
HOUSING SUCCESSOR AGENCY ANNUAL REPORT

City of Pinole
(Housing Successor to the former
Pinole Redevelopment Agency)

FY 2016-17



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INTRODUCTION

The City of Pinole (“City”) is the Housing Successor Agency to the former Pinole Redevelopment Agency (“Agency”), which was dissolved on February 1, 2012. With dissolution, the former Agency’s affordable housing rights, powers, assets, liabilities, duties, and obligations, excluding any amounts in the Agency’s Low- and Moderate-Income Housing Fund, were transferred to the City. The housing assets and liabilities were transferred to the City through a Housing Asset Transfer Form approved by the Department of Finance (“DOF”) on February 15, 2013.

This Housing Successor Agency Annual Report contains information on Fiscal Year 2016-17 finances and activities as required by Health and Safety Code (“HSC”) Section 34176.1(f), enacted by Senate Bill (“SB”) 341 and Assembly Bill (“AB”) 1793.

REPORTING REQUIREMENTS FOR HOUSING SUCCESSOR AGENCIES

SB 341 (2013-14), AB 1793 (2013-14), SB 107 (2015-16), and AB 346 (2017-18) amended sections of the HSC pertaining largely to redevelopment successor housing agencies. SB 341 clarified that all former redevelopment agency housing assets must be maintained in a separate fund called the Low and Moderate Income Housing Asset Fund (“Housing Asset Fund”). HSC Section 34176.1(f) contains a series of annual reporting requirements for housing successor agencies regarding Housing Asset Funds (deposits, expenditures, fund balance, property disposition, etc.). An annual report is due to the California Department of Housing and Community Development (“HCD”) by April 1st each year.

SB 341 requires that housing successor agencies must also conduct an independent financial audit of the Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction. The City’s Comprehensive Annual Financial Report (“CAFR”) for Fiscal Year 2016-17 was being prepared at the time of this report and will be posted on the City’s website. It includes an audit of the Housing Asset Fund.¹

¹ The financial information presented in this report is based on trial balances provided before the City’s CAFR was complete.

In accordance with HSC Section 34176.1(f), certain data must now be reported annually for the Housing Asset Fund. These requirements are presented in the following table:

Revenues & Expenditures	Other Assets and Active Projects	Obligations & Proportionality
Total amount deposited in the Housing Asset Fund for the fiscal year	Description of any housing project(s) still funded through the Recognized Obligation Payment Schedule ("ROPS")	Description of any outstanding production obligations of the former Agency that are inherited by the City
Statement of balance at the close of the fiscal year	Update on property disposition for any property owned by the housing successor agency more than five years or plans for property owned less than five years	Compliance with proportionality requirements (income group targets), which must be upheld on a five-year cycle
<p>Description of Expenditures for the fiscal year, broken out as follows:</p> <ul style="list-style-type: none"> • Homeless prevention and rapid rehousing solutions (up to \$250,000 per year, if qualified); • Administrative expenses (greater of \$200,000 adjusted annually for inflation or 5% of "portfolio" per year); • Monitoring expenses (included as an administrative expense); • All other expenditures must be reported as spent for each income group as defined in SB 341 	<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 (note that the City may only hold property for five years); • Value of loans and grants receivable 	Percentage of deed-restricted rental housing restricted to seniors and assisted by the entity assuming housing functions, the former Agency, or the County within the past ten years compared to the total number of units assisted by any of those three agencies
Description of any transfers to another housing successor for a joint project	Inventory of homeownership units assisted by the former Agency or the City 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	Amount of any excess surplus, and, if any, the plan for eliminating it

ASSETS TRANSFERRED TO THE HOUSING SUCCESSOR

According to HSC Section 34176(e), housing assets may include the following:

- Real property;
- Restrictions on the use of property;
- Personal property in a residence;
- Housing-related files;
- Office supplies and software programs acquired for low-and moderate-income purposes;
- Funds encumbered by an enforceable obligation;
- Loan or grant receivables funded from the former Low- and Moderate- Income Housing Fund (“LMIHF”);
- Funds derived from rents or operation of properties acquired for low- and moderate-income housing purposes;
- Rents or payments from housing tenants or operators of low- and moderate-income housing; and
- Repayment of Supplemental Educational Revenue Augmentation Fund loans.

