HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2019-2020
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE CITY OF PASADENA

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to Section 34176.1(f) of the California Health and Safety Code and is dated December 30, 2020. This Report sets forth certain details of the City of Pasadena's (Housing Successor) activities during Fiscal Year 2019-2020 (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 City Housing Successor and Finance Department staff; further, this Report conforms with and is organized into sections I through XII, 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 $1,443,008 was deposited into the LMIHAF during the Fiscal Year.

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.

At the close of the Fiscal Year, the ending balance in the LMIHAF was $7,033,181.

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.

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

		Fiscal Year
Monitoring & Administration Expenditures	$	171,751
Homeless Prevention & Rapid Rehousing Services Expenditures	$	0
Housing Development Expenditures		
➢ **Expenditures on Low Income Units**	$	176,083
➢ **Expenditures on Very-Low Income Units**	$	0
➢ **Expenditures on Extremely-Low Income Units**	$	49,503
➢ **Total Housing Development Expenditures**	$	225,586
Total LMIHAF Expenditures in Fiscal Year	**$**	**397,337**

IV. Statutory Value of LMIHAF Assets Owned by Housing Successor: This section provides the statutory value of LMIHAF 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, "statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer form approved by the Department of Finance by the housing asset transfer 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 properties 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 value of assets owned by the Housing Successor.

		As of End of Fiscal Year
Statutory Value of LMIHAF Real Property Owned by Housing	$	0
Value of LMIHAF Loans and Grants Receivable (*)	$	0
Total Value of Authority LMIHAF Assets	$	0

***** The net value of LMIHAF loans and grants receivable was zero as of June 30, 2020.

V. Transfers Made to Another Housing Successor in the Previous Fiscal Year: 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 Successors pursuant to Section 34176.1(c)(2) during the Fiscal Year 2019-2020.

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 received property tax revenue pursuant to the ROPS in the amount of $0.

VII. Status of Compliance with Section 33334.16: This section provides a status update on compliance with Section 33334.16 for interests in LMIHAF real property acquired by the former redevelopment agency prior to February 1, 2012, and a status update for interests in real property acquired on or after February 1, 2012.

Section 33334.16 requires that real property acquired using the LMIHAF must initiate activities consistent with the development of the property for the purpose for which it was acquired within five years from the date it first acquired the property.

The properties described in the table below were originally acquired by the former Redevelopment Agency, transferred to the Housing Successor on February 1, 2012, and confirmed by the State Department of Finance on 2/26/13 as Housing Assets.

Property	Property Address	Development Description	Status
Heritage Square "A"	750-790 N. Fair Oaks Ave.	Construction of 70-unit affordable rental apartments for Very Low Income seniors (50% AMI).	Confirmed as Housing Asset by State DoF on 2/26/13. Project construction began in March 2015 and was completed in November 2016. Project is currently in service.
Heritage Square "B"	19-25 E. Orange Grove Blvd, 710-738 N. Fair Oaks Ave	Mixed-use project with 70 units of permanent supportive housing for extremely low income seniors (30% AMI).	Confirmed as Housing Asset by State DoF on 2/26/13. Disposition, Development & Loan Agreement entered into w/ developer BRIDGE Housing Corp. effective 6/24/20.
Howard at Navarro	136-138 W. Howard St.	Construction of two affordable homeownership units for low income families (80% AMI).	Confirmed as Housing Asset by State DoF on 2/26/13. City Council on 10/7/2019 approved terms/conditions of Disposition, Development & Loan Agreement w/ developer San Gabriel Valley Habitat for Humanity.

The Housing Successor does not have interests in any real property acquired with funds from the LMIHAF on or after February 1, 2012.

VIII. Description of Outstanding Obligations Pursuant to Section 33413: This section provides a description of any outstanding inclusionary and replacement housing obligations pursuant to Section 33413 that remained to transfer to the Housing Successor on February 1, 2012; the Housing Successor's progress in meeting those obligations; and of the Housing Successor's plans to meet unmet obligations.

