

EL CAJON HOUSING AUTHORITY ANNUAL REPORT
REGARDING THE LOW AND MODERATE INCOME HOUSING
ASSET FUND FOR FISCAL YEAR 2022-23
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 2022-23. 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. The data reported is based on unaudited financials. The Housing Authority is projected to gather final figures 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 2022-23. The final audit will be conducted by Rogers, Anderson, Malody & Scott, LLP. Furthermore, this Report conforms with and is organized into sections I through XI, inclusive, according 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, distinguishing any amounts held for items listed on the ROPS from other amounts.

III. **Description of Expenditures from LMIHAF:** This section describes the expenditures made by the LMIHAF during the Fiscal Year. The expenditures are categorized. LMIHAF monies may be spent on the following:

- 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 (HAT) 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 assists households earning up to 80% of Area Median Income (AMI), subject to specific income and age targets.

IV. **Statutory Value of Assets Owned by Housing Authority:** This section provides the statutory value of real property owned by the 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 according 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 the 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 from 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 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, 2013 to June 30, 2023.

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, 2023. 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 of El Cajon'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 2022-23:

Deposit Category	Amount
Contract Services	\$5,049
Investment Earnings	\$74,196
Loan Repayments	\$129,107
Other Revenue (Equity Share, Interest on Loans, and miscellaneous reimbursements and revenues)	\$547
Total Amounts Deposited	\$208,899

Any 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 2022-23, the ending balance in the LMIHAF was \$17,086,291 (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 2022-23, including amounts drawn on development loans:

Expenditures Category	Amount
Monitoring and Administrative Costs (SB 341 permits up to 5% of the total Housing Authority assets or \$880,144)	\$173,344
Homeless Prevention & Rapid Rehousing Services	\$204,961
Housing Development:	
Low Income Units	\$ 0
Very-Low Income Units	\$ 0
Extremely-Low Income Units (Lexington Square project)	\$254,211
Total Housing Development	\$ 254,211
Total LMIHAF Expenditures Fiscal Year 2022-23	\$ 632,516

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, 2023, the statutory value of assets owned by the Housing Authority was:

As of Fiscal Year End	
Loan Receivables (Includes all development and First Time Homebuyer loans outstanding)	\$11,753,611
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
Total Statutory Value of Housing Authority Assets	\$ 17,602,880

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>Vacant. 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.</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 require that 15% of the units (13 units) in the El Cajon Senior Towers be restricted to very low-income households through the sale of the 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 households reporting income at or below 40% of AMI restricted by both the Department of Housing Community and Development (HCD) and the California Tax Credit Allocation Committee (TCAC) whichever restriction 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, 2022 limit & \$41,360 2023 limit 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 (\$78,050/82,700, 2022 limit - \$104,100/\$110,250, 2023 limit 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 \$254,211 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 \$254,211 (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 the development of housing affordable at or below 30% of AMI.

The **cumulative** expenditures of both the prior period and the current period (referred to as the "extended compliance period in Appendix A) is now in compliance with the test to expend 30% of total expenditures for housing affordable at or below 30% of AMI.

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. Currently, the Housing Authority is at 35%.

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 28% 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 to 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. As assisted by the Housing Authority, the former redevelopment agency and/or the City of El Cajon within the previous 10 years with the aggregate number of units deed-restricted housing and 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. Construction has commenced on several restricted rental units that are 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 2013-14 to 2022-23:

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

Project Name	Senior (Yes or No)	# of Units/Year
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	2013-14 to 2022-23
# of Assisted Senior Rental Units	40
# of Total Assisted Rental Units	109
Senior Housing Test Percentage	37%

*Assisted Housing Developments as defined in Government Code Section 65863.10

Based on the results of the above Test, the Housing Authority may expend funds in the LMIHAF to assist additional senior housing units. Solterra and El Cajon Senior apartments were restricted in 2012/2013 and no longer count towards the 50% test.

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 HCD.

