

# **Guidelines for Compliance Audits California Redevelopment Agencies**



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# Contents

<b>Introduction</b> .....	1
<b>A. Financial Disclosure and Reporting</b> .....	2
<b>B. Affordable Housing</b> .....	6
<b>C. Five-Year Implementation Plans</b> .....	11
<b>D. Redevelopment Plans</b> .....	13
<b>E. Public Notification</b> .....	16
<b>F. Conflict of Interest</b> .....	17
<b>Notes</b> .....	18
<b>Appendices</b>	
<b>Appendix A—Compliance and Internal Control Report Example</b> .....	A-1 — A-2
<b>Appendix B—Excess Surplus Calculation Procedures and Examples</b> .....	B-1 — B-40
<b>Appendix C—Housing Assistance</b> .....	C-1 — C-3

# Introduction

These Compliance Audit Guidelines have been prepared to assist independent auditors in developing a program for performing the legal compliance audit work that is necessary to issue a report on compliance with state laws, regulations, and administrative requirements governing activities of redevelopment agencies (RDA).

The laws and regulations governing redevelopment agencies are found in the Health and Safety Code section 33000 et. seq., and Title 25, Division 1, Chapter 6 of the *California Code of Regulations*. Pursuant to Health and Safety Code section 33080.1, every redevelopment agency shall have an independent financial audit performed annually in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. At a minimum, the audit report must meet the audit guidelines issued by the California State Controller's Office and also include a report on the agency's compliance with laws, regulations, and administrative requirements governing the activities of the agency, and a calculation of the excess surplus in the Low and Moderate Income Housing Fund. (SAS 117 and Health and Safety Code section 33334.12[g]) As such, the independent auditor will issue a report on legal compliance. A sample report is presented in Appendix A of this guide.

These guidelines are not intended to set limits on the extent of work to be performed or to be an all-inclusive manual of audit procedures. The decision to apply additional procedures should be based on a consideration of which procedures are sufficient to achieve the audit objectives. Terms such as "verify" and "test" are used to describe the general nature of audit procedures. However, as a practical matter, the practitioner must decide on the scope and method that is most appropriate in each circumstance. Therefore, auditors will exercise their professional judgment regarding the selection of auditing procedures. Additionally, there may be other laws or rules that apply to a particular agency that are not addressed in this guide and may be known only at local government levels. In all audits, the auditor must inquire about the existence of any special legislation that may materially affect the particular redevelopment agency under audit and consider its impact on the selection of audit procedures. Examples may include a requirement to deposit more than 20% of the gross tax increment allocated to the RDA in the Low and Moderate Income Housing Fund or limits on activities or legislative authorization to use tax increment monies for non-redevelopment issues. There is no "safe harbor."

Questions regarding these engagements and responsibilities should be addressed to the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants, 1201 K Street, Suite 1000, Sacramento, CA 95814, (916) 441-5351, or to the committee's website at <http://www.calcpa.org/GAAwhitepapers>. They may also be directed to the State Controller's Office, Division of Audits, P.O. Box 942850, Sacramento, CA 94250-5874, (916) 324-8907. These guidelines are available on the State Controller's website at <http://www.sco.ca.gov>.

These guidelines include only excerpts from the applicable code sections; the actual code sections should be consulted in determining the full agency compliance requirements. These laws are available at the Legislative Counsel's website at <http://www.leginfo.ca.gov>.

In determining compliance using *Government Auditing Standards*, an independent auditor should adopt and apply AU Section 801.

Health and Safety Code section 33080.1 specifies the proper distribution of the audit report. This distribution is the responsibility of the redevelopment agency.

# A. Financial Disclosure and Reporting

## Compliance Requirements

1. The agency is responsible for maintaining an accounting and reporting system that adheres to generally accepted accounting principles (GAAP) for governmental operations. The State Controller's Office (SCO) prescribes a uniform system of accounts, which provides a basic outline of accounts and a fund structure. This system is flexible enough to allow modification for different situations, but contains the fundamental requirement that GAAP must be followed.
2. The agency must present an annual report to its legislative body and the SCO within six months of the end of a fiscal year (generally, December 31). The annual report shall contain all of the information required under Health and Safety Code section 33080.1.

## Audit Objectives

1. Render an opinion on the fair presentation and conformity to GAAP of the RDA's financial statements and notes to the financial statements in the agency's general-purpose financial statements. Present a full disclosure of the RDA's general-purpose financial statements.
2. Render a compliance opinion on whether the agency complied in all material respects with applicable compliance requirements (AU Section 801). The auditor should assess materiality in relation to the redevelopment program taken as a whole.
  - a. Assure that there are no major violations as defined in Health and Safety Code section 33080.8(j) or to list the violations found.
  - b. Assure that there are no other compliance violations, or to list the violations found.
3. Determine whether required reports for the legislative body and the SCO were completed and submitted by the required date.

## Recommended Audit Procedures

The independent auditor must perform an independent financial audit of the agency in accordance with *Government Auditing Standards*, established by the Comptroller General of the United States, and of Generally Accepted Auditing Standards, established by the American Institute of Certified Public Accountants. Note that, in December 2009, the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) issued the Statement on Auditing Standards (SAS) No. 117, "*Compliance Audit*" to supersede SAS No. 74 and to reflect changes in the compliance environment.

1. Verify that the agency's financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) for governmental operations.
2. Verify that the Low and Moderate Income Housing Fund has been established and is reported as a separate fund in the agency's financial statements (Health and Safety Code section 33334.3). Verify that the housing set aside is calculated and accounted for separately for each project area. The project areas housing set aside requirement may be accounted for separately (by project area in Low and Moderate Housing Fund) or combined in a single Low and Moderate Income Housing Fund in the financial statements.

3. Verify that the agency adopted a budget for the fiscal year being audited, and that it contained all of the following specific information listed below, including all activities to be financed by the Low and Moderate Income Housing Fund:
  - a. The proposed expenditures of the agency.
  - b. The proposed indebtedness to be incurred by the agency.
  - c. The anticipated revenues of the agency.
  - d. The work program for the coming year, including goals.
  - e. An examination of the previous year's achievements and a comparison of the achievements with the goals of the previous year's work program. The annual budget may be amended from time to time as determined by the agency. All expenditures and indebtedness of the agency shall be in conformity with the adopted or amended budget. (Health and Safety Code section 33606)
4. Verify that the agency applies, in all material respects, the procedures for accounting and reporting, for purposes of annual reporting of financial transactions to the State Controller, as prescribed by the State Controller. (Government Code sections 53891, 53892, and 12463.3)

It may be helpful to review the SCO's publication of its prescribed Uniform Accounting System for Redevelopment Agencies and the Annual Report of Financial Transactions of Community Redevelopment Agencies with filing instructions. The Uniform Accounting System requires that agencies report their financial information in a specified format with specified accounts. Although an agency's ongoing system may not use the same classifications or account titles, information reported in the Annual Report of Financial Transactions to the SCO should be reconcilable with the agency's (audited) financial statements.

5. Verify that no major or other material compliance audit violations exist. A major audit violation means that, for the fiscal year in question, an agency did not do any of the following:
  - a. File an independent financial audit report that substantially conforms to the requirements of subdivision (a) of Section 33080.1.
  - b. File a fiscal statement that includes substantially all of the information required by Section 33080.5.
  - c. Establish time limits, as required by Section 33333.6.
  - d. Deposit all required tax increment revenues directly into the Low and Moderate Income Housing Fund upon receipt (if not upon receipt, appropriate interest should be accrued), as required by Section 33334.3, 33334.6, 33487, or 33492.16.
  - e. Establish a Low and Moderate Income Housing Fund, as required by subdivision (a) of Section 33334.3.
  - f. Accrue interest earned by the Low and Moderate Income Housing Fund to that fund, as required by subdivision (b) of Section 33334.3.
  - g. Determine that the planning and administrative costs charged to the Low and Moderate Income Housing Fund are necessary for the production, improvement, or preservation of low- and moderate-income housing, as required by subdivision (d) of Section 33334.3.
  - h. Initiate development of housing on real property acquired using moneys from the Low and Moderate Income Housing Fund or sell the property, as required by Section 33334.16.
  - i. Adopt an implementation plan, as required by Section 33490.

All major audit violations that exist must be disclosed in the compliance audit report. Other material non-compliance issues that come to the independent auditor's attention must also be reported.

6. Inquire whether an audit was undertaken by a local, state, or federal government entity. If an audit was undertaken, review the content and verify that the final report was submitted within 30 days of receipt to the legislative body.

Verify that the agency produced an annual report and presented it on a timely basis, to its legislative body and the State Controller, within six months of the end of the agency's fiscal year.

Verify that the annual report contains all of the following:

- a. An independent financial audit report for the previous fiscal year. However, the legislative body may elect to omit from inclusion in the audit report any distinct activity of the agency that is funded exclusively by the federal government and that is subject to audit by the federal government.
- b. A fiscal statement for the previous fiscal year that contains the following information: (Health and Safety Code section 33080.5)
  - (1) The amount of outstanding indebtedness of the agency and each project area.
  - (2) The amount of tax increment property tax revenues generated in the agency and in each project area.
  - (3) The amount of tax increment revenues paid to, or spent on behalf of, a taxing agency, other than a school or community college district, pursuant to subdivision (b) of Section 33401 or Section 33676. Moneys expended on behalf of a taxing agency shall be itemized per each individual capital improvement.
  - (4) The financial transactions report required pursuant to Section 53891 of the Government Code.
  - (5) The amount allocated to school or community college districts pursuant to each of the following provisions: (1) section 33401; (2) section 33445; (3) section 33445.5; (4) paragraph (2) of subdivision (a) of section 33676; and (5) section 33681.
  - (6) The amount of existing indebtedness, as defined in Section 33682, and the total amount of payments required to be paid on existing indebtedness for that fiscal year.
  - (7) Any other fiscal information which the agency believes useful to describe its programs.
- c. A description of the agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year.
- d. A list of, and status report on, all loans made by the redevelopment agency that are fifty thousand dollars (\$50,000) or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the redevelopment agency.
- e. A description of the total number and nature of the properties that the agency owns and those properties the agency has acquired in the previous fiscal year.
- f. A list of the fiscal years that the agency expects each of the following time limits to expire:
  - (1) The time limit for the commencement for eminent domain proceedings to acquire property within the project area.
  - (2) The time limit for the establishment of loans, advances, and indebtedness to finance the redevelopment project.

- (3) The time limit for the effectiveness of the redevelopment plan.
  - (4) The time limit to repay indebtedness with the proceeds of property taxes.
  - g. Any other information that the agency believes useful to explain its programs, including, but not limited to, the number of jobs created and lost in the previous fiscal year as a result of its activities.
  - h. A description of the agency's activities in the previous fiscal year affecting housing and displacement that contains the information required by sections 33080.4 and 33080.7.
- 7. Verify that the agency payments under Health and Safety Code sections 33607.5 and 33607.7 was correctly computed (as interpreted in the code) and disbursed timely to participating entities.
  - 8. Inquire whether management has identified new laws and regulations that have a material effect on the determination of amounts in the entity's financial statements and obtain an understanding of the possible effects on the financial statements of such laws and regulations (e.g. ERAF Shift, SERAF compliance, etc.). Certain laws and regulations may have a single fiscal year impact, multiple fiscal year impact or permanent fiscal year impact on the agency's financial statement.

## B. Affordable Housing

### Compliance Requirement

In non-merged project areas, the agency must set aside and use tax increment revenue, debt proceeds, other Low and Moderate Income Housing Fund revenue and interest thereon for the purpose of increasing, improving, and preserving the community's supply of low- and moderate-income housing. (Health and Safety Code sections 33334.2, 33334.3 and 33334.6) In merged project areas, agencies must use set aside and use tax increment, debt proceeds, other Low and Moderate Income Housing Fund revenue and interest thereon for the "construction and rehabilitation" of housing for very low, low and moderate income persons and families for at least 45 or 55 years. (section 33487) Statutes require the set aside and proper use of affordable housing funds to fulfill one of the fundamental purposes of redevelopment, expanding the community's supply of affordable housing, and to ensure the long-term viability of redevelopment project areas by requiring a balance of commercial and residential development, including housing affordable to very low, low and moderate income households.

**Agencies are also required to produce affordable housing to replace units demolished as a result of a redevelopment project and to balance new housing development in the project area.** (Health and Safety Code section 33413)

### Audit Objective

Determine whether the agency has complied with specific legal requirements regarding the Low and Moderate Income Housing Fund, excess surplus, and housing assistance issues, and report all instances of non-compliance.

### Recommended Audit Procedures

#### *Low and Moderate Income Housing Fund*

1. Verify that the agency has established a separate and distinct Low and Moderate Income Housing Fund to account for this set-aside until used. (Health and Safety Code sections 33334.3 and 33487)

A separate account or reservation of fund balance in another fund (other than the Low and Moderate Income Housing Fund) does not meet this requirement. Each project area must be accounted for separately, but all project areas may be included in the Low and Moderate Income Housing Fund. Note, however, that with the support of appropriate findings by resolution, agencies having multiple non-merged project areas may allocate less than 20% of tax increment from one project area for the housing set-aside if a comparably greater amount than 20% is allocated from another non-merged project area. (Health & Safety Code Section 33334.3[i]) Agencies may not maintain more than one Low and Moderate Income Housing Fund for each project area.

2. Verify that at least 20% of the **gross** tax increment allocated to the agency from each project area was deposited in the Low and Moderate Income Housing Fund prior to any deduction for administrative fees, pass-through payments to taxing entities, negotiated fiscal agreements and waivers, or other transfers from the balance of the tax increment allocated to the agency. (76 Ops. Cal. Atty. Gen. 137 [1993])

Confirm the tax increment with the county auditor and calculate the 20% allocation for each project area. In May 1998, Senate Bill 258 was signed into law by the Governor. This bill includes Health and Safety Code section 33672.7, which mandates that on or before August 15 of each year, county auditors or other responsible county officers shall prepare statements that indicate the tax increment



disbursement made for each project area in the prior fiscal year. If this information is not made available by confirmation, apply alternative procedures to determine the tax increment disbursed (review remittance advices, for instance).

3. Verify that at least 20% of the **gross** tax increment revenues attributed to the merged redevelopment projects were placed in the redevelopment agency's Low and Moderate Income Housing Fund for redevelopment plans merged after January 1, 1981. (Health and Safety Code section 33487)
4. If the agency deposited less than 20% of its gross tax increment revenue allocated from a non-merged project area into the Low and Moderate Income Housing Fund, verify the adopted exemption or deferral finding for the reduction. (Health and Safety Code section 33334.2)
5. If an agency deposited less than 20% of the gross tax increment allocated from a merged project area into the Low and Moderate Income Housing Fund, verify that a deficit was created in the Low and Moderate Income Housing Fund in an amount equal to the difference between 20% of the taxes allocated pursuant to section 33670 and the amount deposited in that year, and that the agency has committed to eliminate the deficit by expending taxes allocated in years subsequent to creation of the deficit and, until the time when that deficit has been eliminated, an agency shall not incur new obligations for purposes other than those set forth in section 33487, except to comply with the terms of any resolution or other agreement pledging taxes allocated pursuant to section 33670 that existed on the date of merger pursuant to this article.
6. Determine that interest earned from deposits of Low and Moderate Income Housing Fund money was deposited in the Low and Moderate Income Housing Fund. (Health and Safety Code section 33334.3[b])

Exemptions are available to all agencies, although deferrals are available only to agencies having redevelopment plan adoptions or amendments dated before January 1, 1977. See Notes 1 and 2 on Affordable Housing.

7. Verify that receipts to the agency for loans, advances, or grants made from the Low and Moderate Income Housing Fund were deposited or accrued to the Low and Moderate Income Housing Fund. (Health & Safety Code section 33334.3[b]).
8. Verify that 20% of the gross tax increment revenue was deposited into the Low and Moderate Income Housing Fund in addition to the deposit of all debt proceeds including bond proceeds where the Low and Moderate Income Housing Fund is obligated to pay a portion of the debt. (*Poway Decision, Craig v. Poway* [App. 4 Dist. 1994] 33 Cal. Rptr. 2d 528, 28 Cal. App. 4th 319).

To properly calculate the required deposits, the Low and Moderate Income Housing Fund's debt service obligations or bond issue costs must not be deducted from either the gross tax increment or the bond proceeds before calculating the deposit amount.

9. If Low and Moderate Income Housing Fund money or revenue was pledged as all or part of the collateral for a debt issuance made during the period being audited, verify that an appropriate amount of debt proceeds, in addition to the 20% of gross tax increment allocation, was deposited into the Low and Moderate Income Housing Fund. (*Poway Decision, Craig v. Poway* [App. 4 Dist. 1994] 33 Cal. Rptr. 2d 528, 28 Cal. App. 4th 319)

For example, if an agency capitalizes its Low and Moderate Income Housing Funds by pledging the set-aside of tax increment revenues to pay tax allocation bonds, it must deposit 20% of the gross proceeds and record a like share of the issuance costs in the Low and Moderate Income Housing Fund when bonds secured by the pledged funds are sold. Also, additional restrictions may apply to the use of tax exempt proceeds pursuant to the Internal Revenue Code. The auditor may wish to inquire from the agency's management or counsel about their consideration of the IRC's requirements.

10. Determine whether planning and administrative expenditures were made from the Low and Moderate Income Housing Fund. If these expenditures were made, verify that the agency has prepared a written determination showing that planning and administrative expenditures were necessary for the production, improvement, or preservation of low- and moderate-income housing. Test the expenditures, as necessary, to verify their eligibility. (Health and Safety Code section 33334.3[d])

This determination must be made annually in writing. Read the agency's written documentation. For a listing of eligible costs and a discussion on evaluating the amount spent, see Note 3 on Affordable Housing.

11. In non-merged project areas, if Low and Moderate Income Housing Fund money was expended for on- or off-site improvements, determine that the expenditures were part of programs that directly resulted in construction or rehabilitation of affordable housing or eliminated specific conditions jeopardizing the health or safety of existing low- or moderate-income residents. (Health and Safety Code Section 33334.2[e][2])

Agencies must report on- or off-site improvements in their annual reports submitted to the Department of Housing and Community Development (Schedule HCD-C, line 3e). Review a sample of expenditure documents to identify the program and obtain a claim representation as to their purpose. When Low and Moderate Income Housing Fund money is used for new or substantially rehabilitated housing in non-merged project areas, and new or rehabilitated units in merged project areas, the housing units must remain affordable to and occupied by targeted income (very low, low, and moderate) households for at least 45 years for owner-occupied units and 55 years for rental units. (Sections 33334.3[f] and 33487[a]) Further, agencies must enforce the affordability for minimum time periods through imposition of covenants or restrictions. If the Low and Moderate Income Housing Fund was used to assist new or substantially rehabilitated units in non-merged project areas or new or rehabilitated units in merged project areas perform procedure 13 below. If the agency used the Low and Moderate Income Housing Fund from a non-merged project area for expenditures outside of the project area, determine that findings were adopted by resolution for any expenditure from the Low and Moderate Income Housing Fund outside the project area in which they were generated. (Health & Safety Code section 33334.2[g]).

