

**Indio Housing Authority (Housing Successor)
SB 341 and AB 1796 Compliance Report for FY17/18**

(Reporting Period: July 1, 2017 – June 30, 2018)



Report Submitted to the Indio Housing Authority Board as required
pursuant to Senate Bill 341 (SB 341)

December 2018

Indio Housing Authority (Housing Successor) SB 341 and AB 1796 Compliance Report for FY17/18

In accordance with Senate Bill 341 (SB 341) and Assembly Bill 1796 (AB 1796), the Housing Successor (the Indio Housing Authority) is required to provide a report (this Report) to its Governing Board within 6 months of the end of the fiscal year. This Report covers the Reporting Period of July 1, 2017 to June 30, 2018 (FY17/18).

In accordance with the reporting requirements, following are the 13 compliance reporting- items and the corresponding Housing Successor’s responses (in blue italicized font). An independent audit has also been completed of the Housing Successor’s *Low and Moderate Income Housing Asset Fund* (LMIHAF) and is contained the City’s Comprehensive Annual Financial Report (CAFR) as required.

(REPORTING ITEM #1) The amount the City, County, or City and County received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4 of the Health and Safety Code.

Not Applicable. There are no existing loans between the former Redevelopment Agency and the City and/or the County that require a repayment; therefore, the City, County, or City and County did not receive any amount.

(REPORTING ITEM #2) The amounts deposited into the Indio Housing Authority’s (Housing Successor’s) Low and Moderate Income Housing Asset Fund (LMIHAF), distinguishing between amounts deposited for other items listed on the Successor Agency’s Recognized Obligation Payment Schedule (ROPS), and other amounts deposited.

During the FY17/18 Reporting Period, the Housing Successor Agency’s LMIHAF (Fund 773) received \$951,924 in deposits from various sources as listed in the following table (Table 1):

Table 1: Deposits to the Low and Moderate Income Housing Asset Fund (LMIHAF)— FUND 773

| Deposit Source | Amount of Deposit |
|--|--------------------------|
| Interest | \$1,566 |
| Loan Payoffs <i>(These deposits represented repayment of 2 rehabilitation loans previously issued through the Home Improvement Rehabilitation Loan Program, plus interest.)</i> | \$35,659 |
| Sales Proceeds <i>(These were funds received from the sale of the Indio Housing Authority property to the Desert College District for planned expansion of the College of the Desert Indio Campus)</i> | \$370,553 |
| SERAF Loan Repayment from Successor Agency <i>(This amount is consistent with the approved ROPS repayment amount for FY17-18.)</i> | \$533,579 |
| Other/Misc. Revenue | \$10,267 |
| ROPS Related Deposits for Projects Listed on the ROPS (excludes SERAF) | \$0 |
| Total Deposits to the LMIHAF | \$951,924 |

(REPORTING ITEM #3) A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule (ROPS) from other amounts.

As of June 30, 2018, the Cash Balance in the Low and Moderate Income Housing Asset Fund (LMIHAF), as contained in FUND 773, was \$808,635.95. This amount is available to fund affordable housing projects/activities/operations of the Indio Housing Authority.

Amounts held by the Housing Successor for ROPS related items are contained in a separate housing fund (FUND 771). As of June 30, 2018, the balance in this restricted fund was \$98,859. These funds are restricted to be used to the extent feasible to assist with the construction of 2 new single-family homes in partnership with Habitat for Humanity of the Coachella Valley per an existing agreement between the former Redevelopment Agency, the City and Habitat for Humanity. After dissolution of the Redevelopment Agency, the State determined that the agreement between these entities was still in effect and was considered a pre-existing "enforceable obligation" and, thus, allowed the Housing Successor to retain these funds to satisfy the obligation of the agreement. These funds are tracked and reported in the Successor Agency's ROPS and are held in Fund 771 as stated previously.)

(REPORTING ITEM #4) A description of expenditures from the LMIHAF by category, including, but not limited to, expenditures (A) for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a), (B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and (C) for the development of housing pursuant to paragraph (3) of subdivision (a).

Descriptions of the expenditures in the LMIHAF (Fund 773) that occurred during the Reporting Period are described in the following (Table 2). (Note that staff included in the Table, reference and expenditure information that pertains to expenditures in Fund 771, which is NOT subject to SB 341 reporting requirements. Information pertaining to Fund 771 is being included in this Report to disclose and highlight some of the other activities of the Housing Successor.)

