

**EL CAJON HOUSING AUTHORITY ANNUAL REPORT**  
**REGARDING THE LOW AND MODERATE INCOME HOUSING**  
**ASSET FUND FOR FISCAL YEAR 2018-19**  
**PURSUANT TO**  
**CALIFORNIA HEALTH AND SAFETY CODE SECTION**  
**34176.1(f)**

This El Cajon Housing Authority 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) and is dated as of December 10, 2019. This Report details the activities of the El Cajon Housing Authority (Housing Authority) during Fiscal Year 2018-19. The purpose of this Report is to provide the governing body of the Housing Authority information on the housing assets and activities of the Housing Authority under Part 1.85, Division 24 of the California Health and Safety Code (HSC), in particular sections 34176 and 34176.1 (Dissolution Law).

The following is based upon information prepared by the Housing Authority staff and data from the independent financial audit of the Housing Authority Special Revenue Fund contained in the City of El Cajon Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2018-19 as prepared by Rogers, Anderson, Malody & Scott, LLP. Furthermore, this Report conforms with and is organized into sections I. through XI., inclusive, pursuant to HSC section 34176.1(f) of the Dissolution Law:

I. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the previous Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.

II. **Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. This balance is reported in the audited financial statements and includes assets such as cash, deferred interest and interest received, land held for sale and loans receivable, minus liabilities. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.

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. LMIHAF monies may be spent on:

- Administrative costs up to \$200,000 per year adjusted for inflation, or 5% of the statutory value of real property owned by the housing successor and the value of loans and grants

receivable from the Housing Asset Transfer Form, whichever is greater.

- Homeless prevention and rapid rehousing services up to \$250,000 per year if the former redevelopment agency did not have any outstanding inclusionary housing or replacement housing production requirements.
- Affordable housing development assisting households earning up to 80% of the AMI, subject to specific income and age targets.

IV. **Statutory Value of Assets Owned by El Cajon Housing Authority:** This section provides the statutory value of real property owned by the El Cajon Housing Authority, the value of loans and grants receivables, and the sum of these two amounts.

V. **Description of Transfers:** This section describes transfers, if any, to another Housing Authority 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.

VI. **Project Descriptions:** This section describes any project for which the Housing Authority receives or holds property tax revenue pursuant to the ROPS and the status of that project.

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, a status update is provided on the project.

VIII. **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 Authority's progress in meeting those prior obligations, if any, of the former redevelopment agency and the Housing Authority's plans to meet unmet obligations, if any.

IX. **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, and whether the statutory thresholds have been met.

If any LMIHAF monies are spent on affordable housing development, it triggers a requirement to spend at least 30% of such expenses assisting extremely low income households (30% AMI) and no more than 20% on low income households (between 60-80% AMI) per five-year compliance period. The first five-year compliance period was January 1, 2014 through June 30, 2019.

Housing successors must report expenditures by category each year, but compliance with income proportionality limits is measured every five years. For example, a housing successor could spend all its funds in a single year on households earning between 60-80% AMI, as long as it was 20% or less of the total expenditures during the five-year compliance period.

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 Authority, 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 El Cajon Housing Authority, its former Redevelopment Agency and its host jurisdiction within the same time period.

If more than 50% of the total aggregate number of rental units produced during the past 10 years are restricted to seniors, the Housing Authority may not spend more LMIHAF monies on senior rental housing. For this Report the ten-year period reviewed is July 1, 2009 to June 30, 2019.

XI. **Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Authority has had excess surplus, and the El Cajon Housing Authority’s plan for eliminating the excess surplus.

This Report is to be provided to the Housing Authority’s governing body (the El Cajon City Council) by December 31, 2019. In addition, this Report and the former redevelopment agency’s pre-dissolution Implementation Plan are to be made available to the public on the City’s website <http://www.cityofelcajon.us/your-government/departments/community-development/successor-agency/projects>.

**I. AMOUNT DEPOSITED INTO LMIHAF**

The following is the total amount of funds deposited into the LMIHAF during Fiscal Year 2018-19:

Category	Amount
Investment Earnings	\$ 182,975
Loan Repayments	\$ 216,617
Other Revenue (Bond proceeds, miscellaneous reimbursements)	\$ 12,390
<b>Total Amounts Deposited</b>	<b>\$ 411,982</b>

Amounts deposited will be committed to fund new projects in the coming fiscal year.

