

**CITY OF HOLLISTER HOUSING SUCCESSOR ANNUAL REPORT REGARDING
THE LOW AND MODERATE INCOME HOUSING ASSET FUND FOR FISCAL YEAR
2014-2015 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34176.1(f)**

This City of Hollister Housing Successor Annual Report (Report) has been prepared pursuant to California Health and Safety Code Sections 34176.1(f). This Report summarizes activities during Fiscal Year 2014/15 related to the Low and Moderate Income Housing Asset Fund (LMIHAF). The purpose of this Report is to provide the City Council in its capacity as the Housing Successor to the former City of Hollister Redevelopment Agency 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 3416.1 (Dissolution Law).

The following Report is based upon information prepared by the City of Hollister staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund for Fiscal year 2014-2015 as prepared by Mann, Urritia, Nelson CPAs which audit is separate from this annual summary Report. This Report conforms with and is organized into Sections 1 through 11 pursuant to Section 34176.1 (f) of the Dissolution Law.

- 1. Amount Deposits into the Low Moderate Income Housing Fund in FY 2014/15 from loan agreements between the former Hollister Redevelopment Agency and the City of Hollister pursuant to 34919.4 (b) (3) (A) (§34176.1 (f)(1):** None.
- 2. Deposits of funds to the Low Moderate Income Housing Fund from repayment of loans owed to the Low Moderate Income Housing Fund in FY 2014/15 in order to make payments to the Supplemental Educational Realignment Augmentation Fund from the former Hollister Redevelopment Agency pursuant to 34919.4 (b) (3) (B) (C) (§34176.1 (f)(2):** None.
- 3. Balance of the Low Moderate Income Housing Asset Fund at the end for Fiscal Year 2014/15 and any amounts held for items listed on the Recognized Obligation Payment Schedule (§34176.1 (f)(3):**
 - a. Low Moderate Income Housing Asset Fund Balance: \$2,376,182
 - b. Funds received from the Recognized Obligation Payment Schedule for Redevelopment Property Tax Trust Fund to pay enforceable obligations for rent assistance: \$50,000.

4. Summary of Expenditures from the Low Moderate Income Housing Fund by Category (§34176.1 (f)(4):

Description of Expenditures	Amount
1. Monitoring and preservation of long-term affordability covenants	\$223,488
2. Homeless Prevention and Rapid Rehousing Services	\$ 43,429
3. Housing Development Expenditures	
• Expenditures on Extremely Low Income Rental Units	\$ 0
• Expenditures on Very Low Income Units	\$ 0
• Expenditures on Low Income Units	\$ 0

5. Value of Housing Successor assets (§34176.1 (f)(5):

- a. Real property: \$110,000
- b. Loans and grants receivable:
 - i. Loans with monthly payments \$454,211
 - ii. Estimated value of 131 Forgivable loans and loans with deferred payments: \$12,359,104. The majority of the deferred loans will not require payment for twenty or more years.

6. Description of transfers of Low Moderate Income Housing Funds (LMIHAF) to other Housing Successor's. (§34176.1 (f) (6): The City of Hollister did not make any LMIHAF transfers to other Housing Successor(s) under §34176.1 (c) (2) during the Fiscal Year.

7. Description of any project that received property tax on the Recognized Obligation Payment Schedule during FY 2014/15 (§34176.1 (f) (7): The former City of Hollister Redevelopment Agency entered into an agreement with Hollister Investment Group in 2010 to provide tenant based rental assist to ten very low income senior apartments at the Prospect Villa Senior Apartments until the end of 2019 in the amount of \$50,000 per year. Funds were deposited into the Low Moderate Income Housing Successor Funds from ROPS 2014-15 A and 2014-15 B in the amount of \$50,000 for rent assistance at the Prospect Villa Senior Apartments. NOTES:

- a. The prior period adjustment sheet on ROPS 2014-15A reported actual expenses of \$23,264 for the previous six months.
- b. The prior period adjustment sheet on ROPS 2014-15B reported actual expenses of \$21,688 for the previous six months.

