
HOUSING SUCCESSOR AGENCY ANNUAL REPORT

City of Hollister



Fiscal Year 2023-2024

TABLE OF CONTENTS

INTRODUCTION.....3

LOW AND MODERATE-INCOME HOUSING ASSET FUND4

REPLACEMENT & INCLUSIONARY HOUSING OBLIGATIONS.....5

SENIOR HOUSING DEVELOPMENT PROPORTIONALITY.....6

HOUSING ASSET FUND DEPOSITS, EXPENDITURES AND ENDING BALANCE ... 6

INVENTORY OF HOMEOWNERSHIP UNITS..... 8

INCOME EXPENDITURE PROPORTIONALITY 9

2014-19 INCOME EXPENDITURE PROPORTIONALITY COMPLIANCE REVIEW...10

CITY OF HOLLISTER HOUSING SUCCESSOR ANNUAL REPORT REGARDING THE LOW AND MODERATE INCOME HOUSING ASSET FUND FOR FISCAL YEAR 2023-2024 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34176.1(f)

INTRODUCTION

In 1945, the California Legislature enacted the Community Redevelopment Act to assist local governments in eliminating blight through development, reconstruction, and rehabilitation of residential, commercial, industrial, and retail districts. The Act gave cities and counties the authority to establish redevelopment agencies (RDAs or agencies). As part of the 2011 Budget Act, and to protect funding for core public services at the local level, the Legislature approved the dissolution of the state's 400 plus RDAs. After a period of litigation, RDAs were officially dissolved as of February 1, 2012. As a result of the elimination of the RDAs and to help facilitate the wind-down process at the local level, Successor Agencies were established to manage redevelopment projects currently underway, make payments on enforceable obligations, and dispose of redevelopment assets and properties.

The City of Hollister ("City") is the housing successor agency to the former Hollister Redevelopment Agency ("Agency"). The majority of the City's housing assets were transferred from the former Agency when it dissolved pursuant to the Dissolution Act in 2012 (enacted by Assembly Bills x126 and subsequent legislation). With the dissolution, the former Agency's affordable housing rights, powers, assets, liabilities, duties, and obligations, excluding any amounts in the Agency's Low and Moderate Income Housing Fund, were transferred to the City.

This City of Hollister Housing Successor Annual Report (Report) has been prepared pursuant to California Health and Safety Code Sections 34176.1(f). This document reports on Fiscal Year ("FY") 2023-24 housing successor finances and activities related to the Low and Moderate Income Housing Asset Fund (LMIHAF) as required by law.

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).

Housing successor agencies must also conduct an independent financial audit of the Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction. The City's Comprehensive Annual Financial Report for FY 2023-24 is still currently in review and potentially there will be updates to information reported. When completed and available the

report will be available on the City’s website. The Comprehensive Annual Financial Report includes an audit of the Housing Asset Fund as part of the Housing Capital Projects Fund. 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 2023-2024. This Report conforms with and is organized into Sections 1 through 13 pursuant to Section 34176.1 (f) of the Dissolution Law.

LOW MODERATE INCOME HOUSING ASSET FUND

1. Deposits into the Low Moderate Income Housing Fund in FY 2023/24 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):

- a. Repayment of loans and interest: \$157,907.09 with interest \$195,188.36
- b. Recognized Obligation Payment Schedule property Tax: 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 2023/24 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 2023/24 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: \$1,304,272.59
- b. Recognized Obligation Payment Schedule Property Tax: None

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	\$ 0
2. Homeless Prevention and Rapid Rehousing Services	\$ 0
3. Housing Development Expenditures	\$ 0
• 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
 - 1. 7th & East Street
 - 2. 9 Rustic

3. 41/51 Rustic

- ii. Estimated value of 190 Forgivable loans and/or loans with deferred payments: \$15,295,843.

- 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 2023/24 (§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. The Recognized Obligations Payment Schedule (ROPS) for Prospect Villa ended in 2019 with the completion of the agreement. Due to complex issues surrounding COVID-19 staff continued to provide assistance through Fiscal Year 2021-22. In 2022, Staff completed Resolution 2022-02 for a supplemental appropriation to continue to provide rental assistance in the amount not to exceed \$250,000. This agreement is not considered a ROPS. The City of Hollister expended \$19,932.00 in rental assistance from the appropriated \$250,000.00.
- 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.

REPLACEMENT AND INCLUSIONARY HOUSING OBLIGATIONS

- 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 Plans 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/successor-agency>.

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/successor-agency>.

SENIOR HOUSING DEVELOPMENT PROPORTIONALITY

10. Cap on Use of Use of LMIHAF for Senior Housing. (§34176.1 (f)(11): *Cap applicable in Fiscal Year 2023/2024:* This report must include an accounting of deed-restricted senior rental units that were assisted by the Agency or City over the last ten years. If more than 50% of the total aggregate number of rental units assisted by the City or former Agency during the past 10 years are restricted to seniors, the City may not spend more Housing Asset Funds on senior rental housing. Over the past ten years, 44% of the deed restricted rental units developed or assisted was for seniors. The Housing Successor complies.

