

**FOUNTAIN VALLEY HOUSING AUTHORITY
AND HOUSING SUCCESSOR AGENCY
ANNUAL REPORT
FOR FISCAL YEAR 2022/23 PURSUANT TO CALIFORNIA
HEALTH AND SAFETY CODE SECTIONS 34176.1 AND 34328**

This Annual Report of the Fountain Valley Housing Authority (Housing Authority) is prepared under the California Health and Safety Code (HSC), Division 24, Parts 1.8 and 1.85 (Dissolution Law), in particular Section 34176.1 as the housing successor, and under the California Housing Authorities Law, HSC Section 34200, *et seq.* (HAL), in particular Section 34328 as a housing authority (together, Report). The Dissolution Law and HAL respectively require preparation of an annual report on the housing successor and the housing authority's activities for the prior fiscal year. This Report details the Housing Authority's activities during Fiscal Year (FY) 2022-2023 and is intended to satisfy the requirements under both HSC Sections 34176.1 and 34328. More specifically, this Report details the Housing Authority's activities for FY 2022-2023, including the information required about the Low and Moderate Income Housing Asset Fund (LMIHAF) and other information under Section 34176.1(f). A copy of the Report, in this draft form, has been provided to the City Council, as governing body, and to the Housing Authority by December 31, 2023, under Section 34176.1(f), and, upon their joint review and action to file the Report, it will be posted on the City's website at www.fountainvalley.org, with a copy forwarded to California Department of Housing and Community Development and the Governor's Office as required by State Law.

This Report includes information prepared by City staff on behalf of the Housing Authority and information contained within the financial records of the Low and Moderate Income Housing Asset Fund for FY 2022-2023. This Report conforms with, and is organized into sections I. through XIV., inclusive, under HSC Section 34176.1(f) of the Dissolution Law and Section 34328 of the HAL.

- I. Amount Received Pursuant to Section 34191.4(b)(3)(A):** This section provides a total amount of funds received pursuant to Section 34191.4(b)(3)(A).
- II. 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.
- III. 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, and amounts allocable to Section 34191.4 deposits, must be distinguished from the other amounts deposited.
- IV. 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 among administration for monitoring and preserving covenanted housing units, homeless prevention and rapid rehousing, and development of housing.

- V. Statutory Value Of Assets Owned By Housing Successor In LMIHAF:** 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.
- VI. 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.
- VII. 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.
- VIII. 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. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.
- IX. 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.
- X. Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the first time period beginning January 1, 2014 and whether the statutory thresholds have been met.
- XI. Senior Housing Test:** This section provides the percentage of 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 10 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, 2013 - June 30, 2023.
- XII. Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, 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.
- XIII. Inventory of Home Ownership Units:** This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency's investment of moneys from the Low and Moderate Income Fund per Section 33334.3 (f).
- XIV. Housing Authority Annual Report:** Housing Authority's activities for FY 2022-2023

pursuant to HSC Section 34328.

In addition, this report and the former redevelopment agency's pre-dissolution Implementation Plans are to be made available to the public on the City's website www.fountainvalley.org.

I. AMOUNT RECEIVED PURSUANT TO SECTION 34191.4(b)(3)(A):

No funds were received pursuant to Section 34191.4(b)(3)(A).

II. AMOUNT DEPOSITED INTO LMIHAF

A total of **\$612,466** was deposited into the LMIHAF during the Fiscal Year as shown in Table 1 below. Of the total funds deposited into the LMIHAF, **\$0** were held for items listed on the ROPS. The deposits are allocated as follows:

SOURCE	AMOUNT
1 st Time Homebuyer Monthly Loan Repayment (Principal)	\$28,474
1 st Time Homebuyer Monthly Loan Repayment (Interest)	\$23,929
1 st Time Homebuyer Monthly Loan (Equity Share On Payoff)	\$0
Housing Rehab Monthly Loan Repayment (Principal)	\$1,137
Housing Rehab Monthly Loan Repayment (Interest)	\$400
Jasmine Project Loan Repayment (Principal)	\$392,163
Jasmine Project Loan Repayment (Interest)	\$71,320
Misc. Received Interest	\$95,043
Misc. Fees	\$0
Recognized Obligation Payment Schedule (ROPS) - Completed	\$0
Total LMIHAF Deposits	\$612,466

Table 1

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending available cash balance in the LMIHAF was **\$5,680,729**. The balance is the cash balance minus the balance in accounts payable and the loan payable to the General Fund. Please see section XIV. for additional information regarding the loan from the General Fund.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

Table 2 below shows a description of expenditures from the LMIHAF by category:

SUBJECT	AMOUNT
Monitoring & Administration	\$ 144,710
Homeless Prevention & Rapid Rehousing Services Expenditures	\$ 0
Housing Development Expenditures for pre-development expenses.	\$ 22,308
Total Expenditures	\$ 167,018

Table 2

The Housing Successor is permitted to spend the greater of \$254,500, or five percent of the

value of the Housing Assets Portfolio (as defined and calculated in Section V), on Monitoring and Administration. Five percent of the value of the Housing Assets Portfolio is \$612,539. With a total of \$144,710 expended for monitoring and preserving affordability covenants and administrative costs during the Fiscal Year, the Successor Agency has complied with the maximum administrative costs expenditure requirement.

