CITY OF
CHULA VISTA®

HOUSING SUCCESSOR ANNUAL REPORT
Chula Vista Housing Authority

Fiscal Year 2019-20

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INTRODUCTION

This Housing Successor Agency Annual Report ("Annual Report") presents information on Fiscal Year ("FY") 2019-20 expenditures and activities as required by Health and Safety Code ("HSC") Section 34176.1(f), including but not limited to a housing successor's compliance with certain expenditure activities over the year as well as a five-year planning period. This Annual Report is required of any housing successor to a former redevelopment agency.

Housing Authority as Housing Successor

The Chula Vista Housing Authority ("Housing Authority") is the Housing Successor Agency ("Housing Successor") to the former Chula Vista Redevelopment Agency ("Agency"), which was dissolved along with all redevelopment agencies statewide by the State legislature in 2012. At the time of dissolution, a housing successor was to be selected to transfer and be responsible for the remaining assets and liabilities of a former redevelopment agency.

The City Council elected to designate the Housing Authority as the Housing Successor to the former Agency. The Housing Authority performs many other duties beyond those of a housing successor while acting in its broader capacity as a housing authority. The Housing Authority reports on all of its activities in a separate (broader and more extensive) annual report required by HSC Section 34328, to be submitted to California Department of Housing and Community Development ("HCD") by October 1 for the prior year.

Scope of This Housing Successor Annual Report

This Annual Report is limited to the Housing Authority's activities as it relates to its role as a housing successor. This may include, but is not limited to, financial activities, property disposition, loan administration, monitoring of covenants, and affordable housing development. This Annual Report describes compliance with various annual, five-year, and ten-year housing expenditure and production requirements. FY 2019-20 is the first year of the current five-year compliance period for income proportionality, which begins July 1, 2019 and ends June 30, 2024.

The Housing Successor Annual Report was due to HCD by December 31. The Housing Authority's audited financial statements will be posted on the City of Chula Vista's ("City") website when available and incorporated herein by reference.

Assets Transferred to the Housing Successor

Upon the statewide dissolution of redevelopment in 2012, all rights, powers, committed assets, liabilities, duties, and obligations associated with the affordable housing activities of the Agency were transferred to the Housing Authority. As one of its first duties as a housing successor, the Housing Authority prepared and submitted to the California Department of Finance ("DOF") an inventory of housing assets to be transferred from the former Agency. The inventory was enumerated on a Housing Asset Transfer Form ("HAT") which included:

1. Real properties;
2. Loan/Grant receivables;
3. Rent/Operation Income; and
4. Deferrals.

All items on the HAT were reviewed and ultimately approved by the DOF on September 5, 2012. A copy of the HAT is provided as Appendix 1. Once approved by DOF and as directed by law, the Housing Authority, acting as the Housing Successor, transferred these assets to the Low and Moderate Income Housing Asset Fund ("Housing Asset Fund"). Approval of the HAT set in motion a series of obligations by the Housing Authority as a housing successor, as described in the following section.

BACKGROUND

This Section summarizes the legal requirements for use of housing successor assets that are addressed in this Annual Report.

Legal Requirements Pertaining to Housing Successors

In general, housing successors must comply with three major requirements pursuant to HSC Section 34176.1:

1. Expenditures and housing production are subject to income and age targets.
2. Housing successors may not accumulate an "excess surplus," or a high unencumbered Housing Asset Fund balance based on certain thresholds.

3. Properties must be developed with affordable housing within five to ten years of DOF's approval of the HAT.

Appendix 2 provides a detailed summary of the reporting requirements that are addressed in this Annual Report.

Permitted Uses of Housing Asset Funds

Pursuant to HSC Section 34176.1, Housing Asset Funds may be spent on:

- **Administrative costs** for operation of the housing successor agency. The law allows a housing successor to spend the greater of:
  - $200,000 per year adjusted for inflation, or
  - 5% of the statutory value of real property owned by the Housing Successor and the value of loans and grants receivable from the HAT ("Portfolio").