If an agency uses the Low and Moderate Income Housing Fund to develop housing outside of the related project area, it must justify (a finding) the use by showing that the expenditure resulted in a direct benefit to the respective project area in which the tax revenues were generated. The auditor need only test a finding by resolution establishing the agency's justification for existence, as a board's approval is considered final and conclusive.

12. Determine that for properties held for five years or longer and acquired with Low and Moderate Income Housing Fund money, the agency either has obtained, by resolution, an extension or has sold the property. (Health and Safety Code section 33334.16)

Agencies must initiate activities to develop properties purchased with Low and Moderate Income Housing Fund money within five years from the date of acquisition. If development activities have not begun within this period, the legislative body may adopt a resolution extending the period for one time, not to exceed five years. In no event may agencies hold properties for periods in excess of five years plus the period of their one-time extension. In the event that general development of the property for this purpose has not begun by the end of the original period (and no extension was approved); or physical development has not begun by the end of the extended period (if an extension was approved); or if the agency does not comply with this requirement at all, the property shall be sold and the money from the sale less reimbursement to the agency for the cost of the sale shall be deposited in the agency's Low and Moderate Income Housing Fund. These general development activities may include, but are not limited to, zoning changes or agreements entered into for the development and disposition of the property.

13. If the agency made, or assisted in making, housing units available during the period(s) being audited through the use of Low and Moderate Income Housing Fund money, test contracts, agreements, or other records to determine that the agency imposed the appropriate affordability covenants for the requisite period of time on such units made available. (Health and Safety Code sections 33334.3[f] and 33487)

See Appendix C, Housing Assistance, for information about the duration and enforcement of affordability covenants, targeted income households, and for a description of housing costs. Also, the test in the procedure may be coordinated with similar tests for Housing Assistance.

***Excess Surplus (see Note 4, page 19 on Affordable Housing and Appendix B, Excess Surplus Calculation Procedures and Examples)***

1. Test the calculations of excess surplus (outlined in Appendix B) and that each year's excess surplus is accounted for separately as a part of, or in addition to, the Low and Moderate Income Housing Fund. (Health and Safety Code section 33334.12[b])

The agency must track each year's excess surplus to correctly determine the timing of expenditure or transfer mandates. Only tax increment revenue deposited into the Low and Moderate Income Housing Fund during the four previous fiscal years (and not other revenues that accrued to the Low and Moderate Income Housing Fund) is included when computing the sum. Also, only unspent debt proceeds remaining in the Low and Moderate Income Housing Fund may be subtracted to adjust the unencumbered balance. The audit report must report the calculation of excess surplus.

2. Test encumbered funds to determine that they consist of unavailable assets or money which was committed exclusively pursuant to legally enforceable agreements or contracts for allowable expenditure. (Health and Safety Code section 33334.12[g][2])
3. Allowable expenditures can be only for the purposes of increasing, improving, or preserving the community's supply of low- and moderate-income housing, which is consistent with the stated purpose of the Low and Moderate Income Housing Fund. The scope of these expenditures is detailed in Health and Safety Code sections 33334.2 and 33334.3. This is a legal compliance test that must be performed before, or concurrently with, recalculating the excess surplus, as described above and in Appendix B.
4. Verify that the agency has instituted the required sanctions where excess surplus funds were not expended or encumbered within the statutory timeframe. See Note 4 on Affordable Housing.
5. "Excess Surplus" provision for merged project areas. If moneys deposited in the Low and Moderate Income Housing Fund pursuant to section 33487 have not been committed to construct or rehabilitate housing affordable to and occupied by targeted income households for a period of six years following deposit in that fund, verify that the agency offered these moneys to the housing authority that operates within the jurisdiction of the agency, if activated pursuant to section 34240, for the purpose of constructing or rehabilitating housing as provided in subdivisions (a) and (b). However, if no housing authority operates within the jurisdiction of the agency, the agency may retain these moneys for use pursuant to this section.

***Housing Assistance (see Appendix C, Housing Assistance)***

1. Test the agency's system (procedures and activities) of monitoring affordable housing deed restricted to very low, low- and moderate-income households. (Health and Safety Code section 33418).

In accordance with the law, agencies shall require property owners or managers of such housing to submit an annual report to the agency. For rentals, this report must include the rental rate and income and family size of occupants, for each rental unit. For each owner-occupied unit, the report must

include information as to whether there was an ownership change from the prior year and, if so, the income and family size of the owners. The income information shall be supplied by the tenant in a certified statement on a form provided by the agency. This statute also requires that information obtained by the agency in this regard be reported annually to the Department of Housing and Community Development and to the State Controller's Office.

2. Determine whether the agency counted housing units during the period(s) being audited for the purpose of meeting a "Replacement Housing" requirement. (Health and Safety Code section 33413[a])
3. Determine whether the counted housing units were available during the period(s) being audited for the purpose of meeting (counted as) a "Project Area Housing Production" requirement. (Health and Safety Code section 33413(b)(2))

Perform procedures 4, 5, and 6 if the agency claims to have produced replacement housing units. Skip these procedures if replacement units were neither provided nor required. For Replacement Housing, participation may only include new construction or rehabilitation which adds units to the housing market.

Perform procedures 4, 5, and 6 if the agency was required to provide, did produce, or assisted in producing these housing units. Skip these procedures if Project Area Housing units were neither provided nor required. For Project Area Housing, participation includes any one of, or a combination of, new construction, substantial rehabilitation, acquiring affordability covenants for very low or low income levels for at least 44 years for rental units and 45 years for owner-occupied units.

4. If the agency participated in making housing units available for either Replacement or Project Area Housing purposes during the period(s) being audited, inquire or test appropriate records to ascertain which of the following funding sources the units were provided: (1) Low and Moderate Income Housing Fund money or capital; (2) other redevelopment agency funds (non-Low and Moderate Income Housing Fund); or (3) private or public developer or entity funds (non-agency)
5. If the agency assisted in making housing units available by regulation or agreement to targeted income households to meet its Replacement or Project Area Housing requirements during the period(s) being audited, inquire as to whether the units were developed inside or outside the project area. (Health & Safety Code section 33413[b][2][A][ii])

When counting the housing units toward their Replacement or Project Area Housing Production requirements, the agency may assist in making affordable housing available outside its project area. However, if the agency exercises this option, it must make two units available outside for each unit required inside.

6. If the agency either made or assisted in making housing units available during the period(s) being audited to meet either Replacement Housing or Project Area Housing Production requirements, test contracts, agreements, or other records to verify that the agency imposed affordability covenants for the requisite periods of time on such units made available (Health and Safety Code sections 33413[b][2][C] and 33413[c])

## C. Five-Year Implementation Plans

### Compliance Requirement

Redevelopment agencies must produce Implementation Plans, in accordance with Health and Safety Code sections 33490 and 33413(b), for each project area every five years and have the first plan adopted by December 31, 1994, or within five years following the adoption of the redevelopment plan in cases under which the redevelopment plans were adopted on or after January 1, 1994. Each plan must contain certain items.

### Audit Objective

Determine that the agency has adopted, on or before December 31, 1994, and each five years thereafter, an implementation plan, and that it has included in the plan the required references to its specific goals and objectives and an annual housing program.

The audit work required in this section represents procedures that a continuing auditor will most likely need to perform only once for each five year cycle, rather than yearly, for a particular adopted implementation plan. To avoid the redundancy of performing audit procedures in situations where a preceding auditor has already performed sufficient testing of the plan, it may be possible to rely on the preceding auditor's work. For plans adopted prior to the current engagement and in circumstances in which the audit or examination was performed by another auditor, this audit objective may be satisfactorily met by communicating with the predecessor auditor, and by considering whether to apply one or more procedures that may involve either reviewing the auditor's working papers or extending tests of the plan in the current audit work.

### Recommended Audit Procedures

1. Test the agency's documentation of its public notification of hearings.

Examine evidence of notification. Procedures may also include legal representation. Also see Section E of this audit guide for further information regarding public notification requirements.

2. Conduct a review of the plan to verify that its contents include the following elements. (It may not be necessary to re-perform reading or inspecting a plan's contents each year on continuing engagements, as the requirements have a five-year cycle.)
  - a. Specific goals and objectives for the next five years;
  - b. Specific programs, including potential projects and estimated expenditures planned for the next five years;
  - c. Explanation of how the goals, objectives, programs, and expenditures will eliminate blight within the project area;
  - d. Explanation of how the goals, objectives, programs, and expenditures will implement the low- and moderate-income housing set-aside and housing activities;
  - e. Number of housing units to be replaced, constructed, substantially rehabilitated, assisted, destroyed, or made available through acquisition of covenants or other price-restricting agreements;
  - f. Plan for using annual deposits to, and existing funds in, the Low and Moderate Income Housing Fund;

- g. Identification of proposed locations for replacement housing if the planned project results in the destruction of existing affordable housing; and
  - h. Plan for meeting the Project Area Housing Production Requirement over a ten-year period.
- 3. Verify that adoption of the Implementation Plan was made by the date specified in the law.
- 4. Verify the date of adoption of the plan for meeting the Project Area Housing Production Requirement.
- 5. At the end of the third year after adoption of an implementation plan, the auditor should check that the agency held a public hearing to review the five-year implementation plan. (Health and Safety Code section 33490[c])

## D. Redevelopment Plans

### Compliance Requirement

The agency is required to have an adopted redevelopment plan to establish its authority for carrying out its activities. As outlined by law, the adopted plan must document certain information that defines the agency's activities and authority; that encompasses the requirements of, or conforms to, the community's general plan and its housing elements; and, insofar as the community plan relates to the agency's named project area(s) that serves to eliminate blighted conditions. (Health and Safety Code sections 33330-33354.6)

### Audit Objective

Determine that the agency's redevelopment plan, amendments, and its provisions exist and have been adopted.

The audit work required in this section represents procedures that a continuing auditor will most likely need to perform only once, rather than yearly, as redevelopment plans function much like charter documents, establishing agency goals, powers, and limitations to conduct its activities over an extended period of time. To avoid the redundancy of performing audit procedures in situations where a preceding auditor has performed sufficient testing of the plan, it may be possible to rely on the predecessor auditor's work. For plans adopted in a fiscal period prior to the current engagement and in circumstances in which the audit or examination was performed by another auditor, this audit objective may be satisfactorily met by communicating with the preceding auditor, supplemented by considering whether to apply one or more procedures that may involve either reviewing the auditor's working papers or extending tests of the plan in the current audit work. Request that the agency tab the items you wish to review to minimize time. In all cases, auditors should be familiar with the applicable redevelopment plan.

### Recommended Audit Procedures

1. Identify the date in which the plan and its amendments (if any) were adopted and classify them by pre-1977, post-1976, or merged.

Obtain a copy of the legislative body's ordinance adopting the redevelopment plan and amendments, if any were made.

2. For plans or amendments adopted on or before December 31, 1993, if any, read the plan to verify each of the following:
  - The time limit on establishing loans, advances, and indebtedness has been set not to exceed 20 years from the adoption of the plan or January 1, 2004, whichever is later, unless extended or eliminated per SB 211.
  - The agency has set a limit for the effectiveness of the plan, not to exceed 40 years from the adoption of the plan or January 1, 2009, whichever is later.

If project areas merged or were amended to add new territory prior to December 31, 1993, it will be necessary to verify that these limitations were set individually for each merged plan. These time limits shall commence, with respect to the plan, from the date of the adoption of each plan and, with respect to the added territory, from the date of each amendment. (Health and Safety Code section 33333.6[a], [b], and [d]).

3. For project area plans or amendments adopted on or after January 1, 1994, if any, read the plan to verify that: (Health and Safety Code section 33333.2)
  - The agency has set a time limit (not to exceed 20 years from the adoption of the plan) on establishing loans, advances, and indebtedness.
  - The agency has set a time limit (not to exceed 30 years from the adoption of the plan) on the effectiveness of the plan.
  - The agency has set a time limit (not to exceed 45 years from the adoption of the plan) to repay indebtedness. Review limit to determine if it has been extended pursuant to Section 33681.9 and 33681.12, and that the extension was valid.
  - The agency has set a time limit (not to exceed 12 years from the adoption of the plan) for commencement of eminent domain proceedings.
4. For redevelopment plans or amendments, if any, adopted during the period being audited, verify that the redevelopment plan was accompanied by a report to the legislative body containing all of the following information: (Health and Safety Code section 33352)
  - The reasons for selecting the project area which identifies specific projects that describe how the redevelopment agency will eliminate the blighted condition.
  - A description of conditions existing in the project area that cause it to be blighted (see Note 1 on Redevelopment Plans).
  - An implementation plan (the contents of an implementation plan are outlined in Section C of this audit guide.)
  - An explanation of why the elimination of blight and the redevelopment of the project area cannot reasonably be expected to be accomplished by private enterprise acting alone or by the legislative body's use of financing alternatives other than tax increment financing
  - The proposed method of financing
  - Reports, plans, recommendations, and summaries dealing with relocation
  - A neighborhood impact report, if the project area contained low- or moderate-income housing
  - The report by tax officials on the base year assessment roll, as described in and pursuant to Health and Safety Code section 33328
5. For redevelopment plans or amendments, if any, adopted during the period being audited, verify the legislative body's ordinance adopting the redevelopment plan, and that provisions of the ordinance include the following: (Health and Safety Code sections 33365 and 33367)
  - The purposes and intent of the legislative body with respect to the project area
  - The plan incorporated by reference
  - A designation of the approved plan as the official redevelopment plan of the project area
  - The findings and determinations of the legislative body that:
    - The project area is a blighted area, the redevelopment of which is necessary to achieve the public purposes declared in sections 33365 and 33367.
    - The redevelopment plan would redevelop the area in conformity with sections 33365 and 33367; and in the interests of the public peace, health, safety, and welfare.



- The adoption and carrying out of the redevelopment plan is economically sound and feasible.
  - The redevelopment plan is consistent with the community's general plan, including the community's housing element (See Note 2 on Redevelopment Plans).
  - The carrying out of the redevelopment plan would promote the peace, health, safety, and welfare of the community and would achieve the purposes and policy of this part.
  - The condemnation of real property, if provided for in the redevelopment plan, is necessary to the execution of the redevelopment plan and that adequate provisions have been made for payment for property to be acquired as provided by law.
  - The agency has a feasible method or plan for the relocation of families and persons displaced from the project area, if the redevelopment plan may result in the temporary or permanent displacement of any occupants of housing facilities in the project area.
  - Provision for decent, safe, and sanitary dwellings equal in number to, and available to, the displaced families and persons and reasonably accessible to their places of employment at rents or prices within the financial means of the families and persons displaced from the project area.
  - All noncontiguous areas of a project area are either blighted or necessary for purposes of obtaining tax allocations from the area, pursuant to Health and Safety Code section 33670, without other substantial justification for their inclusion.
  - Inclusion of lands, buildings, or improvements, which are not detrimental to the public health, safety, or welfare, is necessary for the effective redevelopment of the area of which they are a part.
  - The elimination of blight and the redevelopment of the project area could not reasonably be expected to be accomplished by private enterprise acting alone and without the aid and assistance of the agency.
6. For redevelopment plans or amendments, if any, adopted during the period being audited, verify that the agency and legislative body held public hearings prior to approving the redevelopment plan and that a proper public notice was made. (Health and Safety Code sections 33348 and 33360)
7. For redevelopment plans or amendments, if any, adopted during the period being audited, verify that the agency adopted rules for property owner participation in connection with the plan and that these rules have been made available for public inspections. (Health and Safety Code section 33345)
8. For redevelopment plans or amendments adopted during the period being audited, if any, determine from reading the plan or inquiry whether there were any objections raised by property owners or taxing entities. Read the plan to verify that the legislative body responded in writing to objections made by property owners or taxing entities. A plan may be adopted only after consideration of the objections and adoption of written findings at a subsequent date not less than one week after the time the hearing on objections is commenced. (Health and Safety Code section 33363)

## E. Public Notification

### Compliance Requirement

Redevelopment agencies must ensure that the general public is provided access to agency records, in accordance with the Public Records Act (Government Code section 6253), and meetings, in accordance with the Ralph M. Brown Act (Open Meetings Law, Government Code section 54950 et seq.).

### Audit Objective

Determine whether agency records are accessible to the public and determine whether the public is notified of agency meetings.

### Recommended Audit Procedures

1. Test the agency's procedures for maintaining minutes or other records of the proceedings of public meetings and that these are available for public inspection. (Health and Safety Code section 33125.5)
2. Test the agency's procedures that provide the public with its notification of public hearings or meetings to verify that they include proper and timely mailings, newspaper publication, or permanent-place postings for the requisite time periods and frequency preceding agency-related actions or meetings. (Government Code sections 6040, 6040.1, 6040.5, 6041, 6041.1, and 6042)

The agency or legislative body is required by law to maintain records of public notifications and must have the notifications published in newspapers of general circulation that meet the criteria and definition of general circulation newspapers.

3. Test notifications for inclusion of required information, such as the time and place of hearings, boundary maps, and both legal and non-technical descriptions of proposal(s), as necessary, to appropriate individuals. (Health and Safety Code section 33349)
4. If the agency received findings regarding the detrimental effect of a redevelopment plan on either schools or fire districts, verify that the agency conducted a public hearing. (Health and Safety Code section 33445.5 and section 33445.6)
5. If the agency leased or sold property during the period being audited, test the agency's notification procedures and recordation of meetings to verify the public's notification disclosure. (Health and Safety Code section 33431 and section 33433)
6. Test the agency's procedures for making financial public disclosure statements available to the public.

See Section F of this audit guide for further information regarding conflict of interest and financial disclosure requirements.

## F. Conflict of Interest

### Compliance Requirement

A redevelopment agency, as a local government agency, is subject to the Political Reform Act of 1974 (the Act), and must adopt and promulgate a conflict of interest code that conforms to the requirements established by the Fair Political Practices Commission. These agency codes must enumerate the positions that involve the making of decisions that may potentially have a material effect on a financial interest. Additionally, the codes must specify types of financial interests, contain prohibitions, and require filing of annual public disclosure statements. (Government Code section 87302 and Health and Safety Code sections 33125.5 and 33126)

### Audit Objective

Determine that the agency has in effect personnel rules and regulations for employees of the agency that include an established conflict-of-interest code and other procedures regarding use of funds, hiring and firing, neglect of duty or misconduct in office, and the inclusion of public disclosure filings for key individuals in connection with the agency.