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Table 2: Description of Expenditure in the LMIHAF (Fund 773) listed by Category.

| | FUND 773— LMIHAF (Subject to SB341 Reporting) | FUND 771** ROPS Related (Not Subject to SB341 Reporting) |
|--|---|---|
| <p>a. Monitor and Preserve Long-term Affordability Covenants of Current Affordable Units and Administration <i>This general category includes all costs associated with administration, operations, and management of the Indio Housing Authority, its assets (such as the LMIHAF, real estate/properties, etc.), as detailed below:</i></p> <p>Fund 773 (LMIHAF) Expenses: \$456,043 (total)</p> <ul style="list-style-type: none"> i. Compliance Monitoring/Oversight/Administration Activities of the Housing Authority ii. Operations/Implementation/Property iii. Internal Service Charges iv. Transfers out in support of NSP3 Homebuyer Program <hr/> <p>Fund 771 Expenses (per ROPS obligation): \$182,748 (total)</p> <ul style="list-style-type: none"> i. Legal Fees ii. Housing Construction (2 homes constructed by Habitat for Humanity during Reporting Period) iii. Transfers Out | <ul style="list-style-type: none"> i. \$265,026 ii. \$69,705 iii. \$33,359 iv. \$87,953 | <ul style="list-style-type: none"> i. \$225 ii. \$180,000 iii. \$2,523 |
| <p>b. Homeless Prevention/ Rapid Rehousing <i>(Although LMIHAFs were not used directly to fund these types of activities, the City and Housing Authority did support homeless prevention efforts by using Community Development Block Grant (CDBG) funds in the total amount of \$90,000 (\$71,000 provided to the Coachella Valley Rescue Mission, and \$19,000 to FIND Food Bank). Additionally, the City funded the Police Department's Quality of Life Team and was also successful in securing a substantial grant that will be used to address homelessness through transitional housing and other supportive services.)</i></p> | \$0 | \$0 |
| <p>c. Development of New Affordable Housing Units using Housing Funds (by affordability) <i>(AMI=Area Median Income for Riverside County. Currently set at \$65,800 as adjusted for a family of 4.)</i></p> <ul style="list-style-type: none"> i. 30% AMI ii. 50% AMI iii. 80 % AMI iv. 120% AMI | <ul style="list-style-type: none"> 0 0 0 0 | <ul style="list-style-type: none"> 0 0 2 0 |

***This column was added to highlight expenditures in Fund 771, which were retained per the State-approved Housing Due Diligence Review (Housing DDR) process post-RDA dissolution. These funds are officially reported and tracked via the Successor Agency's ROPS reporting and approval process.)*

(REPORTING ITEM #5) As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.

The Housing Successor (Indio Housing Authority) asset portfolio includes real property and loans receivables with a value totaling \$9,322,741 as further described in the following table (Table 3).

Table 3: Value of Real Property and Loans Receivable in the LMIHAF

| | |
|--|--------------------|
| a. Real Property (4 vacant parcels of land) | \$184,000 |
| b. Loans Receivable | \$9,138,741 |
| i. Housing Rehabilitation Loan Program (Outstanding Loans) \$1,041,379 | |
| ii. Horizons at Indio Affordable Senior Housing Project Loan \$3,618,118 | |
| iii. SERAF Loan—owed to the LMIHAF by the Successor Agency \$4,433,144 | |
| iv. Indio Mortgage Assistance Program (IMAP) Loans \$46,100 | |
| ***Total Value: Real Property and Loans Receivable (not including cash balance) | \$9,322,741 |

****The value of these combined assets are non-liquid.*

(REPORTING ITEM #6) A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.

***Not Applicable:** No funds from the LMIHAF were transferred to other housing successor agencies during the reporting period.*

(REPORTING ITEM #7) A description of any project that the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.

The Housing Successor has set aside the amount necessary to satisfy the enforceable obligation listed in the Successor Agency’s Recognized Obligation Payment Schedule (ROPS) as Line-Item 28. That expense item is described in the ROPS as “NSP2 Habitat Leverage Funding (Master Agreement)”. As reported previously in this Report, the amount remaining under this activity is \$98,858.98. It is anticipated that Habitat for Humanity will use these remaining funds over the next year to help finance the construction of 2 new homes per the existing agreement. These funds are currently contained in the Agency’s restricted FUND 771. Expenses and activities in this fund are reported through the ROPS process.

(REPORTING ITEM #8) For interests in real property acquired by the former redevelopment agency before February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.

A. Properties acquired prior to February 1, 2012:

During the Reporting Period, the Housing Successor was successful in selling 2 parcels of land (comprising 1 "site") to the Desert Community College District for future planned expansion of the College of the Desert (COD) Indio Campus located in Downtown Indio. The proceeds of the sale were deposited into the LMIHAF and will be available for use in support of affordable housing activities/projects as required.

The Indio Housing Authority currently owns four (4) vacant parcels of land that are available for the development of affordable housing. Alternatively, these properties may be sold at market-rates, and the proceeds of the sales will be required to be deposited into the Low and Moderate Income Housing Asset Fund and subsequently used in accordance with State law, which governs the use of these funds.

These properties were originally transferred to the Indio Housing Authority (the "Housing Successor") from the former Redevelopment Agency in 2012. The Housing Successor had five years from that time to initiate the development of affordable housing on those sites. Despite efforts to market the properties and work with potential developers to develop affordable housing projects, no project materialized and the 5-year development period expired. However, as permitted by Law, the City Council adopted Resolution No. 9980 on September 9, 2017, affirming its desire to extend the period an additional 5 years during which the Indio Housing Authority (as the Housing Successor) may continue to retain the properties for development of affordable housing affordable to low income households (persons and families). The new deadline to initiate development of these sites is now August 31, 2022.

