Redevelopment Fund Estimates Create Billion-Dollar Confusion for Policymakers

This report was prepared for the Senate Rules Committee

May 3, 2010

California Senate Office of Oversight and Outcomes

John Adkisson
John Hill
Dorothy Korber
Nancy Vogel

1465-S

Redevelopment Fund Estimates Create Billion-Dollar Confusion for Policymakers

May 3, 2010

Prepared by Nancy Vogel

California Senate Office of
Oversight and Outcomes

Table of Contents

Executive Summary

By law, California's 424 redevelopment agencies must use at least 20% of the property tax money they collect to create, preserve and rehabilitate homes for people of limited means. Nearly $2 billion a year flow into the so-called "low- and moderate-income housing funds" of redevelopment agencies.

But state officials have no clear picture of the status of that money. The picture is muddied by the inconsistent information two state agencies separately collect about the low- and moderate housing funds of individual redevelopment agencies.

The data-collection systems of the State Controller and the Department of Housing and Community Development use different structures and approaches. Nonetheless, experts say the two entities' annual reports should agree on how much money is sitting idle in low- and moderate-income housing funds. Instead, a large gap has long existed in the state's two estimates of uncommitted housing funds. The latest information, from 2007-08, shows a $1.3 billion discrepancy.

Members of the Senate Republican fiscal staff asked the Senate Office of Oversight and Outcomes to explain the inconsistency. They also sought suggestions for achieving more consistent and accurate reporting.

As detailed in this report, the oversight office found that:

- Human error and misunderstanding, compounded by complicated reporting forms and the idiosyncrasies of the Department of

Housing and Community Development online data collection system, help explain inconsistent reporting.

- The reporting requirements are complex, reflecting California redevelopment law.
- Structural and definitional differences in the reporting systems increase the chance of discrepancies.
- There are no legal penalties for filing incorrect or incomplete information.
- The state does not verify most information submitted by redevelopment agencies.

Suggestions offered by experts to improve reporting accuracy include:

- Modify the housing department's online reporting system.
- Revise the two forms so that data flows consistently from one to the other.
- Expand efforts to teach redevelopment agency officials how to fill out the state's required forms.
- Update the reports periodically through the year to correct mistakes uncovered by redevelopment agency and state officials.
- Collapse into a single report the state's two annual reports on redevelopment agency financial transactions and housing production.
- Clarify the laws and instructions that guide reporting of low- and moderate-income housing fund activities.
- Impose a penalty on redevelopment agencies for incomplete or inaccurate reporting.
- Designate a state agency to monitor how redevelopment agencies carry out and report required affordable housing activities and give the agency legal authority to enforce laws.

In future reports, the Senate Office of Oversight and Outcomes will examine other aspects of redevelopment agency spending for affordable housing, including planning and administration costs and the quality of the independent audits agencies must have performed each year.

Introduction

Most redevelopment agency property tax revenue goes to improve infrastructure, beautify neighborhoods, clean up contaminated property, encourage commercial and industrial development and otherwise combat blight.

But layers of statute added over several decades make this much clear: The Legislature wants redevelopment agencies to promptly and efficiently spend at least 20% of the tax money they collect on affordable housing.

One statute punishes redevelopment agencies that fail to spend any "excess surplus" in their affordable housing fund. Another requires agencies to justify in writing any money spent from the fund for planning and administrative costs. And the law requires agencies to report to the state how many units of affordable housing they build, preserve or repair each year.

The low- and moderate-income housing dollars collected by redevelopment agencies are the single largest source of non-federal money for building affordable housing in California. But the money is of keen interest to lawmakers for other reasons, too.

Redevelopment agencies divert property tax revenues away from school districts, and the state general fund indirectly subsidizes schools as much as $2.7 billion a year for lost or foregone property tax dollars. And in the last couple of years, the Legislature has sought to use redevelopment agency funds to help balance the state budget. A 2008 attempt to take $350 million was struck down by the Sacramento County Superior Court. Nonetheless, in the budget they passed in July 2009, legislators authorized a taking of $1.7 billion for the 2009-10 fiscal year and an additional $350 million for the following year.

The California Redevelopment Association sued in October 2009 to block what it called a "raid" of redevelopment funds, and the lawsuit is pending. A decision is expected before agencies are scheduled to make their first payment to help balance the state budget on May 10, 2010.

A Dual Reporting System

Despite the Legislature's interest, no state agency oversees redevelopment agencies. Oversight is left largely to the city council members and county supervisors who sit as local redevelopment agency board members. The state's role is essentially limited to data collection and reporting.

California has struggled with that role for decades. Before 1984, redevelopment agencies were supposed to submit housing production data to the state Department of Housing and Community Development, but fewer than half complied and the department did not publish the information. Agencies also were supposed to submit financial data to the Controller, who published it as part of an annual report on special districts.

A Senate Local Government Committee hearing in 1982 made clear that state officials did not know how many redevelopment agencies existed, let alone how much tax money they collected.

A 1984 law by Senator Milton Marks, a San Francisco Democrat, attempted to give the public more detailed, accurate and timely information. His legislation, SB 1387, created a dual reporting system. It required both the Controller and Department of Housing and Community Development to publish annual reports. (Government Code §12463.3 and Health and Safety Code §33080 et seq.). The law required redevelopment agencies to submit all housing production and financial information to the state Controller, who would then pass the housing information on to the housing department.

In an August 1984 letter urging Gov. George Deukmejian to sign his bill, Marks wrote, "Currently, redevelopment agencies file two reports with the state but neither provides the Legislature or the Administration with very much useful information."

Today the state Controller's office compiles information about redevelopment agency revenues, expenditures, debt, land acquisition, etc. This includes a statewide breakdown of financial information showing how agencies handle the low- and moderate-income housing funds that account for 20% of agency tax revenue.