### Recommended Audit Procedures

1. Read or obtain a copy of the agency's adopted conflict-of-interest code to verify its existence. (Government Code section 87302 and Health and Safety Code section 33126)
2. Read the conflict-of-interest code to verify that the agency identifies persons and positions of authority or influence which are subject to the Act and other state and local governmental law. (Government Code sections 87300-87313)

The requirements for conflict-of-interest disclosure apply to all public officials involved in making decisions regarding redevelopment projects. These positions include, but may not be limited to, public officials within the agency, members of the local legislative body, planning commissioners, key staff members, and members of a project area committee.

3. Read the conflict-of-interest code to verify that it either addresses or establishes parameters that define financial interests in real property, investments, and other business income sources or positions. (Government Code section 87203)
4. Test the agency's filed public disclosure statements to verify that it uses the forms prescribed by the Fair Political Practices Commission and that these statements are filed annually. (Title 2 of the *California Code of Regulations*, section 18700-18753, and Government Code section 87207)

Public disclosure statements should require disclosure of financial interests in real property, investments, and other business income sources or positions. Government Code sections 87103, 87201, 87206, 87207, and 87209 define income, financial interests, property interests, business income and positions, and minimum dollar values that must be reported.

# Notes

## Affordable Housing

1. Pursuant to Health & Safety Code section 33334.2(a), agencies may **exempt** all or part of the minimum 20% set-aside for non-merged project areas if one of two specified conditions is met: (1) the community does not need to increase, improve, or preserve the supply of housing for very low-, low-, and moderate-income households (this finding must be supported by an adopted housing element in substantial compliance with state law); (2) a percentage less than 20% will be sufficient to meet the community's need to improve, increase, and preserve the supply of housing for very low-, low-, and moderate-income households [this finding must be supported by an adopted housing element in substantial compliance with state law). These conditions must be established annually by resolution, as a finding, and reported within ten days of enactment of the resolution to the Department of Housing and Community Development. In addition, the finding must be supported by, and may include in its body of information, factual information that supports the need to exempt the set-aside deposit.

For agencies having exemptions, it will be necessary to determine that the findings contain, and are supported by, the required documentation outlined in Health and Safety Code sections 33334.2(a)(1)(B) and 33334.2(a)(2)(B).

2. Pursuant to Health and Safety Code section 33334.6(d), agencies having plan adoptions or amendments for non-merged project areas made prior to January 1, 1977, may **defer**, rather than exempt, all or part of the 20% set-aside if they establish through a resolution that there are eligible pre-existing financial obligations that require the use of the money which otherwise would have been used for deposit into the Low and Moderate Income Housing Fund. Interest is accrued on outstanding deferral balance. The financial obligations, however, must relate to eligible affordable housing purposes of which the Low and Moderate Income Housing Fund is required.

Deferrals, unlike exemptions, must be repaid. Therefore, agencies need to show their adopted plan of repayment. Additionally, to provide the public with a disclosure, the agency must have adopted a statement of existing obligations prior to September 1, 1986. This statement must have been submitted to the Department of Housing and Community Development within fifteen days preceding the public meeting required to adopt the plan, and must describe each existing obligation, the annual payments, and its date of discharge. (Health and Safety Code Section 33334.6[f])

3. It is the intent of the Legislature that the Low and Moderate Income Housing Fund be used to the maximum extent possible to defray the costs of production, improvement, and preservation of low- and moderate-income housing and that the amount of money spent for planning and general administrative activities associated with the development, improvement, and preservation of that housing not be disproportionate to the amount actually spent for the costs of production, improvement, or preservation of that housing. The agency shall determine annually that the planning and administrative expenses are necessary for the production, improvement, or preservation of low- and moderate-income housing. (Health and Safety Code section 33334.3[d])

Verify that the agency's use of the Low and Moderate Income Housing Fund for planning and administrative costs is associated with and proportionate to its use of the Low and Moderate Income Housing Fund to develop affordable housing in compliance with Community Redevelopment Law.

Verify that the agency made the required annual determination of necessity by reviewing the determination and all writings upon which it was based. An agency is required to adopt a budget annually. The necessity determination is separate and distinct from the requirement to adopt a budget.

Health and Safety Code section 33334.3, subdivision (e), states:

- (1) Planning and general administrative costs which may be paid with moneys from the Low and Moderate Income Housing Fund are those expenses incurred by the agency which are directly related to the programs and activities authorized under subdivision (e) of Section 33334.2 and are limited to the following:
    - (A) Costs incurred for salaries, wages, and related costs of the agency's staff or for services provided through interagency agreements, and agreements with contractors, including usual indirect costs related thereto.
    - (B) Costs incurred by a nonprofit corporation which are not directly attributable to a specific project.
  - (2) Legal, architectural, and engineering costs and other salaries, wages, and costs directly related to the planning and execution of a specific project that are authorized under subdivision (e) of Section 33334.2 and that are incurred by a nonprofit housing sponsor are not planning and administrative costs for the purposes of this section, but are instead project costs.
4. Pursuant to Health and Safety Code section 33334.12, the two requirements for expenditure of excess surplus are as follows:
- After one year from date money became excess surplus, the agency voluntarily disbursed its excess surplus to the county housing authority or to another public agency exercising housing development powers within the territorial jurisdiction of the agency.
  - The agency either expended or encumbered its excess surplus within three years following the date in which the money became excess surplus.

If an agency has not expended or encumbered its excess surplus after three years has elapsed from the date the money became excess surplus, the agency shall be subject to sanctions until the agency does expend or encumber its excess surplus. The sanctions will equal the amount of excess surplus plus an additional amount of money from funds other than the Low and Moderate Income Housing Fund equal to 50% of the amount of excess surplus money.

5. "Excess Surplus" provision for merged project areas: If moneys deposited in the Low and Moderate Income Housing Fund pursuant to section 33487 have not been committed to construct or rehabilitate housing affordable to and occupied by targeted income households for a period of six years following deposit in that fund, verify that the agency offered these moneys to the housing authority that operates within the jurisdiction of the agency, if activated pursuant to section 34240, for the purpose of constructing or rehabilitating housing as provided in subdivisions (a) and (b). However, if no housing authority operates within the jurisdiction of the agency, the agency may retain these moneys for use pursuant to this section.

**Redevelopment Plans**

1. Pursuant to Health and Safety Code section 33320.1, the named project area should have been determined by a finding that it qualifies for redevelopment as a blighted area. A blighted area is one that is predominately urbanized and in which the combination of statutorily enumerated conditions are so prevalent and substantial that it causes a reduction or lack of proper utilization of an area to the extent of constituting a serious physical and economic burden on the community. This burden cannot reasonably be expected to be reversed by private and/or governmental action without redevelopment. The agency must show evidence of blight, or define the blight, in terms of physical and economic conditions. Refer to Health and Safety Code section 33031 for a complete description of qualifying physical and economic conditions.
2. Verify the housing element of the community's general plan by obtaining a copy of the approval letter from the Department of Housing and Community Development. (Health and Safety Code section 33302)

## Appendix A—Compliance and Internal Control Report Example (SAS 117)

### Independent Auditor's Report

[Addressee]

#### Compliance

We have audited **Example Entity's** compliance with the **[identify the applicable compliance requirements or refer to the document that describes the applicable compliance requirements]** applicable to Example Entity's **[identify the government program(s) audited or refer to a separate schedule that identifies the program( s)]** for the year ended June 30, 20X1. Compliance with the requirements referred to above is the responsibility of **Example Entity's** management. Our responsibility is to express an opinion on **Example Entity's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and **[insert the name of the governmental audit requirement or program-specific audit guide]**. Those standards and **[insert the name of the governmental audit requirement or program-specific audit guide]** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on **[identify the government program(s) audited or refer to a separate schedule that identifies the program(s)]** occurred. An audit includes examining, on a test basis, evidence about **Example Entity's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Example Entity's** compliance with those requirements. In our opinion, **Example Entity** complied, in all material respects, with the compliance requirements referred to above that are applicable to **[identify the government program(s) audited]** for the year ended June 30, 20X1.

#### Internal Control Over Compliance

Management of **Example Entity** is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered **Example Entity's** internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Example Entity's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, **[identify the body or individuals charged with governance]**, others within the entity, **[identify the legislative or regulatory body]**, and **[identify the grantor agency(ies)]** and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]



## Appendix B—Excess Surplus Calculation Procedures and Examples

“Excess surplus” is defined as any unexpended and unencumbered amount in an agency’s Low and Moderate Income Housing Fund that exceeds the greater of \$1,000,000 or the aggregate amount deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years.

If excess surplus exists, the agency must lawfully spend the excess or transfer it in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber, or transfer the excess surplus. For example, an agency having excess surplus funds on July 1, 2000, has until July 1, 2001, to transfer the funds to a housing authority or other public agency, or until July 1, 2003, to expend or encumber those funds. (Health and Safety Code section 33334.12[a] and [e])

Some terms used by the Department of Housing and Community Development (HCD) in its annual reporting forms (Schedule HCD-C) differ from terms common to generally accepted accounting principles (GAAP) and to the State Controller’s Uniform Chart of Accounts for Redevelopment Agencies. However, both approaches should arithmetically agree in results, and to aid practitioners, examples of both approaches are presented. The GAAP-basis schedule is presented in cooperation with the California Society of Certified Public Accountants.

### Excess Surplus Calculation Procedures

1. **Calculate the unencumbered balance.** The unencumbered balance for the fiscal year being audited is determined by subtracting current year encumbrances committed pursuant to legally enforceable agreements or contracts for allowable expenditure of the Low and Moderate Income Housing Fund, as referenced in Health and Safety Code section 33334.12(g)(2), from the Low and Moderate Income Housing Fund balance available at the end of the year, known as “Net Resources Available” in Form HCD-C.
2. **Calculate the adjusted balance.** The adjusted balance is determined by subtracting from the unencumbered balance any unspent debt proceeds remaining in the Low and Moderate Income Housing Fund (Health and Safety Code section 33334.12[g][3][B]), and/or subtracting any deficit realized through the conveyance of land for an amount less than its fair market value (Health and Safety Code section 33334.12[g][3][A]). The deficit equals the difference between the land’s fair market value and the amount the agency received (or sales price) where the agency sells, leases, or grants land acquired with money from the Low and Moderate Income Housing Fund for less than its fair market value.
3. **Determine whether excess surplus exists.** Compare the adjusted balance to the aggregate amount of tax increment deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years. If the adjusted balance exceeds \$1,000,000 and is greater than the aggregate tax increment deposited into the Low and Moderate Income Housing Fund in the four preceding fiscal years, then excess surplus exists. If the adjusted balance does not exceed \$1,000,000 or is less than the aggregate tax increment, deposited into the Low and Moderate Income Housing Fund in the four preceding fiscal years, then excess surplus does not exist.
4. **Calculate excess surplus as follows.**
  - If the sum of the aggregate tax increment for the four preceding fiscal years is less than \$1,000,000, then excess surplus equals the adjusted balance minus \$1,000,000.
  - If the sum of the aggregate tax increment for the four preceding fiscal years is more than \$1,000,000, then excess surplus equals the adjusted balance minus the sum of tax increment for the four preceding fiscal years.

**Examples:** Based on the methodology prescribed by HCD, three scenarios are presented to demonstrate the calculations and HCD's annual reporting requirements. Immediately following these three examples, a fourth schedule entitled "Computation of Low and Moderate Housing Fund Excess/Surplus Funds" is presented to demonstrate how excess surplus would be calculated under a GAAP-based approach. An important aspect of this schedule is that Fund Balance both presents the changes and activities occurring during the year and reconciles with Net Resources Available at the end of the year. Also, note the first three project areas in the GAAP-based schedule correspond to the three HCD examples. In practice, however, only one Schedule HCD-C is prepared by an agency for all project areas and there may be variations in financial accounting and reporting systems whereby some classifications or presentations could be slightly different.

## Example 1

### *1. Calculate the Unencumbered Balance.*

On page 1 of 11 (Schedule HCD-C), the Redevelopment Agency's Beginning Cash and Investment Balance (line 1) is \$3,600,000; Total Resources from Project Areas (line 2) is \$400,000; and its Subtotal of Expenditures and Uses (line 4m) is \$1,900,000. These amounts result in the Net Resources Available (End of Year) (line 5) of \$2,100,000.

Subtracting the Total Encumbrances (line 6(a))—all of which have agreements or contracts, as defined in the Health and Safety Code section 33334.12(g)(2)—in an amount of \$600,000 from the Net Resources Available of \$2,100,000, results in an Unencumbered Balance (line 11(a)) of \$1,500,000.

### *2. Calculate the Adjusted Balance.*

The Unencumbered Balance, Line 11(a), is \$1,500,000; the Debt Proceeds is \$700,000, as defined in Health and Safety Code Section 33334.12(g)(3)(B); they are subtracted to arrive at the Adjusted Balance of \$800,000.

**Remember:** Only the Debt Proceed balance **still remaining** (not the original debt proceed amount) in the Low and Moderate Income Housing Fund can be deducted from the Unencumbered Balance to determine the Adjusted Balance.

In this example, the original debt proceed amount was \$1,000,000, but \$700,000 is the balance of debt proceed that remains in the Low and Moderate Income Housing Fund as of June 30, ending the fiscal year.

### *3. Determine whether Excess Surplus exists.*

Example 1 assumes that the Total Tax Increment Deposited in the Low and Moderate Income Housing Fund for the previous four years is \$1,100,000.

**No excess surplus exists** because the Adjusted Balance does not exceed the \$1,000,000 floor.

**SCHEDULE HCD-C**

## Agency-wide Activity

for Fiscal Year Ended \_\_\_\_/\_\_\_\_/\_\_\_\_

Agency Name: \_\_\_\_\_ County: \_\_\_\_\_

Preparer's Name, Title: \_\_\_\_\_ Preparer's E-Mail Address: \_\_\_\_\_

Preparer's Telephone No: \_\_\_\_\_ Preparer's Facsimile No: \_\_\_\_\_

**Low & Moderate Income Housing Funds**

Report on the "status and use of the agency's Low and Moderate Income Housing Fund." Most information reported here should be based on information reported to the State Controller.

1. **Beginning Balance** (Use "**Net Resources Available**" from last fiscal year report to HCD) \$ 3,600,000
  - a. If Beginning Balance requires adjustment(s), describe and provide dollar amount (positive/negative) making up total adjustment: Use < \$ > for negative amounts or amounts to be subtracted.
 

	\$ _____
	\$ _____
	\$ _____
  - b. Adjusted Beginning Balance [Beginning Balance plus + or minus <-> Total Adjustment(s)] \$ 3,600,000
2. **Project Area(s) Receipts and Housing Fund Revenues**
  - a. **Total Project Area(s) Receipts.** Total Summed amount of HCD-Schedule A(s) (from Line 3k) \$ 400,000
  - b. Housing Fund Resources **not** reported on HCD Schedule -A(s)  
Describe and Provide Dollar Amount(s) (Positive/Negative) Making Up Total Housing Fund Resources
 

	\$ _____
	\$ _____
	\$ _____
  - c. **Total Housing Fund Resources** \$ 400,000
3. **Total Resources** (Line 1b. + Line 2a + Line 2c.) \$ 4,000,000

**NOTES:**

Many amounts to report as Expenditures and Other Uses (beginning on the next page) should be taken from amounts reported to the State Controller's Office (SCO). Review the SCO's Redevelopment Agencies Financial Transactions Report.

Housing Fund "transfers-out" to other internal Agency funds: Report the specific use of all transferred funds on applicable lines 4a.-k of Schedule C. For example, transfers from the Housing Fund to the Debt Service Fund for the repayment of principal and interest of debt proceeds deposited to the Housing Fund should be reported on the applicable item comprising HCD-C Line 4c, providing tax increment (gross and deposit amounts) were reported on Sch-As. External transfers out of the Agency should be reported on HCD-C Line 4j (e.g.: transfer of excess surplus to the County Housing Authority).

Other Uses: Non-GAAP (Generally Accepted Accounting Principles) recording of expenditures such as land purchases for agencies using the Land Held for Resale method to record land purchases should be reported on HCD-C Line 4a(1). Funds spent resulting in loans to the Housing Fund should be included in HCD-C lines 4b., 4f., 4g., 4h., and 4i as appropriate.

*The statutory cite pertaining to Community Redevelopment Law (CRL) is provided for preparers to review to determine the appropriateness of Low and Moderate Income Housing Fund (LMIHF) expenditures and other uses. HCD does not represent that line items identifying any expenditures and other uses are allowable. CRL is accessible on the Internet [website: <http://www.leginfo.ca.gov/> (California Law)] beginning with Section 33000 of the Health and Safety Code.*

Agency Name: \_\_\_\_\_

**4. Expenditures, Loans, and Other Uses****a. Acquisition of Property & Building Sites [33334.2(e)(1)] & Housing [33334.2(e)(6)]:**

- |   |    |           |
|---|----|-----------|
| (1) Land Purchases ( <i>Investment - Land Held for Resale</i> ) * | \$ | 1,000,000 |
| (2) Housing Assets (Fixed Asset) *                                | \$ | _____     |
| (3) Acquisition Expense   | \$ | _____     |
| (4) Operation of Acquired Property                                | \$ | _____     |
| (5) Relocation Costs  | \$ | _____     |
| (6) Relocation Payments   | \$ | _____     |
| (7) Site Clearance Costs  | \$ | _____     |
| (8) Disposal Costs  | \$ | _____     |
| (9) Other [Explain and identify amount(s)]:                       |    |           |

_____	\$	_____
_____	\$	_____
_____	\$	_____

\* Reported to SCO as part of Assets and Other Debts

(10) **Subtotal Property/Building Sites/Housing Acquisition** (Sum of Lines 1 - 9) \$ 1,000,000**b. Subsidies from Low and Moderate Income Housing Fund (LMIHF):**

- |  |    |         |
|--|----|---------|
| (1) 1 <sup>st</sup> Time Homebuyer Down Payment Assistance | \$ | 100,000 |
| (2) Rental Subsidies                                       | \$ | _____   |
| (3) Purchase of Affordability Covenants [33413(b)2(B)]     | \$ | _____   |
| (4) Other [Explain and identify amount(s)]:                |    |         |

_____	\$	_____
_____	\$	_____
_____	\$	_____

(5) **Subtotal Subsidies from LMIHF** (Sum of Lines 1 - 4) \$ 100,000**c. Debt Service [33334.2(e)(9)].** If paid from LMIHF, report LMIHF's share of debt service. If paid from Debt Service Fund, ensure "gross" tax increment is reported on HCD-A(s) Line 3a(1).

