
SENATE BILL 341
ANNUAL REPORT

West Hollywood Housing Successor
Report for Fiscal Year 2017-18



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INTRODUCTION

The dissolution of California redevelopment agencies on February 1, 2012 resulted in drastic changes in the management of housing assets. After the dissolution of redevelopment agencies, a selected "housing successor" assumed all of the rights, obligations, and housing assets of the former redevelopment agency. In most cases, the housing successor was either the City that had formed the former redevelopment agency or a City housing authority operating in the jurisdiction of the former redevelopment agency.

The City of West Hollywood named itself as the successor housing entity ("Successor") to the former West Hollywood Community Development Commission's ("CDC") housing assets and obligations on February 6, 2012 by the adoption of Resolution No. 12-4266. All rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the CDC, excluding any amounts in the CDC's Low and Moderate Income Housing Fund were then transferred from the former CDC to the Successor.

ASSETS TRANSFERRED TO THE HOUSING SUCCESSOR

The assets transferred from the West Hollywood CDC to the Successor included real properties, loan receivables, and rental income. The Successor established a Housing Asset Fund, pursuant to the law, where assets and liabilities are recorded. According to Health & Safety Code ("HSC") Section 34176(e), housing assets may include:

- 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
- 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
- Repayment of Supplemental Educational Revenue Augmentation Fund loans

EXPENDITURE REQUIREMENTS OF SENATE BILL 341

Since dissolution, a number of legislative bills have been passed to provide clarification and implementation parameters surrounding former redevelopment agency activities and assets, including Senate Bill 341 ("SB 341"). SB 341 reinstated a number of affordable housing regulations and reporting requirements formerly applied to redevelopment agencies. Specifically, SB 341 directs expenditures from the Successor's Housing Asset Fund as follows.

- Administrative costs, which include housing monitoring, are capped at \$200,000, adjusted by the annual Consumer Price Index ("CPI") change, or 5% of the Housing Asset Fund's "portfolio," whichever is greater. The portfolio includes cash, outstanding loans or other receivables, and the statutory value of any land owned.
- A housing successor is authorized to spend up to \$250,000 per year on rapid rehousing solutions for homelessness prevention if the former CDC did not have any outstanding housing production requirements, which it did not.
- Remaining allowable expenditures must be spent to improve housing options affordable to households earning 80% or less of the area median income ("AMI"). This means that no funding may be spent on moderate-income households, as was previously authorized by redevelopment law. Of the money expended, a minimum of 30% must go towards households earning 30% or less of the AMI, and a maximum of 20% may go towards households earning between 60% and 80% of the AMI.

Note that housing successors must report expenditures by category each year, but compliance with income proportionality limits is reported 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% AMI, as long as it was 20% or less of the total expenditures during the five-year compliance period. The first five-year compliance period will be evaluated at the end of Fiscal Year 2018-19.

REPORTING REQUIREMENTS OF SENATE BILL 341

In addition to implementing expenditure parameters, SB 341 requires housing successors to report the following data each year in accordance with HSC Section 34176.1(f).

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 the 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 adjusted by CPI, or 5 percent of “portfolio” per year)
 - c. Monitoring expenses (included as an administrative expense)
 - d. All other expenditures must be reported as spent for each income group (extremely low-, very low-, and low income)
4. Other asset balances
 - a. Statutory value of any real property either transferred from the former redevelopment agency or purchased by the Housing Asset Fund. Note that the housing successor may only hold property for five years.
 - b. Value of loans and grants receivable.
5. Description 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 owned more than five years or future plans for property owned less than five years.
8. Description of any outstanding obligations of the former redevelopment agency that are inherited by the housing successor.
9. Compliance with proportionality requirements, or income group targets. Compliance must be upheld on a five-year cycle.
10. Percentage of deed-restricted rental housing restricted to seniors and assisted by the entity assuming housing functions, the former redevelopment agency, or the County 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.

While annual reporting is required, compliance periods may be longer. Not all items are applicable to all housing successors.

LOW AND MODERATE INCOME HOUSING ASSET FUND

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

- Real properties;
- LMIHF encumbrances;
- Loan receivables; and
- Rental income and HOA dues.