Separately, the Department of Housing and Community Development publishes an annual report that focuses solely on low- and moderate-income housing funds. It tracks how much affordable housing has been produced, preserved or repaired with the money, including for what income groups.

In essence, the state Controller publishes information about the overall finances of redevelopment agencies without much detail about low- and moderate-income housing funds. The housing department publishes details about the housing set-aside funds without describing overall agency finances or accomplishments. Employees at the Controller's office say they are not comfortable collecting and analyzing information about affordable housing, while employees at the Department of Housing and Community Development say it is important for policymakers to be able to link the number of affordable housing units created by redevelopment agencies with the amount of money spent.

To anyone lacking expertise in accounting or housing, the reporting forms for both agencies are complex, a reflection of redevelopment law itself. The forms are also often duplicative. Gus Koehler, Ph.D., a researcher hired by the California Redevelopment Association, found at least 27 data entries on the Department of Housing and Community Development electronic form that request the same data submitted to the Controller.

Billion-Dollar Gap

Though both reports track the same pot of money, they disagree dramatically on certain figures that should match. The gaps frustrate anyone trying to understand how redevelopment agencies spend their housing funds. The differences can be mind-boggling even to those intimately familiar with the reporting requirements. *(See Attachment A for a comparison of key financial data from 2007-08.)*

For example, since at least 1997 the Controller's office and the Department of Housing and Community Development have differed by hundreds of millions of dollars in their calculations of how much money is available in low- and moderate-income housing funds. *(See Attachment B.)*

In 2007-08, the Department of Housing and Community Development tallied the "unencumbered, undesignated" money in the housing funds at $1.69 billion. That same year, the Controller's office calculated the "unreserved, undesignated" amount in the same funds at $343 million.

"Unencumbered, undesignated" and "unreserved, undesignated" are essentially the same category: money that is available for future expenditures.

According to accountants familiar with the redevelopment agency reporting systems, if the reports are filled out properly and the person filling out the forms makes the same assumption about what "designated" means, these two amounts should agree in all but a few exceptional cases.

But the $1.3 billion discrepancy remains. The Senate Republican fiscal staff asked the Senate Office of Oversight and Outcomes for an explanation.

Different by Design

Any discussion of the many factors that could help explain the gap must start with the structural and philosophical differences in the two reports.

The housing department's annual questionnaire was last revised more than a decade ago. A working group of accountants, redevelopment agency officials, housing advocates and others attempted to make the form more useful for non-accountants.

The Controller's report was designed to follow generally accepted accounting principles. The housing department form was not.

Lee Squire, financial services manager of the Brea Redevelopment Agency, took part in the working group. He said the Controller's report takes a balance sheet approach and does not easily disclose to readers the amount of money that redevelopment agencies use for land and loans during the fiscal year. These are some of the biggest-dollar uses made from low- and moderate-income housing funds.

The Department of Housing and Community Development report attempts to give readers a quick grasp of how much money redevelopment agencies have available to spend on affordable housing – aside from money tied up in land or loans.

"We wanted the HCD report as a statement of sources and uses," said Squire, "and we wouldn't get hung up on accounting terms."

Human Error and Report Design Help Explain Gap

Many factors could explain the $1.3 billion gulf in the tally of unfettered money held by redevelopment agencies in their affordable housing set-aside funds. It would be impossible to ascertain how much of the difference is attributable to each factor without knowing how officials at each of hundreds of redevelopment agencies filled out their forms.

But experts say they think the biggest factors explaining the deviation involve human error and the Department of Housing and Community Development's online reporting system, which automatically fills out some lines for people entering data, does not prompt them to fill out other lines and does not force them to reconcile the reported amounts with data submitted to the Controller.

Several workshops on how to fill out the forms are held around the state each year by the state agencies and the California Redevelopment Association, but not every redevelopment agency sends employees. The law provides no penalties for submitting wrong or incomplete information.

According to redevelopment agency officials, the task of filling out both reports is often given to finance employees unfamiliar with redevelopment agency activities or to the newest hires in the redevelopment agency. The year-to-year turnover of people charged with inputting data is high, redevelopment agency officials say.

Furthermore, several people may be involved in filling out each report. The Department of Housing and Community Development report may be filled out by a redevelopment agency employee or a private accountant hired by the agency, while the Controller's report may be filled out by a finance department employee. Such was the case with the Hercules Redevelopment Agency in 2007-08, when it reported $1.9 million as "unencumbered, undesignated" to the housing department and $0 as "unreserved, undesignated" to the state controller.

Another factor leading to inconsistency is the sheer complexity of redevelopment law, which has undergone many changes since low- and moderate-income housing funds were required in 1977. That complexity is reflected in the case of the Culver City Redevelopment Agency, which in 2007-08 reported $18.4 million as "unencumbered, undesignated" in 2007-08 to the housing department but $0 as "unreserved, undesignated" to the Controller's office. The difference has to do with money the agency was permitted by law to withhold from its affordable housing fund in order to pay off debt incurred for other projects adopted before 1986.

Online Reporting System Makes Overstatement Easy

Above all, experts blame discrepancies on the electronic system that most redevelopment agencies use to submit data to the Department of Housing and Community Development. The online system makes it easy to miss or skip the lines that ask for "encumbrances" and "designated" amounts. Ignoring those questions can erroneously inflate the amount of money that appears available for new affordable housing projects.

The housing department's online system does not prompt a user to fill out anything for line 6a., which states: "Encumbrances (End of Year)." The line includes a "help" button to click, which leads a user to the legal definition of encumber ("committing funds pursuant to a legally enforceable contract or agreement for expenditure for authorized redevelopment housing activities.") The online system automatically puts a zero in the "encumbrances" line and fills out the "unencumbered" and "undesignated" lines with whatever number appeared earlier as "net resources available."