- |   |    |         |
|---|----|---------|
| (1) Debt Principal Payments                       |    |         |
| (a) Tax Allocation, Bonds & Notes                 | \$ | 150,000 |
| (b) Revenue Bonds & Certificates of Participation | \$ | _____   |
| (c) City/County Advances & Loans                  | \$ | _____   |
| (d) U. S. State & Other Long-Term Debt            | \$ | _____   |
| (2) Interest Expense                              | \$ | _____   |
| (3) Debt Issuance Costs                           | \$ | _____   |
| (4) Other [Explain and identify amount(s)]:       |    |         |

_____	\$	_____
_____	\$	_____
_____	\$	_____

(5) **Subtotal Debt Service** (Sum of Lines 1 - 4) \$ 150,000**d. Planning and Administration Costs [33334.3(e)(1)]:**

- |  |    |         |
|--|----|---------|
| (1) Administration Costs                                   | \$ | _____   |
| (2) Professional Services ( <i>non project specific</i> )  | \$ | 300,000 |
| (3) Planning/Survey/Design ( <i>non project specific</i> ) | \$ | 100,000 |
| (4) Indirect Nonprofit Costs [33334.3(e)(1)(B)]            | \$ | _____   |
| (5) Other [Explain and identify amount(s)]:                |    |         |

_____	\$	_____
_____	\$	_____
_____	\$	_____

(6) **Subtotal Planning and Administration** (Sum of Lines 1 - 5) \$ 400,000

Agency Name: \_\_\_\_\_

**4. Expenditures, Loans, and Other Uses** (continued)

- e. On/Off-Site Improvements [33334.2(e)(2)] *Complete item 13* \$ \_\_\_\_\_
- f. Housing Construction [33334.2(e)(5)] \$ \_\_\_\_\_
- g. Housing Rehabilitation [33334.2(e)(7)] \$ 250,000
- h. Maintain Supply of Mobilehome Parks [33334.2(e)(10)] \$ \_\_\_\_\_
- i. Preservation of At-Risk Units [33334.2(e)(11)] \$ \_\_\_\_\_
- j. Transfers Out of Agency
- (1) For Transit village Development Plan (33334.19) \$ \_\_\_\_\_
- (2) Excess Surplus [33334.12(a)(1)(A)] \$ \_\_\_\_\_
- (3) Other (specify code section authorizing transfer and amount)
- A. Section \_\_\_\_\_ \$ \_\_\_\_\_
- B. Section \_\_\_\_\_ \$ \_\_\_\_\_
- Other Transfers Subtotal \$ \_\_\_\_\_
- (4) **Subtotal Transfers Out of Agency** (Sum of j(1) through j(3)) \$ \_\_\_\_\_
- k. SERAF loan [33334.2 (k)] Also complete Line 8e (below) and Box 23, pg 9. \$ \_\_\_\_\_
- l. **Other Expenditures, Loans, and Uses** [Explain and identify amount(s)]:
- \_\_\_\_\_ \$ \_\_\_\_\_
- Subtotal Other Expenditures, Loans, and Uses** \$ \_\_\_\_\_
- m. **Total Expenditures, Loans, and Other Uses** (Sum of lines 4a.-l.) 5. \$ (1,900,000)

**5. Net Resources Available** [End of Reporting Fiscal Year][Page 1, Line 3, Total Resources minus Total Expenditures, Loans, and Other Uses on Line 4.l.] \$ 2,100,000**6. Encumbrances and Unencumbered Balance**

- a. **Encumbrances.** Amount of Line 5 reserved for future payment of legal contract(s) or agreement(s). See H&SC Section 33334.12(g)(2) for definition.  
*Refer to item 10 on Sch-A(s) and item 4 on Sch-B.* \$ (600,000)
- b. **Unencumbered Balance** (Line 5 minus Line 6a). Also enter on Page 4, Line 11a. \$ 1,500,000

**7. Designated/Undesignated Amount of Available Funds**

- a. **Designated** From Line 6b- Budgeted/planned to use near-term \$ \_\_\_\_\_  
*Refer to item 10 on Sch-A(s) and item 4 on Sch-B*
- b. **Undesignated** From Line 6b- Portion not yet budgeted/planned to use \$ \_\_\_\_\_

**8. Other Housing Fund Assets** (non recurrent receivables) not included as part of Line 5

- a. Indebtedness from Deferrals of Tax Increment (33334.6)  
[refer to Sch-A(s), Line 5c (2)]. \$ \_\_\_\_\_
- b. Value of Land Purchased with Housing Funds and Held for  
Development of Affordable Housing. *Complete Sch-C item 14.* \$ 1,800,000
- c. Loans Receivable for Housing Activities \$ \_\_\_\_\_
- d. Residual Receipt Loans (periodic/fluctuating payments) \$ \_\_\_\_\_
- e. SERAF Total Receivable [Sec 33334.2 (k)]  
(Also report in Sch C, Box 23, pg 9.) \$ \_\_\_\_\_
- f. ERAF Loans Receivable (all years) (33681) \$ \_\_\_\_\_
- g. **Other Assets** [Explain and identify amount(s)]:  
\_\_\_\_\_ \$ \_\_\_\_\_
- h. **Total Other Housing Fund Assets** (Sum of lines 8a.-g.) \$ 1,800,000

**9. TOTAL FUND EQUITY**[Line 5 (Net Resources Available) +8g (Total Other Housing Fund Assets)] \$ 3,900,000

Compare Line 9 to the below amount reported to the SCO (Balance Sheet of Redevelopment Agencies Financial Transactions Report. [Explain differences and identify amount(s)]:

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

**ENTER LOW-MOD FUND TOTAL EQUITIES (BALANCE SHEET) REPORTED TO SCO** \$ \_\_\_\_\_

Agency Name: \_\_\_\_\_

**Excess Surplus Information**

Pursuant to Section 33080.7 and Section 33334.12(g)(1), report on Excess Surplus that is required to be determined on the first day of a fiscal year. Excess Surplus exists when the Adjusted Balance exceeds the greater of: (1) \$1,000,000 or (2) the aggregate amount of tax increment deposited to the Housing Fund during the prior four fiscal years. Section 33334.12(g)(3)(A) and (B) provide that the Unencumbered Balance can be adjusted for: (1) any remaining revenue generated in the reporting year from unspent debt proceeds and (2) if the land was disposed of during the reporting year to develop affordable housing, the difference between the fair market value of land and the value received.

The Unencumbered Balance is calculated by subtracting encumbrances from Net Resources Available. "Encumbrances" are funds reserved and committed pursuant to a legally enforceable contract or agreement for expenditure for authorized redevelopment housing activities [Section 33334.12(g)(2)].

For Excess Surplus calculation purposes, carry over the prior year's HCD Schedule C Adjusted Balance as the Adjusted Balance on the first day of the reporting fiscal year. Determine which is larger: (1) \$1 million or (2) the total of tax increment deposited over the prior four years. Subtract the largest amount from the Adjusted Balance and, if positive, report the amount as Excess Surplus.

**10. Excess Surplus:**

Complete Columns 2, 3, 4, & 5 to calculate Excess Surplus for the reporting year. Columns 6 and 7 track prior years' Excess Surplus.

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>	<u>Column 5</u>	<u>Column 6</u>	<u>Column 7</u>
4 Prior and Current <u>Reporting Years</u>	Total Tax Increment Deposits to Housing Fund	Sum of Tax Increment Deposits Over Prior Four FYs	Current <u>Reporting</u> Year 1 <sup>st</sup> Day Adjusted Balance	Current <u>Reporting</u> Year 1 <sup>st</sup> Day Excess Surplus Balance	Amount Expended/Encumbered Against FY Balance of Excess Surplus as of <b>End of Reporting Year</b>	Remaining Excess Surplus for Each Fiscal Year as of <b>End of Reporting Year</b>
<b>4 Rpt Yrs Ago</b> <b>FY 00-01</b>	\$200,000			\$	\$	\$
<b>3 Rpt Yrs Ago</b> <b>FY 01-02</b>	\$250,000			\$	\$	\$
<b>2 Rpt Yrs Ago</b> <b>FY 02-03</b>	\$300,000			\$	\$	\$
<b>1 Rpt Yrs Ago</b> <b>FY 03-04</b>	\$350,000			\$	\$	\$
<b>Current Reporting Year</b> <b>FY 2005</b>		Sum of Column 2  \$1,100,000	Last Year's Sch C Adjusted Balance  \$800,000	Col 4 minus larger of Col 3 or \$1mm (report positive \$)  \$		

**11. Reporting Year Ending Unencumbered Balance and Adjusted Balance:**

a. **Unencumbered Balance** (End of Year) [Page 3, Line 6b] \$ 1,500,000

b. If eligible, adjust the Unencumbered Balance for:

(1) **Debt Proceeds** [33334.12(g)(3)(B)]:

Identify unspent debt proceeds and related income remaining at end of reporting year \$ (700,000)

(2) **Land Conveyance Losses** [(33334.12(g)(3)(A))]:

Identify reporting year losses from sales/grants/leases of land acquired with low-mod funds,  
if 49% or more of new or rehabilitated units will be affordable to lower-income households \$ \_\_\_\_\_

**12. Adjusted Balance** (next year's determination of Excess Surplus) [Line 11a minus sum of 11b(1) & 11b(2)] \$ 800,000

**Note: Do not enter Adjusted Balance in Col 4. It is to be reported as next year's 1st day amount to determine Excess Surplus**

a. If there is remaining Excess Surplus from what was determined on the first day of the reporting year, describe the agency's plan (as specified in Section 33334.10) for transferring, encumbering, or expending excess surplus:

b. If the plan described in 12a. was adopted, enter the plan adoption date: \_\_\_\_\_

\_\_\_\_/\_\_\_\_/\_\_\_\_  
mo day yr

Agency Name: \_\_\_\_\_

**Miscellaneous Uses of Funds**

13. If an amount is reported in 4e., pursuant to Section 33080.4(a)(6), report the total number of very low-, low-, and moderate-income households that directly benefited from expenditures for onsite/offsite improvements which resulted in either new construction, rehabilitation, or the elimination of health and safety hazards. (Note: If Line 4e of this schedule does not show expenditures for improvements, no units should be reported here.)

<b>Income Level</b>	<b>Households Constructed</b>	<b>Households Rehabilitated</b>	<b>Households Benefiting from Elimination of Health and Safety Hazard</b>	<b>Duration of Deed Restriction</b>
Very Low				
Low				
Moderate				

14. If the agency is holding land for future housing development (refer to Line 8b), summarize the acreage (round to tenths, do not report square footage), zoning, date of purchase, and the anticipated start date for the housing development.

<b>Site Name/Location*</b>	<b>No. of Acres</b>	<b>Zoning</b>	<b>Purchase Date</b>	<b>Estimated Date Available</b>	<b>Comments</b>

Please attach a separate sheet of paper listing any additional sites not reported above.

15. Section 33334.13 requires agencies which have used the Housing Fund to assist mortgagors in a homeownership mortgage revenue bond program, or home financing program described in that Section, to provide the following information:

- a. Has your agency used the authority related to definitions of income or family size adjustment factors provided in Section 33334.13(a)?

Yes ☐ No ☐ Not Applicable ☐

- b. Has the agency complied with requirements in Section 33334.13(b) related to assistance for very low-income households equal to twice that provided for above moderate-income households?

Yes ☐ No ☐ Not Applicable ☐



Agency Name: \_\_\_\_\_

16. Did the Agency use non-LMIHF funds as matching funds for the Federal HOME or HOPE program during the reporting period?

YES ☐ NO ☐

If yes, please indicate the amount of non-LMIHF funds that were used for either HOME or HOPE program support.

HOME \$ \_\_\_\_\_ HOPE \$ \_\_\_\_\_

17. Pursuant to Section 33080.4(a)(11), the agency shall maintain adequate records to identify the date and amount of all LMIHF deposits and withdrawals during the reporting period. To satisfy this requirement, the Agency should keep and make available upon request any and all deposit and withdrawal information. **DO NOT SUBMIT ANY DOCUMENTS/RECORDS.**

Has your agency made any deposits to or withdrawals from the LMIHF? Yes ☐ No ☐

If yes, identify the document(s) describing the agency's deposits and withdrawals by listing for each document, the following (attach additional pages of similar information below as necessary):

Name of document (e.g. ledger, journal, etc.): \_\_\_\_\_  
Name of Agency Custodian (person): \_\_\_\_\_  
Custodian's telephone number: \_\_\_\_\_  
Place where record can be accessed: \_\_\_\_\_

Name of document (e.g. ledger, journal, etc.): \_\_\_\_\_  
Name of Agency Custodian (person): \_\_\_\_\_  
Custodian's telephone number: \_\_\_\_\_  
Place where record can be accessed: \_\_\_\_\_

18. **Use of Other (non Low-Mod Funds) Redevelopment Funds for Housing**

Please briefly describe the use of any non-LMIHF redevelopment funds (i.e., contributions from the other 80% of tax increment revenue or other non Low-Mod funds) to construct, improve, assist, or preserve housing in the community.

19. **Suggestions/Resource Needs**

Please provide suggestions to simplify and improve future agency reporting and identify any training, information, and/or other resources, etc. that would help your agency to more quickly and effectively use its housing or other funds to increase, improve, and preserve affordable housing?

20. **Annual Monitoring Reports of Previously Completed Affordable Housing Projects/Programs (H&SC 33418)**

Were all Annual Monitoring Reports received for all prior years' affordable housing projects/programs? Yes ☐ No ☐

Agency Name: \_\_\_\_\_

21. **Excess Surplus Expenditure Plan (H&SC 33334.10(a))**

Agency Name: \_\_\_\_\_

22. Footnote area to provide additional information.

Agency Name: \_\_\_\_\_

## 23. Accounting for SERAF REPAYMENTS - AGENCY WIDE, ALL YEARS

**Instructions: For FY2009-10:** Add amounts suspended & loaned then enter total in Col 4. **For FY2010-11:** Add the amount loaned (for SERAF payment only) to the remaining balance in Col 4 from FY2009-10., then subtract any amount repaid, and enter the net total in Col 4. **For all other fiscal years (up to June 30, 2016):** subtract the amount of SERAF repaid during each fiscal year from the prior year's remaining balance in Col 4. Continue repaying the Low Mod Fund until the entire amount of any SERAF suspended and/or loaned has been repaid in full, pursuant to the repayment timeframes listed in the Health and Safety Code Sections cited below.

Specify Fiscal Year of any repayment	Col 1 Amount <u>Suspended</u> <u>ONLY in FY</u> <u>2009-10</u>	Col 2 Amount <u>Loaned</u> for <u>SERAF payment in</u> <u>FY 2009-10 or</u> <u>In FY 2010-11</u>	Col 3 Amount SERAF <u>REPAID in each</u> <u>Reporting Fiscal Year</u>	Col 4 * <u>SERAF Balance</u> <u>Remaining</u>
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015	<i>Funds suspended &amp; loaned in FY 2009-10 must be repaid by 6/30/2015</i>			
2015-2016	<i>Funds loaned in FY 2010-11 must be repaid by 6/30/2016</i>			

**Suspending Funds to pay SERAF in FY2009-10 : - H&SC Section 33334.2(k)(1)(2)(3)**

Pursuant to the H&SC Section 33334.2 (k)(1)(2)(3) agencies are authorized to make SERAF payments by suspending tax increment revenue from being deposited into the Low Mod Funds. Any suspension of funds is limited to Fiscal Year 2009-10 and must be paid back in full to the Low Mod Fund no later than **June 30, 2015**.

**Borrowing Funds to pay SERAF in FY2009-10 : - H&SC Section 33690(c)(1)(2)**

Pursuant to H&SC Section 33690(c)(1)(2), For Fiscal Year 2009-10, agencies can pay the SERAF by borrowing funds from the Low Mod Housing Fund, but must pay back all of the borrowed funds no later than **June 30, 2015**.

**Borrowing Funds to pay SERAF in FY2010-11 : - H&SC Section 33690.5(c)(1)(2)**

Pursuant to H&SC Section 33690.5(c)(1)(2), For Fiscal Year 2010-11, agencies can pay the SERAF by borrowing funds from the Low Mod Housing Fund, but must pay back all of the borrowed funds no later than **June 30, 2016**.

**Penalties exist for not repaying SERAF to Low Mod Fund:**

Refer to H&SC Sections 33020.5, 33331.5, 33334.2, 33688, 33690, 33690.5, 33691 and 33692.

Agency Name: \_\_\_\_\_

## 24. **Project Achievement and HCD Director's Award for Housing Excellence**

Project achievement information is optional but can serve important purposes: Agencies' achievements can inform others of successful redevelopment projects and provide instructive information for additional successful projects. Achievements may be included in HCD's Annual Report of Housing Activities of California Redevelopment Agencies to assist other local agencies in developing effective and efficient programs to address local housing needs.

In addition, HCD may select various projects to receive the Director's Award for Housing Excellence. Projects may be selected based on criteria such as local affordable housing need(s) met, resources utilized, barriers overcome, and project innovation/complexity, etc.

Project achievement information should only be submitted for one affordable residential project that was completed within the reporting year as evidenced by a Certificate of Occupancy. The project must not have been previously reported as an achievement.

*To publish agencies' achievements in a standard format, please complete information for each underlined category below addressing suggested topics in a narrative format that does not exceed two pages (see example, next page). In addition to submitting information with other HCD forms to the State Controller, please submit achievement information on a 3.5 inch diskette and identify the software type and version. For convenience, the diskette can be separately mailed to: HCD Policy Division, 1800 3<sup>rd</sup> Street, Sacramento, CA 95811 or data can be attached to an email and sent to appropriate staff by inquiring of appropriate staff's name and email address by calling 916.445-4728.*

### **AGENCY INFORMATION**

- Project Type (Choose one of the categories below and one kind of assistance representing the primary project type):
 

<u>New/Additional Units (Previously Unoccupied/Uninhabitable):</u> <ul style="list-style-type: none"> <li>- New Construction to own</li> <li>- New Construction to rent</li> <li>- Rehabilitation to own</li> <li>- Rehabilitation to rent</li> <li>- Adaptive Re-use</li> <li>- Mixed Use Infill</li> <li>- Mobilehomes/Manufactured Homes</li> <li>- Mortgage Assistance</li> <li>- Transitional Housing</li> <li>- Other (describe)</li> </ul>	<u>Existing Units (Previously Occupied)</u> <ul style="list-style-type: none"> <li>- Rehabilitation of Owner-Occupied</li> <li>- Rehabilitation of Tenant-Occupied</li> <li>- Acquisition and Rehabilitation to Own</li> <li>- Acquisition and Rehabilitation to Rent</li> <li>- Mobile homes/Manufactured Homes</li> <li>- Payment Assistance for Owner or Renter</li> <li>- Transitional Housing</li> <li>- Other (describe)</li> </ul>
---	---
- Agency Name:
- Agency Contact and Telephone Number for the Project:

### **DESCRIPTION**

- Project Name
- Clientele served [owner, renter, income group, special need (e.g. large family or disabled), etc.]
- Number and type of units and location, density, and size of project relative to other projects, etc.
- Degree of affordability/assistance rendered to families by project, etc.
- Uniqueness (land use, design features, additional services/amenities provided, funding sources/collaboration, before/after project conversion such as re-use, mixed use, etc.)
- Cost (acquisition, clean-up, infrastructure, conversion, development, etc.)

