



SUCCESSOR AGENCY TO RDA STAFF REPORT

MEETING DATE: April 22, 2024

ITEM TITLE: Accept and Authorize the Filing of the Housing Successor Agency Annual Report for Fiscal Year 2022-23.

RECOMMENDATION:

Staff recommends that the City Council accept and authorize the filing of the Housing Successor Agency Annual Report for Fiscal Year (FY) 2022-23.

FISCAL IMPLICATIONS:

None for this action.

BACKGROUND:

The City of San Carlos is the Housing Successor Agency to the former San Carlos Redevelopment Agency ("Redevelopment Agency"), which was dissolved on February 1, 2012. Each housing successor agency is required to prepare an annual report on how it is meeting requirements imposed by Health and Safety Code Section 34176.1.

The annual report is required to contain the following: (1) a summary of housing successor duties; (2) the balance of the Low and Moderate Income Housing Asset Fund ("Housing Asset Fund"); (3) an inventory of properties held in the Housing Asset Fund; and (4) reports on the City's performance thus far in meeting the income and age proportionality requirements of Health and Safety Code Section 34176.1.

ANALYSIS:

The City is meeting all requirements imposed by Health and Safety Code Section 34176.1. The City's progress on major requirements is summarized below.

Housing Asset Fund Activity

As of June 30, 2023, the Housing Asset Fund had a fund balance of approximately \$8.7 million, of which \$13,588 is cash. The remaining fund balance is comprised of notes receivable, land value, and bond proceeds.

The Housing Successor received \$53,130 in revenues in FY 2022-23 comprised of deposits of investment income, interest income, and rents.

The City spent \$130,731 in Housing Asset Funds on administrative expenses in FY 2022-23, which included professional services, property tax, property management fees, and building

maintenance.

No funds were spent on rapid rehousing in FY 2022-23.

In FY 2022-23, the Housing Successor spent \$2,990,000 in construction loan funds for the construction of extremely low-income and very low-income units in the 817 Walnut project. The total amount spent from Housing Asset Funds on the 817 Walnut project in the five-year compliance period from July 1, 2019 through June 30, 2024 is \$7,034,814. Of this amount, \$4,221,322, or 60%, is attributed to the construction of extremely low-income rental units. The balance of \$2,813,492, or 40%, is attributed to the construction of very low-income units.

Real Property Assets and Loans Receivables

The City, as housing successor, owns four properties that had a book value of \$13,745,962 as of June 30, 2023. The 633 Elm Street Unit #305 was transferred from the former Agency, while two properties, 633 Elm Street Unit #405 and 1001 Laurel Street Unit #207, are Below Market Rate units purchased by the Housing Successor in FY 2016-17 and FY 2017-18.

In FY 2019-20, the City entered into a disposition, development, and loan agreement (DDLA) with a developer to ground lease the 817 Walnut property to allow for new affordable development. The City loaned an additional \$3.3 million to the developer in FY 2022-23, and accrued interest was 248,743. This increased the loans receivable held by the City to a total of \$9,679,114.

Expenditure Proportionality Requirements

Expenditures from the Housing Asset Fund must meet specific proportionality requirements by income level and age. The City is meeting all requirements as detailed below:

- Administrative and monitoring expenses are capped at \$200,000, adjusted annually for inflation based on the Consumer Price Index or 5% of the statutory value of real property and loans and grants receivable ("Portfolio"), whichever is greater.
 - According to California Department of Housing and Community Development ("HCD"), the FY 2022-23 limit adjusted for inflation is \$254,500. The Housing successor also has a portfolio value of \$23,425,077, 5% of which is \$1,171,254. This greater value is the Housing Successor's FY 2022-23 annual limit for administrative expenditures, which is well above the annual expenditures of \$130,731.
- Up to \$250,000 may be spent annually on rapid rehousing solutions for homelessness. The Housing Successor did not spend any funds on this category in FY 2022-23.
- If Housing Asset Funds are spent on housing projects and programs, within each five-year compliance period:
 - At least 30% must be spent on extremely low-income households (earning up to 30% of the Area Median Income);
 - No more than 20% may be spent on low-income households (earning 60-80% of the Area Median Income); and
 - No monies may be spent on moderate or above moderate-income households (earning more than 80% of the Area Median Income).
- In FY 2022-23, the Housing Successor spent \$2,990,000 in construction loan funds for the construction of extremely low-income and very low-income units in the 817 Walnut project. The total amount spent from Housing Asset Funds on the 817 Walnut project in the five-year compliance period from July 1, 2019 through June 30, 2024 is \$7,034,814.

Of this amount, \$4,221,322, or 60%, is attributed to the construction of extremely low-income rental units. The balance of \$2,813,492, or 40%, is attributed to the construction of very low-income units. All development-related expenditures in the first five-year compliance period were spent on the construction of extremely low-income and very low-income rental units. Therefore, the five-year compliance period income targets were met.

- No more than 50% of rental housing units assisted by the City or the former Redevelopment Agency in the prior 10 years may be restricted to seniors. None of the extremely low-income or very low-income units assisted by the Housing Successor at 817 Walnut are restricted to seniors.

Excess Surplus

The Housing Asset Fund is subject to excess surplus requirements, which are designed to ensure that Housing Asset Funds are being spent and not underutilized. Excess surplus is defined 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.” San Carlos had no excess surplus for FY 2022-23. Under the terms of a DDLA executed in FY 2018-19 for the 817 Walnut project, the City committed \$7.3 million to assist with constructing extremely low-income and very low-income rental units, with the majority of the funding coming from the Housing Successor. Approximately \$4 million was expended in FY 2019-20, \$21,100 was expended in FY 2021-22, and \$3 million was expended in FY 2022-23.

If the City has an excess surplus in the future, it must be spent or encumbered within three fiscal years. If the City fails to comply, the City would need to transfer any remaining excess surplus to HCD within 90 days after the end of the third fiscal year.

Conclusion

The City is meeting all requirements imposed by Senate Bill 341 and related legislation. It will continue to maintain assets transferred from the former Redevelopment Agency as required by law.

ALTERNATIVES:

The alternatives available to the City Council include:

1. Receive and authorize the filing of the Housing Successor Agency Report for FY 2022-23; or
2. Do not receive and authorize the filing of the Housing Successor Agency Report for FY 2022-23; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Al Savay, Community Development Director

Approved for submission by:

A handwritten signature in black ink, appearing to be 'J. Maltbie', written over a horizontal line.

Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Housing Successor Agency Annual Report for Fiscal Year 2022-23