

HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2016-17
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
CITY OF SAN JOSÉ

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of FEBRUARY 4, 2018. This Report sets forth certain details of the housing activities of the City of San Jose, successor to the former Redevelopment Agency of the City of San Jose during Fiscal Year 2016-17. 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 CITY OF SAN JOSÉ COMPREHENSIVE ANNUAL FINANCIAL AUDIT for Fiscal Year 2016-17 as prepared by GRANT THORTON LLP, which Audit is separate from this annual summary Report; further, this Report conforms with and is organized into sections I. through XI., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

I. Loan Repayments: The amount the city, county or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

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 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.

V. **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.

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

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 January 1, 2007 to January 1, 2017.

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. Homeownership Units:

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.

(B) [This isn't the first report, right?] The number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

(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.

(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.

This Report is to be provided to the Housing Successor's governing body by April 1, 2017. 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 <http://www.sanjoseca.gov/index.aspx?nid=1302>.

I. LOAN REPAYMENT

The City did not receive any amount pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$18,249,714 of program income from loan repayments was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, zero dollars were held for items listed on the ROPS.

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$92,752,396 of which zero dollars are held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

	Fiscal Year
Monitoring & Administration Expenditures	\$8,126,608
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Housing Development Expenditures	
- Expenditures on Extremely-Low Income Units (0-30% AMI)	\$3,007,542
- Expenditures on Very-Low Income Units (31-50% AMI)	\$3,702,490
- Expenditures on Low Income Units (51-60% AMI)	\$0
- Expenditures on Unrestricted Units (Manager’s unit)	\$83,635
- Expenditures on Acquisition and Predevelopment	<u>\$2,511,606</u>
Total Housing Development Expenditures	\$9,305,273
Total LMIHAF Expenditures in Fiscal Year	\$17,431,881

California Health and Safety Code Section 34176.1 allows for 5% of the total \$654,280,937 gross value of Housing Successor assets, or \$32,714,047 to be used on monitoring and administrative expenditures. The Housing Successor continues to monitor expenditures from the LMIHAF.

In Spring 2018, the Housing Department expects to issue its next Notice of Funding Availability (“NOFA”) to seek proposals for additional affordable housing commitments from the LMIHAF.

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

	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Successor	\$36,908,263
Value of Loans and Grants Receivable	\$524,620,278
Total Value of Housing Successor Assets	\$561,528,541

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

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the projects related to such real property.

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 Finance Department 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. For San José, the date of Finance’s approval was March 14, 2013.

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
Playa Almaden (aka Sycamore Terrace)	02/16/96	3/13/2018	Previously-identified developer could not obtain community support for its proposed development. The Housing Department will be seeking the City Council’s approval to sell the property to the City’s Parks Department at the appraised value. The Housing Department expects to sell this property in 2018 and will deposit the funds in the LMIHAF.
Evans VTA (aka Willow Glen Woods)	12/31/02	3/13/2018	The City issued an RFP in early 2016 for a developer to develop an affordable housing community on this site. Abode Services was selected and in March 2016, the City awarded predevelopment funds to pursue site design. Abode Services is working on obtaining entitlements for the site.
E side Evans Lane	06/30/05	3/13/2018	See Evans Lane VTA description.

(aka Willow Glen Woods)			
Vermont House	06/30/09	3/13/2018	In June 2016, City staff closed a Conditional Grant for rehabilitation and a Lease of this City-owned property to Abode Services, an owner and developer of supportive housing. Once rehabilitation completed, Vermont House will provide permanent supportive housing for 16 homeless veterans pursuant to its award of VASH vouchers from the Housing Authority of the County of Santa Clara. Abode Services began overseeing property rehabilitation using Grant funds in June 2016. The rehabilitation is expected to be completed in January 2018.
COMPLETED:			
The Haven	06/30/08	3/13/2018	This property includes an affordable apartment building and a building which is currently being managed by a nonprofit agency (LifeMoves, f.k.a. InnVision) as a shelter for fire victims. Income-eligible residents occupy the adjacent apartment.
Brookwood Terrace	03/01/09	3/13/2018	Construction on this 84-unit family development started in March 2010 and completed in January 2012. The City Financing Authority holds the site fee simple and has a groundlease to the development. The development is in its permanent financing phase and units are occupied by income-eligible residents.
Orvieto Family	03/01/09	3/13/2018	Construction on this 92-unit family development started in September 2010 and completed in August 2012. The City Financing Authority owns the site fee simple and has a groundlease to the development. The development is in its permanent financing phase and its units are occupied by income-eligible residents.

Japantown Seniors	05/03/10	3/13/2018	Construction on this 75-unit seniors' development completed in late 2015, and it converted to its permanent financing phase in August 2016. All apartments are occupied by income-eligible residents. The City holds the site fee simple and has a groundlease to the development.
North Fourth Street	05/21/10	3/13/2018	Construction on this 100-unit development started in July 2010 and completed in June 2012. The development includes 35 apartments for developmentally disabled residents. The City owns the site fee simple and has a groundlease to the development. It is in its permanent financing phase and units are occupied by income-eligible residents.

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing. No Section 33413(a) replacement housing obligations were transferred to the Housing Successor fiscal year.

Inclusionary/Production Housing. No Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor in the fiscal year.

X. EXTREMELY-LOW INCOME TEST

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.

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.

The following provides the Housing Successor’s Senior Housing Test for the 10-year period of 2007-08 through 2016-17:

Senior Housing Test	2007-08 THROUGH 2016-17
# of Assisted Senior Rental Units	882
# of Total Assisted Rental Units	4,241
Senior Housing Percentage	21%

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 six Fiscal Years (in millions):

	FY13-14	FY 14-15	FY 15-16	FY16-17	Total
Beginning Balance	\$21.7	\$31.1	\$54.6	\$91.7	
Add: Deposits	15.8	34.3	52.9	18.2	121.2
(Less) Expenditures	(6.4)	(10.8)	(15.8)	(17.1)	
(Less) Encumbrances				(7.0)	
Unencumbered Balance	\$31.1	\$54.6	\$91.7	\$85.8	

The LMIHAF does not have an Excess Surplus. The aggregate amount deposited into the account during the four Fiscal Years is \$121.2 million. The unencumbered amount of \$85.8 million does not exceed the aggregate amount deposited.

XIII. HOMEOWNERSHIP UNITS

The Housing Successor is to provide 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.

A. Number of Homeownership Units as of 6/30/17

Number of Homeownership Units	523
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B. Homeownership Units lost after February 1, 2012 [Isn’t this just supposed to cover the last year?]

Units Lost	Reason for Loss
331	Loans paid off
22	Loans written off due to foreclosure or short sale

C. \$15,666,527 single family loan funds were returned to the housing successor since February 2012 as part of an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund.

D. The housing successor has contracted with an outside entity for the management of the single family homeownership loans. The name of the entity is AmeriNat Loan Servicing.