



**HOUSING SUCCESSOR ANNUAL REPORT
FOR FISCAL YEAR 2024-2025
City of Hercules**

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INTRODUCTION

Following the dissolution of redevelopment in 2012, all former redevelopment agencies were required to designate a housing successor agency to assume all rights, powers, committed assets, liabilities, duties, and obligations associated with the redevelopment agency's affordable housing activities. Housing successor agencies must report annually on their activities as required by Senate Bill 341 (DeSaulnier, 2013-14). The Housing Successor Annual Report ("Annual Report") details housing successor activity and reports on compliance with various requirements outlined in Health and Safety Code ("HSC") Section 34176.1(f).

The City of Hercules ("City") elected to become the Housing Successor Agency ("Housing Successor") to the former Hercules Redevelopment Agency ("Agency") in February 2024. This report covers the activities of the Housing Successor for Fiscal Year ("FY") 2024-25 and certain annual, five-, and ten-year planning period requirements described herein.

HOUSING SUCCESSOR

The City adopted Resolution No. 24-014 dated February 27, 2024 establishing itself as the Housing Successor and assuming responsibility for all remaining housing 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 provide affordable housing in the City until such assets have been exhausted.

The Agency was dissolved on February 1, 2012, under California Redevelopment Dissolution Law (Health and Safety Code or "HSC" Section 33000 et seq.). The City did not elect to become the Housing Successor to retain housing assets and functions at the time. The City declined the role of Housing Successor in 2012 because there was no funding for the management or monitoring of housing assets and functions and because the City believed the Contra Costa County Housing Authority ("County Housing Authority") would take responsibility of Agency housing assets.

HSC 34176(b) states if a city does not elect to become Housing Successor, that role shall be transferred to the local housing authority. The County Housing Authority automatically became the Housing Successor by operation of law. However, when the City attempted to transfer Agency assets, the County Housing Authority declined Housing Successor responsibilities to avoid jeopardizing federal Housing and Urban Development funding.

The City elected to become the Housing Successor in February 2024 to administer outstanding homeowner loans issued by the Agency and access funds to finance affordable housing development. The City maintains all transferred assets, liabilities, and housing activities in the Hercules Low and Moderate Income Housing Asset Fund (“Housing Asset Fund”).

SCOPE OF THIS HOUSING SUCCESSOR ANNUAL REPORT

The Annual Report is 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. This may include, but is not limited to, financial activities, property disposition, loan administration, monitoring of covenants, and affordable housing development.

This report covers the Housing Successor’s activities in Fiscal Year 2024-25 and describes compliance with various annual, five-year, and ten-year housing expenditure and production requirements.

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. The City 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 108 loans receivable. A copy of the HAT is provided as Appendix 1.

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.

BACKGROUND

This Section summarizes the legal requirements for use of housing successor assets.

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”). 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.

HCD has annually published an adjusted limit amount for administrative costs, reflecting the change in the Consumer Price Index from the prior year. Although HCD has not yet published the update for FY 2024-25, applying the same methodology and index HCD has previously used would yield a limit adjusted for inflation for FY 2024-25 of \$270,700. The Housing Successor’s FY 2024-25 Portfolio balance is \$6,191,120, of which 5% is \$309,556. The City’s FY 2024-25 annual administrative cost limit is the higher of these amounts, or \$309,556.

- **Homeless prevention and rapid rehousing services** up to \$500,000 per year¹ if the former redevelopment agency did not have any outstanding inclusionary housing or replacement housing production requirements as of 2012. Hercules is ineligible for this expense because the former Agency had not met such requirements upon dissolution. Based on the Agency's 2010-2014 Implementation Plan and assessor records, the Agency's inclusionary housing production requirement through 2011 was 620 affordable units, of which 310 were restricted to very low income. The Agency produced 435 affordable units, of which 311 were restricted to very low income. The Housing Successor will be eligible for the homeless prevention and rapid rehousing services expense if it produces 185 affordable units.
- **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: 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, at least 30 percent of 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 (between 30% and 60% of AMI). The first compliance period was between January 1, 2014 through June 30, 2019. The second period was between July 1, 2019 through June 30, 2024. FY 2024-25 is the first year of the third five-year compliance period for income proportionality, which began July 1, 2024 and ends June 30, 2029.