The City prepared a Housing Asset Transfer Form in 2012 that provided an inventory of all assets transferred from the Agency to the City following the dissolution of redevelopment. This included:

1. Real property;
2. Personal property;
3. Low-Mod Encumbrances;
4. Loans/Grants Receivables;
5. Rents/Operations; and
6. Deferrals.

Funds encumbered by an enforceable obligation

All items on the Housing Asset Transfer Form (attached as Appendix A) were approved by the California Department of Finance (“DOF”) on February 15, 2013.

LOW AND MODERATE INCOME HOUSING ASSET FUND

The Housing Asset Fund replaced the former Agency’s Low- and Moderate- Income Housing Fund. It includes all assets that were transferred from the Agency to the City via the Housing Asset Transfer Form.

HOUSING ASSET FUND DEPOSITS AND ENDING BALANCE

The City deposited \$286,042 into the Housing Asset Fund during Fiscal Year 2016-17. Revenues were from investment earnings, ground lease income, loan repayment, and miscellaneous other income sources.

Fiscal Year 2016-17 Housing Asset Fund Deposits **Table 1**
City of Pinole

Revenue Source	Amount
Investment Earnings	(12,216)
Ground Lease Income	72,253
Misc. Income	35,000
Loan Repayment	141,358
	236,396

Source: City of Pinole

At the close of fiscal year 2016-17, the ending balance in the Housing Asset Fund was \$8,138,257. No amounts are held to pay for enforceable obligations on the Pinole Successor Agency’s ROPS.

Fiscal Year 2016-17 Housing Asset Fund Ending Balance **Table 2**
City of Pinole

Balance Type	Amount ¹
Cash	1,373,042
Land	2,591,393
Loans Receivable	4,173,822
	\$ 8,138,257

¹ The Housing Asset Fund Balance Sheet reflects an additional \$6.1 million for a Pinole Assisted Living account limited to correcting construction deficiencies by a legal settlement. However, settlement proceeds are legally City funds and therefore, were not transferred to the Housing Successor on the Housing Asset Transfer Form. These funds are not subject to SB 341 limits. Remaining funds will be transferred to the General Fund after the property is sold and are not a future Housing Asset.

Source: City of Pinole

EXPENDITURE LIMITATIONS

SB 341 provides the following guidelines for expenditures from the Housing Asset Fund:

1. Administrative costs, which include housing monitoring, are capped at \$200,000 annually adjusted for inflation, or 5% of the statutory value of land owned by the housing successor and of loans and grants receivable.
2. A housing successor is authorized to spend up to \$250,000 per year on homeless prevention and rapid rehousing solutions for homelessness if the former Agency did not have any outstanding housing production requirements. The former Agency had a surplus of over 100 inclusionary units at the time the last Implementation Plan was prepared in 2009. Therefore, the City as Housing Successor is permitted to make expenditures in this category.
3. Remaining allowable expenditures must be spent to improve housing options affordable to households in the following income groups:
 - households earning 30% or less of the Area Median Income (“AMI”); and
 - households earning 31% to 80% of the AMI.

This means that no funding may be spent on moderate income households who earn 81% to 120% of the AMI, as was previously authorized by redevelopment law.

Of the money expended, a minimum of 30% must go towards the development of rental housing affordable to households who earn 30% or less of the AMI (“Extremely Low-Income” households). A maximum of 20% may go towards the development of housing affordable households earning between 60% to 80% of the AMI (“Lower-Income” households).

Note that housing successors must report expenditures by category each year, but compliance is measured every five years. For example, a housing successor could spend all of its funds in a single year on Lower-Income households, as long as it was 20% or less of the total expenditures during the five-year compliance period. The first five-year compliance period began on January 1, 2014 (when SB 341 became effective) and ends on June 30, 2019. Compliance will be evaluated in the annual report for Fiscal Year 2018-19.