### **HISTORY**

- Timeframe from planning to opening
- Barriers/resistance (legal/financial/community, etc.) that were overcome
- Problems and creative solutions found
- Lessons learned and/or recommendations for undertaking a similar project

### **AGENCY ROLE AND ACHIEVEMENT**

- Degree of involvement with concept, design, approval, financing, construction, operation, and cost, etc.
- Specific agency and/or community goals and objectives met, etc.

Agency Name: \_\_\_\_\_

# ACHIEVEMENT EXAMPLE

**Project Type: NEW CONSTRUCTION- OWNER OCCUPIED**

\_\_\_\_\_ Redevelopment Agency  
**Contact: Name (Area Code) Telephone #**

**Project/Program Name: \_\_\_\_\_ Project or Program**Description

During the reporting year, construction of 12 homes was completed. \_\_\_\_\_ Enterprises, which specializes in community self-help projects, was the developer, assisting 12 families in the construction of their new homes. The homes took 10 months to build. The families' work on the homes was converted into "sweat equity" valued at \$15,000. The first mortgage was from CHFA. Families were also given an affordable second mortgage. The second and third mortgage loans were funded by LMIHF and HOME funds.

History

The \_\_\_\_\_ (City or County) of \_\_\_\_\_ struggled for several years over what to do about the \_\_\_\_\_ area. The \_\_\_\_\_ tried to encourage development in the area by rezoning a large portion of the area for multi-family use, and twice attempted to create improvement districts. None of these efforts were successful and the area continued to deteriorate, sparking growing concern among city officials and residents. At the point that the Redevelopment Agency became involved, there was significant ill will between the residents of the \_\_\_\_\_ and the (City or County). The \_\_\_\_\_ introduced the project in \_\_\_\_\_ with discussions of how the Agency could become involved in improving the blighted residential neighborhood centering on \_\_\_\_\_. This area is in the core area of town and was developed with disproportionately narrow, deep lots, based on a subdivision plat laid in 1950. Residents built their homes on the street frontages of \_\_\_\_\_ and \_\_\_\_\_ leaving large back-lot areas that were landlocked and unsuitable for development, having no access to either avenue. The Agency worked with 24 property owners to purchase portions of their properties. Over several years, the Agency purchased enough property to complete a tract map creating access and lots for building. Other non-profits have created an additional twelve affordable homes.

Agency Role

The Agency played the central role. The \_\_\_\_\_ Project is a classic example of successful redevelopment. All elements of blight were present: irregular, land-locked parcels without access; numerous property owners; development that lagged behind that of the surrounding municipal property; high development cost due to need for installation of street improvements, utilities, a storm drain system, and undergrounding of a flood control creek; and a low-income neighborhood in which property sale prices would not support high development costs. The Agency determined that the best development for the area would be single-family owner-occupied homes. The Agency bonded its tax increment to fund the off-site improvements. A tract map was completed providing for the installation of the street improvements, utilities, storm drainage, and the undergrounding of \_\_\_\_\_ Creek. These improvements cost the Agency approximately \$1.5 million. In lieu of using the eminent domain process, the Agency negotiated with 22 property owners to purchase portions of their property, allowing for access to the landlocked parcels. This helped foster trust and good will during the course of the negotiations. The Project got underway once sufficient property was purchased.

## Example 2

### 1. Calculate the Unencumbered Balance (same facts as Example 1).

The Redevelopment Agency's Beginning Cash and Investment Balance is \$3,600,000; the Total Receipts from Project Areas is \$1,100,000; and its Subtotal of Expenditures and Uses is \$1,900,000. These amounts result in the Net Resources Available (End of Year) of \$2,800,000.

Subtracting the Total Encumbrances in an amount of \$600,000 from the Net Resources Available of \$2,800,000 results in an Unencumbered Balance of \$2,200,000.

### 2. Calculate the Adjusted Balance.

This example (Example 2) includes land value in the Housing Fund of \$1,000,000, which has been sold to an affordable housing developer for \$700,000. The \$300,000 difference may be subtracted from the Unencumbered Balance to determine the Adjusted Balance.

The Unencumbered Balance of \$2,200,000 is on line 11(a); The Land Sales difference of \$300,000, as defined in *Health & Safety Code* Section 33334.12(g)(3)(A), may be now subtracted to arrive at the Adjusted Balance of \$1,900,000.

**Remember:** If an agency sells, leases, or grants land acquired with money from the Housing Fund for an amount that is below the fair market value, and if at least 49% of the units constructed or rehabilitated on the land are affordable to lower-income households, then the difference between the fair market value of the land and the amount the agency receives may be subtracted from the amount of money in the agency's Housing Fund.

### 3. Determine whether Excess Surplus exists.

Example 2 assumes that the Total Tax Increments Deposited in the Housing Fund for the previous four years is \$1,100,000.

In this case, **excess surplus exists**. It exists because the Adjusted Balance of \$1,900,000 exceeds both the Total Tax Increments Deposited in the Housing Fund for the previous four years of \$1,100,000, and exceeds the \$1,000,000 floor.

### 4. Calculate Excess Surplus as follows.

If the sum of the tax increment for the four preceding fiscal years is more than \$1,000,000, excess surplus equals the adjusted balance minus the sum of tax increment for the four preceding fiscal years. The sum of tax increment for the four preceding fiscal years of \$1,100,000 was subtracted from the Adjusted Balance of \$1,900,000 to determine an Excess Surplus amount of \$800,000.

**SCHEDULE HCD-C**

## Agency-wide Activity

for Fiscal Year Ended \_\_\_\_/\_\_\_\_/\_\_\_\_

Agency Name: \_\_\_\_\_ County: \_\_\_\_\_

Preparer's Name, Title: \_\_\_\_\_ Preparer's E-Mail Address: \_\_\_\_\_

Preparer's Telephone No: \_\_\_\_\_ Preparer's Facsimile No: \_\_\_\_\_

**Low & Moderate Income Housing Funds**

Report on the "status and use of the agency's Low and Moderate Income Housing Fund." Most information reported here should be based on information reported to the State Controller.

1. **Beginning Balance** (Use "**Net Resources Available**" from last fiscal year report to HCD) \$ 3,600,000
  - a. If Beginning Balance requires adjustment(s), describe and provide dollar amount (positive/negative) making up total adjustment: Use < \$ > for negative amounts or amounts to be subtracted.
 

	\$ _____
	\$ _____
	\$ _____
  - b. Adjusted Beginning Balance [Beginning Balance plus + or minus <-> Total Adjustment(s)] \$ 3,600,000
2. **Project Area(s) Receipts and Housing Fund Revenues**
  - a. **Total Project Area(s) Receipts.** Total Summed amount of HCD-Schedule A(s) (from Line 3k) \$ 1,100,000
  - b. Housing Fund Resources **not** reported on HCD Schedule -A(s)  
Describe and Provide Dollar Amount(s) (Positive/Negative) Making Up Total Housing Fund Resources
 

	\$ _____
	\$ _____
	\$ _____
  - c. **Total Housing Fund Resources** \$ 1,100,000
3. **Total Resources** (Line 1b. + Line 2a + Line 2c.) \$ 4,700,000

**NOTES:**

Many amounts to report as Expenditures and Other Uses (beginning on the next page) should be taken from amounts reported to the State Controller's Office (SCO). Review the SCO's Redevelopment Agencies Financial Transactions Report.

Housing Fund "transfers-out" to other internal Agency funds: Report the specific use of all transferred funds on applicable lines 4a.-k of Schedule C. For example, transfers from the Housing Fund to the Debt Service Fund for the repayment of principal and interest of debt proceeds deposited to the Housing Fund should be reported on the applicable item comprising HCD-C Line 4c, providing tax increment (gross and deposit amounts) were reported on Sch-As. External transfers out of the Agency should be reported on HCD-C Line 4j (e.g.: transfer of excess surplus to the County Housing Authority).

Other Uses: Non-GAAP (Generally Accepted Accounting Principles) recording of expenditures such as land purchases for agencies using the Land Held for Resale method to record land purchases should be reported on HCD-C Line 4a(1). Funds spent resulting in loans to the Housing Fund should be included in HCD-C lines 4b., 4f., 4g., 4h., and 4i as appropriate.

*The statutory cite pertaining to Community Redevelopment Law (CRL) is provided for preparers to review to determine the appropriateness of Low and Moderate Income Housing Fund (LMIHF) expenditures and other uses. HCD does not represent that line items identifying any expenditures and other uses are allowable. CRL is accessible on the Internet [website: <http://www.leginfo.ca.gov/> (California Law)] beginning with Section 33000 of the Health and Safety Code.*



Agency Name: \_\_\_\_\_

**4. Expenditures, Loans, and Other Uses****a. Acquisition of Property & Building Sites [33334.2(e)(1)] & Housing [33334.2(e)(6)]:**

- |   |    |           |
|---|----|-----------|
| (1) Land Purchases ( <i>Investment - Land Held for Resale</i> ) * | \$ | 1,000,000 |
| (2) Housing Assets ( <i>Fixed Asset</i> ) *                       | \$ | _____     |
| (3) Acquisition Expense   | \$ | _____     |
| (4) Operation of Acquired Property                                | \$ | _____     |
| (5) Relocation Costs  | \$ | _____     |
| (6) Relocation Payments   | \$ | _____     |
| (7) Site Clearance Costs  | \$ | _____     |
| (8) Disposal Costs  | \$ | _____     |
| (9) Other [Explain and identify amount(s)]:                       |    |           |

_____	\$	_____
_____	\$	_____
_____	\$	_____

\* Reported to SCO as part of Assets and Other Debts

(10) **Subtotal Property/Building Sites/Housing Acquisition** (Sum of Lines 1 - 9) \$ 1,000,000**b. Subsidies from Low and Moderate Income Housing Fund (LMIHF):**

- |  |    |         |
|--|----|---------|
| (1) 1 <sup>st</sup> Time Homebuyer Down Payment Assistance | \$ | 100,000 |
| (2) Rental Subsidies                                       | \$ | _____   |
| (3) Purchase of Affordability Covenants [33413(b)(2)(B)]   | \$ | _____   |
| (4) Other [Explain and identify amount(s)]:                |    |         |

_____	\$	_____
_____	\$	_____
_____	\$	_____

(5) **Subtotal Subsidies from LMIHF** (Sum of Lines 1 - 4) \$ 100,000**c. Debt Service [33334.2(e)(9)].** If paid from LMIHF, report LMIHF's share of debt service. If paid from Debt Service Fund, ensure "gross" tax increment is reported on HCD-A(s) Line 3a(1).

- |   |    |         |
|---|----|---------|
| (1) Debt Principal Payments                       |    |         |
| (a) Tax Allocation, Bonds & Notes                 | \$ | 150,000 |
| (b) Revenue Bonds & Certificates of Participation | \$ | _____   |
| (c) City/County Advances & Loans                  | \$ | _____   |
| (d) U. S. State & Other Long-Term Debt            | \$ | _____   |
| (2) Interest Expense                              | \$ | _____   |
| (3) Debt Issuance Costs                           | \$ | _____   |
| (4) Other [Explain and identify amount(s)]:       |    |         |

_____	\$	_____
_____	\$	_____
_____	\$	_____

(5) **Subtotal Debt Service** (Sum of Lines 1 - 4) \$ 150,000**d. Planning and Administration Costs [33334.3(e)(1)]:**

- |  |    |         |
|--|----|---------|
| (1) Administration Costs                                   | \$ | _____   |
| (2) Professional Services ( <i>non project specific</i> )  | \$ | 300,000 |
| (3) Planning/Survey/Design ( <i>non project specific</i> ) | \$ | 100,000 |
| (4) Indirect Nonprofit Costs [33334.3(e)(1)(B)]            | \$ | _____   |
| (5) Other [Explain and identify amount(s)]:                |    |         |

_____	\$	_____
_____	\$	_____
_____	\$	_____

(6) **Subtotal Planning and Administration** (Sum of Lines 1 - 5) \$ 400,000

Agency Name: \_\_\_\_\_

**4. Expenditures, Loans, and Other Uses** (continued)

- e. On/Off-Site Improvements [33334.2(e)(2)] *Complete item 13* \$ 250,000
- f. Housing Construction [33334.2(e)(5)] \$ \_\_\_\_\_
- g. Housing Rehabilitation [33334.2(e)(7)] \$ \_\_\_\_\_
- h. Maintain Supply of Mobile home Parks [33334.2(e)(10)] \$ \_\_\_\_\_
- i. Preservation of At-Risk Units [33334.2(e)(11)] \$ \_\_\_\_\_
- j. Transfers Out of Agency
- (1) For Transit village Development Plan (33334.19) \$ \_\_\_\_\_
- (2) Excess Surplus [33334.12(a)(1)(A)] \$ \_\_\_\_\_
- (3) Other (specify code section authorizing transfer and amount)
- A. Section \_\_\_\_\_ \$ \_\_\_\_\_
- B. Section \_\_\_\_\_ \$ \_\_\_\_\_
- Other Transfers Subtotal \$ \_\_\_\_\_
- (4) **Subtotal Transfers Out of Agency** (Sum of j(1) through j(3)) \$ \_\_\_\_\_
- k. SERAF loan [33334.2 (k)] Also complete Line 8e (below) and Box 23, pg 9. \$ \_\_\_\_\_
- l. Other Expenditures, Loans, and Uses [Explain and identify amount(s)]:
- \_\_\_\_\_ \$ \_\_\_\_\_
- Subtotal Other Expenditures, Loans, and Uses** \$ \_\_\_\_\_
- m. **Total Expenditures, Loans, and Other Uses** (Sum of lines 4a.-l.) 5. \$ (1,900,000)

**5. Net Resources Available** [End of Reporting Fiscal Year][Page 1, Line 3, Total Resources minus Total Expenditures, Loans, and Other Uses on Line 4.l.] \$ 2,800,000**6. Encumbrances and Unencumbered Balance**

- a. **Encumbrances.** Amount of Line 5 reserved for future payment of legal contract(s) or agreement(s). See H&SC Section 33334.12(g)(2) for definition.
- Refer to item 10 on Sch-A(s) and item 4 on Sch-B.* \$ (600,000)
- b. **Unencumbered Balance** (Line 5 minus Line 6a). Also enter on Page 4, Line 11a. \$ 2,200,000

**7. Designated/Undesignated Amount of Available Funds**

- a. **Designated** From Line 6b- Budgeted/planned to use near-term
- Refer to item 10 on Sch-A(s) and item 4 on Sch-B* \$ \_\_\_\_\_
- b. **Undesignated** From Line 6b- Portion not yet budgeted/planned to use \$ \_\_\_\_\_

**8. Other Housing Fund Assets** (non recurrent receivables) not included as part of Line 5

- a. Indebtedness from Deferrals of Tax Increment (33334.6)
- [refer to Sch-A(s), Line 5c (2)]. \$ \_\_\_\_\_
- b. Value of Land Purchased with Housing Funds and Held for Development of Affordable Housing. *Complete Sch-C item 14.* \$ 1,800,000
- c. Loans Receivable for Housing Activities \$ \_\_\_\_\_
- d. Residual Receipt Loans (periodic/fluctuating payments) \$ \_\_\_\_\_
- e. SERAF Total Receivable [Sec 33334.2 (k)]
- (Also report in Sch C, Box 23, pg 9.) \$ \_\_\_\_\_
- f. ERAF Loans Receivable (all years) (33681) \$ \_\_\_\_\_
- g. Other Assets [Explain and identify amount(s)]:
- \_\_\_\_\_ \$ \_\_\_\_\_
- \_\_\_\_\_ \$ \_\_\_\_\_
- h. **Total Other Housing Fund Assets** (Sum of lines 8a.-g.) \$ 1,800,000

**9. TOTAL FUND EQUITY**[Line 5 (Net Resources Available) +8g (Total Other Housing Fund Assets)] \$ 4,600,000

Compare Line 9 to the below amount reported to the SCO (Balance Sheet of Redevelopment Agencies Financial Transactions Report. [Explain differences and identify amount(s)]:

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

**ENTER LOW-MOD FUND TOTAL EQUITIES (BALANCE SHEET) REPORTED TO SCO** \$ \_\_\_\_\_

Agency Name: \_\_\_\_\_

**Excess Surplus Information**

Pursuant to Section 33080.7 and Section 33334.12(g)(1), report on Excess Surplus that is required to be determined on the first day of a fiscal year. Excess Surplus exists when the Adjusted Balance exceeds the greater of: (1) \$1,000,000 or (2) the aggregate amount of tax increment deposited to the Housing Fund during the prior four fiscal years. Section 33334.12(g)(3)(A) and (B) provide that the Unencumbered Balance can be adjusted for: (1) any remaining revenue generated in the reporting year from unspent debt proceeds and (2) if the land was disposed of during the reporting year to develop affordable housing, the difference between the fair market value of land and the value received.

The Unencumbered Balance is calculated by subtracting encumbrances from Net Resources Available. "Encumbrances" are funds reserved and committed pursuant to a legally enforceable contract or agreement for expenditure for authorized redevelopment housing activities [Section 33334.12(g)(2)].

For Excess Surplus calculation purposes, carry over the prior year's HCD Schedule C Adjusted Balance as the Adjusted Balance on the first day of the reporting fiscal year. Determine which is larger: (1) \$1 million or (2) the total of tax increment deposited over the prior four years. Subtract the largest amount from the Adjusted Balance and, if positive, report the amount as Excess Surplus.

