

**COVINA HOUSING AUTHORITY SB 341 COMPLIANCE REPORT
(ADDENDUM TO COVINA ANNUAL PROGRESS REPORT SUBMITTED TO HCD)**

**Housing Successor Agency
Low- and Moderate-Income Housing Assets Fund
Specified Activity Information Pursuant to
California Health and Safety Code Section 34176
Year Ended June 30, 2019**

The Covina Housing Authority was activated by the City of Covina on January 25, 2011 by Resolution 11-6926. On January 30, 2012, by Resolution 12-7045, the Covina City Council elected not to retain the housing assets and functions previously performed by the Covina Redevelopment Agency, which was dissolved pursuant to Part 1.85 of Division 24 of the California Health and Safety Code. All rights, powers, duties and obligations were transferred to the Covina Housing Authority. The Covina Housing Authority is the housing successor agency of the Covina Redevelopment Agency.

On January 1, 2014, Senate Bill 341 (SB 341) became effective, requiring each housing successor agency that assumed the housing functions of a former redevelopment agency to post a report on its website containing information regarding the Low- and Moderate-Income Housing Assets Fund (Fund) of the housing successor for the previous fiscal year.

Assembly Bill 1793 (Chapter 672, Statutes of 2014, effective January 2015) amended Health & Safety Code Section 34176.1(f) and added new provisions now numbered as 34176(f)(13)(A)-(D).

Senate Bill 107 (Chapter 325, Statutes of 2015, effective January 2016) amended Health & Safety Code Section 34176.1(f) to add a new reporting requirement numbered as 34176(f)(1) and revise the reporting requirement numbered as 34176(f)(2).

In addition, the housing successor agency is required to conduct and provide to its governing body an independent financial audit of the Fund within six months of the end of the fiscal year. The audit may be included as part of the City's independent financial audit.

The audit is included as part of the Comprehensive Audited Financial Report (CAFR) and is available on the City's website at www.covinaca.gov. Following presentation to the City Council and the Housing Authority, a copy of the independent financial audit will be provided to the Covina Housing Authority Board (Board).

The remainder of this Compliance Report provides the information required under Health and Safety Code 34176.1(f):

1. Amounts Received and Deposited Pursuant to 34191.4(b)(3)(A): This section provides the total amount of funds paid to the City and the amount deposited into the

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LMIHAF allocable to 20% of the repayments on reinstated City/Agency loans per Section 34191.4.

2. Amount Deposited into LMIHF: 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.

3. Ending Balance of LMIHF: This section provides a statement of the 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.

4. Description of Expenditures from LMIHF: This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized by category, including, but not limited to, expenditures (A) for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a), (B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and (C) for the development of housing pursuant to paragraph (3) of subdivision (a).

5. 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.

6. 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.

7. 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.

8. 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.

9. 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's plans to meet unmet obligations, if any.

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10. Income Test: This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met.

11. 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, 2009 to June 30, 2019.

12. 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.

13. Inventory of Homeownership Units: This section provides a summary of covenanted homeownership units assisted by the former redevelopment agency or the housing successor that include an equity sharing and repayment provisions, including (a) number of units; (b) number of units lost to the portfolio in the last fiscal year and the reason for those losses, and (c) any funds returned to the housing successor pursuant to losses or repayments.

1. AMOUNTS RECEIVED AND DEPOSITED PURSUANT TO 34191.4(b)(3)(A)

Loan repayment received by the City.	\$531,467.00
TOTAL	\$531,467.00

2. AMOUNTS DEPOSITED TO THE LOW AND MODERATE INCOME HOUSING ASSET FUND

Amount deposited to the Low and Moderate Income Housing Asset Fund for item listed on the Recognized Obligation Payment Schedule (ROPS) pursuant to H&S Code 34191.4 (b)(3)(B)(C)	\$1,093,572
Amount deposited to the Low and Moderate Income Housing Asset Fund from sources other than ROPS	0
Interest earned	\$61,459.81
TOTAL	\$1,155,031.81

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3. ENDING BALANCE OF LMIHAF

Recognized Obligation Payment Schedule amount ¹	\$448,251.00
Other amounts	\$3,788,276.36
TOTAL	\$4,236,527.36

4. DESCRIPTION OF EXPENDITURES FROM LMIHAF

(A) Monitoring/preserving long-term affordability and administration expenditures	\$184,441.66
(B) Homeless prevention/rapid rehousing	\$133,103.99
(C) Housing development	\$0.00
TOTAL	\$317,545.65

The Housing Successor is allowed to spend up to the greater of \$200,000 or 5% of the outstanding loans or other receivables plus the statutory value of any land owned. (defined and calculated in Section V), which totals \$356,398 on Monitoring and Administration Expenditures. At a 5% cap, a maximum administrative expenditure of \$357,398 may be spent in FY 18-19.

5. 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.

