

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2016/2017
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(F)
FOR THE
CITY OF EL CERRITO HOUSING SUCCESSOR**

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). This Report sets forth certain details of the City of El Cerrito (Housing Successor) activities during Fiscal Year 2016/2017 (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 (Comprehensive Annual Financial Report, or 'CAFR') for Fiscal Year 2016/2017 (Fiscal Year) as prepared by Badawi & Associates (Auditor), 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. Amounts Received and Deposited Pursuant to 34191.4(b)(3)(A):** This section provides the total amount of funds paid to the City and the amount deposited into the LMIHAF allocable to 20% of the repayments on reinstated City/Agency loans per Section 34191.4.
- 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:** 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.

- 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. Reporting of the Income Test is not required until FY 2018/19.
- 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, 2007 to June 30, 2017.
- 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 Homeownership Units:** This section provides a summary of covenanted homeownership units assisted by the former redevelopment agency or the housing successor that include an equity sharing and repayment provisions, including (a) number of units; (b) number of units lost to the portfolio in the last fiscal year and the reason for

those losses, and (c) any funds returned to the housing successor pursuant to losses or repayments.

This Report is to be provided to the Housing Successor's governing body. In addition, this Report, CAFR and the former redevelopment agency's pre-dissolution Implementation Plans are to be made available to the public on the City's website.

I. AMOUNTS RECEIVED AND DEPOSITED PURSUANT TO 34191.4(B)(3)(A)

The former redevelopment agency and City did not enter into any loans that are to be repaid pursuant to Section 34191.4(B)(3)(A).

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$264,750 was deposited into the LMIHAF during the Fiscal Year, of which \$250,000 was deposited as a result of a SERAF payment listed on the ROPS. The deposits are allocated as follows:

	FY 2016/17 Totals	% of Total
Loan Payment	\$0	0%
Interest Payment ¹	37,371	16%
BAHBA	17,500	7%
Miscellaneous	1,000	<1%
Loan Payments for Items Listed on the ROPS	180,240	76%
Total LMIHAF Deposits²	\$236,111	100%

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$5,921,732, of which \$254,886 is available.³ The following is a list of items included in the ending balance that are listed on the ROPS:

- An \$667,275 balance in SERAF/ERAF loans

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

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

	FY 2016/17
Monitoring & Administration Expenditures	\$59,513
Homeless Prevention & Rapid Rehousing Services Expenditures	\$0
Housing Development Expenditures	
➤ Expenditures on Moderate Income Units	\$0
➤ Expenditures on Low Income Units	0
➤ Expenditures on Very-Low Income Units	63,000
➤ Expenditures on Extremely-Low Income Units	<u>37,000</u>

¹ Interest payment for Ohlone Gardens affordable housing development.

² Expressed as cash and does not include accrued interest income, unrealized gain on investment, and accrued interest on notes receivables.

³ Refers only to cash available and excludes nonspendable portion of fund balance such as deposits payable, land and improvements held for resale.

Total Housing Development Expenditures ⁴	\$100,000
Total LMIHAF Expenditures	\$159,513

The Housing Successor is allowed to spend up to the greater of \$200,000 or 5% of the value of the Housing Assets Portfolio (defined and calculated in Section V), which totals \$283,342, on Monitoring and Administration Expenditures. Thus, the Housing Successor is using approximately 21% of the maximum allowable \$283,342 for Monitoring and Administration Expenditures.

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

	As of End of FY 2016/17
Statutory Value of Real Property Owned by Housing Successor ⁵	\$1
Value of Loans and Grants Receivables	5,666,845
Total Value of Housing Assets	\$5,666,846

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

In FY 2014/15 the Housing Successor entered into a DDLA with Eden Housing involving the sale of 10848-10860 San Pablo Avenue, the terms of which state that the land will not be transferred from the City to the developer until certain performance conditions are met and the project is ready to start construction.

⁴ A \$100,000 loan for pre-development activities for Hana Gardens Senior Apartments (10848-10860 San Pablo Avenue) was disbursed in FY 2016/17.

⁵ In FY 2013/14 the Housing Successor restated the value of 10848-10860 San Pablo Avenue to \$1 to correspond with the sale price of the property to Eden Housing for the purposes of developing a mixed-use affordable housing project.

VIII. 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 five-year period:

Address	Date of Approval by DOF as a Housing Asset	Deadline to Initiate Development Activity	Status of Activity
10848-10860 San Pablo Ave	September 2012	9/2017	Land was sold in January 2017 to Eden Housing to develop an affordable senior housing project on the site. Thus, project is in compliance with five-year activity deadline.

The following provides a status update on the real property or properties that have been acquired using affordable housing funds on or after February 1, 2012, and for which the five-year activity deadline does not apply:

Address	Date of Acquisition	Status of Activity
11600 and 11690 San Pablo Ave and 1925 Kearney Street	August 2012	Planning Phase; City executed an ENRA with a Developer in July 2016 for the development of a property to contain affordable housing units.

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

The former Agency contained one redevelopment project area, the 368-acre El Cerrito Project Area. As of the date when the Housing Successor assumed the housing assets and functions of the former Agency, the affordable housing production obligation consisted of a surplus of 72 units affordable to very-low income households and a surplus of 52 units affordable to low or

moderate income households. The former Agency's Implementation Plans are posted on the City's website at <http://www.el-cerrito.org/index.aspx?nid.914>

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.

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.

X. 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 period, 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.

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 summarizes the number of deed-restricted rental housing units produced by the former redevelopment agency and the Housing Successor over the past 10 years (July 1, 2007 to June 30, 2017):

Project Name	Year Built	# of Senior Units	# of Non-Senior Units	Total # of Units
Ohlone Gardens ⁶	2015	0	56	56

⁶ Ohlone Gardens is a new multi-family affordable housing development that completed construction in 2015.

Totals	0	56	56
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The following provides the Housing Successor's Senior Housing Test for the 10 year period of July 1, 2007 to June 30, 2017:

FY 2016/2017	
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	56
Senior Housing Percentage	0%

As demonstrated above, the Housing Successor is in compliance with the Senior Housing Test requirement.

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:

Available Housing Funds – FY 2016/17	
Available Housing Funds – FY 2016/17	\$254,886

Limitation on Available Housing Funds FY 2016/17	
Greater of:	
➤ Base Amount	\$1,000,000
➤ Four Years of Deposits	
FY 2012/13	\$--
FY 2013/14	559,632
FY 2014/15	134,519
FY 2015/16	251,005
Total Deposits	\$945,156
Limitation on Available Housing Funds	\$1,000,000

The ending cash balance of \$254,886 is less than the \$1,000,000 limitation on available housing funds. Therefore, the LMIHAF does not have an Excess Surplus.

XIII. HOMEOWNERSHIP

The Housing Successor is to provide 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 LMIHAF pursuant to Section 33334.3(f). The inventory for the Housing Successor is as follows:

- The following summarizes the current inventory of the Housing Successor's homeownership portfolio:

	# of Units
Restricted homeownership units as of June 30, 2017	0

- There was no loss of homeownership inventory during FY 2016/17.
- The Housing Successor has not contracted with an outside entity for the management of the ownership portfolio.