**10. Excess Surplus:**

Complete Columns 2, 3, 4, & 5 to calculate Excess Surplus for the reporting year. Columns 6 and 7 track prior years' Excess Surplus.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
	Total Tax Increment Deposits to Housing Fund	Sum of Tax Increment Deposits Over Prior Four FYs	Current Reporting Year 1 <sup>st</sup> Day Adjusted Balance	Current Reporting Year 1 <sup>st</sup> Day Excess Surplus Balance	Amount Expended/Encumbered Against FY Balance of Excess Surplus as of End of Reporting Year	Remaining Excess Surplus for Each Fiscal Year as of End of Reporting Year
<b>4 Rpt Yrs Ago</b> <b>FY 00-01</b>	\$200,000			\$	\$	\$
<b>3 Rpt Yrs Ago</b> <b>FY 01-02</b>	\$250,000			\$	\$	\$
<b>2 Rpt Yrs Ago</b> <b>FY 02-03</b>	\$300,000			\$	\$	\$
<b>1 Rpt Yrs Ago</b> <b>FY 03-04</b>	\$350,000			\$	\$	\$
<b>Current Reporting Year</b> <b>FY 2005</b>		Sum of Column 2 \$1,100,000	Last Year's Sch C Adjusted Balance \$1,900,000	Col 4 minus larger of Col 3 or \$1mm (report positive \$) \$800,000		

**11. Reporting Year Ending Unencumbered Balance and Adjusted Balance:**

- a. **Unencumbered Balance** (End of Year) [Page 3, Line 6b] \$ 2,200,000
- b. If eligible, adjust the Unencumbered Balance for:
- (1) **Debt Proceeds** [33334.12(g)(3)(B)]:  
Identify unspent debt proceeds and related income remaining at end of reporting year\$ \_\_\_\_\_
- (2) **Land Conveyance Losses** [(33334.12(g)(3)(A))]:  
Identify reporting year losses from sales/grants/leases of land acquired with low-mod funds, if 49% or more of new or rehabilitated units will be affordable to lower-income households \$ (300,000)

**12. Adjusted Balance** (next year's determination of Excess Surplus) [Line 11a minus sum of 11b(1) & 11b(2)] \$ 1,900,000

**Note: Do not enter Adjusted Balance in Col 4. It is to be reported as next year's 1st day amount to determine Excess Surplus**

- a. If there is remaining Excess Surplus from what was determined on the first day of the reporting year, describe the agency's plan (as specified in Section 33334.10) for transferring, encumbering, or expending excess surplus:
- \_\_\_\_\_

- b. If the plan described in 12a. was adopted, enter the plan adoption date: \_\_\_\_\_

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
mo day yr

Agency Name: \_\_\_\_\_

**Miscellaneous Uses of Funds**

13. If an amount is reported in 4e., pursuant to Section 33080.4(a)(6), report the total number of very low-, low-, and moderate-income households that directly benefited from expenditures for onsite/offsite improvements which resulted in either new construction, rehabilitation, or the elimination of health and safety hazards. (Note: If Line 4e of this schedule does not show expenditures for improvements, no units should be reported here.)

<b>Income Level</b>	<b>Households Constructed</b>	<b>Households Rehabilitated</b>	<b>Households Benefiting from Elimination of Health and Safety Hazard</b>	<b>Duration of Deed Restriction</b>
Very Low				
Low				
Moderate				

14. If the agency is holding land for future housing development (refer to Line 8b), summarize the acreage (round to tenths, do not report square footage), zoning, date of purchase, and the anticipated start date for the housing development.

<b>Site Name/Location*</b>	<b>No. of Acres</b>	<b>Zoning</b>	<b>Purchase Date</b>	<b>Estimated Date Available</b>	<b>Comments</b>

Please attach a separate sheet of paper listing any additional sites not reported above.
--

15. Section 33334.13 requires agencies which have used the Housing Fund to assist mortgagors in a homeownership mortgage revenue bond program, or home financing program described in that Section, to provide the following information:

- a. Has your agency used the authority related to definitions of income or family size adjustment factors provided in Section 33334.13(a)?

Yes ☐ No ☐ Not Applicable ☐

- b. Has the agency complied with requirements in Section 33334.13(b) related to assistance for very low-income households equal to twice that provided for above moderate-income households?

Yes ☐ No ☐ Not Applicable ☐

Agency Name: \_\_\_\_\_

16. Did the Agency use non-LMIHF funds as matching funds for the Federal HOME or HOPE program during the reporting period?

YES ☐ NO ☐

If yes, please indicate the amount of non-LMIHF funds that were used for either HOME or HOPE program support.

HOME \$ \_\_\_\_\_ HOPE \$ \_\_\_\_\_

17. Pursuant to Section 33080.4(a)(11), the agency shall maintain adequate records to identify the date and amount of all LMIHF deposits and withdrawals during the reporting period. To satisfy this requirement, the Agency should keep and make available upon request any and all deposit and withdrawal information. **DO NOT SUBMIT ANY DOCUMENTS/RECORDS.**

Has your agency made any deposits to or withdrawals from the LMIHF? Yes ☐ No ☐

If yes, identify the document(s) describing the agency's deposits and withdrawals by listing for each document, the following (attach additional pages of similar information below as necessary):

Name of document (e.g. ledger, journal, etc.): \_\_\_\_\_  
Name of Agency Custodian (person): \_\_\_\_\_  
Custodian's telephone number: \_\_\_\_\_  
Place where record can be accessed: \_\_\_\_\_

Name of document (e.g. ledger, journal, etc.): \_\_\_\_\_  
Name of Agency Custodian (person): \_\_\_\_\_  
Custodian's telephone number: \_\_\_\_\_  
Place where record can be accessed: \_\_\_\_\_

18. **Use of Other (non Low-Mod Funds) Redevelopment Funds for Housing**

Please briefly describe the use of any non-LMIHF redevelopment funds (i.e., contributions from the other 80% of tax increment revenue or other non Low-Mod funds) to construct, improve, assist, or preserve housing in the community.

19. **Suggestions/Resource Needs**

Please provide suggestions to simplify and improve future agency reporting and identify any training, information, and/or other resources, etc. that would help your agency to more quickly and effectively use its housing or other funds to increase, improve, and preserve affordable housing?

20. **Annual Monitoring Reports of Previously Completed Affordable Housing Projects/Programs (H&SC 33418)**

Were all Annual Monitoring Reports received for all prior years' affordable housing projects/programs? Yes ☐ No ☐

Agency Name: \_\_\_\_\_

21. **Excess Surplus Expenditure Plan** (H&SC 33334.10(a))

Agency Name: \_\_\_\_\_

22. Footnote area to provide additional information.

Agency Name: \_\_\_\_\_

## 23. Accounting for SERAF REPAYMENTS - AGENCY WIDE, ALL YEARS

**Instructions: For FY2009-10:** Add amounts suspended & loaned then enter total in Col 4. **For FY2010-11:** Add the amount loaned (for SERAF payment only) to the remaining balance in Col 4 from FY2009-10., then subtract any amount repaid, and enter the net total in Col 4. **For all other fiscal years (up to June 30, 2016):** subtract the amount of SERAF repaid during each fiscal year from the prior year's remaining balance in Col 4. Continue repaying the Low Mod Fund until the entire amount of any SERAF suspended and/or loaned has been repaid in full, pursuant to the repayment timeframes listed in the Health and Safety Code Sections cited below.

Specify Fiscal Year of any repayment	Col 1 Amount <u>Suspended</u> <u>ONLY in FY</u> <u>2009-10</u>	Col 2 Amount <u>Loaned for</u> <u>SERAF payment in</u> <u>FY 2009-10 or</u> <u>In FY 2010-11</u>	Col 3 Amount SERAF <u>REPAID in each</u> <u>Reporting Fiscal Year</u>	Col 4 * <u>SERAF Balance</u> <u>Remaining</u>
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015	<i>Funds suspended &amp; loaned in FY 2009-10 must be repaid by 6/30/2015</i>			
2015-2016	<i>Funds loaned in FY 2010-11 must be repaid by 6/30/2016</i>			

**Suspending Funds to pay SERAF in FY2009-10 : - H&SC Section 33334.2(k)(1)(2)(3)**

Pursuant to the H&SC Section 33334.2 (k)(1)(2)(3) agencies are authorized to make SERAF payments by suspending tax increment revenue from being deposited into the Low Mod Funds. Any suspension of funds is limited to Fiscal Year 2009-10 and must be paid back in full to the Low Mod Fund no later than **June 30, 2015**.

**Borrowing Funds to pay SERAF in FY2009-10 : - H&SC Section 33690(c)(1)(2)**

Pursuant to H&SC Section 33690(c)(1)(2), For Fiscal Year 2009-10, agencies can pay the SERAF by borrowing funds from the Low Mod Housing Fund, but must pay back all of the borrowed funds no later than **June 30, 2015**.

**Borrowing Funds to pay SERAF in FY2010-11 : - H&SC Section 33690.5(c)(1)(2)**

Pursuant to H&SC Section 33690.5(c)(1)(2), For Fiscal Year 2010-11, agencies can pay the SERAF by borrowing funds from the Low Mod Housing Fund, but must pay back all of the borrowed funds no later than **June 30, 2016**.

**Penalties exist for not repaying SERAF to Low Mod Fund:**

**Refer to H&SC Sections 33020.5, 33331.5, 33334.2, 33688, 33690, 33690.5, 33691 and 33692.**



Agency Name: \_\_\_\_\_

#### 24. **Project Achievement and HCD Director's Award for Housing Excellence**

Project achievement information is optional but can serve important purposes: Agencies' achievements can inform others of successful redevelopment projects and provide instructive information for additional successful projects. Achievements may be included in HCD's Annual Report of Housing Activities of California Redevelopment Agencies to assist other local agencies in developing effective and efficient programs to address local housing needs.

In addition, HCD may select various projects to receive the Director's Award for Housing Excellence. Projects may be selected based on criteria such as local affordable housing need(s) met, resources utilized, barriers overcome, and project innovation/complexity, etc.

Project achievement information should only be submitted for one affordable residential project that was completed within the reporting year as evidenced by a Certificate of Occupancy. The project must not have been previously reported as an achievement.

*To publish agencies' achievements in a standard format, please complete information for each underlined category below addressing suggested topics in a narrative format that does not exceed two pages (see example, next page). In addition to submitting information with other HCD forms to the State Controller, please submit achievement information on a 3.5 inch diskette and identify the software type and version. For convenience, the diskette can be separately mailed to: HCD Policy Division, 1800 3<sup>rd</sup> Street, Sacramento, CA 95811 or data can be attached to an email and sent to appropriate staff by inquiring of appropriate staff's name and email address by calling 916.445-4728.*

#### **AGENCY INFORMATION**

- Project Type (Choose one of the categories below and one kind of assistance representing the primary project type):
 

<u>New/Additional Units (Previously Unoccupied/Uninhabitable):</u> <ul style="list-style-type: none"> <li>- New Construction to own</li> <li>- New Construction to rent</li> <li>- Rehabilitation to own</li> <li>- Rehabilitation to rent</li> <li>- Adaptive Re-use</li> <li>- Mixed Use Infill</li> <li>- Mobilehomes/Manufactured Homes</li> <li>- Mortgage Assistance</li> <li>- Transitional Housing</li> <li>- Other (describe)</li> </ul>	<u>Existing Units (Previously Occupied)</u> <ul style="list-style-type: none"> <li>- Rehabilitation of Owner-Occupied</li> <li>- Rehabilitation of Tenant-Occupied</li> <li>- Acquisition and Rehabilitation to Own</li> <li>- Acquisition and Rehabilitation to Rent</li> <li>- Mobilehomes/Manufactured Homes</li> <li>- Payment Assistance for Owner or Renter</li> <li>- Transitional Housing</li> <li>- Other (describe)</li> </ul>
---	--
- Agency Name:
- Agency Contact and Telephone Number for the Project:

#### **DESCRIPTION**

- Project Name
- Clientele served [owner, renter, income group, special need (e.g. large family or disabled), etc.]
- Number and type of units and location, density, and size of project relative to other projects, etc.
- Degree of affordability/assistance rendered to families by project, etc.
- Uniqueness (land use, design features, additional services/amenities provided, funding sources/collaboration, before/after project conversion such as re-use, mixed use, etc.)
- Cost (acquisition, clean-up, infrastructure, conversion, development, etc.)

#### **HISTORY**

- Timeframe from planning to opening
- Barriers/resistance (legal/financial/community, etc.) that were overcome
- Problems and creative solutions found
- Lessons learned and/or recommendations for undertaking a similar project

#### **AGENCY ROLE AND ACHIEVEMENT**

- Degree of involvement with concept, design, approval, financing, construction, operation, and cost, etc.
- Specific agency and/or community goals and objectives met, etc.

Agency Name: \_\_\_\_\_

## ACHIEVEMENT EXAMPLE

**Project Type: NEW CONSTRUCTION-OWNER OCCUPIED**\_\_\_\_\_**Redevelopment Agency****Contact: Name (Area Code) Telephone #****Project/Program Name: \_\_\_\_\_ Project or Program**

### Description

During the reporting year, construction of 12 homes was completed. \_\_\_\_\_ Enterprises, which specializes in community self-help projects, was the developer, assisting 12 families in the construction of their new homes. The homes took 10 months to build. The families' work on the homes was converted into "sweat equity" valued at \$15,000. The first mortgage was from CHFA. Families were also given an affordable second mortgage. The second and third mortgage loans were funded by LMIHF and HOME funds.

### History

The \_\_\_\_\_ (City or County) of \_\_\_\_\_ struggled for several years over what to do about the \_\_\_\_\_ area. The \_\_\_\_\_ tried to encourage development in the area by rezoning a large portion of the area for multi-family use, and twice attempted to create improvement districts. None of these efforts were successful and the area continued to deteriorate, sparking growing concern among city officials and residents. At the point that the Redevelopment Agency became involved, there was significant ill will between the residents of the \_\_\_\_\_ and the (City or County). The \_\_\_\_\_ introduced the project in \_\_\_\_\_ with discussions of how the Agency could become involved in improving the blighted residential neighborhood centering on \_\_\_\_\_. This area is in the core area of town and was developed with disproportionately narrow, deep lots, based on a subdivision plat laid in 1950. Residents built their homes on the street frontages of \_\_\_\_\_ and \_\_\_\_\_ leaving large back-lot areas that were landlocked and unsuitable for development, having no access to either avenue. The Agency worked with 24 property owners to purchase portions of their properties. Over several years, the Agency purchased enough property to complete a tract map creating access and lots for building. Other non-profits have created an additional twelve affordable homes.

### Agency Role

The Agency played the central role. The \_\_\_\_\_ Project is a classic example of successful redevelopment. All elements of blight were present: irregular, land-locked parcels without access; numerous property owners; development that lagged behind that of the surrounding municipal property; high development cost due to need for installation of street improvements, utilities, a storm drain system, and undergrounding of a flood control creek; and a low-income neighborhood in which property sale prices would not support high development costs. The Agency determined that the best development for the area would be single-family owner-occupied homes. The Agency bonded its tax increment to fund the off-site improvements. A tract map was completed providing for the installation of the street improvements, utilities, storm drainage, and the undergrounding of \_\_\_\_\_ Creek. These improvements cost the Agency approximately \$1.5 million. In lieu of using the eminent domain process, the Agency negotiated with 22 property owners to purchase portions of their property, allowing for access to the landlocked parcels. This helped foster trust and good will during the course of the negotiations. The Project got underway once sufficient property was purchased.

## Example 3

### *1. Calculate the Unencumbered Balance (same facts as Example 1).*

The Redevelopment Agency's Beginning Cash and Investment Balance is \$3,600,000; the Total Receipts from Project Areas is \$400,000; and its Subtotal of Expenditures and Uses is \$1,900,000. These amounts result in the Net Resources Available (End of Year) of \$2,100,000.

Subtracting the Total Encumbrances in an amount of \$600,000 from the Net Resources Available of \$2,100,000 results in an Unencumbered Balance of \$1,500,000.

### *2. Calculate the Adjusted Balance.*

The Unencumbered Balance of \$1,500,000 is transferred from line 6(b) to line 11(a). Since there are no adjustments in this example (Example 3), the Adjusted Balance **equals** the Unencumbered Balance.

### *3. Determine whether Excess Surplus exists.*

Example 3 assumes that the Total Tax Increments Deposited in the Housing Fund for the previous four years is \$990,000.

In this case, **excess surplus exists**. It exists because the Adjusted Balance of \$1,500,000 exceeds both the Total Tax Increments Deposited in the Housing Fund for the previous four years of \$990,000, and exceeds the \$1,000,000 floor.

### *4. Calculate Excess Surplus as follows.*

If the sum of the tax increment for the four preceding fiscal years is less than \$1,000,000, excess surplus equals the Adjusted Balance minus \$1,000,000. Therefore, the Adjusted Balance of \$1,500,000 less the \$1,000,000 floor equals an Excess Surplus of \$500,000.

**SCHEDULE HCD-C**

## Agency-wide Activity

for Fiscal Year Ended \_\_\_\_/\_\_\_\_/\_\_\_\_

Agency Name: \_\_\_\_\_ County: \_\_\_\_\_

Preparer's Name, Title: \_\_\_\_\_ Preparer's E-Mail Address: \_\_\_\_\_

Preparer's Telephone No: \_\_\_\_\_ Preparer's Facsimile No: \_\_\_\_\_

**Low & Moderate Income Housing Funds**

Report on the "status and use of the agency's Low and Moderate Income Housing Fund." Most information reported here should be based on information reported to the State Controller.

1. **Beginning Balance** (Use "**Net Resources Available**" from last fiscal year report to HCD) \$ 3,600,000
  - a. **If Beginning Balance requires adjustment(s), describe and provide dollar amount (positive/negative) making up total adjustment:** Use < \$ > for negative amounts or amounts to be subtracted.
 

	\$	
	\$	
	\$	
  - b. Adjusted Beginning Balance [Beginning Balance plus + or minus <-> Total Adjustment(s)] \$ 3,600,000
2. **Project Area(s) Receipts and Housing Fund Revenues**
  - a. **Total Project Area(s) Receipts.** Total Summed amount of HCD-Schedule A(s) (from Line 3k) \$ 400,000
  - b. Housing Fund Resources **not** reported on HCD Schedule -A(s)  
Describe and Provide Dollar Amount(s) (Positive/Negative) Making Up Total Housing Fund Resources
 

	\$	
	\$	
	\$	
  - c. **Total Housing Fund Resources** \$ 400,000
3. **Total Resources** (Line 1b. + Line 2a + Line 2c.) \$ 4,000,000

**NOTES:**

Many amounts to report as Expenditures and Other Uses (beginning on the next page) should be taken from amounts reported to the State Controller's Office (SCO). Review the SCO's Redevelopment Agencies Financial Transactions Report.

