
**HOUSING SUCCESSOR AGENCY
ANNUAL REPORT
City of Orange Cove**

Fiscal Year 2020-21



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INTRODUCTION

The City of Orange Cove (“City”) is the Housing Successor Agency (“Housing Successor”) to the former Orange Cove Redevelopment Agency (“Agency”). The Housing Successor is responsible for maintaining housing assets transferred from the former Agency. Its main goal is to provide affordable housing for City residents.

This Housing Successor Agency Annual Report (“Annual Report”) contains information on Fiscal Year (“FY”) 2020-21 finances and activities as required by Health and Safety Code (“HSC”) Section 34176.1(f).

The Annual Report is due to the California Department of Housing and Community Development (“HCD”) by April 1 annually, and must be accompanied by an independent financial audit. The City’s audited financial statements will be posted on the City’s website when available. This report is an addendum to the Housing Element Annual Report required by Government Code 65400, which is submitted to HCD by April 1 annually.

HOUSING SUCCESSOR REQUIREMENTS

Senate Bill (“SB”) 341¹ and subsequent legislation enacted several requirements for housing successor agencies. Housing successors must comply with three major requirements pursuant to HSC Section 34176.1:

1. Expenditures and housing production are subject to income and age targets.
2. Housing successors may not accumulate an “excess surplus,” or a high balance based on certain thresholds.
3. Properties must be developed with affordable housing or sold within five to ten years of the California Department of Finance approving the Housing Asset Transfer Form (“HAT”).

The requirements are designed to ensure that housing successors are actively utilizing former Agency housing assets to produce affordable housing. Appendix 1 provides a detailed summary of the reporting requirements that are addressed in this Annual Report.

¹ 2013-14 legislative session

ASSETS TRANSFERRED TO HOUSING SUCCESSOR

The City prepared a HAT in 2012 that provided an inventory of all assets transferred from the Agency to the City following the dissolution of redevelopment. The inventory included three loans receivable. All items on the HAT (attached as Appendix 2) were approved by the California Department of Finance on August 22, 2012.

HOUSING ASSET FUND ACTIVITY

Former Agency assets, and the revenues generated by those assets, are maintained in a Low and Moderate Income Housing Asset Fund (“Housing Asset Fund”).² Housing Asset Funds may be spent on:

- **Administrative costs** up to \$200,000 per year adjusted for inflation, or 5% of the statutory value of real property owned by the Housing Successor and the value of loans and grants receivable from the HAT (“Portfolio”), whichever is greater. The FY 2020-21 limit for the Housing Successor was \$223,400, which is the \$200,000 limit adjusted for inflation by HCD.
- **Homeless prevention and rapid rehousing services** up to \$250,000 per year if the former Agency did not have any outstanding housing inclusionary or replacement housing production requirements. The Housing Successor qualifies because the former Agency had a surplus of affordable housing production units upon dissolution.
- **Affordable housing development** assisting households up to 80 percent of the Area Median Income (“AMI”), subject to specific income and age targets.

Five-Year Income Proportionality: If any Housing Asset Funds are spent on affordable housing development, it triggers a requirement to spend at least 30 percent of such expenses assisting extremely low income households (30% AMI) and no more than 20 percent on low income households (between 60-80% AMI) per five-year compliance period. The first five-year compliance period was January 1, 2014 through June 30, 2019, and the housing successor met all requirements. The second five-year compliance period is July 1, 2019 to June 30, 2024.

² The Housing Asset Fund replaced the former Agency’s Low and Moderate Income Housing Fund.

Note that housing successors must report expenditures by category each year, but compliance with income proportionality limits is measured every five years. For example, a housing successor could spend all its funds in a single year on households earning between 60-80% AMI, as long as it was 20 percent or less of the total expenditures during the five-year compliance period.

Ten-Year Age Proportionality: If more than 50% of the total aggregate number of rental units produced by the City, Housing Successor, or former Agency during the past 10 years are restricted to seniors, the Housing Successor may not spend more Housing Asset Funds on senior rental housing.

Appendix 3 describes Housing Asset Fund expenditure requirements in more detail, including the types of costs eligible in each category.

EXPENDITURE LIMIT COMPLIANCE

The Housing Successor complied with all Housing Asset Fund spending restrictions in FY 2020-21.³ Housing Asset Fund expenditures totaled \$0 in FY 2020-21 due to no administrative or project-related activity.

The Housing Successor will ensure it continues to meet all expenditure requirements going forward, including the current five-year compliance period of July 1, 2019 through June 30, 2024. Failure to comply with the extremely low income requirement in any five-year compliance period will result in the Housing Successor having to ensure that 50 percent of remaining funds be spent on extremely low income rental units until in compliance. Exceeding the expenditure limit for low households earning between 60-80% AMI in any five-year reporting period will result in the Housing Successor not being able to expend any funds on these income categories until in compliance.

