

COUNTY OF SANTA CRUZ
FISCAL YEAR 2023-2024
HOUSING SUCCESSOR ANNUAL REPORT ON ITS
LOW- AND MODERATE-INCOME HOUSING ASSET FUND (LMIHAF)
PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)

This Housing Successor Annual Report (Report) on 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 February 24, 2025. This Report sets forth certain details of the COUNTY OF SANTA CRUZ HOUSING SUCCESSOR AGENCY (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 County of Santa Cruz staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund COUNTY OF SANTA CRUZ for Fiscal Year 2023-2024 (Fiscal Year) as prepared by BROWN ARMSTRONG (Audit), which Audit is separate from this annual summary Report; further, this Report conforms with and is organized into sections I through XI., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

1. **Amount the County received from loans** pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.
2. **Amount Deposited into LMIHAF** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) of paragraph (3) of subdivision (b) of Section 34191.4, amounts deposited for other items listed on the Recognized obligation Payment Schedule (ROPS) and other amounts deposited.
3. **Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for item listed on the ROPS must be distinguished from the other amounts deposited.
4. **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.
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 transfer 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 or 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 had 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.
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 the five-year period, with the time period beginning January 1, 2014; and whether the statutory thresholds have been met. Reporting on the Income Test was not required until 2019.
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 January 1, 2014, to January 1, 2024
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 Assisted:** 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 (A) the number of those units; (B) the number of units lost to the portfolio after February 1, 2012; (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; and (D) whether the housing successor has contracted with any outside entity for the management of the units.

This Report is to be provided to the Housing Successor's governing body and the State of California by April 1 of each year. In addition, this Report and the former Santa Cruz County Redevelopment Agency's pre-dissolution Implementation Plans are made available to the public on the County's website:

<http://www.sccoplanning.com/PlanningHome/Housing/OtherResources/HousingSuccessorAgencyReports.aspx>

1. AMOUNT THE COUNTY RECEIVED FROM LOANS PURSUANT TO SUBPARAGRAPH (A) OF PARAGRAPH (3) OF SUBDIVISION (b) OF SECTION 34191.4.

The County has not received any loans or loan funds pursuant to this Section.

2. AMOUNT DEPOSITED INTO LMIHAF

A total of **\$1,250,047** was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, a total of **\$0** was held for items listed on the ROPS.

3. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was **\$997,132**, of which **\$0** was held for items listed on the ROPS.

4. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following table provides a description of expenditures from the LMIHAF by category. For Housing Development expenditures, subtotals are provided for each income category of assisted units.

Expenditures	Fiscal Year 2023-24
Monitoring & Administration	\$393,982
Homeless Prevention and Rapid Rehousing Services	\$174,665
Housing Development Expenditures <i>Subtotals below</i>	\$478,703
• Low Income Units	\$0 (0%)
• Very Low Income Units	\$ (0%)
• Extremely Low Income (ELI) Units	\$478,703 (100%)
Total LMIHAF Expenditures in Fiscal Year	\$1,047,350

One of the expenditures in FY 2023/24 consisted of State grant funds (Permanent Local Housing Allocation or PLHA) funds budgeted in the LMIHAF pursuant to “Activity 4” of the State PLHA guidelines. Activity 4 is a matching program where PLHA grant funds are awarded to the County for deposit into its LMIHAF. The PLHA funds can then be used for housing activities consistent with both the PLHA guidelines and state law that regulates use of LMIHAF. This PLHA expenditure consisted of a predevelopment loan of \$101,871 to CFSC, Inc. made in July 2023 to support its development of an 11-unit housing project, known as the Freedom House Homekey project, for extremely low-income, at-risk young adults. The entire loan amount was encumbered (incurred) within the LMIHAF budget in July 2023. Nearly \$79,000 of those loan funds were disbursed in FY 2023/24, as shown in the table above, with the remainder of the loan proceeds disbursed in the following fiscal year and thus not included in the table above. The PLHA grants are funded by the State on a reimbursement basis. Reimbursement for the CFSC loan was not received until the following fiscal year (FY 2024-25), so that PLHA revenue is not reflected in this report, but will show up in next year’s report. The other major expenditure made to support ELI units in FY 2023/24, as shown in the above table, was a disbursement of \$400,000 in LMIHAF loan proceeds pursuant to a different County loan made to assist another Homekey project (Park Haven Plaza).

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.