Housing Fund "transfers-out" to other internal Agency funds: Report the specific use of all transferred funds on applicable lines 4a.-k of Schedule C. For example, transfers from the Housing Fund to the Debt Service Fund for the repayment of principal and interest of debt proceeds deposited to the Housing Fund should be reported on the applicable item comprising HCD-C Line 4c, providing tax increment (gross and deposit amounts) were reported on Sch.-As. External transfers out of the Agency should be reported on HCD-C Line 4j (e.g.: transfer of excess surplus to the County Housing Authority).

Other Uses: Non-GAAP (Generally Accepted Accounting Principles) recording of expenditures such as land purchases for agencies using the Land Held for Resale method to record land purchases should be reported on HCD-C Line 4a(1). Funds spent resulting in loans to the Housing Fund should be included in HCD-C lines 4b., 4f., 4g., 4h., and 4i as appropriate.

*The statutory cite pertaining to Community Redevelopment Law (CRL) is provided for preparers to review to determine the appropriateness of Low and Moderate Income Housing Fund (LMIHF) expenditures and other uses. HCD does not represent that line items identifying any expenditures and other uses are allowable. CRL is accessible on the Internet [website: <http://www.leginfo.ca.gov/> (California Law)] beginning with Section 33000 of the Health and Safety Code.*

Agency Name: \_\_\_\_\_

**4. Expenditures, Loans, and Other Uses****a. Acquisition of Property & Building Sites [33334.2(e)(1)] & Housing [33334.2(e)(6)]:**

- |   |              |
|---|--------------|
| (1) Land Purchases ( <i>Investment - Land Held for Resale</i> ) * | \$ 1,000,000 |
| (2) Housing Assets ( <i>Fixed Asset</i> ) *                       | \$ _____     |
| (3) Acquisition Expense   | \$ _____     |
| (4) Operation of Acquired Property                                | \$ _____     |
| (5) Relocation Costs  | \$ _____     |
| (6) Relocation Payments   | \$ _____     |
| (7) Site Clearance Costs  | \$ _____     |
| (8) Disposal Costs  | \$ _____     |
| (9) Other [Explain and identify amount(s)]:                       |              |

_____	\$ _____	
_____	\$ _____	
_____	\$ _____	\$ _____

\* Reported to SCO as part of Assets and Other Debts

(10) **Subtotal Property/Building Sites/Housing Acquisition** (Sum of Lines 1 - 9) \$ 1,000,000**b. Subsidies from Low and Moderate Income Housing Fund (LMIHF):**

- |  |            |
|--|------------|
| (1) 1 <sup>st</sup> Time Homebuyer Down Payment Assistance | \$ 100,000 |
| (2) Rental Subsidies                                       | \$ _____   |
| (3) Purchase of Affordability Covenants [33413(b)2(B)]     | \$ _____   |
| (4) Other [Explain and identify amount(s)]:                |            |

_____	\$ _____	
_____	\$ _____	
_____	\$ _____	\$ _____

(5) **Subtotal Subsidies from LMIHF** (Sum of Lines 1 - 4) \$ 100,000**c. Debt Service [33334.2(e)(9)].** If paid from LMIHF, report LMIHF's share of debt service. If paid from Debt Service Fund, ensure "gross" tax increment is reported on HCD-A(s) Line 3a(1).

- |   |            |
|---|------------|
| (1) Debt Principal Payments                       |            |
| (a) Tax Allocation, Bonds & Notes                 | \$ 150,000 |
| (b) Revenue Bonds & Certificates of Participation | \$ _____   |
| (c) City/County Advances & Loans                  | \$ _____   |
| (d) U. S. State & Other Long-Term Debt            | \$ _____   |
| (2) Interest Expense                              | \$ _____   |
| (3) Debt Issuance Costs                           | \$ _____   |
| (4) Other [Explain and identify amount(s)]:       |            |

_____	\$ _____	
_____	\$ _____	
_____	\$ _____	\$ _____

(5) **Subtotal Debt Service** (Sum of Lines 1 - 4) \$ 150,000**d. Planning and Administration Costs [33334.3(e)(1)]:**

- |   |            |
|---|------------|
| (1) Administration Costs                          | \$ _____   |
| (2) Professional Services (non project specific)  | \$ 300,000 |
| (3) Planning/Survey/Design (non project specific) | \$ 100,000 |
| (4) Indirect Nonprofit Costs [33334.3(e)(1)(B)]   | \$ _____   |
| (5) Other [Explain and identify amount(s)]:       |            |

_____	\$ _____	
_____	\$ _____	
_____	\$ _____	\$ _____

(6) **Subtotal Planning and Administration** (Sum of Lines 1 - 5) \$ 400,000

Agency Name: \_\_\_\_\_

**4. Expenditures, Loans, and Other Uses** (continued)

- e. On/Off-Site Improvements [33334.2(e)(2)] *Complete item 13* \$ \_\_\_\_\_
- f. Housing Construction [33334.2(e)(5)] \$ \_\_\_\_\_
- g. Housing Rehabilitation [33334.2(e)(7)] \$ 250,000
- h. Maintain Supply of Mobilehome Parks [33334.2(e)(10)] \$ \_\_\_\_\_
- i. Preservation of At-Risk Units [33334.2(e)(11)] \$ \_\_\_\_\_
- j. Transfers Out of Agency
- (1) For Transit village Development Plan (33334.19) \$ \_\_\_\_\_
- (2) Excess Surplus [33334.12(a)(1)(A)] \$ \_\_\_\_\_
- (3) Other (specify code section authorizing transfer and amount)
- A. Section \_\_\_\_\_ \$ \_\_\_\_\_
- B. Section \_\_\_\_\_ \$ \_\_\_\_\_
- Other Transfers Subtotal \$ \_\_\_\_\_
- (4) **Subtotal Transfers Out of Agency** (Sum of j(1) through j(3)) \$ \_\_\_\_\_
- k. SERAF loan [33334.2 (k)] Also complete Line 8e (below) and Box 23, pg 9. \$ \_\_\_\_\_
- l. Other Expenditures, Loans, and Uses [Explain and identify amount(s)]: \$ \_\_\_\_\_
- Subtotal Other Expenditures, Loans, and Uses \$ \_\_\_\_\_
- m. **Total Expenditures, Loans, and Other Uses** (Sum of lines 4a.-l.) 5. \$ (1,900,000)

**Net Resources Available** [End of Reporting Fiscal Year][Page 1, Line 3, Total Resources minus Total Expenditures, Loans, and Other Uses on Line 4.l.] \$ 2,100,000**6. Encumbrances and Unencumbered Balance**

- a. **Encumbrances.** Amount of Line 5 reserved for future payment of legal contract(s) or agreement(s). See H&SC Section 33334.12(g)(2) for definition.  
*Refer to item 10 on Sch-A(s) and item 4 on Sch-B.* \$ (600,000)
- b. **Unencumbered Balance** (Line 5 minus Line 6a). Also enter on Page 4, Line 11a. \$ 1,500,000

**7. Designated/Undesignated Amount of Available Funds**

- a. **Designated** From Line 6b- Budgeted/planned to use near-term  
*Refer to item 10 on Sch-A(s) and item 4 on Sch-B* \$ \_\_\_\_\_
- b. **Undesignated** From Line 6b- Portion not yet budgeted/planned to use \$ \_\_\_\_\_

**8. Other Housing Fund Assets** (non recurrent receivables) not included as part of Line 5

- a. Indebtedness from Deferrals of Tax Increment (33334.6)  
[refer to Sch-A(s), Line 5c (2)]. \$ \_\_\_\_\_
- b. Value of Land Purchased with Housing Funds and Held for  
Development of Affordable Housing. *Complete Sch-C item 14.* \$ \_\_\_\_\_
- c. Loans Receivable for Housing Activities \$ \_\_\_\_\_
- d. Residual Receipt Loans (periodic/fluctuating payments) \$ \_\_\_\_\_
- e. SERAF Total Receivable [Sec 33334.2 (k)]  
(Also report in Sch C, Box 23, pg 9.) \$ \_\_\_\_\_
- f. ERAF Loans Receivable (all years) (33681) \$ \_\_\_\_\_
- g. Other Assets [Explain and identify amount(s)]: \$ \_\_\_\_\_
- h. **Total Other Housing Fund Assets** (Sum of lines 8a.-g.) \$ \_\_\_\_\_

**9. TOTAL FUND EQUITY**[Line 5 (Net Resources Available) +8g (Total Other Housing Fund Assets)] \$ 2,100,000

Compare Line 9 to the below amount reported to the SCO (Balance Sheet of Redevelopment Agencies Financial Transactions Report. [Explain differences and identify amount(s)]:

_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
<b>ENTER LOW-MOD FUND TOTAL EQUITIES (BALANCE SHEET) REPORTED TO SCO</b>		<b>\$ _____</b>

Agency Name: \_\_\_\_\_

**Excess Surplus Information**

Pursuant to Section 33080.7 and Section 33334.12(g)(1), report on Excess Surplus that is required to be determined on the first day of a fiscal year. Excess Surplus exists when the Adjusted Balance exceeds the greater of: (1) \$1,000,000 or (2) the aggregate amount of tax increment deposited to the Housing Fund during the prior four fiscal years. Section 33334.12(g)(3)(A) and (B) provide that the Unencumbered Balance can be adjusted for: (1) any remaining revenue generated in the reporting year from unspent debt proceeds and (2) if the land was disposed of during the reporting year to develop affordable housing, the difference between the fair market value of land and the value received.

The Unencumbered Balance is calculated by subtracting encumbrances from Net Resources Available. "Encumbrances" are funds reserved and committed pursuant to a legally enforceable contract or agreement for expenditure for authorized redevelopment housing activities [Section 33334.12(g)(2)].

For Excess Surplus calculation purposes, carry over the prior year's HCD Schedule C Adjusted Balance as the Adjusted Balance on the first day of the reporting fiscal year. Determine which is larger: (1) \$1 million or (2) the total of tax increment deposited over the prior four years. Subtract the largest amount from the Adjusted Balance and, if positive, report the amount as Excess Surplus.

**10. Excess Surplus:**

Complete Columns 2, 3, 4, & 5 to calculate Excess Surplus for the reporting year. Columns 6 and 7 track prior years' Excess Surplus.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
4 Prior and Current Reporting Years	Total Tax Increment Deposits to Housing Fund	Sum of Tax Increment Deposits Over Prior Four FYs	Current Reporting Year 1 <sup>st</sup> Day Adjusted Balance	Current Reporting Year 1 <sup>st</sup> Day Excess Surplus Balance	Amount Expended/Encumbered Against FY Balance of Excess Surplus as of End of Reporting Year	Remaining Excess Surplus for Each Fiscal Year as of End of Reporting Year
<b>4 Rpt Yrs Ago</b> FY 00-01	\$200,000			\$	\$	\$
<b>3 Rpt Yrs Ago</b> FY 01-02	\$225,000			\$	\$	\$
<b>2 Rpt Yrs Ago</b> FY 02-03	\$230,000			\$	\$	\$
<b>1 Rpt Yrs Ago</b> FY 03-04	\$335,000			\$	\$	\$
<b>Current Reporting Year</b> FY 2005		Sum of Column 2 \$990,000	Last Year's Sch C Adjusted Balance \$1,500,000	Col 4 minus larger of Col 3 or \$1mm (report positive \$) \$500,000		

**11. Reporting Year Ending Unencumbered Balance and Adjusted Balance:**

- Unencumbered Balance** (End of Year) [Page 3, Line 6b] \$ 1,500,000
- If eligible, adjust the Unencumbered Balance for:
  - Debt Proceeds** [33334.12(g)(3)(B)]:  
Identify unspent debt proceeds and related income remaining at end of reporting year \$ \_\_\_\_\_
  - Land Conveyance Losses** [(33334.12(g)(3)(A))]:  
Identify reporting year losses from sales/grants/leases of land acquired with low-mod funds, if 49% or more of new or rehabilitated units will be affordable to lower-income households \$ \_\_\_\_\_

**12. Adjusted Balance** (next year's determination of Excess Surplus) [Line 11a minus sum of 11b(1) & 11b(2)] \$ 1,500,000

**Note: Do not enter Adjusted Balance in Col 4. It is to be reported as next year's 1st day amount to determine Excess Surplus**

- If there is remaining Excess Surplus from what was determined on the first day of the reporting year, describe the agency's plan (as specified in Section 33334.10) for transferring, encumbering, or expending excess surplus: \_\_\_\_\_
- If the plan described in 12a. was adopted, enter the plan adoption date: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
mo day yr

Agency Name: \_\_\_\_\_

**Miscellaneous Uses of Funds**

13. If an amount is reported in 4e., pursuant to Section 33080.4(a)(6), report the total number of very low-, low-, and moderate-income households that directly benefited from expenditures for onsite/offsite improvements which resulted in either new construction, rehabilitation, or the elimination of health and safety hazards. (Note: If Line 4e of this schedule does not show expenditures for improvements, no units should be reported here.)

Income Level	Households Constructed	Households Rehabilitated	Households Benefiting from Elimination of Health and Safety Hazard	Duration of Deed Restriction
Very Low				
Low				
Moderate				

14. If the agency is holding land for future housing development (refer to Line 8b), summarize the acreage (round to tenths, do not report square footage), zoning, date of purchase, and the anticipated start date for the housing development.

Site Name/Location*	No. of Acres	Zoning	Purchase Date	Estimated Date Available	Comments

Please attach a separate sheet of paper listing any additional sites not reported above.

15. Section 33334.13 requires agencies which have used the Housing Fund to assist mortgagors in a homeownership mortgage revenue bond program, or home financing program described in that Section, to provide the following information:

- a. Has your agency used the authority related to definitions of income or family size adjustment factors provided in Section 33334.13(a)?

Yes ☐ No ☐ Not Applicable ☐

- b. Has the agency complied with requirements in Section 33334.13(b) related to assistance for very low-income households equal to twice that provided for above moderate-income households?

Yes ☐ No ☐ Not Applicable ☐



Agency Name: \_\_\_\_\_

16. Did the Agency use non-LMIHF funds as matching funds for the Federal HOME or HOPE program during the reporting period?

YES ☐ NO ☐

If yes, please indicate the amount of non-LMIHF funds that were used for either HOME or HOPE program support.

HOME \$ \_\_\_\_\_ HOPE \$ \_\_\_\_\_

17. Pursuant to Section 33080.4(a)(11), the agency shall maintain adequate records to identify the date and amount of all LMIHF deposits and withdrawals during the reporting period. To satisfy this requirement, the Agency should keep and make available upon request any and all deposit and withdrawal information. **DO NOT SUBMIT ANY DOCUMENTS/RECORDS.**

Has your agency made any deposits to or withdrawals from the LMIHF? Yes ☐ No ☐

If yes, identify the document(s) describing the agency's deposits and withdrawals by listing for each document, the following (attach additional pages of similar information below as necessary):

Name of document (e.g. ledger, journal, etc.): \_\_\_\_\_  
Name of Agency Custodian (person): \_\_\_\_\_  
Custodian's telephone number: \_\_\_\_\_  
Place where record can be accessed: \_\_\_\_\_

Name of document (e.g. ledger, journal, etc.): \_\_\_\_\_  
Name of Agency Custodian (person): \_\_\_\_\_  
Custodian's telephone number: \_\_\_\_\_  
Place where record can be accessed: \_\_\_\_\_

18. **Use of Other (non Low-Mod Funds) Redevelopment Funds for Housing**

Please briefly describe the use of any non-LMIHF redevelopment funds (i.e., contributions from the other 80% of tax increment revenue or other non Low-Mod funds) to construct, improve, assist, or preserve housing in the community.

19. **Suggestions/Resource Needs**

Please provide suggestions to simplify and improve future agency reporting and identify any training, information, and/or other resources, etc. that would help your agency to more quickly and effectively use its housing or other funds to increase, improve, and preserve affordable housing?

20. **Annual Monitoring Reports of Previously Completed Affordable Housing Projects/Programs (H&SC 33418)**

Were all Annual Monitoring Reports received for all prior years' affordable housing projects/programs? Yes ☐ No ☐

Agency Name: \_\_\_\_\_

21. **Excess Surplus Expenditure Plan** (H&SC 33334.10(a))

Agency Name: \_\_\_\_\_

22. Footnote area to provide additional information.

Agency Name: \_\_\_\_\_

## 23. Accounting for SERAF REPAYMENTS - AGENCY WIDE, ALL YEARS

**Instructions: For FY2009-10:** Add amounts suspended & loaned then enter total in Col 4. **For FY2010-11:** Add the amount loaned (for SERAF payment only) to the remaining balance in Col 4 from FY2009-10., then subtract any amount repaid, and enter the net total in Col 4. **For all other fiscal years (up to June 30, 2016):** subtract the amount of SERAF repaid during each fiscal year from the prior year's remaining balance in Col 4. Continue repaying the Low Mod Fund until the entire amount of any SERAF suspended and/or loaned has been repaid in full, pursuant to the repayment timeframes listed in the Health and Safety Code Sections cited below.

	Col 1	Col 2	Col 3	Col 4 *
Specify Fiscal Year of any repayment	Amount <u>Suspended ONLY in FY 2009-10</u>	Amount <u>Loaned for SERAF payment in FY 2009-10 or In FY 2010-11</u>	Amount SERAF <u>REPAID in each Reporting Fiscal Year</u>	<u>SERAF Balance Remaining</u>
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015	<i>Funds suspended &amp; loaned in FY 2009-10 must be repaid by 6/30/2015</i>			
2015-2016	<i>Funds loaned in FY 2010-11 must be repaid by 6/30/2016</i>			

**Suspending Funds to pay SERAF in FY2009-10 : - H&SC Section 33334.2(k)(1)(2)(3)**

Pursuant to the H&SC Section 33334.2 (k)(1)(2)(3) agencies are authorized to make SERAF payments by suspending tax increment revenue from being deposited into the Low Mod Funds. Any suspension of funds is limited to Fiscal Year 2009-10 and must be paid back in full to the Low Mod Fund no later than **June 30, 2015**.

**Borrowing Funds to pay SERAF in FY2009-10 : - H&SC Section 33690(c)(1)(2)**

Pursuant to H&SC Section 33690(c)(1)(2), For Fiscal Year 2009-10, agencies can pay the SERAF by borrowing funds from the Low Mod Housing Fund, but must pay back all of the borrowed funds no later than **June 30, 2015**.

**Borrowing Funds to pay SERAF in FY2010-11 : - H&SC Section 33690.5(c)(1)(2)**

Pursuant to H&SC Section 33690.5(c)(1)(2), For Fiscal Year 2010-11, agencies can pay the SERAF by borrowing funds from the Low Mod Housing Fund, but must pay back all of the borrowed funds no later than **June 30, 2016**.