All items on the Housing Asset Transfer Form were approved by the California Department of Finance (“DOF”) on September 5, 2012.

1. 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. A deposit of \$29,515 was made into the Housing Asset Fund during FY 2017-18. The Fund earned \$1,149 in interest during FY 17-18.

2. HOUSING ASSET FUND ENDING BALANCE

SB 341 requires housing successors to submit a statement showing the fund balance at the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule. The current balance of the fund is \$109,812 as of June 30, 2018.

3. HOUSING ASSET FUND 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 unit’s 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. Table 1 summarizes Housing Asset Fund expenditures by category. The Successor had no expenditures in FY 2017-18.

**Table 1. FY 2017-18 Housing Asset Fund Expenditures
West Hollywood Housing Successor**

Category	Total Expenditures
Monitoring and Preserving Affordability Covenants	\$0
Administrative Costs	\$0
Rapid Rehousing/Homelessness Prevention	\$0
Affordable Housing for Low, Very Low, and Extremely Low Income Households	\$0

4. 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 Successor on June 30, 2018 are shown in Table 2.

The Successor received one property and two land leases that have a statutory value of \$107 as of June 30, 2018.

In addition, the Successor inherited six loan agreements and is administering two grant agreements issued by the CDC. The loans and grants have a total statutory value of \$15,664,117 as of June 30, 2018. They consisted of one loan to rehabilitate housing units, five loans to construct very-low income housing units, and two grants given out to subsidize rents and social services for Sierra Bonita residents. All loans were issued to low to very-low income residents.

Table 2. FY 2017-18 Real Properties and Loan/Grant Receivables**West Hollywood Housing Successor**

Real Properties	Statutory Value
Land: Sierra Bonita Affordable Housing Project	\$0
Land Lease A: Sierra Bonita Affordable Housing Project	\$10
Land Lease B: Sierra Bonita Affordable Housing Project	\$97
Subtotal	\$107

Loans and Grants Receivables	Statutory Value
Loan: 7719 Willoughby and 901 Genesee	\$2,558,756
Loan: La Brea Courtyard, 1145-1151 La Brea Ave	\$3,137,638
Loan: Detroit Senior Apartments, 1212 Detroit St	\$305,259
Loan: Detroit Lexington Apartments, 1151-1155 Detroit St	\$865,487
Loan: Sierra Bonita, 7530 Santa Monica Blvd	\$3,901,639
Grant: Sierra Bonita, 7530 Santa Monica Blvd	\$1,500,000
Grant: Sierra Bonita, 7530 Santa Monica Blvd	\$500,000
Loan: Janet L. Witkin Center, 937 N Fairfax	\$2,895,231
Subtotal	\$15,664,010

Total	\$15,664,117
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5. MONEY TRANSFERS

SB 341 requires housing successors 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 if that project has not yet been placed in service.

No transfers of monies have been made by the Successor from the time the dissolution act was implemented (February 1, 2012) through June 30, 2018.

PROPERTY AND PROJECT DESCRIPTIONS

At the time of dissolution, the CDC transferred one real estate property to the Successor: the Sierra Bonita Affordable Housing Project. The two leases associated with the property were also transferred. This property is completely developed and is not undergoing disposition.

6. 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 Recognized Obligation Payment Schedule and the status of that project.

The Successor received \$0 in property tax revenue from its operations and projects during FY 2017-18

7. STATUS UPDATES ON DISPOSITIONS AND DEVELOPMENTS

Under SB 341, housing successors must submit a statement on compliance for interests in real property acquired by the CDC prior to February 1, 2012. In addition, housing successors are to provide a status update on any projects for any real property acquired on or after February 1, 2012.

On July 31, 2012, the Successor Agency submitted a Housing Asset Transfer form to transfer one real estate property to the Successor: The Sierra Bonita Affordable Housing Project. The Department of Finance approved of this transfer on September 5, 2012. The Sierra Bonita Affordable Housing Project is completely developed and is not undergoing disposition.

8. OUTSTANDING OBLIGATIONS

SB 341 requires housing successors to describe (A) any outstanding obligations that remained to transfer 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.

