

City of La Palma

Agenda Item No. B



MEETING DATE: June 2, 2020

TO: SUCCESSOR AGENCY

FROM: EXECUTIVE DIRECTOR

SUBMITTED BY: Scott Hutter, Planning Manager

AGENDA TITLE: FY 2018-19 Successor Agency Annual Progress Report

RECOMMENDATION:

It is recommended that the Successor Agency take the following actions:

- a) Receive and file the FY 2018-19 Housing Successor Annual Report; and
- b) Direct the Community Development Department to post the FY 2018-19 Housing Successor Annual Report on the City's website.

SUMMARY:

The Housing Successor Annual Report regarding Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f). The report sets forth details of the City of La Palma Housing Successor activities.

BACKGROUND:

This Housing Successor Agency Annual Report (*Attachment 1*) regarding the Low and Moderate Income Housing Asset Fund ("LMIHAF") has been prepared pursuant to California Health and Safety Code Section 34176.1(f). This Report sets forth certain details of the La Palma Housing Successor Agency ("Housing Successor") activities during Fiscal Year FY 2018-2019. The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular Sections 34176 and 34176.1 ("Dissolution Law").

Pursuant to California Health and Safety Code Section 34176.1(f) this report is due six (6) months after year end. The housing successor shall conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction. If the housing successor is a city or county, it shall also include in its report pursuant to Section 65400 of the Government Code and post on its Internet Web site all of the following information for the previous fiscal year.

CONCLUSION:

The Annual Progress Report has been prepared consistent with State Financial Reporting Guidelines. The Successor Agency Annual Report will be posted on the City's Website.

FISCAL IMPACT:

There is no fiscal impact associated with the receiving and filing of the report.

APPROVED:



Planning Manager



City Manager

Attachments: 1. FY 2018-19 Housing Successor Annual Report

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2018-19
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
LA PALMA HOUSING SUCCESSOR AGENCY**

This Housing Successor Agency Annual Report (“Report”) regarding the Low and Moderate Income Housing Asset Fund (“LMIHAF”) has been prepared pursuant to California Health and Safety Code Section 34176.1(f). This Report sets forth certain details of the La Palma Housing Successor Agency (“Housing Successor”) activities during Fiscal Year 2018-2019. The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular Sections 34176 and 34176.1 (“Dissolution Law”).

The following Report has been prepared by Housing Successor Agency staff and is based upon information contained within the Comprehensive Annual Financial Report (“CAFR”) for the Fiscal Year Ended June 30, 2019, as prepared by White Nelson Diehl Evans LLP (“Audit”) and the Former La Palma Community Development Commission (“CDC”) adopted 5-Year Implementation Plan for the period FY 2009-10 through FY 2013-14. The Audit includes review of the Low and Moderate Income Housing Asset Fund for Fiscal Year 2018-2019, which said Audit is separate from this annual summary Report. Further, this Report conforms with and is organized into Sections I through XII inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited. ROPS for this reporting term are ROPS 18-19A/B.
- II. Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.
- III. Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.
- IV. Statutory Value of Assets Owned by Housing Successor:** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

- V. **Description of Transfers:** This section describes transfers, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees, or special needs housing.
- VI. **Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.
- VII. **Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provides a status update on the project.
- VIII. **Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.
- IX. **Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the time period beginning January 1, 2014, and whether the statutory thresholds have been met.
- X. **Senior Housing Test:** This section provides the percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment Agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former Redevelopment Agency and its host jurisdiction within the same time period. For this Report the ten-year period reviewed is January 1, 2004, to January 1, 2014.
- XI. **Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.
- XII. **Inventory of homeownership units assisted:** Pursuant to Assembly Bill (AB) 1793 which amended the annual reporting requirements in Health and Safety Code Section 34176.1(f) to add new provisions 12(A)-(D) regarding homeownership units assisted by the former redevelopment Agency.

In addition, this Report and the former redevelopment agency's pre-dissolution Implementation Plans are to be made available to the public on the City's website www.cityoflapalma.org

I. AMOUNT DEPOSITED INTO LMIHAF

A total of \$ 329,844 was deposited into the LMIHAF during Fiscal Year 2018-19.

II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$872,197 (this is the cash available to spend; it is not fund balance).

III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

EXPENDITURES FROM LMIHAF	As of End of Fiscal Year 2018-19
Monitoring & Administration Expenditures	
➤ Administration	\$61,604
➤ Contracted Services	\$0
➤ Postage	\$0
➤ Ground Lease	\$110,000
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0.00
Housing Development Expenditures	
➤ Expenditures on Low Income Units	\$0.00
➤ Expenditures on Very-Low Income Units	\$0.00
➤ Expenditures on Extremely-Low Inc. Units	\$0.00
➤ Total Housing Development Expenditures	\$0.00
Total LMIHAF Expenditures during Fiscal Year	\$171,604

IV. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following table provides the statutory value of assets owned by the Housing Successor.

VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR	As of End of Fiscal Year 2018-19
Statutory Value of Real Property Owned by Housing Authority	\$0.00
Value of Loans and Grants Receivable	
➤ Seasons Senior Housing Loan	\$3,302,228.00
➤ Denni Street Loans	\$15,177.00
Total Value of Housing Successor Assets	\$3,317,405.00

V. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VI. PROJECT DESCRIPTIONS

The La Palma Housing Successor Agency does not receive or hold property tax revenue pursuant to the ROPS.

