



FY 2014-2015

CITY OF NORCO'S HOUSING SUCCESSOR (SB341) ANNUAL REPORT

PURPOSE

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of November 4th, 2015. This Report sets forth certain details of the CITY OF NORCO (Housing Successor) activities during Fiscal Year 2014-2015. The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing and Finance Staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund of the CITY OF NORCO for Fiscal Year 2014-2015 as prepared by White Nielsen Diehl Evans LLP, which Audit is separate from this annual summary Report.

BACKGROUND

On December 29, 2011, the California Supreme Court delivered its decision in the California Redevelopment Association v. Matosantos case, finding Assembly Bill X1 26 (the "Dissolution Act") largely constitutional and Assembly Bill X1 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's decision means that all California redevelopment agencies, including the Norco CRA dissolved effective February 1, 2012 per Health and Safety Code Section 34172(a)(1). Upon dissolution, the Norco CRA's non-housing funds and assets was turned over to a Successor Agency (the "Successor Agency") charged with the responsibility of "winding down" the former Norco CRA. However, on January 11, 2012, pursuant to Health and Safety Code Section 34176(b)(2), the City elected not to retain the responsibility for the housing assets and functions of the former Norco CRA due to funding and program requirement uncertainties per Council adopted Resolution No. 2012-02.

Subsequent efforts to have the Housing Authority of the County of Riverside or State Department of Housing and Community Development to serve as the Successor Housing Entity were unsuccessful. Based on consultation with the Department of Finance (DOF), it was determined that it would be in the best interest of the City and its residents for the City to serve as the Housing Successor Agency by retaining all the housing assets of the former Norco Community Redevelopment Agency (Norco CRA) and continuing to perform the housing functions of the former Norco CRA subject to availability of funds.

In a letter dated February 7, 2014 (attached), the DOF responded to a City letter dated January 16, 2014 (attached) regarding the City's ability to serve as the Successor Housing Agency and be reimbursed for the cost of performing the necessary functions by stating "Specifically, if the City of Norco elects to retain the authority to perform housing functions of the former RDA, it would retain all rights, powers, duties, and assets of the former housing agency. Therefore, the City of Norco, acting as the Housing Successor Agency, could enter into contracts, dispose of housing assets, and utilize housing assets as it determines. That includes selling those assets and using those proceeds to fund administrative expenses. The DOF does not have the authority to review the actions of the Housing Successor Agencies. Furthermore, such an election by the City of Norco to serve as the Housing Successor Agency does not require approval by the DOF, or any other state agency, in order to become effective." However, it is to be noted that the City's election is subject to the approval of the Successor Agency Oversight Board.

The City Council, serving as the Successor Agency to the Norco Community Redevelopment Agency, approved the election to now serve as the Successor Housing Agency on August 20, 2014.

On September 29, 2014, the Oversight Board of the Successor Agency to the Norco Redevelopment Agency approved the City's election to serve as the Successor Housing Agency to the former Norco CRA and accept the housing assets and functions.

City of Norco's Housing Assets and Functions

According to the Dissolution Act, the Housing Successor Agency does not receive any tax increment allocation. The only source of revenue to pay program and administrative expenditures will come from cash on hand and from future collection of receivables and sales of property. The following Housing Successor Agency functions will be performed by the City subject to availability of funds:

1. First-Time Home Buyer Loan and Grant Program;
2. Emergency Grant Program;
3. Home Improvement Loan and Grant Program;
4. Infill Housing Program;
5. Utility Assistance; and
6. Other programs as appropriate.

These functions of the Housing Successor Agency will be performed by a part-time employee to contracted out to a third party.

ANALYSIS

SB341 changed the former annual reporting requirements of redevelopment agencies provided to both the State Controller and State Department of Housing and Community Development (“HCD”). The requirement to report annually to the State Controller has been eliminated. Housing successor’s are now required to provide an independent financial audit to its governing body within six months after the end of each fiscal year. City and county housing successors are additionally required to report specified housing financial and activity information as an addendum to the Annual Housing Element Progress Report submitted to HCD and post specific information on the housings successor’s website.

The following is a list of the information required to be reported for the previous fiscal year in accordance with SB 341.

- 1) The amount deposited to the Low and Moderate Income Housing Asset Fund (LMIHAF), distinguishing any amounts deposited for items listed on the Recognized Obligation Payment Schedule from other amounts deposited.
- 2) A statement of the balance in the LMIHAF as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.
- 3) A description of expenditures from the fund by category, including, but not limited to, expenditures (A) for program administration and monitoring and preserving the affordability of units with affordability covenants, (B) for homelessness prevention and rapid rehousing services, and (C) for development of affordable housing.
- 4) Statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.
- 5) Description of any transfers made.
- 6) Description of projects that receive funding through the Successor Agency’s Recognized Obligation Payment Schedule and the status of the projects.
- 7) Status of properties pursuant to a five-year disposition period.
- 8) Update on replacement housing obligations. Additionally, implementation plans of the former redevelopment agency should be posted on the housing successor’s website.
- 9) Compliance with five-year expenditure obligations
- 10) Percentage of senior deed-restricted rental housing within the previous ten years in relation to the aggregate number of units of deed-restricted rental housing.
- 11) Amount of excess surplus, if any.
 - a. Any funds returned to the housing successor as part of an adopted program that protects the former Agency’s investment of monies from the LMIHAF.
 - b. Whether the housing successor has contracted with any outside entity for the management of the units, and, if so, identity of the entity.