Unless the person filling out the form takes the time to tally any contracts, loan agreements or outstanding invoices that involve money from the low- and moderate-income housing fund and then subtract those obligations from the "net resources available" number supplied by the computer system, the agency's cache of money with no strings attached will appear overstated.

That is frequently what happens, say accountants who work with redevelopment agencies and experts at the Department of Housing and Community Development.

"The autofill on the report explains a lot," said Jeff Newbury, who oversees compilation of the annual redevelopment agency report for the Department of Housing and Community Development. "They may have encumbered a lot of money but don't show it."

Except for that, Newbury said, the information collected on his department's forms is largely accurate. The bulk of the annual report, he said, gives California something few other states have: a good estimate of affordable housing production.

Given additional resources, Newbury said, the department could modify the "unencumbered" section of the questionnaire or impose controls on the online system to generate more accurate responses. One solution may be to stop the computer system from automatically plugging a "$0" into the "encumbrances" line, so that the people filling out the form must think about what to enter. A pop-up box that asks about how much money is encumbered and/or designated could also help, said Newbury.

"The unencumbered question gets ignored," he said. "People don't fill it out because the system doesn't prompt them to fill it out, and if they don't, it doesn't affect the bottom line."

Giving the online system the capacity to periodically and publicly correct errors would also improve accuracy, said Newbury. Several times a year, he said, he makes internal corrections to errors that he finds or that redevelopment agencies bring to his attention. Newbury recently changed Culver City's data in annual reports going back to 2004-05 to properly account for the money that the redevelopment agency deferred from the low- and moderate-income housing fund in the 1980s. Newbury said his department is now working on posting revised, corrected reports to its website.

He emphasized, however, that his department has no resources available to revamp the online system. Budget cuts have already eliminated department auditors who until 2007 reviewed redevelopment agency compliance with affordable housing laws.

Resources are also stretched at the Controller's office, which last got funding to prepare its annual redevelopment report in 1983. The number of redevelopment agencies has more than doubled since then, and the Legislature has imposed additional duties on the Controller's report-preparation staff. Those include a 2008 requirement to collect and analyze five years' worth of data about redevelopment agency payments to schools, community colleges and other taxing entities. The requirement was triggered by a Controller's audit that found widespread errors in the calculation and reporting of property tax payments passed from redevelopment agencies to schools.

Spokeswoman Linda Lingbloom said the Controller's 10-person reporting unit could easily use four additional employees, at an annual cost of roughly $364,000, to review redevelopment agency data and audits, help publish the annual report, conduct training workshops and prepare other reports required by the Legislature.

Reconciliation Not Required

The housing department's online form, in use since 1999, has widened the gulf between the state's two annual redevelopment reports in another way.

No matter how information is sliced and diced in each report, both should agree on low- and moderate-income housing fund total equity, experts say. (Total equity is essentially a fund's assets minus liabilities, even though some of the assets may not be available to spend.)

Yet in fiscal year 2007-08, the reports differed by $274 million. The state Controller's report listed total equity as $4.49 billion, while the housing department tallied total fund equity at $4.77 billion.

That difference may be explained in part because the housing department's online system, used by most redevelopment agencies to submit data, does not force people entering data to reconcile what they enter as total equity with the total equities balance reported to the Controller's office.

For reasons that are not clear, the housing department did not include a box in its online reporting system that would allow agencies to explain discrepancies.

The old-fashioned paper form still used by roughly 88 redevelopment agencies to submit data to the Department of Housing and Community Development each year *does* ask for reconciliation of data submitted to the Controller's office. It includes a small box where redevelopment agency officials are asked to explain any differences between the "total fund equity" calculated for the housing department report and the "total equities" reported to the Controller. *(See Attachment C.)*

"That was deliberately done that way to make sure it works correctly," said Squire, the Brea official who helped to design the housing department's questionnaire.

Squire described the two annual reports as two bridges to the same place. "You have got to come back to total fund balance," he said.

Squire does not use the housing department's online system. He said he learned only recently that it does not prompt redevelopment agency officials to reconcile the numbers they submit with those given to the Controller.

Newbury said he does not know why reconciliation is not required on the online system. But adding it is a good idea, he said. Newbury also suggested augmenting the instructions for that section of the questionnaire with a Department of Housing and Community Development phone number that redevelopment agency staff can call to get help reconciling the numbers.

Donald Parker, CPA, a partner with Lance, Soll & Lunghard, LLP Certified Public Accountants in Brea and a noted redevelopment agency auditor, agreed that the forms should be modified to require reconciliation.

"Everybody should agree on total resources," he said.

Data Should Flow from Controller's Report

Parker teaches classes for redevelopment agency employees statewide on how to fill out mandated forms. He said he always urges his students to use data submitted to the Controller as the starting point for the housing department form.

Both forms should be revised, Parker said, so that information automatically flows from the Controller's form to the housing department questionnaire.

Utilizing the same data "is the only way you are ultimately going to get the information to agree," he said, "and at least then you could determine the differences in reporting approaches."

Information submitted to the Controller's office is generally more trustworthy, he said, because Controller employees usually compare the data sent by redevelopment agencies against the numbers in the audits that agencies must also submit. Such audits must be performed by an independent certified public accountant each year. Controller employees say they will occasionally change the information a redevelopment agency sends to match an independent audit.

No such review of data is performed at the Department of Housing and Community Development. The department's annual report includes a warning that "some problems persist that impact the accuracy of the annual report, such as incomplete reporting, reporting financial data to the Department that does not agree with audited financial statements or with similar data reported to the State Controller's Office."

Different Definitions

Some of the variation in the two annual reports may start with the definitions in the reporting system instruction forms and how they are interpreted by the people entering data at more than 400 different redevelopment agencies.

Technically, "encumbered" and "reserved" mean different things in the reporting systems.

For purposes of the Department of Housing and Community Development report, "encumbered" means "committing funds pursuant to a legally enforceable contract or agreement for expenditure for authorized redevelopment housing activities." (Health and Safety Code §33334.12 (g) (2)).