  According to HCD, the $200,000 limit adjusted for inflation is $220,400 for FY 2019-20. The Housing Successor's FY 2019-20 Portfolio balance is $25,342,406, of which 5% is $1,267,120. Chula Vista's FY 2019-20 annual administrative cost limit is the higher of these amounts, or $1,267,120.

- **Homeless prevention and rapid rehousing services** up to $250,000 per year if the former redevelopment agency did not have any outstanding inclusionary housing or replacement housing production requirements as of 2012. Chula Vista is eligible for this expense because it did not have any outstanding inclusionary or replacement housing requirements upon dissolution.

- **Affordable housing development** assisting households up to 80 percent of the Area Median Income ("AMI"), subject to specific income and age targets over a five-year period.

  Five-Year Income Proportionality on Development Expenditures: Any Housing Asset Funds may be spent on development of affordable housing projects affordable to low, very low, and extremely low income households. "Development" is defined as "new construction, acquisition and rehabilitation, substantial rehabilitation as defined in HSC Section 33413, the acquisition of long-term affordability covenants on multifamily units as described in HSC Section 33413, or the preservation of an assisted housing development that is eligible for prepayment or termination or for which within the expiration of rental restrictions is scheduled to occur within five years."

Over each five-year compliance period, the current one beginning July 1, 2019, at least 30 percent of such development expenditures must assist extremely low income households (30% AMI), while no more than 20 percent may assist low income households (between 60-80% AMI). The balance of the funds may be used on very low income households (defined as households earning between 30% and 60% of AMI).

The first five-year compliance period was January 1, 2014 through June 30, 2019. The Housing Authority was non-compliant with Housing Asset Fund income proportionality expenditure requirements during the first five-year compliance period, specifically with the 20% maximum expenditure requirement for the 60-80% AMI category. This is discussed later in the report. The current (second) five-year compliance period is July 1, 2019 to June 30, 2024.

Note that 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 60-80% AMI, as long as it was 20 percent or less of the total expenditures during the five-year compliance period.

Should a housing successor not spend at least 30% of its development expenditures for extremely low income households, or exceeds the amount spent on low income households, future expenditures are subject to greater restriction until these proportionality targets are met. Specifically, if a housing successor is unable to spend at least 30% of its development expenditures on extremely low units, it is required to increase this spending to 50% until compliant with the 30% threshold; a housing successor that spends more than 20% of its development expenditures on low income units cannot spend any further funds on low income developments until it is at or below the 20% threshold.

As such, tracking these expenditures and their progress over the corresponding five-year period is an important function of this Annual Report.

Ten-Year Age Proportionality on Units Assisted: If more than 50% of the total aggregate number of rental units produced by the city, housing authority, or former redevelopment agency during the past 10 years are restricted to seniors, the housing successor may not spend more Housing Asset Funds on senior rental housing.

It is important to stress that Housing Successor expenditure and production requirements are measured on different timeframes:

- **One-Year Limits:** Administrative Allowance and Homeless Prevention Allowance. Compliance evaluated annually and resets every year.

- **Five-Year Limit:** Expenditures by Income Level. Compliance evaluated over a fixed five-year period set by law, the current period being July 1, 2019 to June 30, 2024.

- **Ten-Year Limit:** Number of Senior Deed-Restricted Units Assisted. Compliance evaluated based on a rolling ten-year period that is different every year, the current period being FY 2010-11 to 2019-20.

Appendix 3 describes Housing Asset Fund expenditure requirements in more detail, including the types of costs eligible in each category.

Limits on the Accumulation of Housing Funds (Excess Surplus)

State law limits how much cash a housing successor may retain and, if it fails to commit and spend these dollars in a reasonable timeframe, ultimately penalizes the housing successor by requiring unspent funds to be transferred to HCD for use on State housing programs.

HSC Section 34176.1(d) establishes a limit, known as an "excess surplus" on the amount of unencumbered Housing Asset Funds based on the greater of the following:

- $1,000,000, or

- The total amount of deposits made into the Housing Asset Fund over the preceding four years.

Only amounts in excess of this threshold are considered an excess surplus. Once an excess surplus is determined, a housing successor must account for these funds separately and encumber said monies within three years. If after the third year the excess surplus has not been fully encumbered, the remaining balance of the excess surplus is to be transferred to HCD within 90 days. HCD is permitted to use these transferred excess surplus funds anywhere in the State under its Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

As part of the Annual Report, a housing successor must disclose any excess surplus and describe the housing successor's plan for eliminating this excess surplus.

