agreement in place. Extensions to the HUD funding were provided on January 20, 2012, and August 6, 2012, through July 31, 2013. A copy of the funding Agreement with HUD and the extensions to the Agreement are supplied as Exhibits G.
- The City of Montclair Planning Commission provided entitlements for the special needs housing project on March 28, 2011. The entitlements were extended on March 26, 2012. The entitlement process included a Density Bonus specifically because the project involved the development of an affordable housing project for special needs individuals. A copy of City of Montclair Planning Commission Resolution No. 11-1739 is attached as Exhibit H and a copy of the Minutes from the March 28, 2011, Planning Commission meeting are also attached as Exhibit I.
- National Community Renaissance submitted an application for 2012 9 percent tax credits to the California Tax Credit Allocation Committee (CTAC) which has reviewed and confirmed as complete, including the acceptance of the former City of Montclair Redevelopment Agency's Option Agreement as evidence of project site control. The proposed special needs project received full points in its application and a tie-breaker

of 67.155 percent which is the highest tie-breaker in its competitive geographic setaside. While formal confirmation of the award will occur in October, the probability of this project receiving the tax credits is extremely high and provides the remaining gap financing to commence construction. A copy of the letter from the CTAC regarding the status of the tax credits is attached as Exhibit J.

The property located at 4113 Kingsley Street meets the fact pattern and contains all appropriate evidence that it meets the intent and definition of a Housing Asset as defined in Health and Safety Code Section 34176(e). The City of Montclair, HUD, and the CTAC have all found and entitled the project as an affordable housing project for special needs persons. A letter from National Community Renaissance has also been included as Exhibit K.

Exhibit C, Item 1 Low and Moderate Income Housing Fund Encumbrance-Promissory Note

In a letter dated May 10, 2012, Counsel to the Successor Agency has opined that pursuant to contract law, the action of the City of Montclair Redevelopment Agency on June 20, 2011 to approve Agreement No. 11-63 to fund a \$1 million loan to the Montclair Housing Corporation becomes effective on the date of the action rather than on the date an agreement is executed. Counsel further finds that such action is supported by state law and judicial precedent. Attached is a copy of Agreement No. 11-63 labeled Exhibit L. Attached are a copy of the Minutes of the Redevelopment Agency Board of Directors meeting of June 20, 2011, labeled Exhibit M and a copy of the opinion of Successor Agency Counsel labeled Exhibit N.

In several discussions, the approval date of June 20, 2011 has been communicated to DOF personnel during the review process; however, this factual situation appears to have been ignored in the review process and in any communications from DOF. All communications received on this item indicate the documentation date as the reason for objection. The Successor Agency respectfully requests that the approval date of June 20, 2011 be accepted as the date the transaction occurred. If DOF maintains its objection, DOF is requested to provide a complete discussion of the reason for such objection, which addresses why DOF finds the approval date is not acceptable.

Thank you for your consideration of these matters.

Agency Contact Information

Name: Marilyn Staats
Title: Deputy City Manger

Phone: (909) 625-9412

Email: mstaats@cityofmontclair.org

Date: September 12, 2012

Name: Donald Parker
Title: Finance Director

Phone: (909) 625-9418

Email: dparker@cityofmontclair.org

Date: September 12, 2012

Department of Finance Local Government Unit Use Only

REQUEST TO MEET AND CONFER DATE: APPROVED DENIED

REQUEST APPROVED/DENIED BY: _____ DATE: _____

MEET AND CONFER DATE/TIME/LOCATION: _____

MEET AND CONFER SESSION CONFIRMED: YES DATE CONFIRMED: _____

DENIAL NOTICE PROVIDED: YES DATE AGENCY NOTIFIED: _____

Agreement No. 09-97

OPTION AGREEMENT

This OPTION AGREEMENT ("Agreement") is entered into this 20th day of October, 2009 ("Effective Date") by and between the **City of Montclair Redevelopment Agency, a public body, corporate and politic** ("Optionor"), and **National Community Renaissance of California**, a California nonprofit public benefit corporation ("Optionee").

RECITALS

- A. Optionor is the owner in fee of that certain real property consisting of approximately .58 acres located in the City of Montclair ("City"), County of San Bernardino, State of California, commonly known as 4113 Kingsley Street, more particularly described in the legal description attached hereto as Exhibit "A" (the "Property").
- B. Optionor and Optionee desire to enter into this Agreement to provide for Optionor to grant to Optionee and Optionee to obtain from Optionor; upon the terms set forth in this Agreement, an option to acquire the Property.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and in connection of the payment by Optionee to Optionor of the sum of \$1.00, the receipt and sufficiency of which is hereby acknowledged, Optionor and Optionee agree as follows:

1. **OPTION TO ACQUIRE.**

- 1.1 **Grant of Option.** Optionor grants to Optionee an option to purchase the Property, upon all of the terms, covenants, and conditions contained in this Agreement (the "Option").
- 1.2 **Option Period.** This Option shall commence on the date hereof and, subject to Section 1.6, shall continue until the earlier of (i) the date that is twelve (12) months after the date Optionee receives notice from the United States Department of Housing and Urban Development ("HUD") that Optionee's application for a fund reservation under HUD Section 811 ("Fund Reservation") for the acquisition of the Property and the development of a project for developmentally disabled persons ("Project") has been approved or (ii) December 31, 2011 ("Option Period"). Optionee shall provide Optionor with a copy of said notice (the "HUD Fund Reservation Approval Notice").

- 1.3 Application of Consideration to Purchase Price. If this Option or any extension thereof is exercised in accordance with its terms, the consideration paid by Optionee to Optionor shall apply to the Purchase Price.
- 1.4 Purchase Price. The purchase price ("Purchase Price") if the Option is exercised is the sum of \$335,000 or the HUD approved appraised fair market value of the Property, whichever is less.
- 1.5 Exercise of Option. In the event Optionee elects to exercise the Option to purchase the Property and has performed all acts in the time and manner as required by the terms hereof, and is not in default under any provision of this Agreement, Optionee shall exercise the Option by delivering to Optionor, on or before 5:00 p.m. on the last day of the Option Period, written notice of Optionee's election to acquire the Property. Optionee must exercise the Option as to the entire Property and shall not be permitted to exercise the Option as to only a portion of the Property.
- 1.6 Automatic Termination. In the event (i) Optionee does not exercise the Option to purchase the Property in the manner set forth in Section 1.5 of this Agreement prior to the expiration of the Option Period, or (ii) Optionee's application for the Fund Reservation has not been approved by HUD by December 31, 2010, or (iii) Optionee receives notice that the application for the Fund Reservation has been rejected (after any appeal by Optionee) by HUD, the Option shall automatically terminate without any notice to Optionee, and all rights of Optionee in and to the Property shall then and there cease. Such termination shall not release either party from its obligations pursuant to Sections 5.1 and 5.3 hereof.
- 1.7 Document to Remove Cloud. This Agreement constitutes only an Option to purchase the Property, and although the Option granted hereby shall automatically terminate with respect to the Property unless exercised within the times provided for herein, or shall otherwise terminate as provided in Section 1.6, Optionee shall execute, acknowledge and deliver to Optionor within ten (10) days after Optionor's request therefor, any quitclaim deed or other document(s) required by a reputable title company of Optionor's choice, which said title company might require to remove any cloud from the title of Optionor to the Property that might arise as a result of the Option herein granted.

2. INSPECTIONS AND REVIEW.

- 2.1 Investigation of Property. Optionee, at its sole cost and expense, shall have the right to make such independent investigations, inspections, tests, reviews, studies or surveys (collectively, the "Investigations") as Optionee deems necessary or appropriate concerning the condition or suitability for ownership, use, subdivision, development, construction, or sale of the Property by Optionee, including, without limitation, any desired Investigations of the soils or

groundwater conditions, including a study and determination as to the existence of any noxious, toxic, flammable, explosive or radioactive matter or any hazardous materials or hazardous substances or any crude oil or byproducts of crude oil. Optionee's Investigations of the Property shall be conducted upon no less than 48 hours notice to Optionor, which notice may be verbal. Optionor shall have the right, but not the obligation, to accompany Optionee during such Investigations. Optionee shall repair any and all damage to the Property caused by such Investigations in a timely manner and shall indemnify, defend and hold Optionor and its officers, employees, agents and representatives harmless from and against any liability arising from Optionee's Investigations hereunder.

