

**HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2023-2024 PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
TUSTIN HOUSING AUTHORITY**

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of November 21, 2024. This Report sets forth certain details of the Tustin Housing Authority (Housing Successor) activities during Fiscal Year 2023-2024 (Fiscal Year). The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the City of Tustin's Low and Moderate Income Housing Asset Fund for Fiscal Year 2023-2024 (Fiscal Year) as prepared by Davis Farr LLP (Audit), which Audit is separate from this annual summary Report; further, this Report conforms with and is organized into sections I. through XIII., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. **Amount Received Pursuant to Section 34191.4:** This section provides a total amount of funds received pursuant to Section 34191.4(b)(3)(A).
- II. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.
- III. **Ending Balance of LMIHAF:** This section provides a statement of the fund balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.
- IV. **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.
- V. **Statutory Value of Assets Owned by Housing Successor:** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

- VI. Description of Transfers:** This section describes transfers, if any, to another housing successor 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.
- VII. Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.
- VIII. Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.
- IX. Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor plans to meet unmet obligations, if any.
- X. Extremely-Low Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for every five-year period, with the initial time period beginning January 1, 2014, and ending June 30, 2019, and whether the statutory thresholds have been met.
- XI. 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 Successor, 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 Successor, its former Redevelopment Agency and its host jurisdiction within the same time period. For this Report, the ten-year period reviewed is July 1, 2013, to June 30, 2023.
- XII. Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.
- XIII. Inventory of Homeownership Units:** This section provides an inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to Section 33334.3(f).

This Report is to be provided to the Housing Successor’s governing body by December 31, 2023. In addition, this Report and the former redevelopment agency’s pre-dissolution Implementation Plans are to be made available to the public on the City’s website, www.tustinca.org.

I. AMOUNT RECEIVED PURSUANT TO SECTION 34191.4

The Housing Successor did not receive any funds pursuant to Section 34191.4(b)(3)(A).

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$467,966 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, \$466,651 was transferred from the General Fund for the purpose of purchasing and preserving an affordable unit in default.

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending fund balance in the LMIHAF was \$558,495 of which there are no funds held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

	Fiscal Year
Monitoring & Administration Expenditures	\$274,143
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Housing Development Expenditures	
➤ Expenditures on Low Income Units	
➤ Expenditures on Very-Low Income Units	
➤ Expenditures on Extremely-Low Income Units	
➤ Total Housing Development Expenditures	\$0
Total LMIHAF Expenditures in Fiscal Year	\$274,143

V. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following provides the statutory value of assets owned by the Housing Successor:

	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Authority	N/A
Value of Loans and Grants Receivable	
- Multifamily Loans	\$362,840
- Affordable Housing Promissory Notes	\$92,478,647
• Promissory Note Allowance (Forgivable amount)	(\$77,889,805)
Total Value of Housing Successor Assets	\$14,951,682

Affordable Housing Promissory Notes: The City has executed Promissory Notes (Note) with 279 affordable home buyers to facilitate the preservation of the City’s affordable housing supply. The amount due 46 years from the date of the initial sale of the Unit (execution of the original Affordable Housing Covenant) considers the current Note amount and the simple interest accrued annually from the current Note in the calculation. No prepayment of the Note in whole, or in part, is allowed any time prior to the maturity date. Additionally, the balance of the Note is forgivable as of the maturity date, assuming the owner is in compliance with the Affordable Housing Covenant. As of June 30, 2024, the total outstanding principal balance of the 279 Notes was \$92,478,647.

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VII. PROJECT DESCRIPTIONS

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

VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the project related to such real property.

With respect to interests in real property acquired by the former redevelopment agency *prior* to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor 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.

The following provides a status update on the real property or properties housing asset(s) that were acquired prior to February 1, 2012, and compliance with five-year period:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
14554 Newport Avenue, #3, Tustin (Moderate Income Unit)	5/26/2011	N/A	Sold to Moderate Income Family, 12/2/2013

The following provides a status update on the project(s) for property or properties that have been acquired by the Housing Successor using LMIHAF on or after February 1, 2012:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
14542 Newport Avenue, #3, Tustin (Moderate Income Unit)	8/9/2013	N/A	On June 7, 2016, the Housing Authority Commission authorized the sale at market rate. In FY 2016-2017, the sale of the unit resulted in proceeds of \$435,106 for the LMIHAF.
27 Look Out Lane, Tustin (Low Income Unit)	11/24/2015	N/A	On June 7, 2016, the Housing Authority Commission authorized the sale at market rate. In FY 2016-2017, the sale of the unit resulted in proceeds of \$452,677 for the LMIHAF.
1345 Sun Dial Drive, Tustin (Very Low Income Unit)	08/10/2017	N/A	On September 19, 2017, the Housing Authority Commission authorized the sale at market rate. In FY 2017-2018, the sale of the unit resulted in proceeds of \$569,886 for the LMIHAF.

