

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2014-15
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
SAN JUAN CAPISTRANO HOUSING AUTHORITY**

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF), known as the Housing Authority Enterprise Fund, has been prepared pursuant to California Health and Safety Code (HSC) Section 34176.1(f) and is dated as of December 15, 2015. This Report sets forth certain details of the San Juan Capistrano Housing Authority (Housing Successor) activities during Fiscal Year 2014-15 (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 HSC, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by City staff on behalf of the Housing Successor and information contained within the independent financial audit of the Housing Authority Enterprise Fund which is included in the San Juan Capistrano Housing Authority Financial Statements and Independent Auditor's Report as prepared by Rogers, Anderson, Malody & Scott, LLP (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 of Loan Repayment Transferred into LMIHAF:** Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the LMIHAF.
- 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. 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, 2005 to June 30, 2015.
- 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 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 subdivision (f) of Section 33334.3. The inventory includes the number of those units; the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses; 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 LMIHAF; and whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

This Report is to be provided to the Housing Successor's governing body by December 31, 2015. 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 (<http://www.sanjuancapistrano.org/index.aspx?page=1476>).

I. AMOUNT OF LOAN REPAYMENT TRANSFERRED INTO LMIHAF

No amounts were transferred to the LMIHAF.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$5,603,387 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.

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$16,357,961 of which \$0 is held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

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

2014-15	
Monitoring & Administration Expenditures:⁽¹⁾	
Housing Administration	\$ 79,467
Operation and Maintenance of Affordable Housing	131,968
Total	\$211,435
Homeless Prevention and Rapid Rehousing Services Expenditures:⁽²⁾	
Rental Subsidies Program:	
Rent Subsidies	\$ 94,416
Management Services	30,020
Less: Rental Income	<u>(35,699)</u>
Total	\$ 88,737
Housing Development Expenditures:	
➤ Expenditures on Low Income Units	
➤ Expenditures on Very-Low Income Units	
➤ Expenditures on Extremely-Low Income Units	
➤ Total Housing Development Expenditures	-0-
Total LMIHAF Expenditures in Fiscal Year⁽³⁾	\$300,172

(1) Expenditures are reported net of depreciation of \$97,604.

(2) Rental income of \$35,699 was collected from tenants and passed through along with rental subsidies to landlords.

(3) Difference between CAFR expenditures of \$433,475 and total expenditures of \$300,172 reported in the above table is the sum of rental income of \$35,699 and depreciation of \$97,604.

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
Fiscal Year**

Statutory Value of Real Property Owned by Housing Authority	5,950,085
Value of Loans and Grants Receivable	4,937,218
Total Value of Housing Successor Assets	10,887,303

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

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 (DOF) 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:

Little Hollywood Rental Housing

Land APN 121-142-01	3/20/1984	09/05/2017	Completed prior to asset transfer
Land APN 649-281-04	3/20/1984	09/05/2017	Completed prior to asset transfer
Land APN 649-281-04	03/20/1984	09/05/2017	Completed prior to asset transfer
26508 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26510 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26511 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26512 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26592 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26602 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26603 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26604 Mission Street	12/01/1996	09/05/2017	Completed prior to asset transfer
26610 Mission Street	06/30/1994	09/05/2017	Completed prior to asset transfer
26611 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26613 Mission Street	06/30/2000	09/05/2017	Completed prior to asset transfer
26571 Ramos Street	06/30/1994	09/05/2017	Completed prior to asset transfer
26587 Ramos Street	10/31/1994	09/05/2017	Completed prior to asset transfer
26591 Ramos Street	06/30/2000	09/05/2017	Completed prior to asset transfer
31646 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31650 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31651 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31654 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31655 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31664 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31668 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31676 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31678 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer
31682 Ramos Way	06/30/2010	09/05/2017	Completed prior to asset transfer

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:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
No property acquired on or after February 1, 2012			

IX. 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 City's website at <http://www.sanjuancapistrano.org/index.aspx?page=1476>.

X. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(A) requires that the Housing Successor must require at least 30% of funds remaining in the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the area median income. Beginning with the annual report for 2019, the Housing Successor’s expenditures from January 1, 2014, through the end of the latest fiscal year covered in the report must comply with these requirements. 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 area median income until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement. The Housing Successor is six months into the five year compliance period. Compliance will be determined and reported in the 2018-19 fiscal year 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 provides the Housing Successor’s Senior Housing Test for the 10 year period of July 1, 2005 to June 30, 2015:

Senior Housing Test	July 1, 2004 to June 30, 2014
# of Assisted Senior Rental Units	39
# of Total Assisted Rental Units	76
Senior Housing Percentage	51%

The percentage of rental housing restricted to seniors exceeds 50%, therefore no funds can be expended for additional senior housing units.

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:

	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015
Opening Fund Balance	\$ 11,099,074	\$ 11,251,335	\$ 11,188,049	\$ 16,357,961
Less Unavailable Amounts:				
Statutory Value of Real Property ⁽¹⁾	\$ (5,950,085)	\$ (5,950,085)	\$ (5,950,085)	\$ (5,950,085)
Loans receivable	(5,192,068)	(5,147,605)	(5,058,907)	(4,937,218)
	<u>\$ (11,142,153)</u>	<u>(11,097,690)</u>	<u>(11,008,992)</u>	<u>(10,887,303)</u>
Available Housing Successor Funds	(43,079)	153,645	179,057	5,470,658
Limitation calculation				
Aggregate amount deposited for last four years:				
2014 - 2015	\$ -	\$ -	\$ -	\$ 5,603,387
2013 - 2014	-	-	425,927	425,927
2012 - 2013	-	387,547	387,547	387,547
2011 - 2012	157,863	157,863	157,863	157,863
2010 - 2011	- ⁽²⁾	- ⁽²⁾	- ⁽²⁾	- ⁽²⁾
Total	<u>\$ 157,863</u>	<u>\$ 545,410</u>	<u>\$ 971,337</u>	<u>\$ 6,574,724</u>
Base Limitation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Greater amount of \$1,000,000 or sum of four years deposits	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>6,574,724</u>
Computed Excess/Surplus	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
<small>(1) Statutory value of real property is the value of properties previously held by the former redevelopment agency as listed on the housing asset transfer form and approved by the California Department of Finance. This value is not reduced by accumulated depreciation. (2) There were no amounts deposited for this year since the Housing Successor was created in FY 2011-2012.</small>				

The LMIHAF does not have an Excess Surplus.

XIII. INVENTORY OF HOMEOWNERSHIP UNITS

This section provides 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 subdivision (f) of Section 33334.3.

Number of units assisted by the former redevelopment agency	17
Number of units lost to the portfolio from February 1, 2012 to June 30, 2015	0
Reason for losses	N/A
Funds returned to Housing Successor	0
Contracted with outside entity for management	None
Name of outside entity	N/A