3. FUND RESERVATION. As additional consideration for the granting of this Option, Optionee agrees to submit to HUD an application for the Fund Reservation on or before the deadline date for such submission as imposed by HUD, and, thereafter, perform all actions as may be reasonably required to secure the Fund Reservation from HUD.
4. ESCROW. Within five (5) working days following exercise of the Option, the parties shall execute escrow instructions for the sale/purchase of the Property at Ticor Title Company, Upland office, or any other mutually agreeable licensed escrow company ("Escrow Agent") upon the following terms and conditions:
 - 4.1 The escrow shall be for a period of sixty (60) days;
 - 4.2 The Purchase Price shall be paid through delivery to Optionor at close of a residual receipts promissory note executed by Optionee as provided in the DDA (see Section 4.9 below), and for which the full amount of the Purchase Price shall be deemed to be a principal disbursement of a portion of such loan balance by Optionor to Optionee;
 - 4.3 Optionee shall have the right to review and approve the status of the title of the Property prior to the close of escrow. Such title shall also be subject to the approval of HUD;
 - 4.4 Optionor shall pay the premium for a CLTA standard owner's policy of owner's title insurance issued by Fidelity National Title Company in the amount of the Purchase Price in the Optionee's name or Optionee's permitted assignee. Optionor shall pay the documentary transfer tax assessed upon the deed and one-half of the escrow charge and any expenses required to deliver title to Optionee;
 - 4.5 Optionee shall pay recording charges and one-half of the escrow charge and the expense of any extended title coverage or of any lender's title insurance with Optionor may request/require to insure the priority of its security instruments recorded at closing. Any other escrow costs and charges shall be borne one-half by Optionor and one-half by Optionee;
 - 4.6 Optionor shall deposit an executed grant deed conveying title of the Property to Optionee or Optionee's permitted assignee into escrow for delivery to Optionee at close of escrow;

- 4.7 Possession shall be given to Optionee at close of escrow;
- 4.8 Current taxes and assessments shall be prorated to the close of escrow. Any past due taxes and assessments shall be charged to Optionor. Taxes shall be computed, if undetermined, by the Escrow Agent on the basis of the last available tax rate and valuation; and
- 4.9 Optionor and Optionee shall have entered into a disposition and development agreement ("DDA") acceptable to Optionor, Optionee and HUD. The DDA shall contain the usual and customary terms of such agreements entered into by Optionor for affordable housing projects, shall contain provisions for the sale of real property for the Purchase Price and shall refer to, include or supersede, as applicable, the provisions set forth in this Section 4. The DDA shall provide for the Optionor's loan of approximately \$1,600,000 to the Optionee for use in the development of the Project. Optionor's loan will include an amount of \$335,000 as the consideration received by Optionor for sale of the Property to Optionee, and approximately \$1,265,000 available for Project development costs, less the amount of any predevelopment loan made by Optionor to Optionee. The residual receipts promissory note shall be for a term of fifty-five (55) years, and shall bear interest at a rate to be set in the DDA. The DDA shall also contain customary and ordinary subordination provisions consistent with HUD requirements in connection with HUD Section 811 funding. Prior to the close of escrow, Optionor shall give and conduct all legally required notices and hearings pertaining to the disposition of the Property.
- 4.10 As will be more specifically provided in the DDA, a regulatory agreement in favor of Optionor or the grant deed conveying the Property to Optionee shall contain a restriction that the Property is to be owned, managed and operated as an affordable housing project as referred to below for a term of at least fifty-five (55) years from the date of the City Certificate of Occupancy for the Project. Said restriction shall further provide that (i) for the first forty (40) years of operation, all of the units shall be continuously occupied or held vacant and available for occupancy by very low-income developmentally disabled tenants, as determined by criteria established by HUD under the 811 program; and the Project shall comply with all HUD requirements with respect to rental rates, rental policies, availability to the general public, maintenance, reporting requirements and any other matter which is the subject of applicable HUD regulations; and (ii) for the succeeding fifteen (15) years (but not during the term of the HUD Capital Advance), all of the units shall be continuously occupied or held vacant and available for occupancy by low or moderate income tenants at affordable rents. The deed restriction or regulatory agreement shall be subject to HUD approval.
- 4.11 The closing shall be subject to Optionee's obtaining of a Firm Commitment for Capital Advance funding from HUD and any other funds required for the Project and the availability of such funds at close of escrow, which closing shall occur concurrently with the HUD Capital Advance closing.

- 4.12 Approval by the City, and any other governmental agency with jurisdiction, of any land use approvals and entitlements which may be required for the Project including, but not limited to, a building permit.

5. ZONING, LAND USE, COOPERATION.

- 5.1 Optionor agrees to execute any and all documents and to join in any applications that may be required to obtain any zoning, land use or development plan proposals by Optionee from applicable governmental agencies having jurisdiction. Optionee agrees to hold Optionor harmless from any and all costs and expenses in connection with the foregoing documentation.

- 5.2 Optionee shall be responsible for all actions required for Optionor to convey a legally transferable lot, if any.

- 5.3 REPRESENTATION AND WARRANTY OF OPTIONOR REGARDING ENVIRONMENTAL HAZARDS. To the best of Optionor's knowledge (i) no hazardous substances or conditions are or have heretofore been generated, treated, used, or stored, disposed of or deposited in or otherwise are existing in or on any portion of the Property during the period of Optionor's ownership thereof, and no substances or conditions are in or on the Property that would have a materially adverse effect upon the Property or in any way affect the use thereof or that may support a claim at common law or under any federal, state or local environmental statute, regulation, ordinance or other environmental regulation and (ii) there are no seismic, soils conditions, geological defects or faults affecting the Property. For the purposes of this section Optionor's "knowledge" shall mean the knowledge of those Agency employees directly involved with the acquisition, management and sale of the Property, and shall not require the Agency to conduct any further testing of the Property.

6. MISCELLANEOUS.

- 7.1 Attorney's Fees. In the event of any dispute between the parties hereto involving the covenants or conditions contained in this Option or arising out of the subject matter of the Option, the prevailing party shall be entitled to recover, and the other party agrees to pay, all reasonable fees, expenses and costs, including, but not limited, to attorneys' fees.

- 7.2 Notices. All notices required to be delivered under this Agreement to the other party must be in writing and shall be effective (i) when personally delivered by the other party or messenger or courier thereof; (ii) three (3) business days after deposit in the United States mail, registered or certified; (iii) twenty-four (24) hours after deposit before the daily deadline time with a reputable overnight courier or service; or (iv) upon receipt of a telecopy, electronic or fax transmission, provided a hard copy of such transmission shall be thereafter placed in the mail within twenty-four (24) hours, ordinary postage prepaid, addressed to the other party; in each case postage fully prepaid and addressed to the respective

parties as set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

To Optionor: **City of Montclair Redevelopment Agency**
5111 Benito Street
Montclair, California 91763
Attention: Redevelopment Director

Copy to: **Stradling Yocca Carlson & Rauth**
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Joseph M. Adams

To Optionee: **National Community Renaissance of California**
9065 Haven Street, Suite 100
Rancho Cucamonga, California 91730
Attention : Richard J. Whittingham, CFO

Copy to: **Edward A. Hopson, Esq.**
655A North Mountain Avenue
Upland, California 91786

- 7.3 Broker's Fee. Optionor and Optionee each represents and warrants to the other than no third party is entitled to a broker's commission and/or finder's fee with respect to the transactions contemplated by this Agreement. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages and expenses, including, without limitation, attorney's fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay broker's commissions and/or finder's fees.
- 7.4 Assignment. Optionee shall have no right to assign the Option herein granted or any right or privilege Optionee might have in the Option, by operation of law or otherwise, without the prior written consent of Optionor. Notwithstanding the foregoing, without the consent of Optionor, Optionee shall have the right to assign this Agreement to a non-profit corporation, limited liability company or other qualifying entity formed for the sole purpose of owning, assuming and operating the Project as required by HUD, but such consent shall not be effective unless and until the assignee agrees in writing to carry out and observe Optionee's agreements hereunder.

- 7.5 Time is of the Essence. Time is of the essence with respect to each of the terms, covenants and conditions of this Agreement.
- 7.6 Binding on Successors and Assigns. Subject to the limitations set forth in Section 7.4 above, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.
- 7.7 Modification, Waivers of Agreement. Any amendments or modifications to this Agreement must be in writing and executed by both parties to this Agreement. No delay or omission by either party hereto in exercising any right or power accruing upon the compliance or failure of performance by the other party hereto under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either party hereto of a breach of any of the covenants, conditions or agreements hereof to be performed by the party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof.
- 7.8 Interpretation; Governing Law; Forum. This Agreement shall be construed according to its fair meaning and as if prepared by both parties hereto. This Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. Title and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates. In the event of any litigation between the parties hereto, the Superior Courts of the State of California in and for the County of San Bernardino shall have exclusive jurisdiction.
- 7.9 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- 7.10 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other agreement to which said party is bound.
- 7.11 Execution in Counterpart. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

7.12 Recordation. This Agreement may be recorded at the election of either party.

7.13 Exhibits. Exhibit "A" attached hereto is hereby incorporated herein by this reference.

[SIGNATURES START ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Option Agreement as of the day and year first above written.

OPTIONOR:
City of Montclair Redevelopment Agency

By: Paul M. Eatas
Its: Chairman

OPTIONEE:
National Community Renaissance of
California

By: [Signature]
Richard J. Whittingham, CFO

ATTEST:

By: [Signature]
Its: Secretary

APPROVED AS TO FORM:

By: [Signature]
Its: Redevelopment Agency Special Counsel

ALL-PURPOSE ACKNOWLEDGMENT

State of California)
County of San Bernardino) ss.

