# SENATE BILL 341
# ANNUAL REPORT

## Camarillo Housing Successor
## Report for Fiscal Year 2014-15

RSG
BETTER COMMUNITIES. BOLDER FUTURES.

ROSENOW SPEVACEK GROUP INC.
309 WEST 4TH STREET
SANTA ANA, CALIFORNIA
92701-4502

T 714 541 4585
F 714 541 1175
E INFO@WEBRSG.COM
WEBRSG.COM

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## INTRODUCTION

The dissolution of California redevelopment agencies in 2012 resulted in a dramatic change to property tax finance. It eliminated the major source of local publicly generated dollars earmarked for affordable housing. Successor housing entities have been left in a challenging position – the need for affordable housing is greater than ever, yet a key funding source no longer exists.

On January 11, 2012, the City of Camarillo ("City") elected to become the Successor Housing Entity ("Successor") to the former Camarillo Community Development Commission's ("CDC") and assumed its housing functions. The majority of the Successor's assets were transferred from the former CDC, when it dissolved pursuant to the Dissolution Act (enacted by Assembly Bills x1 26 and 1484). 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" were transferred from the former CDC to the Successor. Although, the Successor inherited the CDC's housing assets and functions, it does not have an ongoing financing mechanism to maintain them. The former CDC primarily funded projects with redevelopment tax increment, which was abolished with the dissolution of redevelopment.

The CDC prepared a Housing Asset Transfer Form, which provided an inventory of all assets received in the mandatory transfers of assets following the dissolution of redevelopment. All items on the Housing Asset Transfer Form were approved by the California Department of Finance ("DOF") on August 27, 2012.

## REPORTING REQUIREMENTS OF SENATE BILL 341

On January 1, 2014, Senate Bill 341 ("SB 341") became effective and amended certain sections of the Health & Safety Code ("HSC") that pertain largely to entities that accepted the housing assets and liabilities of former redevelopment agencies. SB 341 clarified that all former redevelopment agency housing assets, regardless of their originating redevelopment agency, must be maintained in a separate fund called the Low and Moderate Income Housing Asset Fund ("Housing Asset Fund"). SB 341 outlined a series of reporting requirements that must be adhered to in annual reports. The annual report is due to HCD by December 31st each year and must be accompanied by an independent financial audit.

In accordance with HSC Section 34176.1(f), certain data must now be reported annually for the Housing Asset Fund. These requirements are detailed in Figure 1 on the following page.

**Figure 1. SB 341 Reporting Requirements**

| LMIHAF Revenues & Expenditures | Other Assets and Active Projects | Obligations & Proportionality |
|---|---|---|
| Total amount deposited in the Housing Asset Fund for the fiscal year | Description of any project(s) still funded through the Recognized Obligation Payment Schedule ("ROPS") | Description of any outstanding production obligations of the former Agency that are inherited by the Successor |
| Statement of balance at the close of the fiscal year | Update on property disposition for any property owned more than five years or plans for property owned less than five years | 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:<br>• Rapid rehousing for homelessness prevention (up to $250,000 per year);<br>• Administrative expenses (greater of $200,000 or 5% of "portfolio" per year);<br>• Monitoring expenses (included as an administrative expense);<br>• All other expenditures must be reported as spent for each income group (extremely low-, very low-, and low-income) | Other "portfolio" balances, including:<br>• Statutory value of any real property either transferred from the former CDC or purchased by the Housing Asset Fund (note that the Successor may only hold property for five years);<br>• Value of loans and grants receivable | Percentage of deed-restricted rental housing restricted to seniors and assisted by the entity assuming housing functions, the former CDC, or the County 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 Successor that are subject to covenants or restrictions or to an adopted program that protects the former CDC'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 |

## ASSETS TRANSFERED TO THE HOUSING SUCCESSOR

According to HSC 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 receivables 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 from the CDC to the Successor included real properties, affordable housing covenants, and loan receivables.

## EXPENDITURE REQUIREMENTS OF SENATE BILL 341

In the months following redevelopment dissolution, the California legislature passed a number of legislative bills, including SB 341 to clarify issues concerning the activities and assets of former redevelopment agencies. SB 341 reinstated a number of affordable housing requirements formerly completed by redevelopment agencies. Specifically, SB 341 directs expenditures from the Successor's Housing Asset Fund as follows:

- **Administrative Expenditures:** Administrative expenditures, which include housing monitoring, are capped at either $200,000 or 5% of the Housing Asset Fund's annual portfolio, whichever is greater. The portfolio includes cash, outstanding loans or other receivables, and the statutory value of any real property owned by the Successor.

- **Homelessness Prevention:** A housing successor is authorized to spend up to $250,000 each year on rapid rehousing solutions for homelessness prevention if all obligations pursuant to HSC Sections 33413 and 33418 have been fulfilled.