Table 3 summarizes Housing Asset Fund expenditures in Fiscal Year 2016-17, and program-related expenditures since the beginning of the five-year compliance period from January 1, 2014 through June 30, 2019.

Housing Asset Fund Expenditures

Table 3

City of Pinole

Expenditures in FY 2016-17

	Admin/ Monitoring ¹	Rapid Rehousing	Ext. Low Rental Units	Other Units	< 30% AMI	31-59% AMI	60-80% AMI
Annual Total	\$145,706	\$0	\$0	\$0	\$0	\$0	\$0

Compliance with Annual and Five-Year Limits

	Annual Limit 2016-17		Five-Year Compliance Period January 1, 2014 through June 30, 2019				
Total Expenditures			\$0	\$0	\$0	\$0	\$0
2013-14 ²	\$102,510	\$0	\$0	\$0	\$0	\$0	\$0
2014-15	\$101,181	\$0	\$0	\$0	\$0	\$0	\$0
2015-16	\$55,172	\$0	\$0	\$0	\$0	\$0	\$0
2016-17	\$145,706	\$0	\$0	\$0	\$0	\$0	\$0
SB 341 Limitation	\$338,261	\$250,000	>30%	<70%	>30%	N/A	<20%
Compliant (Yes/No)	Yes	Yes	Yes	Yes	Yes	N/A	Yes

¹ The annual limit is the greater of \$200,000 per year adjusted for inflation or 5% of the value of real properties and loans receivable.

²Excludes expenditures on Pinole Assisted Living Rehabilitation funded by a legal settlement that are not subject to SB 341 limitations.

Source: City of Pinole

All Housing Asset Fund expenditures have been administrative since the beginning of the first five-year compliance period on January 1, 2014. Staff will ensure that future expenditures meet proportionality requirements.

STATUTORY VALUE OF REAL PROPERTIES AND LOAN RECEIVABLES

The City must report the statutory value of real properties formerly owned by the Agency or purchased by the City with Housing Asset Funds, and the value of loans and/or grant receivables transferred on the Housing Asset Transfer Form. The City inherited 5 real properties, 36 loan agreements, and 2 deferrals from the former Agency.

Table 4 shows the total value of real properties and loans receivable. The Housing Asset Transfer Form in Appendix A shows more detailed information about each loan receivable.

Fiscal Year 2016-17 Real Properties and Receivables **Table 4**
City of Pinole

Asset	Value
Real Properties	
Grove Land (Samuel Street)	62
Faria House Land (2100 San Pablo Ave)	355,000
Pinole Assisted Living Land (2850 Estate Ave)	1,369,323
Collins Housing (612 Tennent Ave)	625,000
Vacant Land (811 San Pablo Ave)	242,008
Subtotal	\$ 2,591,393
Loans Receivable¹	4,173,822
Total	\$ 6,765,215

¹ Several loans receivable have no annual payments and are forgivable or deferred. The Agency receives monthly payments from six First-Time Homebuyer and Housing Rehabilitation Loans that have an outstanding principal balance of approximately \$140,000. The Former Agency also had an outstanding SERAF Loan for \$4.3 million.

Source: City of Pinole

PROPERTY DEVELOPMENT & DISPOSITION

When the City assumed the Agency's housing assets and functions, the former Agency transferred five properties to the City. Each property and their current status is described below.

- Grove Vacant Land (Samuel Street): This property must remain vacant for an adjacent property pursuant to a Development and Disposition Agreement.
- Faria House Vacant Land (2100 San Pablo Avenue): This 2.3-acre parcel of vacant land cannot be sold. The Successor intends to write off the land value of this property.
- Pinole Assisted Living Land (2850 Estate Avenue): The former Agency owned the land under the Pinole Assisted Living Community. The property is currently being sold. The Agency will receive the value of the land from the sales proceeds, which will be deposited into the Housing Asset Fund and spent as required by law.
- Collins House (612 Tennent Avenue): This Successor plans on selling this 5,000-square foot property and depositing proceeds into the Housing Asset Fund.