For the purposes of the state Controller's report, "reserved" means "the amount of fund equity that is reserved for specific purposes and which is not available for financing the expenditure program of the future fiscal period(s)." This would include encumbrances and other amounts, such as the value of land owned by the agency and the value of outstanding, long-term loans.

In the real world, what does the difference mean?

Parker offers this example: A redevelopment agency may sign a contract for housing construction with a developer and count the money involved as "encumbered" on the Department of Housing and Community Development form. But for the state Controller's report, an agency could not count the money involved in the contract as "reserved" until an obligation was actually incurred under the contract – such as a construction crew turning on bulldozers and beginning to grade a parcel of land.

Just how much money the redevelopment agency can count as "reserved" depends upon the wording of the contract, said Parker. If the contract requires the agency to pay the developer in stages, based on the completion of certain tasks, then the agency cannot count the money involved as "reserved" until the developer has finished a stage.

Parker said that most agencies he deals with do not get too precise in their definitions of "encumbrances," and application of the more loosely defined term "designated" in both reporting systems would tend to even out the numbers. Still, he said, the differences in definition mean that in the extreme case, "there can be 400 different results of what everybody's doing."

Another Structural Difference

Another major structural difference in the two reporting systems may engender confusion.

In the Controller's report, the definition of "reserved" redevelopment agency funds includes some big-ticket items that are not included as "encumbrances" by the housing department. The Controller counts as "reserved" the value of land that a redevelopment agency holds for resale and outstanding money that a redevelopment agency has loaned, such as to developers, homeowners or apartment complex owners to rehabilitate their properties. The Controller counts such items as "reserved" because the money is not available until the land sells or the loans are repaid.

The Department of Housing and Community Development report does not include those categories in "encumbrances." They are separated from the calculation of net resources available – the starting number from which encumbrances are subtracted – and tallied in a separate section of the annual report called "housing fund assets." In 2007-08, these obligations totaled $1.6 billion, according to the Department of Housing and Community Development report.

If forms are filled out correctly, this structural difference in the treatment of land held for resale and outstanding loans should not lead to any variation between how much low- and moderate-income housing fund money is tallied as "unencumbered, undesignated" or "unreserved, undesignated" in the two annual reports. *(See Attachment D for an example prepared by Parker of how the two forms should agree.)*

"Designated" Means Different Things

The final step of characterizing low- and moderate-income housing funds is somewhat subjective and may lead to variation.

Both the Controller and the Department of Housing and Community Development ask redevelopment agencies to declare how much of their unencumbered or unreserved funds are "designated," but the definitions are not exactly the same.

To the Controller, money is "designated" if redevelopment agency managers have tentative plans to use it in the future that are subject to change. The housing department forms tell redevelopment agencies that money is designated if it is "planned to use near-term."

In the housing department report for 2007-08, redevelopment agencies marked $878 million as "unencumbered designated." In the Controller's report for the same year, agencies marked $1 billion as "unreserved designated."

Erroneous Numbers Reverberate

Failure to tally and subtract encumbrances on the Department of Housing and Community Development form can throw out of whack a key measure used by lawmakers and the public to gauge how efficiently redevelopment agencies are using their affordable housing funds.

In 1988, frustrated by redevelopment agencies that were collecting but not spending the 20% tax set-aside for affordable housing, the Legislature passed a law that required agencies to calculate any "excess surplus" in their low- and moderate-income housing fund. Such surpluses, if found, had to be either turned over to a local housing authority within one year or spent within three years. (California Health and Safety Code §33334.12).

The law defined "excess surplus" as unencumbered, unspent money that is either greater than $1 million or the total of all the property tax money deposited into the low- and moderate-income housing fund in the previous four years. Under the law, agencies that fail to turn over or spend the money in the required time period must essentially shut down – they are not allowed to spend any money, with few exceptions, on work not related to housing.

The calculation of excess surplus starts with the redevelopment agency's "unencumbered balance." So if the person filling out the Department of Housing and Community Development questionnaire forgets or declines to subtract money committed to affordable housing work through a legally enforceable contract or agreement, then the calculation of excess surplus will be inflated.

"If people were to omit encumbrances," said Squire, "then when they go to calculate excess surplus, they could trigger an excess surplus that doesn't exist."

That is one of many errors made by redevelopment agencies as they try to calculate "excess surplus." A 1998 report by the Bureau of State Audits found wide variation in how agencies do the calculation, especially how they treat debt to be paid back with low- and moderate-income housing fund money. The bureau examined 21 agencies that had reported "excess surplus" in their low- and moderate-income housing funds and found that 17 of them had overstated the surplus balance. One had understated the balance, and only three were correct.

The auditor urged the Legislature to clarify what it called a vague "excess surplus" law. The auditor also suggested that the Legislature figure out how much monitoring is necessary to ensure that redevelopment agencies are complying with affordable housing laws and give that job to a state agency along with legal authority to enforce the laws.

"Due to the lack of oversight, redevelopment agencies fail to provide accurate and consistent information on the mandated amount of property tax dollars they allocate and spend on low- and moderate-income housing," wrote State Auditor Kurt R. Sjoberg. "As a result, the department has no way of knowing how much mandated money has not been spent."

Disparities Hinder Measurement of Performance

Such reporting glitches do more than confuse housing advocates and legislative staff. They make it nearly impossible to measure whether redevelopment agencies are achieving the affordable housing goals set by the Legislature.

The lobbying group that represents most redevelopment agencies, the California Redevelopment Association, has long lamented the blurry picture of their industry created by the state's data collection system. In 2007, the group called for an overhaul.

In a report called "Time for a Tune-Up," the association argued for creation of a single annual report that provides long-term trend data and measures the economic contributions of redevelopment agencies, such as jobs created. The consolidated online reporting system, the association urged, should include pop-up messages identifying possible errors. The report also suggested that key data submitted to the Controller be verified before publication.

