



SENATE BILL 341 ANNUAL REPORT

FY 2015-16

Orange County Housing Authority as Housing Successor

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PURPOSE OF THIS REPORT

Orange County Housing Authority as Housing Successor

REDEVELOPMENT DISSOLUTION

The County of Orange (County) elected to designate the Orange County Housing Authority (OCHA) as the housing successor to the former Orange County Development Agency (OCDA), following the dissolution of redevelopment agencies statewide. Assembly Bill x1 26 (ABx1 26) and the subsequent Assembly Bill 1484 have defined housing asset transfers to include “all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund (LMIHF).” All former OCDA housing assets and liabilities were transferred to OCHA through the Housing Asset Transfer Form and approved by the Department of Finance (DOF) in August 2012. The State Controller also approved the transfer of housing assets in May 2015.

Additional provisions in ABx1 26 also allowed a local jurisdiction to select the local county housing authority as its housing successor, if that jurisdiction did not want to become the housing successor. As a result, the City of Seal Beach also named OCHA as its housing successor, and transferred assets and liabilities through its Housing Asset Transfer Form.

ASSET TRANSFERS TO THE HOUSING SUCCESSOR

According to California Health and Safety Code (H&SC) Section 34176(e), housing assets may include the following:

- Real property;
- Restrictions on the use of property;
- Personal property in a residence;
- Housing-related files;
- Office supplies and software programs acquired for low-and moderate-income purposes;
- Funds encumbered by an enforceable obligation;
- Loan or grant receivable funded from the former Low and Moderate Income Housing Fund (LMIHF);
- Funds derived from rents or operation of properties acquired for low-and moderate-income housing purposes;
- Rents or payments from housing tenants or operators of low-and moderate-income housing; and
- Repayment of Supplemental Educational Revenue Augmentation Fund loans.

The assets transferred to OCHA as Housing Successor were predominately funds derived from the operation of properties, loan receivables, and residual receipt payments. These loans are payable over time, and in some cases, forgivable, which will impact available cash as well as total portfolio balances over time.

PURPOSE OF THIS REPORT

REPORTING REQUIREMENTS OF HEALTH AND SAFETY CODE SECTION 34176.1

Originally put into law by Senate Bill 341 and later amended Senate Bill 107, H&SC Section 34176.1 requires that all former redevelopment agency housing assets except properties, regardless of their originating redevelopment agency, must be maintained in a separate fund, known as the Housing Asset Fund¹. In accordance with H&SC Section 34176.1(f), the following data must be reported annually for the Housing Asset Fund. Additional data for the Housing Asset Fund is reported in the County's Comprehensive Annual Financial Report, which is made available on the County's website. Please note that not all items are applicable to all housing successors.

1. The amount the city or county received in loan repayments from its former redevelopment agency.
2. Total amount deposited in the Housing Asset Fund for the Fiscal Year.
3. Statement of balance at the close of the Fiscal Year.
4. Description of expenditures for Fiscal Year broken out as follows:
 - a. Rapid rehousing for homelessness prevention (maximum of \$250,000 per year)
 - b. Administrative expenses (greater of \$200,000 or 5 percent of total outstanding receivables plus the value of land owned)
 - c. Monitoring expenses (included as an administrative expense)
 - d. All other expenditures must be reported as spent for each income group (extremely low-, very low-, and low income)
5. Fund balances
 - a. Statutory value of any real property either transferred from the former OCDA or purchased by the Housing Asset Fund. Note that a housing successor may only hold property it has purchased with Housing Asset Fund monies for five years.
 - b. Value of loans and grants receivable.
6. Descriptions of any transfers to another housing successor for a joint project.
7. Description of any project still funded through the Recognized Obligation Payment Schedule (ROPS).
8. Update on property disposition for any property owned more than 5 years or plans for property owned less than 5 years.
9. Description of any outstanding production obligations of the former OCDA that are inherited by the Housing Successor.
10. Compliance with proportionality requirements (income group targets). Compliance must be upheld on a five-year cycle.

¹ This fund is identified by the County as Fund 170.

