

**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 FOUNTAIN VALLEY HOUSING AUTHORITY**

This Housing Successor 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) and is dated as of December 17, 2019. This Report sets forth certain details of the Fountain Valley Housing Authority (Housing Successor) activities during Fiscal Year 2018-2019 (Fiscal Year). 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 is based upon information prepared by Housing Successor staff and information contained within the financial records of the Low and Moderate Income Housing Asset Fund 85 for Fiscal Year 2018-19. This Report conforms with and is organized into sections I. through XIII, inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. **Amount Received Pursuant to Section 34191.4(b)(3)(A):** This section provides a total amount of funds received pursuant to Section 34191.4(b)(3)(A).
- II. **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.
- III. **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.
- IV. **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.
- V. **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.
- VI. **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.

- VII. 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.
- VIII. 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, provide a status update on the project.
- IX. 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.
- X. 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. However, reporting of the Income Test is not required until 2019.
- XI. 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 July 1, 2009- June 30, 2019.
- XII. 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.
- XIII. Inventory of Home Ownership Units:** This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency's investment of moneys from the Low and Moderate Income Fund per Section 33334.3 (f).

This Report is to be provided to the Housing Successor's governing body by December 31, 2019.

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.fountainvalley.org.

I. AMOUNT RECEIVED PURSUANT TO SECTION 34191.4(b)(3)(A):

No funds were received pursuant to Section 34191.4(b)(3)(A).

II. AMOUNT DEPOSITED INTO LMIHAF

A total of **\$723,742** was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, **\$0** were held for items listed on the ROPS. The deposits are allocated as follows:

SOURCE	AMOUNT
1 st Time Homebuyer Monthly Loan Repayment (Principal)	\$3,330
1 st Time Homebuyer Monthly Loan Repayment (Interest)	\$7,187
Housing Rehab Monthly Loan Repayment (Principal)	\$3,937
Housing Rehab Monthly Loan Repayment (Interest)	\$2,475
Jasmine Project Loan Repayment (Principal)	\$241,582
Jasmine Project Loan Repayment (Interest)	\$97,444
Misc. Received Interest	\$175,140
Interest Income on Investments	\$192,602
Misc. Fees	\$45
SERAF Payment (ROPS Requested Reimbursement)	\$0
Total LMIHAF Deposits	\$723,742

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending available cash balance in the LMIHAF was **\$11,294,942**. None of the funds were held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of LMIHAF by category:

SUBJECT	AMOUNT
Monitoring & Administration	\$ 119,753
Homeless Prevention & Rapid Rehousing Services Expenditures	\$ 0
Housing Development Expenditures for pre-development expenses.	\$ 156,849
Acquisition Loan to The Related Companies California	\$ 1,185,000
Total Expenditures	\$ 1,461,602

The Housing Successor is allowed to spend the greater of \$200,000 or 5% of the value of the Housing Assets Portfolio on Monitoring and Administration. 5% of the portfolio value (shown in Section V) calculates to \$352,965 for the maximum allowable amount to use for Monitoring and Administration Expenditures. The Housing Successor, therefore, only used

34% of the maximum allowable on Monitoring and Administrative expenses.

Housing Development expenditures were for legal and professional services related to the negotiation and approval of an Acquisition Loan Agreement and Affordable Housing Agreement between the Housing Authority and The Related Companies California (TRCC) for a 50-unit affordable housing project. The Housing Successor loaned \$1,185,000 to TRCC as the first and second installment of the Acquisition Loan. The remaining approximately \$7,000,000 of the Acquisition and Development loans are anticipated to be distributed in FY 2019-20 and/or FY 2020-21.

V. 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 Housing Successor does not own any real property. The following provides the statutory value of loans owned by the Housing Successor.

Asset Category - Loans	Statutory Value
1 st Time Home Buyer Loans (9 Loans)	\$ 883,590
Home Improvement Loans (23 Loans)	\$ 359,597
Development Loans (Jasmine)	\$4,631,115
Acquisition Loan (Harbor- Related)	\$1,185,000
Total Statutory Value of Loans Held by Housing Successor	\$7,059,302

VI. 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.

VII. PROJECT DESCRIPTIONS

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

VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

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.

The following provides a status update on the project(s) for property or properties that were acquired prior to February 1, 2012 and compliance with the five-year period:

- The Housing Successor does not own any properties acquired prior to February 1, 2012.

The following provides a status update on the project(s) for property or properties that have been acquired by the Housing Successor using LMIHAF on or after February 1, 2012:

- The Housing Successor does not own any properties acquired on or after February 1, 2012.

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing:

According to the FY2010/11 - FY2014/15 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 FY2010/11 - FY2014/15 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 Implementation Plans are posted on the City's website at www.fountainvalley.org

X. 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. However, reporting of the Income Test is not required until 2019.