8. Status of real property acquired by the former RDA (§34176.1 (f)(8):

- a. **Prior to 2/1/2012:** The property at 1191 Sunnyslope Road was developed for transitional housing with assistance from the Low Moderate Income Housing Funds of the former Hollister Redevelopment Agency and continues to be leased to the Emmaus House with rental restrictions for said use. It has come to staff's attention that the property inadvertently was not transferred from the City of Hollister to the Hollister Redevelopment Agency in 1996. It is

possible the property is owned by the City of Hollister and should not be considered a housing asset of the former City of Hollister RDA.

b. After 2/1/2012: Not applicable – none purchased.

9. Description of outstanding obligations for replacement housing pursuant to Health and Safety Code §33413 (§34176.1 (f)(9): *Replacement Housing:*

According to the draft 2009-2014 Implementation Plan for the former Hollister Redevelopment Agency (RDA), no Section 33413(a) replacement housing obligations were transferred to the Housing Successor. The Hollister RDA was unable to adopt the update to the draft plan in 2011 due to prohibitions in the Dissolution Act and Voluntary Program Act. The draft 2009-2014 and 2005-2009 Implementation Plan did not identify a need for replacement housing and are posted on the City's website at <http://hollister.ca.gov/government/city-departments/development-services/successoragency>.

Inclusionary/Production Housing: *Not applicable.* According to the draft 2009-2014 Implementation Plan for the former Hollister Redevelopment Agency (RDA), no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor. The Hollister RDA was unable to adopt the update to the draft plan in 2011 due to prohibitions in the Dissolution Act and Voluntary Program Act. The draft 2009-2014 and 2005-2009 Implementation Plans are posted on the City's website at <http://hollister.ca.gov/government/city-departments/development-services/successoragency>

10. Deposits into the Low Moderate Income Housing Funds in FY 1013/14 (§34176.1 (f)(1):

a. The balance of Repayment of loans and interest: \$89,439

b. Recognized Obligation Payment Schedule property tax: \$50,000 for Prospect Villa rent assistance

11. Cap on Use of Use of LMIHAF for Senior Housing. (§34176.1 (f)(11): *Cap applicable in Fiscal Year 2014/15:* Section 34176.1 (b) prohibits using LMIHAF for a senior housing development if the total number of deed-restricted senior rental units in the City of Hollister established by the City, the former RDA and the housing successor over the past ten years exceeds fifty percent (50%) of the aggregate number of units of deed-restricted rental housing assisted. Over the past ten years, 72% of the deed restricted rental units developed or assisted was for seniors. It should be noted that prior to dissolution of redevelopment agencies, a different threshold for spending was applied in the Health and Safety Code and the Hollister RDA complied with the standard as noted in the draft Five Year Implementation Plan for the period 2009-2014.

Deed Restricted Units Constructed in Hollister 2004 - 2014

Project Name	Senior Units	Non-Senior Units	Total Units
Gateway Palms	0	32	32
Vista Meadows	72	0	72
Prospect Villa	10	0	10
Percent of Total as of 14/15	82 (72%)	32 (28%)	114

The City of Hollister encumbered funds to assist with rehabilitation and preserve the affordability of 73 units at the Rancho Park Apartments and Rustic Garden Apartment projects in June of 2015. The loan agreements should be executed in early 2016 which will bring the number of deed-restricted senior rental units assisted over the past ten years to 44% as shown in the table below.

Projected Deed Restricted Units in Hollister 2005-2015

Existing and Approved Encumbered Funds	Senior Units	Non-Senior Units	Total Units
Gateway Palms	0	32	32
Vista Meadows	72	0	72
Prospect Villa	10	0	10
Rehab-Preserve affordability			
• Rancho Park Apt	0	54	54
• Rustic Gardens	0	19	19
Projected total in 15/16	82 (44%)	105 (56%)	187

12 Excess Surplus Low Moderate Income Housing Asset Fund (LMIHAF) (§34176.1 (f)(12): ***Potential Surplus*** – Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater. The Excess Surplus relates to a four year calculation. The Hollister Housing Successor has not been in existence for a four year period as shown below.