370 Flyers Lane, Tustin (Low Income Unit)	02/14/2018	N/A	On March 7, 2018, the Housing Authority Commission authorized the sale at market rate. In FY 2018-2019, the sale of the unit resulted in proceeds of \$487,806 for the LMIHAF.
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IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the Fourth Five-Year Implementation Plan for the Town Center and South Central Redevelopment Project Areas (FY 2010-2011 to FY 2014-2015) and the Second Five-Year Implementation Plan for the MCAS Tustin Redevelopment Project Area (FY 2008-2009 to FY 2012-2013) for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor. The former redevelopment agency's Implementation Plans are posted on the City's website at www.tustinca.org, under Successor Agency.

There are no replacement housing obligations.

Inclusionary/Production Housing. According to the Fourth Five-Year Implementation Plan for the Town Center and South Central Redevelopment Project Areas (FY 2010-2011 to FY 2014-2015) and the Second Five-Year Implementation Plan for the MCAS Tustin Redevelopment Project Area (FY 2008-2009 to FY 2012-2013) for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor. The former redevelopment agency's Implementation Plans are posted on the City's website at www.tustinca.org, under Successor Agency.

There are no inclusionary housing obligations.

X. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(A) requires that the Housing Successor expend at least 30% of the LMIHAF used for affordable housing development on rental housing affordable to and occupied by households earning 30% or less of the AMI. If the Housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement. The first 5-year period the Housing Successor was required to report compliance with Section 34176.1(a)(3)(A) was 2014-2019 and every five years hereafter.

The Housing Successor only utilized funds for administration and monitoring of housing units subject to affordable housing agreements. There were no funds expended for the development of rental housing during FY 2023-2024. The Housing Successor was in compliance with Section 34176.1(a)(3)(A) for the first 5-year reporting period, 2014-2019, and remains in compliance in FY 2023-2024.

XI. SENIOR HOUSING TEST

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

The following provides the Housing Successor's Senior Housing Test for the 10-year period of July 1, 2014 to June 30, 2024:

Senior Housing Test		July 1, 2014 to June 30, 2024	
# of Assisted Senior Rental Units			0
# of Total Assisted Rental Units			262
	<i>Amalfi</i>	37	
	<i>Anton Legacy</i>	225	
Senior Housing Percentage			0%

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater.

The following provides the Excess Surplus test for the preceding four Fiscal Years:

Year	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Beginning Balance	\$1,867,400.05	\$1,203,129.83	\$718,343.75	\$294,125.44
Add: Deposits	\$66,156.87	\$27,973.51	\$37,132.25	\$481,188.20
(Less) Expenditures	(\$730,427.09)	(\$512,759.59)	(\$461,350.56)	(\$749,796.81)
Ending Cash Balance	\$1,203,129.83	\$718,343.75	\$294,125.44	\$25,516.83

(NOTE: The Deposits & Expenditures information in this Section XII is prepared using the cash basis of accounting. They differ from the Deposits & Expenditures information in Sections II, III, & IV, which is prepared using the modified accrual basis of accounting.)

Given that the Housing Successor has 31 years remaining of monitoring our 279 housing units, 46 years of monitoring our 415 affordable rental units, and there is no other funding source for monitoring and administrative expenses, the balance of funds is encumbered and there is no Excess Surplus.

XIII. INVENTORY OF HOMEOWNERSHIP UNITS

- (A) Based on reporting requirements as of June 30, 2024, our inventory of homeownership units is 279.
- (B) Since February 1, 2012, the number of units lost to the portfolio is thirty: one first time homebuyer loan paid off on an affordable unit; two rehabilitation loans paid off on single family units; one rehabilitation loan on a single-family unit lost to foreclosure; five single family units lost to foreclosure; and twenty-one units lost due to expiration of affordable housing covenants.
- (C) There were no payments received in Fiscal Year 2023-2024.
- (D) The Housing Successor does not contract with an outside entity to manage our units.