FISCAL YEAR 2015 STATUS REPORT

1) AMOUNT DEPOSITED INTO LOW AND MODERATE INCOME HOUSING ASSET FUND (LMIHAF)

A total of \$62,673.30 was deposited into the LMIHAF during the Fiscal Year. Of the totals funds deposited into LMIHAF, no funds were held for items listed on the ROPS.

2) ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$17,814,416.63 as follows; with one item listed on the ROPS:

Description	FY 14-15 Ending Balance
2003 Tax Allocation Bond	\$1,568,938.04
2010 RDA Tax Allocation Bond	
Cash	1,177,562.57
Cash-2003 Tab	49,297.12
2010 RDA Tax Allocation Bond	22,616.53
Accounts Receivable	
Accrued Interest Receivable	12,244.46
Wasatch Loan Receivable	
Deferred Loan Receivable	4,448,583.13
Wasatch Loan Receivable	4,665,591.87
Loan to RDA (SB844)- ERAF	2,500,000.00
Land Held for Resale	3,369,582.91
TOTAL	\$17,814,416.63

The Supplemental Educational Revenue Augmentation Fund (SERAF) loan receivable of \$2,500,000 from the LMIHAF to the former redevelopment “non-housing fund “ is included on the ROPS.

3) DESCRIPTIONS OF EXPENDITURES FROM LMIHAF

Description	FY 14-15 Actual Expenditures
Monitoring & Administration Expenditures	\$29,738.64
Homeless Prevention Expenditures	N/A
Rapid Rehousing Services Expenditures	N/A
Housing Development Expenditures	
Expenditures on Low Income Units	N/A
Expenditures on Very-Low Income Units	N/A
Expenditures on Extremely-Low Income Units	N/A
Utility Assistance Program	1,290.00
TOTAL	\$31,028.64

Monitoring and Administration Expenditures includes contractual services provided by Pacific Municipal Consultants for the implementation of housing programs.

SB 341 Legislation allows Housing Successors to former redevelopment agencies to reinstate programs on which seniors and other low or moderate income households depended. The City has re-established housing rehabilitation grants and loans, a first-time homebuyer program, and assistance with water and sewer bills.

The Utility Assistance Program program provides discounts on Sewer and Water fees for seniors (62+) of low and very-low income, and for disabled individuals.

4) STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR 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 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 Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following table provides the statutory value of assets owned by the Housing Successor.

Description	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Successor	
Acacia Property-Infill	\$75,900.00
Valley View Avenue	90,690.00
River Road Property	3,202,992.91
Total	\$3,369,582.91
Value of Loans and Grants Receivable	
Wasatch Deferred Loan Receivable	4,448,583.13
Wasatch Loan Receivable	4,665,591.87
SERAF Loan Advance	2,500,000.00
Total	\$11,614,175.00
Cash -Tax Allocation Bond Proceeds	1,591,554.57
Cash-Collection Receivables	1,226,859.69
Accrued Interest Receivable	12,244.46
Total	\$2,830,658.72
TOTAL VALUE OF HOUSING SUCCESSOR ASSETS	\$17,814,416.63

5) DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1 (c) (2) during the Fiscal Year.

6) **PROJECT DESCRIPTIONS**

The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.

7) **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 Successor on or after February 1, 2012; however, this Report presents a status update on the projects 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 Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date that DOF approved such property as a housing assets.

8) **DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413**

Replacement Housing: According to the 2009-10 through 2013-14 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor .

Inclusionary /Production Housing: According to the 2009-10 through 2013-14 Implementation Plan for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor.

The former redevelopment agency's Implementation Plan is posted on the City's website.

9) **EXTREMELY-LOW INCOME TEST**

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% less of AMI. If the Housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor 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 AMI until the Housing Successor demonstrates compliance with this requirement. This information is not required to be reported until 2019 for the 2014-2019 period. The City of Norco received the Housing Successor programs in FY14-15 and should not be required to report until 2020 for the 2015-2020 period.

10) SENIOR HOUSING TEST

This report must include an accounting of deed-restricted senior rental units that were produced over the last ten years. The Housing Successor must expend no more than 50% of the aggregate total number of senior housing units produced by the Housing Successor or City during the last ten years. Exceeding this limitation will prohibit the use of Housing Asset Funds to subsidize any senior rental units.

Description	1/1/2006- 12/31/2015
# of Assisted Senior Rental Units	86.00
# of Total Assisted Rental Units	86.00
Senior Housing Percentage	100%

11) EXCESS SURPLUS TEST

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. Generally speaking, funds should be encumbered within four years of receipt. SB 341 reinstates 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 the fifth fiscal year. Once four years of deposits have been established, at the close of the fifth year, (FY2018-2019) the Housing Successor will have to perform a true excess surplus calculation, comparing the unencumbered fund balance to the prior four years deposits. As the general purpose of the excess surplus calculation is to ensure that money is expended for low-income purposes, the best action for the Housing Successor is to use the next four years to encumber or expend money currently on deposit.