

PO BOX 4086, SANTA ANA, CA, 92702. FPPC ID # 1311410

Mr. John Chiang California Controller 300 Capitol Mall, Suite 1850 Sacramento California 95814

January 31, 2011

Dear Mr. Chiang:

We write to you as a coalition of concerned residents and business owners in the city of Santa Ana, where for years there have been serious concerns about the waste of millions of dollars in redevelopment funds. You can see that in the numerous news articles enclosed with this letter. Perhaps the concern is greater here because our city has the lowest median income, the highest high school dropout rates, and the highest mortgage default rate in Orange County. The Rockefeller Institute names Santa Ana as the city with the most hardship in the United States.

We applaud your effort to audit 18 redevelopment agencies to see how officials are spending our tax dollars and whether they are used to create or improve blight. We respectfully request that you consider adding the Santa Ana Redevelopment Agency to your list of cities to be audited.

For the past several years, ninety-four acres of our city's center have been a swath of boarded-up buildings and vacant lots. Our redevelopment agency has spent more than \$23 million to illegally tear down dozens of historic homes, displace low-income people and worsen blight, all without an adopted redevelopment plan and project area for this particular neighborhood. Worse, it appears that a sizeable portion of these funds were spent without a vote of the city council after a full hearing.

As you know, 20 percent of a redevelopment agency's tax increment revenues is required to be set aside into a special account and spent exclusively for low and moderate income housing. Although this property was admittedly acquired with this special set-aside fund, entitlements were issued for development of a portion of the acquired property with over 25 market-rate housing units and without any provision or mention that the city will reimburse the set-aside fund proportionately because in the end a portion of these funds were used for other than low and moderate income housing.

Further research will confirm that our city's redevelopment funds have become a tool not to help residents, but to bolster ties with private developers and consequently, pump up political coffers.

Two of the city's *nearby* redevelopment project areas were carefully crafted to exclude properties owned by the families of two elected officials. This exclusion afforded these officials the opportunity to vote for projects that directly benefit their personal incomes.

Last year, the Orange County Grand Jury found the city council "mismanaged behind closed doors and shielded from public review and input," when awarding a \$4.85 million trolley contract to a company that city staff determined to be the least qualified. The company is a major donor to the current mayor's campaigns. Efforts to determine if any of the money came from redevelopment funds including from the set-aside fund have failed. In the end, the contract to develop street car service, will lead to the expenditure of \$300 million in public (and possibly redevelopment) funds.

Questions about the expenditure of our redevelopment funds regularly go unanswered. Recently, city residents filed a lawsuit and created a ballot measure to fight the construction of a 37-story office tower by a private developer. They cited increases in traffic and the possibility of creating more blight since so many offices throughout the city are already vacant. The council moved ahead with the deal anyway. Recently, the council lifted a restriction so the developer can now ask for funds from the redevelopment agency. The agency has not released information to show how much money in public and/or redevelopment funds was spent fighting residents in court.

While all of these matters have occurred in the past four years, problems with redevelopment funds date back decades. In 2002, the California Department of Housing and Community Development (HCD) conducted an audit of the Santa Ana Redevelopment Agency's compliance in the 1990s. HCD found a lack of compliance with statutory housing and housing fund requirements.

Residents who attempt to ask questions and request public documents are met with resistance by the city. We believe that abuses of redevelopment funds at city hall continue. That is why it is so important that your office intervene. Please contact our consultant, Jennifer Delson at 714-466-7773 if we can be of any assistance. You can learn more about us at www.santaanacoalition.org. Thank you for your work to create a better California for all of us.

Sincerely,

Members of the Santa Ana Coalition for Better Government

Taxpayers-Residents and Property Owners: Arturo Lomeli, John Acosta, Jeffrey L. Dickman, Luis Ortiz-Franco, Valerie Amezcua, Raquel Lomeli, Francisco J. Barragan, Debbie McEwen, Alfredo Amezcua, Gabriela Gonzalez, Albert Castillo. *Consultant: Jennifer Delson*