



Legislation Text

File #: 23-182, Version: 1

Motion to receive and file the City's Housing Successor Agency Annual Report for Fiscal Year 2021-2022.
(Nell Selander, Economic & Community Development Director)

RECOMMENDATION

Staff recommends that the City Council approve a motion to receive and file the Housing Successor Agency Annual Report for Fiscal Year 2021-22.

BACKGROUND/DISCUSSION

The City of South San Francisco ("City") is the Housing Successor Agency ("Housing Successor") to the former South San Francisco Redevelopment Agency ("Agency"), which was dissolved on February 1, 2012. Each housing successor agency is required to prepare an annual report on how it is meeting requirements imposed by Health and Safety Code ("HSC") Section 34176.1.

The report is due to the California Department of Housing and Community Development ("HCD") by April 1st each year and must be posted on the City's website. The report for Fiscal Year 2021-22 will be submitted to HCD by April 1, 2023, and is being presented to the City Council to receive and file.

Review and Analysis

The Housing Successor is meeting all compliance requirements of HSC Section 34176.1 for Fiscal Year 2021-22. Progress on major requirements is summarized below.

Housing Asset Fund Activity

As of June 30, 2022, the Housing Asset Fund balance was approximately \$4.2 million (\$2.5 million of which was cash). The Housing Asset Fund received \$148,275 in revenues. The largest revenue source was rents from Housing Successor affordable rental properties (\$131,272). Other revenue sources included interest income and loan repayments.

The Housing Successor spent \$344,378 in Housing Asset Funds in Fiscal Year 2021-22. The expenditures consisted of administrative items (\$238,195) and rapid rehousing expenses (\$106,183) in the form of Emergency Rental Assistance. There were no expenditures for housing development projects during the fiscal year.

Real Property Assets and Loans Receivable

As the Housing Successor, the City owns four properties with a statutory value of \$6.8 million:

- 339-341 Commercial contains two duplexes operated as affordable housing. The properties were originally purchased by the former Agency to mitigate a blighted property and create affordable housing.
- 714-718 Linden contains a triplex operated as affordable housing. The former Agency purchased the property in 2005 to preserve the affordability of the units after the original affordability covenants expired.
- 630 Baden contains the Magnolia Senior Apartments, a 125-unit affordable multifamily development. The Housing Successor owns 95,309-square feet of land under the building.
- 636 El Camino contains an affordable multifamily housing complex developed by MidPen Housing. The Housing Successor owns 87,121-square feet or land under the building.

All properties transferred from the former Agency to the Housing Successor were required to be developed for affordable housing or sold by August 31, 2017. The City meets this requirement because all properties transferred from the former Agency are operated as affordable housing or have been sold.

The Housing Successor also oversees \$23.3 million in loans receivable from First-Time Homebuyer Loans (7) and Developer Loans (11) issued by the former Agency. However, it is important to note that the majority of the loans receivable have been recorded as uncollectible in the Housing Asset Fund balance sheet. This is because many of the loans are not payable unless a property is sold or other conditions are met. Any loan repayments would be deposited into the Housing Asset Fund.

No new loans were added in FY 2021-22.

Expenditure Proportionality Requirements

Expenditures from the Housing Asset Fund must meet specific proportionality requirements by income level and age. In general:

- Administrative and monitoring expenses are capped at five percent of the value of Housing Successor properties and loans receivable on an annual basis. The cap was \$367,929 million in Fiscal Year 2021-22.
- Up to \$250,000 may be spent annually on rapid rehousing solutions for homelessness.
- If Housing Asset Funds are spent on housing projects and programs, within each five-year compliance period:
 - At least 30% must be spent on extremely low-income households (earning up to 30% of the Area Median Income);
 - No more than 20% may be spent on low-income households (earning 60-80% of the Area Median Income); and
 - No monies may be spent on moderate or above moderate-income households (earning more than 80% of the Area Median Income).
- No more than 50% of rental housing units assisted by the City or the former Redevelopment Agency in

the prior 10 years may be restricted to seniors.

The Housing Successor meets the expenditure requirements because administrative and rapid rehousing expenses were below the annual limits, and there were no expenditures on housing development projects. The Housing Successor also meets the senior housing requirement. Of the 359 rental units assisted by the Redevelopment Agency or City within the last 10 years, 81 (23%) are restricted to seniors. Staff will ensure these requirements continue to be met with future expenditures.

Excess Surplus

Housing successors are subject to the same excess surplus requirement as former redevelopment agencies. An agency has an excess surplus if its unencumbered cash balance is greater than \$1 million or if it exceeds the sum of deposits in the prior four years, whichever is greater. Housing successors must spend or encumber excess surplus within three fiscal years or transfer its excess surplus to HCD to spend on statewide housing programs.

South San Francisco's Housing Successor has an excess surplus \$1,076,383 for FY 2021-22. The Housing Asset Fund's beginning cash balance (\$2.5 million) is greater than the sum of deposits in the prior four years (\$1.4 million). Additionally, the Housing Successor did not encumber or expend any funds on housing development projects during the fiscal year. Excess surplus must be accounted for separately and encumbered or expended within 3 fiscal years or by June 30, 2025. If the Housing Successor fails to comply the remaining excess surplus must be transferred to HCD within 90 days of June 30, 2025.

FISCAL IMPACT

There are no implications of receiving and filing this annual report on the City's activities as the housing successor agency to the former Agency.

RELATIONSHIP TO STRATEGIC PLAN

Supporting affordable housing, and providing funding for affordable housing, is in line with the City's Strategic Plan Priority #2: Quality of Life, providing a full range of housing options.

CONCLUSION

Staff recommends that the City Council approve a motion to receive and file the Housing Successor Agency Annual Report for Fiscal Year 2021-22.

Attachments:

1. Housing Successor Annual Report FY 21-22