According to the fiscal year 2009-2010 to fiscal year 2013-2014 Implementation Plan for the former redevelopment agency, no replacement housing obligations were transferred to the Housing Successor. The former redevelopment agency's Implementation Plans are posted on the City's website at http://ww5.cityofpasadena.net/housing/plans-and-reports/

IX. Income Targeting Test: This section provides the information required by Sections 34176.1(a)(3)(A) and 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.

Section 34176.1(a)(3)(A) states that all funds remaining after monitoring and administrative as well as homeless housing and rapid rehousing services expenditures are deducted must be used for the development of housing affordable to and occupied by households earning 80% or less of the area median income (AMI), with at least 30% of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30% or less of the AMI and no more than 20% of these remaining funds expended for the development of housing affordable to and occupied by households earning between 60% and 80% of the AMI. The Housing Successor must demonstrate that beginning in the 2018-2019 annual report, and every five years thereafter, that the Housing Successor's expenditures from January 1, 2014 through the end of the latest fiscal year covered in the report comply with these requirements.

For purposes of this calculation, "development" means new construction, acquisition and rehabilitation, substantial rehabilitation as defined in Section 33413, acquisition of long-term affordability covenants on multifamily units as described in 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.

The analysis of the Housing Successor's Income Targeting Test as of end of Fiscal Year 2019-2020 is illustrated in Exhibit "A", attached. The analysis concludes that during the five-year period from FY 2016 through FY 2020, the minimum target of 30% of total LMIHAF expenditures for Extremely-Low Income housing was not achieved (20.92% actual), and the maximum limit of 20% total LMIHAF expenditures for 60% AMI to 80% AMI Income housing was exceeded (30.21% actual).

Corrective action for shortfall of expenditures on Extremely-Low Income housing: Pursuant to Section 34176.1(a)(3)(B), in order to bring the expenditures to compliance with the

Extremely-Low Income requirement, "*the Housing Successor shall ensure that at least 50 percent of these remaining funds expended in each fiscal year following the latest fiscal year following the report are expended for the development of rental housing affordable to, and occupied by, households earning 30 percent or less of the area median income until the housing successor demonstrates compliance with the extremely low Income requirement in an annual report described in subdivision (f)*." **This 50 percent expenditure requirement would begin in FY 2020-21 for the City's Housing Successor.** *The City Housing Successor plans to meet this 50% requirement through the expenditure of LMIHAF funds that were committed to two (2) projects: 1) Salvation Army HOPE Center permanent supportive housing project ($1,000,000 for 65 units restricted to extremely-low income persons), per City Council action on November 25, 2019; and 2) Heritage Square South permanent supportive housing project ($3,468,834 for 70 units restricted to extremely-low income seniors), per Development, Loan & Lease Agreement effective June 24, 2020.*

Corrective action for excess of expenditures on 60% - 80% AMI housing: Pursuant to Section 34176.1(a)(3)(C), if the housing successor exceeds the expenditure limit for households earning between 60 percent and 80 percent of the area median income in any five-year report, "the housing successor shall not expend any of the remaining funds for households earning between 60 percent and 80 percent of the area median income until the housing successor demonstrates compliance with this limit in an annual report described in subdivision (f)." *The City Housing Successor will not enter into new encumbrances of LMIHAF to assist housing restricted between 60% and 80% AMI until compliance is achieved with the five-year 20% cap.*

X. 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.

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 to assist additional senior housing units until the Housing Successor or City assists and construction has commenced 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 Fiscal Year 2009-2010 through Fiscal Year 2019-2020:

Senior Housing Test	FY 2010 through FY 2020
# of Assisted Senior Rental Units	287
# of Total Assisted Rental Units	523
Senior Housing Percentage	54.88%

XI. Excess Surplus Test: This section provides the amount of any excess surplus in the LMIHAF, 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.

