

MINUTES OF THE REGULAR MEETING OF THE  
OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY  
TO THE CITY OF MONTCLAIR REDEVELOPMENT  
AGENCY HELD ON WEDNESDAY, JANUARY 9, 2013,  
AT 6:02 P.M. IN THE CITY COUNCIL CHAMBERS,  
5111 BENITO STREET, MONTCLAIR, CALIFORNIA

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**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, Erickson, and Kulbeck; Deputy City Manager/ Executive Director of Economic Development Staats; Finance Director Parker; Secretary Smith

Absent: Board Member Stallings (excused); Board Member Richardson (excused)

**II. PUBLIC COMMENT - None**

**III. APPROVAL OF MINUTES - None**

**IV. BUSINESS ITEMS**

**A. Adoption of Resolution No. 13-01, a Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Due Diligence Review Completed by Teaman, Ramirez and Smith, Inc., Pursuant to Sections 34179.5 and 34179.6 of the Health and Safety Code**

Moved by Board Member Catlin and seconded by Board Member Erickson that Resolution No. 13-01, entitled, "**A Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Due Diligence Review Completed by Teaman, Ramirez and 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. 13-01 was adopted by the following vote:

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

**B. Authorizing Staff to Solicit Proposals for Legal Counsel to the Oversight Board for the Former City of Montclair Redevelopment Agency**

Chairman Ruh noted the proposed RFP/RFQ is just the beginning of the RFP/RFQ process.

Deputy City Manager/Office of Economic Development Executive Director Staats concurred, noting the proposed RFP/RFQ basically requests firms to submit their qualifications for Oversight Board review.

Board Member Catlin offered the assistance of **Inland Empire Utilities Agency** counsel for review of and guidance regarding proposals received. He noted he would not have time to serve on a review committee and would rely on staff for a cursory review of proposals received.

Deputy City Manager/Office of Economic Development Executive Director Staats noted she is unsure of the number of proposals the RFP/RFQ staff would receive. She suggested the Oversight Board may just decide to interview applicants at a future meeting.

Chairman Ruh stated that Board Member Catlin has made a very good offer that would save time.

Moved by Board Member Catlin, seconded by Board Member Kulbeck, and carried to authorize staff to solicit proposals for legal counsel to the Oversight Board for the former City of Montclair Redevelopment Agency.

**C. Receipt of Correspondence Dated December 21, 2012, From the State Department of Finance Regarding Housing Asset Transfers**

Finance Director Parker advised that the \$1 million encumbered in the Promissory Note to the Montclair Housing Corporation (MHC) would be forwarded to the **County of San Bernardino** either tomorrow or next week for distribution to the appropriate taxing entities. He noted it is unfortunate the state **Department of Finance** fails to recognize MHC as a separate legal entity from the City of Montclair, although the **State Controller's Office** agrees that it is.

Board Member Catlin asked how the MHC would make up the shortfall from the loss of the \$1 million Promissory Note.

Finance Director Parker replied that the successor housing entity that takes over the low- and moderate-income housing received the 4113 Kingsley property, an asset of the former Redevelopment Agency; and, correspondingly, any receivables it had (residual receipt loans). He stated that the Montclair Housing Authority has very minimal assets and no guaranteed income flow, which is what has happened to successor housing entities statewide since the demise of redevelopment: They receive the assets to administer and hold and basically have no pledged revenue stream since elimination of the Low- and Moderate-Income Housing Fund set-aside. He stated, "The MHC that operates the Low- and Moderate-Income Housing properties will be functioning with whatever resources it currently has for as long as it can go. There is no revenue stream. What is going to happen in California to Low- and Moderate-Income Housing Fund entities is that they will have the assets and be able to function only as long as their current resources will last because there is no future revenue stream. These properties are not money-making operations—they are rented to low- and moderate-income families at less than market value—and the repairs and maintenance involved in upkeep will cost far more than rents received. At some point, one can only hope the Legislature will realize downstream that these properties will fall into disrepair and do something to preserve the integrity of affordable housing."

Chairman Ruh stated, "On top of that, most of these units possess a 55-year deed restriction."

Finance Director Parker concurred, stating, "Selling them is not an option because nobody would buy them simply because there is no value to them."

Chairman Ruh stated, "The 55-year deed restriction was something that was certainly mandated in some ways by the state because if agencies received the funding, they had to ensure developers

would not acquire the properties at some future time and profit from them. The whole purpose of affordable housing is to deed-restrict properties, resulting in their having little value, and allow rents to be stabilized so low-income families and seniors would have places to live."

It was the consensus of the Oversight Board to receive correspondence dated December 21, 2012, from the State Department of Finance regarding housing asset transfers.

## V. COMMUNICATIONS

### A. Staff

1. Finance Director Parker reported that he spoke to the **State Controller's Office** today regarding its asset transfer audit that was presented to the Oversight Board at its December 12, 2012 regular meeting. He explained how the Controller's Office flip-flopped on its decision last November to allow the former Montclair Redevelopment Agency's transaction in April 2011 to transfer 99 affordable housing units worth \$12,141,000 to the Montclair Housing Corporation (MHC) because the state considers the MHC to be a governmental entity. He noted staff was successful in convincing the Controller's Office that there is no market value to the affordable housing units because 80 percent of the units are deed-restricted to occupancy by persons of very low income, not to mention that the sale of the units could displace the 300 residents of the units. He advised that the Controller's Office has decided the matter could be rectified by having the Oversight Board retroactively approve the affordable housing transfer to the housing successor, which would require the Oversight Board to meet before the next regularly scheduled meeting in February to consider such retroactive approval.

Board Member Catlin asked how the State Controller's Office would reconcile the Oversight Board's taking action to approve a transaction that occurred years before.

Finance Director Parker stated, "This is a proposal from the Controller. I think what they have done is dug themselves into a hole in this situation, and this is a way of them backing out of it. It's just like saying, "Well, the Oversight Board blessed it, so we are OK." They won't have a problem with it.

Deputy City Manager/Office of Economic Development Executive Director Staats advised that staff was able to reason with the Controller's Office regarding the lack of marketability of the units, not to mention that staff would resist displacing the 300 residents of the units unless forced to do so by the Attorney General.

Finance Director Parker stated that the Controller's Office is concerned about a number of agencies in Central California that have bypassed their Oversight Boards in certain transactions. He noted that, unorthodox as it might seem, obtaining the Oversight Board's retroactive approval in this matter would assuage any concerns the Controller's Office has about the asset transfer.

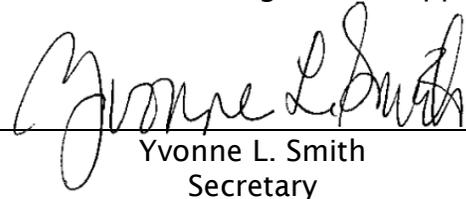
### B. Chairman and Members

1. Chairman Ruh thanked Board Members for their volunteer service, which is very much appreciated.

**VI. ADJOURNMENT**

At 6:29 p.m., Chairman Ruh adjourned the Oversight Board of Directors.

Submitted for Oversight Board approval,



Yvonne L. Smith  
Secretary