# SENATE BILL 341
# ANNUAL REPORT

## Camarillo Housing Successor
## Report for Fiscal Year 2019-20

## 12/1/2020

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## INTRODUCTION

On January 11, 2012, the City of Camarillo ("City") elected to become the Successor Housing Entity ("Housing Successor") and assumed the housing functions of the former Camarillo Community Development Commission ("CDC"), which had served as the redevelopment agency for the City. Most of the Housing Successor's assets were transferred from the 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 CDC to the Housing Successor. However, although the Housing Successor inherited the CDC's housing assets and functions, it does not have an ongoing financing mechanism to maintain them. The CDC primarily funded projects with redevelopment tax increment revenue, which was terminated 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

Senate Bill ("SB") 341, Assembly Bill ("AB") 1793, SB 107, and AB 346 amended certain sections of the California Health & Safety Code ("HSC") in 2014, 2015, and 2017, pertaining 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" or "LMIHAF"). SB 341 outlined a series of reporting requirements that that must be adhered to in annual reports. This annual report is due to be submitted to the California State Department of Housing and Community Development ("HCD") by April 1st of each year. The report must be accompanied by an independent financial audit, which is due by December 31 every year.

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[1] 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 |

[1] This amount is adjusted annually for inflation. See the following page of this report for more details on the current reporting year's administrative expenditure limit.

## ASSETS TRANSFERED TO THE HOUSING SUCCESSOR

Per 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;
- 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 Housing Successor included real properties, affordable housing covenants, and loan receivables.

## EXPENDITURE REQUIREMENTS OF SENATE BILL 341

SB 341 reinstated many of the affordable housing requirements that formerly applied to redevelopment agencies. Specifically, SB 341 directs expenditures from the housing successor's Housing Asset Fund as follows:

- **Administrative Expenditures:** Administrative expenditures, which include housing monitoring, are capped at the greater of $200,000 or 5% of the Housing Asset Fund's annual portfolio. This cap is updated annually to reflect the Consumer Price Index and, as a result, the Fiscal Year ("FY") 2019-20 cap is now at $220,400. The value of the Housing Asset Fund portfolio, which includes outstanding loans or other receivables, and the statutory value of any real property owned by the housing successor is $275,000, and 5% of that value is $13,750. Therefore, the Housing Successor's administrative expenditure limit for FY 2019-20 is $220,400.

- **Homelessness Prevention:** A housing successor is authorized to spend up to $250,000 each year on homeless prevention and rapid rehousing services if the former Agency did not have any outstanding inclusionary housing production or replacement requirements. Since the former Agency did not have such outstanding obligations at the time of dissolution, the Housing

Successor is authorized to spend up to $250,000 in funds on homeless prevention and rapid rehousing services.

- **Income Proportionality Limits:** Per HSC Section 34176.1(a), a housing successor must spend remaining housing funds to expand housing options for households earning 80% or less of the area median income ("AMI"). At least 30% of expenditures must be allocated to 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 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 current five-year compliance period began on July 1, 2019 and ends on June 30, 2024. For example, a housing successor could spend any amount of its funds during FY 2019-20 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 FY 2023-24.

## LOW AND MODERATE INCOME HOUSING ASSET FUND

The Housing Asset Fund currently contains three of the five assets that were originally transferred from the CDC to the Housing Successor via the Housing Asset Transfer Form. They are:

- Two affordability covenants (Mira Vista Village Apartments and Park Glenn Senior Apartments) ; and
- One loan receivable (KDF Loan/ Park Glenn Senior Apartments).

The two other assets on the original Housing Asset Transfer Form were real properties, commonly referred to together as the Cedar-Oak Property, that were sold in FY 2016-17. The proceeds from that transaction were deposited into the Housing Asset Fund.