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Beginning Balance	(\$113,589)	\$2,757,119	\$2,550,660	
Add: Deposits	\$4,755,682	\$ 86,534	\$ 89,439	
Expenditures	\$1,884,979	\$ 292,993	\$ 263,917	
Ending Balance	\$2,757,119	\$2,550,660	\$2,376,182	
Surplus	\$1,757,119	\$1,550,660	\$1,376,182	

The Housing Successor has had an Excess Surplus for the past three years. Based on existing funding commitments, there will be an Excess Surplus at the end of FY 2015-16. If the Hollister Housing Successor does not encumber the excess surplus within the next three fiscal years (2018/19), the funds will be transferred to the Community Development Department for expenditure pursuant to the Multi-family Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program. The projected surplus by the end of FY 2018/19 could be less than \$200,000 if annual administrative costs average about \$250,000 per year as shown below. At this point, staff recommends monitoring the fund balance.

Fiscal Year	Admin/ Monitoring and Preservation	Homeless Prevention Rapid Rehousing	30% Extremely Low Income	CAP 20% 60-80% of Area Median Income	Estimated <u>Unencumbered</u> Balance
12-13	\$ 0	\$ 0	\$ 0	\$ 0	\$2,757,119
13-14	\$277,814	\$ 86,360	\$ 0	\$ 0	\$2,550,660
14-15	\$233,488	\$ 43,429	\$117,000	\$ 0	\$2,166,743
15-16	\$250,000	\$ 0	\$ 0	\$ 0	\$1,916,743
16-17	\$250,000	\$ 0	\$ 0	\$ 0	\$1,666,743
17-18	\$250,000	\$ 0	\$ 0	\$ 0	\$1,416,743
18-19	\$250,000	\$ 0	\$ 0	\$ 0	\$1,166,743

13. Inventory of homeownership units assisted by the former City of Hollister Redevelopment Agency, number of units (§34176.1 (f)(13)) An inventory of homeownership units is posted on the City of Hollister Housing Successor home page at the following link: <http://hollister.ca.gov/government/city-departments/development-services/successor-agency/>.

- a. Number of units lost to the portfolio after February 12, 2012 and reason for loss

Year	Unit Lost	Reason
2014	1	Bankruptcy -

- b. Funds returned to the Hollister Successor Agency as part of an adopted program that protects the former Hollister Redevelopment Agency's investment from the Low and Moderate Income Housing Funds. \$24,586.81
- c. Has the Hollister Housing Successor contracted for any outside entity for management of the units? No

14. Compliance of the Hollister housing successor compliance with the Low Moderate and Income Housing Asset Fund expenditure requirements pursuant to §34176.1 (a)(3)(A) for the period 2014-2019.

- a. Administrative Cost Cap for monitoring of 5% of the statutory value of housing successor real property, loans and grants or \$200,000 in any fiscal year to §34176.1(a)(1) of the amount of the assets is less than \$200,000: **Comply** - The Housing Successor expended \$223,488 for administrative costs in fiscal year 2014/15 which is less than 2% of the statutory value of the housing successor real property, loans and grants.
- b. Homeless Prevention and Rapid Rehousing Services: **Comply** - The Housing Successor may expend up to \$250,000 per fiscal year for homeless prevention and rapid rehousing services of individual and families who are homeless or would be homeless pursuant to §34176.1(a)(2). The City of Hollister spent \$43,429 on homeless prevention services in Fiscal Year 2014/15 which is less than the limit of \$250,000 per fiscal year.
- c. Extremely Low Income Rental Housing: **Premature** - Section 34176.1(a) (3) (B) states that at least 30% of the LMIHAF not used for monitoring or homeless prevention and rapid rehousing services must be spent on rental housing for Extremely Low Income Households between the period of 2014 and 2019. The City Council approved Resolution 2015-108 on June 1, 2015 committing \$117,000 to assist with rehabilitation and preservation of assisted housing with 54 units at the Rancho Park apartments and 19 units at the Rustic Garden apartment units and providing deeper affordability for some extremely low income rental units. The commitment will fulfill part of the funding requirement in HSC section 34176.1 (a)(3).
- d. Cap: 20% cap on use of LMIHAF on development of housing affordable to very low and low income households. **Premature** - Section 34176.1(a) (3) (B) limits the expenditure of the LMIHAF for affordable housing development that is not used for monitoring or homeless prevention and rapid rehousing services to 20% for households earning between 60 to 80% of the area median income between the period of 2014 and 2019. This would apply to Very low income and some Low income households. The information is not required to be reported until 2019.