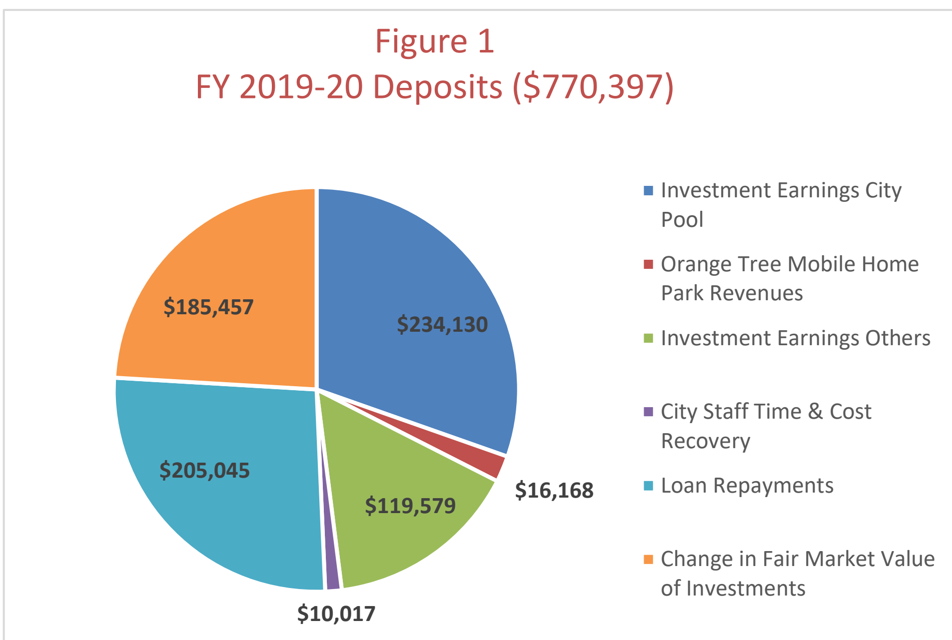
HOUSING ASSET FUND ACTIVITY

This section describes FY 2019-20 Housing Asset Fund activity and balances.

Deposits and Fund Balance

The Housing Authority deposited $770,397 into the Housing Asset Fund during FY 2019-20 from a variety of revenue sources, as shown in Figure 1.

Figure 1: Housing Asset Fund Deposits, 2019-20



Expenditures

The Housing Authority expended a total of $117,023 during 2019-20. Of these expenditures, $102,637 were for homeless prevention and rapid rehousing, and the remainder of $14,386 were administrative costs.

Ending Cash and Fund Balance

The Housing Asset Fund balance as of June 30, 2020 was $12,360,211, as summarized in Table 1.

Table 1: Housing Asset Fund - Ending Balance as of June 30, 2020

Balance Type		Amount
Cash	$	10,821,715
Interest Receivable		3,724
Prepaid Expenses		147,363
Loans Receivable		25,042,406.34
Advance to Other Funds		27,088
Accrued Interest		15,069
Interest Receivable SW Project Area		6,292
Orange Tree Mobile Home Park		807,704
Accounts Payable		(393)
Deferred/Unearned Revenue		(24,510,758)
Ending Balance	**$**	**12,360,211**

Source: Fund 319 Trial Balance and Chula Vista Audit (LSL)

Housing Successor Portfolio

The Housing Successor Portfolio as of FY 2019-20 includes three properties within Orange Tree Mobile Home Park valued at $100,000 each and several loans receivable transferred from the former Agency. The Portfolio had a value of $25,042,406 as of FY 2019-20, as detailed in Table 2.

