

**MISSION VIEJO HOUSING AUTHORITY ANNUAL REPORT
AS HOUSING AUTHORITY AND AS HOUSING SUCCESSOR
FOR FISCAL YEAR 2018-2019 UNDER CALIFORNIA
HEALTH & SAFETY CODE SECTIONS 34176.1 AND 34328**

This Annual Report of the Mission Viejo Housing Authority (Housing Authority) is prepared under California Health and Safety Code¹ Section 34176.1 as the housing successor, and Section 34328 as a housing authority (Report). In particular, Division 24 of the HSC sets forth the Dissolution Law in Parts 1.8 and 1.85 and the Housing Authorities Law in Part 2, which respectively require preparation of an annual report on the housing successor and the housing authority's activities for the prior fiscal year (FY). This Report details the Housing Authority's activities during FY 2018-2019 and is intended to satisfy the requirements under both Sections 34176.1 and 34328, including the information required about the Low and Moderate Income Housing Asset Fund (LMIHAF) and other information required under Section 34176.1(f). The complete, final CAFR (term defined below) and this Report will be provided to the City Council and Housing Authority Board, the same governing bodies, at a public meeting on December 10, 2019 in compliance with Section 34176.1(f).

This Report includes information prepared by City staff on behalf of the Housing Authority and data from the independent financial audit of the LMIHAF Financial Report for FY 2018-2019 that is a part of the City of Mission Viejo's (City) Comprehensive Annual Financial Report (CAFR) prepared by Davis Farr LLP, which audit is separate from this Report and attached as Exhibit B hereto; further, this Report conforms with and is organized into sections I. through XIV., inclusive, under Section 34176.1(f) of the Dissolution Law and Section 34328 of the HAL.

- I. **Amounts Received and Deposited Pursuant to 34191.4(b)(3)(A).** This section provides the total amount of funds paid to the City and the amount deposited into the LMIHAF allocable to 20% of the repayments on the reinstated City/Agency loan per Section 34191.4.
- II. **Amount Deposited into LMIHAF.** This section provides the total amount of funds deposited into the LMIHAF in FY 18/19 and itemized by amounts deposited in FY 18/19 for items listed on Recognized Obligation Payment Schedule (ROPS), amounts allocable to Section 34191.4 deposits, and other amounts deposited into the LMIHAF.
- III. **Ending Balance of LMIHAF.** This section provides a statement of the balance in the LMIHAF as of the close of FY 18/19. Any amounts deposited for items listed on the ROPS, and amounts allocable to Section 34191.4 deposits, must be distinguished from the other amounts deposited.
- IV. **Description of Expenditures from LMIHAF.** This section provides a description of expenditures made from the LMIHAF during FY 18/19. The expenditures are to be categorized, as and if applicable, among (A) administration for monitoring,

¹ All statutory references in this Report are to the California Health and Safety Code (HSC), unless otherwise stated.

preserving covenanted housing units, (B) homeless prevention and rapid rehousing services and (C) development of housing.

- V. **Statutory Value of Assets Owned by Housing Successor.** This section provides the statutory value of real property owned by the Housing Authority, as 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 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 development of transit priority projects, permanent supportive housing, regional homeless shelter, housing for agricultural employees or special needs housing.
- VII. **Project Descriptions.** This section describes any project for which the Housing Authority, as housing successor, receives or holds property tax revenue under the ROPS and the status of that project.
- VIII. **Status of Compliance with Section 33334.16.** As and if applicable, 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 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 information required by Section 34176.1(a)(3)(B), or a description of expenditures by income category and restriction for the applicable five-year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met. The first five-year period for reporting this information is included in this Report.
- XI. **Senior Housing Test.** This section provides the percentage of deed-restricted rental housing units 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 10-year time period.
- 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 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, (C) any funds returned to the housing successor pursuant to losses or repayments, and (D) identify contracts for the management of housing units.

XIV. Information about the housing activities of the Housing Authority under the Section 34328 of the HAL is discussed in section XIV of this Report.

This Report is to be provided to Housing Authority and its governing body, the City Council, in accordance with the Dissolution Law and the HAL. In addition, this Report will be posted and made available to the public on the City’s website at:

<http://cityofmissionviejo.org/departments/community-development/planning-division>,

and thereafter appended to the City’s annual update report prepared under Section 65400 of the Government Code.