On November 4, 2009, before me, Hilda Hernandez, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard J. Whittingham
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Hilda Hernandez
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document:

Document Dated Number of Pages:

Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer

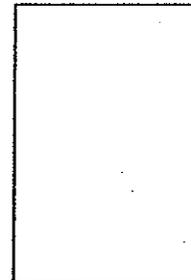
Signer's Name:

Right Thumbprint of Signer

- Individual
Corporate Officer - Title(s):
Partner - Limited General
Attorney in Fact
Co-Trustee
Guardian or Conservator

Other:

Signer is Representing:



STATE OF CALIFORNIA)
COUNTY OF San Bernardino) ss.

On October 24, 2009, before me, Janet L. Kulbeck, Notary Public
(name and title of Notary)

personally appeared Paul M. Eaton & Donna M. Jackson who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument and acknowledged to me that ~~he~~ she/they executed the same in ~~his~~ their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Janet L. Kulbeck
Signature



STATE OF CALIFORNIA)
COUNTY OF _____) ss.

On _____, 2009, before me, _____
(name and title of Notary)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

(Notary Stamp or Seal)

Title No. 09-259919437-SB
Locate No. CAFNT0925-0925-0199-0259919437

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THE EAST 152.68 FEET OF THE WEST 209.68 FEET OF THE NORTH 165 FEET OF LOT 24, SAN ANTONIO TRACT, IN THE CITY OF MONTCLAIR, AS PER MAP RECORDED IN BOOK 3, PAGE(S) 16, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION CONVEYED TO THE CITY OF MONTCLAIR, BY DEED RECORDED APRIL 11, 1986, AS INSTRUMENT NO. 86-094690, OF OFFICIAL RECORDS.

APN: 1009-521-24-0-000

OPTION AGREEMENT EXTENSION

This extension to Option Agreement No. 09-07 is entered into this 30th day of December, 2010, by and between the City of Montclair Redevelopment Agency, a public body, corporate and politic ("Optioner") and National Community Renaissance of California, a California nonprofit public benefit corporation ("Optionee").

RECITALS

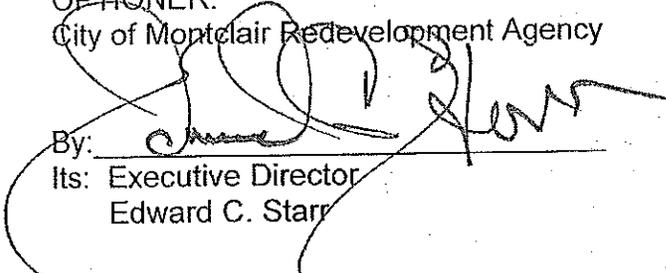
- A. Optioner is the owner in fee of that certain real property consisting of approximately .58 acres located in the City of Montclair ("City"), County of San Bernardino, State of California, commonly known as 4113 Kingsley Street (the "Property").
- B. Optioner and Optionee have entered into Option Agreement No. 09-07 on October 20, 2009 and currently desire to extend the term of said option to acquire the Property.
- C. Optionee has obtained a Notice of Fund Reservation from the United States Department of Housing and Urban Development but Optionee and Optioner are still working on the terms of a Disposition and Development Agreement.

AGREEMENT

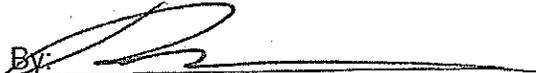
Based upon the foregoing Recitals, Optionee and Optioner agree as follows:

1. Section 1.2 of Option Agreement No. 09-07 is hereby amended to state that the Option shall continue until December 31, 2012.
2. All other terms of Option Agreement No. 09-07 shall remain in full force and effect.

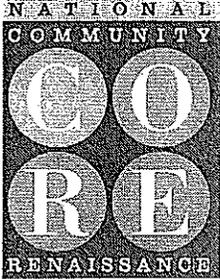
OPTIONER:
City of Montclair Redevelopment Agency

By: 
Its: Executive Director
Edward C. Starr

OPTIONEE:
National Community Renaissance
of California

By: 
Its: Richard J. Whittingham, CFO

November 19, 2012



Marilyn J. Staats, Deputy City Manager/Executive Director
Office of Economic Development
City of Montclair
5111 Benito Street
Montclair, CA 91763

RE: Notice of Intention to Exercise Option - Montclair 4 - 4113 Kingsley Street

Dear Ms. Staats,

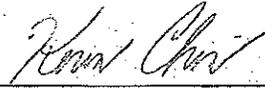
This letter is to inform you that pursuant to the terms of Agreement No. 09-97 Option Agreement, between the City of Montclair Redevelopment Agency (the "Optionor") and National Community Renaissance of California (the "Optionee"), dated the 20th day of October 2009 (the "Option Agreement") as modified in the Extension to Option Agreement (the "Extension," together with the Option Agreement, the "Agreement") entered into on December 30, 2010 by and between Optionor and Optionee attached hereto, on or before December 3, 2012, Optionee intends to exercise its option to purchase (the "Option") that certain real property consisting of approximately .58 acres located in the City of Montclair, County of San Bernardino, State of California, and commonly known as 4113 Kingsley Street (the "Property"). As documented in the Extension, our Option deadline is December 31, 2012 and failure to exercise our Option before the end of the year will nullify our committed 9% Tax Credit and HUD Section 811 financing which is contingent on continuous site control and the close of escrow on the Property.

As set forth in Section 7.6 Binding on Successors and Assigns of the Agreement, the Agreement is binding upon and inures to the benefit of the successors and assigns of the respective parties to the Agreement, including the Montclair Housing Authority, the Successor Housing Agency to the City of Montclair Redevelopment Agency (the "Successor Housing Agency"). Under the terms of the Agreement and the laws of the State of California (the "State"), Optionee understanding is that the Successor Housing Agency will perform all acts in the time and manner as required by the terms of the Agreement, including but not limited to execution of escrow instructions for the sale/purchase of the Property and closing of escrow within sixty (60) days of execution of escrow instructions. The estimated close of escrow date is January 31, 2013.

Under the terms of the Agreement, any failure by the Successor Housing Agency to perform its duties in the time and manners provided therein will be a default under the provisions of the Agreement and under the terms of the Agreement and the laws of the State the Optionee may take any and all legal actions as it deems appropriate to cause the Successor Housing Agency fulfill its obligations. If you have any questions regarding this written notice to exercise, please contact Kevin Chin, Vice President of Project Development at 909-969-4168, or me at (909) 483-2444 ext. 144.



National Community Renaissance of California

By: 

Its: Kevin Chin, Vice President of Project Development

Attachments:

1. Agreement No. 09-97 Option Agreement, between the City of Montclair Redevelopment Agency (the "Optionor") and National Community Renaissance of California (the "Optionee"), dated the 20th day of October 2009 (the "Option Agreement")
2. Extension to Option Agreement (the "Extension," together with the Option Agreement, the "Agreement") entered into on December 30, 2010 by and between Optionor and Optionee

OPTION AGREEMENT EXTENSION

This extension to Option Agreement No. 09-07 is entered into this 30th day of December, 2010, by and between the City of Montclair Redevelopment Agency, a public body, corporate and politic ("Optioner") and National Community Renaissance of California, a California nonprofit public benefit corporation ("Optionee").

RECITALS

- A. Optioner is the owner in fee of that certain real property consisting of approximately .58 acres located in the City of Montclair ("City"), County of San Bernardino, State of California, commonly known as 4113 Kingsley Street (the "Property").
- B. Optioner and Optionee have entered into Option Agreement No. 09-07 on October 20, 2009 and currently desire to extend the term of said option to acquire the Property.
- C. Optionee has obtained a Notice of Fund Reservation from the United States Department of Housing and Urban Development but Optionee and Optioner are still working on the terms of a Disposition and Development Agreement.

AGREEMENT

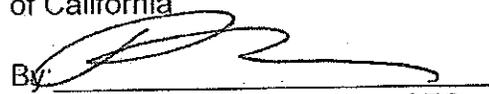
Based upon the foregoing Recitals, Optionee and Optioner agree as follows:

1. Section 1.2 of Option Agreement No. 09-07 is hereby amended to state that the Option shall continue until December 31, 2012.
2. All other terms of Option Agreement No. 09-07 shall remain in full force and effect.

OPTIONER:
City of Montclair Redevelopment Agency

By: 
Its: Executive Director
Edward C. Starr

OPTIONEE:
National Community Renaissance
of California

By: 
Its: Richard J. Whittingham, CFO

Agreement No. 09-97

OPTION AGREEMENT

This OPTION AGREEMENT ("Agreement") is entered into this 20th day of October, 2009 ("Effective Date") by and between the **City of Montclair Redevelopment Agency, a public body, corporate and politic** ("Optionor"), and **National Community Renaissance of California**, a California nonprofit public benefit corporation ("Optionee").

