DRAFT SENATE BILL 341 ANNUAL REPORT

FY 2017-18

Orange County Housing Authority as Housing Successor

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PURPOSE OF THIS REPORT

Orange County Housing Authority as Housing Successor

REDEVELOPMENT DISSOLUTION

The County of Orange (County) elected to designate the Orange County Housing Authority (OCHA) as the housing successor to the former Orange County Development Agency (OCDA), following the dissolution of redevelopment agencies statewide. Assembly Bill x1 26 (ABx1 26) and the subsequent Assembly Bill 1484 have defined housing asset transfers to include "all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund (LMIHF)." All former OCDA housing assets and liabilities were transferred to OCHA through the Housing Asset Transfer Form and approved by the Department of Finance (DOF) in August 2012. The State Controller also approved the transfer of housing assets in May 2015.

Additional provisions in ABx1 26 also allowed a local jurisdiction to select the local county housing authority as its housing successor, if that jurisdiction did not want to become the housing successor. As a result, the City of Seal Beach also named OCHA as its housing successor, and transferred assets and liabilities through its Housing Asset Transfer Form.

ASSET TRANSFERS TO THE HOUSING SUCCESSOR

According to California Health and Safety Code (H&SC) Section 34176(e), housing assets may include the following:

- Real property;
- Restrictions on the use of property;
- Personal property in a residence;
- Housing-related files;
- Office supplies and software programs acquired for low-and moderate-income purposes;
- Funds encumbered by an enforceable obligation;
- Loan or grant receivable funded from the former Low and Moderate Income Housing Fund (LMIHF);
- Funds derived from rents or operation of properties acquired for low-and moderate-income housing purposes;
- Rents or payments from housing tenants or operators of low-and moderate-income housing; and
- Repayment of Supplemental Educational Revenue Augmentation Fund loans.

The assets transferred to OCHA as Housing Successor were predominately funds derived from the operation of properties, loan receivables, and residual receipt payments. These loans are payable over time, and in some cases, forgivable, which will impact available cash as well as total portfolio balances over time.

PURPOSE OF THIS REPORT

REPORTING REQUIREMENTS OF HEALTH AND SAFETY CODE SECTION 34176.1

Originally put into law by Senate Bill 341 and later amended by Assembly Bill 1793, Assembly Bill 346, and Senate Bill 107, H&SC Section 34176.1 requires that all former redevelopment agency housing assets except properties, regardless of their originating redevelopment agency, must be maintained in a separate fund, known as the Housing Asset Fund[1]. In accordance with H&SC Section 34176.1(f), the following data must be reported annually for the Housing Asset Fund. Additional data for the Housing Asset Fund is reported in the County's Comprehensive Annual Financial Report, which is made available on the County's website. Please note that not all items are applicable to all housing successors.

1. The amount the city or county received in loan repayments from its former redevelopment agency.
2. Total amount deposited in the Housing Asset Fund for the Fiscal Year.
3. Statement of balance at the close of the Fiscal Year.
4. Description of expenditures for Fiscal Year broken out as follows:
    a. Rapid rehousing for homelessness prevention (maximum of $250,000 per year)
    b. Administrative expenses (greater of $200,000 or 5 percent of total outstanding receivables plus the value of land owned)
    c. Monitoring expenses (included as an administrative expense)
    d. All other expenditures must be reported as spent for each income group (extremely low-, very low-, and low income)
5. Fund balances
    a. Statutory value of any real property either transferred from the former OCDA or purchased by the Housing Asset Fund. Note that a housing successor may only hold property it has purchased with Housing Asset Fund monies for five years.
    b. Value of loans and grants receivable.
6. Descriptions of any transfers to another housing successor for a joint project.
7. Description of any project still funded through the Recognized Obligation Payment Schedule (ROPS).
8. Update on property disposition for any property owned more than 5 years or plans for property owned less than 5 years.
9. Description of any outstanding production obligations of the former OCDA that are inherited by the Housing Successor.
10. Compliance with proportionality requirements (income group targets). Compliance must be upheld on a five-year cycle.