I. LOAN REPAYMENT PER SECTION 34191.4(B)(3)(A)

There is no loan balance on the SERAF loan. The SERAF loan was paid in full in FY 2016-17.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$77,044 was deposited into the LMIHAF during FY 18/19 *not* related to Section 34191.4(B)(3)(A) or items, if any, listed on the ROPS.

III. ENDING BALANCE OF LMIHAF

At the close of FY 18/19, the ending balance of housing assets in the LMIHAF was \$5,319,226.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

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

	Fiscal Year
Monitoring & Administration Expenditures	\$42,675
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
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
Total LMIHAF Expenditures in Fiscal Year	\$42,675

V. 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 Authority, as housing successor, pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Authority, as 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 Authority, as housing successor.

	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Authority	\$6,900,000
Value of Loans and Grants Receivable	\$3,313,556
Total Value of Housing Successor Assets	\$10,213,556

VI. DESCRIPTION OF TRANSFERS

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

The Housing Authority, as housing successor, is not owed nor holds property tax revenue pursuant to the ROPS for any project during the fiscal year or at June 30, 2019.

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 Authority, as 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 Authority, as housing successor, in the LMIHAF, the Housing Authority, as housing successor, must initiate activities consistent with the development of the real property for

the purpose for which it was acquired within five (5) years of the date the DOF approved such property as a housing asset.

At the time of dissolution, February 1, 2012, the former Mission Viejo Community Development Agency (Former Agency) did not own any real property. In FY 2014/15, the Housing Authority acquired an unimproved parcel of land, approximately eight (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 from the LMIHAF toward the total purchase price and a promissory note was executed by the Housing Authority for the balance of the purchase price for Site C. No payments were made on the note during FY 2018/19. The outstanding balance of the note is \$2,125,000.

In January 2018, the Housing Authority issued a request for proposals and qualifications (RFPQ) soliciting proposals for the development of Site C. Proposals were due April 2018, and three responses were received. On February 26, 2019, the Mission Viejo Housing Authority entered into a Negotiation Agreement for Site C with Brinshore Development LLC (Brinshore). Brinshore proposed the development and operation of an intergenerational affordable housing project of approximately 108 apartment units for rental and occupancy by qualified and eligible tenants targeting a waterfall of extremely low, very low, and low income persons and households. Negotiation with Brinshore is ongoing due to issues with the financial feasibility of the project described in its proposal, thus Brinshore is preparing several additional development options and proformas that are being considered by and between representatives of both Brinshore and the Housing Authority toward development of affordable housing on Site C, including extremely low, very low, and low income units in compliance with the income targeting requirements of Section 34176.1(a)(3)(B).

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: Under the Former Agency's last Implementation Plan in effect prior to dissolution (the 2010-2014 plan), the replacement housing obligations, if any, under Section 33413(a) were transferred to the Housing Authority as housing successor; however, the Former Agency had no replacement housing obligations, outstanding or otherwise, as of dissolution on February 1, 2012.

Inclusionary/Production Housing. Under the Former Agency's last Implementation Plan in effect prior to dissolution (the 2010-2014 plan), the Former Agency's inclusionary/production housing obligations, if any, under Section 33413(b) were transferred to the Housing Authority as housing successor; however, the Former Agency had no outstanding inclusionary/production housing obligations as of dissolution on February 1, 2012. Therefore, the Housing Authority, as housing successor has no replacement or inclusionary/production housing obligations, outstanding or otherwise, and thus no inclusionary/production obligation under Section 33413(b). The Former Agency's 2010-2014 Implementation Plan is posted on the City's website at <http://cityofmissionviejo.org/departments/community-development/planning-division>.

X. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Authority, as housing successor, post-dissolution to ensure that at least 30% of the funds in the LMIHAF are 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 Authority, as housing successor, were to fail to comply with the Extremely-Low Income requirement in any five year report, then as housing successor it 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 Authority, as housing successor, demonstrates compliance with the Extremely-Low Income requirement

As discussed in Section VIII above relating to the Negotiation Agreement between the Housing Authority and Brinshore for development Site C (as the term is defined in 34176.1), the parties are continuing work toward a financially feasible affordable housing project that will include extremely low, very low, and low income units in compliance with 34176.1(a)(3)(B). The Housing Authority reports for the initial five-year reporting period of 2014-2019 \$0 from the LMIHAF on development of extremely low, very low or low income housing.