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 total expenditures on 60-80% AMI households do not exceed 20 percent during the five-year compliance period.

¹ Assembly Bill 1782 amended the limit from \$250,000 to \$500,000 effective January 1, 2025.

If a housing successor does not meet the minimum expenditures required for extremely low-income households, or exceeds the amount permitted 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.

Ten-Year Age Proportionality: If more than 50 percent of the total aggregate number of deed-restricted 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 fixed five-year periods set by law, the first five-year period being July 1, 2014, to June 30, 2019, the second period being July 1, 2019, to June 30, 2024, and the third period being July 1, 2024, to June 30, 2029.
- **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 more than 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 details the Housing Successor’s activities in FY 2024-25 as reported in the City’s Housing Asset Fund.

DEPOSITS AND FUND BALANCE

The Housing Successor deposited \$363,347 into the Housing Asset Fund in FY 2024-25. Deposits consisted of loan repayments and interest as seen in Table 1.

| Deposit Type | FY 24-25 | |
|---------------------|-----------------|----------------|
| Loan Repayments | \$ | 68,330 |
| Interest Allocation | | 295,018 |
| Total | \$ | 363,347 |

Source: City of Hercules Statement of Revenues and Cash Activity

EXPENDITURES

The Housing Successor spent \$59,765 in FY 2024-25. All expenses were on administrative costs and were well under the maximum administrative expense limit of \$309,556 for FY 2024-25.

ENDING CASH AND FUND BALANCE

The Housing Asset Fund balance as of June 30, 2025 was \$12,388,462, of which \$6,188,900 was cash, as shown in Table 2. Other assets include investments and loans receivable.

| Table 2: Housing Asset Fund - Ending Year Balance | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Balance Type | FY 2024-25 |
| Cash | \$ 6,188,900 |
| Investments | 8,442 |
| Uncollectible Allowance for Eden Housing | (335,016) |
| Loans Receivable | |
| Bridge Housing Loan Principal | 1,399,600 |
| Bridge Housing | 939,947 |
| Eden Housing | 345,063 |
| First-Time Homebuyer | 842,923 |
| Citywide Incentive | 89,600 |
| Home Ownership / Retention | 1,882,029 |
| Begin Program | 180,000 |
| Inclusionary | 675,000 |
| Rehab & Beautification | 146,463 |
| Emergency Loans | 25,511 |
| Total Fund Balance | \$ 12,388,462 |
| <p>Note: Outstanding balances match accounting records as of June 30, 2025 and may not account for loans written off by City Council in July 2024</p> <p>Source: City of Hercules Detail Trial Balance</p> | |

HOUSING SUCCESSOR PORTFOLIO

The Housing Successor Portfolio includes several loans transferred from the former Agency on the HAT. The City had a portfolio value of \$6,191,120 as of FY 2024-25, as detailed in Table 3. The Housing Successor Portfolio does not own any real properties.

| Table 3: Real Properties and Loans Receivable | |
|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Ending Year Balance | |
| Asset | FY2024-25 |
| Real Properties | |
| None | |
| <i>Subtotal</i> | \$ - |
| Loan Receivables | |
| Bridge Housing Loan Principal | 1,399,600 |
| Bridge Housing | 939,947 |
| Eden Housing | 345,063 |
| First-Time Homebuyer | 842,923 |
| Citywide Incentive | 89,600 |
| Home Ownership / Retention | 1,882,029 |
| Begin Program | 180,000 |
| Inclusionary | 675,000 |
| Rehab & Beautification | 146,463 |
| Emergency Loans | 25,511 |
| <i>Subtotal</i> | \$ 6,526,135 |
| <i>Allowance for uncollectible</i> ¹ | \$ (335,016) |
| Portfolio Value | \$ 6,191,120 |
| ¹ Allowance for uncollectible debt related to Eden Housing Loan | |
| Note: Outstanding balances match accounting records as of June 30, 2025 and may not account for loans written off by City Council in July 2024 | |
| <i>Source: City of Hercules</i> | |

REAL PROPERTY AND DISPOSITION STATUS

The Agency transferred no real properties to the City on the HAT. Therefore, the City complies with HSC Sections 33334.16 and 34176.1(e) by default, which 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.