B. Properties acquired after February 1, 2012:

No properties were acquired by the Housing Successor after this date.

(REPORTING ITEM #9) A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.

There were no outstanding obligations to transfer to the Housing Successor pursuant to Section 33413. As required, the Housing Successor has posted a copy of the former Redevelopment Agency's implementation plan on the City's website at www.indio.org.

(REPORTING ITEM #10) The information required by subparagraph (B) of paragraph (3) of subdivision (a) of the Health and Safety Code as related to proportionate spending by income group.

Prior to dissolution of Redevelopment Agencies throughout the State, funds from the former Low and Moderate-Income Housing Fund (LMIHF) could be used to benefit "moderate-income" households earning up to 120% of the Area Median Income (AMI) adjusted by family size. The adoption of SB 341 lowered those limits. SB 341 limits the use of the newly-classified Low and Moderate Income Housing Asset Fund (LMIHAF) expenditures to benefit households earning 80% or less of the AMI.

Additionally, SB 341 places other restrictions and requirements regarding the use of the LMIHAF funds. If any funds are used to benefit households directly through the creation of rental housing, at least 30% of funds spent must benefit households earning 30% or less of the AMI. This income group is considered to be within the "Extremely Low Income" category. Additionally, not more than 20% of the expenditures can be spent on households earning between 60% and 80% AMI (considered to be within the "Low Income" group/category).

SB 341 established penalties for not complying with the new proportionate spending requirements. Failure to comply with the Extremely Low Income expense requirements in any five-year reporting period will result in the Housing Successor having to allocate 50% of its remaining funds to fund Extremely Low Income rental units until its expenditures comply with the proportionality limits established by SB 341. Additionally, if at the end of any five-year period, the Successor exceeds its spending limit for households earning between 60% and 80% of the AMI, the Housing Successor will not be able to spend additional funds on this Low Income group until the Housing Successor's expenditures comply with proportionality limits.

During the Reporting Period, and the preceding 4 years, the Housing Successor did not spend funds that triggered proportionate spending requirements per SB 341. Therefore, by default, the Housing Successor is in compliance with proportionality spending requirements of SB 341.

(REPORTING ITEM #11) 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.

In complying with this reporting section requirement, the Housing Successor is reporting that during the previous 10-year reporting period (FY08/09 – FY17/18), as is subject of this section, no financial assistance was provided for the development of deed-restricted rental housing units.

The most recent rental housing project that was directly assisted was the Horizons at Indio Senior Housing Project which was funded during Fiscal Year 2007/2008. Subsequent to that year, the Agency diligently accumulated a substantial amount of housing funds sufficient to assist a potential affordable rental multi-family project. However, in 2010 and 2011, the former Redevelopment Agency borrowed a combined \$5,496,151 in "housing funds" to make the State-mandated Supplemental Educational Revenue Augmentation Fund (SERAF) payments required of the Agency. This practically depleted the amount of funds available to fund affordable housing projects. Then, in 2012, the Housing Fund was further depleted as a result of Dissolution of Redevelopment Agencies, rendering the Agency unable to fund affordable housing projects.

With the recent yearly repayments of the SERAF through the ROPS process, the funds in the LMIHAF have been increasing. It is anticipated that during FY 2018/2019 the LMIHAF will receive an additional \$666,347 in SERAF repayments, thus, increasing the fund balance. Staff will continue to assess development opportunities.

(REPORTING ITEM #12) The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor’s plan for eliminating the excess surplus.

Per SB 341, housing successors are required to report (A) the amount of any excess surplus, (B) the amount of time that the housing successor has had the excess surplus, and (C) the housing successor’s plan for eliminating the excess surplus. Excess surplus is defined by the Health and Safety Code Section 34176.1(d) as “an unencumbered amount in the account that exceeds the greater of one million dollars, or the aggregate amount deposited into the account during the housing successor’s preceding four fiscal years, whichever is greater.”

During the preceding four-year period (as is subject to this section), the amount deposited in the Housing Fund has not exceeded the threshold amount of one million dollars; therefore, there is no excess surplus to report.

(REPORTING ITEM #13) As required, per Assembly Bill 1793 (AB 1793), the Housing Successor must have 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 33334.3. This inventory shall include all of the following information:

(A) The number of those homeownership units covenanted to be affordable as of June 30, 2018:

Indio Mortgage Assistance Program: 7 units
Housing Rehabilitation Loan Program: 42 units

(B) The number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

Number of covenanted units lost and the reason for the losses:

Indio Mortgage Assistance Program: 0 units Reason for Loss: n/a
Housing Rehabilitation Loan Program: 2 units Reason for Loss: Loan Pay-offs

(C) Any funds 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.

The amount of repayments or recapture of funds:

Indio Mortgage Assistance Program: \$0
Housing Rehabilitation Loan program: \$35,659 (includes principal and interest)

(D) Whether the housing successor has contracted with any outside entity for the management, monitoring or oversight of the units and, if so, the identity of the entity.

The Indio Housing Authority has not contracted with any outside entity to perform these functions. All functions are performed internally by Indio Housing Authority Staff.