[1] *This fund is identified by the County as Fund 170.*

PURPOSE OF THIS REPORT

11. Percentage of deed-restricted rental housing restricted to seniors and assisted by the entity assuming housing functions, the former OCDA, or the County within the past 10 years compared to the total number of units assisted by any of those three agencies.
12. Amount of excess surplus, and if any, the plan for eliminating it.
13. An inventory of homeownership units assisted by the former OCDA that are subject to covenants or restrictions or to an adopted program that protects the former OCDA's investment of moneys from the Low and Moderate Income Housing Fund. The inventory must include the number of units, any units lost since dissolution, any funds returned to the housing successor as a result of the program, and the name of any entity contracted to manage the units.

FUND BALANCE, REVENUES, AND EXPENDITURES

Accomplishments FY 2017-18 and Future Plans

ONGOING PROGRAMS

OCHA is a separate legal entity housed in the OC Community Resources Department (OCCR) within the County of Orange. In many instances, different divisions within a department will act in conjunction with one another as services may overlap or be closely related, and that is true within OCCR. However, it is OCHA specifically that was named the Housing Successor. As the County Housing Authority, OCHA has an extensive list of program work including direct administration of Section 8 housing programs, Continuum of Care (CoC) services, and a variety of other activities that build networks and resources to provide affordable housing options and end homelessness within Orange County. Where feasible and legally compliant, OCHA as Housing Successor may utilize the Housing Asset Fund to support these endeavors, particularly where it may be possible to leverage other funding sources such as HOME.

OCCR has historically leveraged funding and relationships in order to:

- Rehabilitate deteriorated units and encourage the maintenance and repair of units to prevent deterioration;
- Enhance the quality of existing residential neighborhoods by maintaining public facilities and requiring residents and landlords to maintain their properties in good condition;
- Support first-time home buyers through the Tax-Exempt Single-Family Mortgage Revenue Bond Program and Mortgage Assistance Program; and
- Support the creation of new affordable rental housing units.

OCHA as Housing Successor will continue to look for opportunities to partner funding sources and entities such that the Housing Asset Fund revenues may be used to their fullest potential to supply affordable housing opportunities within the legal parameters set by SB 341 and other applicable laws.

NOTICE OF FUNDING AVAILABILITY

On April 24, 2018, the Board approved an increase of funds to the 2016 Permanent Supportive Housing Notice of Funding Availability (2016 PSH NOFA). The increase allocated up to an additional $4 million (totaling $12 million) in Housing Successor funds and Federal HOME Investment Partnership funds and a combined one-hundred (100) Project-Based Vouchers HUD VASH and/or Housing Choice Vouchers.

During FY17/18, the Board approved and allocated funding for Della Rosa as part of the competitive bid process required by the 2016 PSH NOFA. Funds for this project and two previously approved projects, Placentia Veterans Village and Oakcrest Heights, have been committed but have not yet been expended.

FUND BALANCE, REVENUES, AND EXPENDITURES

- **Placentia Veterans Village:** Mercy Housing California (Mercy) responded to the 2016 PSH NOFA with applications for a new 50-unit (49 rental units and one manager's unit) affordable rental housing development on about 2.78 acres, Placentia Veterans Village (Development), located in the City of Placentia. The primary parcel is owned by the Orange County Flood Control District (District) and consists of a 2.34-acre unimproved vacant parcel in the City of Placentia (Property). The County will record rent and occupancy restrictions on a total of 24 units to homeless veterans earning at or below 30% AMI for a term of 55 years. The Developer was awarded $2,754,000 in Housing Successor funding for this project. The funds are committed; however, have not yet been encumbered by the project. The project received an allocation of tax credits in June 2018 and is targeting a construction closing in December 2018. Construction is anticipated to commence shortly thereafter.

- **Oakcrest Heights:** National Community Renaissance of California responded to the 2016 PSH NOFA with a funding application for a fifty-four (54) unit affordable rental housing development, Oakcrest Heights (Development). The Development is located in the City of Yorba Linda and is part of the Savi Ranch Development. Oakcrest Heights will be located adjacent to Oakcrest Phase I, a 69-unit affordable housing development recently developed by the Developer.