Table 2: Housing Successor Real Property and Loans Receivable Portfolio

Asset		Amount
Real Properties		
Orange Tree #101, #106, #134		*$300,000*
Loans Receivable		
South Bay Community Services	$	672,847
Cordova Trolley		531,863
Rancho Vista Housing		1,462,658
St Regis Park		1,267,226
Chula Vista Rehabilitation CHIP Loans		573,340
Park Village Apartments (Barrio Housing)		137,281
Mobile Home Assistance Programs (Orange Tree)		12,584
Los Vecinos (Wakeland)		9,185,732
Main Plaza		2,197,479
The Landings I & II		3,098,263
Duetta Apartments		1,013,614
Volta Senior Apartments		1,047,778
Anita Street		3,841,741
Subtotal		*$25,042,406*
Total Portfolio Value		**$25,342,406**

Source: Chula Vista Audit (LSL) and the City of Chula Vista

REAL PROPERTIES AND DISPOSITION STATUS

Pursuant to the approved HAT, the former Agency transferred three parcels to the Housing Authority, specifically three properties in the Orange Tree Mobile Home Park, with unit numbers 101, 106, and 134. All three formerly had income restriction covenants that have since expired. The properties, however, are continually rented to seniors with incomes at or below 120% of AMI. There is one outstanding loan agreement for Orange Tree #24 that remains in deferral status, with $12,584 remaining to be paid.

HSC Section 34176.1(e) requires all real properties acquired by a redevelopment agency prior to February 1, 2012 and transferred to the housing successor to be developed pursuant to the requirements detailed in HSC Section 33334.16. All property that falls within these parameters must be developed for affordable housing purposes or sold by September 5, 2017. Because the properties were already developed for affordable housing purposes the above requirements have been satisfied.

LOANS RECEIVABLE

Twelve agreements transferred from the former Agency to the Housing Authority as part of the initial HAT. The outstanding balances are described below.

- In 1998, the former Agency and the City entered into two loan agreements with South Bay Community Services. Both agreements involving the Housing Asset Fund were to fund the 40-unit Cordova Village. Interest accrues annually at three percent. As of June 30, 2020, the outstanding balance of the loans was $672,847.

- In 2000, the former Agency loaned $1,000,000 using Housing Asset funds, and the City loaned $500,000 using HOME funds to CIC Eastlake, L.P. for the development and operation of Rancho Vista Housing Project. The outstanding principal on the loan is to be repaid over 55 years and interest accrues at the simple interest rate of three percent per year. As of June 30, 2020, the outstanding balance of the loan was $1,462,658.

- Also in 2000, the former Agency entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit multi-family housing project at 1025 Broadway (St Regis Park). The loan repayment period lasts 52 years and will accrue six percent interest. As of June 30, 2020, the outstanding balance of the loan was $1,267,226.

- The Chula Vista Rehabilitation Community Housing Improvement Program ("CHIP") is under direct control of the Housing Authority acting as the Successor Housing Entity for those loans that were funded using Housing Asset funds. CHIP offers deferred and low-interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. As of June 30, 2020, the outstanding balance of the loan was $573,340.

- In 1991, the former Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation. The loan was made for the purchase of land and the development of a 28 – unit low-income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., in which Civic Center Barrio Housing Corporation is the managing general partner. In 2009 an amendment to the loan was entered into changing the interest from three percent to five percent per year. As of June 30, 2020, the outstanding balance of the loan was $137,281.

- The former Agency entered into agreements with eligible residents of the Orange Tree Mobile Home Park, whereby the Agency loaned $250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. Interest is contingent on calculations specified in the agreement. As of June 30, 2020, the outstanding balance of the loans was $12,584. Only the loan to 521 Orange Ave. #24 (Velez) was still in deferral status.

- In 2008, the former Agency entered into a loan agreement with Wakeland Housing and Development Corporation to assist the borrower in constructing 41 affordable multi-family rental housing units. The loan amount of $5,680,000 was funded by the Housing Asset Fund. The loan bears an interest rate of five percent per year. As of June 30, 2020, the outstanding balance of the loan was $9,185,729.

- In 2003, the former Agency and City entered into a loan agreement with Main Plaza, LP to assist in acquiring and improving certain real property for occupancy by very low, low, and moderate income households. The loan bears an interest rate of three percent per year with a 55-year term. As of June 30, 2020, the outstanding balance of the loan was $2,197,480.