XI. SENIOR HOUSING TEST

The Housing Authority, as 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 were to exceed 50%, then as the housing successor it cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Authority, as housing successor, or the 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 Authority, as 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 has occurred through FY 2018/19.

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.

Calculation of Unencumbered Amounts:

Total Liabilities and Fund Balance June 30, 2019: \$10,364,540

Less *Unavailable* Amounts:

Loans receivable	\$ 207,711
Interest receivable	4,730
Developer loans	3,105,845
Land held for resale	<u>6,900,000</u>
	\$10,218,286

Unencumbered Low to Moderate Income Housing Asset Funds: \$146,254

Greater of:

Base Amount	\$1,000,000
Calculation of Aggregate Deposits	
FY 2018/19	\$ 77,044
FY 2017/18	211,954
FY 2016/17	1,556,545
FY 2015/16	<u>2,055,198</u>
	\$3,900,741

A total of \$3,900,741 has been deposited into the account during the previous four fiscal years while the unencumbered balance for FY 2018/19 is \$146,254. Based on these numbers, the Housing Authority, as housing successor, does not have an excess surplus.

XIII. INVENTORY OF HOMEOWNERSHIP UNITS

This section provides an inventory of homeownership units assisted by the Former Agency and that are administered by the Housing Authority, 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).

The total homeownership inventory as of dissolution on February 1, 2012 (subparagraph (A) below) and the inventory, and losses and repayments for the period February 1, 2012 through June 30, 2018 (subparagraph (B) below) include:

(A) As of dissolution on February 1, 2012, the total number of homeownership units assisted by the Former Agency and that have covenants and restrictions of record is 34 units, which includes loans and restricted single-family homes assisted by the Former Agency through its (1) Single-Family Rehabilitation Program, and (2) Lennar's The Ridge Affordable Units for Very Low and Low Income homebuyers.

(B) The total number of homeownership units lost to the Housing Authority's (including as housing successor) portfolio between February 1, 2012 up to June 30, 2018, along with the reason or reasons for those losses: There was a net increase of five (5) Affordable Units; 22 units have been added under the Lennar Owner Participation Agreement, a DOF-approved enforceable obligation and housing asset; 2 units have been lost due to the re-sale of a Lennar unit, with repayment proceeds deposited into the LMIHAF; 17 units have been lost due to repayment of loans under the rehabilitation program; and 2 units have been added under a Cooperation Agreement for Transfer of CDBG funds to implement Subrecipient Loan and Affordable Housing Agreement with Families Forward to support the acquisition and long-term operation of two single-family homes for tenancy and occupancy by qualified very low income households. The net funds returned to the Housing Authority as 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 (LMIHF), which repayment funds were sourced directly from the LMIHF were deposited into the LMIHAF: \$723,327.

(C) The number of homeownership unit losses to the Housing Authority's (as housing successor) portfolio in FY 18/19 and the reason for those losses:

- 3 units have been lost due to repayment of loans under the single-family rehabilitation program.
- The net funds returned to the Housing Authority, as housing successor, as part of an adopted program that protects the Former Agency's investment of moneys that were sourced directly from the LMIHF were deposited into the LMIHAF: \$53,200.

(D) The Housing Authority, as housing successor, does have existing consulting agreements with Keyser Marston Associates relating to certain, but not all, aspects of administration of the former redevelopment agency's Owner Participation Agreement for affordable housing with Lennar Homes of California, and implementation of homebuyer loan documents with each buyer/owner of an Affordable Unit or the 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, Housing Authority legal counsel, Celeste Brady of Stradling Yocca Carlson & Rauth, assists staff in review of legal issues related to these affordable housing programs.

**XIV. ADDITIONAL INFORMATION ABOUT THE HOUSING AUTHORITY'S ACTIVITIES
FOR THE PRECEDING YEAR FY 18/19 PER SECTION 34328**

Without repeating the information presented above in this Report, the Housing Authority:

- (1) continued to monitor and enforce the housing assets transferred from the Former Agency to the Housing Authority, as housing successor;
- (2) continued negotiations with Brinshore Development LLC toward development of an affordable housing project on Site C, including extremely low, very low and low income units at an affordable housing cost.