  Oakcrest Heights is new construction of fifty-four (54) units (53 rental units and 1 manager's unit) and a preschool on about 3.2 acres site. The three-story project will consist of nine (9) 1-bedroom units, twenty-seven (27) 2-bedroom units, and seventeen (17) 3-bedroom units, plus one manager's unit. Of these units, four (4) 1-bedroom units and seven (7) 2-bedroom units received HOME funding under the 2016 PSH NOFA in the amount of $1,304,100 and seven (7) 1-bedroom units and seven (7) 2-bedroom units received Housing Successor funding under the 2016 PSH NOFA in the amount of $340,200. The Housing Successor funds were encumbered by the project in the 2017/18 fiscal year. Rents for these 14 units will be at or below 30% of Area Median Income (AMI). These units will remain affordable for a 55-year period. The project completed construction in September 2018.

- **Della Rosa:** Affirmed Housing Group (Affirmed) responded to the 2016 PSH NOFA with a funding application for a 50-unit affordable rental housing development, Della Rosa (Development), located in the City of Westminster. The proposed Development is new construction of 50 units (49 rental units and one manager's unit) on about 0.66 acres. The project will consist of 25 efficiency units, 20 one-bedroom units, 4 two-bedroom units, plus one manager's unit. OCCR will place rent restrictions on twenty-four (24) efficiency units for formerly homeless households, with incomes at or below 30% AMI for a period of fifty-five (55) years. The manager's unit will not be income restricted. The Developer was awarded $1,166,000 in NOFA proceeds for this project. A portion of these funds may end up being Housing Successor funds. The funds are committed; however, have not yet been encumbered by the project. The project received an allocation of tax credits in September 2018 and is targeting a construction closing in March 2019. Construction is anticipated to commence shortly thereafter.

FUND BALANCE, REVENUES, AND EXPENDITURES

THE RANCH

In addition to OCHA's ongoing activities in the county, OCHA as Housing Successor may focus on the development of low- and very low-income units at "the Ranch." Adopted in 2004, the Ranch Development Plan calls for the development of about 14,000 homes and millions of square feet in commercial development as part of a planned community in southern Orange County. A portion of the new units are to be developed for very low- and low-income individuals and families.

The original plan called for the dedication of 60 acres to the County to develop the units, but the loss of redevelopment funding and cuts to the federal HOME program caused the County to reevaluate options for unit production. In December 2013, the Board of Supervisors approved a program change that allows for private development of affordable units in the Ranch in Planning Areas 1 and 2 through a "Private Sector Alternative" as Amendment to the Affordable Housing Implementation Agreement. In addition, the Board approved as part of the Budget process, the allocation of $500,000 in Housing Asset funds to complete the Program Environmental Impact Report (EIR). The Program EIR was completed in 2016. Two affordable housing projects have been completed.

The two projects completed are Sendero Bluffs and Esencia Norte.

- **Sendero Bluffs** - The project is located on 3.4 acres and walking access to Sendero Field Community Park and other trail connections. It includes 107 apartments ranging from one to two bedroom units. All units are available to senior households 55 and older whose income is between 70% (very low) and 30% (extremely low) of the AMI. Recreational amenities include: pool and clubhouse, walk-around project pathway, dog run area, and access to other RMV recreational facilities. The site is adjacent to medical offices and is walking distance to a pharmacy, market, and other retail shops.

- **Esencia Norte** - The project is located on 4.4 acres and walking distance to a neighborhood park. It includes 112 family apartments ranging from one to three bedroom units. This project is affordable to households earning between 70% (very low) and 30% (extremely low) of the AMI. Recreational amenities include: pool and clubhouse, activity plaza with BBQ, tot lot area, and access to other RMV community and recreational facilities including a regional sports park. The site is also located one block from a K-8 Capistrano School District public school.

FUND BALANCE, REVENUES, AND EXPENDITURES

Financial Summary

Both OCHA, OCCR, and the former OCDA proactively sought to provide investment in affordable housing that would sustain operations to some degree. Funds have been leveraged with different partners and sources over time, and often by means of loans, which, when repaid, can then provide investment in other projects. While the 20 percent low- and moderate- income housing set aside was the single most important ongoing revenue source for affordable housing in the County, OCHA/OCDA's good investment choices have left OCHA as Housing Successor with some limited ongoing working capital. OCHA as Housing Successor now receives most operational funding through residual receipt payments and loan repayments, which can in turn be used to fund future endeavors.

DEPOSITS FOR FISCAL YEAR 2017-18

The following components make up the Housing Asset Fund deposits for the fiscal year. Please note that the largest source of revenue is loan payments.

