

**HOUSING SUCCESSOR ANNUAL REPORT  
REGARDING THE  
LOW AND MODERATE INCOME HOUSING ASSET FUND  
FOR FISCAL YEAR ENDED JUNE 30, 2015  
PURSUANT TO  
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)  
FOR THE  
MISSION VIEJO HOUSING AUTHORITY, AS HOUSING SUCCESSOR**

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 December 24, 2015. This Report sets forth certain details of the Mission Viejo Housing Authority, as housing successor (Housing Successor) activities during Fiscal Year Ended June 30, 2015 (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).

This Report is based upon information prepared by Housing Successor staff and information contained within the annual financial audit of the former redevelopment agency Low and Moderate Income Housing Asset Fund, now the Mission Viejo Housing Authority Special Revenue Fund included in the Comprehensive Annual Financial Report (CAFR) of the City of Mission Viejo for Fiscal Year Ended June 30, 2015 (Fiscal Year) as independently audited by Rogers, Anderson, Malody & Scott, LLP (Independent Auditor), which audit is separate from this annual 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. 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.
- II. 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.
- III. 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.
- IV. 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.

- V. 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.
- VI. 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.
- VII. 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.
- VIII. 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.
- IX. Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction (Income Test) 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.
- X. 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 January 1, 2004 to January 1, 2014.
- XI. 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.
- XII. 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 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 at

<http://cityofmissionviejo.org/DepartmentPage.aspx?id=3344>

**I. AMOUNT DEPOSITED INTO LMIHAF**

A total of 107,010 was deposited into the LMIHAF during the Fiscal Year.

**II. ENDING BALANCE OF LMIHAF**

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$6,032,980, of which \$212,214 is held for items listed on the ROPS.

**III. DESCRIPTION OF EXPENDITURES FROM LMIHAF**

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

	<b>Fiscal Year</b>
<b>Monitoring &amp; Administration Expenditures</b>	\$110,191
<b>Homeless Prevention and Rapid Rehousing Services Expenditures</b>	\$0
<b>Housing Development Expenditures</b>	
➤ Expenditures on Low Income Units	\$0
➤ Expenditures on Very-Low Income Units	\$353,690
➤ Expenditures on Extremely-Low Income Units	\$0
➤ Total Housing Development Expenditures	\$353,690
<b>Total LMIHAF Expenditures in Fiscal Year</b>	<b>\$463,881</b>

**IV. STATUTORY VALUE OF HOUSING 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 (HATS) 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.

	<b>As of End of Fiscal Year</b>
<b>Statutory Value of Real Property Owned by Housing Authority</b>	\$6,900,000
<b>Value of Loans and Grants Receivable</b>	\$5,940,608
<b>Total Value of Housing Successor Assets</b>	\$12,840,608

**V. 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.

**VI. PROJECT DESCRIPTIONS**

The following is a description of project(s) for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS as well as the status of the project(s):

<b>Project Name</b>	<b>Status of Project</b>
<b>Lennar Homes Development Subsidy</b>	<b>As of June 30, 2015, 19 of 22 units have been sold. As of the date of this report (December 24, 2015), 21 of 22 units have been sold to qualified Very Low and Low Income households at an affordable housing cost.</b>

**VII. 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.

In furtherance thereof, at the time of dissolution, February 1, 2012, the former redevelopment agency did not own any real property. During the 2014-15 fiscal year, the Mission Viejo Housing Authority (MVHA) acquired an unimproved parcel of land, approximately 8 acres in size (commonly referred to as Site C), for which the purchase price was \$6,900,000 (valuation by an independent appraisal). A down payment of \$2,600,000 was paid toward the total purchase price and a promissory note was executed by the MVHA for the balance of the purchase price for Site C. The MVHA is negotiation with a non-profit housing developer for potential development of a mixed use affordable rental housing and market ownership housing project on Site C. The affordable housing component of the proposed project would be financed in part through 4% Tax Credits and housing revenue bonds (for first lien construction and permanent financing), along with a residual receipts subordinate loan from the MVHA, and other potential subordinate funding sources. Negotiations between the MVHA and proposed non-profit developer occurred during fiscal year 2014-15 and are continuing as of the date of this report.

#### **VIII. 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 Plan is posted on the City's website in the Community Development Affordable Housing section at:

<http://cityofmissionviejo.org/DepartmentPage.aspx?id=3344>

**Inclusionary/Production Housing.** According to the 2010-2014 Implementation Plan for the former redevelopment agency, there were no outstanding inclusionary/production housing obligations prior to the date of or as of the date of dissolution of the former redevelopment agency.

The former redevelopment agency's Implementation Plans are posted on the City's website in the Community Development Affordable Housing section at:

<http://cityofmissionviejo.org/DepartmentPage.aspx?id=3344>

## **IX. EXTREMELY-LOW INCOME TEST**

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the funds in the LMIHAF are to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. The term “development” under this section is defined as: “new construction, acquisition and rehabilitation, substantial rehabilitation as defined in Section 33413, the acquisition of long-term affordability covenants on multifamily units as described in Section 33413, or the preservation of an assisted housing development that is eligible for prepayment or termination or for which within the expiration of rental restrictions is scheduled to occur within five years as those terms are defined in Section 65863.10 of the Government Code.” 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 period, which is the first of the five-year periods added by Section 34176.1.

## **X. 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.

No activity to report; neither the former redevelopment agency nor the Housing Successor provided financial assistance for development of senior housing within the past ten-year period of January 1, 2004 to January 1, 2014. Further, as to the next succeeding ten-year period of January 1, 2014 to January 2024 no such activity occurred during fiscal year 2014-15.

## **XI. 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 LMIHAF does not have an Excess Surplus.

## **XII. INVENTORY OF HOMEOWNERSHIP UNITS**

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

(A) Total number of homeowner units assisted by the former redevelopment agency: 45

(B) Total number of homeownership unit losses to the Housing Successor's portfolio between February 1, 2012 up to June 30, 2015: one unit and \$11,500

Reason for loss from portfolio of each such unit: Short sale – March 2014 not enough equity for repayment of subordinate loan

Funds returned to the MVHA as housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

Total units and repayments during the period February 1, 2012 to June 30, 2015: 10 units with a total dollar amount of repayments of \$179,700 for Single Family Rehab loans including principal, interest, and equity sharing payments.

(C) The number of homeownership unit losses to the MVHA/Housing Successor's portfolio in fiscal year 2014-2015 and the reason for those losses.

Total units and repayments during the FY 2014-15: 3 units with a total dollar amount of repayments of \$55,000 for Single Family Rehab loans including principal, interest, and equity sharing payments.

(D) The MVHA/Housing Successor does have existing consulting agreements with Keyser Marsten Associates relating to certain, but not all, aspects of administration of the former redevelopment agency's Affordable Housing Agreement with Lennar Homes of California and Single Family Rehabilitation Program. These consulting services include assistance with oversight and administration of amortized loan payments, if any, due, with tracking and calculation of loan balances in the event of payoff; and other administrative activities. In addition, MVHA legal counsel, Celeste Brady of Stradling Yocca Carlson & Rauth, assists staff in review of legal issues related to these affordable housing programs.