**II. ENDING BALANCE OF LMIHAF**

At the close of the Fiscal Year 2018-19, the ending balance in the LMIHAF was \$14,331,514 (does not include deferred interest or real property), of which zero dollars were held for items listed on the ROPS.

### III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of LMIHAF expenditures by category for Fiscal Year 2018-19, including amounts drawn on development loans:

Category	Amount
Monitoring and Administrative	\$ 130,035*
Homeless Prevention & Rapid Rehousing Services	\$ 129,275
Housing Development:	
Low Income Units (Grossmont project)	\$ 519
Very-Low Income Units (Cornerstone project)	\$ 361,941
Extremely-Low Income Units	\$0
<b>Total Housing Development</b>	<b>\$ 362,430</b>
<b>Total LMIHAF Expenditures Fiscal Year 2018-19</b>	<b>\$ 621,770</b>

\*Includes annual Lexington Ave Senior Apartments Loan Write-off Amount of \$13,750 and one FTHB foreclosure in the amount of \$28,825 totaling \$42,575, and \$87,460 admin expenditures, for a total of \$130,035.

Senate Bill 341 allows for 5% of the \$15,384,658 total Housing Authority assets, or \$769,233, to be used on monitoring and administrative expenditures. The Community Development Department Housing Division continues to monitor and manage these LMIHAF assets.

### IV. STATUTORY VALUE OF ASSETS OWNED BY EL CAJON HOUSING AUTHORITY 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 Authority pursuant to section 34181(f), and the purchase price of property purchased by the Housing Authority. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

At June 30, 2019, the statutory value of assets owned by the Housing Authority:

As of Fiscal Year End	
Loan Receivables (Includes all development and First Time Homebuyer loans outstanding)	\$ 11,776,368
Real Property owned by the Housing Authority (A complete list of Housing Authority-owned properties is found in the Section VII table below)	6,265,754
<b>Total Statutory Value of Housing Authority Assets</b>	<b>\$ 18,042,122</b>

**V. DESCRIPTION OF TRANSFERS**

The Housing Authority did not make any LMIHAF transfers to other Housing Authority(s) under section 34176.1(c)(2) during the fiscal year.

**VI. PROJECT DESCRIPTIONS**

The Housing Authority does not receive or hold property tax revenue pursuant to the ROPS.

**VII. STATUS OF COMPLIANCE WITH SECTION 33334.16**

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, for any real property acquired by the former redevelopment agency now held by the Housing Authority in the LMIHAF, the Housing Authority 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. For the El Cajon Housing Authority, the date of DOF's approval was August 23, 2012.

Health & Safety Code section 33334.16 provides that the legislative body may extend the obligation of the Housing Authority to initiate development or dispose of former redevelopment agency property for one additional period not to exceed five (5) years. On August 8, 2017, prior to the expiration of the initial five-year period, the El Cajon City Council approved an additional five-year extension of the period to initiate development activities or dispose of the property described as the Lot Adjacent to 146 Ballantyne, as required by Health & Safety Code sections 33334.16 and 34176.1(e).

Health & Safety Code Section 34176.1 provides that section 33334.16 does not apply to interests in real property acquired by the El Cajon Housing Authority on or after February 1, 2012; however, this Report presents a status update on the projects related to such real property.

Address of Property	Date of DOF Approval or Acquisition	Deadline to Initiate Development Activity	Status of El Cajon Housing Authority Activity
131 and 151 Chambers (Solterra Sr. Residences)	8/23/2012	--	<b>Completed.</b> Construction of this 49-unit affordable housing development for seniors was completed in 2013 and is now in service. Subject to a Ground Lease and Regulatory Agreement.
146 Ballantyne	8/23/2012	--	<b>Disposed.</b> This property was sold to El Cajon Senior Towers in 2013 for parking and open space for the tenants. The proceeds were deposited into the LMIHAF.