Figure 1 - FY 2017-18 Deposits

Deposits	
Loan Payments	466,000
Available Cash Distribution	107,000
Commingled Interest	119,000
Expense Rebate	1,000
Total	**$692,000**

Source: Balance Sheet Account Activity Download
Note: Standard accounting practices record loan repayments as a reduction in receivables. However, loans repayments are deposits nevertheless, and therefore included in this table for reporting pursuant to SB 341. Loan repayments include both principal and interest.

EXPENDITURES

SB 341 provides the following guidelines for expenditures.

1. Administrative costs, which include housing monitoring, are capped at the greater of $200,000 or 5 percent of the Housing Asset Fund's outstanding loans or other receivables, plus the statutory value of any land owned. The starting balance for FY 2017-18 receivables was $18,920,000. OCHA as Housing Successor does not own any land. At a 5% cap, a maximum administrative expenditure of $946,000 may be spent in FY 17-18.

FUND BALANCE, REVENUES, AND EXPENDITURES

2. A housing successor is authorized to spend up to $250,000 per year on rapid rehousing solutions for homelessness prevention if the former RDA did not have any outstanding housing production requirements. The former OCDA had a surplus of housing production[2], and therefore OCHA as Housing Successor is allowed to make this expenditure if it chooses and if it has cash funding available for such expenditures. No expenditures were made in this category for FY 2017-18 from Fund 170.

3. Remaining allowable expenditures must be dedicated to improving rental housing options affordable to households earning 80 percent or less of the Area Median Income (AMI). This means that no funding may be spent on median-income households, as was previously authorized by redevelopment law. Of the money expended, a minimum of 30 percent must go towards households earning 30 percent or less of the AMI, and a maximum of 20 percent may go towards households earning between 60 and 80 percent of the AMI.

   Note that housing successors must report expenditures by category each year, but compliance is only measured every five years. For example, a housing successor could spend all its funds in a single year on households earning between 60 and 80 percent AMI, as long as it was 20 percent or less of the total expenditures during the five-year compliance period. The first five-year compliance period will be evaluated at the end of this Fiscal Year 2018-19[3].

[2] *2009 Adopted OCDA Five Year Implementation Plan*

[3] *As stated in Senate Bill 341, section 341796.1(3)(A), a housing successor shall demonstrate in the annual report described in subdivision (f), for 2019, and every five years thereafter, that the housing successor's expenditures from January 1, 2014, through the end of the latest fiscal year covered in the report comply with the requirements of this subparagraph.*

FUND BALANCE, REVENUES, AND EXPENDITURES

Figure 2 - FY 2017-18 Housing Asset Fund Expenditures (Fund 170)

Expenditure	Admin/ Monitor	Rapid Rehousing	Below 30% AMI	30-60% AMI	60-80% AMI	Other
Administrative [1]	657,000					
Comingled Interest	7,000					
Rental Assistance						
Total	**$664,000**					

Sources: F-FR-15K221 F/S Data Download – Nominal, County Staff

[1] Inclusive of internal administration as well as professional services, administrative fees, taxes and assessments, and internal County charges (CWCAP). Administrative activity includes the monitoring of over 1,300 affordable housing units annually.

FUND BALANCE, REVENUES, AND EXPENDITURES

FUND BALANCE

The end of year fund balance is reflected below. In accordance with SB 341, amounts receivable dictate the amount of allowable administrative expenditures the following fiscal year. At a maximum of five percent of the amounts receivable, the administrative cap for FY 2018-19 is $998,600.

Figure 3 - End of FY 2017-18 Fund Balance

Balance Type	Fund Amount
Cash	$11,334,000
Net Notes Receivable	$19,972,000
Interest Receivable	$33,000
Accounts Payable	($6,000)
Due to Other County Funds	($173,000)
Total Fund Balance	**$31,160,000**

Source: F-FR-15K111 F/S Data Download - BSA

Note: Notes receivable include principal only, and is net of the allowance for uncollectable amounts. Total collections will ultimately include interest payments for some outstanding loans.

RESTRICTED SENIOR HOUSING UNIT COMPLIANCE

Senior Units Produced

This report must include an accounting of units that were produced over the last ten years and are deed-restricted to seniors. The County, OCCR, OCHA, and the former OCDA assisted in the development of many affordable housing units including senior units with deed-restricted covenants as shown in the following table.