Housing Development Expenditures for pre-development expenses consist of staff costs related to the 50-unit affordable housing project the Housing Successor developed with The Related Companies CA (TRCC) under the Affordable Housing Agreement (AHA) approved in FY 2018-19. Development costs continue to accrue as the project comes to a completion and the developer transitions to their permanent financing and the final TCAC audit is complete projected to be done in 2024.

V. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

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

The Housing Successor does not own any real property. Table 3 below shows the statutory value of loans owned by the Housing Successor.

Asset Category - Loans	Statutory Value
1 st Time Home Buyer Loans (5 Loans)	\$ 468,860
Home Improvement Loans (9 Loans)	\$ 202,748
Development Loan (Jasmine)	\$ 3,173,840
Acquisition & Development Loans (TRCC)	\$ 8,200,000
Accrued Interest Receivable * (TRCC Development Loan)	\$ 205,208
Total Statutory Value of Loans Held by Housing Successor	\$12,250,656

Table 3 *Interest is accruing on loan from agreement date however; payment is not required until TCAC audit is completed which is anticipated by early 2024.

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c) (2) during the Fiscal Year.

VII. PROJECT DESCRIPTIONS

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

VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

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 following provides a status update on the project(s) for property or properties that were acquired prior to February 1, 2012 and compliance with the five-year period:

- *The Housing Successor does not own any properties acquired prior to February 1, 2012.*

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:

- *The Housing Successor does not own any properties acquired on or after February 1, 2012.*

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing:

According to the FY2010/11-FY2014/15 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor.

Inclusionary/Production Housing:

According to the FY2010/11-FY2014/15 Implementation Plan for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor.

The former redevelopment agency's Implementation Plans are posted on the City's website at www.fountainvalley.org

X. INCOME TEST

This section provides the information required by Section 34176.1(a)(3)(A) or a description of expenditures by income restriction in five-year reporting increments and whether the statutory thresholds have been met. The first five-year period was January 1, 2014 to June 30, 2019. The second five-year reporting period is July 1, 2019 to June 30, 2024 and does not need reported until 2024.

Section 34176.1(a)(3)(B) requires that for each reporting period the Housing Successor must ensure that at least 30% of the LMIHAF be expended for development of rental housing affordable to, and occupied by, households earning 30% or less of the AMI (Extremely-Low). No more than 20% of the LMIHAF may be expended for the development of housing affordable to, and occupied by, households earning 60% to 80% of the AMI (Low), during each reporting period.

If the Housing Successor fails to comply with the Extremely Low Income requirement in any five-year report, then they shall ensure that at least 50% of the remaining LMIHAF funds expended in each fiscal year following the latest fiscal year following the five-year report, be expended for the development of rental housing for Extremely Low Income households until they are in compliance in an annual report.

During the 2014-2019 reporting period, the Housing Successor expended 27% from the LMIHAF on Extremely Low Income households and 7% on Low Income households. Because the expenditures for Extremely Low-Income households fell below the 30% threshold, the Housing Successor must ensure that at least 50% of the remaining LMIHAF funds expended in each fiscal year are used for the development of rental housing for Extremely Low Income households, until the housing successor demonstrates compliance in an annual report. The second five-year test period is July 1, 2019 to June 30, 2024 and expenditures do not need reported until the end of 2024. The Housing Successor has not spent any funds on rental housing in the second test period.

XI. SENIOR HOUSING TEST

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.

Table 4 below provides the Housing Successor’s Senior Housing Test for the 10-year period of 7/1/2013-6/30/2023. The Housing Successor currently has no restriction on senior housing expenditures.

Senior Housing Test	10 Year Test – July 1, 2013 - June 30, 2023
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	50 (TRCC – Prado in FY 20-21)
Senior Housing Percentage	0%

Table 4

XII. EXCESS SURPLUS TEST

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.

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

Excess Surplus Calculation	
Greater of:	
➤ Base Amount of	\$1,000,000
➤ Or Four Years of Deposits	
FY 19/20	\$ 839,720
FY 20/21	\$ 733,226
FY 21/22	\$ 783,915
FY 22/23	\$ 612,466
Total of Deposits	\$2,969,327
Greater amount is:	\$2,969,327

Table 5

As Table 5 reflects, \$2,969,327 was deposited into the LMIHAF account in the four previous fiscal years. Section III shows that the year-end cash balance in the LMIHAF account is \$5,680,729. However, as noted in the FY 2021-2022 report, the Housing Successor will eliminate the excess surplus by partnering with the adjacent jurisdictions of Garden Grove and Westminster, and the County of Orange, to develop and operate the Central Cities Navigation Center (CCNC) to provide shelter and services to persons experiencing homelessness in the participating cities. During Fiscal Year 2022-23, an agreement between the jurisdictions was executed that will encumber an estimated \$2.85 million for the continued development and operating costs of the CCNC over the ten-year period estimating an annual 2% escalation per year. **After encumbering this projected amount, the cash balance of the LMIHAF is \$2,830,729 and the account will no longer have excess surplus for this fiscal year.** The Successor Agency will also continue to spend funds annually on monitoring, preserving and managing the existing affordability covenants and loan portfolio.