The association's report identified "a number of significant limitations caused by the way these data are defined, analyzed, and presented in the current data reporting system, making it difficult to properly describe and evaluate the outcomes of redevelopment, its contribution to economic development, and actual costs."

Glen Campora, a former manager with the Department of Housing and Community Development, suggested that the Legislature consider imposing penalties on redevelopment agencies that submit inaccurate or incomplete information to the Controller or the housing department. The idea would be to incentivize agencies to invest the time and talent necessary to gather accurate information. (Existing law allows the Controller to impose fines of up to $10,000 for late submission of data, and each year roughly 10 agencies are penalized.)

Officials at the Controller's office caution that trying to enforce the accuracy of data submitted by hundreds of redevelopment agencies would be difficult.

Campora also suggested simplifying the state's reporting requirements.

"If you look at what the law requires of agencies," he said, "it's onerous and disorganized and hard to understand. If we want to get agencies to cooperate in providing good data, we've got to make it easy."

Catherine A. Rodman, director and supervising attorney for the San Diego non-profit group Affordable Housing Advocates, said she frequently uses the state's two annual reports to find exceptional behavior by redevelopment agencies compared to the statewide average.

The information could be improved, she said, but the reports should not be eliminated.

"I don't trust the data," said Rodman, "but if they don't report, the Legislature and public know nothing."

Sources of Information

- Assembly Committee on Housing and Community Development, Analysis of SB 1387, June 22, 1984
- "Community Redevelopment Agencies: Surplus Balances in Lower-Income Housing Funds Are Overstated, Suggesting a Need for More Statewide Oversight and Direction," California Bureau of State Audits, March 1998
- "Office of the State Controller & Housing and Community Development Department Redevelopment Data Collection and Analysis: Time for a Tune-Up," California Redevelopment Association, January 5, 2007
- "Timely, Accurate, and Reliable: The Report of the Task Force on Redevelopment Agencies' Affordable Housing Reports," July 7, 1997, California Senate Committee on Housing and Land Use
- Redevelopment Housing Activities, Department of Housing and Community Development, State of California, Fiscal Years 1995-96 through 2007-08
- Community Redevelopment Agencies Annual Report, California State Controller, Fiscal Years 1995-96 through 2007-08
- "Winding Down: Preparing for the End of Older Redevelopment Projects," A Briefing Paper for the Informational Hearing, Senate Local Government Committee, February 20, 2008
- Wayne Beck, Local Government Reporting Section, State Controller's Office
- Greg Brummels, Audit Manager, State Controller's Office
- Glen Campora, former housing policy manager, Department of Housing and Community Development
- Gus Koehler, chief executive officer, Time Structures, Inc., researcher for the California Redevelopment Association
- Linda Lingbloom, spokeswoman, State Controller's Office
- Marianne O'Malley, Legislative Analyst's Office
- Jeff Newbury, Housing Policy Analyst, Department of Housing and Community Development
- Donald L. Parker, Certified Public Accountant, Partner, Lance, Soll & Lunghard, LLP Certified Public Accountants
- Catherine A. Rodman, Director and Supervising Attorney, Affordable Housing Advocates
- Lee Squire, financial services manager, Brea Redevelopment Agency

Attachment A

From Controller's Annual Redevelopment Report

Figure 2

Combined Balance Sheet — All Fund Types and Account Groups

As of June 30, 2008
(Amounts in thousands)

	Capital Projects Fund	Debt Service Fund	Low/Moderate Income Housing Fund	All Other Funds	General Long-Term Debt Account Group	General Fixed Assets Account Group	Totals 2008	Totals 2007
ASSETS/OTHER DEBITS								
Cash	$ 6,577,817	$ 3,683,742	$ 2,680,838	$ 289,896	$ —	$ —	$ 13,232,293	$ 11,623,408
Accounts Receivable	750,239	248,980	1,891,758	141,238	—	—	3,032,215	2,518,853
Other Receivables	17,042	285,950	329	—	4,991	—	308,311	382,084
Due From Other Funds	486,846	103,073	279,079	82,883	—	—	951,882	850,308
Investments	734,651	105,303	117,401	390,318	—	—	1,347,673	1,017,591
Other Assets	361,009	87,152	122,110	9,055	—	—	579,326	469,797
Land Held for Resale	1,648,382	—	557,464	28,140	—	—	2,233,986	1,856,628
Allowance for Decline in Value	(41,944)	—	(21,301)	—	—	—	(63,245)	(35,415)
Fixed Assets	—	—	—	156,052	—	5,883,585	6,039,637	5,242,077
Other Debits:								
Amount Available in Debt Service Fund	—	—	—	—	2,960,392	—	2,960,392	2,429,087
Amounts to Be Provided for Payment of Long-Term Debt	—	—	—	—	25,620,867	—	25,620,867	23,383,689
Total Assets/Other Debits	**$ 10,534,042**	**$ 4,514,200**	**$ 5,627,678**	**$ 1,097,582**	**$ 28,586,250**	**$ 5,883,585**	**$ 56,243,337**	**$ 49,738,107**
LIABILITIES								
Accounts Payable	$ 1,181,266	$ 702,471	$ 1,031,971	$ 125,743	$ —	$ —	$ 3,041,451	$ 2,665,049
Interest Payable	1,172	3,212	281	2,055	1,534	—	8,254	11,151
Due to Other Funds	221,406	102,398	102,747	525,331	—	—	951,882	850,308
Tax Allocation Bonds and Notes	—	—	—	6,300	18,920,542	—	18,926,842	16,994,529
Revenue Bonds/Certificates of Participation/Financing Bonds	—	—	—	—	3,393,080	—	3,393,080	3,307,541
All Other Debt	—	—	—	222,260	6,271,094	—	6,493,354	5,832,818
Total Liabilities	**1,403,844**	**808,081**	**1,134,999**	**881,689**	**28,586,250**	**—**	**32,814,863**	**29,661,396**
EQUITY/OTHER CREDITS								
Investments in Fixed Assets, Net of Related Debt	—	—	—	(1,524)	—	5,883,585	5,882,061	5,086,800
Fund Balance:								
Reserved	4,237,874	2,539,609	3,095,947	151,878	—	—	10,025,308	8,703,266
Unreserved Designated	3,676,799	948,137	1,053,373	59,628	—	—	5,737,937	4,372,271
Unreserved Undesignated	1,215,525	218,373	343,359	5,911	—	—	1,783,168	1,914,374
Total Equity/Other Credits	**9,130,198**	**3,706,119**	**4,492,679**	**215,893**	**—**	**5,883,585**	**23,428,474**	**20,076,711**
Total Liabilities/Equity	**$ 10,534,042**	**$ 4,514,200**	**$ 5,627,678**	**$ 1,097,582**	**$ 28,586,250**	**$ 5,883,585**	**$ 56,243,337**	**$ 49,738,107**

