



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of March 24, 2026

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: Redevelopment Housing Successor Annual Report for Fiscal Year (FY) 2024-25

RECOMMENDED ACTION:

Staff recommends that the City Council receive and file the Housing Successor Agency Annual Report for FY 2024-25.

DISCUSSION:

The City of Hercules ("City") elected to become the Housing Successor Agency ("Housing Successor") to the former Hercules Redevelopment Agency ("Agency") in February 2024. All redevelopment agencies were dissolved statewide effective February 1, 2012. Each housing successor agency is required to prepare an annual report on how it meets the requirements imposed by Health and Safety Code ("HSC") Section 34176.1.

The report is due to the California Department of Housing and Community Development ("HCD") by April 1 each year and must be posted on the City's website. The report for FY 2024-25 is being presented to the City Council to receive and file.

Housing Asset Fund Activity

As of June 30, 2024, the Housing Asset Fund balance was approximately \$12.4 million (\$6.2 million of which was cash). The Housing Asset Fund received \$363,347 in revenues in FY 2024-25 from homeowner loan repayments and interest.

The Housing Successor spent \$59,765 in Housing Asset Funds between FY 2024-25 on administrative items. There were no expenditures for housing development projects.

Real Property Assets and Loans Receivable

The former Redevelopment Agency did not transfer any housing properties to the City upon dissolution.

As of June 30, 2024, the Housing Successor oversees approximately \$6.2 million in loans receivable. Two loans were made to affordable housing developers (Bridge Housing and Eden Housing) prior to dissolution with an outstanding balance of \$2.3 million. There are also several homeowner loans with an outstanding balance of \$3.8 million; This is based on outstanding balances reported the City's accounting records as of June 30, 2024.

Expenditure Proportionality Requirements

Expenditures from the Housing Asset Fund must meet specific proportionality requirements by income level and age. In general:

- Administrative and monitoring expenses are capped at five percent of the value of Housing Successor properties and loans receivable on an annual basis. The cap was \$309,556 in FY 2024-25.
- If Housing Asset Funds are spent on housing development, within each five-year compliance period:
 - At least 30% must be spent on extremely low-income rental households (earning up to 30% of the Area Median Income);
 - No more than 20% may be spent on low-income households (earning 60-80% of the Area Median Income); and
 - No monies may be spent on moderate or above moderate-income households (earning more than 80% of the Area Median Income).
- No more than 50% of deed-restricted rental housing units assisted by the City or the former Redevelopment Agency in the prior 10 years may be restricted to seniors.

Excess Surplus

Housing successors are subject to the same excess surplus requirement as former redevelopment agencies. An agency has an excess surplus if its unencumbered cash balance exceeds \$1 million or the sum of deposits in the prior four years, whichever is greater. Housing successors must spend or encumber excess surplus within three fiscal years or transfer its excess surplus to HCD to spend on statewide housing programs.

The Housing Successor has an excess surplus of \$2.7 million from FY 2023-24 and \$266,421 from FY 2024-25. The City must spend or encumber (commit in an executed

agreement) these amounts within three fiscal years, or June 30, 2027, and June 30, 2028, respectively. The Housing Successor will meet this requirement by committing Housing Asset Funds to assist with affordable housing development. The Housing Successor issued a \$5.0 million Notice of Funding Availability (NOFA) in 2026 inviting proposals to utilize funds for affordable housing development that complies with HSC 34176.1. Three development teams submitted proposals that are currently under review. Proposals will be presented to City Council for consideration in Spring or Summer 2026.

FISCAL IMPACT:

There are no fiscal implications for receiving and filing this annual report on the City's activities as the housing successor agency to the former Agency.

ATTACHMENTS:

1. Hercules Housing Successor Agency Annual Report for FY 2024-25.