

HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2016-2017
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
CHULA VISTA HOUSING AUTHORITY AS THE SUCCESSOR HOUSING AGENCY

The Chula Vista Housing Authority assumed the housing functions of the former City of Chula Vista Redevelopment Agency on February 1, 2012. The transfer of the functions included the transfer of formerly designated RDA low- and moderate-income housing funds, along with any funds generated by former RDA housing assets, comprehensively now known as the Low and Moderate Income Housing Asset Fund (LMIHAF).

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund has been prepared pursuant to California Health and Safety Code Section 34176.1(f). This Report sets forth certain details of the Chula Vista Housing Authority, as the Successor Housing Agency, (Housing Successor) activities during fiscal year 2016-2017 (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, as incorporated in the City of Chula Vista Comprehensive Audited Financial Report (CAFR) for Fiscal Year 2016-17 as prepared by Lance, Soll & Lunghard (Audit), which Audit is separate from this annual summary report. In accordance with Section 34176.1(f), an independent financial audit of the Fund is required within six months of the end of the fiscal year. The Audit is available on the City's website at <http://www.chulavistaca.gov/departments/finance>.

This Report is to be provided to the Housing Successor's governing body and submitted to the California Department of Housing and Community Development (HCD) by April 1, 2018, as an Attachment to the City's Annual Housing Element Progress Report. The Report is available to the public on the City's website at <http://www.chulavistaca.gov/housing>.

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.

A total of \$1,180,972 was deposited into the LMIHAF during the fiscal year. Of the total funds deposited into the LMIHAF, a total of \$ 0.00 was held for items listed on the ROPS. Please refer to page 44 of the CAFR.

ROPS # 16-17 deposits are \$963,931 received from the SERAF obligation that was due the LMIHF.

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.

Per the Comprehensive Annual Financial Report ending June 30, 2017, the ending balance in the LMIHAF was \$9,864,729 (please refer to page 44), of which \$ 0.00 was held for items listed on the ROPS. In addition, a SERAF payment was received in the amount of \$963,931 that was approved by the Department of Finance, listed on ROPS 16-17.

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.

LMIHAF Expenditures 2016-17	
A. Monitoring and Administration Expenditures (page 44 CAFR)	\$125,893
B. Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Subtotal Expenditures (A+B)	\$125,893
Housing Development Expenditures 2016-2017	
C. For Low-Income Units (51-80% AMI)	\$0
D. For Very Low Income Units (31-50% AMI)	\$0
E. For Extremely Low Income Units (0-30% AMI)	\$0
Subtotal Housing Development Expenditures (C+D+E)	\$0
TOTAL LMHAF Expenditures in Fiscal Year (A-E)	\$125,893

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.

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 purchased by the Housing Successor. Further, the value of loans and grants receivable is included in the reported assets held in the LMIHAF.

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

Statutory Value of Assets	
Statutory Value of Real Property Owned by Housing Successor ¹	\$150,000 ¹
Value of Loans and Grants Receivable (Page 74 CAFR)	\$27,057,051
Total Value of Housing Successor Assets	\$27,207,051

- 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.

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:** 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.

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

- 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.

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 five-year period:

¹ Three mobilehome spaces at Orange Tree Mobilehome Park at 521 Orange Ave valued at \$50,000 each.

<i>Address of Property</i>	<i>Date of Acquisition</i>	<i>Deadline to Initiate Development Activity</i>	<i>Status of Housing Successor Activity</i>
N/A			

The following provides a status update on the project(s) for property or properties that have been acquired by the Housing Successor using LMIHAF on or after February 1, 2012:

<i>Address of Property</i>	<i>Date of Acquisition</i>	<i>Deadline to Initiate Development Activity</i>	<i>Status of Housing Successor Activity</i>
N/A			

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.

***Replacement Housing:** Based upon the 2010-2014 Implementation Plan for the former redevelopment agency, there were no Section 33413(a) replacement housing obligations to be transferred to the Housing Successor.*

***Inclusionary/Production Housing:** Based upon the 2010-2014 Implementation Plan for the former redevelopment agency, there were no Section 33413(b) inclusionary/production housing obligations to be transferred to the Housing Successor.*

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 a five year period, with the period beginning January 1, 2014 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.

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: This section provides 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 time period. For this Report the ten-year period reviewed is July 1, 2007 through June 30, 2017.

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, 2007 to June 30, 2017:

Senior Housing Test	July 1, 2007 – June 30, 2017
Assisted Senior Rental Units	409 dus²
TOTAL Assisted Rental Units	933 dus
SENIOR HOUSING %	43%

XI. Excess Surplus Test: This section provides the amount of excess surplus (unencumbered funds) in the LMIHAF, exceeding one million or the aggregate amount deposited in the fund over the preceding four fiscal years 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.

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.

² Volta Senior Housing (126 units) was placed in service October and November 2017.