Real Property	\$425,610.00
Assets held for resale	\$0
Loans receivable*	\$6,702,350.11
TOTAL	\$7,127,960.11

*Note: of the Loans Receivable listed, \$1,512,299 is considered “uncollectible” due to the forgiveness feature of these loans²

¹ This is an outstanding SERAF loan, scheduled to be repaid through the 2020-2021 ROPS

² CAFR for year ending June 30, 2019

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6. 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.

7. PROJECT DESCRIPTIONS

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

8. 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. Section 33334.16 applies to the interest in real property acquired using moneys from the Low- and Moderate-Income Housing Fund before 2012, and requires that the agency shall, within five years from the date it first acquires the property interest for the development of housing affordable to persons and families of low and moderate income, initiate activities consistent with the development of the property for that purpose.

Property Received From the Former Redevelopment Agency Prior to February 1, 2012:

APN	Date Acquired	DOF Transfer Approval	Original Cost	Status
8434-002-904	July 27, 2004	Feb. 21, 2013	\$425,610	In use as transitional housing
8445-001-918	May 20, 2005. Time extension obtained on May 18, 2010	Feb. 21, 2013	\$730,200	Entered into DDA to sell property on March 1, 2011. Sale completed on March 3, 2014

Property Acquired On or After February 1, 2012:

Not Applicable. The Housing Successor has not acquired any properties after February 1, 2012.

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9. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the 2010 – 2014 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor.

Inclusionary / Production Housing. According to the 2010 – 2014 Implementation Plan 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.

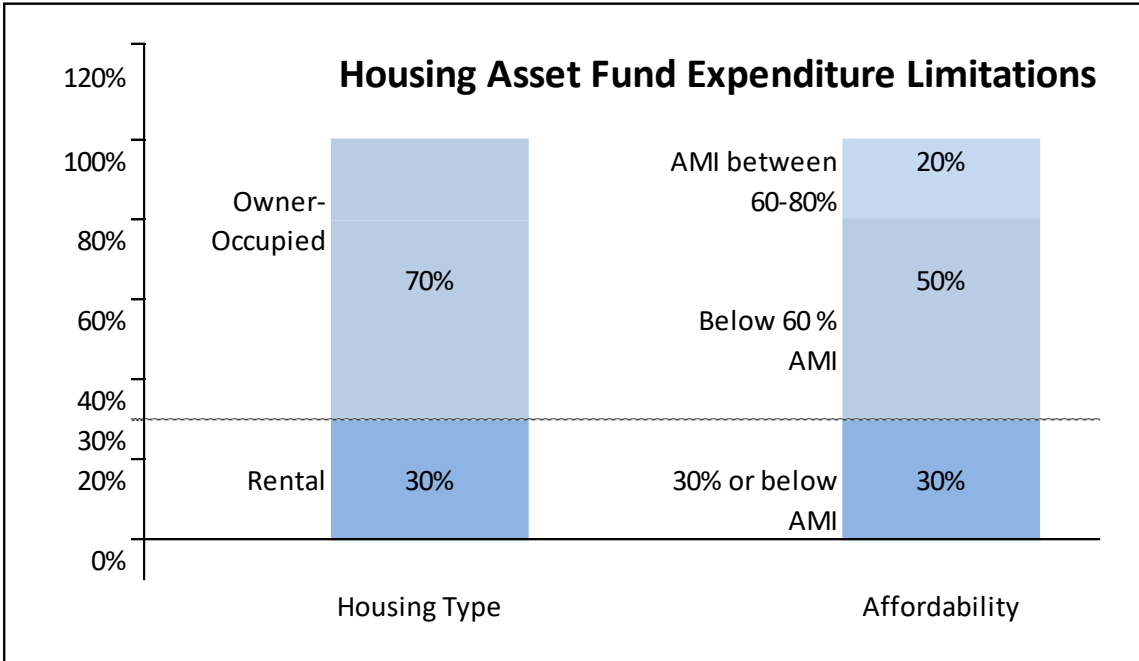
Outstanding obligations pursuant to Section 33413 that remain to transfer to the Housing Successor on February 1, 2012	None
Unmet obligations	None

10. INCOME TARGETING TEST

The information required by subparagraph (B) of paragraph (3) of subdivision (a).

The housing successor shall expend all funds remaining in the Low and Moderate Income Housing Asset Fund after the expenditures allowed (monitoring and homeless services) for the development of housing affordable and occupied by households earning 80 percent or less of the area median income, with at least 30 percent of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income and no more than 20 percent of these remaining funds expended for the development of housing affordable to and occupied by households earning between 60 percent and 80 percent of the area median income. A housing successor shall demonstrate in the annual report described in subdivision (f), for 2019, and every five years thereafter, that the housing successor's expenditures from January 1, 2014, through the end of the latest fiscal year covered in the report comply with the requirements of this subparagraph.

