

**EL CAJON HOUSING AUTHORITY ANNUAL REPORT**  
**REGARDING THE LOW AND MODERATE INCOME HOUSING**  
**ASSET FUND FOR FISCAL YEAR 2021-22**  
**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). This Report details the activities of the El Cajon Housing Authority (Housing Authority) during Fiscal Year 2021-22. The purpose of this Report is to provide the governing body of the Housing Authority with 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 Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2021-22 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 Area Median Income (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 the applicable five year compliance 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% of 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, 2011 to June 30, 2022.

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, as well as the Housing Authority's plan for eliminating any excess surplus.

XII. **Homeownership Unit Inventory:** This section lists the homeownership units assisted by the former redevelopment agency or the Housing Authority that are subject to covenants or restrictions protecting the Housing Authority's investment, including: the total number of units; the number of units lost to the portfolio and the reason or reasons for those losses; the total amount of funds returned to the Housing Authority from repayments or other miscellaneous receipts; and whether the Housing Authority has contracted with any outside entity for the management of the units and if so, the identity of the entity.

This Report is to be provided to the Housing Authority's governing body (the El Cajon City Council) by December 31, 2022. 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. Following is the website location where these documents are to be found:

<http://www.elcajon.gov/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 2021-22:

Category	Amount
Investment Earnings (loss)	170,619
Loan Repayments	\$426,881
Other Revenue (Equity Share, Interest on Loans, , and miscellaneous reimbursements)	\$244,165
<b>Total Amounts Deposited</b>	<b>\$505,327</b>

Amounts deposited will be committed to funding new and existing projects in the coming fiscal year.

## II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year 2021-22, the ending balance in the LMIHAF was \$17,594,541 (not including 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 2021-22, including amounts drawn on development loans:

Category	Amount
Monitoring and Administrative Costs (SB 341 permits up to 5% of the total Housing Authority assets or \$875,980.80)	\$155,508
Homeless Prevention & Rapid Rehousing Services	\$230,335
Housing Development:	
Low Income Units	\$ 0
Very-Low Income Units	\$ 0
Extremely-Low Income Units (Lexington Square project)	<u>\$265,530</u>
Total Housing Development	<b>\$ 265,530</b>
<b>Total LMIHAF Expenditures Fiscal Year 2021-22</b>	<b>\$ 675,144</b>

*Trial Balance shows \$675,144 that includes a loan write off of \$23,771.51*

## 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 (DOF) 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, 2022, the statutory value of assets owned by the Housing Authority was:

<b>As of Fiscal Year End</b>	
Loan Receivables (Includes all development and First Time Homebuyer loans outstanding)	\$11,670,347
Real Property owned by the Housing Authority (A complete list of Housing Authority-owned properties is found in the Section VII table below)	\$ 5,849,269
<b>Total Statutory Value of Housing Authority Assets</b>	<b>\$ 17,814,987</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

There are no projects for which the Housing Authority receives or holds 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 DOF 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
Lot adjacent to 146 Ballantyne	8/23/2012	8/23/2022	<p><b>Vacant.</b> This is a remainder parcel of a lot line adjustment and sale of a larger parcel to the El Cajon Senior Towers.</p> <p>On August 8, 2017, prior to the expiration of the initial five-year period, the El Cajon City Council, acting as the Housing Authority, approved an additional five-year extension to initiate development activities or dispose of this property, as required by HSC sections 33334.16 and 34176.1(e). Due to the expiration of five-year period, the Housing Authority must explore the process to sell the property and deposit the proceeds into the Low and Moderate Income Housing Asset Fund. Staff will consult with the State of California Department of Housing and Community Development and Department of Finance to determine the disposition process in the Spring of 2023.</p>

**VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO HSC SECTION 33413**

The Housing Authority has no obligation remaining for replacement housing or 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 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 of El Cajon’s website at:<http://www.elcajon.gov/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 construction of the 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 6 of the units for residents at or below 40% of AMI restricted by both the Department of Housing Community and Development and TCAC (whichever is lower). 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 (\$39,050 for a family of 4), and no more than 20% for housing affordable to and occupied by households earning between 60-80% of the AMI (\$78,050 - \$104,100 for a family of 4), during any five year compliance period.