VII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the project related to such real property.

With respect to interests in real property acquired by the former redevelopment agency *prior* to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset.

In furtherance thereof, the La Palma Housing Successor Agency does not have any real property.

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the FY 2009-10 – 2013-14 Five-Year Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor.

Inclusionary/Production Housing: According to the Adopted FY 2009-10 – 2013-14 Five-Year Implementation Plan for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor.

The former redevelopment agency's Five-Year Implementation Plans are posted on the City's website at www.cityoflapalma.org.

IX. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. If the Housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement.

The following provides the Housing Successor's Extremely-Low Income Test for the five (5) year period of July 1, 2014 through June 30, 2019:

Extremely Low Income Test (2014-19)		
Last Five Years		
	Extremely Very Low Income Units (30% or less of AMI)	Total
FY 2014-15	\$0	\$255,063
FY 2015-16	\$0	\$226,552
FY 2016-17	\$0	\$231,373
FY 2017-18	\$0	\$139,553
FY 2018-19	\$0	\$171,604
Total	\$0	\$1,024,145
% Spent by income level	0%	
Compliance Met?	No	

Total LMIHAF (Five Year Total) – this is the total expenditures over the last five years- it is \$1,024,145.00. The Extremely-Low Income Test % of Extremely-Low to total Expenditures the City needs over \$300K of Extremely-Low to pass the test. The City did not pass the test. In not passing the test the Housing Successor must spend 50% on Extremely Low until the City gets to the 30% level.

X. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency

and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. The following provides the Housing Successor's Senior Housing Test for the 10 year period of 2004 to 2014.

SENIOR HOUSING TEST	FISCAL YEARS 2003/04 to 2013/14
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	0
Senior Housing Percentage	0.00%

If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of income restricted rental units, which are not age restricted, that are equal to 50% of the total amount of deed-restricted rental units.

XI. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater.

Pursuant to the Dissolution Law each Successor Agency was to conduct a Due Diligence Review ("DDR") of the remaining cash assets of the former Redevelopment Agency. The DDR for the LMIHAF was required to be submitted to the DOF by October 1, 2012. Upon review of La Palma's DDR for LMIHAF determined the amount of cash balances available to be distributed to affected taxing entities to be \$3,065,719. The Successor Agency issued payment of \$3,065,719 to the County Auditor Controller on December 21, 2012, to be redistributed to other affected taxing entities. As of the aforementioned date, the Successor Agency had no fund balance in its LMIHAF.

The table below calculates Excess Surplus Test for the LMIHAF:

EXCESS SURPLUS TEST	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Beginning Balance	\$266,506	\$558,177	\$647,153	\$629,551	\$713,957
Add: Deposits	\$546,734	\$315,528	\$213,771	\$223,959	\$329,844
(Less) Expenditures	\$255,063	\$226,552	\$231,373	\$139,553	\$171,604
(Less) Extraordinary Expenditures	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$558,177	\$647,153	\$629,551	\$713,957	\$872,197

The LMIHAF does not have an Excess Surplus.

XII. INVENTORY OF HOMEOWNERSHIP UNITS ASSISTED

An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

(A) The number of those units.

Ownership Units Covenanted to be Affordable as of June 30, 2018	No. of Units
Total Number of ownership units covenanted to be affordable	11

LIST OF OWNERSHIP UNITS COVENANTED TO BE AFFORDABLE

No.	Address	Income Level	# of Bedrooms	Covenant Recorded
Denni/Montecito				
1.	4531 Kathy Drive	Mod	4	12/22/1995
2.	4516 Montecito Drive	Mod	3	04/24/1996
3.	4521 Montecito Drive	Mod	3	04/9/1996
4.	4552 Montecito Drive	Mod	3	07/30/1996
5.	4566 Montecito Drive	Mod	3	07/03/1996
Tapestry Walk				
6.	4569 La Palma Avenue	Mod	3	11/26/2012
7.	4579 La Palma Avenue	Low	3	12/17/2012
8.	4581 La Palma Avenue	Mod	3	10/01/2012
9.	4585 La Palma Avenue	Low	3	11/28/2012
10.	4587 La Palma Avenue	Mod	3	12/24/2012
11.	4591 La Palma Avenue	Low	3	10/01/2012

(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

Ownership Units Lost to Portfolio	No. of Units
Number of units lost after Feb 1, 2012, through June 30, 2014	9
Number of units lost July 1, 2014, through June 30, 2015	2
Number of units lost July 1, 2015, through June 30, 2016	3
Number of units lost July 1, 2016, through June 30, 2017	0
Number of units lost July 1, 2017, through June 30, 2018	1
Number of units lost July 1, 2018, through June 30, 2019	0
Total	15

The Denni/Montecito Project Units had a 10-year affordability covenant that could be retired with payment of a silent second mortgage held by the former Redevelopment Agency. All 15 units lost in the portfolio are attributable to having covenants expire as a result of loans being repaid. The Tapestry Walk units have their affordability covenants in perpetuity and will never sunset.

(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

$$\$5,807.77 \text{ (Denni/Montecito)} + \$80,204.62 \text{ (Seasons)} = \$86,012.39$$

(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

The Housing Successor has not contracted with any outside entity for management of these units. City staff is responsible for management and oversight of these units.