- Vacant Land (811 San Pablo Avenue): The Successor plans on issuing a Notice of Funding Availability / Request for Proposals to develop this property. Depending on the proposals received, the property will either be developed with affordable housing or sold with sales proceeds deposited into the Housing Asset Fund.

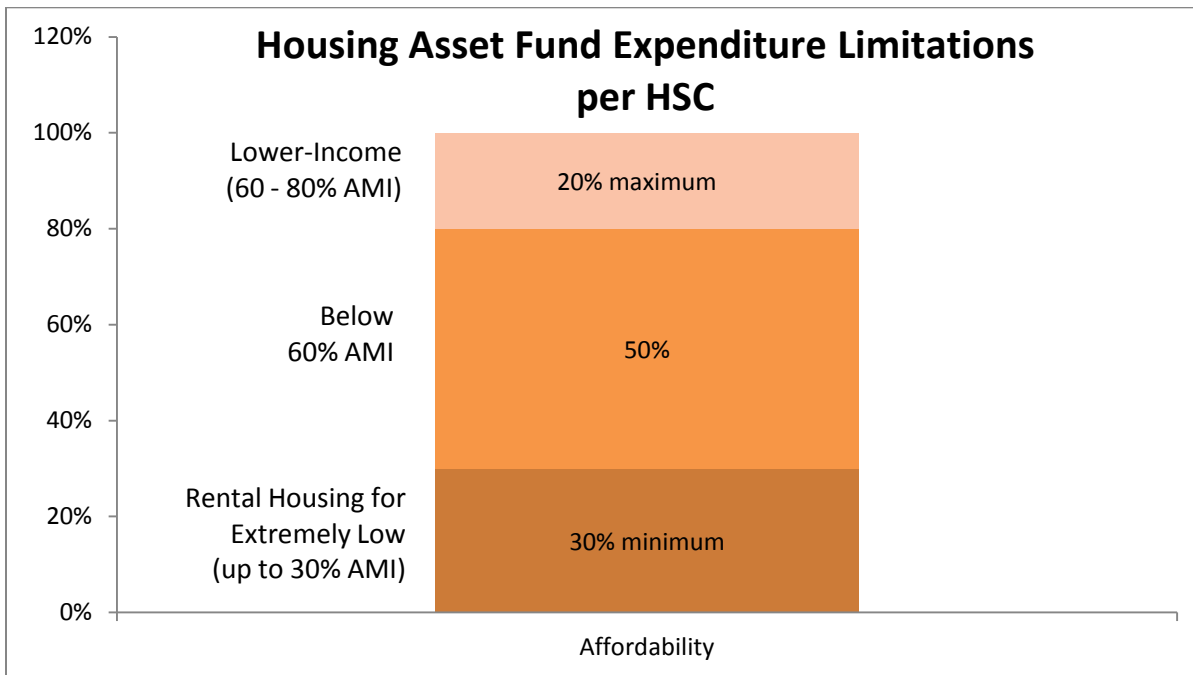
HSC Sections 33334.16 and 34176.1(e) require the City to initiate activities to develop affordable housing on these properties within five years from the date the Department of Finance (“DOF”) approved the transfer of the properties as housing assets from the former Agency to the City, or February 15, 2018. This deadline may be extended one time for up to five years, or to February 15, 2023. All property is either restricted or the Successor has had discussions to initiate development. The Successor extended the deadline to February 15, 2023, by action of the City Council on November 21, 2017.

OUTSTANDING INCLUSIONARY AND REPLACEMENT HOUSING OBLIGATIONS

At the time that the former Agency’s last Affordable Housing Compliance Plan was prepared in 2009, the former Agency had a surplus of over 100 inclusionary housing units. There are no outstanding inclusionary or replacement housing obligations of the former Agency to be fulfilled by the City.

INCOME EXPENDITURE PROPORTIONALITY

Project and program related expenditures from the Housing Asset Fund shall be limited to the development of housing affordable to and occupied by households earning 80% or less of the AMI, with at least (not less than) 30% of expenditures for rental housing for Extremely Low-Income households and not more than 20% of the expenditures for the development of housing for Lower-Income households. This is illustrated in the following chart.



