



## Legislation Text

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*Report Prepared by: Scott McBride, Development Services Director, Housing Division Development Services*

**SUBJECT:** Housing Successor Agency Annual Compliance Report for Fiscal Year 2018-19  
Pursuant to Health and Safety Code Section 34176.1(f)

### REPORT IN BRIEF

Annual report summarizing Housing Successor activity for the City of Merced ("City") in Fiscal Year ("FY") 2018-19 per Senate Bill ("SB") 341, 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 2018-19.

### ALTERNATIVES

1. Approve as recommended by staff; or,
2. Approve, subject to conditions 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 State of California Health and Safety Code Section 34176(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") 2018-19 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 1<sup>st</sup> each year and must be posted on the City’s website.

The FY 2018-19 report could not be finalized by April 1, 2020, due to a pending determination from the California Department of Finance (“DOF”) on a loan made from former Agency Low and Moderate Income Housing Funds (“Housing Funds”) to Merced Pacific Associates to develop a 75-unit affordable housing complex. DOF made a determination on May 15, 2020, that the former Agency was not a party to the loan. However, the Housing Successor continues to classify loan repayments as a Housing Successor asset because the loan was originally made from former Agency Housing Funds. This could change in the future based on ongoing discussions with DOF. The Annual Report discusses the loan in more detail.

With the exception of the April 1 annual report submittal deadline, the City is meeting all requirements imposed by State law. The City’s progress on major requirements is summarized below. There is no penalty for submitting the annual report late.

#### Housing Asset Fund Activity

As of June 30, 2019, the Housing Asset Fund had a balance of approximately \$10.8 million (\$1.5 million of which is cash). The Housing Successor received \$227,671 in revenues, originating from interest earnings, investment earnings, and loan repayments. The Housing Successor made \$195,103 in expenditures in FY2018-19, all of which were administrative costs.

#### 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 \$462,801 in FY 2018-19. Merced spent \$195,103 in this category during FY 2018-19, 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 first five-year compliance period was from January 1, 2014, through June 30, 2019. No Housing Asset Funds were spent on housing development projects or programs in this period; therefore, this requirement was inapplicable to Merced.
- 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 deed-restricted rental units in the prior ten years and may spend Housing Asset Funds on senior housing as long as it complied 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 at the end of FY 2018-19.

### Real Property Assets and Loans Receivables

As of June 30, 2019, the City owned ten housing successor properties with a statutory value of \$1.1 million. The properties must be developed with affordable housing or sold by February 25, 2023. The City plans on issuing a Request for Proposals (RFP) inviting developer proposals to develop the properties, either as a scattered site development or individual projects. Sites that do not receive developer interest will be sold, and the sales proceeds will be deposited into the Housing Asset Fund to apply toward other affordable housing projects.

The Housing Asset Fund also has approximately \$8.1 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.

### **IMPACT ON CITY RESOURCES**

None.

### **ATTACHMENTS**

1. Housing Successor Annual Report - Merced Housing Successor Agency Fiscal Year 2018-19