RECITALS

- A. Optionor is the owner in fee of that certain real property consisting of approximately .58 acres located in the City of Montclair ("City"), County of San Bernardino, State of California, commonly known as 4113 Kingsley Street, more particularly described in the legal description attached hereto as Exhibit "A" (the "Property").
- B. Optionor and Optionee desire to enter into this Agreement to provide for Optionor to grant to Optionee and Optionee to obtain from Optionor, upon the terms set forth in this Agreement, an option to acquire the Property.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and in connection of the payment by Optionee to Optionor of the sum of \$1.00, the receipt and sufficiency of which is hereby acknowledged, Optionor and Optionee agree as follows:

1. **OPTION TO ACQUIRE.**

- 1.1 **Grant of Option.** Optionor grants to Optionee an option to purchase the Property, upon all of the terms, covenants, and conditions contained in this Agreement (the "Option").
- 1.2 **Option Period.** This Option shall commence on the date hereof and, subject to Section 1.6, shall continue until the earlier of (i) the date that is twelve (12) months after the date Optionee receives notice from the United States Department of Housing and Urban Development ("HUD") that Optionee's application for a fund reservation under HUD Section 811 ("Fund Reservation") for the acquisition of the Property and the development of a project for developmentally disabled persons ("Project") has been approved or (ii) December 31, 2011 ("Option Period"). Optionee shall provide Optionor with a copy of said notice (the "HUD Fund Reservation Approval Notice").

- 1.3 Application of Consideration to Purchase Price. If this Option or any extension thereof is exercised in accordance with its terms, the consideration paid by Optionee to Optionor shall apply to the Purchase Price.
- 1.4 Purchase Price. The purchase price ("Purchase Price") if the Option is exercised is the sum of \$335,000 or the HUD approved appraised fair market value of the Property, whichever is less.
- 1.5 Exercise of Option. In the event Optionee elects to exercise the Option to purchase the Property and has performed all acts in the time and manner as required by the terms hereof, and is not in default under any provision of this Agreement, Optionee shall exercise the Option by delivering to Optionor, on or before 5:00 p.m. on the last day of the Option Period, written notice of Optionee's election to acquire the Property. Optionee must exercise the Option as to the entire Property and shall not be permitted to exercise the Option as to only a portion of the Property.
- 1.6 Automatic Termination. In the event (i) Optionee does not exercise the Option to purchase the Property in the manner set forth in Section 1.5 of this Agreement prior to the expiration of the Option Period, or (ii) Optionee's application for the Fund Reservation has not been approved by HUD by December 31, 2010, or (iii) Optionee receives notice that the application for the Fund Reservation has been rejected (after any appeal by Optionee) by HUD, the Option shall automatically terminate without any notice to Optionee, and all rights of Optionee in and to the Property shall then and there cease. Such termination shall not release either party from its obligations pursuant to Sections 5.1 and 5.3 hereof.
- 1.7 Document to Remove Cloud. This Agreement constitutes only an Option to purchase the Property, and although the Option granted hereby shall automatically terminate with respect to the Property unless exercised within the times provided for herein, or shall otherwise terminate as provided in Section 1.6, Optionee shall execute, acknowledge and deliver to Optionor within ten (10) days after Optionor's request therefor, any quitclaim deed or other document(s) required by a reputable title company of Optionor's choice, which said title company might require to remove any cloud from the title of Optionor to the Property that might arise as a result of the Option herein granted.

2. INSPECTIONS AND REVIEW.

- 2.1 Investigation of Property. Optionee, at its sole cost and expense, shall have the right to make such independent investigations, inspections, tests, reviews, studies or surveys (collectively, the "Investigations") as Optionee deems necessary or appropriate concerning the condition or suitability for ownership, use, subdivision, development, construction, or sale of the Property by Optionee, including, without limitation, any desired Investigations of the soils or

groundwater conditions, including a study and determination as to the existence of any noxious, toxic, flammable, explosive or radioactive matter or any hazardous materials or hazardous substances or any crude oil or byproducts of crude oil. Optionee's Investigations of the Property shall be conducted upon no less than 48 hours notice to Optionor, which notice may be verbal. Optionor shall have the right, but not the obligation, to accompany Optionee during such Investigations. Optionee shall repair any and all damage to the Property caused by such Investigations in a timely manner and shall indemnify, defend and hold Optionor and its officers, employees, agents and representatives harmless from and against any liability arising from Optionee's Investigations hereunder.

3. FUND RESERVATION. As additional consideration for the granting of this Option, Optionee agrees to submit to HUD an application for the Fund Reservation on or before the deadline date for such submission as imposed by HUD, and, thereafter, perform all actions as may be reasonably required to secure the Fund Reservation from HUD.
4. ESCROW. Within five (5) working days following exercise of the Option, the parties shall execute escrow instructions for the sale/purchase of the Property at Ticor Title Company, Upland office, or any other mutually agreeable licensed escrow company ("Escrow Agent") upon the following terms and conditions:
 - 4.1 The escrow shall be for a period of sixty (60) days;
 - 4.2 The Purchase Price shall be paid through delivery to Optionor at close of a residual receipts promissory note executed by Optionee as provided in the DDA (see Section 4.9 below), and for which the full amount of the Purchase Price shall be deemed to be a principal disbursement of a portion of such loan balance by Optionor to Optionee;
 - 4.3 Optionee shall have the right to review and approve the status of the title of the Property prior to the close of escrow. Such title shall also be subject to the approval of HUD;
 - 4.4 Optionor shall pay the premium for a CLTA standard owner's policy of owner's title insurance issued by Fidelity National Title Company in the amount of the Purchase Price in the Optionee's name or Optionee's permitted assignee. Optionor shall pay the documentary transfer tax assessed upon the deed and one-half of the escrow charge and any expenses required to deliver title to Optionee;
 - 4.5 Optionee shall pay recording charges and one-half of the escrow charge and the expense of any extended title coverage or of any lender's title insurance with Optionor may request/require to insure the priority of its security instruments recorded at closing. Any other escrow costs and charges shall be borne one-half by Optionor and one-half by Optionee;
 - 4.6 Optionor shall deposit an executed grant deed conveying title of the Property to Optionee or Optionee's permitted assignee into escrow for delivery to Optionee at close of escrow;

- 4.7 Possession shall be given to Optionee at close of escrow;
- 4.8 Current taxes and assessments shall be prorated to the close of escrow. Any past due taxes and assessments shall be charged to Optionor. Taxes shall be computed, if undetermined, by the Escrow Agent on the basis of the last available tax rate and valuation; and
- 4.9 Optionor and Optionee shall have entered into a disposition and development agreement ("DDA") acceptable to Optionor, Optionee and HUD. The DDA shall contain the usual and customary terms of such agreements entered into by Optionor for affordable housing projects, shall contain provisions for the sale of real property for the Purchase Price and shall refer to, include or supersede, as applicable, the provisions set forth in this Section 4. The DDA shall provide for the Optionor's loan of approximately \$1,600,000 to the Optionee for use in the development of the Project. Optionor's loan will include an amount of \$335,000 as the consideration received by Optionor for sale of the Property to Optionee, and approximately \$1,265,000 available for Project development costs, less the amount of any predevelopment loan made by Optionor to Optionee. The residual receipts promissory note shall be for a term of fifty-five (55) years, and shall bear interest at a rate to be set in the DDA. The DDA shall also contain customary and ordinary subordination provisions consistent with HUD requirements in connection with HUD Section 811 funding. Prior to the close of escrow, Optionor shall give and conduct all legally required notices and hearings pertaining to the disposition of the Property.
- 4.10 As will be more specifically provided in the DDA, a regulatory agreement in favor of Optionor or the grant deed conveying the Property to Optionee shall contain a restriction that the Property is to be owned, managed and operated as an affordable housing project as referred to below for a term of at least fifty-five (55) years from the date of the City Certificate of Occupancy for the Project. Said restriction shall further provide that (i) for the first forty (40) years of operation, all of the units shall be continuously occupied or held vacant and available for occupancy by very low-income developmentally disabled tenants, as determined by criteria established by HUD under the 811 program; and the Project shall comply with all HUD requirements with respect to rental rates, rental policies, availability to the general public, maintenance, reporting requirements and any other matter which is the subject of applicable HUD regulations; and (ii) for the succeeding fifteen (15) years (but not during the term of the HUD Capital Advance), all of the units shall be continuously occupied or held vacant and available for occupancy by low or moderate income tenants at affordable rents. The deed restriction or regulatory agreement shall be subject to HUD approval.
- 4.11 The closing shall be subject to Optionee's obtaining of a Firm Commitment for Capital Advance funding from HUD and any other funds required for the Project and the availability of such funds at close of escrow, which closing shall occur concurrently with the HUD Capital Advance closing.

- 4.12 Approval by the City, and any other governmental agency with jurisdiction, of any land use approvals and entitlements which may be required for the Project including, but not limited to, a building permit.

5. ZONING, LAND USE, COOPERATION.

- 5.1 Optionor agrees to execute any and all documents and to join in any applications that may be required to obtain any zoning, land use or development plan proposals by Optionee from applicable governmental agencies having jurisdiction. Optionee agrees to hold Optionor harmless from any and all costs and expenses in connection with the foregoing documentation.

- 5.2 Optionee shall be responsible for all actions required for Optionor to convey a legally transferable lot, if any.