- The City entered into a loan agreement with CIC Landings, L.P. to assist the borrower in constructing 91 affordable multifamily apartment units for occupancy by extremely low, very low, and lower income households. The City and former Agency also entered into loan agreements with Landings II, L.P. to assist with constructing 141 affordable multi-family rental housing units. As of June 30, 2020, the outstanding balance of the loan was $3,098,263.

- In 2016, the City entered into a loan agreement with F Street Family CIC, LP to assist in the construction and permanent financing of affordable multi-family apartments with 86 deed restricted units (Duetta Apartments). The loan principal is in the amount of $895,340 from the Housing Asset Fund. The loan bears an interest rate of three percent per year for 55 years. As of June 30, 2020, the outstanding balance of the loan was $1,013,614.

- In 2016, the City entered into a loan agreement with G Street Senior CIC, LP to assist in the construction and permanent financing of affordable multifamily apartments with 122 deed restricted units (Volta Senior Apartments). The loan amount of $932,000 was funded by the Housing Asset Fund. The loan bears an interest rate of three percent per year for 55 years. As of June 30, 2020, the outstanding balance of the loan was $1,047,778.

- In 2017 and 2018, the City entered into an amended a loan agreement with Wakeland Housing to assist in the acquisition of land and pre-development of an affordable multi-family housing project of 96 units (Anita Street). The City's loan would draw from the Housing Asset Fund and assist in the construction of 32 extremely low income units from the 96 total. The original loan amount of $3,300,000 was amended in 2018 and 2020, respectively, for an additional $858,740 and $1,036,425 for a total loan commitment to $5,195,165. No interest accrues on the loan during the predevelopment phase of the Project. Fund balance has been restricted in the Low & Moderate Income Housing Successor Special Revenue Fund. However, as of June 30, 2020, only $3,841,741 has been dispersed to assist with 22 of the 32 units as of the writing of this report.

COMPLIANCE WITH EXPENDITURE & PRODUCTION LIMITS

During the 2019-20 year, the Housing Authority was in compliance with all annual and five- to ten-year planning period requirements as described in this section.

Proportionality Requirements

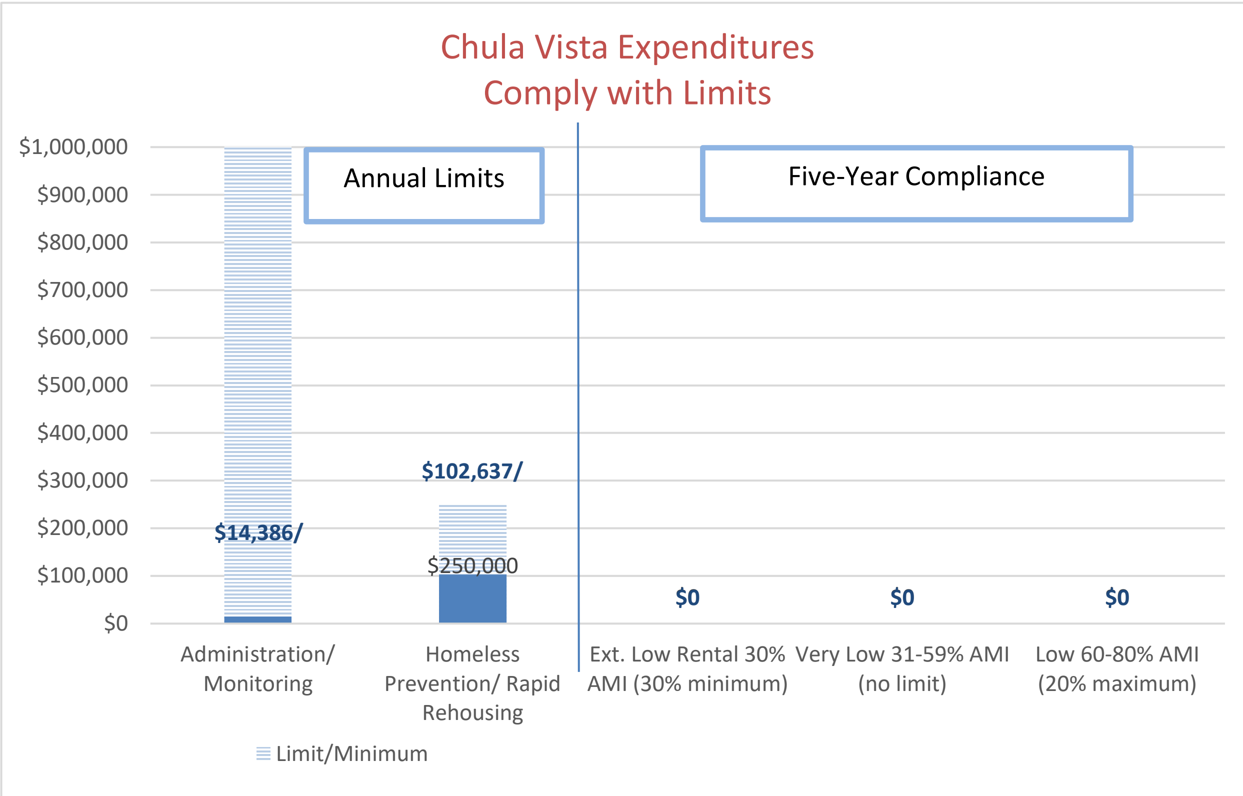
As summarized in Figure 2 below, the Housing Authority fully complied with all Housing Asset Fund spending restrictions:

