HOUSING SUCCESSOR ANNUAL REPORT
FOR FISCAL YEARS 2013-14 THROUGH 2020-21
City of Daly City

TABLE OF CONTENTS

INTRODUCTION 1
- Housing Successor 1
- Scope of this Housing Successor Annual Report 1
- Assets Transferred to the Housing Successor 2

BACKGROUND 3
- Legal Requirements Pertaining to Housing Successors 3
- Permitted Uses of Housing Asset Funds 3
- Limits on the Accumulation of Housing Funds (Excess Surplus) 6

HOUSING ASSET FUND ACTIVITY 7
- Deposits and Fund Balance 7
- Expenditures 7
- Ending Cash and Fund Balance 9
- Housing Successor Portfolio 9
- Real Property and Disposition Status 10
- Loans Receivable 11
- Senior Rental Housing Limit Compliance 12
- Excess Surplus 12

OTHER INFORMATION 14
- Transfers to Other Housing Successors 14
- Homeownership Unit Inventory 14

APPENDIX 1 – HOUSING ASSET TRANSFER FORM 16

APPENDIX 2 - HOUSING SUCCESSOR ANNUAL REPORT REQUIREMENTS 17

APPENDIX 3 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS 18

INTRODUCTION

Following the dissolution of redevelopment in 2012, all former redevelopment agencies were required to designate a housing successor agency to transfer all existing assets, expenditures, and other responsibilities to. In addition to overseeing these assets and ensuring that all remaining funds are spent on affordable housing efforts and related allowable expenses, successor agencies must report annually on their activities as required by Senate Bill 341. The Housing Successor Annual Report ("Annual Report") details the activity of the housing successor and establishes whether the housing successor is in compliance with various expenditure and asset requirements as outlined in the Health and Safety Code ("HSC") Section 34176.1(f). The Annual Report also summarizes compliance with certain annual, five-, and ten-year planning period requirements as described herein.

The City of Daly City ("City") elected to become the Housing Successor Agency ("Housing Successor") to the former Redevelopment Agency ("Agency") following the Dissolution Act of 2012. Since its establishment, however, the Housing Successor did not prepare annual reports as required by Senate Bill 341, partly due to a lack of activity. Therefore, this cumulative report covers the activities of the City as the Housing Successor since the time of dissolution, from Fiscal Year ("FY") 2013-14 through FY 2020-21. The intent of this report is to get Daly City caught up with Housing Successor Annual Report requirements, and to establish the current status of various expenditure and asset requirements, so the City is better prepared to comply with report requirements in future years.

HOUSING SUCCESSOR

The City adopted Resolution No. 12-11 dated January 23, 2012, which established itself as the Housing Successor and assumed responsibility for all remaining assets and liabilities of the former Agency. The Housing Successor is responsible for overseeing all housing assets transferred from the former Agency with the main goal of using these assets to provide affordable housing to City residents, until the assets have been exhausted.

SCOPE OF THIS HOUSING SUCCESSOR ANNUAL REPORT

The Annual Report should be limited to the City's activities as they relate to its role as a housing successor, rather than all housing functions of the City in general and describes compliance with various annual, five-year, and ten-year housing expenditure and production requirements. Since dissolution the City has maintained all transferred assets, liabilities, and housing activities in the Daly City Housing

Development Finance Agency Fund (Fund 12). Successor agencies generally establish a separate fund in order to isolate the 20% set aside housing successor funds and assets from any other funds which may be used for housing related developments. However, Daly City's Fund 12 includes additional fund sources beyond the 20% set aside, which are not subject to Senate Bill 341 report requirements. The City is aware that the Housing Asset Fund should only record housing successor activity and intends on making accounting adjustments to separate out the 20% set aside activity in future years. For the purposes of completing this report, and to be consistent with the City's financial reports to date, this report looks at all the housing activity currently being recorded in the City's Fund 12.

This report covers the Housing Successor's activities all the way back to dissolution in order to catch the City up with Annual Report compliance requirements. Since dissolution in 2012, there have been two five-year compliance periods which are covered by this report. The first five-year compliance period includes FY 2013-14 through FY 2018-19 while the second five-year compliance period, the current one, includes FY 2019-20 through FY 2023-23. The current fiscal year, FY 2020-21, is the second year of the second five-year compliance period.

The Annual Report is due to the State of California ("State") Department of Housing and Community Development ("HCD") by April 1 annually and must be accompanied by an independent financial audit. The City's audited financial statements are posted on the City's website. This Report is an addendum to the Housing Element Annual Progress Report required by Government Code Section 65400, which is submitted to HCD by April 1 annually.