- 5.3 REPRESENTATION AND WARRANTY OF OPTIONOR REGARDING ENVIRONMENTAL HAZARDS. To the best of Optionor's knowledge (i) no hazardous substances or conditions are or have heretofore been generated, treated, used, or stored, disposed of or deposited in or otherwise are existing in or on any portion of the Property during the period of Optionor's ownership thereof, and no substances or conditions are in or on the Property that would have a materially adverse effect upon the Property or in any way affect the use thereof or that may support a claim at common law or under any federal, state or local environmental statute, regulation, ordinance or other environmental regulation and (ii) there are no seismic, soils conditions, geological defects or faults affecting the Property. For the purposes of this section Optionor's "knowledge" shall mean the knowledge of those Agency employees directly involved with the acquisition, management and sale of the Property, and shall not require the Agency to conduct any further testing of the Property.

6. MISCELLANEOUS.

- 7.1 Attorney's Fees. In the event of any dispute between the parties hereto involving the covenants or conditions contained in this Option or arising out of the subject matter of the Option, the prevailing party shall be entitled to recover, and the other party agrees to pay, all reasonable fees, expenses and costs, including, but not limited, to attorneys' fees.

- 7.2 Notices. All notices required to be delivered under this Agreement to the other party must be in writing and shall be effective (i) when personally delivered by the other party or messenger or courier thereof; (ii) three (3) business days after deposit in the United States mail, registered or certified; (iii) twenty-four (24) hours after deposit before the daily deadline time with a reputable overnight courier or service; or (iv) upon receipt of a telecopy, electronic or fax transmission, provided a hard copy of such transmission shall be thereafter placed in the mail within twenty-four (24) hours, ordinary postage prepaid, addressed to the other party; in each case postage fully prepaid and addressed to the respective

parties as set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

To Optionor: **City of Montclair Redevelopment Agency
5111 Benito Street
Montclair, California 91763
Attention: Redevelopment Director**

Copy to: **Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Joseph M. Adams**

To Optionee: **National Community Renaissance of California
9065 Haven Street, Suite 100
Rancho Cucamonga, California 91730
Attention : Richard J. Whittingham, CFO**

Copy to: **Edward A. Hopson, Esq.
655A North Mountain Avenue
Upland, California 91786**

7.3 Broker's Fee. Optionor and Optionee each represents and warrants to the other than no third party is entitled to a broker's commission and/or finder's fee with respect to the transactions contemplated by this Agreement. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages and expenses, including, without limitation, attorney's fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay broker's commissions and/or finder's fees.

7.4 Assignment. Optionee shall have no right to assign the Option herein granted or any right or privilege Optionee might have in the Option, by operation of law or otherwise, without the prior written consent of Optionor. Notwithstanding the foregoing, without the consent of Optionor, Optionee shall have the right to assign this Agreement to a non-profit corporation, limited liability company or other qualifying entity formed for the sole purpose of owning, assuming and operating the Project as required by HUD, but such consent shall not be effective unless and until the assignee agrees in writing to carry out and observe Optionee's agreements hereunder.

- 7.5 Time is of the Essence. Time is of the essence with respect to each of the terms, covenants and conditions of this Agreement.
- 7.6 Binding on Successors and Assigns. Subject to the limitations set forth in Section 7.4 above, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.
- 7.7 Modification, Waivers of Agreement. Any amendments or modifications to this Agreement must be in writing and executed by both parties to this Agreement. No delay or omission by either party hereto in exercising any right or power accruing upon the compliance or failure of performance by the other party hereto under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either party hereto of a breach of any of the covenants, conditions or agreements hereof to be performed by the party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof.
- 7.8 Interpretation; Governing Law; Forum. This Agreement shall be construed according to its fair meaning and as if prepared by both parties hereto. This Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. Title and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates. In the event of any litigation between the parties hereto, the Superior Courts of the State of California in and for the County of San Bernardino shall have exclusive jurisdiction.
- 7.9 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- 7.10 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other agreement to which said party is bound.
- 7.11 Execution in Counterpart. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

7.12 Recordation. This Agreement may be recorded at the election of either party.

7.13 Exhibits. Exhibit "A" attached hereto is hereby incorporated herein by this reference.

[SIGNATURES START ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Option Agreement as of the day and year first above written.

OPTIONOR:
City of Montclair Redevelopment Agency

By: Paul M. Eatas
Its: Chairman

OPTIONEE:
National Community Renaissance of California

By: [Signature]
Richard J. Whittingham, CFO

ATTEST:

By: [Signature]
Its: Secretary

APPROVED AS TO FORM:

By: [Signature]
Its: Redevelopment Agency Special Counsel

ALL-PURPOSE ACKNOWLEDGMENT

State of California)
County of San Bernardino) ss.

On November 4, 2009, before me, Hilda Hernandez, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

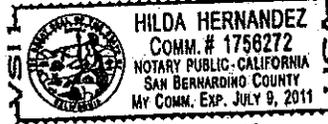
personally appeared Richard J. Whittingham
Names(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Hilda Hernandez
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document:

Document Dated Number of Pages:

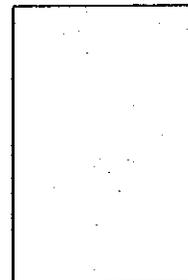
Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer

Signer's Name:

Right Thumbprint of Signer

- Individual
Corporate Officer - Title(s):
Partner - Limited General
Attorney in Fact
Co-Trustee
Guardian or Conservator
Other:
Signer is Representing:



STATE OF CALIFORNIA)
COUNTY OF San Bernardino) ss.

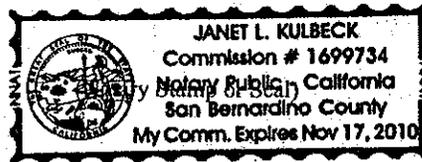
On October 24, 2009, before me, Janet L. Kulbeck, Notary Public
(name and title of Notary)

personally appeared Paul M. Eaton + Donna M. Jackson who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument and acknowledged to me that ~~he/she~~ they executed the same in ~~his/her~~ their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Janet L. Kulbeck
Signature



STATE OF CALIFORNIA)
COUNTY OF _____) ss.

On _____, 2009, before me, _____
(name and title of Notary)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

(Notary Stamp or Seal)

Title No. 09-259919437-SB
Locate No. CAFNT0925-0925-0199-0259919437

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

THE EAST 152.68 FEET OF THE WEST 209.68 FEET OF THE NORTH 165 FEET OF LOT 24, SAN ANTONIO TRACT, IN THE CITY OF MONTCLAIR, AS PER MAP RECORDED IN BOOK 3, PAGE(S) 16, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPT THEREFROM THAT PORTION CONVEYED TO THE CITY OF MONTCLAIR, BY DEED RECORDED APRIL 11, 1986, AS INSTRUMENT NO. 86-094690, OF OFFICIAL RECORDS.

APN: 1009-521-24-0-000

RESOLUTION NO. 12-15

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY DIRECTING THE TRANSFER OF CERTAIN HOUSING FUNCTIONS AND ASSETS

WHEREAS, Pursuant to Health and Safety Code Section 34175(b) and the State of California Supreme Court decision in *California Redevelopment Association, et al. v Ana Matosantos, et al.* (53 Cal.4th 231(2011), on February 1, 2012, all housing assets, properties, contracts, leases, books, records, buildings, and equipment of the former City of Montclair Redevelopment Agency (the "Agency") transferred to the control of the Successor Housing Agency to the City of Montclair Redevelopment Agency, which was the Montclair Housing Authority ("Housing Authority") by operation of law; and

WHEREAS, the City Council of the City of Montclair adopted Resolution No. 11-2917 on July 18, 2011 creating the Montclair Housing Authority ("Housing Authority") and, pursuant to Health and Safety Code Section 34176(a), the Montclair Housing Authority adopted Resolution No. 12-01 on January 12, 2012, electing that the Housing Authority retain the housing assets of the former City of Montclair Redevelopment Agency as allowed by law and functions previously performed by the former Agency; and

WHEREAS, Health and Safety Code Section 34177(g) directs the Successor Agency to effectuate the transfer of housing functions and assets to the appropriate entity designated pursuant to Health and Safety Code Section 34176, being the Montclair Housing Authority, and Health and Safety Code Section 34181(c) provides that the oversight board of the Successor Agency ("Oversight Board") shall direct the Successor Agency to transfer housing assets pursuant to Health and Safety Code Section 34176; and

WHEREAS, pursuant to Health and Safety Code Section 34176(a)(2), the Successor Agency submitted to the State Department of Finance ("the DOF") a list (the "Housing Asset List") of all housing assets including any assets transferred on or after February 1, 2012, attached hereto as Exhibit A and incorporated herein by reference; and

WHEREAS, the Oversight Board approved the transfer of housing functions and assets listed on Exhibit A on July 25, 2012, and provided such housing functions and assets to the Montclair Housing Authority; and

WHEREAS, DOF objected to the transfer of certain real property located at 4113 Kingsley Street as a nonhousing asset and DOF objected to a loan of \$1 million to the Montclair Housing Corporation as a nonhousing asset on August 25, 2012; and

WHEREAS, the Successor Agency has appealed the designation of 4113 Kingsley Street and the loan of funds to the Montclair Housing Corporation as nonhousing assets; and

WHEREAS, the Successor Agency conducted a Meet and Confer with DOF on November 21, 2012 to dispute DOF finds regarding 4113 Kingsley Street and the loan to the Montclair Housing Authority; and

WHEREAS, DOF will be making determinations regarding the Meet and Confer items on or before December 15, 2012; and

WHEREAS, the Oversight Board desires to direct the transfer of 4113 Kingsley Street and the loan to the Montclair Housing Corporation as assets identified on the Housing Assets List as housing assets eligible for transfer if approved by the DOF pursuant to Health and Safety Code Section 34176(a)(2); and

WHEREAS, pursuant to Health and Safety Code Sections 34178(f) and 34181(f), notice of this action was posted on the City's website on December 6, 2012.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the City of Montclair Redevelopment Agency hereby finds, determines, resolves, and orders the following:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Sections 34177(g) and 34181(c).