### 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"). Deposits for FY 2019-20 are shown in Table 1 below.

| **Fiscal Year 2019-20 Housing Asset Fund Deposits** | | **Table 1** |
|---|---|---|
| **Camarillo Housing Successor** | | |
| **Description** | **Amount** | |
| Interest Revenue | $ | 10,783 |
| Cash Transfer | $ | 250,000 |
| **Total** | $ | 260,783 |

Source: City of Camarillo General Ledger

There were deposits in the amount totaling $260,783 into the Housing Asset Fund during FY 2019-20. The deposits consist of $10,783 in interest revenue and a $250,000 cash transfer from the Camarillo Corridor Capital fund. The cash transfer was made in order to refund a $250,000 loan from Habitat for Humanity and place the Housing Successor back into compliance with the proportionality requirements from the prior five-year compliance period. The cash transfer and loan refund effectively reversed expenditures from the LMIHAF on Income-restricted housing development and instead appropriated those funds from the Camarillo Corridor Capital fund. More details on this transaction and how it placed the Housing Successor back into compliance with the previous five-year compliance period can be found in the Housing Asset Expenditures section of this report. No revenue was requested on the ROPS for housing items.

## HOUSING ASSET FUND ENDING BALANCE

SB 341 requires housing successors to submit a statement of the Housing Asset Fund's balance at the close of the fiscal year, distinguishing any amounts held for items listed on the ROPS. As shown in Table 2, the Housing Successor has $614,864 in cash and short-term investments, plus $275,000 in a note receivable. Net of outstanding payables, the fund balance as of June 30, 2019 is $880,825. There are no Housing Successor-related enforceable obligations on the ROPS, therefore there were no deposits into the Housing Asset Fund related to the ROPS, and none are anticipated in the future.

| Fiscal Year 2019-20 Housing Asset Fund Ending Balance | | Table 2 |
|---|---|---|
| **Camarillo Housing Successor** | | |
| **Description** | **Amount** | |
| Cash / Pooled Cash & Investments | $ | 614,864 |
| Notes / KDF Park Glenn Sr. | | 275,000 |
| Accounts Payable | | (3,110) |
| Wages Payable | | (8,022) |
| Receivable / Interest | | 2,093 |
| **Total** | $ | 880,825 |

Source: City of Camarillo General Ledger

## 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 Housing Successor on June 30, 2020 is $275,000, as shown in Table 3. The Housing Successor currently has one loan receivable, two affordability covenants, and no real property or grants receivable in the Housing Asset Fund. The Housing Successor received a loan agreement, dated June 1, 1999, with a value of $275,000 as of June 30, 2020. The loan was issued to KDF Communities to develop affordable housing under affordability terms.

| Fiscal Year 2019-20 Real Properties and Receivables | | Table 3 |
|---|---|---|
| **Camarillo Housing Successor** | | |
| **Real Properties** | | **Statutory Value** |
| Affordability Covenant: VCR 20060707-0144674 (Mira Vista Village Apartments) | $ | - |
| Affordability Covenant: VCR 99-111695 (Park Glenn Senior Apartments) | | - |
| Subtotal | $ | - |
| **Loans and Grants Receivables** | | **Value** |
| KDF Loan (6/1/1999): VCR 99-111694 (Park Glenn Senior Apartments) | $ | 275,000 |
| Subtotal | $ | 275,000 |
| **Total** | **$** | **275,000** |

Source: Low- and Moderate-Income Housing Fund Trial Balance Summary by Fund (6/30/20) and City Response to Data Request

## 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.

**Fiscal Year 2019-20 Housing Asset Fund Expenditures** **Table 4**

**Camarillo Housing Successor**

| Annual Expenditures | Admin/ Monitoring[1] | Rapid Rehousing | <30% AMI | 30-60% AMI | 60-80% AMI |
|---|---|---|---|---|---|
| Administration | $ 237,032 | $ - | $ 4,428 | $ - | $ - |
| **Annual Total** | **$ 237,032** | **$ -** | **$ 4,428** | **$ -** | **$ -** |

