



EDMUND G. BROWN JR. ■ GOVERNOR

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November 22, 2013

Mr. Jim DellaLonga, Senior Project Manager
 City of Garden Grove
 11222 Acacia Parkway
 Garden Grove, CA 92840

Dear Mr. DellaLonga:

Subject: Long-Range Property Management Plan

Pursuant to Health and Safety Code (HSC) section 34191.5 (b), the City of Garden Grove Successor Agency (Agency) submitted a Long-Range Property Management Plan (LRPMP) to the California Department of Finance (Finance) on May 29, 2013. Finance has completed its review of the LRPMP, which may have included obtaining clarification for various items.

HSC section 34191.5 defines the requirements of the LRPMP. Based on our review and application of the law, the Agency's LRPMP is not approved as follows:

- Property Nos. 1 and 2, Waterpark Hotel Disposition and Development Agreement (Waterpark DDA) – Finance notes the Agency failed to disclose the conveyance of an easement for these properties, located at 12721 and 12625 Harbor Boulevard, to Southern California Edison. While these properties are subject to the Waterpark DDA and that omission is clerical in nature, the Agency should update the property information when submitting the revised LRPMP.
- Property Nos. 8 through 20, Brookhurst Triangle DDA – According to the DDA, section 201; the proposed sale dates to the Developer are January 2014 and January 2016, for \$6,000,000 and \$24,400,000, respectively. However, the use of sale proceeds is not specified in the LRPMP. The Agency should specify if the proceeds from the sale of each property will be remitted to the County Auditor-Controller for distribution to affected taxing entities (ATEs), or used to fulfill enforceable obligations when submitting the revised LRPMP.
- Property No. 30, 12251 Thackery Drive, Brookhurst Triangle DDA – Finance notes this property was not identified as project property pursuant to the Brookhurst Triangle DDA. Additionally, the use of sale proceeds is not specified in the LRPMP. Therefore, the disposition of this property to fulfill an enforceable obligation is disallowed.
- Property Nos. 31 and 32, Education Center – The Agency contends these properties are subject to an enforceable obligation. However, the Education Center DDA, dated August 11, 1998, between the Agency and Development Partners, LLC (Developer) has been fulfilled; there is no outstanding obligation of the Agency pursuant to this DDA. It is our understanding the properties are subject to a long-term lease with the Developer;

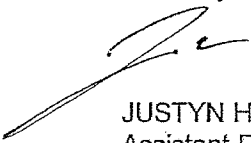
however, there is no obligation to transfer these properties to the Developer pursuant to an enforceable obligation. Therefore, the disposition of these properties to fulfill an enforceable obligation is disallowed. The Agency should specify other permissible disposition of these properties when resubmitting the revised LRPMP.

- Property No. 33, Jordan Manor Adjacent Lot – The Agency contends this property is subject to an enforceable obligation. The agreement dated January 16, 1984, between the Agency and Jordan Sr. Manor, Inc. has been fulfilled; therefore there is no obligation of the Agency pursuant to this agreement. Therefore, the disposition of these properties to fulfill an enforceable obligation is disallowed. The Agency should specify other permissible disposition of this property when resubmitting the revised LRPMP.
- Property No. 41, 12361 Chapman Avenue, Restaurant – The Agency contends this property meets the goals and objectives of the redevelopment project area plan as it addresses a physical blight in the heart of the resort district. Finance notes the property is identified in the Harbor Boulevard Corridor Project Plan and was purchased to meet the goals and objectives outlined in the Agency's Five Year Implementation Plan (Plan). However, there is no compensation agreement in place with the ATE's, nor is there a stated intent to enter into one prior to the disposition of the property. Therefore, the transfer of this property to the City for future development is disallowed. Pursuant to HSC section 34180 (f), a compensation agreement has to be reached with the ATEs prior to transfer of the property to the City.
- Property Nos. 42 through 46, Site C DDA – Finance agrees the Plan identifies these properties as a potential hotel site, and the existing DDA agrees with the projected use of the property per the Plan. The Agency desires to transfer these properties to the City for future development. However, there is no compensation agreement in place, nor is there a stated intent to enter into an agreement prior to the disposition of these properties. Therefore, the transfer of these properties to the City for future development is disallowed. Pursuant to HSC section 34180 (f), a compensation agreement has to be reached with the ATEs prior to transfer of the properties to the City.

As authorized by HSC section 34191.5 (b), Finance is not approving the LRPMP. The Dissolution Act does not allow a meet and confer for Finance's review of the LRPMP. Therefore, the Agency should revise the LRPMP to address the issues noted above and resubmit an OB approved revised LRPMP to Finance for approval.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Matthew J. Fertal, City Manager, City of Garden Grove
Mr. Frank Davies, Property Tax Manager, Orange County
Mr. Steven Mar, Bureau Chief, Local Government Audit Bureau, California State
Controller's Office
California State Controller's Office