Section 3. The Successor Agency is hereby authorized and directed to transfer to the Montclair Housing Authority:

(a) The housing assets identified on the Housing Assets List, heretofore or hereafter approved or deems approved by the DOF pursuant to Health and Safety Code Section 34176(a)(2), and

(b) All rights, powers, duties, and obligations associated with the housing activities of the former Agency related to the housing assets transferred pursuant to this Section 3.

Section 4. The staff of the Successor Agency is hereby directed to provide DOF written notice and information regarding the action taken by the Oversight Board pursuant to this Resolution. Such notice and information shall be provided by electronic means and in a manner of DOF's choosing.

Section 5. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute and record such documents and instruments and to do any and all other things that they may deem necessary or advisable to effectuate this Resolution.

APPROVED AND ADOPTED this XX day of XX, 2012.

Chairman

ATTEST:

Secretary

I, Yvonne L. Smith, Secretary of the Oversight Board of the Successor Agency to the City of Montclair Redevelopment Agency, DO HEREBY CERTIFY that Resolution No. 12-15 was duly adopted by the Oversight Board to the Successor Agency of the City of Montclair Redevelopment Agency and was approved by the Chairman of said Oversight Board at a regular meeting thereof held on the XX day of XX, 2012, and that it was adopted by the following vote, to-wit:

AYES: XX
NOES: XX
ABSTAIN: XX
ABSENT: XX

Yvonne L. Smith
Secretary

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

Former Redevelopment Agency: City of Montclair Redevelopment Agency

Successor Agency to the Former Redevelopment Agency: City of Montclair Successor Agency for the City of Montclair Redevelopment Agency

Entity Assuming the Housing Functions of the former Redevelopment Agency: City of Montclair Housing Agency

Entity Assuming the Housing Functions Contact Name: Marilyn Staats Title Exec. Dir. Economic Development Phone (909) 625-9412 E-Mail Address mstaats@cityofmontclair.org

Entity Assuming the Housing Functions Contact Name: Marilyn Staats Title Exec. Dir. Economic Development Phone (909) 625-9412 E-Mail Address mstaats@cityofmontclair.org

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:

<input checked="" type="checkbox"/>	Exhibit A - Real Property	Pending approval to transfer and has information on deed restricted parcels which are not properties owned by the Successor Agency.
<input type="checkbox"/>	Exhibit B - Personal Property	
<input checked="" type="checkbox"/>	Exhibit C - Low-Mod Encumbrances	Pending approval to transfer
<input checked="" type="checkbox"/>	Exhibit D - Loans/Grants Receivables	Pending approval to transfer
<input checked="" type="checkbox"/>	Exhibit E - Rents/Operations	Information on residual receipt loans listed on Exhibit D
<input type="checkbox"/>	Exhibit F - Rents	
<input type="checkbox"/>	Exhibit G - Deferrals	

Prepared By: Donald L. Parker, CPA, Finance Director

Date Prepared: July 26, 2012

Note: Since ABx1 26 required the Oversight Board to approve assets transferred to the successor housing entity no assets have been previously transferred to that entity. Upon approval, the assets listed in this form will be transferred to the Montclair Housing Agency.

City of Montclair Successor Agency for the City of Montclair Redevelopment Agency
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item	Type of Asset, etc.	Legal Title and Description	Carrying Value of Asset	Total square footage	Square footage reserved for low-mod housing (including floating)	Is this property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant	Date of Transfer to Housing Successor Agency	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with other RDA funds	Date of construction or acquisition by this firm or RDA	Interest in real property option to purchase, easement, etc.
1	Real Estate	4113 Kingsley Street	336,636.44	20655	NA - RE Held	NA - RE Held	NA - RE Held	Pending	\$336,636.44	None	02/25/2009	12/31/2012 **
2	Real Estate	4811 Canoga Street	10,760	10,760	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$965,000	N/A	4/7/1989	Covenant
3	Real Estate	4820 Canoga Street	10,760	10,760	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$965,000	N/A	4/7/1989	Covenant
4	Real Estate	4751 Canoga Street	4,240	4,240	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$210,000	N/A	12/22/2000	Covenant
5	Real Estate	10333 Pradera Ave.	3,456	3,456	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$450,000	N/A	3/9/2011	Covenant
6	Real Estate	10333 Pradera Ave.	3,552	3,552	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$167,500	N/A	1/8/1989	Covenant
7	Real Estate	10390 Pradera Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$167,500	N/A	5/17/2006	Covenant
8	Real Estate	4275 Kingsley Street	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$160,000	N/A	3/9/2000	Covenant
9	Real Estate	10313 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$170,000	N/A	4/16/1988	Covenant
10	Real Estate	10323 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$200,000	N/A	6/14/2001	Covenant
11	Real Estate	10330 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$170,000	N/A	3/12/1989	Covenant
12	Real Estate	10333 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$205,000	N/A	3/21/2001	Covenant
13	Real Estate	10390 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$180,000	N/A	3/9/2000	Covenant
14	Real Estate	10383 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$255,000	N/A	7/24/2003	Covenant
15	Real Estate	10390 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$153,000	N/A	8/17/1989	Covenant
16	Real Estate	10419 Amherst Ave.	3,994	3,994	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$102,500	N/A	10/21/1987	Covenant
17	Real Estate	10079 Central Ave.	1,128	1,128	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$87,500	N/A	10/21/1987	Covenant
18	Real Estate	10087 Central Ave.	888	888	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$65,500	N/A	5/28/1989	Covenant
19	Real Estate	9875 Central Avenue	1,213	1,213	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$125,800	N/A	3/31/2000	Covenant
20	Real Estate	5225 Palco Verde St.	1,075	1,075	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$113,300	N/A	5/21/1989	Covenant
21	Real Estate	10215 Central Ave.	900	900	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$110,000	N/A	3/13/2000	Covenant
22	Real Estate	10235 Central Ave.	818	818	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$110,000	N/A	3/13/2000	Covenant
23	Real Estate	9741 Central Ave.	744	744	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$110,000	N/A	3/13/2000	Covenant
24	Real Estate	9751 Central Ave.	730	730	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$115,000	N/A	11/25/2002	Covenant
25	Real Estate	9844 Central Ave.	1,121	1,121	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$165,000	N/A	6/28/2000	Covenant
26	Real Estate	9845 Central Ave.	1,196	1,196	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$179,000	N/A	12/16/2002	Covenant
27	Real Estate	9863 Central Ave.	1,196	1,196	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$179,000	N/A	12/16/2002	Covenant
28	Real Estate	5225 Palco Verde St.	1,312	1,312	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$110,000	N/A	1/11/2001	Covenant
29	Real Estate	5444 Palo Verde St.	2,432	2,432	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$350,000	N/A	3/7/2011	Covenant
30	Real Estate	5444 Palo Verde St.	2,432	2,432	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$350,000	N/A	3/7/2011	Covenant
31	Real Estate	10291 Greenwood Ave.	1,416	1,416	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$148,000	N/A	6/23/1999	Covenant
32	Real Estate	9446 Carrizo Ave.	1,416	1,416	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$148,000	N/A	12/18/2001	Covenant
33	Real Estate	9010 Fremont Ave.	1,474	1,474	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$225,000	N/A	3/10/2010	Covenant
34	Real Estate	10327 Fremont Ave.	1,404	1,404	Yes - Exp. 2066	Yes - Exp. 2066	CRL **	Held by MHC**	\$75,000	N/A	8/4/2003	Covenant
35	Real Estate	10410 Pradera Ave.	66,590	66,590	Yes - Exp. 2061	Yes - Exp. 2061	CRL Tax Credits	Held by NCR**	\$1,443,765	N/A	N/A	Trust Deed
36	Real Estate	10355 Mills Ave.	66,999	66,999	Yes - Exp. 2061	Yes - Exp. 2061	CRL/HUD	Held by NCR**	\$1,528,280	N/A	N/A	Trust Deed
37	Real Estate	10319 Mills Ave.	61,000	61,000	Yes - Exp. 2065	Yes - Exp. 2065	CRL Tax Credits	Held by NCR**	\$3,633,064	N/A	N/A	Trust Deed
38	Real Estate	10350 Kimberly Ave.	12,624	12,624	Yes - Exp. 2063	Yes - Exp. 2063	CRL **	Held by JDD**	\$75,000	N/A	N/A	Covenant
39	Real Estate	Villa Montclair Mobile Homes	87 units	74 units	Yes - Exp. 2028	Yes - Exp. 2028	CRL **	Held by AC**	\$255,000	N/A	N/A	Trust Deed
40	Real Estate	Monterey Manor Mobile Homes	N/A	N/A	Yes - Exp. 2031	Yes - Exp. 2031	CRL **	Held by AC**	\$780,000	N/A	N/A	Trust Deed
41	Real Estate	Hacienda Mobile Home Park	N/A	N/A	Yes - Exp. 2032	Yes - Exp. 2032	CRL **	Held by AC**	\$7,400,000	N/A	N/A	Trust Deed

** Option to purchase at Agency's costs with National Community Renaissance. Property is unimproved real estate at this time.

