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To: WESTMINSTER HOUSING AUTHORITY

From: Alexa Smittle, Principal
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SUBJECT: ANNUAL HOUSNG SUCCESSOR COMPLIANCE REPORTING

On January 1, 2014, Senate Bill 341 ("SB 341") became effective and amended certain sections of the California Health and Safety Code ("H&SC") that pertain largely to the entities that accepted the housing-related assets and liabilities of former redevelopment agencies. When the former Westminster Redevelopment Agency ("WRA") dissolved on February 1, 2012, the Westminster Housing Authority ("WHA") was selected to become the housing successor. According to Dissolution Law as approved in Assembly Bill x1 26 ("ABx1 26") in 2011, all rights, powers, assets, duties, and obligations associated with the housing activities of the former agency were transferred to the WHA.

As ABx1 26 was unclear on a number of issues, several bills have since been passed to clarify and amend the original legislation. These bills included Assembly Bill 1484, which established that the Department of Finance ("DOF") must approve the transfer of all housing assets through either the Housing Asset Transfer form submitted in August 2012, or through subsequent actions of the Successor Agency and Oversight Board to transfer housing assets by resolution. The DOF approved portions of the Housing Asset Transfer form submitted by the Successor Agency to the WRA ("SAWRA"), including the transfer of the largest housing successor asset, the repayment of the Supplemental Educational Revenue Augmentation Fund ("SERAF") loan from the former WRA's low and moderate income housing fund. This loan was worth approximately $14 million in total. Several other housing assets were transferred by Oversight Board Resolutions 12 and 17, and approved, in part, by DOF.

All former WRA assets received by the WHA are to be maintained in a separate fund, called the Housing Asset Fund. SB 341 placed a number of restrictions and reporting requirements on this fund. It is important to note that SB 341 deals specifically with the Housing Asset Fund (the inherited redevelopment assets) and not the entire WHA's funding and expenditures. Some of the primary changes SB 341 and subsequent related bills made to the H&SC are contained in Section 34176, and summarized as follows.

1. Administrative costs, which include housing monitoring, are capped at $200,000 or 5 percent of the Housing Asset Fund's "portfolio", whichever is greater. The portfolio includes cash, loans or other receivables, and the statutory value of any land owned by the Housing Successor.

2. SB 341 authorizes the housing successor to spend up to $250,000 per year on rapid rehousing solutions for homelessness prevention if the former RDA did not have any outstanding housing production requirements. The former WRA had a surplus of housing production, and therefore the WHA is authorized to make this expenditure if it chooses.

3. Remaining allowable expenditures were significantly altered by SB 341. All funds must be spent to improve housing options affordable to households earning 80 percent or less of the area median income ("AMI"). This means that no funding may be spend on median-income households, as was previously authorized by redevelopment law. Of the money expended, a minimum of 30 percent must go towards households earning 30 percent or less of the AMI, and a maximum of 20 percent may go towards households earning between 60 and 80 percent of the AMI. Housing successors must report expenditures by category each year, but compliance is only measured every five years. For example, a housing successor could spend all of its funds in a single year on households earning between 60 and 80 percent AMI, as long as it was 20 percent or less of the total expenditures during the five-year compliance period.

4. The Housing Successor may not expend funds on senior-restricted units if the former RDA, City, and Housing Successor cumulatively restricted more than 50 percent of all affordable units for seniors.

5. SB 341 also reinstated excess surplus calculations, similar to those that were previously performed by redevelopment agencies. The overall intent of the excess surplus reporting is to ensure that affordable housing funds are being encumbered and spent in a timely manner, generally being held no longer than 4 years. On an annual basis, the Housing Successor must perform a statutory calculation that compares revenues from the prior four years to current year unencumbered fund balance to determine whether or not an excess surplus of funds exists. If it does, the Housing Successor must take certain steps to spend the excess, or lose it to the State Department of Housing and Community Development.

It is important to note that not all of the language contained in SB 341 is precise. For example, the legislation does not explicitly define whether the housing successor should measure the 2 percent administrative cap by starting or ending fund balance. For the purposes of this report, RSG assumes the cap is based upon starting fund balance. The legislation also fails to address whether or not DOF approval of asset transfers via the Housing Asset Transfer form or oversight board resolution acts as the start date for a Housing Asset Fund deposit. RSG assumes DOF approval is a reasonable start date for all assets, as the legislation indicates that is how land transfers should be measured. RSG expects most of these questions will be answered over time, as reports are filed and reviewed, and adjustments will be made in the future as needed.

The primary annual reporting requirements of SB 341, as recently amended by Assembly Bill 1793 and Senate Bill 107, are defined in H&SC Section 34176.1(f), and include reporting for compliance with the provisions described above. These are reported annually by the Housing Successor, in addition to an independent audit that is typically performed at the same time as the City's annual audit and included in the Comprehensive Annual Fiscal Report. Annual reporting requirements are listed here.

1. Total amount deposited in the Housing Asset Fund for the Fiscal Year.
2. Statement of balance at the close of the Fiscal Year.
3. Description of expenditures for Fiscal Year broken out as follows:
    a. Rapid rehousing for homelessness prevention (maximum of $250,000 per year),
    b. Administrative expenses (greater of $200,000 or 2 percent of portfolio),
    c. Monitoring expenses (included as an administrative expense), and
    d. All other expenditures must be reported as spent for each income group (extremely low-, very low-, and low income).
4. Other "Portfolio" balances:
    a. Statutory value of any real property either transferred from the former WRA or purchased by the Housing Asset Fund. Note that the Housing Successor may only hold property for five years, and
    b. Value of loans, other repayments, and grants receivable.
5. Descriptions of any transfers to another housing successor for a joint project.
6. Description of any project still funded through the Recognized Obligation Payment Schedule ("ROPS").
7. Update on property disposition for any property that has not been developed for affordable housing uses and has owned more than 5 years, or plans for property owned less than 5 years.