Development	Assisted By	Funding Source	Year Restricted	Covenanted Units
Dorado Senior Apts.	OCHA/OCDA	HOME/OCDA	2007-08	114
Cotton's Pointe	OCHA	HOME	2012-13	75
Total Units				189

A total of 189 units have been restricted for seniors in the last ten years, which is less than 50 percent of the total units restricted (1,331) for affordable housing purposes.

HOUSING INVENTORY COMPLIANCE

Excess Surplus

Excess surplus calculations were once performed by redevelopment agencies on an annual basis, and are intended to ensure that funds are expended to benefit low-income households in an expeditious manner. SB 341 re-instates this calculation for housing successors. Excess surplus is defined by H&SC Section 34176.1(d) as “an unencumbered amount in the account that exceeds the greater of one million dollars, or the aggregate amount deposited into the account during the housing successor’s preceding four fiscal years, whichever is greater.” The first meaningful calculation of this total was completed last year and will be completed each year thereafter. The table as follows shows the calculation for the Fiscal Year 2017-18.

Figure 4 - Deposit Data for Excess Surplus Calculation

Fiscal Year	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Deposits	413,000	487,000	472,000	578,000	
Encumbered Funds					340,000
Unencumbered Amount					10,994,000
Step 1					
$1 Million, or					1,000,000
Last 4 Deposits					1,950,000
Result: Larger Number					1,950,000
Step 2					
Unencumbered Amount					10,994,000
Larger Number From Step 1					1,950,000
Excess Surplus/(Deficit)					**9,044,000**

The calculation results in a surplus of $9,044,000; therefore, excess surplus is calculated this year. Placentia Veterans Village, Della Rosa and Salerno at Cypress Village are projects that have been considered for funding; however, the funds need to be encumbered to be included in the excess surplus calculation. The funds are expected to be encumbered in the fiscal year of 2018/19. Even with these funds encumbered, OCHA will still have excess surplus.

SB 341 states that if a housing successor has an excess surplus, the housing successor shall encumber the excess surplus within three fiscal years. If the housing successor fails to comply with this, the housing successor, within 90 days of the end of the third fiscal year, shall transfer any excess surplus to the Department of Housing and Community Development.

HOUSING INVENTORY COMPLIANCE

As the general purpose of the excess surplus calculation is to ensure that money is expended for low-income purposes, the best action for OCHA as Housing Successor is to strategically encumber or expend money currently on deposit. It is anticipated OCHA/OCCR will be able to facilitate this through the Notice of Funding Availability (NOFA) process or other County projects.

HOUSING INVENTORY COMPLIANCE

Housing Inventory

HS&C Section 34176.1 (f) (13) requires certain information related to homeownership units assisted by the former OCDA through covenants or restrictions or adopted programs.

Seal Beach Shores consists of 48 units / homeowners. The owners of the 48 units received home improvement loans from the former OCDA, which qualifies as an adopted program under the HS&C.

There have been seven units lost to the portfolio since redevelopment dissolution on February 1, 2012. These units were sold by their owners. Because these units received home improvement loans, the loans were paid off when the properties were sold. There is no affordability covenant placed on the units. Note that one loan was forgiven in accordance with available documentation, so no funds were received.

The total amount of funds returned to OCHA is $159,049.

The OCHA has not contracted with any outside entity for the management of the units.

Source: Seal Beach Housing Successor Entity Housing Asset List, Payoff Workbooks, County Staff

OTHER REPORTING REQUIREMENTS

Additional SB 341 Requirements

The remaining compliance reporting requirements of SB 341 do not apply to OCHA as Housing Successor.

REPORTING OF REDEVELOPMENT LOANS REPAID TO THE COUNTY

None. The Successor Agency does not have any outstanding loans owed to the County.

TRANSFERS TO OTHER HOUSING SUCCESSORS

None at this time.

RECOGNIZED OBLIGATION PAYMENT SCHEDULE PROJECTS

None.

INTERESTS IN REAL PROPERTY

None. The Housing Asset Fund does not include any property at this time.

OUTSTANDING PRODUCTION REQUIREMENTS

None. The former OCDA had a surplus of unit production.