Deed Restricted Units Assisted in Hollister 2006 - 2023

Project Name	Senior Units	Non-Senior Units	Total Units
Gateway Palms	0	32	32
Vista Meadows	72	0	72
Prospect Villa	10	0	10
Hillview I	0	25	25
Hillview II	0	30	30
Rancho Park Apts. (rehab)	0	54	54
Rustic Garden Apts. (rehab)	0	19	19
Senior Sunrise Apts.	48	0	49
Percent of Total as of 16/17	130 (44%)	160 (55%)	290

HOUSING ASSET FUND DEPOSITS, EXPENDITURES AND ENDING BALANCE

11. Deposits & Expenditures into the Low Moderate Income Housing Funds in FY 2023/234 (§34176.1 (f)(10):

- a. Deposits: The balance of Repayment of loan(s) and interest: \$195,188
- b. Expenditures: \$168,734

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 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. Excess surplus calculations were once performed by redevelopment agencies on an annual basis. The excess surplus calculations are intended to ensure funds are expended to benefit low-income households in an expeditious manner. Generally speaking, funds should be encumbered (formally dedicated to a project through an executed agreement) within four years of receipt. SB 341 reinstated this calculation for housing successors. Since the dissolution of Redevelopment Agency in 2012, the excess surplus test became effective in fiscal year ending in 2013. The first excess surplus test was completed in fiscal year 2015/2016 to review the four previous years of deposits.

To complete the excess surplus calculation the first step is to determine the fund balance at the end of the fiscal year. Next, add the previous four years of deposits. Then compare the value of the previous four years of deposits to the current fund balance. If the number of deposits are in excess of \$1 million deduct the total previous four years of deposits from the current fund balance to determine the excess surplus. If the deposits are less than \$1 million and the current fund balance is greater than the deposits deduct \$1 million from the current fund balance to determine the excess surplus.

Reviewing the table below, the fund balance of \$1,265,923 is more than the sum of deposits made in the previous four fiscal years. So, the amount greater than \$1 million, \$265,923, is the current excess surplus. The City of Hollister Housing Successor has had an excess surplus beginning with fiscal year 2015/16. As stated in state law, if the City of Hollister Housing Successor does not encumber the excess surplus within three fiscal years, by the end of FY 2019/20, the excess surplus 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. However, currently, the City of Hollister Housing Successor does not have any executed agreements, but in fiscal year 2024/25 the City of Hollister Housing Successor seeks to submit a request for proposal/qualification (RFP/Q) to fund a future affordable housing project. There are two current development areas that are seeking to construct rental units for very low and low-income that may benefit from additional funding to support the project. The projected surplus by the end of FY 2024/25 could be less than \$1,000,000 if annual administrative and monitoring costs average about \$350,000 per year or if a loan is awarded through the RFP/Q process. The fund balance will continue to be monitored in Fiscal Year 2024/25 to assure there is not an excess surplus.

Excess Surplus Low Moderate Income Housing Asset Fund Analysis

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Beginning Balance	(\$113,589)	\$2,757,119	\$2,550,660	\$2,376,181	\$2,412,829	\$2,413,904
Add: Deposits	\$4,755,682	\$ 86,534	\$ 89,439	\$ 418,099	\$101,619	\$71,243 ³
Expenditures ¹	\$1,884,979	\$ 292,993	\$ 263,917	\$ 381,451	\$100,544	\$1,258,342
Ending Balance	\$2,757,119	\$2,550,660	\$2,376,182	\$2,412,829	\$2,413,904	\$1,217,686
Surplus²	\$1,757,119	\$1,550,660	\$1,376,182	\$1,412,829	\$1,413,904	\$217,686
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/2023	FY 2023/24
Beginning Balance	\$1,226,805	\$1,223,875	\$1,287,522 ³	\$1,313,162 ³	\$1,343,626	\$1,277,818 ⁴
Add: Deposits	\$248,184 ³	\$203,436 ³	\$161,392	\$182,267	\$89,216	\$195,188
Expenditures ¹	\$251,114	\$139,790	\$144,418	\$151,803	\$166,919	\$168,734
Ending Balance	\$1,218,149	\$1,274,765	\$1,304,496	\$1,343,626	\$1,265,923	\$1,304,272
Surplus²	\$218,150	\$274,765	\$304,496	\$343,626	\$265,923	\$304,272

Source: City of Hollister, Fund 851 accounting record

¹ Expenditures can include the following information: The City may spend up to \$200,000 per year on administration and monitoring, adjusted annually for inflation. The City may spend up to \$250,000 annually on homeless prevention and repaid rehousing solutions for homelessness. Housing Asset Funds spent on projects or encumbered for planned projects.

² Excess surplus is an unencumbered amount that exceeds the greater of \$1 million or the aggregate amount deposited during the preceding four years, whichever is greater. Assuming the first year of Housing Asset Fund deposits is Fiscal Year Ending (FYE) 2013, when redevelopment agencies dissolved effective 2/1/2012.