- During FY 2019-20, the Housing Authority expended $14,386 on allowable administrative expenses which is well under the current annual maximum limit of $220,400 ($200,000 plus inflation), or 5% of the Housing Successor Portfolio balance, whichever is greater. As shown earlier on Table 2, the Portfolio balance is $25,342,406, of which 5% is $1,267,120.

- During FY 2019-20, the Housing Authority used $102,637 of Housing Asset Funds for homeless prevention or rapid rehousing expenses and was therefore in compliance with the $250,000 spending limit.

- No affordable housing development-related expenditures have been made during the current five-year compliance period of July 1, 2019 to June 30, 2024. Therefore, the Housing Authority meets the five-year income proportionality targets.

Figure 2: 2019-20 Housing Asset Fund Expenditure Summary



The Housing Authority will ensure it continues to meet all Housing Asset Fund expenditure requirements throughout this five-year compliance period of July 1, 2019 through June 30, 2024 and future five-year compliance periods.

In the previous five-year compliance period (July 1, 2014 to June 30, 2019), the Housing Successor complied with the limits on administrative expenditures, homeless prevention or rapid rehousing expenditures, and expenditures on projects with units restricted to 60% to 80% of AMI. However, the Housing Successor was not in compliance with the limits on project expenditures restricted to extremely-low income households (those in the 30% of AMI range). As was reported last year, the Housing Successor spent $632,723 (27%) on projects with units at or below 30% of AMI in the previous five-year compliance period, which was 27% of total expenditures during the compliance period. This was below the 30% minimum expenditure requirement, meaning the Housing Successor was out of compliance with the provision.

Failure to comply with the extremely low income requirement in any five-year compliance period results in the Housing Authority now having to ensure that 50 percent of remaining funds will be spent on extremely low income rental units until the Housing Authority demonstrates it is in compliance again. Since no funds were spent on housing units in the past year, the Housing Authority remains out of compliance and must continue to track each future fiscal year expenditure against this reporting period until this threshold is met.

Senior Rental Housing Limit Compliance

Pursuant to HSC Section 34176 (b), a maximum of 50% of deed-restricted rental housing units assisted by the former Agency, Housing Authority, or City in the previous 10 years may be restricted to seniors. The Housing Authority does not comply with the limit since 53% of the total aggregate number of rental units produced within the preceding ten years were restricted to seniors. The Housing Authority, City, and former Agency assisted 772 deed-restricted rental units in the last ten years, 409 of which are restricted to seniors, as shown in Table 3.

