

**EL CAJON HOUSING AUTHORITY ANNUAL REPORT**  
**REGARDING THE LOW AND MODERATE INCOME HOUSING**  
**ASSET FUND FOR FISCAL YEAR 2019-20**  
**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 the California Health and Safety Code section 34176.1(f) and is dated as of December 8, 2020. This Report details the activities of the El Cajon Housing Authority (Housing Authority) during Fiscal Year 2019-20. 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 2019-20 pursuant to the audit conducted 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 HSC section 33334.16:** This section provides a status update on compliance with HSC 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 HSC section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under HSC 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 HSC 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% of AMI) and no more than 20% on low-income households (between 60-80% of AMI) per five-year compliance period. The prior compliance period was from January 1, 2014 through June 30, 2019. The current five-year compliance period is July 1, 2019 through June 30, 2024.

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 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, 2010 to June 30, 2020.

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 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, 2020. 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 2019-20:

Category	Amount
Investment Earnings	\$ 123,846
Loan Repayments	\$ 199,576
Other Revenue (Interest on Loans and miscellaneous reimbursements)	\$ 55,718
<b>Total Amounts Deposited</b>	<b>\$ 379,140</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 2019-20, the ending balance in the LMIHAF was \$ 14,142,943 (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 2019-20, including amounts drawn on development loans:

Category	Amount
Monitoring and Administrative (SB 341 permits 5% of total Housing Authority assets or \$764,794)	\$ 82,289
Homeless Prevention & Rapid Rehousing Services	\$ 94,320
Housing Development:	
Low Income Units (Grossmont project)	\$ 694,966
Very-Low Income Units (Cornerstone project)	\$ 65,530
Extremely-Low Income Units	\$0
Total Housing Development	<b>\$ 760,496</b>
<b>Total LMIHAF Expenditures Fiscal Year 2019-20</b>	<b>\$ 937,105</b>

**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 HSC section 34176(a)(2), the value of the properties transferred to the Housing Authority pursuant to HSC 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.

As of June 30, 2020, 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)	\$ 12,093,877
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>\$ 18,359,631</b>

**V. DESCRIPTION OF TRANSFERS**

The Housing Authority did not make any LMIHAF transfers to other Housing Authority(s) under HSC 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 HSC 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 HSC 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 Housing Authority, the date of DOF's approval was August 23, 2012.

HSC 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 HSC sections 33334.16 and 34176.1(e).

HSC section 34176.1 provides that section 33334.16 does not apply to interests in real property acquired by the 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	N/A	<b>Completed.</b> Construction of this 49-unit affordable housing development for seniors was completed in 2013 and is presently in service. Subject to a Ground Lease and a Regulatory Agreement.
146 Ballantyne	8/23/2012	N/A	<b>Disposed.</b> In 2013, this property was sold to the El Cajon Senior Towers 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 the El Cajon Senior Towers (above). The City of El Cajon 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 HSC sections 33334.16 and 34176.1(e).