³ Past deposits reflect total prior to budget adjustments completed after the report completed.

⁴ Budget adjustment

INVENTORY OF HOMEOWNERSHIP UNITS ASSISTED

13. Inventory of homeownership units assisted by the former City of Hollister Redevelopment Agency, number of units (§34176.1(f)(13)): The City must provide an inventory of any homeownership units assisted by the former Agency or City (as housing successor) that require restrictions, covenants, or an adopted program that protects Housing Asset Fund monies. An inventory of these properties is available for review at the City of Hollister Successor Agency website.
<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
2023-2024	2	Homeowner(s) repaid loan

- 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. \$0
- c. Has Hollister Housing Successor contracted any outside entity for management of the units? No

INCOME EXPENDITURE PROPORTIONALITY

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 2019-2024. The second, and current five-year, compliance period is July 1, 2019, to June 30, 2024. See table labeled, “LMIHAF Expenditure Requirement Analysis for more detail.”

- a. Administrative Cost Cap for monitoring of 5% of the statutory value of housing successor real property, loans and grants or \$200,000 adjusted for inflation 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 \$0 for administrative costs in fiscal year 2023/24, which is 0% of the statutory value of the housing successor real property, loans and grants and less than \$269,161 cap adjusted for inflation. The City of Hollister is currently in review of the annual audit and will review the expenditures related to monitoring to determine if an adjustment will be made. The City staff intend to develop a comprehensive method to better track time and expense dedicated to the monitoring of affordable units.
- 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 \$0 on homeless prevention services in Fiscal Year 2023/24, which is less than the limit of \$250,000 per fiscal year.
- c. Extremely Low-Income Rental Housing: **Comply/In Review-** Section 34176.1(a) (3) (B) states that at least 30% of the LMIHAF FY 2023/24 fund balance not used for monitoring or homeless prevention and rapid rehousing services must be spent on rental housing for extremely low-income households. Expenditures are reviewed between a five-year period to ensure regulation requirements. The first compliant period was 2014-

2019 and the City of Hollister was compliant. In the current compliance period, 2019-2024, the Housing Successor has not expended any funding for extremely-low income units. The information is not required to be reported until 2024.

- 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% of the LMIHAF for households earning between 60 to 80% of the area median income between the next compliance period 2019-2024. The information is not required to be reported until 2024.

LMIHAF Expenditure Requirement Analysis

Fiscal Year	Admin/ Monitoring and Preservation	Homeless Prevention Rapid Rehousing	30% Extremely Low Income	CAP 20% 60-80% of Area Median Income	<u>Unencumbered Balance</u>
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	\$381,451	\$ 0	\$ 0	\$ 0	\$2,412,829
16-17	\$100,544	\$ 0	\$ 0	\$ 0	\$2,413,904
17-18	\$258,342	\$ 0	\$1,000,000	\$ 0	\$1,226,805
18-19	\$251,649	\$ 0	\$ 0	\$ 0	\$1,223,875
19-20	\$139,760.11	\$ 0	\$ 0	\$ 0	\$1,448,914
20-21	\$144,418	\$ 0	\$ 0	\$ 0	\$ 1,304,496
21-22	\$ 0	\$ 0	\$ 0	\$ 0	\$1,343,626
22-23	\$ 0	\$ 0	\$ 0	\$ 0	\$1,277,818
23-24	\$ 0	\$ 0	\$ 0	\$ 0	\$1,304,272
					Estimated Balance
24-25	\$100,000	\$ 0	\$ 500,000	\$ 0	\$704,272

2014-2019 INCOME EXPENDITURE PROPORTIONALITY COMPLIANCE REVIEW

Expenditures from the Housing Asset Fund shall be limited to lower income households earning 80% or less of the AMI. In each five-year compliance period, not less than 30% of expenditures must be on development of rental housing affordable to households earning

30% or less of the AMI and not more than 20% of the expenditures must be on development of housing for households earning between 60% and 80% of the AMI. Failure to comply with the extremely low-income requirement in any five-year compliance period will result in the City having to ensure that 50% of remaining funds be spent on development extremely low-income rental units until in compliance. If the City exceeds the expenditure limit for households earning between 60% and 80% of the AMI in any five-year reporting period, it will not be allowed to expend any funds on these income categories until in compliance.

The first five-year compliance period began on January 1, 2014 (when SB 341 became effective) and ended on June 30, 2019. In the first compliance period, 2014-2019, the City of Hollister Housing Successor approved agreements in the amount of \$1,117,000 to support extremely low-income rental projects. In the first compliance period, 2014-2019, the Housing Successor met all compliance requirements. The second, and current five-year, compliance period is July 1, 2019, to June 30, 2024. In the second compliance period the City of Hollister did approve a resolution to continue funding Prospect Villa apartments in the amount of \$250,000. No additional affordable housing development-related expenditures were made, so five-year compliance period income targets do not apply and the City of Hollister is in compliance. City of Hollister will ensure all future funded projects meet the compliance requirements.

Note: 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% and 80% AMI, as long as it was 20% or less of the total expenditures during the five-year compliance period.