

# **HOUSING SUCCESSOR ANNUAL REPORT**

April 1, 2019

LOW AND MODERATE INCOME HOUSING ASSET FUND  
FOR FISCAL YEAR 2017-18  
PURSUANT TO  
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)  
FOR THE  
MILPITAS HOUSING AUTHORITY

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**INTRODUCTION**

This Housing Successor Annual Report (“Report”) addresses the requirements of California Health and Safety Code Section 34176.1(f) regarding the Low and Moderate Income Housing Asset Fund (“LMIHAF”). This Report outlines the financial and housing covenant details of the Milpitas Housing Authority (“Housing Successor”) for 2017-18 (the “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”).

This report includes discussion on the deposits to, ending balance of, and expenditures from the LMIHAF. A description of the Housing Successor’s assets, and any transfers of assets to other housing successor agencies are addressed as well. The report also discusses the Housing Successor’s current projects, acquisitions of any real property since February 1, 2012, or any outstanding obligations. Finally, as required by law, three separate test are discussed – the income test, senior housing test, and excess surplus test.

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, formerly the Milpitas Housing Fund, now the Milpitas Housing Authority Special Revenue Fund included in the Comprehensive Annual Financial Report (CAFR) of the City of Milpitas for Fiscal Year 2017-2018 as independently audited by Maze & Associates, Certified Public Accountants. The financial audit is separate from this annual summary report. Further, this Report conforms with Sections I. through XI., of Section 34176.1(f) of the Dissolution Law.

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. (<http://www.ci.milpitas.ca.gov>)

**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.

Revenues (amount deposit to the LMIHAF):	
Loan repayments	\$158,687
Rental/lease income	\$139,757
Interest income	\$746,532
Other	\$1
<b>Total:</b>	<b>\$1,044,977</b>

A total of \$1,044,977 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, a total of \$0 was held for items listed on the ROPS.

## 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.

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$40,536,697, of which \$0 is held for items listed on the ROPS.

## 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. There was a total of \$12,779,596 expended from the LMIHAF, divided into the following categories:

TABLE 1: DESCRIPTION OF LMIHAF EXPENDITURES

Description of Expenditures	Total Expenditures
Maintenance, Monitoring and Administration Expenditures	\$272,327
Homeless Prevention and Rapid Rehousing Services Expenditures	\$63,789
Housing Development Expenditures (Total of Next Three Lines)	\$12,443,480
<i>Expenditures on Low Income Units</i>	\$0
<i>Expenditures on Very Low Income Units</i>	\$12,443,480
<i>Expenditures on Extremely Low Income Units</i>	\$0
<b>Total LMIHAF Expenditures in Fiscal Year</b>	<b>\$12,779,596</b>

## 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.

TABLE 2: STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR

Asset Type	Statutory Value of Assets
Loans Receivable	\$30,059,809
Land held for resale	\$3,048,003
<b>Total Value of Real Property and Loans Receivable</b>	<b>\$33,107,812</b>

## 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.

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

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.

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

**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.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time period 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 (August 31, 2012); 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 of 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:

TABLE 3: SECTION 33334.16 COMPLIANCE

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
1504, 1556, 1620 South Main Street Property (APN 086-22-027,028,033,034,041,042)	11/1/2009	8/31/2022	APN 086-22- ,033,034,041,042 sold to Milpitas Phase I, LP on April 11, 2018 for the Senior Lifestyles Development with 48 very-low income units in phase I and 2 combined.
1432-1440 S. Main St. (APN 086-22-031)	2/28/2011	8/31/2022	Site is zoned for future housing in the Midtown Specific Plan Area. Staff is initiating a possible housing development proposal in partnership with Santa Clara County.
340 Celebration Dr. (APN 086-49-046)	7/10/2009	8/31/2022	Sold to a qualified Below Market Rate applicant.
254 Parc Place Dr. (APN 086-54-052)	1/27/2011	8/31/2022	This is a rental unit for very low and low-income households with the option to purchase. Staff is working with occupants to purchase unit.
1101 S. Main St. #313	5/20/2011	8/31/2022	Sold to a qualified Below

(APN 086-67-078)			Market Rate applicant.
600 S. Abel St. #208	5/24/2011	8/31/2022	This is a rental unit for very low and low-income households with the option to purchase. Staff is working with occupants to purchase unit.
(APN 086-61-177)			

Health and Safety Code Section 33334.16 required former redevelopment agencies to initiate activities, such as zone changes or disposition and development agreements within five years of acquiring a property.

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.

The Housing Successor did not acquire property on or after February 1, 2012.

**VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS UNDER SECTION 33413.**

This section describes the outstanding inclusionary 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 plans to meet unmet obligations, if any.

The housing successor does not have any obligations to fulfill under Section 33413.

**IX. EXTREMELY-LOW INCOME TEST**

Section 34176.1(a)(3)(A) requires that the Housing Successor must require at least 30% of the LMIHAF (excluding funds used for maintenance, monitoring and administrative expenses, and homeless prevention/rapid rehousing services) 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 expended from the LMIHAF in each subsequent fiscal year be expended for development of rental housing affordable to and occupied by 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 for the 2014 – 2019 period until the 2019 Annual Report.

**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 the City 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 the City within

the same time period. For this Report the ten-year period reviewed is January 1, 2008 to January 1, 2018.

If the percentage of assisted senior rental housing is more than 50 percent of the total of all assisted rental housing, no additional senior rental housing can be assisted until the percentage falls to 50 percent or less.

TABLE 4: SENIOR HOUSING TEST

Unit Category	# of Units
Assisted Senior Rental Units	113
Total Assisted Rental Units	426
<b>Senior Housing Test (%)</b>	<b>27%</b>

## XI. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as any unencumbered amount in the agency's Low and Moderate Income Housing Asset Fund (LMIHAF) that exceeds the *greater* of one million dollars (\$1,000,000) or the aggregate amount deposited into the LMIHAF during the Housing Successor's preceding four Fiscal Years. If excess surplus exists, the City of Milpitas must encumber the excess or transfer it in the next three fiscal years. If the housing successor fails to encumber the excess within that three year period, the excess surplus amount must be transferred to HCD to use pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

### Excess Surplus Calculation Procedures:

1. **Calculate the unencumbered balance** – The unencumbered balance for the fiscal year is determined by subtracting the current year encumbrances committed pursuant to legally enforceable agreements or contracts for allowable expenditure of the LMIHAF from the LMIHAF balance available at the end of the year.
2. **Calculate the adjusted balance** – The adjusted balance is determined by subtracting from the unencumbered balance any unspent debt proceeds remaining in the LMIHAF and/or subtracting any deficit realized through conveyance of land for an amount less than its fair market value.
3. **Determine whether excess surplus exists** – Compare the adjusted balance to the aggregate amount of tax increment deposited into the LMIHAF during the preceding four fiscal years. If the adjusted balance exceeds \$1,000,000 and is greater than the aggregate tax increment deposited in the preceding four fiscal years, then excess surplus exists.
4. **Calculate excess surplus as follows** – (1) if the sum of the aggregate tax increment for the four preceding fiscal years is less than \$1,000,000, then excess surplus equals the adjusted balance minus \$1,000,000. (2) If the sum of the aggregate tax increment for the preceding four fiscal years is more than \$1,000,000, then excess surplus equals the adjusted balance minus the sum of the tax increment for the preceding four fiscal years.

The following provides the Excess Surplus test for the past three fiscal years:

**2018 Housing Successor Annual Report**

*April 1, 2019*

	<b>Test for fiscal year ending June 30, 2016</b>	<b>Test for fiscal year ending June 30, 2017</b>	<b>Test for fiscal year ending June 30, 2018</b>
Opening fund balance of prior year	51,439,379	51,967,677	52,430,003
Less: Unavailable Funds:			
Loan Receivable	(29,980,470)	(29,260,935)	(29,292,366)
Land Held for Resale	(15,282,370)	(15,282,370)	(15,034,314)
<b>Unencumbered Fund Balance</b>	<b>6,176,539</b>	<b>7,424,372</b>	<b>8,103,323</b>
Limitation (greater of \$1,000,000 or four years deposits)			
Aggregate amount deposited for the last four years:			
2016-2017			907,029
2015-2016		961,316	961,316
2014-2015	962,460	962,460	962,460
2013-2014	1,225,348	1,225,348	1,225,348
2012-2013	2,622,630	2,622,630	
2011-2012	392,426		
<b>Total</b>	<b>5,202,864</b>	<b>5,771,754</b>	<b>4,056,153</b>
Base Limitation	1,000,000	1,000,000	1,000,000
<b>Greater Amount</b>	<b>5,202,864</b>	<b>5,771,754</b>	<b>4,056,153</b>

The LMIHAF has an Excess Surplus. The aggregate amount deposited into the account during the preceding four fiscal years is \$4,056,153. The unencumbered balance of \$8,103,323 exceeds the aggregate amount deposited. Therefore, the excess surplus is \$4,047,170. A developer is seeking \$6.5 million of funding from the City for a 100% affordable housing project with 102 units. The City intends to encumber the entire excess surplus amount toward this request by May 2019.