From Department of Housing and Community Development Annual Redevelopment Report

05/01/2009

California Redevelopment Agencies - Fiscal Year 2007/2008
Status of Low and Moderate Income Housing Fund

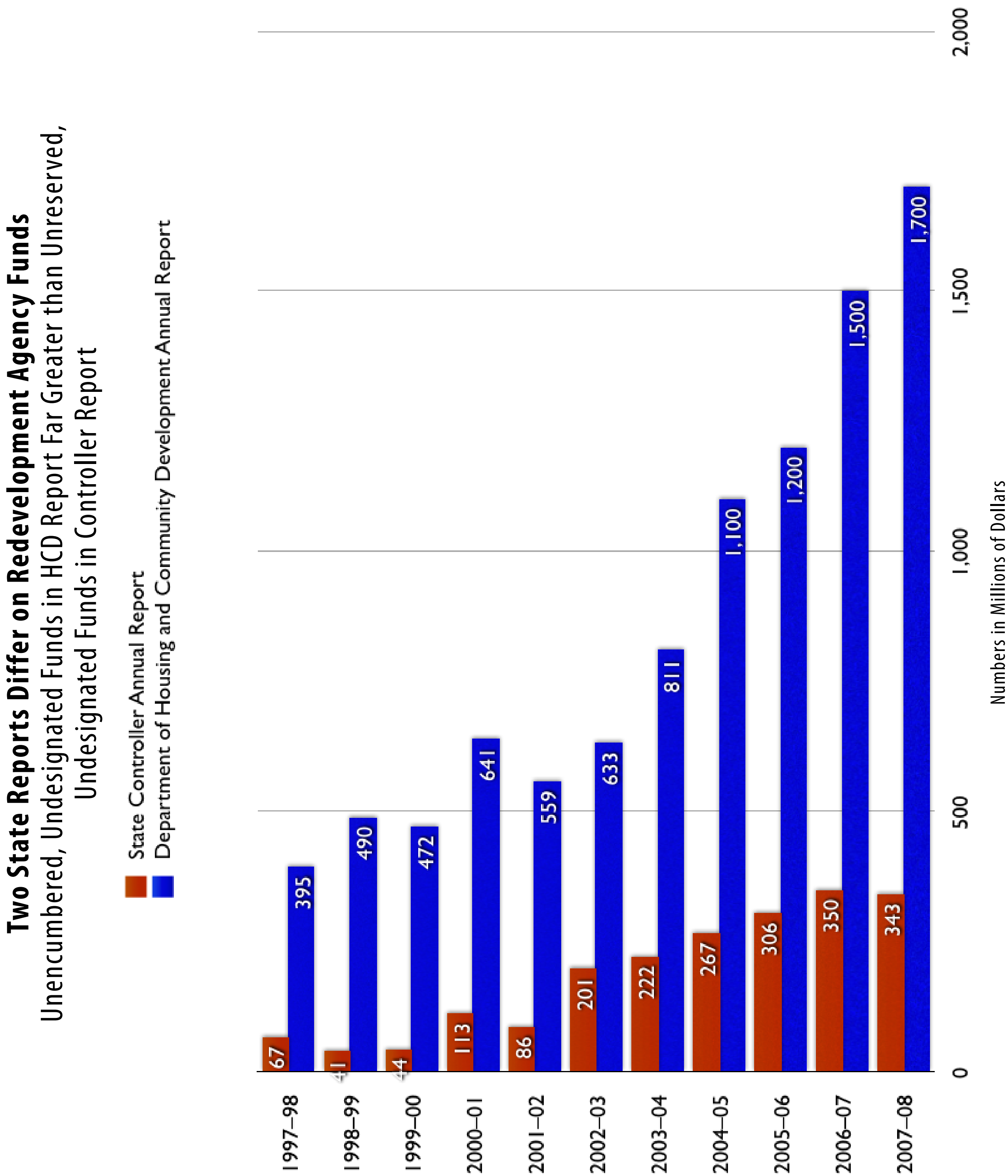
Exhibit C-1
Page 19 of 19

County Agency	Adjusted Beginning Balance	Project Area Receipts	Housing Fund Revenues	Total Expenses	Net Resources Available	Housing Fund Assets	Total Fund Equity	Encum-brances	* Unen-cumbered Balance	Unen-cumbered Designated	Unen-cumbered Undesignated
OJAI	$1,177,497	$405,365		$135,498	$1,447,364		$1,447,364		$1,447,364		$1,447,364
OXNARD	$9,675,505	$3,750,698		$2,013,041	$11,413,162		$11,413,162		$11,413,162		$11,413,162
PORT HUENEME	$3,210,950	$1,513,474		$2,373,081	$2,351,343	$2,933,802	$5,285,145		$2,351,343		$2,351,343
SAN BUENAVENTURA	$1,407,193	$787,609		$632,588	$1,562,214		$1,562,214	$11,943	$1,550,271	$1,337,872	$212,399
SANTA PAULA	$124,927	$758,189		$279,879	$603,237		$603,237		$603,237	$603,237	
SIMI VALLEY	$11,585,446	$4,928,673		$3,158,307	$13,355,812	$10,622,724	$23,978,536		$13,355,812		$13,355,812
THOUSAND OAKS	$4,514,945	$4,190,422	$784,189	$5,676,299	$3,813,257	$5,551,203	$9,364,460		$3,813,257	$57,864	$3,755,393
VENTURA COUNTY	$657,925	$160,902		$41,266	$777,561		$777,561		$777,561		$777,561
County Totals:	**$52,178,439**	**$21,962,972**	**$784,189**	**$20,136,596**	**$54,789,004**	**$24,441,097**	**$79,230,101**	**$1,909,943**	**$52,879,061**	**$1,998,973**	**$50,880,088**
YOLO COUNTY											
DAVIS	$21,747,460	$2,433,352		$1,039,206	$23,141,606		$23,141,606	$43,390	$23,098,216	$7,934,595	$15,163,621
WEST SACRAMENTO	$729,680	$11,897,623		$3,288,537	$9,338,766	$17,218,524	$26,557,290		$9,338,766		$9,338,766
WINTERS	$3,536,702	$513,246	$2,763	$509,866	$3,542,845		$3,542,845		$3,542,845		$3,542,845
WOODLAND	$1,077,203	$339,473		$920,130	$496,546		$496,546		$496,546		$496,546
County Totals:	**$27,091,045**	**$15,183,694**	**$2,763**	**$5,757,739**	**$36,519,763**	**$17,218,524**	**$53,738,287**	**$43,390**	**$36,476,373**	**$7,934,595**	**$28,541,778**
YUBA COUNTY											
MARYSVILLE	$147,865	$107,879		$100,717	$155,027	$335,410	$490,437		$155,027		$155,027
YUBA COUNTY	$12,129	$4,582			$16,711		$16,711		$16,711		$16,711
County Totals:	**$159,994**	**$112,461**	**$0**	**$100,717**	**$171,738**	**$335,410**	**$507,148**	**$0**	**$171,738**		**$171,738**
Statewide Totals:	**$2,688,670,120**	**$1,826,664,832**	**$222,078,658**	**$1,523,339,993**	**$3,214,073,617**	**$1,552,983,094**	**$4,767,056,711**	**$649,986,027**	**$2,564,087,590**	**$877,692,853**	**$1,686,394,737**

Total Agencies Contributing to this report - 383

* The Unencumbered Balance is equal to Net Resources Available minus Encumbrances

Attachment B



Attachment C