Excess Surplus test for FY 2019-20:

Opening Fund Balance		$7,033,181
Less Unavailable Amounts:		
Land held for resale	$ -	
Loan receivable	-	
Restricted cash due DOF per DDR	-	
Amount committed to Heritage Square South project	(3,468,834)	
		(3,468,834)
Available Housing Successor Funds		3,564,347
Limitation (greater of $1,000,000 or four years deposits)		
Aggregate amount deposited for last four years*:		
2018 - 2019	848,443	
2017 - 2018	1,294,310	
2016 - 2017	1,400,435	
2015 - 2016	521,033	
Total	**4,064,221**	
Base Limitation	**$1,000,000**	
Greater amount		4,064,221
Computed Excess/Surplus		**None**

*The City has decided to change the preceding four years to the last four fiscal years without the current fiscal year, as advised by the legal counsel, starting from FY2020.

Test Result: The LMIHAF does not have any Excess Surplus.

XII. Inventory of Assisted Homeownership Units: The Housing Successor is to provide an inventory of homeownership units assisted by the former redevelopment agency of the Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of monies form the LMIHAF pursuant to Section 33334.4(f). The inventory for the Housing Successor is as follows:

- *The following summarizes the current inventory of the Housing Successor's homeownership portfolio:*

	# of Units
Restricted homeownership units as June 30, 2019	135
Add: Restricted homeownership units added by Housing Successor during FY 2020 (July 1, 2019 through June 30, 2020)	1*
(Less): Restricted homeownership units removed from portfolio during FY 2020 (July 1, 2019 through June 30, 2020)	2**
Housing Successor Homeownership Portfolio as of June 30, 2020	**134**

** 671 E. Washington Blvd, #107 (City resale of Washington Classics condo unit)*
*** Loans #1000000159 and #1000000214*

- *During FY 2020, two (2) units with homebuyer assistance loans with the former redevelopment agency as beneficiary were resold at market value as permitted under the former redevelopment agency's resale restrictions and, therefore, removed from the Housing Successor homeownership portfolio. These transactions resulted in $60,334.80 in outstanding loan principal, interest, and shared appreciation being returned to the Housing Successor as the result of the restrictions adopted to protect the former redevelopment agency's investment of LMIHAF monies, and $133,881.04 returned to the City's Inclusionary Housing Trust Fund.*

- *The Housing Successor has not contracted with an outside entity for the management of the homeownership portfolio.*

EXHIBIT "A": CITY OF PASADENA HOUSING SUCCESSOR - INCOME TARGETING TEST

PERIOD	LMIHAF Expended on Households between 0% AMI to 30% AMI (Extremely-Low Income)	LMIHAF Expended on Households between 30% AMI to 60% AMI (NO TESTING)*	LMIHAF Expended on Households between 60% AMI to 80% AMI	LMIHAF Expended on Households between 80% AMI to 120% AMI (NO TESTING)*	Total LMIHAF Expenditures
1/1/14 - 6/30/14	$0	$0	$0	$0	$0
FY 2014-15	$0	$0	$0	$0	$0
FY 2015-16	$0	$0	$128,983	$0	$128,983
FY 2016-17	$0	$0	$0	$0	$0
FY 2017-18	$278,924	$322,457	$0	$0	$601,381
FY 2018-19	$0	$409,103	$204,552	$0	$613,655
FY 2019-20	$49,503	$35,420	$140,663	$0	$225,586
Totals	**$328,427**	**$766,980**	**$474,198**	**$0**	**$1,569,605**

***** *These two income categories are not subject to income targeting testing.*

TEST RESULTS:

Income Target Test	Requirement	Expenditures as % of Total LMIHAF Expenditures	Test Result
Extremely-Low Income	At least 30% Total Expenditures	20.92%	**Min. 30% target not reached for 5-year period FY 2016 through FY 2020**
60% AMI to 80% AMI Income	Not to exceed 20% Total Expenditures	30.21%	**Max. 20% limit exceeded for 5-year period FY 2016 through FY 2020**