



## Legislation Text

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**SUBJECT:** Housing Successor Agency Annual Report for Fiscal Year 2021-22

### REPORT IN BRIEF

Annual Report summarizing Housing Successor activity for the City of Merced ("City") in Fiscal Year ("FY") 2021-22 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 2021-22.

### 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") 2021-22 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 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, 2022, the Housing Asset Fund had a balance of approximately \$11.9 million (\$2.2 million of which is cash). The Housing Asset Fund received \$129,987 in revenues from interest earnings, investment earnings, and loan repayments. The Housing Asset Fund had \$186,357 in expenditures in FY 2021-22, which were all administrative. Staff is actively working on negotiating agreements to develop affordable housing in Housing Successor properties as described later in this report.

### 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 \$484,620 in FY 2021-22. Merced spent \$186,357 in this category during FY 2021-22, 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 households with incomes up to 30% AMI and at most 20% assisting households with incomes between 60-80% AMI. Merced has spent \$1,200,000 assisting households with incomes up to 30% AMI in this five-year compliance period and 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 2021-22.

### Real Property Assets and Loans Receivables

As of June 30, 2022, the City owned ten housing successor properties with a statutory value of \$1.1 million. The City must initiate development of affordable housing on the sites or sell them by February 25, 2023. All ten sites are in the development or 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”) is pending to develop five contiguous properties into a 54-unit rental housing development affordable to extremely low (30% AMI) to low (80% AMI) households.
- *Fuller Center*: The City Council approved a DDA with the Fuller Center in November 2022 to develop four properties with four to five units of ownership housing affordable to very low (50% AMI) households.
- *CC 915*: The City has a DDA with CC 915 to develop 21 studio units at 23 South “R” Street, of which 20 are affordable to extremely low (30% AMI) households that are chronically homeless or experiencing homelessness. Escrow closed on the property in October 2022, and construction was underway at the time this report was prepared.

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 2021-22.

#### **IMPACT ON CITY RESOURCES**

None.

#### **ATTACHMENTS**

1. Merced Housing Successor Agency Annual Report Fiscal Year 2021-22
2. Presentation