SENATE BILL 341
ANNUAL REPORT

Camarillo Housing Successor
Report for Fiscal Year 2018-19

December 6, 2019

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INTRODUCTION

On January 11, 2012, the City of Camarillo ("City") elected to become the Successor Housing Entity ("Housing Successor") to the former Camarillo Community Development Commission's ("CDC") that served as the redevelopment agency and assumed its housing functions. Most of the Housing 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 Housing Successor. Although the Housing 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

Senate Bill ("SB") 341, Assembly Bill ("AB") 1793, SB 107, and AB 346 amended certain sections of the 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"). SB 341 outlined a series of reporting requirements that that must be adhered to in annual reports. This annual report is due 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. FY 2018-19 marks the end of the first five-year reporting compliance period.

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: • Rapid rehousing for homelessness prevention (up to $250,000 per year); • Administrative expenses (greater of $200,000 or 5% of "portfolio" per year); • Monitoring expenses (included as an administrative expense); • All other expenditures must be reported as spent for each income group (extremely low-, very low-, and low-income)	Other "portfolio" balances, including: • 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); • 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

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 ("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 Housing 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 several legislative bills, including SB 341 to clarify issues concerning the activities and assets of former redevelopment agencies. SB 341 reinstated many affordable housing requirements formerly completed by 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 either $200,000 or 5% of the Housing Asset Fund's annual portfolio, whichever is greater. This cap is updated annually to reflect the Consumer Price Index and as a result, the Fiscal Year 2018-19 cap is $215,500. The portfolio includes outstanding loans or other receivables and the statutory value of any real property owned by the housing 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 2013-14 (on January 1, 2014) and ended in Fiscal Year 2018-19 (on June 30, 2019). For example, a housing successor could spend any amount of its funds during Fiscal Year 2016-17 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 2018-19.

LOW AND MODERATE INCOME HOUSING ASSET FUND

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

- Two affordability covenants; and
- One loan receivable.

The two other assets on the Housing Asset Transfer Form were real properties, commonly referred to as Cedar Oak Property, sold in Fiscal Year 2016-17. The proceeds from the 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 Fiscal Year 2018-19 are shown in Table 1 below.

Fiscal Year 2018-19 Housing Asset Fund Deposits	Table 1
Camarillo Housing Successor	
Description	**Amount**
Interest Revenue	$ 27,367
Total	$ 27,367

Source: City of Camarillo General Ledger

There were deposits in the amount totaling $27,367 into the Housing Asset Fund during Fiscal Year 2018-19. The deposits are from interest revenue. No revenue was requested on the ROPS for housing items.

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 ROPS. As shown in Table 2, the Housing Successor has $676,958 in cash assets and the fund balance as of June 30, 2019 is $948,347. There are no housing 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 2018-19 Housing Asset Fund Ending Balance	Table 2
Camarillo Housing Successor	
Description	**Amount**
Cash / Pooled Cash & Investments	$ 676,958
Notes / KDC Park Glenn Sr.	275,000
Accounts Payable	(1,352)
Wages Payable	(7,202)
Receivable / Interest	4,943
Total	$ 948,347

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, 2019 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, 2019. The loan was issued to KDF Communities to develop affordable housing under affordability terms.

Fiscal Year 2018-19 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**

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 2018-19 Housing Asset Fund Expenditures **Table 4**

Camarillo Housing Successor

Annual Expenditures	**Admin/ Monitoring**	**Rapid Rehousing**	**Ext. Low <30% AMI**	**Very Low 30-60% AMI**	**Low 60-80% AMI**
Administration	$ 171,364	$ -	$ 50,101	$ -	$ 149,439
Annual Total	**$ 171,364**	**$ -**	**$ 50,101**	**$ -**	**$ 149,439**

Compliance Period Expenditures

	Annual Limits[2]		Five-Year Period (1/1/14 through 2018-19)		
Total Expenditures	$ 171,364	$ -	$ 66,518	$ -	$ 169,168
SB 341 Limitation[1]	$ 215,500	$ 250,000	>30%	N/A	<20%
Compliant (Yes/No)	**Yes**	**Yes**	**No**	**N/A**	**No**

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

[2] The Successor has complied with the Annual Limits each year of the compliance period

Source: Low and Moderate Income Housing Fund Trial Balance Summary by Fund (6/30/19) and City Response to Data Request

The Housing Successor had $171,364 in administration costs in Fiscal Year 2018-19, $44,136 less the administrative limit of $215,500. From January 1, 2014 through June 30, 2019, the Housing Successor has spent $235,686 on affordable housing development related activities for both extremely low and low-income households from the Housing Asset Fund. The Housing Successor has exceeded the 20% maximum limit on expenditures for low-income housing during the 5-year compliance period. During the 5-year period, $169,168 has been spent on low-income housing projects (72%) and $66,518 has been spent on extremely-low income housing (28%). As such, the Housing Successor is out of compliance with the spending allocation which will be discussed greater detail later in this report. It should be noted that the Housing Successor expects to be in compliance with both the expenditure requirements in the near future.