ASSETS TRANSFERRED TO THE HOUSING SUCCESSOR

Upon the statewide dissolution of redevelopment in 2012, all rights, powers, committed assets, liabilities, duties, and obligations associated with the housing activities of the Agency were transferred to the elected housing successor. Housing successors prepared a Housing Asset Transfer ("HAT") Form that provided an inventory of all housing assets transferred from the Agency to the Housing Successor. This included:

1. Real properties;
2. Personal Property;
3. Low- and Moderate-Income Housing Fund ("LMIHF") encumbrances;
4. Loans/Grants Receivables; and

5. Deferrals.

The City prepared the HAT and all items were approved by the California Department of Finance ("DOF") on August 30, 2012. It is important to distinguish that housing successor assets that were not transferred from the former Agency or generated by or purchased with assets from the former Agency, are not subject to HSC Section 34176.1.

A copy of the HAT is provided as Appendix 1.

BACKGROUND

This Section summarizes the legal requirements for use of housing successor assets that are addressed in this Report.

LEGAL REQUIREMENTS PERTAINING TO HOUSING SUCCESSORS

In general, housing successors must comply with three major requirements pursuant to HSC Section 34176.1:

1. Expenditures and housing production are subject to income and age targets.

2. Housing successors may not accumulate an "excess surplus," or a high unencumbered cash balance based on certain thresholds.

3. Properties must be developed with affordable housing or sold within five to ten years of the DOF approving the HAT.

Appendix 2 provides a detailed summary of the reporting requirements that are addressed in this Report.

PERMITTED USES OF HOUSING ASSET FUNDS

Pursuant to HSC Section 34176.1, former Agency assets and the revenues generated by those assets, are maintained in a Low- and Moderate-Income Housing Asset Fund ("Housing Asset Fund"). In the case of Daly City, Housing Successor funds and activity are recorded in Fund 12 which is the Daly City Housing Development Finance Agency Fund. Housing Asset Funds may be spent on:

- **Administrative costs** for operation of the housing successor agency. The law allows a housing successor to spend the greater of:

- $200,000 per year adjusted annually for inflation, or
- 5% of the statutory value of real property owned by the housing successor and the value of loans and grants receivable on the HAT ("Portfolio"), whichever is greater.

The City's property and loan portfolio has always consisted of an asset value such that 5% has been greater than the $200,000 adjusted for inflation annual limit. Therefore, the City's administrative spending limit has always been 5% of the portfolio value every fiscal year from FY 2013-14 through FY 2020-21.

- **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 as of 2012. Daly City is eligible for this expense because the former Agency had met its inclusionary housing and replacement housing production requirements upon dissolution.

- **Affordable housing development** assisting households up to 80 percent of the Area Median Income ("AMI"), subject to specific income and age targets over a five- or ten-year period.

  Five-Year Income Proportionality on Development Expenditures: Any Housing Asset Funds may be spent on development of affordable housing projects affordable to low, very low, and extremely low-income households. "Development" is defined in HSC Section 33413 as new construction, acquisition, rehabilitation, or the preservation of affordable housing developments.

  Over each five-year compliance period, the first one running from FY 2013-14 through FY 2018-19 and the second (current) one beginning July 1, 2019, at least 30 percent of any development expenditures must assist extremely low-income households (30% of AMI), while no more than 20 percent may assist low-income households (between 60-80% of AMI). The balance of such expenditures may be used on very low-income households (defined as households earning between 30% and 60% of AMI).

  Note that 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 percent or less of the total expenditures during the five-year compliance period.

Should a housing successor not spend at least 30 percent of its development expenditures for extremely low-income households, or exceeds the amount spent on low-income households, future expenditures are subject to greater restrictions until these proportionality targets are met.

Specifically, if a housing successor is unable to spend at least 30 percent of its development expenditures on extremely low units, it is required to increase this spending to 50 percent until compliant with the 30 percent threshold; a housing successor that spends more than 20 percent of its development expenditures on low-income units cannot spend any further funds on low-income developments until it is at or below the 20 percent threshold. As such, tracking these expenditures and their progress over the corresponding five-year period is an important function of the Annual Report.

This Report covers the Housing Successor's expenditures during the entire first five-year compliance period as well as the first two years of the second five-year compliance period. The City is in compliance with all housing development expenditure requirements since dissolution.

Ten-Year Age Proportionality: If more than 50 percent of the total aggregate number of rental units produced by the city, housing successor, or former redevelopment agency during the past 10 years are restricted to seniors, the housing successor may not spend more Housing Asset Funds on senior rental housing.

It is important to stress that Housing Successor expenditure and production requirements are measured on different timeframes:

- **One-Year Limits:** Administrative Allowance and Homeless Prevention Allowance. Compliance evaluated annually and resets every year.
- **Five-Year Limit:** Expenditures by Income Level. Compliance evaluated over a fixed five-year period set by law, the first five-year period being July 1, 2013, to June 30, 2019, and the second (current) period being July 1, 2019, to June 30, 2024.

- **Ten-Year Limit:** Number of Senior Deed-Restricted Units Assisted. Compliance evaluated based on a rolling ten-year period that is different every year.

Appendix 3 describes Housing Asset Fund expenditure requirements in more detail, including the types of costs eligible in each category.