As of End of Fiscal Year 2022-23	
Statutory Value of Real Property Owned by Housing Successor	\$ 1,235,527
Value of Loans and Grants Receivable	\$78,150,160
Total Value of Housing Successor Assets	\$79,385,687

6. DESCRIPTION OF TRANSFERS

N/A. 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

N/A. The Housing Successor does not receive or hold property tax revenue 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; 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 table provides a status update on the real property housing assets acquired prior to February 1, 2012, and compliance with the five-year deadline to initiate development:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
522 Capitola Rd. Ext., Santa Cruz, CA 95062	10/18/2006	7/3/2017	Leased for affordable housing purpose
111 Atherton Loop, Aptos, CA 95003	04/14/2009	7/3/2017	Leased for affordable housing purpose
755 14 th Ave. #108, Santa Cruz, CA 95062	01/20/2011	7/3/2017	Rented to qualified household for affordable rent
1715 Westhaven Ct., #C, Santa Cruz, CA 95062	05/06/2011	7/3/2017	Rented to qualified household for affordable rent
2340 Harper St., Santa Cruz, CA 95062	1/17/97 (Housing Successor Asset in 1/8/2014)	1/8/2019	Sold to Habitat for Humanity on March 13, 2020, pursuant to 2018 Option and 2019 Disposition Agreement.

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. The former redevelopment agency’s Implementation Plans are posted on the County’s website at: <http://sccounty01.co.santa-cruz.ca.us/red/2010-2014%20IP%20FINAL2.pdf>.

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 County’s website at: <http://sccounty01.co.santa-cruz.ca.us/red/reportsandstudies.html>.

10. EXTREMELY LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of 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 (ELI) requirement in any five-year report period, then it must spend at least 50% of the funds remaining in the LMIHAF in each subsequent fiscal year (following such a report) on ELI households (those with incomes at or below 30% of AMI) until the Housing Successor demonstrates compliance with this requirement. This information was required to be reported beginning in 2019 for the first 5-year period (FY 2014/15 through FY 2018/2019).

Extremely Low Income Expenditures Test FY 2019/20 through FY 2023/24 (July 1, 2019, through June 30, 2024)	
LMIHAF Spent on Extremely Low Income Housing Amount Spent on ELI Units in 5-Year Period = A	\$3,032,069
Total LMIHAF Spent in 5-Year Period * Total LMIHAF Spent = B	\$9,420,617
Extremely Low Income Test A / B = Percent of LMIHAF Spent on ELI Units in 5-year period	32%

* Total does not include Monitoring/Administration and Homeless Prevention/Rapid Rehousing Expenditures

11. 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 County 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 the County 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 County 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 2015 through 2024.

Senior Housing Test <i>2015-2024 Calendar Years</i>	Number of Rental Units
A. Assisted Rental Units Restricted to Seniors	40
B. Total Assisted Rental Units	251
C. Percent of Total Assisted Rental Units Restricted to Occupancy by Seniors (A / B = C)	15.9%

12. 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:

	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Beginning Balance	\$6,039,862	\$1,340,407	\$1,023,773	\$794,435
Add: Deposits	\$1,578,681	\$881,744	\$1,068,948	\$1,250,047
(Less) Expenditures	(\$6,278,136)	(\$1,198,378)	(\$1,298,286)	(\$1,047,350)
Ending Balance	\$1,340,407	\$1,023,773	\$794,435	\$997,132

The LMIHAF does not have an Excess Surplus, because the ending balance of \$997,132 is less than the total deposits for the prior four Fiscal Years (\$3,782,288).

Additional Questions pursuant to AB 1793 of the 2013-14 Legislative session, which amended H&S § 34176.1(f):

13. INVENTORY OF HOMEOWNERSHIP UNITS ASSISTED

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 monies from the Low- and Moderate-Income Housing Asset fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

- A. Number of assisted units subject to the above requirements;
- B. Number of assisted units lost to the portfolio during the Fiscal Year, and reason for those losses;
- 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 LMIHF; and
- 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.

INVENTORY OF HOMEOWNERSHIP UNITS ASSISTED	
A. Number of Homeownership Units Assisted with LMIHAF in Inventory as of July 1, 2024	309
B. Units lost to the portfolio in FY 2023/24, and reason for those losses: <i>Loan Payment in Full (for assisted mobile homes)</i>	5
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 LMIHAF	\$524,646
D. The County has not contracted with any outside entity to manage these units. The Planning Division of the Community Development and Infrastructure Department manages the Assisted Homeownership Units Portfolio.	No