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Failure to comply with the extremely low income requirement in any 5-year reporting period will result in the Housing Authority having to ensure that 50% of remaining funds be spent on extremely low income rental units until in compliance. Exceeding the expenditure limit for households earning between 60% and 80% of the AMI in any 5-year reporting period will result in the Housing Authority not being able to expend any funds on these income categories until in compliance.

The Housing Authority had administrative, monitoring and housing expenses in the period from July 1, 2018 to June 30, 2019. The five-year report follows:

	LMIHAF Spent on Rental Housing for Extremely-Low Income Households	LMIHAF spent on Households between 60% & 80% AMI	Total LMIHAF Spent
January 1, 2014-June 30, 2014	\$19,157.06		\$45,701.06
FY 2014-2015	\$20,957.61		\$63,229.59
FY 2015-2016	\$21,688.95	\$17,811.48	\$78,909.09
FY 2016-2017	\$26,553.94		\$96,049.54
FY 2017-2018	\$120,062.35		\$267,154.67
FY 2018-2019	\$133,103.99		\$317,545.65
Totals	\$341,523.90	\$17,811.48	\$868,589.60

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Calculation of Five Year Expenditure Jan 1, 2014 to June 30, 2019

Description	Amount	Actual % of Expenditures over 5 yrs	Required Expenditure Caps
Total LMIHAF Expended	\$868,589.60		
Total LMIHAF spent on Extremely Low-Income	\$341,523.90	39.3%	Minimum of 30%
Total LMIHAF spent on Households between 60% and 80% AMI	\$17,811.48	2%	Maximum of 20%

11. SENIOR HOUSING TEST

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. 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.

For this report, the ten-year period reviewed is July 1, 2009 through June 30, 2019.

July 1, 2009 – June 30, 2019	
No. of assisted senior rental units	0
No. of total assisted rental units	96 ³
Senior Housing Percentage	0%

Covina Gardens at 200 West Rowland Street is a 90-unit rental apartment project, 89 units of which are deed-restricted moderate, low income and very-low income housing. The owner voluntarily provides this housing to seniors only.

12. EXCESS SURPLUS TEST

The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess

³ Includes 89 units at 200 W. Rowland, 7 units at the YWCA Project

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surplus.

Excess Surplus calculations were once performed by redevelopment agencies on an annual basis, and were intended to ensure that funds were expended to benefit low and moderate-income households in an expeditious manner. SB 341 reinstates this calculation for housing successors. Excess Surplus is defined by Health and Safety Code 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 four fiscal years preceding the fiscal year for which the excess surplus is being calculated is included in the calculation below.

Excess Surplus Test for FY 2018-2019:

Fund Balance – as of 6-30-2019		\$4,236,527.36
Less unavailable funds – as of 6-30-2019		(448,251.00)
Land Held for resale		\$0
Total Unavailable Funds		<u>\$448,251.00</u>
Unencumbered fund balance – as of 6-30-2019		\$3,788,276.36
Deposits for the preceding four years:		
Fiscal year 2017-2018	\$247,976	
Fiscal year 2016-2017	\$1,326,617	
Fiscal year 2015-2016	\$492,064	
Fiscal year 2014-2015	0	
Total deposits	<u>\$2,066,657</u>	
Base limitation	<u>\$1,000,000</u>	
Greater amount		<u>\$2,066,657.00</u>
Computed Excess/Surplus		<u>\$1,721,619.36</u>

The excess surplus calculated for each fiscal year is required to be encumbered within three (3) years from the end of that fiscal year by the Housing Successor on eligible activities which provide affordable housing for households at or below low income. Eligible activities include new construction, acquisition, substantial rehabilitation, and preservation of affordability. Any amount of excess surplus not encumbered within the three-year period required by the Dissolution Law must be remitted to the State Department of Housing and Community Development ("HCD"), or transferred to another housing successor.

As the general purpose of the excess surplus calculation is to ensure that money is expended for low-income purposes, the best action for the Housing Successor is to expeditiously encumber or expend money currently on deposit. The Housing

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Authority is presently negotiating for a property which will involve the use of Housing Authority funds.

13. HOMEOWNERSHIP

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 subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

(A) The number of those units.

Ownership Units Covenanted to be Affordable as of June 30, 2019	No. of Units
Number of ownership units covenanted to be affordable	18 ⁴
Total	18

(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

Ownership Units Lost to the Portfolio	No. of Units
Number of units lost to the portfolio after February 1, 2012 through June 30, 2018	0
Number of units lost to the portfolio in the last fiscal year (fiscal year ending June 30, 2019) and the reason for the losses	0

(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

Not applicable.

(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

The Housing Successor has not contracted with any outside entity for management of the units.

⁴ Includes 6 units at Vintage Walk, 3 at Vintage Walk 2, 8 at Citrus Walk, and 1 Habitat House