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

<i>Excess Surplus Calculation</i>	
<i>Sum of Deposits over Prior Four Fiscal Years</i>	<i>\$4,414,446</i>
<i>Current Reporting Year Opening Balance (July 1, 2015)</i>	<i>\$7,327,736</i>
<i>Larger of Sum of Deposit or \$1 million</i>	<i>\$4,414,446</i>
<i>EXCESS SURPLUS</i>	<i>\$2,913,290</i>

XII. An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

(A) The number of those units.

There are three (3) lots within Orange Tree Mobilehome Park that were assisted by the former redevelopment agency that are subject to covenants or restrictions. These loans are due and payable in 2017/2018.

<i>Address of Property</i>	<i>Date of Promissory Note</i>	<i>Loan Term (years)</i>	<i>Status of Housing Successor Activity</i>
<i>521 Orange #63 Daly \$14,942.00 (Principal Balance)</i>	<i>10/08/1987</i>	<i>30</i>	<i>Waiting for Excess Proceeds from County Tax Sale</i>
<i>521 Orange #8 Swanson \$6,042.00 (Principal Balance)</i>	<i>12/28/1987</i>	<i>30</i>	<i>Paid October 2017</i>
<i>521 Orange #24 Velez \$12,584.00 (Principal Balance)</i>	<i>10/08/1987</i>	<i>30</i>	<i>In deferral status</i>

(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

Not applicable.

(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund.

No funds were returned during the reporting period.

(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

The Housing Agency does not contract with an outside entity to manage the homeownership units assisted with LMIHF.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENT AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

Report on Compliance for the Housing Successor

We have audited the City of Chula Vista's Housing Successor's (Housing Successor) compliance with the type of compliance requirements described in the California Health and Safety Code sections applicable to California Housing Successor Agencies for the year ending June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies.

Auditor's Responsibility

Our responsibility is to express an opinion on the Housing Successor's compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred above that could have a direct and material effect on Housing Successor occurred. An audit includes examining, on a test basis, evidence about the Housing Successor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Housing Successor. However, our audit does not provide a legal determination of the Housing Successor's compliance with those requirements.

Opinion

In our opinion, the Housing Successor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Housing Successor for the year ending June 30, 2017.

Report on Internal Control over Compliance

Management of the Housing Successor is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Successor's internal control over compliance with the types of requirements that could have a direct and material effect on the Housing Successor to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal controls over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.





CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

Accordingly, we do not express an opinion on the effectiveness of the Housing Successor's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance of California Health and Safety Code sections applicable to California Housing Successor Agencies on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of California Health and Safety Code sections applicable to California Housing Successor Agencies will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Excess/Surplus Calculation

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chula Vista as of and for the year ended June 30, 2017, and have issued our report thereon dated December 28, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying report on excess/surplus calculation is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information is the responsibility of management and was derived from the financial statements. The report on excess/surplus calculation has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of California Health and Safety Code sections applicable to California Housing Successor Agencies. Accordingly, this communication is not suitable for any other purpose.

Brea, California
December 28, 2017

CITY OF CHULA VISTA HOUSING SUCCESSOR

COMPUTATION OF HOUSING SUCCESSOR
EXCESS/SURPLUS (HSC 34176.1)

	Low and Moderate Housing Funds All Project Area July 1, 2016	(Projected) Low and Moderate Housing Funds All Project Area July 1, 2017
Opening Fund Balance	\$ 9,138,907	\$ 8,809,650
Less Unavailable Amounts:		
Loans receivable	\$ (1,239,808)	\$ (1,257,230)
Due from Successor Agency	(1,016,104)	(224,684)
	<u>(2,255,912)</u>	<u>(1,481,914)</u>
Available Housing Successor Funds	6,882,995	7,327,736
Limitation (greater of \$1,000,000 or four years deposits)		
Aggregate amount deposited for last four years:		
2016 - 2017	N/A	1,180,972
2015 - 2016	1,644,789	1,644,789
2014 - 2015	966,454	966,454
2013 - 2014	622,231	622,231
2012 - 2013	908,414	N/A
	<u>\$ 4,141,888</u>	<u>\$ 4,414,446</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>\$ 4,141,888</u>	<u>\$ 4,414,446</u>
Computed Excess/Surplus	<u>\$ 2,741,107</u>	<u>\$ 2,913,290</u>

* This is the estimated future excess/surplus in 2017/2018. Please note: If a housing successor has an excess surplus, the housing successor shall encumber the excess surplus for the purposes described in paragraph (3) of subdivision (a) of Health and Safety Code 34176.1 or transfer the funds pursuant to paragraph (2) of subdivision (c) of 34176.1 within three fiscal years. If the housing successor fails to comply with this subdivision, the housing successor, within 90 days of the end of the third fiscal year, shall transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.