LOANS RECEIVABLE

The former Agency transferred several loans to the Housing Successor on the HAT, detailed as follows. Note the balances reflected in this report match the City's accounting records as of June 30, 2025 which may not fully account for loan modifications made throughout the year.

- Bridge Housing: Bridge Housing corporation entered an agreement on May 28, 1998, to finance predevelopment and construction activities. The loan had an outstanding balance of \$2.3 million as of June 30, 2025. It accrues 3.5 percent simple interest per annum and has a 45-year term.
- Eden Housing: On July 1, 2002, Eden Housing, Inc. entered an agreement for a \$700,000 loan. Following the purchase of a vacant lot, the borrower constructed 51 units of affordable housing for lower income seniors. This loan has a 55-year term and accrues 3 percent simple interest. The outstanding balance as of June 30, 2025 was \$345,063.
- First Time Homebuyer: As of June 30, 2025, First Time Home Buyer loans had an outstanding balance of \$842,923. These loans aided low to moderate income first time homebuyers. The loans accrue 3 percent simple interest per annum with a 30-year term.
- City-Wide Employee Incentive Homeownership Program: The Citywide Employee Incentive Homeownership Program an outstanding balance of \$89,600 as of June 30, 2025. This program assisted low to moderate income homebuyers in eligible job categories. The loans have no interest over a 30-year term.
- Homeownership Retention / Loss Mitigation Loan Program: The Homeownership Retention and Loss Mitigation Program helped low to moderate income homeowners who were at risk of foreclosure. The outstanding balance was \$1,882,029 as of June 30, 2025. The loans accrue simple interest ranging from 3 to 5 percent with a term that varies from 30 to 45 years.
- BEGIN Homeownership Program: The BEGIN Homeownership Program is a statewide program that helped low to moderate income first-time homebuyers. As of June 30, 2025, the outstanding

balance was 180,000. The loans have a 30-year term and do not accrue interest unless the balance is not paid upon the event of acceleration, in which case they start accruing one percent interest.

- Inclusionary Housing Homeownership Program: The Inclusionary Housing Homeownership Program aided low to moderate income homebuyers to purchase homes. As of June 30, 2025, the loans had an outstanding balance of \$675,000 to be paid over a 40-year term with 3 percent simple interest.
- Rehabilitation and Beautification: As of June 30, 2025, there was \$146,463 in outstanding loans in the Rehabilitation and Beautification Program. The Program aided low- and moderate-income homeowners with home repairs. The loans have a 3 percent simple interest rate over a 30-year term.
- Home Emergency Repair: The Home Emergency Repair Program had an outstanding balance of \$25,511 as of June 30, 2025. The program helped low to moderate income homeowners fund emergency repairs. These loans have a 10-year term with a 3 percent simple interest rate.

SENIOR RENTAL HOUSING LIMIT COMPLIANCE

The Housing Successor complies with the limit allowing no more than 50 percent of the total aggregate number of deed-restricted rental units produced within the preceding ten years to be restricted to seniors. The most recent ten-year period is FY 2015-16 through 2024-25. Due to the City electing to become the Housing Successor in February 2024, the Housing Successor, City, and former Agency have assisted no projects in the past ten years. Therefore, the City is in compliance with this requirement.

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. Any excess surplus must be expended or encumbered 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.