PURPOSE OF THIS REPORT

11. Percentage of deed-restricted rental housing restricted to seniors and assisted by the entity assuming housing functions, the former OCDA, or the County within the past 10 years compared to the total number of units assisted by any of those three agencies.
12. Amount of excess surplus, and if any, the plan for eliminating it.
13. An inventory of homeownership units assisted by the former OCDA that are subject to covenants or restrictions or to an adopted program that protects the former OCDA's investment of moneys from the Low and Moderate Income Housing Fund. The inventory must include the number of units, any units lost since dissolution, any funds returned to the housing successor as a result of the program, and the name of any entity contracted to manage the units.

HOUSING SUCCESSOR ACTIVITIES

Accomplishments FY 2015-16 and Future Plans

ONGOING PROGRAMS

OCHA is a separate legal entity housed the OC Community Resources Department (OCCR) within the County of Orange. In many instances, different divisions within a department will act in conjunction with one another as services may overlap or be closely related, and that is true within OCCR. However, it is OCHA specifically that was named the Housing Successor. As the County Housing Authority, OCHA has an extensive list of program work including direct administration of Section 8 housing programs, administration of Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME), Continuum of Care (CoC) services, and a variety of other activities that build networks and resources to provide affordable housing options and end homelessness within Orange County. Where feasible and legally compliant, OCHA as Housing Successor may utilize the Housing Asset Fund to support these endeavors, particularly where it may be possible to leverage other funding sources such as HOME.

OCCR has historically leveraged funding and relationships in order to:

- Rehabilitate deteriorated units and encourage the maintenance and repair of units to prevent deterioration;
- Enhance the quality of existing residential neighborhoods by maintaining public facilities and requiring residents and landlords to maintain their properties in good condition;
- Support first-time home buyers through the Tax-Exempt Single-Family Mortgage Revenue Bond Program and Mortgage Assistance Program; and
- Support the creation of new affordable rental housing units.

OCHA as Housing Successor will continue to look for opportunities to partner funding sources and entities such that the Housing Asset Fund revenues may be used to their fullest potential to supply affordable housing opportunities within the legal parameters set by SB 341 and other applicable laws.

NOTICE OF FUNDING AVAILABILITY

In March 2016, the County released a Notice of Funding Availability (NOFA) for up to \$8 million, part of which will be funded from Housing Successor cash on hand. The NOFA targets development or substantial rehabilitation of housing units that will be restricted to individuals and families of extremely low-income, earning less than 30% of the Area Median Income (AMI). Funds are allocated competitively, and may ultimately be used to support housing in several different projects, depending upon applications received.

In addition, the Housing Successor Agency expended \$62,000 on rapid rehousing activities in FY 2015-16 from Fund 170.

HOUSING SUCCESSOR ACTIVITIES

THE RANCH

In addition to OCHA's ongoing activities in the county, OCHA as Housing Successor may focus on the development of low- and very low-income units at "the Ranch." Adopted in 2004, the Ranch Development Plan calls for the development of about 14,000 homes and millions of square feet in commercial development as part of a planned community in southern Orange County. A portion of the new units are to be developed for very low- and low-income individuals and families.

The original plan called for the dedication of 60 acres to the County to develop the units, but the loss of redevelopment funding and cuts to the federal HOME program caused the County to reevaluate options for unit production. In December 2013, the Board of Supervisors approved a program change that allows for private development of affordable units in the Ranch in Planning Areas 1 and 2 through a "Private Sector Alternative" as Amendment to the Affordable Housing Implementation Agreement. In addition, the Board approved as part of the Budget process, the allocation of \$500,000 in Housing Asset funds to complete the Program Environmental Impact Report (EIR). The Program EIR was completed in 2016. Additionally, the Board approved Addendum Two in November 2016 allowing for the option of the "Private Sector Alternative" in Planning Areas 3, 4, 5 and 8.

AFFORDABLE HOUSING STRATEGIC PLAN

The Board of Supervisors approved the Affordable Housing Strategic Plan (Plan) on November 10, 2015 which summarizes both resources and opportunities available to the County to develop new affordable housing and summarizes the demographic and development trends which will impact the shape of housing over the coming decade. OCHA/OCCR seeks to maximize the production of affordable housing over the next decade using existing County resources including Housing Successor Agency funds, as well as through leveraging a range of other housing development funding sources.