From Department of Housing and Community Development Manual (not on-line) Annual Reporting System

Agency Name: ______________________

4. **Expenditures, Loans, and Other Uses** (continued)
   - e. On/Off-Site Improvements [33334.2(e)(2)] *Complete item 13* $ ________
   - f. Housing Construction [33334.2(e)(5)] $ ________
   - g. Housing Rehabilitation [33334.2(e)(7)] $ ________
   - h. Maintain Supply of Mobilehome Parks [33334.2(e)(10)] $ ________
   - i. Preservation of At-Risk Units [33334.2(e)(11)] $ ________
   - j. Transfers Out of Agency
     - (1) For Transit village Development Plan (33334.19) $ ________
     - (2) Excess Surplus [33334.12(a)(1)(A)] $ ________
     - (3) Other (specify code section authorizing transfer and amount)
       - A. Section ________ $ ________
       - B. Section ________ $ ________
       - Other Transfers Subtotal $ ________
     - (4) **Subtotal Transfers Out of Agency** (Sum of j(1) through j(3)) $ ________
   - k. Other Expenditures, Loans, and Uses [Explain and identify amount(s)]:
     - ________ $ ________
     - ________ $ ________
     - ________ $ ________
     - **Subtotal Other Expenditures, Loans, and Uses** $ ________
   - l. **Total Expenditures, Loans, and Other Uses** (Sum of lines 4a.-k.) $ ________

5. **Net Resources Available** [End of Reporting Fiscal Year]
   [Page 1, Line 3, Total Resources minus Total Expenditures, Loans, and Other Uses on Line 4.l] $ ________

6. **Encumbrances and Unencumbered Balance**
   - a. **Encumbrances.** Amount of Line 5 reserved for future payment of legal contract(s) or agreement(s). See Section 33334.12(g)(2) for definition. *Refer to item 10 on Sch-A(s) and item 4 on Sch-B.* $ ________
   - b. **Unencumbered Balance** (Line 5 minus Line 6a). Also enter on Page 4, Line 11a. $ ________

7. **Designated/Undesignated Amount of Available Funds**
   - a. **Designated** From Line 6b- Budgeted/planned to use near-term *Refer to item 10 on Sch-A(s) and item 4 on Sch-B* $ ________
   - b. **Undesignated** From Line 6b- Portion not yet budgeted/planned to use $ ________

8. **Other Housing Fund Assets** (non recurrent receivables) not included as part of Line 5
   - a. Indebtedness from Deferrals of Tax Increment (Sec. 33334.6) [refer to Sch-A(s), Line 5c (2)]. $ ________
   - b. Value of Land Purchased with Housing Funds and Held for Development of Affordable Housing. *Complete Sch-C item 14.* $ ________
   - c. Loans Receivable for Housing Activities $ ________
   - d. Residual Receipt Loans (periodic/fluctuating payments) $ ________
   - e. ERAF Loans Receivable (all years) (Sec. 33681) $ ________
   - f. Other Assets [Explain and identify amount(s)]:
     - ________ $ ________
     - ________ $ ________
     - ________ $ ________
   - g. **Total Other Housing Fund Assets** (Sum of lines 8a.-f.) $ ________

