



Legislation Text

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SUBJECT: Housing Successor Agency Annual Report for Fiscal Year 2022-23

REPORT IN BRIEF

Annual Report summarizing Housing Successor activity for the City of Merced ("City") in Fiscal Year ("FY") 2022-23 per Senate Bill ("SB") 341 (DeSaulnier 2013-14), which requires the City to prepare an annual report on the City's compliance with housing successor requirements imposed by Health and Safety Code ("HSC") Section 34176.1(f).

RECOMMENDATION

City Council - Receive and file the Housing Successor Agency Annual Report for Fiscal Year 2022-23.

ALTERNATIVES

1. Approve as recommended by staff; or
2. Approve, subject to modifications as specified by the City Council; or,
3. Deny the report; or
4. Refer back to staff for reconsideration of specific items as requested by the City Council; or,
5. Defer action until a specified date.

AUTHORITY

Charter of the City of Merced, Section 200.

CITY COUNCIL PRIORITIES

The Annual Report is required by the State of California Health and Safety Code Section 34176.1(f). The City of Merced chose to be the Housing Successor Agency to the former Merced Redevelopment Agency following its dissolution in 2012.

DISCUSSION

Background

The City of Merced is the Housing Successor Agency ("Housing Successor") to the former Merced Redevelopment Agency ("Agency"). State law requires the City prepare an annual report on how it is meeting housing successor requirements imposed by Health and Safety Code Section 34176.1. The Fiscal Year ("FY") 2022-23 Housing Successor Agency Annual Report ("Annual Report") is being presented to City Council to receive and file. The report is due to the California Department of Housing and Community Development ("HCD") by April 1st each year and must be posted on the City's website.

The City is meeting all requirements imposed by State law. The City's progress on major requirements is summarized below.

Housing Asset Fund Activity

As of June 30, 2023, the Housing Asset Fund had a balance of approximately \$11.3 million (\$2.1 million of which is cash). The Housing Asset Fund received \$50,274 in revenues from interest earnings, investment earnings, loan repayments, and land sales. The Housing Asset Fund had \$106,861 in expenditures in FY 2022-23, which were all administrative.

Expenditure Limit Compliance

Expenditures from the Housing Asset Fund must meet specific proportionality requirements by income level and age:

- Administrative and compliance monitoring expenses have an annual cap, which was \$456,372 in FY 2022-23. Merced spent \$106,861 in this category during FY 2022-23, which is well below the limit.
- If Housing Asset Funds are spent on housing projects, they must meet specific affordability targets by income level every five years. The current five-year compliance period began on July 1, 2019, and ends on June 30, 2024. The Housing Successor is required to spend at least 30% of its affordable housing expenditures assisting rental households with incomes up to 30% AMI and at most 20% assisting households with incomes between 60-80% AMI.
- Merced has spent \$1,694,000 assisting housing development in this five-year compliance period thus far (this includes cash and land contributions). Of this amount, \$1,310,000 (77%) assisted 30% AMI rental households, \$384,009 (23%) assisted very low-income households, and \$0 (0%) assisted low income households. The City, therefore, complies with the proportionality requirements. The City will monitor future expenditures to remain in compliance with this requirement.
- If more than 50 percent of rental housing units assisted by the City or the former Agency in the prior ten years are restricted to seniors, Housing Asset Funds may not be spent on senior housing. The City and former Agency have not assisted any senior deed-restricted rental units in the prior ten years and may spend Housing Asset Funds on senior housing as long as it complies with the 50 percent limit.

The City is meeting all Housing Asset Fund requirements and will ensure compliance with future expenditures.

Excess Surplus

The Housing Asset Fund may not accumulate an "excess surplus", which is an unencumbered amount that exceeds the greater of \$1 million or the sum of deposits in the prior four fiscal years. This requirement ensures that housing successors are actively spending available Housing Asset Funds on affordable housing. The Housing Successor did not have an excess surplus as of FY 2022-

23.

Real Property Assets and Loans Receivables

As of June 30, 2023, the City owned five housing successor properties with a statutory value of \$546,191. The City was required to initiate development of affordable housing on the sites or sell them by February 25, 2023. All five sites are in the predevelopment phase as described below:

- *Linc Housing*: The City Council approved an Exclusive Negotiating Agreement with Linc Housing in January 2022 and a Disposition and Development Agreement (“DDA”) was approved in January 2024 to develop five contiguous properties into a 54-unit rental housing development. The Housing Successor shall restrict 22 units affordable to extremely low (30% AMI) to low (80% AMI) households. The remaining units shall be affordable to moderate income (120% AMI) households and one manager unit.

The Housing Asset Fund also has approximately \$8.6 million in loans receivable from first-time homebuyer loans and developer loans for multifamily rental projects. Loans are repaid either on an annual basis or when a property is sold.

Summary of Recommended Action

Receive and file the Housing Successor Agency Annual Report for Fiscal Year 2022-23.

IMPACT ON CITY RESOURCES

None.

ATTACHMENTS

1. Merced Housing Successor Agency Annual Report Fiscal Year 2022-23
2. Presentation