LIMITS ON THE ACCUMULATION OF HOUSING FUNDS (EXCESS SURPLUS)

State law limits how much cash a housing successor may retain and, if it fails to commit and spend these dollars in a reasonable timeframe, ultimately penalizes the housing successor by requiring unspent funds to be transferred to HCD for use on State housing programs.

HSC Section 34176.1(d) establishes a limit, known as an "excess surplus" on the amount of unencumbered Housing Asset Funds based on the greater of:

- $1,000,000, or
- The total amount of deposits made into the Housing Asset Fund over the preceding four years.

Only amounts in excess of this threshold are considered an excess surplus. Once an excess surplus is determined, a housing successor must account for these funds separately and encumber said monies within three years. If after the third year the excess surplus has not been fully encumbered, the remaining balance of the excess surplus is to be transferred to HCD within 90 days. HCD is permitted to use these transferred excess surplus funds anywhere in the State under its Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

As part of the Annual Report, a housing successor must disclose any excess surplus and describe the housing successor's plan for eliminating this excess surplus.

HOUSING ASSET FUND ACTIVITY

This section of the Report details the Housing Successor's activities since dissolution beginning FY 2013-14 to the current FY 2020-21 as reported in the City's Fund 12.

DEPOSITS AND FUND BALANCE

Table 1 reports the value of funds which were deposited into the Housing Asset Fund each fiscal year. Deposits have consisted of Impact in Lieu, Operating Transfers, Rental Income and Miscellaneous Revenues (including both Housing Successor and mostly non-Housing Successor activity).

Table 1: Housing Asset Fund Deposits FY 2013-14 through FY 2020-21

Deposit Type	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Impact In-Lieu	$ -	$ 351,400	$2,459,236	$ 748,305	$ -	$ -	$1,001,511	$ 20,064
Miscellaneous Revenue	2,850	1,017,433	2,850	19,845	336,957	27,157	22,486	4,100
Operating Transfers	-	-	-	182,534	19,003	375,100	218,780	228,500
Rental Income	54,400	23,000	-	-	-	95,823	79,116	52,860
Total	**$ 57,250**	**$ 1,391,833**	**$ 2,462,086**	**$ 950,684**	**$ 355,960**	**$ 498,080**	**$ 1,321,893**	**$ 305,525**

Source: City of Daly City

EXPENDITURES

The Housing Successor may expend Housing Assets Funds to cover administrative costs, homeless prevention and rapid rehousing programs, or to assist the development of affordable housing. Administrative and homeless prevention expenditures are subject to annual compliance limits. Table 2 below illustrates all of the City's housing-related administrative and homeless prevention expenditures each fiscal year since dissolution.

Table 2: Housing Asset Fund Expenditures - Annual Compliance FY 2013-14 through FY 2020-21

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Administration								
Expenditures	$ 43,000	$ 46,042	$ 63,735	$ 114,378	$ 167,720	$ 192,072	$ 198,844	$ 155,129
Limit	$ 634,249	$ 593,787	$ 598,669	$ 603,541	$ 648,863	$ 651,547	$ 656,431	$ 661,454
Compliant (Yes/No)	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Homeless Prevention								
Expenditures	$ -	$ -	$ -	$ -	$ -	$ 20,000	$ 55,897	$ 103,496
Limit	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Compliant (Yes/No)	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**

Source: City of Daly City

The City's annual administrative spending limit is 5% of the total value of all real properties and loans held in the City's portfolio at the end of each fiscal year. This amount has ranged from $593,787 to

$661,454, which has always been greater than the limit set by HCD, which is $200,000 adjusted annually for inflation. The City has been in compliance with this spending limit each fiscal year.

The City also has an annual spending limit of $250,000 for homeless prevention and rapid rehousing assistance each year. To date, the City's only expenditures in this category have been on rental assistance provided during the previous three fiscal years. The City has not exceeded the $250,000 spending limit in any fiscal year.

The City also expended funds to assist the development of affordable housing units at their Sweeney Lane Project and has provided a loan for development at 3001 Geneva. These expenditures are subject to income proportionality requirements by AMI level within fixed five-year compliance periods. The City is in compliance with development expenditure requirements during both five-year compliance periods which require a minimum of 30 percent of any housing successor funds spent on affordable housing developments be allocated to assist extremely low-income households at 30% AMI or less. In 2015, a $3.3 million expense was recorded for the value of the City's Mission/Miriam property which was donated to Mid-Peninsula Housing for the development of the 52-unit Sweeney Lane affordable project. The City's contribution supported the development of 6 extremely low units within that project. The City also loaned $809,000 to Habitat for Humanity in 2017 for the development of 6 affordable homeowner units at 3001 Geneva. Per the Regulatory Agreement, 33 percent of the units may be restricted to households earning 50%-60% AMI, while the remaining units are restricted at less than 80% AMI. In total, the City spent $4,117,784 on affordable housing development during the first 5-year compliance period. Table 3 below illustrates the City's expenditures on affordable housing developments during the first five-year compliance period.