- ** Abbreviations:
AC - Augusta Communities, LLC
HH - Habitat for Humanity
MHC - Montclair Housing Corporation
NCR - National Community Renaissance.

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 C - Low-Mod Encumbrances

City of Montclair Successor Agency for the City of Montclair Redevelopment Agency
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item	Type of housing built or acquired with enforceably obligated funds, a/	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?	Sources 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	Replacement Housing	06/20/2011	Montclair Housing Corporation	1,000,000.00	NA - Pending	NA - Pending	NA - Pending	NA - Pending	NA - Pending	NA - Pending	NA - Pending
2											
3	Contractual Services:										
4	Homebuyers Assistance Program Agreement	12/20/93	US Bank	2,000.00	NA	NA	NA	NA	NA	NA	NA
5	Homebuyers Assistance Program Agreement	12/20/93	US Bank	304.00	NA	NA	NA	NA	NA	NA	NA
6	Contract for Professional Service	Month to Month	Landscape Maintenance Unlimited	4,000.00	NA	NA	NA	NA	NA	NA	NA
7	Employee Costs		Employees of Agency	136,480.51	NA	NA	NA	NA	NA	NA	NA
8	Contract Legal Services	12/09/81	Stradling, Yocum, Carlson & Rauth	48,000.00	NA	NA	NA	NA	NA	NA	NA
9	Office Supplies		Staples/Office Depot	400.00	NA	NA	NA	NA	NA	NA	NA
10	Contract Legal Services	03/01/03	Robbins and Holdaway	2,000.00	NA	NA	NA	NA	NA	NA	NA
11	Maintenance Contract		Buchbinder Maintenance	3,000.00	NA	NA	NA	NA	NA	NA	NA
12	Housing Improvement Fees	06/21/11	Neighborhood Partnership Housing	5,400.00	NA	NA	NA	NA	NA	NA	NA
13	Housing Improvement Fees	08/21/12	Neighborhood Partnership Housing	30,000.00	NA	NA	NA	NA	NA	NA	NA
14	Subtotal			1,231,694.51							
15											
16											
17											
18											
19											
20											

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 Montclair Successor Agency for the City of Montclair Redevelopment Agency
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
1	Yes	212,000.00	1988	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	6.00%	165,880.61
2	Yes	25,000.00	1999	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	437.00
3	Yes	20,000.00	1999	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	14,491.00
4	Yes	465,000.00	2000	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	465,000.00
5	Yes	60,000.00	2001	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	45,222.00
6	Yes	25,000.00	2002	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	44,100
7	Yes	35,000.00	2003	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	35,000.00
8	Yes	20,000.00	2003	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	20,000.00
9	Yes	30,000.00	2003	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	30,000.00
10	Yes	25,000.00	2004	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	25,000.00
11	Yes	1,100,000.00	2005	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	1,100,000.00
12	Yes	750,000.00	2006	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	750,000.00
13	Yes	1,307,500.00	2007	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	1,307,500.00
14	Yes	500,000.00	2008	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	500,000.00
15	Yes	200,000.00	2009	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	200,000.00
16	Yes	300,000.00	2010	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	300,000.00
17	Yes	400,000.00	2011	Housing Corporation	Operating Loan	Housing Rehabilitation	When Available	5.00%	400,000.00
18		5,474,500.00						Subtotal	5,358,771.61
19									
20	Yes	1,528,280.00	07/29/2008	San Marino Housing	Housing Project	Yes	Residual Receipts	3.00%	1,720,092.60
21	Yes	1,443,765.00	05/01/2006	San Antonio Vista	Housing Project	Yes	Residual Receipts	3.00%	2,234,866.55
22	Yes	3,633,083.72	04/01/2008	Vista del Cielo	Housing Project	Yes	Residual Receipts	3.00%	4,152,138.22
23		6,805,128.72						Subtotal	6,107,097.37
24									
25	Yes	325,000.00	1999	Villa Montclair MHP	Housing Project	Yes	Residual Receipts	2.00%	411,922.27
26	Yes	750,000.00	2001	Monterey Manor MHP	Housing Project	Yes	Residual Receipts	2.00%	852,014.93
27	Yes	1,400,000.00	2003	Hacienda MHP	Housing Project	Yes	Residual Receipts	2.00%	1,664,846.09
28		2,475,000.00						Subtotal	2,928,783.29
29									
30	Yes	17,025.00	11/01/2002	PELAYO, EIC	Homebuyer Assistance	Yes	Monthly, until paid	None	564.00
31	Yes	19,350.00	10/01/2002	SALDANA, JM	Homebuyer Assistance	Yes	Monthly, until paid	None	311.96
32	Yes	20,260.00	11/01/2002	SALCEDO, C/H	Homebuyer Assistance	Yes	Monthly until paid	None	656.12
33	Yes	20,000.00	12/01/2002	CASAREZ, R/C	Homebuyer Assistance	Yes	Monthly until paid	None	666.28
34	Yes	15,000.00	03/01/2003	SIANTURI, J	Homebuyer Assistance	Yes	Monthly until paid	None	875.00
35	Yes	20,475.00	04/01/2003	DAVIS, J/K	Homebuyer Assistance	Yes	Monthly until paid	None	917.90
36	Yes	25,000.00	05/01/2003	NGUYEN, K/L	Homebuyer Assistance	Yes	Monthly until paid	None	1,875.37
37	Yes	25,000.00	06/01/2003	ROMERO, M	Homebuyer Assistance	Yes	Monthly until paid	None	2,063.70
38	Yes	25,000.00	07/01/2003	ROMERO, R/M	Homebuyer Assistance	Yes	Monthly until paid	None	2,432.76
39	Yes	18,000.00	09/01/2003	ANDAZOLA, G	Homebuyer Assistance	Yes	Monthly until paid	None	2,100.00
40		205,100.00						Subtotal	12,485.09

Exhibit D - Loans/Grants Receivables

City of Montclair Successor Agency for the City of Montclair Redevelopment Agency
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Was the Low/Mid Housing Fund amount issued for a loan or 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
41									
42	Yes	27,273.00	3/04/2003	NPHS - B. Wicker	Rehabilitation Loan	Yes	Monthly	1.50%	10,143.96
43	Yes	17,243.68	4/27/2000	NPHS - B. Wicker	Rehabilitation Loan	Yes	120 Months Deferred	0.00%	14,243.68
44	Yes	23,026.60	9/12/2005	NPHS - S. Ramirez	Rehabilitation Loan	Yes	Monthly	1.00%	12,030.84
45	Yes	25,538.80	10/6/2005	NPHS - J. Campos	Rehabilitation Loan	Yes	Monthly	1.00%	12,149.91
46	Yes	30,000.00	9/14/2005	NPHS - T. Dominguez	Rehabilitation Loan	Yes	Monthly	1.75%	17,334.42
47	Yes	34,720.00	12/31/2009	NPHS - R. Alfaro	Rehabilitation Loan	Yes	120 Months Deferred	0.00%	29,320.00
48	Yes	12,128.00	12/15/2000	NPHS - M. Reyes	Rehabilitation Loan	Yes	Monthly	2.00%	3,314.28
49	Yes	12,526.00	8/02/1999	NPHS - J. Vargas	Rehabilitation Loan	Yes	180 Months Deferred	2.00%	2,142.65
50	Yes	27,244.00	1/13/2010	NPHS - N. Chambers	Rehabilitation Loan	Yes	120 Months Deferred	0.00%	27,244.00
51	Yes	5,000.00	1/13/2009	NPHS - D. Copeland	Rehabilitation Loan	Yes	180 Months Deferred	0.00%	5,000.00
52	Yes	23,186.00	4/30/2003	NPHS - F. Paredes	Rehabilitation Loan	Yes	Monthly	2.00%	21,057.24
53		237,913.08						Subtotal	153,985.69
54									
55	Yes	1,500.00	2/15/2012	NPHS-J. Springer	Rehabilitation Grant	Yes	None	N/A	N/A
56	Yes	1,500.00	3/12/2012	NPHS-S. McGreehy	Rehabilitation Grant	Yes	None	N/A	N/A
57	Yes	1,500.00	5/12/2012	NPHS-R. Clark	Rehabilitation Grant	Yes	None	N/A	N/A
58	Yes	1,500.00	5/12/2012	NPHS-G. Johnson	Rehabilitation Grant	Yes	None	N/A	N/A
59	Yes	1,500.00	5/4/2012	NPHS-M. Boda	Rehabilitation Grant	Yes	None	N/A	N/A
60	Yes	1,500.00	5/4/2012	NPHS-J. Morrison	Rehabilitation Grant	Yes	None	N/A	N/A
61	Yes	1,500.00	5/9/2012	NPHS-A. Land	Rehabilitation Grant	Yes	None	N/A	N/A
62	Yes	1,500.00	5/7/2012	NPHS-R. Murphy	Rehabilitation Grant	Yes	None	N/A	N/A
63	Yes	2,000.00	5/30/2012	NPHS-R. Palacios	Rehabilitation Grant	Yes	None	N/A	N/A
64	Yes	1,500.00	5/30/2012	NPHS-M. Arce	Rehabilitation Grant	Yes	None	N/A	N/A
65	Yes	1,500.00	5/30/2012	NPHS-J. Alvarado	Rehabilitation Grant	Yes	None	N/A	N/A
66		17,000.00							
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68									
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Exhibit E - Rents/Operations