Failure to comply with the Extremely Low-Income requirement in any five-year compliance period will result in the City having to ensure that 50% of remaining funds be spent on Extremely Low-Income rental units until in compliance. Exceeding the expenditure limit for Lower-Income households in any five-year reporting period will result in the City not being able to expend any funds on that income category until in compliance.

The City, as Housing Successor, has not incurred any project-related expenditures since the beginning of the first five-year compliance period on January 1, 2014. The City will ensure that it adheres to all expenditure limitations by the end of the five-year compliance period.

SENIOR HOUSING EXPENDITURE PROPORTIONALITY

This report must include an accounting of deed-restricted senior rental units that were produced over the last 10 years. The City may use Housing Asset Funds to assist no more than 50% of the aggregate total number of senior housing units produced by either the City or former Agency during the past 10 years. Exceeding this limitation will prohibit the use of Housing Asset Funds to subsidize any senior rental units in the future.

As shown in Table 5, the City and former Agency assisted 1 property in the last ten years, of which 100% of the units are restricted to seniors. The City may not spend Housing Asset Funds subsidizing senior rental units until no more than 50% of the total aggregate number of

rental units at all affordability levels produced within the preceding 10 years are restricted to seniors.

Deed-Restricted Rental Units Assisted since FY 2007-08 **Table 5**
City of Pinole

Property Address	# Restricted Units	# Senior Restricted Units	Year(s) Assisted	Covenant Expires
800 John Street	69	69	FY 2011-12	9/1/2066
Total	69	69		
% Senior Units		100%		

Source: City of Pinole

EXCESS SURPLUS

Excess surplus calculations were once performed by redevelopment agencies on an annual basis, and were intended to ensure that funds are expended to benefit low-income households in a timely manner. SB 341 reinstates this calculation for housing successors. Fiscal Year 2016-17 is the first year the excess surplus can be calculated. The Housing Asset Fund has no excess surplus for Fiscal Year 2016-17, as shown in Table 6. If there is an excess surplus in the Housing Asset Fund in the future, the Successor must expend or encumber excess surplus within three fiscal years. If the Successor fails to comply, the Successor must transfer excess surplus to HCD within ninety days of the end of the third fiscal year.

Excess Surplus Calculation **Table 6**
City of Pinole

Fiscal Year	Aggregate Deposits	Ending Cash Balance	Estimated Excess Surplus
2012-13	\$ 284,989		n/a
2013-14	\$ 511,803		n/a
2014-15	\$ 997,042		n/a
2015-16	\$ 243,527		n/a
2016-17	\$ 236,396	\$ 1,373,042	\$ -
Deposits FYE 2013-2016			\$ 2,037,361
Cash Balance as of 6/30/17			\$ 1,373,042
Excess Surplus as of 6/30/17			\$ -

Source: City of Pinole

INVENTORY OF HOMEOWNERSHIP UNITS

AB 1793 requires this report to include an 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 moneys from the LMIHF. Five homeownership units are subject to this provision, listed in Table 7.

Agency-Assisted Homeownership Unit Inventory **Table 7**
City of Pinole

Project Name	Covenant Term	# Units
Maiden Lane - 620 Maiden Lane	11/2/2009-10/30/2054	1
Maiden Lane - 609 Maiden Lane	9/22/2009-9/17/2054	1
Heritage Park - 2051 Buena Vista Drive	9/23/2011-9/23/2056	1
Heritage Park - 2061 Buena Vista Drive	8/31/2011-8/31/2056	1
Heritage Park - 2071 Buena Vista Drive	11/7/2011-11/7/2056	1

Source: City of Pinole

DEPOSITS FROM CITY TO AGENCY LOAN REPAYMENTS

HSC Section 34191.4(b)(3)(C) requires that twenty percent of any loan repayment made from a successor agency to a City for a loan to the former redevelopment agency be deducted from the loan repayment amount and transferred to the Housing Asset Fund. There were no loan repayments made to the City in FY 2016-17, so no monies were deposited in to the Housing Asset Fund based on this provision of the law.

APPENDIX A – HOUSING ASSET TRANSFER FORM