8. Description of any outstanding production obligations of the former RDA that are inherited by the Housing Successor.

9. Compliance with proportional income requirements on 5 year basis.

10. Percentage of deed-restricted rental housing restricted to seniors and assisted by the housing successor, the former WRA, or the City within the past 10 years compared to the total number of units assisted by any of those three agencies.

11. Amount of excess surplus, and if any, the plan for eliminating it.

12. An inventory of homeownership units assisted by the former redevelopment agency, or the housing successor, that are subject to covenants, restrictions, or to an adopted program that protects the investment of moneys from the Low and Moderate Income Housing Fund. The inventory must include: (a) number of units, (b) any units lost since dissolution, any funds returned to the housing successor as a result of the program, and the name of any entity contracted to manage the units.

Items that do not apply to the WHA as Housing Successor at this time:

5. There are currently no joint projects.

6. No projects are funded through the ROPS.

8. The former WRA had a surplus of units, and therefore did not pass on any production requirements to the WHA.

9. This year is not at the end of a five-year compliance period.

11. The excess surplus calculation cannot be performed until after the fifth year of deposits in the Housing Asset Fund.

Items that apply to the WHA: 1-4, 7, 10, 12

1. Total deposits for FY 2014-15 are as follows.

Source	Amount
Interest Income	$39,489
Program Income	$0
Outstanding Developer Note Payments [1]	$182,749
Outstanding Loan Payments [1]	$104,605
SERAF Payments [2]	$2,144,741
Reimbursements	$4,931
Approved Land Transfers	$0
Total	$2,476,515

[1] Accounting practices record these payments as a reduction in outstanding balances; but for the purposes of this report, payments are included in the deposit statement as they ultimately are included in excess surplus calculations.
[2] Successor Agency received a SERAF repayment amount on June 1, 2014. Pursuant to dissolution law, funds are for use beginning in July 2014, so deposit shown here for FY 14-15 are inclusive of funds received by the Successor Agency on June 1, 2014 and January 2, 2015.

2. Asset Balance at the end of FY 2014-15 is $26,490,841

3. FY 2014-15 Expenditures may be categorized as follows.

Expense	Administration	Rapid Rehousing	60-80% AMI	30-60% AMI	< 30% AMI
Administration	$329,927	$2,753	$0	$631,542	$0

4. Land and Loan and grants receivable balances are as shown below.

Receivable Type	Amount Outstanding
Developer Notes	$6,020,439
Loans	$5,541,798
SERAF	$12,501,019
Statutory Land Value	$0
Total	$24,063,256

7. The WHA does not own any property that is not developed for affordable housing purposes at this time. Currently, the following properties have been transferred by the Housing Asset Transfer form, or Oversight Board Resolutions 12 or 17. Note that no statutory value is assigned to these properties.

Project Name	Address	Transfer Mechanism	Transfer Effective Date
Rose Gardens	8190 13th Street	HAT Form	August 31, 2012
Windsor Court / Stratford Place	8140, 8144-8156 13th Street	OB 12	January 17, 2014
Westminster Senior Apartments	7632 21st Street	OB 12	January 17, 2014
AMCAL Royale	280 Hospital Circle	OB 12	January 17, 2014
Coventry Heights	7521 Wyoming Street	OB 12	January 17, 2014
Newland Street Affordable Housing	14041 Newland Street	OB 12	January 17, 2014
AFH 4-Plex	14242, -62, -82 Locust Drive	OB 17	September 12, 2014

At this time, no properties need to be disposed of, as all are developed for affordable housing uses.

10. The former WRA restricted a total of 500 affordable housing units during its existence. Neither the WHA nor the City recorded income restrictions on other units; all affordable unit restrictions were recorded in the name of the WRA at the time of their creation. Of the 500 units, only 41 units were entered into restrictive covenants during the last ten years[1]. None of these are restricted to seniors, therefore the WRA is in compliance with all senior restrictions at this time, and as Housing Successor, has the option of restricting future units to senior occupants.

12. The former WHA assisted homeownership units in the following ways:
    a. Rehabilitation loans
        i. Total of 56 loans existed at dissolution
        ii. Five have been repaid to the WHA as housing successor
            1. Repayments totaled $86,770 in FY 12-13, and $104,605 in FY 14-15
        iii. No current contract for management of units is associated with these loans, accounting is performed by City and WHA staff
    b. Condominium Assistance Loans
        i. Total of 15 loans existed at dissolution
        ii. None have been repaid
        iii. No current contract for management of units is associated with these loans, accounting is performed by City and WHA staff
    c. First Time Homebuyer Loans
        i. Total of 2 loans existed at dissolution
        ii. None have been repaid
        iii. No current contract for management of units is associated with these loans, accounting is performed by City and WHA staff

[1] Includes American Family Housing units located on Worthy Drive (1 unit), and Locust Drive (4 units); and the AMCAL Royal Apartments on Hospital Circle (36 units).