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF, after expenditures allowed pursuant to Code section 34176.1(a)(1) and (2,) to be expended for development of 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 beginning with the five year report to be issued in 2019, then the housing successor shall ensure that at least 50% of these

remaining LMIHAF funds expended in each fiscal year following the latest fiscal year following the five year report are expended for the development of rental housing affordable to and occupied by households earning 30% or less of the area AMI until the housing successor demonstrates compliance with the extremely low income requirement in an annual report. This information is not required to be reported until 2019 for the 2014 – 2019 reporting period.

	LMIHAF Spent on Extremely-Low Income Households	Total LMIHAF Expenditures	Cumulative Extremely-Low Income Test
January 1, 2014 – June 30, 2014	\$0	\$0	0%
FY 2014/2015	\$0	\$0	0%
FY 2015/2016	\$0	\$0	0%
FY 2016/2017	\$0	\$0	0%
FY 2017/2018	\$0	\$0	0%
FY 2018/2019	\$362,299	\$1,341,849	27%
Totals	\$362,299	\$1,341,849	27%

	LMIHAF Spent on 60% AMI+ Income Households	Total LMIHAF Expenditures	Cumulative Low Income Test
January 1, 2014 – June 30, 2014	\$0	\$0	0%
FY 2014/2015	\$0	\$0	0%
FY 2015/2016	\$0	\$0	0%
FY 2016/2017	\$0	\$0	0%
FY 2017/2018	\$0	\$0	0%
FY 2018/2019	\$93,929	\$1,341,849	7%
Totals	\$93,929	\$1,341,849	7%

The remainder of the LMIHAF funds expended, other than Monitoring and Administration costs, were expended towards 59.5% HCD AMI/50% Tax Credit AMI households, in the development of the affordable housing project and subsequent Acquisition Loan with TRRC.

XI. 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. 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 restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Successor’s Senior Housing Test for the 10-year period of 7/1/2009-6/30/2019.

Senior Housing Test	10 Year Test – July 1, 2009-June 30, 2019
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	0
Senior Housing Percentage	0%

XII. 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.

The following provides the Excess Surplus test for the preceding four Fiscal Years:

Excess Surplus Calculation	
Greater of :	
➤ Base Amount or	\$1,000,000
➤ Four Years of Deposits	
FY15-16	\$1,636,096
FY16-17	\$8,231,989
FY 17-18	\$ 453,033
FY 18-19	<u>\$ 723,742</u>
Total of Deposits	\$11,044,860
Greater amount is:	\$11,044,860

A total of \$11,044,860 has been deposited into the account in the four previous fiscal years with the 2018-19 Fiscal Year-end cash balance in the account being \$11,294,942. The LMIHAF, therefore, has an excess surplus of \$250,082. The Housing Successor plans to eliminate the \$250,082 of excess surplus by distributing the remaining approximate \$5,150,000 of the approved Acquisition Loan to TRCC in FY 2019-20, for the acquisition of the project site.

XII. INVENTORY OF HOME OWNERSHIP UNITS

This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of moneys from the Low and Moderate Income Fund per Section 33334.3 (f).

- (A) As of June 30, 2019, the total number of homeownership units currently assisted by the former Agency that are subject to covenant or restrictions is **63 units**.
- (B) Since February 1, 2012, the total number of homeownership units lost to the FVHA/Housing Successor's portfolio is **15 units**. 14 of the homes were sold and the loans were paid off, and one homeowner paid off the loan and continued to live in the house. **0 units** were lost from the portfolio for FY 2018-19.
- (C) From February 1, 2012 to June 30, 2019, **\$429,119** in funds were returned to the FVHA/Housing Successor as part of an adopted program that protects the former Agency's investment of moneys from the Low and Moderate Income Housing Fund. \$10,517 were returned to the LMIHAF in FY 2018-19 from households making monthly payments on their First Time Homebuyer loans.
- (D) The FVHA/Housing Successor has existing consulting agreements with AmeriNat Loan Services relating to certain, but not all, aspects of administration of the former Agency's Single Family Rehabilitation and First Time Homebuyer Program that provided second lien mortgages for homeownership units. These consulting services include oversight and assistance with amortized loan payments, tracking and calculation of loan balances in the event of payoff, and other administrative activities related to outstanding Single Family Rehabilitation and First Time Homebuyer Program loans. In addition, FVHA utilizes Celeste Brady of Stradling, Yocca, Carlson and Rauth as Special Legal Counsel to assist staff with legal issues and Kathe Head of Keyser Marston Associates for the provision of financial analysis for existing projects as well potential future projects.

Actions Needed

This report must be presented to the Housing Successor Agency governing body within six months of the end of the previous fiscal year.

This report and the former redevelopment agency's Implementation Plans are posted on the City's website at www.fountainvalley.org.