



COUNTY OF SANTA CRUZ

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PLANNING DEPARTMENT

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APPROVED AND FILED

April 28, 2015

BOARD OF SUPERVISORS

DATE: 5/12/15
COUNTY OF SANTA CRUZ

AGENDA DATE: May 12, 2015

Board of Supervisors SUSAN A. MAURIELLO
County of Santa Cruz EX-OFFICIO CLERK OF THE BOARD
701 Ocean Street BY *[Signature]* DEPUTY
Santa Cruz, CA 95060

SUBJECT: Housing Successor Agency Annual Report for the Low and Moderate Income Housing Asset Fund

Members of the Board:

Since redevelopment agencies were eliminated by the State in 2011 your Board has taken many actions to comply with the changing landscape. Your Board is aware that SB 341 placed limitations on the use of revenues generated from redevelopment agency investments, which are to be deposited into a Low and Moderate Income Housing Asset Fund (LMIHAF), and also established an obligation to report annually on activities associated with the LMIHAF. The first report is due this year concurrently with the annual report on the General Plan to the State Department of Housing and Community Development, which appears elsewhere on today's agenda. The purpose of today's report is to provide the Housing Successor Agency Annual Report for the LMIHAF prior to submittal to the State.

The new reporting obligations differ from those previously required for redevelopment agencies. The required information includes reporting from an Independent financial audit of the LMIHAF, which was included in the County's annual audit approved by your Board in January 2015. The County must post the report on its website along with implementation plans of the dissolved redevelopment agency.

The report is based upon information prepared by County staff and information contained within the independent financial audit of the LMIHAF for Fiscal Year 2013-2014 as prepared by Brown Armstrong. As your Board is aware, much of the County's housing activity, such as the construction of the affordable rental projects funded prior to dissolution, was undertaken directly by the County through a Cooperation Agreement with the former RDA. Those projects are not included in this report, which focuses on funds deposited in the LMIHAF as revenues realized since February 1, 2012 by the Housing Successor from prior RDA loans and investments. The report conforms to Dissolution Law and contains the following elements:

1. Amount Deposited into LMIHAF
2. Ending Balance of LMIHAF
3. Description of Expenditures from LMIHAF
4. Statutory Value of Assets Owned by Housing Successor
5. Description of Transfers
6. Project Descriptions
7. Status of Compliance with Section 33334.16, regarding the disposition of real property interests
8. Description of replacement housing obligations of the former redevelopment agency

9. Income Test: A description of expenditures by income restriction for a five year period. The period begins on January 1, 2014 however, reporting on the Income Test is not required until 2019.
10. Senior Housing Test: The percentage of units of deed-restricted rental housing restricted to seniors within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing within the same time period. 0178
11. Excess Surplus Test: This section reports on excess surplus in the LMIHAF, and the plan for eliminating any excess surplus.

The report reflects deposits made into the LMIHAF since the dissolution of the RDA. The LMIHAF has a current balance of \$3,944,198. The revenues are the result of loan repayments, rents, sale of property and interest on the Fund. As your Board is aware, SB 341 provides parameters for use of the LMIHAF, which are summarized in Attachment 2.

Note that the period covered by this report (FY 2013-14) does not reflect the County's homeless prevention contracts. The reason for this is that FY13-14 was the final year of the three-year contracts through which funds were committed for homeless prevention activities in 2011. Next year's report will reflect the homeless prevention activities funded by the LMIHAF in FY 2014-15.

It is therefore RECOMMENDED that your Board take the following actions:

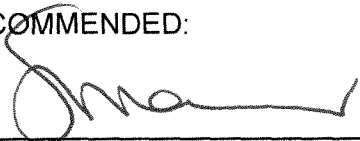
1. Accept and file the Report Regarding the Low and Moderate Income Housing Asset Fund for Fiscal Year 2013-2014 (Attachment 1); and
2. Direct the Planning Director to submit the Report to the State Department of Housing and Community Development.

Sincerely,



Kathy Molloy/Previsich
Planning Director

RECOMMENDED:



SUSAN A. MAURIELLO
County Administrative Officer

Attachments:

1. Annual Report Regarding the Low and Moderate Income Housing Asset Fund for Fiscal Year 2013-2014
2. Summary of SB 341 provisions including eligible uses of LMIHAF

HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2013-2014
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
COUNTY OF SANTA CRUZ

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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 APRIL 14, 2015. This Report sets forth certain details of the COUNTY OF SANTA CRUZ HOUSING SUCCESSOR AGENCY (Housing Successor) activities during Fiscal Year 2013-2014 (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 independent financial audit of the Low and Moderate Income Housing Asset Fund of the COUNTY OF SANTA CRUZ for Fiscal Year 2013-2014 (Fiscal Year) as prepared by BROWN ARMSTRONG (Audit), which Audit is separate from this annual summary Report; further, this Report conforms with and is organized into sections I through XI, 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 in to 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.
- 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 transfer 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 or 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.
- 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 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. However, reporting on the Income Test is not required until 2019.
- 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.

This Report is to be provided to the Housing Successor's governing body by April 1. In addition, this Report and the former SANTA CRUZ COUNTY redevelopment agency's pre-dissolution Implementation Plans are to be made available to the public on the County's website (<http://sccounty01.co.santa-cruz.ca.us/red/>)

I. AMOUNT DEPOSITED INTO LMIHAF

A total of \$3,109,438 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, a total of \$0 was held for items listed on the ROPS.

II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$3,944,198, of which \$0 is held for items listed on the ROPS.