Table 3: Housing Asset Fund Expenditures - Five Year Compliance

First Five-Year Period (2013-14 through 2018-19)

	Ext. Low Rental Units	Other Units	Ext. Low <30% AMI	Very Low 30-60% AMI	Low 60-80% AMI
FY 2013-14	$0	$0	$0	$0	$0
FY 2014-15	$3,308,784	$0	$3,308,784	$0	$0
FY 2015-16	$0	$0	$0	$0	$0
FY 2016-17	$0	$0	$0	$0	$0
FY 2017-18	$0	$809,000	$0	$266,970	$542,030
FY 2018-19	$0	$0	$0	$0	$0
Total Expenditures	**$3,308,784**	**$809,000**	**$3,308,784**	**$266,970**	**$542,030**
SB 341 Limitation	>30%	<70%	>30%	N/A	<20%
Compliant (Yes/No)	**Yes**	**Yes**	**Yes**	**N/A**	**Yes**

Source: City of Daly City

The same expenditure requirements per income category apply to the second (current) five-year compliance period which is from FY 2019 through FY 2023-24. As of the current fiscal year, FY 2020-21, the City has not made any additional housing development expenditures and is therefore in compliance with the proportionality requirement for the second five-year period, as shown in Table 4 below.

Table 4: Housing Asset Fund Expenditures - Five Year Compliance

Second Five-Year Period (2019-20 through 2023-24)

	Ext. Low Rental Units	Other Units	Ext. Low <30% AMI	Very Low 30-60% AMI	Low 60-80% AMI
FY 2019-20	$0	$0	$0	$0	$0
FY 2020-21	0	0	0	0	0
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**
SB 341 Limitation	>30%	<70%	>30%	N/A	<20%
Compliant (Yes/No)	**Yes**	**Yes**	**Yes**	**N/A**	**Yes**

Source: City of Daly City

The City will ensure it continues to meet the annual and five-year compliance requirements for all administrative, housing assistance, and development expenditures for the remainder of the five-year compliance period.

ENDING CASH AND FUND BALANCE

The Housing Asset Fund balance at the end of each fiscal year since dissolution is shown in Table 5 below. The fund balance consists of cash, assets, and receivables held by the City, less the accounts payable, accrued payroll, and department payables. It should be noted that none of the City's loans receivable appear on the fund balance table because the City does not expect repayment unless borrowers fail to comply with certain deed restrictions.

Table 5: Housing Asset Fund - Ending Year Balance FY 2013-14 through FY 2020-21

Balance Type	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2010-21
Cash	$ 254,173	$ 1,683,817	$ 4,060,830	$ 4,845,744	$ 3,877,033	$ 4,511,852	$ 5,693,413	$ 5,610,719
Property Held for Development	6,675,671	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888
Accrued Accounts Receivable	4,418	-	138	-	334,107	-	-	-
Accounts Payable	(169)	(3,500)	-	-	(667)	(20,000)	(81,435)	(4,013)
Accrued Payroll	(467)	(545)	(745)	-	-	-	(812)	(803)
Department Payables	(15,800)	(91,826)	(73,926)	(23,141)	(8,631)	(4,001)	(56,163)	(4,001)
Total Fund Balance	**$ 6,917,826**	**$ 4,954,834**	**$ 7,353,185**	**$ 8,189,491**	**$ 7,568,731**	**$ 7,854,739**	**$ 8,921,890**	**$ 8,968,790**

Source: City of Daly City

HOUSING SUCCESSOR PORTFOLIO

The Housing Successor Portfolio included two properties and several loans transferred from the former Agency on the HAT. Following dissolution, in FY 2013-14, the City had a portfolio value of $6,675,671, which decreased significantly in FY 2014-15 when the City sold their property at Mission/Miriam for the development of affordable housing. In the years since, the portfolio value has remained the same. Table 6 below details all the City's assets and values for each fiscal year since dissolution.

It should be noted that the value of the City's loans has been deducted from the total portfolio value because the City does not expect to collect on any of these loans, unless the borrowers fail to comply with deed restrictions.

