

City of Sunnyvale Housing Successor Agency
Annual Report on the
Low-Moderate Income Housing Asset Fund (LMIHAF)
FY 2018/19

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), covering the fiscal year that ended on June 30, 2019. This Report sets forth certain details of the City of Sunnyvale Housing Successor Agency's activities during Fiscal Year 2018/19 (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 Housing Successor staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund, which is a part of the City of Sunnyvale Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2018/19, prepared by Tim Kirby, Finance Director, which includes the Independent Auditor's Report (Audit) prepared by MGO Certified Public Accountants, which Audit is separate from this annual summary Report. This Report conforms with and is organized into sections I through XI, inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. 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 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.

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- 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, 2010 through December 31, 2019.
- 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.

This Report is to be provided annually to the Housing Successor's governing body within six months of the end of each fiscal year, and to the State Department of Housing and Community Development no later than April 1 of the year following the close of the fiscal year. In addition, this Report and the former redevelopment agency's pre-dissolution Implementation Plans are made available to the public on the City's website: Sunnyvale.ca.gov.

I. AMOUNT RECEIVED PURSUANT TO SECTION 34191.4(3)(A)

In FY 2018/19, a total of **\$2,076,752** was deposited pursuant to the ROPS.

II. AMOUNT DEPOSITED INTO LMIHAF

In FY 2018/19, a total of **\$106,817** was deposited into the LMIHAF during the Fiscal Year, consisting of interest income on funds deposited previously.

III. ENDING BALANCE OF LMIHAF

At the end of FY 2018/19, on June 30, 2019, the balance in the LMIHAF was **\$722,147**. Some of this amount is encumbered but not yet expended.

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IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

In FY 2018/19 the Housing Successor Agency spent a total of \$348,700 from the LMIHAF, including \$319,695 on the Homeless Prevention and Rapid Re-housing (HPRR) Program, and \$29,005 on Housing Successor Agency administrative expenses. The HPRR Program was implemented through a contract with Sunnyvale Community Services (SCS), a local non-profit agency.

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 Housing Successor Agency has no assets according to the above definition. For details, please see the Low and Moderate Income Housing Fund Due Diligence [Review](#) available on the Successor Agency website.

VI. DESCRIPTION OF TRANSFERS

The Housing Successor Agency did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year. The Housing Successor Agency has no assets according to the above definition. For details, please see the Low and Moderate Income Housing Fund Due Diligence [Review](#) available on the Successor Agency website.

VII. PROJECT DESCRIPTIONS

The Housing Successor Agency did not allocate LMIHAF funds to any capital projects in FY 2018/19. However, an affordable housing project (833600: Block 15 Affordable Housing Site) is included in the FY 2019/20 Projects budget, funded by \$4 million (this amount was transferred out of the LMIAF after projected revenues in FY 2018-19 \$2,076,752 are deposited from ROPS 2018-19 distribution) in LMIHAF and the balance in other local Housing funds such as Housing Mitigation Fund (HMF).

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 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, if any 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 Housing Successor does not own any real property.

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: The former RDA did not incur any Section 33413(a) replacement housing obligations nor transfer any such obligations to the Housing Successor. Various plans and reports of the former Redevelopment Agency are posted on the Redevelopment Successor Agency website at Sunnyvale.ca.gov.

Inclusionary/Production Housing. The former RDA did not incur any Section 33413(a) inclusionary/production housing obligations nor transfer any such obligations to the Housing Successor. Various plans and reports of the former Redevelopment Agency are posted on the Redevelopment Successor Agency website at Sunnyvale.ca.gov.

The Housing Successor has no outstanding or unmet obligations pursuant to Section 33413.

X. EXTREMELY LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor spend at least 30% of the LMIHAF to assist in development of rental housing affordable to and occupied by extremely low income (ELI) households, which are households with incomes that do not exceed 30% of the AMI. If the Housing Successor fails to comply with this ELI requirement in any five-year reporting period, then it must annually spend at least 50% of the funds remaining in the LMIHAF following that reporting period on rental housing affordable to ELI households, until it demonstrates compliance with the ELI requirement.