9. **TOTAL FUND EQUITY** $ ________
   [Line 5 (Net Resources Available) +8g (Total Other Housing Fund Assets]

Compare Line 9 to the below amount reported to the SCO (Balance Sheet of Redevelopment Agencies Financial Transactions Report. [Explain differences and identify amount(s)]:
________ $ ________
________ $ ________ $ ________
ENTER LOW-MOD FUND TOTAL EQUITIES (BALANCE SHEET) REPORTED TO SCO $ ________

California Redevelopment Agencies – Fiscal Year 2008-2009
Sch C (9/21/09)

HCD-C
Page 3 of 10

Attachment D

Example Reconciling Two Reporting Systems,
Prepared by Donald L. Parker, CPA

Combined Low and Moderate Housing Fund Example

Detail - Should be in Audit

	Low and Moderate Housing Fund
Fund Balances:	
Reserved:	
Encumbrances	3,146
Land held for resale	48,622,887
Long-term receivables	10,319,319
Unreserved:	
Designated:	
Continuing projects	18,945,290
Total Fund Balance	77,890,642

HCD Schedule C - Manual Forms

5. **Net Resources Available** [End of Reporting Fiscal Year] [Page 1, Line 3, Total Resources minus Total Expenditures, Loans, and Other Uses on Line 4.1.]			$ 18,951,582
6. **Encumbrances and Unencumbered Balance**			
a. **Encumbrances.** Amount of Line 5 reserved for future payment of legal contract(s) or agreement(s). See Section 33334.12(g)(2) for definition. *Refer to item 10 on Sch-A(s) and item 4 on Sch-B.*		$ 3,146	
b. **Unencumbered Balance** (Line 5 minus Line 6a). Also enter on Page 4, Line 11a.		**$ 18,948,436**	
7. **Designated/Undesignated Amount of Available Funds**			
a. **Designated** From Line 6b - Budgeted/planned to use near-term *Refer to item 10 on Sch-A(s) and item 4 on Sch-B*	$ 18,948,436		
b. **Undesignated** From Line 6b - Portion not yet budgeted/planned to use	**$ None**		
8. **Other Housing Fund Assets** (non recurrent receivables) not included as part of Line 5			
a. Indebtedness from Deferrals of Tax Increment (Sec. 33334.6) [refer to Sch-A(s), Line 5c (2)].	$		
b. Value of Land Purchased with Housing Funds and Held for Development of Affordable Housing. *Complete Sch-C item 14.*	$ 48,622,887		
c. Loans Receivable for Housing Activities	$ 1,794,920		
d. Residual Receipt Loans (periodic/fluctuating payments)	$		
e. ERAF Loans Receivable (all years) (Sec. 33681)	$ 8,524,399		
f. Other Assets [Explain and identify amount(s)]:			
	$		
	$		
g. **Total Other Housing Fund Assets** (Sum of lines 8a.-f.)			$ 58,942,206
9. **TOTAL FUND EQUITY**			$ 77,890,642
Compare Line 9 to the below amount reported to the SCO (Balance Sheet of Redevelopment Agencies Financial Transactions Report. [Explain differences and identify amount(s)]:			
	$		
	$		$
ENTER LOW-MOD FUND TOTAL EQUITIES (BALANCE SHEET) REPORTED TO SCO			$ 77,890,642

On the manual reporting, there is the reconciliation below; but from what I understand, that is not present in the automated system.

California Redevelopment Agencies – Fiscal Year 2008-2009
Sch C (9/21/09)

HCD-C
Page 3 of 10

Comment - For HCD purposes, the available amount is net resources and the reserves (other than encumbrances) show as "Other Housing Fund Assets". When those are added to the "Unencumbered Balance" they should equal total equity. Looking strictly at the Net Resources Available is looking at only a portion of fund equity so it would be lower.

State Controller's Report

Redevelopment Agencies Financial Transactions Report

Balance Sheet - Liabilities and Other Credits

Fiscal Year 2009	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long-Term Debt	General Fixed Assets	Total
Equities							
Investment In General Fixed Assets							$0
Fund Balance Reserved	17,370,381		58,945,352				$76,315,733
Fund Balance Unreserved-Designated	40,551,143	33,052,289	18,945,290				$92,548,722
Fund Balance Unreserved-Undesignated	-27,281,944	-626,774					($27,908,718)
Total Equities	$30,639,580	$32,425,515	$77,890,642	$0		$0	$140,955,737
Total Liabilities, Other Credits, and Equities	$69,370,396	$37,552,230	$77,981,056	$0	$337,850,388	$0	$522,754,070

Comment - On Controller's Report the "Unreserved-Designated" line has encumbrances removed as they are part of the Reserves. In total Equity should agree under both approaches. The 'Unreserved-Designated" should agree but on the HCD approach they have removed encumbrances which is not specifically broken down above.

Senate Office of Oversight and Outcomes

1020 N Street, Suite 560

Sacramento, CA 95814

Telephone: (916) 651-1518

Facsimile: (916) 324-5927

http://www.sen.ca.gov/oversight

Special Counsel John Adkisson • john.adkisson@sen.ca.gov

Office Manager Cathy Cruz • cathy.cruz@sen.ca.gov

Principal Consultant John Hill • john.hill@sen.ca.gov

Principal Consultant Dorothy Korber• dorothy.korber@sen.ca.gov

Principal Consultant Nancy Vogel • nancy.vogel@sen.ca.gov

1465-S
Additional copies of this publication may be purchased for $4.00 per copy (includes shipping and handling), **plus current California sales tax**.

Senate Publications & Flags
1020 N Street, B-53
Sacramento, CA 95814
(916) 651-1538

Make checks or money orders payable to **Senate Rules Committee**.
Credit cards not accepted.
Please include Stock Number **1465-S** when ordering.