III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

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

	Fiscal Year 2013-2014
Monitoring & Administration Expenditures	\$238,915
Homeless Prevention and Rapid Rehousing Services Expenditures	
Housing Development Expenditures	
➤ Expenditures on Low Income Units	
➤ Expenditures on Very-Low Income Units	
➤ Expenditures on Extremely-Low Income Units	
➤ Total Housing Development Expenditures in Fiscal year	
Total LMIHAF Expenditures in Fiscal Year	\$238,915

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 provides the statutory value of assets owned by the Housing Successor.

As of End of Fiscal Year	
Statutory Value of Real Property Owned by Housing Successor	\$1,999,136
Value of Loans and Grants Receivable	\$53,206,050
Total Value of Housing Successor Assets	\$55,205,186

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 Housing Successor 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.

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

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
522 Capitola Rd. Ext.	10/18/2006	7/3/2017	Leased for affordable housing purpose
5313 Soquel Dr.	04/23/2010	7/3/2017	Leased for affordable housing purpose
111 Atherton Loop	04/14/2009	7/3/2017	Leased for affordable housing purpose
119 Atherton Loop	04/14/2009	7/3/2017	Leased for affordable housing purpose
560 30 th Ave #55	07/16/2010	7/3/2017	Sold, proceeds deposited to LMIHAF
755 14 th Ave #108	01/20/2011	7/3/2017	Rented to qualified household for affordable rent
1715 Westhaven Ct.	05/06/2011	8/31/2017	Rented to qualified household for affordable rent
2340 Harper St.	1/17/97	1/8/2019	Contracted project moved to alternate site due to neighborhood opposition. Currently reviewing whether to utilize site for affordable housing project or sell with proceeds to LMIHAF
1240 Rodriguez St.	5/12/05	1/8/2019	Sold to Habitat for Humanity

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the 2010-2014 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor. The former redevelopment agency's Implementation Plans are posted on the County's website at: <http://sccounty01.co.santa-cruz.ca.us/red/2010-2014%20IP%20FINAL2.pdf>.

Inclusionary/Production Housing. According to the 2010-2014 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 County's website at: <http://sccounty01.co.santa-cruz.ca.us/red/reportsandstudies.html>.

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. This information is not required to be reported until 2019 for the 2014 – 2019 period.

Extremely-Low Income Test

LMIHAF Spent on Extremely-Low Income Households \$ 0 Spent on ELI (A)

Total LMIHAF (Five Year Total)

Total LMIHAF (B)

Extremely-Low Income Test

(A) / (B) %

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 County 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 the County 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 County 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 2003-2013:

Senior Housing Test		Fiscal Year 2003-2013
# of Assisted Senior Rental Units	40 units in development, 0 placed in service	
# of Total Assisted Rental Units	825	
Senior Housing Percentage	0%	

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.

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

	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14
Beginning Balance	N/A	0	\$204,129	\$1,073,676
Add: Deposits	N/A	\$204,129	\$917,805	\$3,109,437
(Less) Expenditures	N/A	0	(\$48,258)	(238,915)
Ending Unencumbered Balance	N/A	\$204,129	\$1,073,676	\$3,944,198

The LMIHAF does not have an Excess Surplus.

Additional Questions pursuant to AB 1793 amended H&S § 34176.1(f)

XII. INVENTORY OF HOMEOWNERSHIP UNITS ASSISTED

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 money's from the Low and Moderate Income Housing Asset fund pursuant to subdivision (f) of Section 33334.3.

This inventory shall include all of the following information:

- A. Number of Loans
- B. Number of units lost to the portfolio after February 1, 2012
- 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 LMIHF
- 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.

INVENTORY OF HOMEOWNERSHIP UNITS ASSISTED	
A. Number of Single Family LMIHF Loans	251
B. Number of units lost to the portfolio after February 1, 2012*	9
C. Funds returned to the County as part of an adopted program that protects the former redevelopment agency's investment of moneys from the LMIHF	0

- D. The County manages the loan portfolio in-house.

SUMMARY OF SB 341 PROVISIONS

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Senate Bill No. 341 DeSaulnier amends certain sections of the Health and Safety Code relating to redevelopment. It is summarized as follows:

1. Changing the name of the responsible agency to the housing successor;
2. Requiring the housing successor to expend funds in the Low and Moderate Income House Asset fund, other than those expended to meet enforceable obligations, for:
 - a. administrative activities to monitor and preserve the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor (limited each fiscal year to 2% of the statutory value of the real estate owned by the housing successor);
 - b. for homeless prevention and rapid rehousing services to individuals and families who are homeless or would be homeless but for this assistance, including the provision of short-term or medium-term rental assistance, housing relocation and stabilization services, credit repair, security or utility deposits, utility payments, rental assistance for a final month at a location, moving cost assistance and case management (limited to \$250,000 each fiscal year); and,
 - c. for the development of housing that is affordable to and occupied by households earning 80% or less of the area median income, with at least 30% of affordable housing funds expended for the development of rental housing affordable to and occupied by households earning 30% or less of the area median income, and with no more than 20% of the remaining affordable housing funds spent on the development of housing affordable to and occupied by households earning between 60% and 80% of the area median income.
3. Establishing thresholds for the portion of funds that can expended to assist housing units for seniors;
4. Providing that program income a housing successor receives may be expended anywhere within the jurisdiction of the housing successor or transferred for the purpose of developing transit priority projects, permanent supportive housing, housing for agricultural employees, or special needs housing, without a finding of benefit to the original project area;
5. Establishing timeframes for which excess surplus funds (if any) must be spent or encumbered;
6. Providing that the provisions of SB 341 shall not apply to interests in real property acquired after February 1, 2012; and
7. Requiring the housing successor to conduct and provide to its governing body an independent audit.