City of Montclair Successor Agency for the City of Montclair Redevelopment Agency
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)
1	Residual Receipts	LM Housing	NCR **	NCR **	NCR **	Operations	Yes	CRL	Exhibit D #20
2	Residual Receipts	LM Housing	NCR **	NCR **	NCR **	Operations	Yes	CRL	Exhibit D #21
3	Residual Receipts	LM Housing	NCR **	NCR **	NCR **	Operations	Yes	CRL	Exhibit D #22
4	Residual Receipts	LM Housing	AP **	AP **	AP **	Operations	Yes	CRL	Exhibit D #25
5	Residual Receipts	LM Housing	AP **	AP **	AP **	Operations	Yes	CRL	Exhibit D #26
6	Residual Receipts	LM Housing	AP **	AP **	AP **	Operations	Yes	CRL	Exhibit D #27
7									
8									
9									
10									
11									
12									
13									
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17									
18									
19									
20									

** Abbreviations:

- CRL - California Redevelopment Law
- NCR - National Community Renaissance
- AP - Augusta Properties, LLC

- 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.

MINUTES OF THE SPECIAL MEETING OF THE OVER-SIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY HELD ON TUESDAY, OCTOBER 2, 2012, AT 6:02 P.M. IN THE CITY COUNCIL CHAMBERS, 5111 BENITO STREET, MONTCLAIR, CALIFORNIA

I. PRELIMINARY MATTERS

A. Call to Order

Vice Chairperson Johnson called the meeting to order at 6:02 p.m.

B Roll Call

Office Specialist Phillips noted for the record that Chairman Ruh and Board Members Kulbeck and Stallings would not be in attendance at the meeting.

Present: Vice Chairperson Johnson; Board Members Catlin, Erickson, and Richardson; Deputy City Manager/Executive Director of Economic Development Staats; Finance Director Parker; Office Specialist Phillips

Absent: Chairman Ruh (excused); Board Member Kulbeck (excused); Board Member Stallings (excused)

II. PUBLIC COMMENT - None

III. APPROVAL OF MINUTES - None

IV. BUSINESS ITEMS

A. Consider Receiving Public Comment on Due Diligence Audit of the Former City of Montclair Redevelopment Agency Low- and Moderate-Income Housing Fund Prepared by Teaman, Ramirez & Smith, Inc.

Vice Chairperson Johnson asked for clarification on the purpose of the "Citation" sections of the due diligence audit document.

Deputy City Manager/Office of Economic Development Executive Director Staats stated that the citations reference pertinent sections of the California Health and Safety Code.

Finance Director Parker concurred that the citations clarify the Health and Safety Code section that requires the identified procedures in the due diligence audit.

Vice Chairperson Johnson thanked staff for the clarification.

Deputy City Manager/Office of Economic Development Executive Director Staats advised that the Oversight Board would be asked to approve the document at its regular meeting on Wednesday, October 10, 2012, which is at least five business days after tonight's public comment session pursuant to Health and Safety Code Section 34179.6, a copy of which is attached to the agenda report for this meeting.

Finance Director Parker concurred that tonight's Oversight Board meeting provides time for the required public comment session, noting no public comments have been received. He stated that the audit was completed on September 27, 2012, and emailed to the Department of Finance, the San Bernardino County Auditor-Controller, the Office of the San Bernardino County Chief Administrative Officer, the Oversight Board, and to all taxing entities. He indicated that effective this date, no comments have been received.

It was the consensus of the Oversight Board that the Oversight Board allowed time for public comment on the due diligence audit of the former City of Montclair Redevelopment Agency Low- and Moderate-Income Housing Fund prepared by Teaman, Ramirez & Smith, Inc., and that no testimony was given on this item.

IV. COMMUNICATIONS

- A. Staff - No comments
- B. Chairman and Members - No comments

V. ADJOURNMENT

At 6:10 p.m., Vice Chairperson Johnson adjourned the Oversight Board of Directors.

Submitted for Oversight Board approval,



Yvonne L. Smith
Secretary

MINUTES OF THE REGULAR MEETING OF THE OVER-SIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY HELD ON WEDNESDAY, OCTOBER 10, 2012, AT 6:02 P.M. IN THE CITY COUNCIL CHAMBERS, 5111 BENITO STREET, MONTCLAIR, CALIFORNIA

I. PRELIMINARY MATTERS

A. Call to Order

Chairman Ruh called the meeting to order at 6:02 p.m.

B. Roll Call

Present: Chairman Ruh; Vice Chairperson Johnson; Board Members Catlin, Kulbeck, Richardson, and Stallings; Deputy City Manager/Executive Director of Economic Development Staats; Finance Director Parker; Secretary Smith

Absent: Board Member Erickson (excused)

II. PUBLIC COMMENT - None

III. APPROVAL OF MINUTES

A. Minutes of the Oversight Board Special Meeting of August 27, 2012

Moved by Vice Chairperson Johnson, seconded by Board Member Richardson, and carried to approve the minutes of the Oversight Board special meeting of August 27, 2012.

IV. BUSINESS ITEMS

A. Consider Adoption of Resolution No. 12-14, a Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Housing Due Diligence Audit Review Completed by Teaman, Ramirez & Smith, Inc., Pursuant to Sections 34179.5 and 34179.6 of the Health and Safety Code

Board Member Richardson inquired as follows:

1. Has the meet-and-confer session with the Department of Finance (DOF) been held?

Finance Director Parker replied that DOF has not replied to his request for a meet-and-confer session. He noted learning during a California Redevelopment Association/California

Association for Local Economic Development presentation this morning that other successor agencies have yet to be granted meet-and-confer sessions.

2. What is the protocol to request a session?

Finance Director Parker stated that the original procedure was that a meet-and-confer session could be requested once DOF reviewed the Housing Asset Transfer form and issued a letter. He advised that staff followed the procedure, at which point DOF developed a new form for submittal of the required land acquisition documentation. He stated, "It has been months since then" and noted DOF is not following its procedure.

Finance Director Parker advised that National Committee Renaissance of California (National CORE) has now received federal tax credits for its 18-unit affordable housing project for persons with developmental disabilities proposed to be built on Successor Agency property located at 4113 Kingsley Street. Noting time is of the essence for use of the tax credits for the project, he stated that staff would again be requesting the meet-and-confer session to take place as quickly as possible or the Successor Agency could be subject to litigation.

Board Member Stallings asked if the guidelines for the Montclair Successor Agency housing due diligence audit review have been met according to DOF criteria.

Finance Director Parker answered, "I would hope so; but, unfortunately, every time DOF gets involved in this, they open up a whole new review process." He noted DOF does have that right, though it seems that the most recent questions being asked relate to earlier Recognized Obligation Payment Schedule reports.

Moved by Board Member Stallings and seconded by Board Member Catlin that Resolution No. 12-14, entitled, "**A Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Housing Due Diligence Audit Review Completed by Teaman, Ramirez & Smith, Inc., Pursuant to Sections 34179.5 and 34179.6 of the Health and Safety Code,**" be read by number and title only, further reading be waived, and it be declared adopted.

The Oversight Board waived the reading of the Resolution.

Resolution No. 12-14 was adopted by the following vote:

AYES: Stallings, Richardson, Kulbeck, Catlin, Johnson, Ruh
NOES: None
ABSTAIN: None
ABSENT: Erickson

IV. COMMUNICATIONS

A. Staff – No comments

B. Chairman and Members

1. Board Member Stallings asked that an item be placed on the next Oversight Board agenda to consider retention of Oversight Board legal counsel.

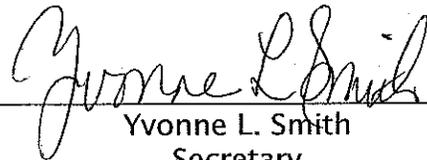
Chairman Ruh asked Secretary Smith if the item could be agendaized for the next meeting.

Secretary Smith answered, "Yes."

V. ADJOURNMENT

At 6:11 p.m., Chairman Ruh adjourned the Oversight Board of Directors.

Submitted for Oversight Board approval,



Yvonne L. Smith
Secretary