

City of Fremont Housing Successor Low and Moderate Income Housing Asset Fund Annual Report for Fiscal Year 2021/2022 per HSC §34176.1(f)

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 December 31, 2022. This Report sets forth certain details of the City of Fremont, Community Development Department, Housing Division (Housing Successor) activities during Fiscal Year 2021/2022. 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 Comprehensive Annual Financial Report for Fiscal Year 2021/2022 as prepared by Macias Gini O'Connell, LLP (Audit), 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. 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.
- 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.
- 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.
- IV. 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.
- V. 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.
- 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.
- VII. 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.
- VIII. 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.
- IX. 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.
- 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. For this Report the ten-year period reviewed is July 1, 2012 to June 30, 2022.

- XI. 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.
- XII. Homeownership Inventory:** 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.

This Report is to be provided to the Housing Successor’s governing body by March 21, 2023. 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 at www.fremont.gov/DocumentCenter/View/25535_

I. AMOUNT DEPOSITED INTO LMIHAF

A total of \$1,689,650 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, no funds were held for items listed on the ROPS. The deposits into the LMIHAF during the Fiscal Year included \$1,332,006 from accounts receivables from rental properties and \$357,644 from accounts receivables from homeownership properties.

II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$10,760,821 of which no fund is held for items listed on the ROPS.

III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

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

Monitoring and Administration Expenditures	\$942,292
Homeless Prevention and Rapid Rehousing Services Expenditures	none
Total Housing Development Expenditures	
• Expenditures on Low Income Units	None
• Expenditures on Very Low Income Units	None
• Expenditures on Extremely Low Income Units	None
Total Housing Development Expenditures	None
LMIHAF Expenditures in Fiscal Year	\$942,292

IV. 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 value of assets owned by the Housing Successor.

- Statutory Value of Real Property Owned by Housing Authority: **none**
- Value of Loans and Grants Receivable: **\$66,352,169**
- Total Value of Housing Successor Assets: **\$66,352,169**

V. 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.

VI. PROJECT DESCRIPTIONS

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

VII. 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 project 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 Department of Finance 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.

The following provides a status update on the real property or properties housing asset(s) that were acquired prior to February 1, 2012 and compliance with five-year period: Cottonwood Place, 98 affordable units at 3701 Peralta Blvd, Fremont, CA, was completed on April 20, 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: None/Not applicable.

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

- **Replacement Housing:** According to the 2008-2013 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor. The former redevelopment agency’s Implementation Plans are posted on the City’s website at www.fremont.gov/DocumentCenter/View/25535.
- **Inclusionary/Production Housing:** According to the Amended 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 Plan is posted on the City’s website at www.fremont.gov/DocumentCenter/View/25535.

IX. 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 through the 2019 period.

Fiscal Year	Fund Balance at Beginning of Fiscal Year	30% of Fund Balance at Beginning of Fiscal Year	Total Expenditure in Fiscal Year	Affordable Housing Development Expenditures	Funding for Completed Extremely-Low Income Units	% of Fund Balance Spent on Development of Extremely-Low Income Units
2013-2014	\$1,098,599*	\$329,580	\$449,495	\$0	\$0	0%
2014-2015	\$3,720,901	\$1,116,270	\$1,688,678	\$1,272,331	\$423,686	11.4%
2015-2016	\$3,442,211	\$1,032,663	\$454,918	\$0	\$0	0%
2016-2017	\$4,714,748	\$1,414,424	\$564,787	\$0	\$0	0%
2017-2018	\$5,920,199	\$1,776,060	\$4,191,476	\$3,509,679	\$861,312	14.5%

2018-2019	\$3,033,050	\$909,915	\$770,634	\$0	\$0	0%
2019-2020	\$4,795,569	\$1,438,671	\$930,503	\$0	\$0	0%
2020-2021	\$8,654,967	\$2,596,490	\$937,513	\$0	\$0	0%
2021-2022	\$10,013,463	\$3,004,039	\$942,292	\$0	\$0	0%

Total \$4,782,010 \$1,284,998 ---

*In Fiscal Year 2013-2014, monies in the LMIHAF account were separated to remove revenue from *non*-former Redevelopment Agency/Successor Agency sources. This transfer of funds totaled \$4,507,765 that was not subject to LMIHAF requirements. As a result, the LMIHAF balance was reduced from \$5,606,364 to \$1,098,599. This amount is shown above.