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. 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 Fiscal Year 2016-17. In addition to the properties, three affordability covenants were also assumed by the Housing 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.

There are no housing enforceable obligations on the ROPS. Therefore, the Housing Successor did not receive or hold property tax revenue pursuant to the ROPS during Fiscal Year 2018-19, 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 in 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 to provide a status update on any projects for real property acquired on or after February 1, 2012. During Fiscal Year 2016-17, the 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.

Habitat for Humanity of Ventura County (2521 Barry St.)

The Housing Successor partnered with Habitat for Humanity of Ventura County to construct two low-income, single-family units located at 2521 Barry Street. The majority of the loan was drawn in Fiscal Year 2018/19, at the end of the 5-year compliance period. The following highlights the project information:

- City purchased the site on April 13, 2017 with CDBG funds and sold it to Habitat for Humanity for $1 on September 16, 2019.

- 2 low-income single-family, ownership units will be built on the site.

- City issued $250,000 forgivable pre-development loan for costs associated with pre-development activities with the Housing Asset Fund. During Fiscal Years 2017-18 and 2018-19, the developer drew down $17,054 and $149,439 of the loan amount, respectively.

- The project is currently under construction.

Anticipated Projects

The Housing Successor is currently working on additional affordable housing projects to add to the City's inventory. As such, the Housing Successor anticipates it will become in compliance in the near future as these projects will be restricted to very low- and extremely low-income households. Below is a brief description of these projects:

Mixed Use Arneill Road (City-owned site)

- City purchased the site on June 30, 2017 with Tax Exempt Bond proceeds.
- It is anticipated that the development will include 9 extremely-low rental units.
- Project entitlement applications are currently under review by the City.

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 still under negotiation with the developer.

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. As previously mentioned, the Housing Successor is out of compliance with these limitations. However, there are two anticipated projects – Arneill Road Mixed-Use Project and 2800 Barry St. - in the pipeline that are likely to bring the Housing Successor back into compliance.

The low-income housing expenditures in the amount $166,493 in Fiscal Year 2017-18 and 2018-19 for the Habitat for Humanity of Ventura County project caused the Housing Successor to become out of compliance with the 30% AMI requirement and the 60-80% AMI requirement at the end of the 5-year reporting period. The Housing Successor was in compliance with this expenditure limitation until this point. If the expenditures occurred after June 30, 2019, the new 5-year compliance period would have begun, and the Housing Successor would not have been out of compliance with the current reporting period.

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

- **<u>60%-80% AMI Requirement</u>**

  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.

  The Housing Successor dedicated 75% of its total expenditures to the development of housing affordable to and occupied by households earning between 60-80% of the AMI. The Housing Successor has not maintained these expenditures below the allowable 20% and is not in compliance with this requirement due to excess spending on this income category related to the Habitat for Humanity project. Consequently, the Housing Successor will ensure that no additional funding will be spent on development for 60%-80% AMI until in compliance with the January 1, 2014 through June 30, 2019 five-year period. This will be monitored by tracking each future fiscal year expenditure against this reporting period until the threshold is met.

- **<u>30% AMI Requirement</u>**

  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.

The Housing Successor dedicated 25% of its total expenditures to the development of housing affordable to and occupied by households earning 30% or less of the AMI. The Housing Successor did not maintain these expenditures above the required 30% minimum and is not in compliance with this requirement due to insufficient spending on this income category. Had the Housing Successor not spent $149,439 on the Habitat for Humanity project in Fiscal Year 2018-19, the Housing Successor would have been in compliance in the 30% AMI requirement. Consequently, the Housing Successor will ensure that 50% of the expenditures in the following fiscal years are spent on extremely low-income rental units until in compliance.

Furthermore, the Housing Successor will need to ensure compliance with the January 1, 2014 through June 30, 2019 five-year period moving forward. This will be monitored by tracking each future fiscal year expenditure against this reporting period until the 30% minimum threshold is met. Concurrently, the Housing Successor will need to monitor expenditures in the current July 1, 2019 through June 30, 2024 five-year period and simultaneously ensure compliance during this period.

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, 2009 through June 30, 2019. 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 Fiscal Year 2018-19, 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, June 30, 2022. If the housing successor fails to comply, the housing successor, within ninety days of the end of the third fiscal year, shall transfer any excess surplus to HCD.

Fiscal Year 2018-19 Excess Surplus Calculation **Table 5**

Camarillo Housing Successor

Fiscal Year	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Deposits	$ -	$ -	$ 1,161,793	$ 9,701	$ 27,367
Committed Funds					-
Unencumbered Amount[1]					$ 1,118,632
Step 1					
$1 Million, or					1,000,000
Last 4 Deposits					1,198,860
Result: Larger Number					1,198,860
Step 2					
Unencumbered Amount					1,118,632
Larger Number From Step 1					1,198,860
Excess Surplus/(Deficit)					**$ -**

[1] As of July 1, 2019.

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 this provision of the law.