

**HOUSING SUCCESSOR ANNUAL REPORT  
REGARDING THE  
LOW AND MODERATE INCOME HOUSING ASSET FUND  
FOR FISCAL YEAR 2015/16  
PURSUANT TO  
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(F)  
FOR THE  
HOUSING AUTHORITY OF THE CITY OF HUNTINGTON BEACH**

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 March 31, 2017. This Report sets forth certain details of the Housing Authority of the City of Huntington Beach (Housing Successor) activities during Fiscal Year 2015/16. 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 2015/16 (Fiscal Year) as prepared DavisFarr (Auditor). The CAFR is separate from this annual summary Report; further this Report conforms with and is organized into sections I through XII, 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 Housing Successor 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 these 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 agriculture 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 remain 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.
- X. Income Test:** This section provides the information required by Section 3417u6.1(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 November 1, 2006 to September 30, 2016.
- 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 by March 31, 2017. 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.

**II. Amount Deposited into LMIHAF**

A total of \$461,568 was deposited into the LMIHAF during the Fiscal Year, of which none of the funds deposited into the LMIHAF were held for items listed on the ROPS. The deposits are allocated as follows:

	<b>FY 2015/16 Totals</b>	<b>% of Total</b>
Payment from Loans	\$25,367	5%
Interest Income	49,228	11%
SERAF Payment	386,973	84%
Other Income	0	0%
<b>Total LMIHAF Deposits</b>	<b>\$461,568</b>	<b>100%</b>

**III. Ending Balance of LMIHAF**

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$17,385,611, of which \$5,638,389 is available. None of the funds were held for items listed on the ROPS. It should be noted that in January 2013 and May 2014, the Housing Successor transferred \$1,210,901 and \$3,649,634, respectively, from the LMIHAF to the Orange County Auditor.

**IV. Description of Expenditure from LMIHAF**

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

	<b>FY 2015/16</b>
Monitoring & Administration Expenditures	\$45,644
Homeless Prevention & Rapid Rehousing Services Expenditures	\$120,891
Housing Development Expenditures	
➤ Expenditures on Low Income Units	\$0
➤ Expenditures on Very-Low Income Units	0
➤ Expenditures on Extremely-Low Income Units	0
Total Housing Development Expenditures	\$0
<b>Total LMIHAF Expenditures</b>	<b>\$166,535</b>

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 \$9,916,702, on Monitoring and Administration Expenditures. Therefore, the Housing Successor is only using approximately 9% of the maximum allowable \$495,835 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 purposes 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 2015/16
Statutory Value of Real Property Owned by Housing Successor	\$885,000
Value of Loans and Grants Receivables	9,031,702
<b>Total Value of Housing Assets</b>	<b>\$9,916,702</b>

**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**

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 of 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 Approved by DOF as Housing Asset	Deadline to Initiate Development Activity	Status of Activity
Bowen Court 1968-82 Lake Street	2/1/2002	N/A	The property is encumbered with a ground lease that expires in 2062.

The Housing Successor has not acquired any property using LMIHAF 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.

**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 City's website.

**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 area median income (AMI). 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 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 unit.

The following summarizes the number of deed-restricted rental housing units produced by the former-redevelopment agency and Housing Successor over the past 10 years (January 1, 2006 – December 31, 2016):

<b>Project Name</b>	<b>Year Built</b>	<b># of Senior Units</b>	<b># of Non-Senior Units</b>	<b>Total # of Units</b>
Colette's / Glencoe	2006	0	4	4
Colette's / Keelson	2006	0	4	4
Jamboree I	2007	0	5	5
Jamboree II	2007	0	4	4
Jamboree III	2007	0	4	4
Jamboree IV	2010	0	4	4
Oceana	2016	0	48	48
OCCHC	2016	0	4	4
<b>Total Units</b>		<b>0</b>	<b>77</b>	<b>77</b>

The following provides the Housing Successor's Senior Housing Test for the 10-year period of January 1, 2006 to December 31, 2016:

	<b>FY 2015/16</b>
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	77
<b>Senior Housing Percentage</b>	<b>0%</b>

**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:

<b>Available Housing Funds – FY 2015/16</b>	
LMIHAF Balance FY 2015/16	\$17,385,611
(Less) Accounts Receivables	(1,830,521)
(Less) Notes and Loans	(9,031,702)
(Less) Land	(885,000)
<b>Available Housing Funds – FY 2015/16</b>	<b>\$5,638,389</b>

<b>Limitation on Available Housing Funds FY 2015/16</b>	
Greater of:	
➤ Base Amount	\$1,000,000
➤ Four Years of Deposits	
FY 2012/13	\$681,581
FY 2013/14	398,128
FY 2014/15	4,583,226
FY 2015/16	461,568
Total Deposits	\$6,124,503
<b>Limitation on Available Housing Funds</b>	<b>\$6,124,503</b>

A total \$6,124,503 has been deposited into the account during the previous four fiscal years while the ending cash balance in the account is \$5,638,389. 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:

	<b># of Units</b>
Restricted homeownership units as of February 1, 2012 <sup>1</sup>	40
Add: Restricted homeownership units added by Housing Successor (Feb 1, 2012 – Dec 31, 2015) <sup>2</sup>	2
Add: Restricted homeownership units added by Housing Successor (Jan 1, 2016 – Dec 31, 2016)	42
(Less) Restricted homeownership units lost to portfolio (Feb 1, 2012 – Dec 31, 2015)	(3)
(Less) Restricted homeownership units lost to portfolio (Jan 1, 2016 – Dec 31, 2016)	0
<b>Housing Successor Homeownership Portfolio as of December 31, 2016</b>	<b>39</b>

<sup>1</sup> A total of 25 Down Payment Assistance loans and 15 First Time Home Buyer Program loans were transferred to the Housing Successor per the Housing Asset Transfer List dated August 1, 2012.

<sup>2</sup> The Housing Successor assisted a two-unit Habitat for Humanity project, restricting one unit to very-low income households and one unit to low income households.

- The following provides an explanation for the loss of inventory:
  - In 2013 and 2014, two Down Payment Assistance (DPA) Loans were paid off; and
  - In December 2012, one First Time Homebuyer Program (FTHP) loan was paid off.
- A total of \$244,800 was returned to the Housing Successor as a result of the restrictions adopted to protect the former redevelopment agency's investment of LMIHAF monies.
- The Housing Successor has not contracted with an outside entity for the management of the ownership portfolio.