Next Reporting Year (FY2022-2023)

2022-2023	\$10,760,821	\$3,228,246	<i>In progress</i>	\$4,000,000	\$4,000,000	37%
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Corrective Action: Between fiscal years 2013-2014 and 2018-2019, two affordable housing projects received a combined \$4,782,010 in LMIHAF monies. A portion of the units in each of these projects funded construction of extremely low-income units, totaling \$1,284,998. The primary reason for the lack of LMIHAF expenditure on ELI unit construction was that the City was working to build its affordable housing program since they were all eliminated on February 1, 2012, when the City’s Redevelopment Agency was dissolved and its entire staff in Fremont was laid off. Since that time, the City has worked to establish a range of funding sources for affordable housing unit construction, as well as internal expertise on how to manage affordable housing project financing and development.

Since the City did not achieve the 30% ELI funding requirement in any year between Fiscal Years 2013-2014 to 2019-2020, it needed to provide 50% of the beginning fund balance in Fiscal Year 2021-2022 for construction of ELI units. The beginning fund balance in FY2020-2021 was \$8,654,967 with 50% equaling \$4,327,484. The City has dedicated \$4 million to two new projects selected through a Notice of Funding Availability in 2021. However, the monies were expended recently and will be captured in the next reporting year. The City will likely be applying for the next round of Homekey funding to be released in April 2023. The City has dedicated \$250,000 per year for five years of LMIHAF monies to a Homekey project. The first allocation of this funding will not be spent until 2025 the soonest. The City has been encountering challenges in LMIAF expenditures on ELI units as there is an increasing desire from public funders as well as State and Federal tax credit to fund ELI and VLI units; therefore, the City anticipates that meeting the ELI test will continue to be a challenge. The City will continue to make good faith effort in dedicating 50% of each year’s fund balance to ELI units until the ELI test is met.

X. 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 July 1, 2012 through June 30, 2022:

The following provides the Housing Successor’s Senior Housing Test for the 10-year period of July 1, 2012 through June 30, 2022. As shown, over the past 10 years, five projects were constructed using LMIHAF monies. Three of these projects provided a total of 205 family units; the other two projects were restricted to seniors providing 186 units. Restricted, rental senior units comprise 47.5% of the total rental units assisted with LMIHAF monies, less than the 50% maximum established by the Senior Housing Test threshold.

Rental Projects Assisted with LMIHAF between July 1, 2012 and June 30, 2022	Family Units	Senior Units	Total Units
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Main Street Village Apartments	63	---	63
Peralta Senior Apartments (“Cottonwood Place”)	---	97	97
Laguna Commons Apartments	63	---	63
Mission Court Senior Apartments	---	89	89
Stevenson Family Apartments	79	---	79
Total units	205	186	391
% of Units Constructed	52.4%	47.5%	100%

XI. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of \$1,000,000 or the aggregate amount deposited into the account during the Housing Successor’s preceding four Fiscal Years, whichever is greater. The LMIHAF was not created until February 1, 2012. The table below provides the Excess Surplus test information for the current reporting year and the preceding four fiscal years. The current balance of \$10,760,821 on deposit in the LMIHAF does not exceed the sum of the annual deposits made in the preceding four fiscal years and, as a result, the LMIHAF does not have an excess surplus.

Table: Excess Surplus Test

	FY2017/ FY2018	FY2018/ FY2019	FY 2019/ FY 2020	FY 2020/ FY 2021	FY 2021/ FY 2022
Beginning Balance	\$5,920,199	\$3,033,050	\$4,795,569	\$8,654,967	\$10,013,463
Add: Deposits	\$1,304,328	\$2,533,153	\$4,789,901	\$2,296,009	\$1,689,650
(Less) Expenditures	(\$4,191,476)	(\$770,634)	(\$930,503)	(937,513)	\$(942,292)
Ending Balance	\$3,033,050	\$4,795,569	\$8,654,967	\$10,013,463	\$10,760,821

XII. HOMEOWNERSHIP INVENTORY

The inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or include the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3 are listed below.

The City is monitoring 83 homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or include the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3.

During the last fiscal year, one homeownership units were lost from the portfolio. The reason for the loss of the units is summarized below:

Table: Lost Homeownership Unit

	Unit Address	Reason for Loss
1	5753 Birch Terrace, Fremont, CA 94538	Sale of home and paid off loan

During the last fiscal year, \$125,970 were 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 in homeownership programs. This does not include program income from rental properties summarized in Section I, above.

The housing successor monitors its homeownership portfolio and has not contracted with any outside entity for the management of the units.