As detailed in Table 4 and described in last year’s annual report, the Housing Successor accumulated an excess surplus of \$2,745,141 in FY 2023-24. FY 2024-25 administrative expenditures reduced the

excess surplus to \$2,685,377. The Housing Successor must expend or encumber the remaining FY 2023-24 excess surplus by June 30, 2027 to avoid remitting funds to HCD.

| Table 4: Excess Surplus Elimination | |
|--------------------------------------------|---------------------|
| FY 24-25 Beginning Excess Surplus | \$ 2,745,141 |
| Expenditures FY 2024-25 | (59,765) |
| FY 2024-25 Remaining Excess Surplus | \$ 2,685,377 |
| <i>Source: City of Hercules</i> | |

As detailed in Table 5, the Housing Successor also accumulated an excess surplus in FY 2024-25. In an effort to not double count the available cash balance, Table 5 deducts the remaining FY 2023-24 excess surplus from the FY 2024-25 beginning cash balance. HSC allows for encumbered funds to be subtracted from the fund balance as part of the calculation. The FY 2024-25 beginning unencumbered cash balance of \$3,199,940 was higher than the sum of deposits in the prior four years of \$2,933,519, resulting in a FY 2024-25 excess surplus of \$266,421. The 2024-25 excess surplus must be encumbered or spent by June 30, 2028.

| Table 5: Excess Surplus FY 2024-25 | | |
|-----------------------------------------------------------------------|-------------------|---------------------|
| Step 1: Determine Unencumbered Cash Balance From Financials | | |
| FY 24-25 Beginning Cash Balance | | 5,885,317 |
| Less: 23-24 Remaining Excess Surplus | | (2,685,377) |
| Less: Encumbered Funds | \$ | - |
| Unencumbered Amount | | \$ 3,199,940 |
| Step 2: Determine Greater of \$1M or Last 4 Deposits | | |
| \$1 Million, or | \$ | 1,000,000 |
| Last 4 years' deposits | \$ | 2,933,519 |
| | 2023-24 \$ | 664,109 |
| | 2022-23 \$ | 633,761 |
| | 2021-22 \$ | 655,882 |
| | 2020-21 \$ | 979,767 |
| Result: Larger Number | | \$ 2,933,519 |
| Step 3: Excess Surplus is Amount Step 1 Exceeds Step 2, if Any | | |
| (1) Unencumbered Amount | \$ | 3,199,940 |
| (2) Less: Larger Number From Step 2 | \$ | 2,933,519 |
| Excess Surplus | | \$ 266,421 |
| <i>Source: City of Hercules</i> | | |

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.

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 6 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. No units were removed from the inventory in FY 2024-25.

| Table 6: Homeownership Unit Inventory | | |
|----------------------------------------------|-------------------|---------------------|
| Address | Expiration | Period (Yrs) |
| 1964 Redwood Road | 8/1/38 | 30 |
| 190 Manzanita Place | 7/1/37 | 30 |
| 16 Amber Court | 8/1/35 | 30 |
| 138 South Wildwood | 11/1/47 | 40 |
| 138 South Wildwood | 6/1/34 | 30 |
| 1209 Devonwood | 11/1/35 | 30 |
| 139 Robin Court | 9/1/38 | 30 |
| 139 Robin Court | 9/1/38 | 30 |
| 1015 Baywood Lane | 04/19/38 | 30 |
| 1015 Baywood Lane | 4/1/45 | 40 |
| 1439 Partridge | 11/1/38 | 30 |
| 2110 Pheasant Drive | 1/1/40 | 30 |
| 267 Florence Court | 7/1/40 | 30 |
| 240 Sunset Drive | 10/1/34 | 30 |
| 194 Glenwood | 1/1/35 | 30 |
| 1012 Baywood Lane | 04/19/38 | 30 |
| 1012 Baywood Lane | 2/1/45 | 40 |
| 1507 Chelsea | 7/1/55 | 45 |
| 1507 Chelsea | 2/1/39 | 30 |
| 402 Lighthouse Court | 1/1/37 | 30 |
| 124 Glenwood | 10/1/38 | 30 |
| 2247 Redwood Road | 1/1/36 | 30 |
| 160 Tanager Way | 6/1/38 | 30 |
| 2268 Redwood | 7/1/38 | 30 |
| 1045 Baywood Lane | 04/19/38 | 30 |
| 175 Palermo Court | 11/1/35 | 30 |
| 1018 Baywood Lane | 04/19/38 | 30 |
| 1018 Baywood Lane | 5/1/45 | 40 |
| 504 Bristol | 8/1/35 | 30 |
| 1027 Baywood Lane | 02/01/45 | 40 |
| 1027 Baywood Lane | 4/19/38 | 30 |
| 145 Bedford | 7/1/49 | 40 |
| 145 Bedford | 2/1/39 | 30 |
| 145 Bedford | 11/1/36 | 30 |
| 1501 Forest Run | 5/1/40 | 30 |
| 141 Glenwood | 4/1/38 | 30 |
| 11 Pinnacle | 12/1/39 | 30 |
| 226 Apollo | 1/1/37 | 30 |
| 1039 Baywood | 11/1/39 | 30 |
| 1039 Baywood Lane | 10/15/49 | 40 |
| 305 Devonwood | 9/1/37 | 30 |
| 1009 Baywood Lane | 04/19/38 | 30 |
| 710 Windsor Street | 12/1/35 | 30 |

