

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2020/21 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 November 16, 2021. This Report sets forth certain details of the Fountain Valley Housing Authority (Housing Successor) activities during the Fiscal Year 2020/21 (Fiscal Year) ending June 30, 2021. 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 2020/21. 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 first time period beginning January 1, 2014 and whether the statutory thresholds have been met.
- 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, 2011 - June 30, 2021.
- 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, 2021.

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 **\$733,226** was deposited into the LMIHAF during the Fiscal Year as shown in Table 1 below. 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)	\$134,483
1 st Time Homebuyer Monthly Loan Repayment (Interest)	\$20,821
1 st Time Homebuyer Monthly Loan (Equity Share On Payoff)	\$45,000
Housing Rehab Monthly Loan Repayment (Principal)	\$1,071
Housing Rehab Monthly Loan Repayment (Interest)	\$466
Jasmine Project Loan Repayment (Principal)	\$356,470
Jasmine Project Loan Repayment (Interest)	\$86,766
Misc. Received Interest	\$60,149
The Related Companies California Building Rent/Billboard	\$28,000
Misc. Fees	\$0
Recognized Obligation Payment Schedule (ROPS)	\$0
Total LMIHAF Deposits	\$733,226

Table 1

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending available cash balance in the LMIHAF was **\$5,496,026**. None of the funds were held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

Table 2 below shows a description of expenditures from the LMIHAF by category:

SUBJECT	AMOUNT
Monitoring & Administration	\$ 100,230
Homeless Prevention & Rapid Rehousing Services Expenditures	\$ 0
Housing Development Expenditures for pre-development expenses.	\$ 109,974
Development Loan to The Related Companies California (TRCC)	\$ 2,000,944
Total Expenditures	\$ 2,211,148

Table 2

The Housing Successor is permitted to spend the greater of \$223,400, or five percent of the value of the Housing Assets Portfolio (as defined and calculated in Section V), on Monitoring and Administration. Five percent of the value of the Housing Assets Portfolio is \$652,720; therefore, the maximum amount allowed to spend on Monitoring and Administrative expenses for the year is \$652,720. With a total of \$100,230 expended for monitoring and preserving affordability covenants and administrative costs during the Fiscal Year, the

Successor Agency has complied with the maximum administrative costs expenditure requirement.

Pre-development expenses for Housing Development consist of staff costs and legal and professional services related to the 50-unit affordable housing project the Housing Successor is developing with The Related Companies CA (TRCC) under the Affordable Housing Agreement (AHA) approved in FY 2018/19.

The Development Loan to TRCC for the affordable housing project was dispersed this Fiscal Year. It was the final installment of all negotiated loans to TRCC for the project.

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. Table 3 below shows the statutory value of loans owned by the Housing Successor.

Asset Category - Loans	Statutory Value
1 st Time Home Buyer Loans (5 Loans)	\$ 504,778
Home Improvement Loans (13 Loans)	\$ 322,139
Development Loan (Jasmine)	\$3,982,341
Acquisition & Development Loans (TRCC)	\$8,200,000
Accrued Interest Receivable * (TRCC Development Loan)	\$45,132
Total Statutory Value of Loans Held by Housing Successor	\$13,054,390

Table 3

*Interest is accruing on loan from agreement date however; payment is not required until June 15, 2023.

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)(A) or a description of expenditures by income restriction in five-year reporting increments and whether the statutory thresholds have been met. The first five-year period was January 1, 2014 to June 30, 2019. The second five-year reporting period is July 1, 2019 to June 30, 2024 and does not need reported until 2024.

Section 34176.1(a)(3)(B) requires that for each reporting period the Housing Successor must ensure that at least 30% of the LMIHAF be expended for development of rental housing affordable to, and occupied by, households earning 30% or less of the AMI (Extremely-Low). No more than 20% of the LMIHAF may be expended for the development of housing affordable to, and occupied by, households earning 60% to 80% of the AMI (Low), during each reporting period.

If the Housing Successor fails to comply with the Extremely Low Income requirement in any

five-year report, then they shall ensure that at least 50% of the remaining LMIHAF funds expended in each fiscal year following the latest fiscal year following the five-year report, be expended for the development of rental housing for Extremely Low Income households until they are in compliance in an annual report.

During the 2014-2019 reporting period, the Housing Successor expended 27% from the LMIHAF on Extremely Low Income households and 7% on Low Income households. Because the expenditures for Extremely Low Income households fell below the 30% threshold, the Housing Successor must ensure that at least 50% of the remaining LMIHAF funds expended in each fiscal year are used for the development of rental housing for Extremely Low Income households, until the housing successor demonstrates compliance in an annual report.

It should be noted that all funds distributed to TRCC under the AHA are considered part of the total project and do not need to meet the 50% second period Extremely Low Income expenditure requirement.

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.

Table 4 below provides the Housing Successor’s Senior Housing Test for the 10-year period of 7/1/2011-6/30/2021. The Housing Successor currently has no restriction on senior housing expenditures.

Senior Housing Test	10 Year Test – July 1, 2011 - June 30, 2021
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	50 (TRCC – Prado)
Senior Housing Percentage	0%

Table 4

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	
FY 17/18	\$ 453,033
FY 18/19	\$ 723,742
FY 19/20	\$ 839,720
FY 20/21	\$ 733,226
Total of Deposits	\$2,749,721
Greater amount is:	\$2,749,721

Table 5

As Table 5 reflects, a total of **\$2,749,721** was deposited into the LMIHAF account in the four previous fiscal years. Section III shows that the year-end cash balance in the LMIHAF account is **\$5,496,026**. Because the cash balance is more than the cumulative four previous year’s deposits, the LMIHAF has an excess surplus of **\$2,746,305**. The excess surplus in the LMIHAF account began on July 1, 2021.

The Housing Successor’s plan to eliminate the excess surplus is to continue to seek and/or create opportunities to develop and fund affordable housing options for the community, and to continue monitoring, preserving and managing the Housing Successor’s existing affordability covenants and loan portfolio. H&S Code section 34176.1(d) requires that excess surplus funds be encumbered within 90 days after the end of the third fiscal year when the funds were determined to be excess, or transfer the funds to the Department of Housing and Community Development for expenditure. It is the Housing Successor’s intention to encumber the funds prior to that date.

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, 2021, the total number of homeownership units currently assisted by the former Agency that are subject to covenant or restrictions is **59 units**.
- (B) During the reporting year, **one unit** was lost from the portfolio. This unit was a participant in the First-Time Home Buyer program who sold their property and paid off their loan.

(C) A total of **\$0** was returned to the Housing Successor as a part of an adopted program that protects the former redevelopment agency's investment of moneys from the LMIHAF fund.

(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. 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 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.