FUND BALANCE, REVENUES, AND EXPENDITURES

Financial Summary

Both OCHA, OCCR, and the former OCDA proactively sought to provide investment in affordable housing that would sustain operations to some degree. Funds have been leveraged with different partners and sources over time, and often by means of loans, which, when repaid, can then provide investment in other projects. While the 20 percent low- and moderate- income housing set aside was the single most important ongoing revenue source for affordable housing in the County, OCHA/OCDA's good investment choices have left OCHA as Housing Successor with some limited ongoing working capital. OCHA as Housing Successor now receives most operational funding through residual receipt payments and loan repayments, which can in turn be used to fund future endeavors.

DEPOSITS FOR FISCAL YEAR 2015-16

The following components make up the Housing Asset Fund deposits for the fiscal year. Please note that the largest source of revenue is loan payment.

Figure 1 - FY 2015-16 Deposits

Deposits	
Loan Payments	285,000
Recording Fee	0
Available Cash Distribution	113,000
Commingled Interest & Rebates	71,000
Realized Investment Gain	2,000
Total	\$471,000

Source: Balance Sheet Account Activity Download

Note: Standard accounting practices record loan repayments as a reduction in receivables. However, loans repayments are deposits nevertheless, and therefore included in this table for reporting pursuant to SB 341. Loan repayments include both principal and interest.

EXPENDITURES

SB 341 provides the following guidelines for expenditures.

1. Administrative costs, which include housing monitoring, are capped at the greater of \$200,000 or 5 percent of the Housing Asset Fund's outstanding loans or other receivables, plus the statutory value of any land owned. The starting balance for FY 2015-16 receivables was \$19,187,000. OCHA as Housing Successor does not own any

FUND BALANCE, REVENUES, AND EXPENDITURES

land. At a 5% cap, a maximum administrative expenditure of \$959,350 may be spent in FY 15-16.

2. A housing successor is authorized to spend up to \$250,000 per year on rapid rehousing solutions for homelessness prevention if the former RDA did not have any outstanding housing production requirements. The former OCDA had a surplus of housing production², and therefore OCHA as Housing Successor is allowed to make this expenditure if it chooses and if it has cash funding available for such expenditures. The Housing Successor Agency expended \$62,000 on rapid rehousing activities in FY 2015-16 from Fund 170.
3. Remaining allowable expenditures must be dedicated to improving rental housing options affordable to households earning 80 percent or less of the Area Median Income (AMI). This means that no funding may be spent on median-income households, as was previously authorized by redevelopment law. Of the money expended, a minimum of 30 percent must go towards households earning 30 percent or less of the AMI, and a maximum of 20 percent may go towards households earning between 60 and 80 percent of the AMI.

Note that housing successors must report expenditures by category each year, but compliance is only measured every five years. For example, a housing successor could spend all its funds in a single year on households earning between 60 and 80 percent AMI, as long as it was 20 percent or less of the total expenditures during the five-year compliance period. The first five-year compliance period will be evaluated at the end of Fiscal Year 2017-18.

² 2009 Adopted OCDA Five Year Implementation Plan

FUND BALANCE, REVENUES, AND EXPENDITURES

Figure 2 - FY 2015-16 Housing Asset Fund Expenditures (Fund 170)

Expenditure	Admin/ Monitor	Rapid Rehousing	Below 30% AMI	30-60% AMI	60-80% AMI	Other
Administrative ¹	\$505,000					
Comingled Interest	\$9,000					
Rental Assistance		\$62,000				
Total	\$514,000	\$62,000				

Sources: F-FR-15K221 F/S Data Download – Nominal, County Staff

¹ Inclusive of internal administration as well as professional services, administrative fees, taxes and assessments, and internal County charges (CWCAP). Administrative activity includes the monitoring of over 1,300 affordable housing units annually.

FUND BALANCE, REVENUES, AND EXPENDITURES

FUND BALANCE

The end of year fund balance is reflected below. In accordance with SB 341, amounts receivable dictate the amount of allowable administrative expenditures the following fiscal year. At a maximum of five percent of the amounts receivable, the administrative cap for FY 2016-17 is \$953,700.