XIII. INVENTORY OF HOME OWNERSHIP UNITS

This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of moneys from the Low and Moderate Income Fund per Section 33334.3 (f).

(A) As of June 30, 2022, the total number of homeownership units currently assisted by the former Agency that are subject to covenant or restrictions is **59 units**.

- i. This includes 54 Low and Moderate-Income Senior condos located at Liberty at Founder's Village and five First-Time Home Buyer Loans on properties throughout the city.

(B) During the reporting year, **0 units** were lost from the portfolio.

(C) A total of **\$0** was returned to the Housing Successor as a part of an adopted program that protects the former redevelopment agency's investment of moneys from the LMIHAF fund.

(D) The FVHA/Housing Successor has existing consulting agreements with AmeriNat Loan Services relating to certain, but not all, aspects of administration of the former Agency's Single Family Rehabilitation and First Time Homebuyer Program. These consulting services include oversight and assistance with amortized loan payments, tracking and calculation of loan balances in the event of payoff, and other administrative activities related to outstanding loans.

In addition, FVHA utilizes Celeste Brady of Stradling, Yocca, Carlson and Rauth as Special Legal Counsel to assist staff with legal issues and Kathe Head of Keyser Marston Associates for the provision of financial analysis for existing projects as well potential future projects.

XIII. Fountain Valley Housing Authority's Activities subject to HSC 34328

Development, Rehabilitation or Finance of Housing Projects

The Housing Authority became the Successor Housing Agency on February 1, 2012. Since the passage of SB341, the allowable use of former redevelopment funds are generally restricted to administration of previously held assets, the production of rental units for low income persons, and a limited amount that may be used to provide services for persons experiencing homelessness.

In 2022, the City entered into a Memorandum of Understanding (MOU) with the cities of Westminster and Garden Grove, and the County of Orange, for site acquisition, development, and operation of the Central Cities Navigation Center (CCNC) to address homelessness and implement the County's Continuum of Care in the partner cities for a minimum of ten years. The CCNC will provide emergency housing and wrap around services to individuals experiencing homelessness. Each City's share represents a portion of the city program costs that is estimated to be equal to each City's anticipated use of the aggregate guest capacity of the center, along with the associated costs of managing and operating the CCNC over the minimum ten-year period.

It is the intent of the City to fund the acquisition, development, and operation costs

from the LMIHAF. Under HSC 34176.1(c)(2), “Two or more housing successors within a county, ..., within 15 miles of each other, or that are in contiguous jurisdictions, may enter into an agreement to transfer funds among their respective Low and Moderate Income Housing Asset Funds” for certain authorized purposes, which may include a navigation center, regional homeless center, and other purposes authorized in that statute. In any fiscal year, a housing successor may fund from the LMIHAF up to (i) \$1 million for transfer to a receiving housing.

A housing successor that intends to transfer and/or receive LMIHAF funds under HSC Section 34176.1(c)(2) must meet seven specific conditions. The City of Fountain Valley met all seven conditions. Both partner cities met six out of seven conditions. The unmet condition for both cities was to have an approved Housing Element. Both jurisdictions had submitted their Housing Elements to the state and they were under review.

Obtaining approval of a Housing Element can be a lengthy process without a guaranteed approval date. In order to move the development of the CCNC forward in a timely manner, the City entered into a Cooperation Agreement with the Housing Authority to make a temporary loan from the General Fund to the Housing Authority to pay the initial site acquisition costs of the CCNC pending the partner cities obtaining Housing Element approval. When they receive approval, all conditions of HSC 34176.1(c)(2) will be met, and the loan will be repaid to the City from the LMIHAF funds and reflected as a transfer to a neighboring housing successor in the appropriate reporting year. The initial obligation of Nine Hundred, Thirty-Five Thousand, Eight Hundred and Ten Dollars (\$935,810) is for Fountain Valley’s portion the CCNC site acquisition.

The Housing Authority also used funds for administrative functions that included monitoring affordable housing covenants, managing the housing loan portfolio, and project related costs associated with the Affordable Housing Agreement with The Related Companies California executed in FY 2018-19, for the development of the 50-unit affordable housing project, Prado Family Homes. The project was fully leased and occupied in June 2022 and permanent financing was in place at the end of December 2022 however, development costs will continue until the final TCAC audit is completed which is anticipated by 2024.

Terminations of Tenancies

The Housing Authority does not own or operate any rental properties; therefore has not terminated any tenancies.

Bonds

The Housing Authority did not issue any bonds in FY 2022-23. The Housing

Authority does not currently have any bonds.

Section 8

In 2011, the Housing Authority passed a resolution to authorize the Orange County Housing Authority to continue to provide Section 8 Leased Housing in its Areas of Operation within the City of Fountain Valley.

Loans

No loans were made in FY 2022-23.

Land

The Housing Authority does not own any land.