SENIOR HOUSING LIMIT COMPLIANCE

This report must include an accounting of deed-restricted senior rental units that were produced over the last ten years. The City may use Housing Asset Funds to assist no more than 50% of the aggregate total number of senior housing units produced by either the City or former Agency during the past ten years.

³ The Housing Asset Fund figures in this Annual Report are based on unaudited numbers that were available at the time this report was prepared. They might vary slightly from audited numbers once the Housing Successor's annual audit is complete.

Exceeding this limitation will prohibit the use of Housing Asset Funds to subsidize any senior rental units in the future.

The City and former Agency have not assisted any senior rental units in the last ten years.

DEPOSITS AND FUND BALANCE

The Housing Successor deposited \$132 in revenue from interest to the Housing Asset Fund during FY 2020-21.

The Housing Asset Fund balance as of June 30, 2021 was \$524,513. No amounts are held for enforceable obligations on the non-housing redevelopment successor agency's ROPS.

EXCESS SURPLUS

The Housing Asset Fund may not accumulate an “excess surplus”, or 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 Asset Fund did not have an excess surplus as of FY 2020-21 because its beginning FY 2020-21 cash balance of \$71,555 was less than \$1 million, as shown in Table 1.

Table 1 Excess Surplus	
Step 1: Determine Unencumbered Cash Balance From Financials	
FY 20-21 Beginning Cash Balance	\$ 71,555
Less: Encumbered Funds	\$ -
Unencumbered Amount	\$ 71,555
Step 2: Determine Greater of \$1M or Last 4 Deposits	
\$1 Million, or	\$ 1,000,000
Last 4 years' deposits	<u>\$ 327</u>
2019-20	\$ -
2018-19	\$ 258
2017-18	\$ 11
2016-17	\$ 58
Result: Larger Number	\$ 1,000,000
Step 3: Excess Surplus is Amount Step 1 Exceeds Step 2, if Any	
(1) Unencumbered Amount	\$ 71,555
(2) Less: Larger Number From Step 2	\$ 1,000,000
Excess Surplus	None
<i>Source: City of Orange Cove</i>	

The Housing Successor will continue monitoring its deposits and fund balance to avoid an excess surplus. If the Housing Asset Fund has an excess surplus in the future, the excess surplus must be expended or encumbered within three fiscal years. If a housing successor fails to comply, it must transfer any excess surplus to HCD within 90 days of the end of the third fiscal year.

TRANSFERS TO OTHER HOUSING SUCCESSORS

There were no transfers to another housing successor entity for a joint project pursuant to HSC Section 34176.1.

HOUSING SUCCESSOR PORTFOLIO

The City must report the statutory value of real properties formerly owned by the Agency or purchased by the City with Housing Asset Funds, and the value of loans and/or grant receivables transferred on the HAT. The City inherited no real properties and three loan agreements from the former Agency. The HAT in Appendix 2 shows more detailed information about each loan receivable.

LOANS RECEIVABLE

Since the Housing Asset Transfer form was adopted, two loans issued with an outstanding balance of \$81,542 were paid off. The loans were payable in full on December 30, 2012. One outstanding loan receivable remains, which is \$275,000 loan issued to Citrus Gardens LP. The loan is payable from residual receipts, or funds remaining after considering specific revenues and expenditures. No loan repayments were made in FY 2020-21.

PROPERTY DISPOSITION STATUS

HSC Code Section 34176(e) requires that all real properties acquired by the Agency prior to February 1, 2012 and transferred to the City be developed pursuant to the requirements detailed in HSC Section 33334.16. No properties were transferred to the City as the housing successor, therefore this requirement does not apply to Orange Cove.

HOMEOWNERSHIP UNIT INVENTORY

This report must include an inventory of homeownership units assisted by the former Agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency's investment of moneys from the former Agency's Low and Moderate Income Housing Funds. There are no homeownership units subject to this provision.

APPENDIX 1 - HOUSING SUCCESSOR ANNUAL REPORT REQUIREMENTS

Housing Successor Reporting Requirements <i>Health and Safety Code Section 34176.1(f)</i>		
Housing Asset Fund Revenues & Expenditures	Other Assets and Active Projects	Obligations & Proportionality
Total amount deposited in the Housing Asset Fund for the fiscal year Amount of deposits funded by a Recognized Obligation Payment Schedule (“ROPS”)	Description of any project(s) funded through the ROPS	Description of any outstanding production obligations of the former Agency that were inherited by the Housing Successor
Statement of balance at the close of the fiscal year	Update on property disposition efforts (note that housing successors may only hold property for up to five years, unless it is already developed with affordable housing)	Compliance with proportionality requirements (income group targets), which must be upheld on a five-year cycle
Description of Expenditures for the fiscal year, broken out as follows: <ul style="list-style-type: none"> • Homeless prevention and rapid rehousing • Administrative and monitoring • Housing development expenses by income level assisted 	Other “portfolio” balances, including: <ul style="list-style-type: none"> • Statutory value of any real property either transferred from the former Agency or purchased by the Housing Asset Fund • Value of loans and grants receivable 	Percentage of deed-restricted rental housing restricted to seniors and assisted by the former Agency, the Housing Successor, or the City within the past ten years compared to the total number of units assisted by any of those three agencies
Description of any transfers to another housing successor for a joint project	Inventory of homeownership units assisted by the former Agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of monies from the Low and Moderate Income Housing Fund	Amount of any excess surplus, and, if any, the plan for eliminating it