Lot adjacent to 146 Ballantyne	8/23/2012	8/23/2022	This is a remainder parcel (vacant) following a lot line adjustment and sale of the larger parcel to El Cajon Senior Towers (above). The City is exploring options for development and/or disposition of this site. On August 8, 2017, prior to the expiration of the initial five-year period, the El Cajon City Council approved an additional five-year extension of the period to initiate development activities or dispose of this property, as required by Health & Safety Code sections 33334.16 and 34176.1(e).
250 E. Lexington (Lexington Senior Apartments)	8/23/2012	--	<b>Completed.</b> This 100-unit affordable housing development for seniors was completed in 1997 and is now in service. Subject to a DDA, Ground Lease and Regulatory Agreement.
812 - 816 Grossmont Avenue	5/10/2013	12/5/2018	<b>Development underway.</b> Under the former "Greenovation Program," a prior developer acquired the subject property and constructed two new single-family (manufactured) dwellings and a concrete pad suitable for a third unit. The property was thereafter transferred to the Housing Authority in October of 2016. On April 25, 2017, the City Council authorized the sale of the property to San Diego Habitat for Humanity for \$640,000, and approved the execution of a DDA for development of the project. The DDA requires Habitat to divide the lot into 3 separate lots, construct a 3 <sup>rd</sup> single-family residence, and sell all 3 residences to lower-income households at an Affordable Housing Cost. Escrow closed on the sale of the property to Habitat on or about August 24, 2017. Habitat has since processed a one-lot subdivision to create sellable units, prepared the first two manufactured units for sale, and submitted a building permit in November, 2018 for the third and final unit. Escrow on the first two units sold to low-income homebuyers closed in September of 2019.
Prescott Promenade - Parking Lot (adjacent to Lexington Sr. Apts)	6/27/2014	--	<b>Completed.</b> This property was developed as a shared-use parking lot which serves the adjacent Lexington Avenue Senior Apartments and neighboring public/community facilities.

### VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

**Replacement Housing** (section 33413(a)): As set forth in the 2009-14 El Cajon Redevelopment Agency Five Year Implementation Plan and Ten Year Housing Compliance Plan for the former redevelopment agency, adopted at a public hearing on June 23, 2009, the agency's replacement obligations totaled 15 units (30 bedrooms) for moderate income households. The outstanding replacement housing obligation was met with the completion of construction of the 49-unit Solterra Senior Residences development for very low income seniors in 2013. The former redevelopment agency's Implementation Plan is posted on the City's website at <http://www.cityofelcajon.us/your-government/departments/community-development/successor-agency/projects>.

**Inclusionary/Production Housing.** On January 31, 2012, the Agency reported an outstanding affordable housing obligation of 46 units. The outstanding housing production obligation was met—with a surplus of 18 affordable units—with the completion of the following projects on or

after February 1, 2012:

- Two (2) First-time Homebuyer loans for low income households in 2012 (Birchwood Lane);
- Development of the 49-unit Solterra Senior Residences in 2013 (48 units restricted for very low income and 1 unit restricted for moderate income);
- Recording of covenants to impose a requirement that 15% of the units (13 units) in the El Cajon Senior Towers be restricted to very low income households through the sale of adjacent property at 146 Ballantyne in 2013; and
- Construction is nearly completed on the 70-unit Cornerstone Place project for low income veterans and families (69 units restricted to low and very-low income households at or below 60% AMI and 1 unit restricted for moderate income; the Housing Authority is recording covenants to secure 6 units for very-low income households (40% of AMI)). Completion is expected in late 2019, with full lease-up by January of 2020.

## IX. INCOME TEST

Section 34176.1(a)(3) states that the Housing Authority must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI, and no more than 20% for housing affordable to and occupied by households earning between 60-80% of the AMI.

- 30% AMI Requirement:

Failure to comply with the 30% AMI requirement in any five-year compliance period will result in the Housing Authority having to ensure that 50% of remaining funds expended in each fiscal year following the latest fiscal year following the report are expended for the development of extremely low income rental units until in compliance with the 30% AMI requirement.

As illustrated in Appendix A at the end of this report, the Housing Authority dedicated 0% of its total expenditures to the development of housing affordable to and occupied by households earning 30% or less of the AMI. The Housing Authority did not maintain these expenditures above the required 30% minimum and is **not in compliance** with this requirement. Consequently, the Housing Authority will need to ensure that 50% of the remaining funds expended in each following fiscal year are expended on extremely low income rental units until in compliance.

Furthermore, the Housing Authority will need to ensure compliance with the January 1, 2014 through June 30, 2019 five-year period moving forward. This will be monitored by tracking each future fiscal year expenditure against this reporting period until the 30% minimum threshold is met.

Concurrently, the Housing Authority must monitor expenditures in the current July 1, 2019 through June 30, 2024 five-year period and simultaneously ensure compliance during this period.