812 - 816 Grossmont Avenue	5/10/2013	N/A	<p><b>Completed.</b> This property was previously acquired and partially developed as part of the Greenovation Program. In October of 2016, the property was deeded to the Housing Authority in lieu of repayment of the development loan. In February of 2017, the El Cajon City Council approved the sale of the partially-developed property to San Diego Habitat for Humanity ("SDHFFH") in the total amount of \$640,000 for subsequent development and sale of 3 single-family homes for low-income homebuyers. The Housing Authority agreed to accept \$300,000 in cash at close of escrow and a Note for the remaining \$340,000, to be repaid upon sale of the first two homes. Title was transferred to SDHFFH in August of 2017. Tentative Parcel Map No. 665 was approved on May 25, 2018 and the Final Map to create three separate sellable units in a Common Interest Development was completed.</p> <p>During FY 2019-20, SDHFFH closed escrow on the first two homes (814 and 816 Grossmont Avenue), and completed construction on the third home (812 Grossmont Avenue). Escrow closed during the year on the third home as well. All three households were qualified as low income households (at or below 80% of AMI) and were provided with zero-percent, 1<sup>st</sup> mortgage loans through SDHFFH. The homebuyers were also provided with deferred, zero-interest second mortgages through the Housing Authority's First Time Home Buyer ("FTHB") loan program. A total of \$504,042 in LMIHAF was expended to assist these homebuyers. In addition, of the \$340,000 scheduled to be repaid by SDHFFH, a total of \$204,350 was received and the remainder was forgiven (\$190,923).</p>
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250 E. Lexington (Lexington Senior Apartments)	8/23/2012	N/A	<b>Completed.</b> This 100-unit affordable housing development for seniors was completed in 1997 and is presently in service. The property is subject to regulations and requirements from a Development Disposition Agreement, a Ground Lease and a Regulatory Agreement. On February 11, 2020, the Housing Authority Board approved the conditional termination of the existing DDA and regulatory documents, and approved the sale of the leasehold interest in the Lexington project to a new Developer/Operator. The new Developer/Operator is in process to secure TCAC funding and a new HUD first mortgage to secure funds for the acquisition and \$9.5 million in rehabilitation to the project. The Authority will set aside \$3.95 million for rental subsidies for 40 Extremely Low Income households/units for the next 15 years. Escrow is expected to close on the sale in December of 2020.
Prescott Promenade - Parking Lot (adjacent to Lexington Sr. Apts)	6/27/2014	N/A	<b>Completed.</b> This is 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 HSC SECTION 33413

The Housing Authority has no obligation remaining for the replacement and or the inclusionary/production housing requirements, as described further below.

**Replacement Housing** (HSC 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 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 of El Cajon’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
- The completed 70-unit Cornerstone Place project, for low income veterans and families. 69 of the 70 units are restricted to low income residents earning at or below 60% of AMI with 1 unit restricted for moderate income. Additionally, the Housing Authority and Developer agreed to record covenants to secure six units for residents at or below 40% of AMI restricted by both the Department of Housing Community and Development and Tax Credit Allocation Committee. The property's income and rent limit chart is published for each funding source to maintain and comply with the required set-asides.

## IX. INCOME TEST

HSC 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 (extremely-low income), 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% of AMI requirement (\$34,650 for a family of 4) in any five-year compliance period will result in the Housing Authority having to ensure that 50% of development funds expended in each fiscal year following the latest annual report fiscal year must be 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 in the prior compliance period. 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 on a moving-forward basis. 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. As a result of prior non-compliance, 50% of expenditures must be for households earning 30% or less of AMI in the current reporting period. During the Fiscal Year 2019-20, negotiations were underway for the Lexington Avenue Senior Apartments project for additional 30% AMI units (see Section VII above), however the transaction was not completed before the end of the report year. The Housing Authority did not expend any amounts in this category and must continue to meet the higher 50% threshold again next year. For fiscal year 2020-21, the Housing Authority is anticipating expenditures of at least \$126,000 related to the Lexington Avenue project for units with rental subsidies at 30% AMI and as a result the Housing Authority is expected to be in compliance.

- 60%-80% AMI Requirement:

Failure to comply with the 60%-80% (\$69,300 to \$92,400 for a family of 4) of the 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.

In the prior fiscal years of January 1, 2014 through June 30, 2019 for the five-year compliance period, 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 maintained these expenditures below the allowable 20% and is in compliance with this requirement for the fiscal year ending June 30, 2019.

As illustrated in Appendix A, the current reporting Fiscal Year end of June 30, 2020, the Housing Authority has expenditures in this category and is currently exceeding the 20% maximum requirement. The Housing Authority expects to be in compliance before the end of the five-year report period by targeting a majority of its expenditures to 30% AMI units.