- 30% AMI Requirement:

As illustrated in Appendix A at the end of this report, in the last fiscal year the Housing Authority dedicated \$265,530 to the Lexington Square project for units with rental subsidies for households at or below 30% of AMI.

However, the Housing Authority failed to comply with the 30% of AMI requirement in the prior five-year compliance period, resulting in the Housing Authority having to ensure that 50% of the funds expended in each subsequent fiscal year are for the development of extremely-low income rental units, until the Housing Authority demonstrates compliance. The Housing Authority dedicated \$265,530 (100% of its total housing development expenditures in the last fiscal year) to the Lexington Square project for units with rental subsidies for households at or below 30% of AMI. This satisfied the compliance requirement that at least 50% of subsequent annual LMIHAF expenditures were for development of housing affordable at or below 30% of AMI.

However, the **cumulative** expenditures of both the prior period and the current period (referred to as the "extended compliance period in Appendix A) are still below the requirement that 30% of total expenditures are for housing affordable at or below 30% of AMI. Because the Housing Authority is **not in compliance** with this requirement, it must continue to ensure that 50% of funds expended in subsequent years meet the 30% AMI requirement.

The Housing Authority will continue monitoring compliance for the prior five-year period on a moving-forward basis, tracking future fiscal year expenditures for the extended compliance period until the 30% minimum threshold is met. Currently, the Housing Authority is at 29%.

- 60%-80% AMI Requirement:

Although the Housing Authority made no expenditures on development of housing

affordable at 60% - 80% of AMI in the last fiscal year, for the current compliance period to date, expenditures in this category represent 41% of the total, which exceeds the 20% limitation. Therefore, the Housing Authority is **not currently in compliance**.

Failure to comply with the 60%-80% 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. The Housing Authority expects to be in compliance before the end of the current five-year compliance 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 2012-13 to 2021-22:

**Test #1** Identify units funded in the last ten years:

Project Name	Senior (Yes or No)	# of Units/Year
El Cajon Senior Tower Apts	Yes	13/2012/2013
Solterra Apts	Yes	48/2012/2013
Cornerstone Apts	No	69/2017-2018
Lexington Square Apts	Yes	40/2019-2020

**Test #2:** Calculate the percentage of senior vs. non senior

Unit Category	2012-13 to 2021-22
# of Assisted Senior Rental Units	101
# of Total Assisted Rental Units	170
<b>Senior Housing Test Percentage</b>	<b>59%</b>

\*Assisted Housing Developments as defined in Government Code Section 65863.10

Based on the results of the above Test, the Housing Authority may not 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. If an Excess Surplus exists, the Housing Authority will be required to, within the next three (3) fiscal years, encumber any 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 would be required to transfer the funds to the State of California Department of Housing and Community Development.

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

Activity	2017-2018 <sup>*</sup>	2018-19	2019-20	2020-21	2021-2022
Ending fund balance	\$14,396,008	\$14,331,514	\$14,142,943	\$18,229,783	\$17,594,541
Less unavailable amounts: Land Held for Resale, Commitments to Projects, & Loans Receivables	(\$11,480,047)	(\$11,776,368)	(\$12,093,877)	(\$15,775,220)	(\$15,214,319)
<b>Unencumbered LMIHAF</b>	\$2,915,961	\$2,555,146	\$2,049,066	\$2,454,563	\$2,380,222
Total deposits for last four years	\$3,136,753	\$1,972,528	\$2,046,189	\$7,233,287	\$6,648,566
Greater of \$1,000,000 or total deposits	\$3,136,753	\$1,972,528	\$2,046,189	\$7,233,287	\$6,648,566
<b>Computed excess surplus</b>	<b>\$0</b>	<b>\$582,618</b>	<b>\$2,877</b>	<b>\$0</b>	<b>\$0</b>

