

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2013/14
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
CITY OF FULLERTON**

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of December 23, 2014. This Report sets forth certain details of the City of Fullerton (Housing Successor) activities during Fiscal Year 2013/14 (Fiscal Year). The purpose of this Report is to provide the governing body of the Housing Successor 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 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund (Comprehensive Annual Financial Report, or 'CAFR') for Fiscal Year 2013/14 (Fiscal Year) as prepared by Lance, Soll & Lunghard, LLP (Auditor). The CAFR is separate from this annual summary Report; further, this Report conforms with and is organized into sections I. through XI., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.
- II. Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.
- III. Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.
- IV. Statutory Value of Assets Owned by Housing Successor:** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

- V. Description of Transfers:** This section describes transfers, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.
- VI. Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.
- VII. Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.
- VIII. Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012 along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.
- IX. Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.
- X. Senior Housing Test:** This section provides the percentage of 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 10 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 January 1, 2004 to January 1, 2014.
- XI. Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

This Report is to be provided to the Housing Successor's governing body by December 31, 2014. In addition, this Report and the former redevelopment agency's pre-dissolution Implementation Plans are to be made available to the public on the City's website.

I. AMOUNT DEPOSITED INTO LMIHAF

A total of \$217,421 was deposited into the LMIHAF during the Fiscal Year.¹ Of the total funds deposited into the LMIHAF, none was held for items listed on the ROPS.

II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$17,965,639, of which \$139,242 is available.² None of the LMIHAF is held for items listed on the ROPS. It should be noted that on December 28, 2012, the City transferred \$7,695,350 in LMIHAF to the Orange County Auditor.

III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

	Fiscal Year 2013/14
Monitoring & Administration Expenditures	\$121,883
Homeless Prevention and Rapid Rehousing Services Expenditures	0
Housing Development Expenditures	
➤ Expenditures on Low Income Units	0
➤ Expenditures on Very-Low Income Units	0
➤ Expenditures on Extremely-Low Income Units	0
➤ Total Housing Development Expenditures	0
Total LMIHAF Expenditures in Fiscal Year³	\$121,883

The Housing Successor is allowed to spend up to the greater of \$200,000 or 2% of the value of the Housing Assets Portfolio (defined and calculated in Section IV), which totals \$356,380.42, on Monitoring and Administration Expenditures. Therefore, the Housing Successor is using

¹ The funds deposited into the LMIHAF include \$189,437 in loan repayments and \$27,984 in funds transferred from the General Fund.

² Available cash was calculated by deducting land held for resale, notes and loans, and accounts receivables.

³ Cash expenditures were calculated by deducting the year end accounts payable (\$2,804), the yearend wages payable (\$207) and adding the beginning accounts payable (\$154) and the beginning wages payable (\$1,730) and the transferred to debt service fund (\$2,830) to the actual expenditures (\$120,180) per the CAFR).

approximately 34% of the maximum allowable \$356,380.42 for Monitoring and Administration Expenditures.

IV. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following provides the statutory value of assets owned by the Housing Successor.

	As of End of Fiscal Year 2013/14
Statutory Value of Real Property Owned by Housing Successor	\$11,651,456
Value of Loans and Grants Receivable	6,167,565
Total Value of Housing Successor Assets	\$17,819,021

V. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VI. PROJECT DESCRIPTIONS

The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.

VII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the project related to such real property.

With respect to interests in real property acquired by the former redevelopment agency *prior* to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset. The

following provides a status update on the real property or properties housing asset(s) that were acquired prior to February 1, 2012 and compliance with the five-year period.⁴

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
413 W. West Avenue	5/30/2006	8/30/2017	Housing Success is in negotiations with two developers to provide 92 units (a mix of multi- and single-family) on these parcels.
437 W. West Avenue	5/30/2006	8/30/2017	
418 W. Valencia	3/06/2007	8/30/2017	
443 W. West Avenue	2/19/2008	8/30/2017	
407 W. West Avenue	2/19/2008	8/30/2017	
518 S. Ford Avenue	2/13/2008	8/30/2017	
467 W. West Avenue	12/27/2007	8/30/2017	
406 W. Valencia Drive	1/09/2008	8/30/2017	
424 W. Valencia Drive	4/1/2008	8/30/2017	
524 S. Ford Avenue	4/09/2008	8/30/2017	
530 S. Ford Avenue	4/09/2008	8/30/2017	
324 W. Valencia Drive	7/27/2010	8/30/2017	
455 W. West Avenue	11/04/2010	8/30/2017	
336 W. Valencia Drive	11/19/2010	8/30/2017	
312 W. Valencia Drive	1/31/2011	8/30/2017	Housing Successor plans to enter into a development agreement for 3 rental units.
401 S. Highland	4/05/2007	8/30/2017	
308 W. Truslow	4/05/2007	8/30/2017	

The Housing Successor has not acquired any properties using LMIHAF on or after February 1, 2012.

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the Fiscal Year 2010 – Fiscal Year 2014 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor.

Inclusionary / Production Housing. According to the Fiscal Year 2010 – Fiscal Year 2014 Implementation Plan for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor.

The former redevelopment agency's Implementation Plans are posted on the City's website.

⁴ Based on the Housing Asset Transfer List approved by the Department of Finance on August 30, 2012.

IX. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. If the Housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement. This information is not required to be reported until 2019 for the 2014 – 2019 period.

X. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Successor’s Senior Housing Test for the 10 year period of July 1, 2004 through June 30, 2014:

Senior Housing Test	7/1/2004 – 6/30/2014
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	51
Senior Housing Percentage	0%

XI. EXCESS SURPLUS TEST

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 following provides the Excess Surplus test for the preceding four Fiscal Years:

Available Housing Funds – FY 2013/14	
LMIHAF Balance FY 2013/14	\$17,965,639
(Less) Accounts Receivable	(7,376)
(Less) Notes and Loans	(6,167,565)
(Less) Land Held for Resale	(11,651,456)
Available Housing Funds – FY 2013/14	\$139,242

Limitation on Available Housing Funds – FY 2013/14	
Greater of:	
➤ Base Amount	\$1,000,000
➤ Four Years of Deposits	
FY 2010/11	N/A
FY 2011/12	\$106,312
FY 2012/13	450,392
FY 2013/14	217,421
Total Deposits	\$774,125
Limitation on Available Housing Funds – FY 2013/14	\$1,000,000

The Fiscal Year Available Housing Funds total \$139,242, which is less than the \$1,000,000 limitation on Available Housing Funds for the Fiscal Year. Therefore, the LMIHAF does not have an Excess Surplus.