Source: City of Hercules

APPENDIX 1 – HOUSING ASSET TRANSFER FORM

Attached as a separate document.

APPENDIX 2 - HOUSING SUCCESSOR ANNUAL REPORT REQUIREMENTS

Health and Safety Code Section 34176.1(f)

| | |
|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Housing Asset Fund Revenues & Expenditures</p> | <p>Total amount deposited in the Housing Asset Fund for the fiscal year.</p> <p>Amount of deposits funded by a Recognized Obligation Payment Schedule (“ROPS”).</p> <p>Statement of balance at the close of the fiscal year.</p> <p>Description of Expenditures for the fiscal year, broken out as follows:</p> <ul style="list-style-type: none"> • Homeless prevention and rapid rehousing • Administrative and monitoring • Housing development expenses by income level assisted <p>Description of any transfers to another housing successor for a joint project.</p> |
| <p>Other Assets and Active Projects</p> | <p>Description of any project(s) funded through the ROPS.</p> <p>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).</p> <p>Other “portfolio” balances, including:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> |
| <p>Obligations & Proportionality</p> | <p>Description of any outstanding production obligations of the former Agency that were inherited by the Housing Successor.</p> <p>Compliance with proportionality requirements (income group targets), which must be upheld on a five-year cycle.</p> <p>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.</p> <p>Amount of any excess surplus, and, if any, the plan for eliminating it.</p> |

APPENDIX 3 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS

| Health and Safety Code Section 34176.1 | | |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expense Category | Limits | Allowable Uses |
| <p>Administration and Compliance Monitoring</p> <p><i>Annual Limit</i></p> | <p>\$309,556 for FY 2024-25</p> <p><i>Limit varies each year</i></p> | <p>Administrative activities such as:</p> <ul style="list-style-type: none"> 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 <p>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.</p> |
| <p>Homeless Prevention and Rapid Rehousing Solutions</p> <p><i>Annual Limit</i></p> | <p>\$500,000 maximum per fiscal year</p> | <ul style="list-style-type: none"> 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. |
| <p>Affordable Housing Development</p> | <p>No spending limit, but must comply with income and age targets</p> | <p>"Development" includes:</p> <ul style="list-style-type: none"> 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 |
|------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>Income Targets</p> <p><i>Fixed Five-Year Compliance Period</i></p> <p><i>(Current Period: FY 2024-25 to 2028-29)</i></p> | <p>Every five years, Housing Asset Funds must meet income targets:</p> <ul style="list-style-type: none"> • 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) <p>Moderate and above moderate-income households may not be assisted (above 80% AMI).</p> <p>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.</p> <p>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.</p> |
| | <p>Age Targets</p> <p><i>Rolling Ten-Year Period</i></p> | <p>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.</p> |