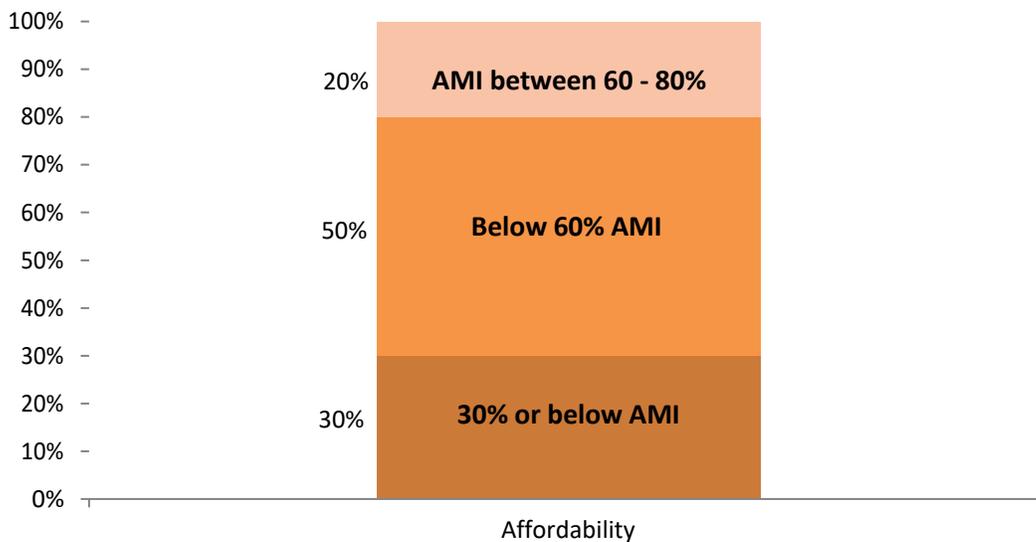
The Successor did not have any outstanding inclusionary or replacement housing obligations at the time of dissolution.

9. 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.

The Successor had no expenditures in FY 2017-18. With no expenditures to report, the West Hollywood Housing Successor is by default compliant with the proportionality requirements of SB 341.

Housing Asset Fund Expenditure Limitations



Failure to comply with the extremely low income requirement in any 5-year reporting period will result in the Successor having to allocate 50% of its remaining funds to extremely low income rental units until its expenditures comply with proportionality limits. If in any 5-year period the Successor exceeds its spending limit for households earning between 60% and 80% of the AMI, it will not be able to spend additional funds on these income groups until its expenditures comply with proportionality limits.

10. SENIOR HOUSING

SB 341 requires housing successors to report the percentage of affordable housing units for seniors developed by the housing successor, its former redevelopment agency, and its local municipality within the previous 10 years. Affordable housing for seniors should not exceed 50% of the total number of affordable housing units built in the last 10 years.

Over the last 10 years, 385 affordable units were created, 142 of which were senior housing units. Therefore, the percentage of affordable units developed for seniors was 37%.

11. EXCESS SURPLUS

Per SB 341, housing successors are to report (A) the amount of any excess surplus, (B) the amount of time that the successor agency has had excess surplus, and (C) the housing successor's plan for eliminating the excess surplus.

Excess surplus¹ calculations were once performed by redevelopment agencies on an annual basis, and are intended to ensure that funds are expended to benefit low income households in a timely manner. Generally speaking, funds should be encumbered within four years of receipt. SB 341 reinstates this calculation for housing successors.

The first meaningful calculation of this total cannot be performed until the close of the fifth fiscal year. Once four years of deposits have been established, at the close of the fifth year, (FY 2018-19) the Successor will have to perform a true excess surplus calculation, comparing the unencumbered fund balance to the prior four years of deposits. As the purpose of the excess surplus calculation is to ensure that money is spent on achieving affordable housing objectives, the appropriate action for the Successor is to encumber or expend any funds deposited into the Housing Asset Fund over the next five years.

12. INVENTORY OF HOMEOWNERSHIP UNITS

AB 1793 requires this report to include 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

¹ 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."

investment of moneys from the LMIHF. There are no homeownership units assisted by the CDC or Successor subject to affordable housing covenants or restrictions to report.