

**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
SAN JUAN CAPISTRANO HOUSING
AUTHORITY**

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF), also known as the Housing Authority Enterprise Fund, has been prepared pursuant to California Health and Safety Code (HSC) Section 34176.1(f). This Report sets forth certain details of the San Juan Capistrano Housing Authority (Housing Successor) activities during Fiscal Year 2018-19 (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 as required by 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. The financial statements of the Housing Successor are audited in conjunction with the City's annual audit. This Report 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 must be deducted from the loan repayment amount and 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 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 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 years, including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF funds 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 reports the status of compliance with Section 33334.16 for interests in real property that were acquired by the former redevelopment agency prior to February 1, 2012.
- IX. Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that were outstanding as of February 1, 2012, along with the Housing Successor's progress in meeting those prior obligations of the former redevelopment agency, and the Housing Successor's plans to meet any unmet obligations.
- X. Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by each specified income restriction for a five year period beginning January 1, 2014, and whether certain statutory thresholds have been met. Reporting of this Income Test is not required until 2019.
- XI. Senior Housing Test:** This section reports the number of units of deed-restricted rental housing restricted to seniors that have been 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 all deed-restricted rental housing (whether restricted to seniors or other persons) that have been 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 to assist additional senior housing units until the Housing Successor or City assists, and construction has commenced on, a sufficient number of non-senior restricted rental units to equal 50% of the total amount of deed-restricted rental units. For this Report the ten-year period reviewed is July 1, 2009 to June 30, 2019.

- XII. Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, 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 the 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 from the LMIHAF pursuant to subdivision (f) of Section 33334.3. The inventory reports 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 and the former redevelopment agency's pre-dissolution Implementation Plans are made available to the public on the City's website (<http://www.sanjuancapistrano.org>).

I. AMOUNT OF LOAN REPAYMENT TRANSFERRED INTO LMIHAF

No loan repayments were transferred to the LMIHAF.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$328,545 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, no amounts were 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 \$1,747,270, of which no amounts were 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:

2018-19	
Monitoring & Administration Expenditures:⁽¹⁾	
Housing Administration	\$ 63,211
Operation and Maintenance of Affordable Housing	<u>64,866</u>
Total	\$ 128,077
Homeless Prevention and Rapid Rehousing Services Expenditures:⁽²⁾	
Rental Subsidies Program:	
Rent Subsidies	\$ 12,660
Management Services	138,820
Less: Rental Income	<u>(4,092)</u>
Total	\$ 147,388
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⁾	\$ 275,465

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

(2) Rental income of \$4,092 was collected from tenants and remitted along with rental subsidies to landlords.

(3) Difference between CAFR expenditures of \$ 377,162 and total expenditures of \$275,465 reported in the above table is the sum of rental income of \$4,092 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 redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance 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 the properties purchased by the Housing Successor. In addition, the value of loans and grants receivable held by the LMIHAF is included in reported assets.

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	\$5,662,910
Value of Loans and Grants Receivable	\$6,218,081
Total Value of Housing Successor Assets	\$11,880,990

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successors pursuant to 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

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time period described in Section 33334.16 is deemed to have commenced on the date that the Department of Finance (DOF) approved the property as a housing asset for the LMIHAF. Thus, as to any real property acquired by the former redevelopment agency that is now held by the Housing Successor in its LMIHAF, the Housing Successor must initiate development activities consistent with the purpose for which the property was acquired within five years of the date that the DOF approved such property to be a housing asset.

The following provides a status update on the properties that were acquired prior to February 1, 2012:

Little Hollywood Rental Housing Property:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
Land APN 121-142-01	3/20/1984	09/05/2017	Completed prior to asset transfer
Land APN 121-142-17	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 information regarding the status of any properties that were acquired with LMIHAF funds 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 Plans of 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 at this location on the City's website; <http://sanjuancapistrano.org/Departments/City-Clerk/Oversight-Board-and-Successor-Agency>.

X. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(A) requires that the Housing Successor spend at least 30% of the funds remaining in the LMIHAF after current year spending on existing affordable housing and rental subsidies programs on the 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 on households earning 30% or less of the area median income until the Housing Successor's compliance with the Extremely-Low Income requirement is reinstated.

The above requirements apply to the portion of annual expenditures that are in excess of 5% of the statutory value of Housing Authority property and loans (HSC 34176.1(a)(1) and (2)). The Housing Authority does not expect to have annual expenditures in excess of 5% of the statutory value of Housing Authority property and loans. For such future fiscal years where the Housing Authority expects to have annual expenditures in excess of 5% of the statutory value of Housing Authority property and loans, the Authority plans to comply with the requirements as set forth above.

XI. SENIOR HOUSING TEST

The Housing Successor must calculate the percentage of units of deed-restricted rental housing restricted to seniors that have been 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 all deed-restricted rental housing (whether restricted to seniors or non-seniors) that have been 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 to assist additional senior housing units until the Housing Successor or City assists, and construction has commenced on, a sufficient number of non-senior restricted rental units to equal 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, 2009 to June 30, 2019:

Senior Housing Test

**July 1, 2009 to
June 30, 2019**

# of Assisted Senior Rental Units	1
# of Total Assisted Rental Units	38
Senior Housing Percentage	0.03%

The percentage of rental housing restricted to seniors exceeds 50%. Accordingly, no funds can be expended for additional senior housing units until the percentage applicable to non-seniors equals 50% or less.

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in available fund balance that exceeds the greater of one million dollars (\$1,000,000), or the aggregate amount deposited into the Housing Successor during the preceding four Fiscal Years, whichever is greater.

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

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Total Housing Authority Cash ⁽¹⁾	\$ 8,214,316	\$ 8,412,643	\$ 8,538,877	\$ 7,745,584
Less: Bond Proceeds ⁽²⁾	\$ (6,728,053)	\$ (6,756,132)	\$ (6,838,903)	\$ (5,988,314)
Available Fund Balance	\$ 1,486,263	\$ 1,656,511	\$ 1,699,974	\$ 1,757,270
Less Unavailable Amounts:				
Statutory Value of Real Property	N/A	N/A	N/A	N/A
Loans Receivable	N/A	N/A	N/A	N/A
	-	-	-	-
Available Housing Successor Funds	1,486,263	1,656,511	1,699,974	1,757,270
Limitation calculation				
Aggregate amount deposited for last four years: ⁽³⁾				
2017 - 2018	\$ -	\$ -	\$ -	\$ 256,139
2016 - 2017	-	-	419,925	419,925
2015 - 2016	-	617,047	617,047	617,047
2014 - 2015	538,808	538,808	538,808	538,808
2013 - 2014	532,582	532,582	532,582	-
2012 - 2013	913,765	913,765	-	-
2011 - 2012	130,572	-	-	-
Total	\$ 2,115,727	\$ 2,602,202	\$ 2,108,362	\$ 1,831,919
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	2,115,727	2,602,202	2,108,362	1,831,919
Computed Excess/Surplus	None	None	None	None
<small>(1) Amounts have been restated to reflect the available cash balance. (2) Bond proceeds are excluded from available cash balances since they are restricted to the Housing Authority's service area. (3) Amounts have been restated to reflect actual cash deposited.</small>				

The LMIHAF has no 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 money 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 before February 1, 2012	15
Number of units lost to the portfolio from February 1, 2012, to June 30, 2019	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