APPENDIX 2 – HOUSING ASSET TRANSFER FORM

The Housing Asset Transfer Form is attached as a separate document.

**DEPARTMENT OF FINANCE
HOUSING ASSETS LIST
ASSEMBLY BILL X1 26 AND ASSEMBLY BILL 1484
(Health and Safety Code Section 34176)**

Former Redevelopment Agency: Redevelopment Agency of the City of Orange Cove

Successor Agency to the Former Redevelopment Agency: City of Orange Cove

Entity Assuming the Housing Functions of the former Redevelopment Agency: City of Orange Cove

Entity Assuming the Housing Functions Contact Name: Manuel Sandoval Title Finance Director Phone (559) 626-4488 x216 E-Mail Address manuel@cityoforangecove.com

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All assets transferred to the entity assuming the housing functions between February 1, 2012 and the date the exhibits were created are included in this housing assets list. The following Exhibits noted with an X in the box are included as part of this inventory of housing assets:

Exhibit A - Real Property	
Exhibit B- Personal Property	
Exhibit C - Low-Mod Encumbrances	
Exhibit D - Loans/Grants Receivables	X
Exhibit E - Rents/Operations	
Exhibit F- Rents	
Exhibit G - Deferrals	

Prepared By: Suzy Kim, RSG Inc., (714) 316-2116

Date Prepared: 30-Jul-12

APPENDIX 3 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS

Housing Asset Fund Expenditure Requirements <i>Health and Safety Code Section 34176.1</i>		
Expense Category	Limits	Allowable Uses
Administration and Compliance Monitoring	\$223,400 maximum for FY 2020-21 (limit varies each year)	<p>Administrative activities such as:</p> <ul style="list-style-type: none"> Professional services (consultant fees, auditor fees, etc.) Staff salaries, benefits, and overhead for time spent on Housing Successor administration Compliance monitoring to ensure compliance with affordable housing and loan agreements Property maintenance at Housing Successor-owned properties <p>Capped at \$200,000 adjusted annually for inflation or 5% of the statutory value of real property owned by the housing successor and the value of loans and grants receivable from the HAT (“Portfolio”), whichever is greater.</p>
Homeless Prevention and Rapid Rehousing Solutions	\$250,000 maximum per fiscal year	<p>Services for individuals and families who are homeless or would be homeless but for this assistance, including:</p> <ul style="list-style-type: none"> Contributions toward the construction of local or regional homeless shelters Housing relocation and stabilization services including housing search, mediation, or outreach to property owners Short-term or medium-term rental assistance Security or utility deposits Utility payments Moving cost assistance Credit repair Case management Other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless.
Affordable Housing Development	No spending limit, but must comply with income and age targets	<p>“Development” includes:</p> <ul style="list-style-type: none"> New construction Acquisition and rehabilitation Substantial rehabilitation Acquisition of long-term affordability covenants on multifamily units Preservation of at-risk units whose affordable rent restrictions would otherwise expire over the next five years

Housing Asset Fund Expenditure Requirements
Health and Safety Code Section 34176.1

Expense Category	Limits	Allowable Uses
	<i>Income Targets</i>	<p>Every five years (currently FYE 2020-2024), Housing Asset Funds must meet income targets:</p> <ul style="list-style-type: none"> • At least 30% on extremely low income rental households (up to 30% AMI or “Area Median Income”) • No more than 20% on low income households (60-80% AMI) <p>Moderate and above moderate income households may not be assisted (above 80% AMI).</p> <p>Failure to comply with the extremely low income requirement in any five-year compliance period will result in having to ensure that 50 percent of remaining funds be spent on extremely low income rental units until in compliance.</p> <p>Exceeding the expenditure limit for low households earning between 60-80% AMI in any five-year reporting period will result in not being able to expend any funds on these income categories until in compliance.</p>
	<i>Age Targets</i>	<p>For the prior ten years (resets every year), a maximum of 50% of deed-restricted rental housing units assisted by the Housing Successor or its host jurisdiction may be restricted to seniors.</p> <p>If a housing successor fails to comply, Housing Asset Funds may not be spent on deed-restricted rental housing restricted to seniors until in compliance.</p>