Figure 3 - End of FY 2015-16 Fund Balance

Balance Type	Fund Amount
Cash	\$12,912,000
Net Notes Receivable	\$19,074,000
Interest Receivable	\$21,000
Due from Other County Funds	\$15,000
Due to Other County Funds	(\$155,000)
Total Fund Balance	\$31,867,000

Source: F-FR-15K111 F/S Data Download - BSA
Note: Notes receivable include principal only, and is net of the allowance for uncollectable amounts. Total collections will ultimately include interest payments for some outstanding loans.

RESTRICTED SENIOR HOUSING UNIT COMPLIANCE

Senior Units Produced

This report must include an accounting of units that were produced over the last ten years and are deed-restricted to seniors. The County, OCCR, OCHA, and the former OCDA assisted in the development of many affordable housing units including senior units with deed-restricted covenants as shown in the following table.

Development	Assisted By	Funding Source	Year Restricted	Covenanted Units
Dorado Senior Apts.	OCHA/OCDA	HOME/OCDA	2007-08	114
Cotton's Pointe	OCHA	HOME	2012-13	75
Total Units				189

A total of 189 units have been restricted for seniors in the last ten years, which is less than 50 percent of the total units restricted (1,316) for affordable housing purposes.

EXCESS SURPLUS COMPLIANCE

Excess Surplus

Excess surplus calculations were once performed by redevelopment agencies on an annual basis, and are intended to ensure that funds are expended to benefit low-income households in an expeditious manner. SB 341 re-instates this calculation for housing successors. Excess surplus is defined by H&SC Section 34176.1(d) as “an unencumbered amount in the account that exceeds the greater of one million dollars, or the aggregate amount deposited into the account during the housing successor’s preceding four fiscal years, whichever is greater.” The first meaningful calculation of this total cannot be performed until the close of Fiscal Year 2016-17, and then each year thereafter. The table as follows shows the progress in the calculation to date.

Figure 4 - Deposit Data for Excess Surplus Calculation

FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
\$12,413,000	\$413,000	\$487,000	\$472,000	First Calculation of Excess Surplus

Note: Adjustments made from prior years to be net of commingled expense with commingled interest; and unapportioned interest was removed as it is not actual cash distributed to Fund 170.

As the general purpose of the excess surplus calculation is to ensure that money is expended for low-income purposes, the best action for OCHA as Housing Successor is to strategically encumber or expend money currently on deposit. It is anticipated OCHA/OCCR will be able to facilitate this through the Notice of Funding Availability (NOFA) process or through County projects such as The Ranch.

HOUSING INVENTORY COMPLIANCE

Housing Inventory

HS&C Section 34176.1 (f) (13) requires certain information related to homeownership units assisted by the former OCDA through covenants or restrictions or adopted programs.

Seal Beach Shores consists of 48 units / homeowners. The owners of the 48 units received home improvement loans from the former OCDA, which qualifies as an adopted program under the HS&C.

There have been seven units lost to the portfolio since redevelopment dissolution on February 1, 2012. These units were sold by their owners. Because these units received home improvement loans, the loans were paid off when the properties were sold. There is no affordability covenant placed on the units. Note that one loan was forgiven in accordance with available documentation, so no funds were received.

The total amount of funds returned to OCHA is \$141,350

OCHA has not contracted with any outside entity for the management of the units.

Source: Seal Beach Housing Successor Entity Housing Asset List, Payoff Workbooks, County Staff

OTHER REPORTING REQUIREMENTS

Additional SB 341 Requirements

The remaining compliance reporting requirements of SB 341 do not apply to OCHA as Housing Successor.

REPORTING OF REDEVELOPMENT LOANS REPAYED TO THE COUNTY

None. The Successor Agency does not have any outstanding loans owed to the County.

TRANSFERS TO OTHER HOUSING SUCCESSORS

None at this time.

RECOGNIZED OBLIGATION PAYMENT SCHEDULE PROJECTS

None.

INTERESTS IN REAL PROPERTY

None. The Housing Asset Fund does not include any property at this time.

OUTSTANDING PRODUCTION REQUIREMENTS

None. The former OCDA had a surplus of unit production.