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

Activity	2019-20	2020-21	2021-2022	2022-2023
Ending fund balance	\$14,142,943	\$18,229,783	\$17,594,541	\$17,086,291
Less unavailable amounts: Land Held for Resale, Commitments to Projects, & Loans Receivables	(\$12,093,877)	(\$15,775,220)	(\$15,214,319)	(15,063,958)
Unencumbered LMIHAF	\$2,049,066	\$2,454,563	\$2,380,222	\$2,022,333
Total deposits for last four years	\$2,046,189	\$7,233,287	\$6,648,566	\$6,445,483
Greater of \$1,000,000 or total deposits	\$2,046,189	\$7,233,287	\$6,648,566	\$6,445,483
Computed excess surplus	\$2,877	\$0	\$0	\$0

At Fiscal Year ending June 30, 2023, the LMIHAF has an Excess Surplus amount of \$0. The unencumbered amount in the LMIHAF of \$2,022,333 does not exceed the aggregate amount of \$6,445,483 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% of AMI) over 15 years, thus eliminating the excess surplus balances from both 2018-19 and 2019-20. In FY 2022-23, the Housing Authority committed \$254,211 towards the annual payment for PBRA. With this payment, the percentage total of expenditures for the 30% AMI Category is now at 60% versus 54% for FY 2022-2023. Although compliant with the 30% and 31-59% requirements, LMIHAF cannot be spent in the 60%-80% category since the SB-341 limitation is 20% and 42% has been spent due to the Grossmont Habitat for Humanity For Sale Project. There is no penalty for non-compliance, however, the Housing Authority is limited to assisting households in this AMI range (60-80% AMI).

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) A total of 58 homeownership units started in FY 2022-23
- 2) A total of 1 homeownership unit was lost in FY2022-23. This was due to the unit being lost to a loan repayment with excess proceeds on a trustee sale (e.g. foreclosure).

- 3) A total of 57 homeownership loans were reported as of June 30, 2023
- 4) The total amount of funds returned to the Housing Authority in FY 2022-23 from repayments or other miscellaneous receipts related to homeownership units:

Category	Amount
Loan Repayments (including partial loan repayments)	\$84,633
Other Revenue (Shared Equity)	\$32,183
Other Revenue (Subordinations&Reconveyances)	\$545
Total Amounts Deposited	\$117,361

- 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 to the previous year report to only reflect homeownership units.

Appendix A. Expenditure Compliance

El Cajon Housing Authority

Compliance Period Expenditures (Current Period)

Annual Expenditures	Annual Limits ¹		Expenditure Requirements (FY19-20 through FY2023-24)		
	Admin/ Monitoring	Homeless Prevention	30% Minimum	No Limit	20% Maximum
			30% AMI	31-59% AMI	60-80% AMI
FY 2019-20	N/A	N/A	\$ -	\$ 65,530	\$ 694,966
FY 2020-21	N/A	N/A	\$ 639,080	\$ -	
FY 2021-22	N/A	N/A	\$ 265,530	\$ -	\$ -
FY 2022-23	\$ 173,566	\$ 204,961	\$ 254,211		
Annual Total	\$ 173,566	\$ 204,961	\$ 1,158,821	\$ 65,530	\$ 694,966
Percentage of Total	N/A	N/A	60%	N/A	36%
SB 341 Limitation	\$880,144	\$250,000	>50%	N/A	<20%
Compliant (Yes/No)	Yes	Yes	Yes	Yes	No

Compliance Period Expenditures (Prior Years)

Prior FY's	Annual Limits ¹		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			-	6,350	207,602
FY 2015-16			-	18,405	11,516
FY 2016-17			-	-	-
FY 2017-18			-	874,796	-
FY 2018-19			-	361,941	-
Compliance Period Total Expenditures			\$0	\$1,261,492	\$279,253
Percentage of Total			0%	82%	18%
SB 341 Limitation			>30%	N/A	<20%
Compliant (Yes/No)			No	Yes	Yes
Extended Compliance Period Expenditures (Prior Years)					
FY 2019-20 ²			-	\$ 65,530	\$ 694,966
FY 2020-21			\$ 693,080	-	-
FY 2021-22			\$ 267,530	-	-
FY 2022-23			254,211	-	-
Adjusted Compliance Period Total Expenditures			\$1,214,821	\$1,327,022	\$974,219
Percentage of Total			35%	38%	28%
SB 341 Limitation			>30%	N/A	<20%
Compliant (Yes/No)			Yes	N/A	No

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

² 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 (6/30/23) and City Response to Data Request