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 of El Cajon 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 of El Cajon 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 the City of El Cajon 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 2010-11 to 2019-20:

Unit Category	2010-11 to 2019-20
# of Assisted Senior Rental Units	61
# of Total Assisted Rental Units	132
<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 the City of El Cajon 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 HSC 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	2016-17	2017-18	2018-19	2019-20
Ending fund balance	\$13,350,986	\$14,396,008	\$14,331,514	\$14,142,943
Less unavailable amounts: Land Held for Resale & Loans Receivables	(\$10,965,484)	(\$11,480,047)	(\$11,776,368)	(\$12,093,877)
<b>Unencumbered LMIHAF</b>	\$2,385,502	\$2,915,961	\$2,555,146	\$2,049,066
Total deposits for last four years	\$2,554,999	\$3,136,753	\$1,972,528	\$2,046,189
Greater of \$1,000,000 or total deposits	\$2,554,999	\$3,136,753	\$1,972,528	\$2,046,189
<b>Computed excess surplus</b>	<b>\$0</b>	<b>\$0</b>	<b>\$582,618</b>	<b>\$2,877</b>

At Fiscal Year ending June 30, 2020, the LMIHAF has a Excess Surplus amount of \$2,877. The unencumbered amount in the LMIHAF of \$2,049,066 exceeds the aggregate amount of \$2,046,189 deposited in the fund for the past four fiscal years. The Housing Authority is required to, within the next 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**

El Cajon Housing Authority

**Compliance Period Expenditures (Current Year)**

Annual Expenditures	Annual Limits <sup>1</sup>		Expenditure Requirements		
	Admin/ Monitoring	Homeless Prevention	50% Minimum Assets	No Limit	20% Maximum
			30% AMI	31-59% AMI	60-80% AMI
FY 2019-20	82,289	94,320	-	65,530	694,966
Annual Total	<b>82,289</b>	<b>94,320</b>	-	<b>65,530</b>	<b>694,966</b>
Percentage of Total	N/A	N/A	0%	9%	91%
SB 341 Limitation	\$608,838	\$250,000	>50%	N/A	<20%
<b>Compliant (Yes/No)</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>

**Compliance Period Expenditures (Prior Years)**

Prior FY's	Annual Limits <sup>1</sup>		Five-Year Period (2013-14 through 2018-19)		
			30% AMI	31-59% AMI	60-80% AMI
1/1/2014-6/30/14	-	-	-	-	60,135
FY 2014-15	100,048	-	-	6,350	207,602
FY 2015-16	107,634	-	-	18,405	11,516
FY 2016-17	94,101	-	-	-	-
FY 2017-18	67,972	42,857	-	874,796	-
FY 2018-19	87,979	129,275	-	361,941	-
<b>Compliance Period Total Expenditures</b>	<b>\$457,734</b>	<b>\$172,132</b>	<b>\$0</b>	<b>\$1,261,492</b>	<b>\$279,253</b>
Percentage of Total	N/A	N/A	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>

**Extended Compliance Period Expenditures (Prior Years)**

FY 2019-20 <sup>2</sup>			-	65,530	694,966
<b>Adjusted Compliance Period Total Expenditures</b>	<b>N/A</b>	<b>N/A</b>	<b>\$0</b>	<b>\$1,327,022</b>	<b>\$974,219</b>
Percentage of Total	N/A	N/A	0%	58%	42%
SB 341 Limitation	N/A	N/A	>30%	N/A	N/A
<b>Compliant (Yes/No)</b>	<b>N/A</b>	<b>N/A</b>	<b>No</b>	<b>N/A</b>	<b>N/A</b>

<sup>1</sup> The Admin/Monitoring and Homeless Prevention amounts are annual limits. Expenditures by income level are five-year limits.

<sup>2</sup> Additional report years are added to the prior 5-year compliance period in order to monitor if/when new expenditures are adequate to satisfy compliance thresholds on a cumulative basis.

Source: Low and Moderate Income Housing Fund Trial Balance Summary by Fund (6/30/20) and City Response to Data Request