Table 6: Real Properties and Loans Receivable

		Ending Year Balance							
Asset	APN	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Real Properties									
Mission/Miriam[1]	003 172 130, 003 172 140, 003 172 150, 003 160 170, 003 172 170,	3,308,784							-
Carter/Martin	005 050 240	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888	3,366,888
Subtotal		*$ 6,675,671*	*$ 3,366,888*	*$ 3,366,888*	*$ 3,366,888*	*$ 3,366,888*	*$ 3,366,888*	$ 3,366,888	$ 3,366,888
Loan Receivables									
First-Time Homebuyer Loans									
Loan - Mercy Housing 52[2]		1,294,845	1,319,690	1,344,534	1,369,374	1,394,216	1,415,281	1,440,173	1,468,023
Loan - 301 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 303 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 305 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 307 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 309 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 311 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 313 Habitat Way		23,168	23,168	23,168	23,168	23,168	23,168	23,168	23,168
Loan - 523 Delong St.		25,454	25,454	25,454	25,454	25,454	25,454	25,454	25,454
Loan - 529 Delong St.		38,182	38,182	38,182	38,182	38,182	38,182	38,182	38,182
Loan - 533 Delong St.		38,182	38,182	38,182	38,182	38,182	38,182	38,182	38,182
Loan - 539 Delong St.		38,182	38,182	38,182	38,182	38,182	38,182	38,182	38,182
Loan - Sweeny Lane[3]		-	2,474,699	2,547,498	2,620,098	2,692,698	2,725,304	2,798,102	2,870,702
Loan - Hillcrest Senior Housing		479,349	479,349	479,349	479,349	479,349	479,349	479,349	479,349
Loan - 7555 Mission St[4]		3,034,137	3,034,137	3,034,137	3,034,137	3,034,137	3,034,137	3,034,137	3,034,137
Loan - 7555 Mission St II[4]		898,800	898,800	898,800	898,800	898,800	898,800	898,800	898,800
Loan - 3001 Geneva[6]		-	-	-	-	809,000	809,000	809,000	809,000
Subtotal		*$ 6,009,307*	*$ 8,508,850*	*$ 8,606,494*	*$ 8,703,934*	*$ 9,610,376*	*$ 9,664,047*	*$ 9,761,737*	*$ 9,862,187*
Allowance for uncollectible [5]		*$ (6,009,307)*	*$ (8,508,850)*	*$ (8,606,494)*	*$ (8,703,934)*	*$ (9,610,376)*	*$ (9,664,047)*	*$ (9,761,737)*	*$ (9,862,187)*
Portfolio Value		**$ 6,675,671**	**$ 3,366,888**	**$ 3,366,888**	**$ 3,366,888**	**$ 3,366,888**	**$ 3,366,888**	**$ 3,366,888**	**$ 3,366,888**

Source: City of Daly City

(1) The City's property at Mission/Miriam was sold in 2015 to be developed with affordable housing.
(2) Mercy Housing 52 includes the former School House Station and Vista Grande developments. At the time Mercy Housing 52 was created, three RDA loans were combined to one loan.
(3) Sweeny Lane is a 52-unit affordable housing development built in 2015 and 2016 on assembled sites that include the former 206 and 208 Miriam properties.
(4) The sum of the 7555 Mission St. loans ($3,034,137+$898,800) were divided and split amongst 36 homebuyers.
(5) The City does not expect payment on any of their loans, therefore the value of the loans is recorded as uncollectible.
(6) A loan of 809,000, which is non-interest bearing, was issued to assist the development of 6 homeowner units.

REAL PROPERTY AND DISPOSITION STATUS

The Agency transferred two real properties to the City on the HAT Form. One, located at Mission and Miriam, was sold to Mid-Peninsula Housing in 2015 for redevelopment as the Sweeney Lane Project in 2016, which consists of 52 housing units affordable to very low- and low-income households. With the transfer of the property, the carrying value of $3,308,784 was written off as an expenditure for housing development. A loan receivable from the developer of $2,420,000 was recorded as the Housing Successor's assistance to the development, although the City does not expect repayment.

The City’s other property at Carter and Martin is under an Exclusive Negotiating Agreement between the City and Bridge Housing as of 2020. The City hopes to finalize a DDA for this property by the end of 2022 for the purposes of developing more than 200 units of affordable housing at the site.

HSC Sections 33334.16 and 34176.1(e) require that all real properties acquired by the Agency prior to February 1, 2012, and transferred to the City be developed for affordable housing purposes or disposed of within five years from the date DOF approved the HAT, or August 30, 2017. If the City is unable to meet this deadline, the law allows for a five-year extension via adoption of a resolution. In the event that physical development for this purpose has not begun by the end of the extended period, the property shall be sold and the proceeds shall be deposited into the Housing Fund. Although the City did not adopt a Resolution extending the property disposition deadline and has yet to finalize development plans for the Carter/Martin property, it has entered into an Exclusive Negotiating Agreement and is diligently pursuing a DDA that would have the property disposed for development by the end of 2022.

LOANS RECEIVABLE

Nineteen Affordable Housing Development loans were transferred from the former Agency to the Housing Successor as part of the Housing Asset Transfer Form approved by DOF on August 30, 2012:

- Mercy Housing 52 Loans: Three separate redevelopment loans were issued to Mercy Housing 52 to assist the development of two affordable housing projects including 24 units at Vista Grande and 47 units at School House Station. The three loans were combined into one loan at dissolution which continues to accrue interest.

- Habitat for Humanity Loans: The City oversees several Habitat for Humanity Loans to assist first-time homebuyers at multiple properties including 7 units at Habitat Way, 4 units at Delong Street, 2 units at Miriam Street, 36 units 7555 Mission, and 6 units at 3001 Geneva. None of the loans accrue interest and the City does not expect to collect on any of the loans.

