

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2017-18 PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE FOUNTAIN VALLEY HOUSING AUTHORITY**

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 November 13, 2018. This Report sets forth certain details of the Fountain Valley Housing Authority (Housing Successor) activities during Fiscal Year 2017-2018 (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 financial records of the Low and Moderate Income Housing Asset Fund 85 for Fiscal Year 2017-18. This Report conforms with and is organized into sections I. through XIII, inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. Amount Received Pursuant to Section 34191.4(b)(3)(A):** This section provides a total amount of funds received pursuant to Section 34191.4(b)(3)(A).
- 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 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.
- 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, 2008- June 30, 2018.
- 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 Home Ownership Units:** This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency's investment of moneys from the Low and Moderate Income Fund per Section 33334.3 (f).

This Report is to be provided to the Housing Successor's governing body by December 31, 2018.

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 www.fountainvalley.org.

I. AMOUNT RECEIVED PURSUANT TO SECTION 34191.4(b)(3)(A):

This section provides a total amount of funds received pursuant to Section 34191.4(b)(3)(A).

No funds were received pursuant to Section 34191.4(b)(3)(A).

II. AMOUNT DEPOSITED INTO LMIHAF

SOURCE	AMOUNT
1 st Time Homebuyer Loan Repayment (Principal)	\$3,553
1 st Time Homebuyer Loan Repayment (Interest)	\$3,888
Housing Rehab Loan Repayment (Principal)	\$116,615
Housing Rehab Loan Repayment (Interest)	\$44,706
Jasmine Project Loan Repayment (Principal)	\$184,753
Jasmine Project Loan Repayment (Interest)	\$101,139
Misc. Interest	(-\$1921)
Misc. Fees	\$300
Total Revenue	\$453,033
SERAF Payment (ROPS Requested Reimbursement)	0
Total Revenue from all sources deposited in Fiscal Year	\$453,033

A total of **\$453,033** 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

SOURCE	AMOUNT
Previous balance + Current Deposits - Expenditures	\$12,032,801
ROPS requested repayment of SERAF Loan	0
Ending Balance as of 6/30/18	\$12,032,801

At the close of the Fiscal Year, the ending balance in the LMIHAF was **\$12,032,801** of which **\$0** is held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

SUBJECT	AMOUNT
Monitoring & Administration	\$66,591
Housing Development Expenditures for pre-development expenses.	\$185,238
Total Expenditures	\$251,829

Housing Development expenditures were for legal and professional services related to the Exclusive Planning and Negotiation Agreement between C & C Development and the Housing Authority as well as staff expenses exclusive to the project.

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.

Asset Category Loans	Statutory Value
1 st Time Home Buyer Loans (9 Loans)	\$ 886,920
Home Improvement Loans (23 Loans)	\$ 363,534
Development Loans (Jasmine)	\$4,872,697
Total Statutory Value of Assets Owned by Housing Successor	\$6,123,151

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.

No LMIHAF transfers were made during the fiscal year.

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.

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 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 project(s) for property or properties that have been acquired by the Housing Successor using LMIHAF on or after February 1, 2012:

ADDRESS	DATE OF TRANSFER APPROVAL FROM DOF	DEADLINE TO INITIATE ACTIVITY	CURRENT STATUS
11360 Warner Ave. Fountain Valley, CA	8/30/2012	8/30/2017	This property was sold on 3/23/2017. Funds placed in LMIHAF
Note- date of acquisition reflects the Asset Transfer approval letter from D.O.F. dated 8/30/2012 per Section 33334.16			

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the FY2010/11 - FY2014/15 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 www.fountainvalley.org

There are no replacement housing obligations.

Inclusionary/Production Housing: According to the FY2010/11 - FY2014/15 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 at www.fountainvalley.org

There are no inclusionary production obligations.

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 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 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 reporting period.

The Housing Successor has utilized funds for administration and monitoring of housing units subject to Affordable Housing Agreements of the former Agency. Funds were also used for costs incurred related to the Exclusive Planning and Negotiation Agreement between C & C Development and the Housing Authority to develop a 60-unit affordable housing project for low and extremely low-income households.

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 7/1/2008-6/30/2018.

Senior Housing Test	10 Year Test - July1, 2008-June 30, 2018
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	0
Senior Housing Percentage	0%

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 Low Moderate Income Housing Asset Fund information for the preceding four Fiscal Years and the Current Fiscal Year:

Year	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Beginning Balance	\$254,099	\$1,280,769	\$2,307,086	\$3,754,752	\$11,831,597
+ Deposits	\$1,043,012	\$1,106,960	\$1,636,096	\$8,231,989	\$453,033
- Expenditures	\$16,342	\$80,643	\$188,430	\$ 155,144	\$251,829
=Ending Balance	\$1,280,769	\$2,307,086	\$3,754,752	\$11,831,597	\$12,032,801
Aggregate Annual Deposit (Deposits minus Expenditures)	\$1,026,670	\$1,026,317	\$1,447,666	\$8,076,845	\$201,204

The Excess Surplus calculation relates to the preceding four years deposits and is calculated as follows:

Aggregate Total of 4 Previous Years Deposits (FY13/14 thru FY16/17)	Amount Encumbered for monitoring and preservation of long-term affordability units thru 2050 (See Below)	Excess Surplus = Aggregate Total of 4 Previous Year Deposits minus Amount Encumbered
\$11,577,498	\$9,177,845	\$2,399,653

The City of Fountain Valley has thirty-two (32) years left of monitoring of both our fifty-four (54) Senior Affordable Housing Condos and our one hundred and fifty-four (154) Senior Affordable Rental Apartments. We have twenty-two (22) years left of monitoring and maintaining our loan portfolio of nine (9) First-Time Buyer Loans and twenty-three (23) Rehabilitation Loans. There is also the anticipation of an additional fifty (50) unit Affordable Housing Project in the City that will have a fifty-five (55) year Affordability Restriction. This potential project will incur additional monitoring expenses thru approximately 2075.

Effective January 1, 2014, Health & Safety Code Section 34176.1(a)(1) allows housing successors to expend up to \$200,000 annually for monitoring and preservation of long-term affordability units. This amount is adjusted annually based on changes in the Consumer Price Index published by the Bureau of Labor Statistics. Currently the allowable amount for FY 17-18 is \$211,500. The average CPI over the past four (4) years is 1.43%.

Because the city has no other funding sources for the monitoring and administrative costs to maintain and preserve the Housing Authority Assets it depends on the funds in the LMIHAF to cover these expenses. Projecting the allowable program costs at an increase of 1.43% a year until 2050 requires that a total of \$9,177,845 in funds be reserved for the monitoring and preservation of long-term affordable units until 2050. Due to this funding necessity, \$9,177,845 of the balance in the LMIHAF is considered encumbered for these long-term expenses.

The Excess Surplus calculation relates to the preceding four year deposits. The aggregate the four preceding years reduced by the amount encumbered leaves a total Excess Surplus for 2017/18 of \$2,399,653.

The plan to eliminate the excess surplus is to assist an affordable housing developer to develop affordable rental units at an affordability rate that meets the requirements of Section 34176.1(a)(3)(B) as well as to pay for the maintenance and monitoring of our existing affordable housing portfolio.

XIII. INVENTORY OF HOME OWNERSHIP UNITS

This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of moneys from the Low and Moderate Income Fund per Section 33334.3 (f).

The inventory includes:

(A) The total number of units currently assisted by the former Agency – **63 units**.

Units in Inventory on 02/1/2012	Units Lost from 2/1/12 to 6/30/18	Total Current Units
78	15	63

(B) The total number of homeownership units lost to the FVHA/Housing Successor’s portfolio between February 1, 2012 and June 30, 2017 along with the reasons for those losses.

Total unit losses from February 1, 2012 to June 30, 2017 – **15 units**. Reason for the loss from the portfolio for each such unit:

Unit Address	Reason for Loss
18688 Redwood	Unit Sold
17076 La Tehama	Unit Sold
10884 La Terraza	Unit Sold
16572 Mt. Cook Circle	Unit Sold
11031 Bluebell	Unit Sold
9560 Columbus CT.	Unit Sold
9548 Columbus Ct.	Unit Sold
10050 Los Coyotes Ct	Unit Sold
17633 Los Jardines	Unit Sold
10639 La Rosa	Unit Sold
11827 Amethyst Court	Unit Sold
10353 Powderhorn Court	Unit Sold
18163 Yellowstone	Unit Sold
12042 Sylvan River	Unit Sold
17273 Los Pintos	Paid Off

Funds returned to the FVHA/Housing Successor as part of an adopted program that protects the former Agency’s investment of moneys from the Low and Moderate Income Housing Fund from February 1, 2012 to June 30, 2018, **\$418,602**.

- (C) The number of homeownership units lost to the FVHA/Housing Successor's portfolio and the reason for those losses.

Total losses in portfolio for FY 2017-18 – **0 units**.

Reason for the loss from the portfolio for each such unit:

Unit Address	Reason for Loss
N/A	N/A

Funds returned to the FVHA/Housing Successor as part of an adopted program that protects the former Agency's investment of moneys from the Low and Moderate Income Housing Fund. This includes loan repayments including principal, interest, and equity sharing payments during FY 2017-18 **\$0**

- (D) The FVHA/Housing Successor does have existing consulting agreements with AmeriNat Loan Services relating to certain, but not all, aspects of administration of the former Agency's Single Family Rehabilitation and First Time Homebuyer Program that provided second lien mortgages for homeownership units. These consulting services include oversight and assistance with amortized loan payments, tracking and calculation of loan balances in the event of payoff, and other administrative activities related to outstanding Single Family Rehabilitation and First Time Homebuyer Program loans. In addition, FVHA utilizes Celeste Brady of Stradling, Yocca, Carlson and Rauth as Special Legal Counsel to assist staff with legal issues and Kathe Head of Keyser Marston Associates for the provision of financial analysis for existing projects as well potential future projects.

Actions Needed

This report must be presented to the Housing Successor Agency governing body within six months of the end of the previous fiscal year.

This report and the former redevelopment agency's Implementation Plans are posted on the City's website at www.fountainvalley.org.