Table 3: Deed-Restricted Units Assisted in Last 10 Years

Year	Senior Units	%	Non-Senior Units	%	Total Units
2009-10	0	0%	6	100%	6
2010-11	0	0%	162	100%	162
2011-12	0	0%	0	0%	0
2012-13	0	0%	0	0%	0
2013-14	99	76%	31	24%	130
2014-15	184	97%	6	3%	190
2015-16	0	0%	1	100%	1
2016-17	126	59%	86	41%	212
2017-18	0	0%	71	100%	71
2018-19	0	0%	0	0%	0
2019-20	0	0%	0	0%	0
Total Deed-Restricted Senior Units:	**409**		**363**		**772**

Total Deed-Restricted Senior Units: **53.0%**

Source: City of Chula Vista

Because the Housing Authority is out of compliance by 3%, it is prohibited from spending any further Housing Asset Fund monies on assisting or developing senior housing units until compliance has been reached. This would require at least another 46 non-senior units to be assisted before reaching compliance. The Housing Authority will ensure that no further funds are spent on senior housing units until then.

Excess Surplus

The Housing Asset Fund may not accumulate an "excess surplus", or an unencumbered amount that exceeds the greater of $1 million, or the sum of deposits in the prior four fiscal years. This requirement ensures that housing successors are actively spending available Housing Asset Funds on affordable housing.

The Housing Authority has an excess surplus in the amount of $238,229 as of FY 2019-20, as shown in Table 4 below. This is the first year that the Housing Successor has calculated a surplus since dissolution began in February 1, 2012. There was also an increase in expense appropriations from the available Housing Asset Fund balance ($408,184) to refund an overpayment from the South Bay Community Villas project.

Table 4: Deed-Restricted Units Assisted in Last 10 Years

Fiscal Year	2015-16	2016-17	2017-18	2018-19	Total 4-Year Deposits
Deposits	$ 1,644,788	$ 1,180,972	$ 4,582,310	$ 2,503,208	$ 9,911,278
FY 2019-20 Beginning Cash Balance					$ 10,553,691
Less: Encumbered Funds					$ -
Less: Amount refunded due to Overpayment					$ (404,184)
Unencumbered Amount					$ 10,149,507
Step 1					
$1 Million, or					$ 1,000,000
Last 4 Deposits					$ 9,911,278
Result: Larger Number					$ 9,911,278
Step 2					
Unencumbered Cash Balance					$ 10,149,507
Larger Number From Step 1					$ 9,911,278
Excess Surplus					$ 238,229

Source: City of Chula Vista

The Housing Successor will continue monitoring its deposits and fund balance and seek to expend at least $238,229 on eligible projects or programs as soon as practicable, in order to correct and avoid accumulating an excess surplus in the future. The excess surplus must be expended or encumbered within three fiscal years and, if the Housing Successor fails to comply, it must transfer any excess surplus to HCD within 90 days of the end of the third fiscal year. To note, on November 30, 2020, the Housing Authority expended $316,999 for the Anita Street project loan, which eliminated the excess surplus for FY 2019-20. This will be described in greater detail in the FY 2020-21 report.

OTHER INFORMATION

Homeownership Unit Inventory

Table 5 presents an inventory of homeownership units assisted by the Housing Authority that require restrictions, covenants, or an adopted program that protects Housing Asset Fund monies.

Table 5: Homeownership Unit Inventory in Housing Asset Fund

Project Name / Address	Note Date	Interest	Status
CHIP Loans			
738 Anita Street	6/3/1988	0%	Deferment
3998 Main Street	1/23/1992	3%	Deferment
113 Oaklawn Avenue	7/27/1987	0%	Deferment
113 Oaklawn Avenue	11/4/1988	0%	Deferment
57 Suzanne Lane	9/25/1990	0%	Deferment
1043 Oleander Street	2/28/1992	5%	Deferment
501 Anita Street	8/23/2001	3%	Deferment
1556 Citrus Way	3/12/1987	0%	Deferment
186 Tremont	4/22/1987	0%	Deferment
1195 Monserate Ave	9/30/1987	0%	Deferment
94 I Street	9/12/2007	0%	Deferment
204 Second Ave.	5/11/1979	0%	Deferment
891 Jefferson	12/12/2003	3%	Deferment
Total Units			**13**

Source: City of Chula Vista

Transfers to Other Housing Successors

There were no transfers to another housing successor entity for a joint project pursuant to HSC Section 34176.1(c)(2).

APPENDIX 1 – HOUSING ASSET TRANSFER FORM

The Housing Asset Transfer Form is attached as a separate document.