- Sweeney Lane: A total of $2,420,000 was loaned to assist the development of 52 affordable housing units located at 6800 Mission Street, on property that was transferred to the City on the HAT and sold in 2015. The Regulatory Agreement for Sweeney Lane stipulates that “no less than

49 percent of the units be occupied by households with incomes at or below 50% AMI and the remaining units be available to households with incomes not exceeding 85% AMI".

- Hillcrest Senior Housing: The former Agency loaned $480,000 to Hillcrest Senior Housing Corporation in 2006 for the construction of a 39-unit affordable housing development. The Affordable Housing Covenant restricts occupancy of all 39 units to seniors living at 50% AMI or below for a term of 55 years. Annual payments on the loan shall be made with residual receipts, if any. At the end of the 55-year term, the note shall be forgiven in full if the property remains affordable.

SENIOR RENTAL HOUSING LIMIT COMPLIANCE

The Housing Successor complies with the limit allowing no more than 50 percent of the total aggregate number of rental units produced within the preceding ten years to be restricted to seniors. Due to the nature of the ten-year rolling compliance period, Table 7 below only reports on the current ten-year period, which for FY 2020-21, is FY 2010-11 through FY 2019-20. The Housing Successor, City, and former Agency have assisted three projects in the past ten years, which have no senior-restricted units. Therefore, the City is in compliance with this requirement.

Table 7: Deed-Restricted Units Assisted - 10 Year Compliance

FY 2010-11 through FY 2019-20

Property	Senior Units	%	Non-Senior Units	%	Total Units
7555 Mission St.[1]	0	0%	36	100%	36
Sweeney Lane[2]	0	0%	52	100%	52
3001 Geneva[3]	0	0%	6	100%	6
Total	**0**	0%	**94**	100%	**94**

Total Deed-Restricted Senior Units: 0%

Source: City of Daly City
(1) 7555 Mission St. loan was divided to assist 36 homeonwer units in 2013
(2) Sweeny Lane was developed in 2015 and 2016
(3) 3001 Geneva Loan was issued in 2017

EXCESS SURPLUS

The Housing Asset Fund may not accumulate an "excess surplus", or an unencumbered amount that exceeds the greater of $1 million, or the sum of deposits in the prior four fiscal years. This requirement ensures that housing successors are actively spending available Housing Asset Funds on affordable housing.

The excess surplus was calculated for each fiscal year since dissolution using the beginning cash balance, deposit amounts, and encumbrances as recorded in Fund 12. This matches the excess surplus methodology applied by HCD prior to redevelopment dissolution. The excess surplus calculation for each fiscal year is shown in Table 8.

Table 8: Excess Surplus FY 2013-14 through FY 2020-21

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Unencumbered Balance Calculation								
Beginning Cash	229,731	254,173	1,683,817	4,060,830	4,845,744	3,877,033	4,511,852	5,693,413
Encumbrances	-	11,000	1,000	250	250	68,714	16,163	12,608
Unencumbered Amount	**$ 229,731**	**$ 243,173**	**$1,682,817**	**$4,060,580**	**$4,845,494**	**$3,808,319**	**$4,495,689**	**$5,680,805**
Surplus Limit Calculation								
Current Year Deposits	57,250	1,391,833	2,462,086	950,684	355,960	498,080	1,321,893	305,525
Preceeding Four Years of Deposits	6,983,492	7,040,742	8,432,576	7,547,928	4,861,854	5,160,564	4,266,811	3,126,617
$1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Greater Number	**$6,983,492**	**$7,040,742**	**$8,432,576**	**$7,547,928**	**$4,861,854**	**$5,160,564**	**$4,266,811**	**$3,126,617**
Excess Surplus Calcualtion								
Unencumbered less Greater Number	(6,753,761)	(6,797,569)	(6,749,759)	(3,487,348)	(16,360)	(1,352,245)	228,878	2,554,188
Excess Surplus	**None**	**None**	**None**	**None**	**None**	**None**	**$ 228,878**	**$2,554,188**

Source: City of Daly City

The City accumulated an excess surplus in FY 2019-20 in the amount of $228,878, and in FY 2020-21 in the amount of $2,554,188, due to having a greater amount of unencumbered cash than the sum of the preceding four years of deposits. Housing successors must eliminate any excess surplus by expending or encumbering the funds within three fiscal years. If a housing successor fails to comply, it must transfer any excess surplus to HCD within 90 days of the end of the third fiscal year.

The City has already successfully eliminated their FY 2019-20 excess surplus through administrative and rental assistance expenditures and encumbrances in FY 2020-21, as illustrated in Table 9, and therefore meets the excess surplus requirement for their FY 2019-20 surplus.