\*2017-2018 is provided for informational purposes only

At Fiscal Year ending June 30, 2022, the LMIHAF has an Excess Surplus amount of \$0. The unencumbered amount in the LMIHAF of \$2,380,222 does not exceed the aggregate amount of \$6,648,566 deposited in the fund for the past four fiscal years. In FY 2020-21, the Housing Authority committed \$3.95 million for Project Based Rental Assistance (“PBRA”) to 40 of the units at Lexington Square Apartments for households at or below extremely low income (30% AMI) over a period of 15 years, thus eliminating the excess surplus balances from both 2018-19 and 2019-20. In FY 2021-22, the Housing Authority committed \$265,530 towards the annual payment for PBRA. With this payment, the percentage total of expenditures for the 30% AMI Category is now at 29% versus 23% for 2021-2022 (one percent of meeting the compliance goal).

## XII. HOMEOWNERSHIP UNIT INVENTORY

The homeownership units assisted by the former redevelopment agency or the Housing Authority that are subject to covenants or restrictions protecting the Housing Authority’s investment, include:

- 1) Total number of homeownership units starting FY 2021-22: 65 units
- 2) Total number of homeownership units lost in FY2021-22: 7 units;
  - Seven units were lost in FY 2021-22 due to repayment of six loans and one unit was lost due to a foreclosure resulting in a loan write-off
- 3) Total Number of homeownership loans as of June 30, 2022: 58
- 4) Total amount of funds returned to the Housing Authority in FY 2021-22 from repayments or other miscellaneous receipts related to homeownership units:

Category	Amount
Loan Repayments	\$426,881
Other Revenue (Shared Equity)	\$218,094
Other Revenue (Subordinations&Reconveyances)	\$1,165
<b>Total Amounts Deposited</b>	<b>\$646,140</b>

5) The Housing Authority has not contracted with any outside entity for the management of the homeownership/loan portfolio units.

*Note: previous reports included three rehabilitation loans. An adjustment was made this year to only reflect homeownership units.*

## Appendix A Expenditure Compliance Report

Appendix A. Expenditure Compliance					
El Cajon Housing Authority					
Compliance Period Expenditures (Current Year)					
	Annual Limits <sup>1</sup>		Expenditure Requirements		
	Admin/ Monitoring	Homeless Prevention	50% Minimum Assets 30% AMI	No Limit 31-59% AMI	20% Maximum 60-80% AMI
FY 2021-22	155,508	230,335	693,080	-	-
Annual Total	155,508	230,335	693,080	-	-
Percentage of Total	N/A	N/A	100%	0%	0%
SB 341 Limitation	\$875,981	\$250,000	>50%	N/A	<20%
Compliant (Yes/No)	Yes	Yes	Yes	Yes	Yes
Compliance Period Expenditures (Prior Years)			Five-Year Period (2013-14 Through 2018-19)		
Prior FY's	Annual Limits <sup>1</sup>		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	-
Compliance Period Total Expenditures	\$457,734	\$172,132	\$0	\$1,261,492	\$279,253
Percentage of Total	N/A	N/A	0%	82%	18%
SB 341 Limitation	\$769,233	\$250,000	>30%	N/A	<20%
Compliant (Yes/No)	Yes	Yes	No	Yes	Yes
Extended Compliance Period Expenditures					
FY 2019-20 <sup>2</sup>	N/A	N/A	-	65,530	694,966
FY 2020-21	N/A	N/A	693,080.00	-	-
FY 2021-22	N/A	N/A	265,530.00	-	-
FY 2022-23	N/A	N/A	-	-	-
FY 2023-24	N/A	N/A	-	-	-
Adjusted Compliance Period Total Expenditures	N/A	N/A	\$958,610	\$1,327,022	\$974,219
Percentage of Total	N/A	N/A	29%	41%	30%
SB 341 Limitation	N/A	N/A	>30%	N/A	N/A
Compliant (Yes/No)	N/A	N/A	No	N/A	N/A

<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 (6/30/22) and City Finance Plus Reports