- 60%-80% AMI Requirement:

Failure to comply with the 60%-80% AMI requirement in any five-year compliance period

will result in the Housing Authority not being able to expend any of the remaining funds on these income categories until in compliance.

As illustrated in Appendix A, the Housing Authority dedicated 18% of its total expenditures to the development of housing affordable to and occupied by households earning between 60-80% of the AMI. The Housing Authority has maintained these expenditures below the allowable 20% and is **in compliance** with this requirement.

While HSC section 34176.1(a)(3) does not establish an expenditure limit for households earning between 31-59% of the AMI, it is important to note that the Housing Authority has made significant contributions for the development of rental housing for these income levels.

**X. SENIOR HOUSING TEST**

The Housing Authority is required to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Authority, the former redevelopment agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Authority, the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Authority cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Authority or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Authority’s Senior Housing Test for the 10 year period of 2008-09 to 2018-19:

<b>Unit Category</b>	<b>2008-09 to 2018-19</b>
# of Assisted Senior Rental Units	61
# of Total Assisted Rental Units	131
<b>Senior Housing Test Percentage</b>	<b>47%</b>

Based on the results of the above Test, the Housing Authority may expend funds in the LMIHAF to assist additional senior housing units, until the Housing Authority or City assists, and construction has commenced, on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

**XI. EXCESS SURPLUS TEST**

Excess Surplus is defined in section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Authority’s preceding four fiscal years, whichever is greater.

The following provides the Excess Surplus test for the preceding four fiscal years:



Activity	2015-16	2016-17	2017-18	2018-19
Ending fund balance	\$13,706,025	\$13,705,596	\$14,396,008	\$14,331,514
Less unavailable amounts: Loans Receivables	(\$10,901,832)	(\$10,965,484)	(\$11,480,047)	(\$11,776,368)
<b>Unencumbered LMIHAF</b>	\$2,804,193	\$2,740,112	\$2,915,961	\$2,555,146
Total deposits for last four years	\$3,614,620	\$2,555,621	\$3,137,375	\$3,759,145
Greater of \$1,000,000 or total deposits	\$3,614,620	\$2,555,621	\$3,137,375	\$3,759,145
<b>Computed excess surplus</b>	<b>\$0</b>	<b>\$184,491</b>	<b>\$0</b>	<b>\$0</b>

At fiscal year ending June 30, 2019, the LMIHAF had no Excess Surplus. The unencumbered amount in the LMIHAF did not exceed the aggregate amount deposited in the fund for the past four fiscal years. If it had, the Housing Authority would be required to, within three (3) fiscal years, encumber the excess surplus for the purposes allowed under Community Redevelopment Law, in compliance with HSC Sections 34176.1(a)(3) or (c)(2). If the Housing Authority fails to comply with this requirement, the Housing Authority will be required to transfer the funds to the State of California Department of Housing and Community Development. Excess surplus amounts, if any, will be committed to fund new projects in the coming fiscal year.

**Appendix A. Expenditure Compliance (Annual and 5-Year Compliance Period)**

City of El Cajon

	Annual Limits 2018-19		Five-Year Limits January 1, 2014 - June 30, 2019					
	Admin/ Monitoring	Homeless Prevention	< 30% AMI	31-59% AMI		60-80% AMI		
			Total	Cornerstone 230 S. Sunshine	Total	FTHB	Greenovation @ 812 Grossmont	Total
1/1/2014	-	-	-	-	-	50,000	10,135	60,135
FY 2014-15	100,048	-	-	6,350	6,350		207,602	207,602
FY 2015-16	107,634	-	-	18,405	18,405		11,516	11,516
FY 2016-17	94,101	-	-	-	-			-
FY 2017-18	67,972	42,857	-	874,796	874,796			-
FY 2018-19	87,979	129,275	-	361,941	361,941			-
<b>Compliance Period Total Expenditures</b>	<b>\$ 87,979</b>	<b>\$ 129,275</b>	<b>\$ -</b>	<b>\$ 1,261,492</b>	<b>\$ 1,261,492</b>	<b>\$ 50,000</b>	<b>\$ 229,253</b>	<b>\$ 279,253</b>
% of Total			0%		82%			18%
SB 341 Limitation	\$ 769,233	\$ 250,000	>30%		N/A			<20%
<b>Compliant (Yes/No)</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>		<b>Yes</b>			<b>Yes</b>

Source: City of El Cajon, Housing Successor Annual Reports