Table 9: FY 2019-20 Excess Surplus Elimination

Fiscal Year	2019-20
Excess Surplus (Beginning of 2020-21)	$ 228,878
Elimination of FY 19-20 Excess Surplus	
Expenditures	
FY 20-21 Administrative Costs	155,129
FY 20-21 Rental Assistance	103,496
Encumbrances	
FY 20-21 Encumbrances for Services and Supplies	12,608
Total Expenditures and Encumbrances	$ 271,232
Remaining 19-20 Excess Surplus	**None**

Source: City of Daly City

For the City's excess surplus in FY 2020-21 of $2,554,188, it has three years, until June 30, 2024, to eliminate this surplus through expenditures or encumbrances. If the Housing Successor fails to comply with this requirement, any remaining excess surplus funds must be transferred to HCD within 90 days of June 30, 2024.

It should be noted that these calculations are based on the entire Fund 12 figures which have been co-mingled with other fund sources. The City is aware of this and intends to correct how the Housing Asset Fund is recorded in future years to ensure that Housing Successor Funds and activity can be isolated for reporting purposes. Once the City has separated out the Housing Successor Funds, they will be able to provide a more accurate calculation of any excess surplus funds that may need to be expended or encumbered. RSG believes that the City will not actually have such a high excess surplus, if any at all, once these adjustments are made.

OTHER INFORMATION

TRANSFERS TO OTHER HOUSING SUCCESSORS

There were no transfers to another housing successor entity for a joint project pursuant to HSC Section 34176.1.

HOMEOWNERSHIP UNIT INVENTORY

Table 10 presents an inventory of affordable homeowner units assisted by the former Agency or Housing Successor that require restrictions, covenants, or an adopted program that protects Housing Asset Fund monies.

Table 10: Assisted Unit Inventory - Homeownership

Project Name / Address	Unit No.	Covenant Expiration	Affordability Period (Yrs)	Notes	Agency Loan amount
301 Habitat Way	na	11/30/50	45		$ 23,168
303 Habitat Way	na	11/30/50	45		$ 23,168
305 Habitat Way	na	11/30/50	45		$ 23,168
307 Habitat Way	na	11/30/50	45		$ 23,168
309 Habitat Way	na	8/2/66	45	resold	$ 23,168
311 Habitat Way	na	1/7/65	45	resold	$ 23,168
313 Habitat Way	na	11/30/50	45		$ 23,168
523 Delong St.	na	7/10/51	45		$ 25,454
529 Delong St.	na	7/10/51	45		$ 38,182
533 Delong St.	na	7/10/51	45		$ 38,182
539 Delong St.	na	7/10/51	45		$ 38,182
206 Miriam	na	4/22/56	45		$ 95,000
208 Miriam	na	4/20/56	45		$ 95,000
7555 Mission St.	101	6/24/58	45		$ 109,248
7555 Mission St.	102	6/21/58	45		$ 109,248
7555 Mission St.	103	6/13/58	45		$ 109,248
7555 Mission St.	104	7/3/58	45		$ 109,248
7555 Mission St.	105	6/20/58	45		$ 109,248
7555 Mission St.	106	6/12/58	45		$ 109,248
7555 Mission St.	107	8/30/58	45		$ 109,248
7555 Mission St.	108	6/24/58	45		$ 109,248
7555 Mission St.	109	8/30/58	45		$ 109,248
7555 Mission St.	110	7/31/58	45		$ 109,248
7555 Mission St.	111	8/26/58	45		$ 109,248
7555 Mission St.	112	10/31/58	45		$ 109,248
7555 Mission St.	201	6/19/58	45		$ 109,248
7555 Mission St.	202	6/21/58	45		$ 109,248
7555 Mission St.	203	8/6/58	45		$ 109,248
7555 Mission St.	204	6/14/58	45		$ 109,248
7555 Mission St.	205	6/12/58	45		$ 109,248
7555 Mission St.	206	6/26/58	45		$ 109,248
7555 Mission St.	207	6/21/58	45		$ 109,248
7555 Mission St.	208	6/11/58	45		$ 109,248
7555 Mission St.	209	6/11/58	45		$ 109,248
7555 Mission St.	210	6/24/58	45		$ 109,248
7555 Mission St.	211	6/21/58	45		$ 109,248
7555 Mission St.	212	7/31/58	45		$ 109,248
7555 Mission St.	301	8/16/58	45		$ 109,248
7555 Mission St.	302	6/17/58	45		$ 109,248
7555 Mission St.	303	6/18/58	45		$ 109,248
7555 Mission St.	304	6/18/58	45		$ 109,248
7555 Mission St.	305	8/7/58	45		$ 109,248
7555 Mission St.	306	6/27/58	45		$ 109,248
7555 Mission St.	307	3/10/59	45		$ 109,248
7555 Mission St.	308	6/20/58	45		$ 109,248
7555 Mission St.	309	8/1/58	45		$ 109,248
7555 Mission St.	310	6/12/58	45		$ 109,248
7555 Mission St.	311	6/24/58	45		$ 109,248
7555 Mission St.	312	8/7/58	45		$ 109,248
3001 Geneva	n/a	2/22/67	45	escrow	$ 134,833
611 Schwerin	n/a	2/22/67	45	escrow	$ 134,833
3003 Geneva	n/a	2/22/67	45	escrow	$ 134,833
3005 Geneva	n/a	2/22/67	45	escrow	$ 134,833
3007 Geneva	n/a	2/22/67	45	escrow	$ 134,833
3009 Geneva	n/a	2/22/67	45	escrow	$ 134,833

Source: City of Daly City

APPENDIX 1 – HOUSING ASSET TRANSFER FORM

Attached as a separate document.