**Compliance Period Expenditures**

| | Annual Limits | | Five-Year Period (2019-20 through 2023-24) | | |
|---|---|---|---|---|---|
| Total Expenditures | $ 237,032 | $ - | $ 4,428 | $ - | $ - |
| SB 341 Limitation[1] | $ 220,400 | $ 250,000 | >30% | N/A | <20% |
| **Compliant** | **No** | **Yes** | **Yes** | **N/A** | **Yes** |

[1] The Admin/Monitoring and Rapid Rehousing amounts are annual Limits. Expenditures by income level are five-year limits

*Source: Low- and Moderate-Income Housing Fund Trial Balance Summary by Fund (6/30/20) and City Response to Data Request*

The Housing Successor had administrative costs totaling $237,032 in FY 2019-20, $16,632 in excess of the administrative limit of $220,400. Per HSC Section 34176.1, there is no penalty for a housing successor exceeding the administrative spending limit. Nevertheless, the Housing Successor will ensure that it complies with its administrative spending limit in all future periods.

From July 1, 2019 through June 30, 2020, during the first year of the current five-year compliance period, the Housing Successor spent $4,428 from the LMIHAF on affordable housing development related activities for households earning less than or equal to 30% of AMI. Since 100% of the Housing Successor's expenditures from the LMIHAF have been spent on households earning less than or equal to 30% of AMI during the current five-year compliance period, the Housing Successor is currently in compliance with proportionality requirements for income groups. The Housing Successor will continue to monitor expenditures from the Housing Asset Fund to ensure compliance with proportionality limits at the conclusion of the five-year compliance period.

At the end of the previous compliance period, the Housing Successor was poised to exceed the 20% maximum limit on expenditures for low-income housing during the five-year compliance period. During the previous five-year compliance period, the Housing Asset Fund had initially spent $169,168 on low-income housing projects and $66,518 on extremely low-income housing, representing 72% and 28% of total expenditures, respectively. To place them back into compliance, the Housing Successor transferred $250,000 from the Camarillo Corridor Capital fund into the Housing Asset Fund, returning all the funds from the Habitat for Humanity Loan. This transfer allowed the Housing Successor to reverse $166,493 in low-income expenditures previously made from the Housing Asset Fund and instead appropriate those monies from the Camarillo Corridor Capital Project fund. As a result of the transfer, the Housing Successor ultimately spent $2,675 on households earning between 60% and 80% of AMI (4%) and $66,518 (96%) on housing related development for households earnings less than or equal to 30% of AMI  from the LMIHAF during the previous five-year compliance period.

**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 Housing Successor has not entered into a joint venture with another housing successor and, therefore, complies 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 Housing Successor. These properties were commonly referred to as the Cedar-Oak Mixed Use Project and were subsequently sold during FY 2016-17. In addition to the properties, affordability covenants were also assumed by the Housing Successor.

**PROPERTY TAX REVENUE RECEIVED**

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

There are no Housing Successor enforceable obligations on the ROPS. Therefore, the Housing Successor did not receive or hold property tax revenue pursuant to the ROPS during FY 2019-20, and none are anticipated in the future.

**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 Housing Successor be developed pursuant to the requirements detailed in HSC Section 33334.16. Thus, all property that falls within these parameters must be developed for affordable housing purposes or sold within 5 years from the date DOF approved the Housing Asset Transfer Form, or by August 27, 2017. In addition, housing successors are required to provide a status update on any projects for real property acquired on or after February 1, 2012. During FY 2016-17, the Housing Successor’s only real properties were sold, and the proceeds were deposited into the Housing Asset Fund.

**Cedar-Oak Mixed Use Project**

On July 20, 2012, the Housing Successor Agency submitted a Housing Asset Transfer form to transfer two real estate properties to the Housing Successor. The Housing 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 13 one-bedroom and 10 two-bedroom apartments. 22 units will be moderate-income and one unit will be lower-income.

The residential units are 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 6,100 square feet, includes three retail spaces and one restaurant space. The City has approved the conditional use permit for both the mixed-use concept and for a building height greater than two-stories.

The following is the timeline of events:

- 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.