- **Income Proportionality Limits:** Remaining allowable expenditures must be spent to expand housing options for low-income households, defined as households earning 80% or less of the area median income ("AMI"). At least 30% of expenditures must be allocated to extremely-low rental households, or those households earning 30% or less of the AMI. A maximum of 20% may go towards households earning between 60% and 80% of the AMI. No funding may be spent on moderate-income households, defined as households earning 81 to 120% of the AMI.

Although housing successors must report expenditures by category each year, compliance with income proportionality limits is reported at the end of each five-year compliance period. The first five-year compliance period began in Fiscal Year 2013-2014 and will end in Fiscal Year 2018-2019. For example, a housing successor could spend any amount of its funds during Fiscal Year 2013-2014 on households earning between 60% and 80% AMI, as long as this amount is 20% or less of the total expenditures by the end of Fiscal Year 2018-2019.

## LOW AND MODERATE INCOME HOUSING ASSET FUND

The Housing Asset Fund contains all of the assets that were transferred from the CDC to the Successor via the Housing Asset Transfer Form. This included:

- Two real properties,
- Three affordability covenants, and
- One loan receivable.

All items on the Housing Asset Transfer Form were approved by DOF on August 27, 2012.

### HOUSING ASSET FUND DEPOSITS

SB 341 requires housing successors to annually report the amount of funds that were deposited into the Housing Asset Fund during the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule ("ROPS").

No deposits were made by the Successor during Fiscal Year 2014-2015.

### HOUSING ASSET FUND ENDING BALANCE

SB 341 requires housing successors to submit a statement showing the Housing Asset Fund's ending balance at the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule.

**Table 1. Housing Asset Fund Balance as of June 30, 2015**
**Camarillo Housing Successor**

| Description | Amount |
|---|---|
| Cash | $0 |
| Notes / KDC Park Glenn Sr. | $275,000 |
| Fund Balance, Reserved / Land Held for Re-Sale | $1,725,957 |
| **Total** | **$2,000,957** |

*Source: City of Camarillo General Ledger*

The fund balance as of June 30, 2015 was $2,000,957. No deposits related to the Recognized Obligation Payment Schedule were made by the Successor in Fiscal Year 2014-2015.

## OTHER ASSET BALANCES

SB 341 requires housing successors to report on the statutory value of real properties formerly owned by the former redevelopment agency, and loans and grant receivables listed on the Housing Asset Transfer Form. The statutory values of real property, loans and grants receivable belonging to the Successor on June 30, 2015 are shown in Table 2.

The Successor received two real properties that had a total statutory value of $1,725,957. The two properties, consisting of three parcels located on Ventura Boulevard between Cedar Drive and Oak Street, will feature a mixed-use development with affordable rental units. The City is currently in an exclusive negotiation agreement with Mr. Ernie T. Mansi, CEO of Aldersgate Investment, LLC regarding the development of the Cedar Oak project. In addition, the Successor received a loan agreement with a statutory value of $275,000 as of June 30, 2015. The loan was issued to KDF Communities to develop affordable housing.

**Table 2. Fiscal Year 2014-2015 Real Properties and Loan/Grant Receivables**
**Camarillo Housing Successor**

| Real Properties | Statutory Value |
|---|---|
| Land: 162-0-107-010 | $706,954 |
| Land: 162-0-135-050/060 | $1,019,003 |
| Affordability Covenant: VCR 20060707-0144674 | $0 |
| Affordability Covenant: VCR 20131215-0463017 | $0 |
| Affordability Covenant: VCR 99-111695 | $0 |
| Subtotal | $1,725,957 |

| Loans and Grants Receivables | Statutory Value |
|---|---|
| Loan: 6/1/1999 | $275,000 |
| Subtotal | $275,000 |
| **Total** | **$2,000,957** |

## HOUSING ASSET EXPENDITURES

SB 341 requires housing successors to provide a description of expenditures from the Housing Asset Fund by category, including expenditures for (A) monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor, (B) administering such activities, (C) homeless prevention and rapid rehousing services and (D) the development of affordable housing units for various income groups.

The Successor had no expenditures in Fiscal Year 2014-2015.

## MONEY TRANSFERS BETWEEN HOUSING SUCCESSORS

SB 341 requires that when two or more contiguous housing successors enter into a joint venture to provide (A) a description of any transfers made in the previous fiscal year and in earlier fiscal years and (B) a description of and status update on any project for which transferred funds have been or will be expended.

The Successor has not entered into a joint venture with another housing successor. Therefore, is in compliance with this legal requirement.

## PROPERTY AND PROJECT DESCRIPTIONS

At the time of dissolution, the CDC transferred two real estate properties, consisting of three parcels, to the Successor. These properties are known collectively as the Cedar/Oak Mixed Use Project. In addition to the properties, three affordability covenants were also assumed by the Successor.

## PROPERTY TAX REVENUE RECEIVED

SB 341 requires housing successors to provide a description of any project for which the housing successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

The Successor did not receive or hold property tax revenue pursuant to the ROPS during Fiscal Year 2014-2015.