The Housing Successor did not assist the development of any affordable rental housing projects due to the relatively low fund balance in FY 2018/19. On November 13, 2018, City Council approved Disposition and Development Agreement Between the City of Sunnyvale and Related Companies of California, LLC, Providing for Financial Assistance in The Amount of \$12.5 Million in Housing Mitigation and Low and Moderate Income Housing Asset Funds (LMIHAF) To Construct a 90-unit Affordable Housing Development on Iowa Avenue Between Mathilda Avenue and Charles Street (Block 15). This agreement was executed on January 3, 2019. See this link for the Staff Report: <https://sunnyvaleca.legistar.com/LegislationDetail.aspx?ID=3725111&GUID=31D005EE-4991-47B8-B403-5C7D8635F090&Options=&Search=&FullText=1>

See below calculation, demonstrating how the Housing Successor will utilize at least 30% of the LMIHAF to assist in development of rental housing affordable to and occupied by extremely low income (ELI) households.

- \$4M of the \$12.5M is former RDA tax increment
- 89 units of 90 units are affordable
- 30% of the \$4M (\$1.2 M) must be dedicated to ELI units (30% AMI)
- Total project cost is \$52M
- \$1.2M of \$12.5M = 9.6%
- 9.6% of the 89 units = 9 units

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Block 15 is currently undergoing planning entitlements and plans to start construction in mid 2021. Block 15 will have 23 extremely low income units (25% of total units); this meets and exceeds the ELI test of 9 required ELI units.

XI. SENIOR HOUSING TEST

The senior housing test is based on the percentage of deed-restricted affordable rental units assisted by the Housing Successor, the former redevelopment agency and/or the City within the previous 10 years that are restricted to seniors. If the senior units' percentage exceeds 50% of the total number of deed-restricted affordable units assisted during this time period, the Housing Successor cannot spend LMIHAF funds on assisting additional senior rental units until the Housing Successor or City assists, and construction has commenced, on enough all-age deed-restricted rental units to bring the all-age units share up to at least 50% of the total deed-restricted rental units assisted by the Housing Successor during that ten-year period.

The table on the following page provides the results of the Housing Successor's Senior Housing Test for the 10-year period of 2009-2019:

City-Assisted Rental Units, 2010-2019 (Calendar Years)

Total Assisted Senior Units	124
Total Assisted Units	327
Senior Housing Percentage	37.9%

Note: "Total assisted units" counts deed-restricted, standard rental dwelling units only; does not count single-family homes assisted with rehabilitation loans or grants, inclusionary housing units that did not receive City subsidies, or City-assisted homeless shelters or transitional housing units, pursuant to guidance of Successor Agency legal counsel.

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Health and Safety Code Section 34176.1(d) as an unencumbered amount in the LMIHAF 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 table displays the Excess Surplus test:

	Preceding Four Fiscal years				Reporting Year
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Beginning Balance	\$ -	\$ 440,070	\$ 244,503	\$ 1,210,920	\$ 2,890,223
Add: Deposits	\$ 440,070	\$ 3,316	\$ 1,162,495	\$ 1,981,852	\$ 2,183,569
(Less) Expenditures	\$ -	\$ (198,883)	\$ (196,078)	\$ (302,548)	\$ (4,351,645)
(Less) Net Encumbrances	\$ -	\$ -	\$ (309,869)	\$ (1,069,696)	\$ -
Unencumbered Balance, Year End	\$ 440,070	\$ 244,503	\$ 901,050	\$ 1,820,528	\$ 722,147

Excess Surplus equals greater of \$1 million or sum of preceding four fiscal years of deposits to the fund:

Deposits to LMIHAF, FYs 2015/16 through 2018/19:

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FY 2015/16	\$ 3,316
FY 2016/17	\$ 1,162,495
FY 2017/18	\$ 1,981,852
FY 2018/19	\$ 2,183,569
Total Deposits	\$ 5,331,232

As shown above, the sum of the past four years' deposits is over one million dollars, so the sum of deposits from the past four preceding years is the operable amount for measuring excess surplus for FY 2018/19. As shown in the first table above, at the end of FY 2018/19 the LMIHAF had an unencumbered total balance of approximately of \$722,147. All funds currently held in reserve as well as the majority of 2019-20 projected revenue are encumbered, with most of funds earmarked for the upcoming Block 15 affordable housing project and a smaller appropriation for the City's Homeless Prevention and Rapid Rehousing Program (HPRR).

Project Information Sheets:

<https://sunnyvale.ca.gov/civicax/filebank/blobdload.aspx?t=52164.99&BlobID=26612>

- Block 15 (Project: 833600), page 705
- HPRR (Project: 831761), page 716