APPENDIX 2 - HOUSING SUCCESSOR ANNUAL REPORT REQUIREMENTS

Health and Safety Code Section 34176.1(f)	
Housing Asset Fund Revenues & Expenditures	Total amount deposited in the Housing Asset Fund for the fiscal year. Amount of deposits funded by a Recognized Obligation Payment Schedule (“ROPS”). Statement of balance at the close of the fiscal year. Description of Expenditures for the fiscal year, broken out as follows: • Homeless prevention and rapid rehousing • Administrative and monitoring • Housing development expenses by income level assisted Description of any transfers to another housing successor for a joint project.
Other Assets and Active Projects	Description of any project(s) funded through the ROPS. Update on property disposition efforts (note that housing successors may only hold property for up to five years unless it is already developed with affordable housing). Other “portfolio” balances, including: • Statutory value of any real property either transferred from the former Agency or purchased by the Housing Asset Fund • Value of loans and grants receivable Inventory of homeownership units assisted by the former Agency or the Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of monies from the Low and Moderate Income Housing Fund.
Obligations & Proportionality	Description of any outstanding production obligations of the former Agency that were inherited by the Housing Authority. Compliance with proportionality requirements (income group targets), which must be upheld on a five-year cycle. Percentage of deed-restricted rental housing restricted to seniors and assisted by the former Agency, the Housing Authority, or the City within the past ten years compared to the total number of units assisted by any of those three agencies. Amount of any excess surplus, and, if any, the plan for eliminating it.

APPENDIX 3 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS

Health and Safety Code Section 34176.1		
Expense Category	Limits	Allowable Uses
Administration and Compliance Monitoring *Measured Annually*	**$220,400 maximum** for FY 2019-20 (limit varies each year)	Administrative activities such as: • Professional services (consultant fees, auditor fees, etc.) • Staff salaries, benefits, and overhead for time spent on Housing Successor administration • Compliance monitoring to ensure compliance with affordable housing and loan agreements • Property maintenance at Housing Successor-owned properties Capped at $200,000 adjusted annually for inflation or 5% of the statutory value of real property owned by the Housing Successor and the value of loans and grants receivable from the HAT ("Portfolio"), whichever is greater.
Homeless Prevention and Rapid Rehousing Solutions *Measured Annually*	**$250,000 maximum** per fiscal year	Services for individuals and families who are homeless or would be homeless but for this assistance, including: • Contributions toward the construction of local or regional homeless shelters • Housing relocation and stabilization services including housing search, mediation, or outreach to property owners • Short-term or medium-term rental assistance • Security or utility deposits • Utility payments • Moving cost assistance • Credit repair • Case management • Other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless.
Affordable Housing Development	No spending limit, but must comply with income and age targets	"Development" includes: • New construction • Acquisition and rehabilitation • Substantial rehabilitation • Acquisition of long-term affordability covenants on multifamily units • Preservation of at-risk units whose affordable rent restrictions would otherwise expire over the next five years

Health and Safety Code Section 34176.1		
Expense Category	Limits	Allowable Uses
	Income Targets *Fixed Five-Year Compliance Period (currently 2019-20 to 2023-24)*	Every five years (currently FYs 2020-2024), Housing Asset Funds must meet income targets: • At least 30% on extremely low income rental households (up to 30% AMI or “Area Median Income”) • No more than 20% on low income households (60-80% AMI) Moderate and above moderate income households may not be assisted (above 80% AMI). Failure to comply with the extremely low income requirement in any five-year compliance period will result in having to ensure that 50 percent of remaining funds be spent on extremely low income rental units until in compliance. Exceeding the expenditure limit for low households earning between 60-80% AMI in any five-year reporting period will result in not being able to expend any funds on these income categories until in compliance.
	Age Targets *Rolling Ten-Year Period (looks back at prior ten years)*	For the prior ten years (resets every year), a maximum of 50% of deed-restricted rental housing units assisted by the Housing Successor or its host jurisdiction may be restricted to seniors. If a housing successor fails to comply, Housing Asset Funds may not be spent on deed-restricted rental housing restricted to seniors until in compliance.