## STATUS UPDATES ON DISPOSITIONS AND DEVELOPMENTS

SB 341 requires that all real properties acquired by the CDC prior to February 1, 2012 and transferred to the Successor developed pursuant to the requirements detailed in HSC Section 33334.16. Thus, all property that falls within in these parameters must be developed for affordable housing purposes within 5 years from the date DOF approved the Housing Asset Transfer Form or by August 27, 2017. In addition, housing successors are to provide a status update on any projects for real property acquired on or after February 1, 2012.

**Cedar/Oak Mixed Use Project**

On July 20, 2012, the Successor Agency submitted a Housing Asset Transfer form to transfer two real estate properties to the Successor. The Successor inherited these properties to construct the Cedar/Oak Mixed Use Project. The Department of Finance approved of this transfer on August 27, 2012. The City retained Mainstreet Architects + Planners, Inc. to develop concepts and plans for the Cedar/Oak Project. The mixed-use development concept chosen by the City and the Citizens Advisory Committee (CAC) includes space for residential, retail, and restaurant uses. The development concept provides for a total of 22 studio, one-, and two-bedroom rental apartments ranging in size from 500 to 1,050 square feet.

The residential units will be subject to a recorded affordable housing agreement that will restrict rents and limit occupancy to income-eligible tenants for a period of at least 55 years. All units in the project will be rented at affordable rents.

The commercial component, encompassing approximately 5,000 to 6,000 square feet, includes three retail spaces and one restaurant space ranging in size from 1,000 to 2,000 square feet. The City has approved the conditional use permit for both the mixed use concept and for a building height greater than two-stories.

On November 19, 2015, the City entered into an exclusive negotiation agreement with Mr. Ernie T. Mansi, CEO of Aldersgate Investment ("Developer"), regarding the development of the Cedar/Oak Project. The City anticipates the Developer will enter into a Disposition and Development Agreement and Purchase Agreement with the City to acquire the property during the first half of 2016.

## OUTSTANDING OBLIGATIONS

SB 341 requires housing successors to describe (A) any outstanding obligations that were supposed to be transfer to the housing successor at the time of dissolution, (B) the housing successor's progress in meeting those obligations, and (C) the housing successor's plans to meet unmet obligations.

The Successor did not have any outstanding inclusionary or replacement housing obligations at the time of dissolution.

## PROPORTIONALITY REQUIREMENTS FOR INCOME GROUPS

SB 341 limits Housing Asset Fund expenditures to lower income households earning 80% or less of the AMI. At least 30% of funds must be spent on rental housing for households earning 30% or less of the AMI and not more than 20% of the expenditures can be spent on households earning between 60% and 80% of the AMI. Failure to comply with the extremely low income requirement in any 5-year reporting period will result in the Successor having to allocate 50% of its remaining funds to extremely low income rental units until its expenditures comply with proportionality limits. If, at the end of any 5-year period, the Successor exceeds its spending limit for households earning between 60% and 80% of the AMI, it will not be able to spend additional funds on these income groups until its expenditures comply with proportionality limits.

The Successor had no expenditures in Fiscal Year 2014-2015. With no expenditures to report, the Camarillo Housing Successor is, by default, compliant with the proportionality requirements of SB 341.

## SENIOR HOUSING

SB 341 requires housing successors to report the percentage units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Successor, its former Redevelopment Agency, and its host jurisdiction within the previous ten years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former Redevelopment Agency and its host jurisdiction within the same time period. For this report, the ten-year period reviewed is July 1, 2005 through June 30, 2015. Pursuant to HSC 34176.1, the percentage of affordable housing units for seniors shall not exceed 50% of the total number of affordable housing units.

Over the last 10 years, no affordable senior rental units were constructed. The percentage of affordable rental units developed for seniors is therefore 0%. By default, the Successor has not exceeded the 50% threshold.

## EXCESS SURPLUS

Housing successors are required to report (A) the amount of any excess surplus, (B) the amount of time that the successor agency has had the excess surplus, and (C) the housing successor's plan for eliminating the excess surplus. Excess surplus is defined by HSC 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."

Excess surplus calculations were once performed by redevelopment agencies on an annual basis, and were intended to ensure that funds are expended to benefit low-income households in a timely manner. SB 341 reinstates this calculation for housing successors. The first 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, (Fiscal Year 2018-2019) the Successor will have to perform a true excess surplus calculation, comparing the unencumbered fund balance to the prior four years of deposits.

## INVENTORY OF HOMEOWNERSHIP UNITS

Assembly Bill 1793 (“AB 1793”), added requirements to the SB 341 Report, requires the annual reporting of any homeownership units owned by the Successor that require restrictions, covenants, or an adopted program that protects Housing Asset Fund monies.

The Successor does not own any homeownership units and complies with this provision of the law.