APPENDIX 2 - HOUSING SUCCESSOR ANNUAL REPORT REQUIREMENTS

<table>
<tr><th colspan="2">Health and Safety Code Section 34176.1(f)</th></tr>
<tr><td>Housing Asset Fund Revenues & Expenditures</td><td>Total amount deposited in the Housing Asset Fund for the fiscal year.

Amount of deposits funded by a Recognized Obligation Payment Schedule (“ROPS”).

Statement of balance at the close of the fiscal year.

Description of Expenditures for the fiscal year, broken out as follows:
• Homeless prevention and rapid rehousing
• Administrative and monitoring
• Housing development expenses by income level assisted

Description of any transfers to another housing successor for a joint project.</td></tr>
<tr><td>Other Assets and Active Projects</td><td>Description of any project(s) funded through the ROPS.

Update on property disposition efforts (note that housing successors may only hold property for up to five years, unless it is already developed with affordable housing).

Other “portfolio” balances, including:
• Statutory value of any real property either transferred from the former Agency or purchased by the Housing Asset Fund
• Value of loans and grants receivable

Inventory of homeownership units assisted by the former Agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of monies from the Low- and Moderate-Income Housing Fund.</td></tr>
<tr><td>Obligations & Proportionality</td><td>Description of any outstanding production obligations of the former Agency that were inherited by the Housing Successor.

Compliance with proportionality requirements (income group targets), which must be upheld on a five-year cycle.

Percentage of deed-restricted rental housing restricted to seniors and assisted by the former Agency, the Housing Successor, or the City within the past ten years compared to the total number of units assisted by any of those three agencies.

Amount of any excess surplus, and, if any, the plan for eliminating it.</td></tr>
</table>

APPENDIX 3 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS

Health and Safety Code Section 34176.1		
Expense Category	Limits	Allowable Uses
Administration and Compliance Monitoring *Annual Limit*	(Limit varies each year)	Administrative activities such as: • Professional services (consultant fees, auditor fees, etc.) • Staff salaries, benefits, and overhead for time spent on Housing Successor administration • Compliance monitoring to ensure compliance with affordable housing and loan agreements • Property maintenance at Housing Successor-owned properties Capped at $200,000 and adjusted annually 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 HAT ("Portfolio"), whichever is greater.
Homeless Prevention and Rapid Rehousing Solutions *Annual Limit*	**$250,000 maximum** per fiscal year	• Services for individuals and families who are homeless or would be homeless but for this assistance, including: • Contributions toward the construction of local or regional homeless shelters • Housing relocation and stabilization services including housing search, mediation, or outreach to property owners • Short-term or medium-term rental assistance • Security or utility deposits • Utility payments • Moving cost assistance • Credit repair • Case management • Other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless.
Affordable Housing Development	No spending limit, but must comply with income and age targets	"Development" includes: • New construction • Acquisition and rehabilitation • Substantial rehabilitation • Acquisition of long-term affordability covenants on multifamily units • Preservation of at-risk units whose affordable rent restrictions would otherwise expire over the next five years

Health and Safety Code Section 34176.1		
Expense Category	Limits	Allowable Uses
	Income Targets *Fixed Five-Year Compliance Period* *(First Period: FY 2013-14 to 2018-19* *Second Period: FY 2019-20 to FY 2023-24)*	Every five years, Housing Asset Funds must meet income targets: • At least 30% on extremely low-income rental households (up to 30% AMI or "Area Median Income") • No more than 20% on low-income households (60-80% AMI) Moderate and above moderate-income households may not be assisted (above 80% AMI). Failure to comply with the extremely low-income requirement in any five-year compliance period will result in having to ensure that 50 percent of remaining funds be spent on extremely low-income rental units until in compliance. Exceeding the expenditure limit for low households earning between 60-80% AMI in any five-year reporting period will result in not being able to expend any funds on these income categories until in compliance.
	Age Targets *Rolling Ten-Year Period*	For the prior ten years (resets every year), a maximum of 50% of deed-restricted rental housing units assisted by the Housing Successor or its host jurisdiction may be restricted to seniors. If a housing successor fails to comply, Housing Asset Funds may not be spent on deed-restricted rental housing restricted to seniors until in compliance.