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Title:	Housing Successor Agency Annual Reports for Fiscal Years 2016-17 and 2017-18 (Nell Selander, Deputy Director of Economic and Community Development)		
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Attachments:	1. Attachment 1 - SSF Housing Successor Annual Report FY 2016-17, 2. Attachment 2 - SSF Housing Successor Annual Report FY 2017-18		

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Housing Successor Agency Annual Reports for Fiscal Years 2016-17 and 2017-18 (*Nell Selander, Deputy Director of Economic and Community Development*)

RECOMMENDATION

Staff recommends that the City Council receive and file the Housing Successor Agency Annual Reports for Fiscal Years 2016-17 and 2017-18.

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 reports for Fiscal Years 2016-17 and 2017-18 were submitted to HCD by April 1, 2019 and are being presented to the City Council to receive and file.

REVIEW AND ANALYSIS

The City is meeting all requirements imposed by HSC Section 34176.1 for both Fiscal Years 2016-17 and 2017-18. The City’s progress on major requirements is summarized below.

Housing Asset Fund Activity

As of June 30, 2018, the Housing Asset Fund balance was approximately \$4.7 million (\$3.6 million of which is cash). The Housing Asset Fund received \$1.4 million in revenues during Fiscal Year 2016-17 and \$585,163 in revenues during Fiscal Year 2017-18. Revenues were higher in Fiscal Year 2016-17 due to the sale of a former Agency housing property (380 Alta Vista Drive) for just over \$1 million. Other revenue sources include rents, interest income, and loan repayments.

The Housing Successor spent \$110,245 and \$90,093 in Housing Asset Funds in Fiscal Years 2016-17 and 2017-

18, respectively. Expenditures were limited to administrative items, such as payroll, supplies, and services.

Real Property Assets and Loans Receivable

As the Housing Successor, the City owns four properties with a statutory value of \$6.9 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 of land under the building.

State law requires all properties transferred from the former Agency to the Housing Successor to be developed with 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 over \$21 million in loans receivable from First-Time Homebuyer Loans and Developer Loans issued by the former Agency. However, it is important to note that the majority of the loans receivable balance has been written off 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 are deposited into the Housing Asset Fund.

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 \$1.4 million in Fiscal Year 2017-18).
- Up to \$250,000 may be spent annually on rapid rehousing solutions for homeless.
- 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 City meets the expenditure requirements because it has only incurred administrative expenses thus far that are well below the annual limit. It also meets the senior housing requirement. Of the 191 rental units assisted by the Redevelopment Agency or City within the last 10 years, 81 (42%) 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 cash balance is greater than \$1 million, and it exceeds the sum of deposits in the prior four years. 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 does not have an excess surplus as of June 30, 2018. Although the Housing Asset Fund's cash balance (\$4.6 million) is greater than the sum of deposits in the prior four years (\$1.1 million), the City has committed \$2.5 million of Housing Asset Funds to the development of affordable housing at 201 Grand Avenue and 418 Linden Avenue.

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

Submission of this report to HCD is a statutory obligation.

CONCLUSION

Staff recommends that the City Council receive and file the Housing Successor Agency Annual Reports for Fiscal Years 2016-17 and 2017-18.

ATTACHMENTS

1. South San Francisco Housing Successor Agency Annual Report for Fiscal Year 2016-17
2. South San Francisco Housing Successor Agency Annual Report for Fiscal Year 2017-18