- On September 8, 2016, the Department of Community Development approved an administrative modification to replace 3 townhouse units with four stacks flats within the same building mass on the easterly portion of the project to create a total of 23 units.

- On March 7, 2017, the property was sold for $1,164,000 and the sale proceeds from this property were deposited into the Housing Asset Fund.

- On July 19, 2017, the Department of Building and Safety issued a building permit for the construction of the project. Construction was completed in Fall 2019.

- During FY 2019-20, all 23 residential units were completed and rented out to occupants at affordable rates per the housing agreement. Additionally, one of four commercial units was completed while the remaining three commercial units are anticipated to be competed in FY 2020-21.

***2800 Barry Street – (City-owned former stock lumber site)***

- City purchased the site on September 4, 2018 with Tax Exempt Bond proceeds.
- It is anticipated that this project will include 60 rental units and 8 ownership units.
- City selected Area Housing Authority with Many Mansions to develop the project.
- The project is anticipated to be scheduled for public hearings in Winter 2020-21.

## OUTSTANDING OBLIGATIONS

SB 341 requires housing successors to describe (A) any outstanding obligations that were supposed to be transferred 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.

At the time of dissolution, the CDC had built 108 very low-income units, exceeding the required amount of 16 units by 92. Also, the CDC had built 111 low- and moderate-income units, exceeding the required amount of 24 units by 87. With a surplus of 179 affordable units (92 very low-income and 87 low- and moderate-income units), the Housing 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. During FY 2019-20, the first year of the current five-year compliance period, the Housing Successor spent $4,428 on affordable housing development related activities for households earning less than or equal to 30% of AMI. The Housing Successor's compliance with proportionality requirements for income groups will be determined at the end of the five-year compliance period in FY 2023-24.

The following discusses the implications of being out of compliance and the activities the Housing Successor must undertake to ensure compliance moving forward:

- **60%-80% AMI Requirement**

  Failure to comply with the 60%-80% AMI requirement in any five-year compliance period will result in the Housing Successor not being able to expend any of the remaining funds on these income categories until in compliance.

- **30% AMI Requirement**

  Failure to comply with the 30% AMI requirement in any five-year compliance period will result in the Housing Successor having to ensure that 50% of remaining funds expended in each fiscal year following the latest fiscal year following the report are expended for the development of extremely-low income rental units until in compliance with the 30% AMI requirement.

## 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 housing 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 period. For this report, the ten-year period reviewed is July 1, 2010 through June 30, 2020. 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 Housing 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 Housing Asset Fund has no excess surplus for FY 2019-20, as shown in Table 5. According to SB 341, if there is an excess surplus in the

Housing Asset Fund, the housing successor must expend or encumber excess surplus within three fiscal years. If the housing successor fails to comply then they shall transfer any excess surplus to HCD within ninety days of the end of the fiscal year.

**Fiscal Year 2019-20 Excess Surplus Calculation** **Table 5**
**Camarillo Housing Successor**

| **Fiscal Year** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** |
|---|---|---|---|---|---|
| Deposits | $ - | $ 1,161,793 | $ 9,701 | $ 27,367 | $ 260,783 |
| Encumbered Funds | | | | | - |
| Unencumbered Amount[1] | | | | | $ 880,825 |
| **Step 1** | | | | | |
| $1 Million, or | | | | | 1,000,000 |
| Last 4 Deposits | | | | | 1,198,861 |
| Result: Larger Number | | | | | 1,198,861 |
| **Step 2** | | | | | |
| Unencumbered Amount | | | | | 880,825 |
| Larger Number from Step 1 | | | | | 1,198,861 |
| **Excess Surplus/(Deficit)** | | | | | **$ -** |

[1] As of June 30, 2020.

## INVENTORY OF HOMEOWNERSHIP UNITS

Assembly Bill 1793 ("AB 1793"), added requirements to the SB 341 Report, requires the annual reporting of any homeownership units assisted by the Housing Successor that require restrictions, covenants, or an adopted program that protects Housing Asset Fund monies. The Housing Successor does not assist any homeownership units and complies with the provision of the law.