**Penalties exist for not repaying SERAF to Low Mod Fund:**

**Refer to H&SC Sections 33020.5, 33331.5, 33334.2, 33688, 33690, 33690.5, 33691 and 33692.**

Agency Name: \_\_\_\_\_

#### 24. **Project Achievement and HCD Director's Award for Housing Excellence**

Project achievement information is optional but can serve important purposes: Agencies' achievements can inform others of successful redevelopment projects and provide instructive information for additional successful projects. Achievements may be included in HCD's Annual Report of Housing Activities of California Redevelopment Agencies to assist other local agencies in developing effective and efficient programs to address local housing needs.

In addition, HCD may select various projects to receive the Director's Award for Housing Excellence. Projects may be selected based on criteria such as local affordable housing need(s) met, resources utilized, barriers overcome, and project innovation/complexity, etc.

Project achievement information should only be submitted for one affordable residential project that was completed within the reporting year as evidenced by a Certificate of Occupancy. The project must not have been previously reported as an achievement.

*To publish agencies' achievements in a standard format, please complete information for each underlined category below addressing suggested topics in a narrative format that does not exceed two pages (see example, next page). In addition to submitting information with other HCD forms to the State Controller, please submit achievement information on a 3.5 inch diskette and identify the software type and version. For convenience, the diskette can be separately mailed to: HCD Policy Division, 1800 3<sup>rd</sup> Street, Sacramento, CA 95811 or data can be attached to an email and sent to appropriate staff by inquiring of appropriate staff's name and email address by calling 916.445-4728.*

#### **AGENCY INFORMATION**

- Project Type (Choose one of the categories below and one kind of assistance representing the primary project type):
 

<u>New/Additional Units (Previously Unoccupied/Uninhabitable):</u>	<u>Existing Units (Previously Occupied)</u>
- New Construction to own	- Rehabilitation of Owner-Occupied
- New Construction to rent	- Rehabilitation of Tenant-Occupied
- Rehabilitation to own	- Acquisition and Rehabilitation to Own
- Rehabilitation to rent	- Acquisition and Rehabilitation to Rent
- Adaptive Re-use	- Mobilehomes/Manufactured Homes
- Mixed Use Infill	- Payment Assistance for Owner or Renter
- Mobilehomes/Manufactured Homes	- Transitional Housing
- Mortgage Assistance	- Other (describe)
- Transitional Housing	
- Other (describe)	
- Agency Name:
- Agency Contact and Telephone Number for the Project:

#### **DESCRIPTION**

- Project Name
- Clientele served [owner, renter, income group, special need (e.g. large family or disabled), etc.]
- Number and type of units and location, density, and size of project relative to other projects, etc.
- Degree of affordability/assistance rendered to families by project, etc.
- Uniqueness (land use, design features, additional services/amenities provided, funding sources/collaboration, before/after project conversion such as re-use, mixed use, etc.)
- Cost (acquisition, clean-up, infrastructure, conversion, development, etc.)

#### **HISTORY**

- Timeframe from planning to opening
- Barriers/resistance (legal/financial/community, etc.) that were overcome
- Problems and creative solutions found
- Lessons learned and/or recommendations for undertaking a similar project

#### **AGENCY ROLE AND ACHIEVEMENT**

- Degree of involvement with concept, design, approval, financing, construction, operation, and cost, etc.
- Specific agency and/or community goals and objectives met, etc.

Agency Name: \_\_\_\_\_

# ACHIEVEMENT EXAMPLE

**Project Type: NEW CONSTRUCTION- OWNER OCCUPIED**\_\_\_\_\_**Redevelopment Agency****Contact: Name (Area Code) Telephone #****Project/Program Name: \_\_\_\_\_ Project or Program**

## Description

During the reporting year, construction of 12 homes was completed. \_\_\_\_\_ Enterprises, which specializes in community self-help projects, was the developer, assisting 12 families in the construction of their new homes. The homes took 10 months to build. The families' work on the homes was converted into "sweat equity" valued at \$15,000. The first mortgage was from CHFA. Families were also given an affordable second mortgage. The second and third mortgage loans were funded by LMIHF and HOME funds.

## History

The \_\_\_\_\_ (City or County) of \_\_\_\_\_ struggled for several years over what to do about the \_\_\_\_\_ area. The \_\_\_\_\_ tried to encourage development in the area by rezoning a large portion of the area for multi-family use, and twice attempted to create improvement districts. None of these efforts were successful and the area continued to deteriorate, sparking growing concern among city officials and residents. At the point that the Redevelopment Agency became involved, there was significant ill will between the residents of the \_\_\_\_\_ and the (City or County). The \_\_\_\_\_ introduced the project in \_\_\_\_\_ with discussions of how the Agency could become involved in improving the blighted residential neighborhood centering on \_\_\_\_\_. This area is in the core area of town and was developed with disproportionately narrow, deep lots, based on a subdivision plat laid in 1950. Residents built their homes on the street frontages of \_\_\_\_\_ and \_\_\_\_\_ leaving large back-lot areas that were landlocked and unsuitable for development, having no access to either avenue. The Agency worked with 24 property owners to purchase portions of their properties. Over several years, the Agency purchased enough property to complete a tract map creating access and lots for building. Other non-profits have created an additional twelve affordable homes.

## Agency Role

The Agency played the central role. The \_\_\_\_\_ Project is a classic example of successful redevelopment. All elements of blight were present: irregular, land-locked parcels without access; numerous property owners; development that lagged behind that of the surrounding municipal property; high development cost due to need for installation of street improvements, utilities, a storm drain system, and undergrounding of a flood control creek; and a low-income neighborhood in which property sale prices would not support high development costs. The Agency determined that the best development for the area would be single-family owner-occupied homes. The Agency bonded its tax increment to fund the off-site improvements. A tract map was completed providing for the installation of the street improvements, utilities, storm drainage, and the undergrounding of \_\_\_\_\_ Creek. These improvements cost the Agency approximately \$1.5 million. In lieu of using the eminent domain process, the Agency negotiated with 22 property owners to purchase portions of their property, allowing for access to the landlocked parcels. This helped foster trust and good will during the course of the negotiations. The Project got underway once sufficient property was purchased.

## EXAMPLE 4

Schedule \_\_\_\_

Example Redevelopment Agency  
Computation of Low and Moderate Housing Excess/Surplus Funds  
For the Fiscal Year Ended June 30, 2000

	Project Area 1	Project Area 2	Project Area 3	Project Area 4
<b>Fund Balance – Beginning of Year</b>	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000
Adjustments				
(Explain: _____)	\$ —	\$ —	\$ —	\$ —
	— \$ —	— \$ —	— \$ —	— \$ —
Less Unavailable Funds – Included in beginning fund balance:				
Land held for resale	(1,800,000)	(1,800,000)	(1,800,000)	(800,000)
Rehabilitation Loans	—	—	—	(1,000,000)
ERAF Loan Receivable	—	—	—	—
Set-Aside Deferrals	—	—	—	—
Other: _____	—	—	—	—
	—	—	—	—
Total Unavailable Funds	\$ (1,800,000)	\$ (1,800,000)	\$ (1,800,000)	\$ (1,800,000)
<b>Available Fund Balance – Beginning of Year</b>	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000
Current Year Proceeds/Uses (Actual plus changes in unavailable)				
Proceeds	400,000	1,100,000	400,000	400,000
Uses	(1,900,000)	(2,900,000)	(1,900,000)	(1,900,000)
Changes in Unavailable Amounts	—	1,000,000	—	700,000
<b>Available Fund Balance – End of Year</b>	2,100,000	2,800,000	2,100,000	2,800,000
Encumbrances	(600,000)	(600,000)	(600,000)	(600,000)
Unspent bond proceeds present	(700,000)	—	—	—
Land sales - HS 33334.12(g)(3)(A)	—	(300,000)	—	—
<b>Available Fund Balance – For Excess/Surplus</b>	<u>\$ 800,000</u>	<u>\$ 1,900,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,200,000</u>
Does Available Fund Balance for Excess/Surplus exceed \$1,000,000? If so, enter Available Fund Balance and evaluate that amount against tax increment. If less enter zero.	\$ —	\$ 1,900,000	\$ 1,500,000	\$ 2,200,000
Does Available Fund Balance for Excess/Surplus exceed the greater of prior four years set-aside deposits or \$1,000,000?				
Tax Increment Set-Aside Amounts				
Fiscal Year 1995-96	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Fiscal Year 1996-97	225,000	225,000	225,000	225,000
Fiscal Year 1997-98	230,000	230,000	230,000	230,000
Fiscal Year 1998-99	335,000	335,000	335,000	335,000
Total Set-Aside Deposited into Fund	<u>\$ 990,000</u>	<u>\$ 990,000</u>	<u>\$ 990,000</u>	<u>\$ 990,000</u>
Greater of Tax Increment Deposits or \$1,000,000	N/A	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
<b>Excess/Surplus Funds</b>				
Greater of Available Fund Balance for Excess/Surplus or prior four years tax increment set-aside deposits.	<u>\$ —</u>	<u>\$ 900,000</u>	<u>\$ 500,000</u>	<u>\$ 1,200,000</u>

**EXAMPLE 4**

Schedule \_\_\_\_

Example Redevelopment Agency  
Computation of Low and Moderate Housing Excess/Surplus Funds  
For the Fiscal Year Ended June 30, 2000

	<u>Project Area 1</u>	<u>Project Area 2</u>	<u>Project Area 3</u>	<u>Project Area 4</u>
<b>Reconciliation to Ending Fund Balance</b>				
Ending GAAP Fund Balance	<u>\$ 3,900,000</u>	<u>\$ 3,600,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>
Available Fund Balance – End of Year Above	\$ 2,100,000	\$ 2,800,000	\$ 2,100,000	\$ 2,800,000
Add Unavailable Funds – End of Year				
Land held for resale	\$ 1,800,000	\$ 800,000	\$ 1,800,000	\$ 800,000
Rehabilitation Loans	—	—	—	300,000
ERAF Loan Receivable	—	—	—	—
Set Aside-Deferrals	—	—	—	—
Other: _____	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Unavailable Funds	<u>\$ 1,800,000</u>	<u>\$ 800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,100,000</u>
Computed Ending Fund Balance	<u>\$ 3,900,000</u>	<u>\$ 3,600,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>

Notes relating to computations:

1 - The project area above for 1-3 conform to HCD examples in the draft guidelines with some amounts adjusted. These adjustments are explained below.

2 - Project 1 - This is example 1 and no adjustments are present.

3 - Project 2 - This is example 2.

Adjusted sale of land by increasing proceeds by \$700,000 (the amount from land sale).

Adjusted expenditures by increasing it \$1,000,000. This is the cost of the land, which would be transferred from the land held for resale account.

Recorded a change in unavailable funds for \$1,000,000. This represents the removal of this amount from unavailable funds as the fund balance was reduced by \$1,800,000, which by year-end was only \$800,000.

Total effect of adjustments for land held were \$700,000 in proceeds less \$1,000,000 cost plus \$1,000,000 unavailable adjustment, or \$700,000. Since this represents proceeds now received, it should be part of excess surplus calculation.

4 - Project 3 - This is example 3 and no adjustments are present.

5 - Project 4 - This is example 3 with a starting balance of \$1,000,000 in rehabilitation loans present. Land held unavailable has been reduced to \$800,000 to keep total unavailable unchanged. During the year, \$700,000 of loans are collected. Change in unavailable is present for \$700,000 received from these loans. No adjustment is made to proceeds or uses and the receivable is reduced and no revenue/expenditures results. Change in excess/surplus results from having \$700,000 more cash on hand.



## Appendix C—Housing Assistance

The affordable housing provisions contained in the California Redevelopment Law generally impose on all redevelopment agencies a requirement to make affordable housing available, through either direct or indirect development and assistance, to persons and families of targeted income levels. Along with the procedures noted previously in Section A, Affordable Housing, this appendix will aid the auditor in testing legal compliance for selected areas of housing assistance law – namely, those of “Replacement Housing” and “Project Area Housing Production,” but also those involving the use of an agency’s Housing Fund.

### Replacement Housing

#### *Requirement*

Pursuant to Health and Safety Code section 33413(a), when residential units housing low- or moderate-income persons are destroyed or removed from the low- and moderate-income market “as part of a redevelopment project,” the agency must replace those units with new or in limited circumstance with rehabilitated low- and moderate-income units, with an equal or greater number of bedrooms, to a person or family in the same or a lower income category (extremely low, very low, low or moderate) within four years. This requirement now applies in all project areas regardless of the date that the redevelopment plan or any amendments were established. Health and Safety Code section 33413[d][1]) Housing is deemed removed or destroyed as part of a redevelopment project if it is subject to a written agreement with the agency or receives financial assistance from the agency. Rehabilitated units may count as replacement units only if they are being brought back on the market or converted from other uses. See HCD memorandum.

The agency must deed restrict the replacement units for the longest feasible time, i.e. “unlimited duration” but no less than the life of the redevelopment plan.

### Project Area Housing Production

#### *Requirement*

Pursuant to Health & Safety Code Section 33413(b), project areas created by redevelopment plans, or through additions of areas added by amendments that were adopted on or after January 1, 1976 (post-1976 plans), are subject to housing production requirements (also known as an “inclusionary” requirement) to ensure that specified percentages of new or rehabilitated housing is made available at affordable housing costs to low- and moderate-income households. The inclusionary requirements are greater for housing developed by the agency (Health and Safety Code section 33413[b][1]) than for housing developed within a project area, by any other public and/or private developer or entity other than the agency (Health and Safety Code section 33413[b][2]).

The inclusionary requirements also has distinct features before and since January 1, 1994. Before 1994, the inclusionary requirements applied independently to all new construction and all rehabilitation. Since then, all new construction and only substantial rehabilitation (defined in Health and Safety Code section 33413[b][2][iv]) may be combined to calculate the requirements.

#### *Agency Produced Housing*

Health and Safety Code section 33413(b)(1) requires that 30% of the housing units developed or rehabilitated by an agency must be available at an affordable housing cost to very-low, low-, and moderate-income persons or households. Of those units, 50% (or 15% of the total) must be affordable to very low-income households.

### ***Non-Agency Produced Housing***

Health and Safety Code section 33413(b)(2) requires that 15% of the units developed or rehabilitated in a project area by public or private persons or entities other than the agency must be affordable to low- and moderate-income persons and households. Of those units, 40% (or 6% of the total) must be affordable to very low-income households.

Since 1994, no more than 50% of the inclusionary obligations under subdivision (b) may be met through acquisition of long-term affordability restrictions for very low and low income households for at least 30 years on **existing** multifamily units. (Health and Safety Code section 33413[b][2][B]). These units must either not be presently available at affordable housing cost to lower income households or presently available but, based upon substantial evidence, after a public hearing, cannot reasonably be expected to remain affordable to these same households. At least 50% of the existing multifamily units with long-term affordability covenants in satisfaction of the inclusionary obligation must be made available at affordable housing cost to very low-income persons or families.

### **Duration of Affordability Requirements**

#### ***Minimum Time Periods***

For **both Replacement Housing** and **Project Area Housing Production** requirements, pursuant to Health and Safety Code sections 33413(a) and (b), respectively, the units must remain affordable for the longest feasible time—i.e. “unlimited duration”—but not less than 45 years for owner occupied units and 55 years for rental units (Health and Safety Code section [c][1]), the period of time the land use controls of the redevelopment plan remain in effect. This means, in general, that the minimum duration would be equal to the time remaining until the redevelopment plan expires. Note also that the minimum time cannot be less than 30 years if the units were made available through an acquisition of covenants and to meet a Project Area Housing Production requirement. (Health and Safety Code Section 33413[c][1]) The requirements to provide replacement and inclusionary units are independent. (Health and Safety Code section 33413[b][3]). No unit counted as a replacement unit may be counted as an inclusionary unit or vice-versa.

For all new and substantially rehabilitated **Units Assisted with the Low and Moderate Income Housing Fund** that are not counted toward either the Replacement Housing or Project Area Housing Production (inclusionary) requirements (and except to the extent a longer period of time may be required by other provisions of law), the units must remain available at an affordable housing cost to and be occupied by households of very low-, low-, and moderate-income levels for the **longest feasible time**, but not less than the following periods of time: (1) 45 years for rental units or (2) 55 years for owner-occupied units in both merged and non-merged project areas,

Note that the terms “longest feasible time” as defined by CRL includes but is not limited to “unlimited duration,” i.e. in perpetuity. (Health and Safety Code section 33334.3[g])

### **Enforcement of Affordability Requirements**

#### ***Affordability Covenants***

The affordability and occupancy requirements of CRL must be made enforceable by recorded deed restrictions with the County Recorder’s Office. The covenants or restrictions shall run with land and shall be enforceable against the original owner and successors in interest, by the agency or community.

## **Affordable Housing Cost Definition**

### ***Rental Housing***

Pursuant to Title 25 of the *California Code of Regulations* (CCR), section 6918, the housing cost of a rental (the rent) is defined to be the total of monthly payments for: (a) use and occupancy of a housing unit, land, and facilities associated therewith; (b) separately charged fees or service charges assessed by the lessor required from all tenants, other than security deposits; (c) a reasonable allowance for utilities that are paid by the tenant, but not including telephone service; and (d) any taxes or fees charged for the use of the land and facilities by an entity other than the lessor.

### ***Owner-Occupied Housing***

Pursuant to 25 CCR 6920, the housing cost of a purchaser is all of the following costs associated with a specific housing unit: (a) principal and interest on mortgage loans, and any loan fees associated therewith; (b) property taxes and assessments; (c) fire and casualty insurance; (d) property maintenance and repairs; (e) a reasonable allowance for utilities, not including telephone; (f) homeowners association dues or fees; and (g) space rent, if any.

## **Targeted Income Levels**

### ***Very Low Income Levels***

For rental housing to be available at affordable housing cost, annual rents, including utility allowance, may not exceed 30% of 50% of area median income, adjusted for family size appropriate for the unit. For owner-occupied housing to be available at affordable housing cost, the housing cost shall not exceed 30% of 50% of area median income, adjusted for family size appropriate for the unit.

### ***Low Income Levels***

For rental housing to be available at affordable housing cost, annual rents, including utility allowance, may not exceed 30% of 60% of area median income, adjusted for family size appropriate for the unit. Additionally, at the agency's option, if the household's gross income is between 60% and 80% of median income, rents may be set at a level not to exceed 30% of the household's actual gross income.

For owner-occupied housing to be available at affordable housing cost, the housing cost shall not exceed 30% of 70% of area median income, adjusted for family size appropriate for the unit. Additionally, at the agency's option, if the household's gross income is between 70% and 80% of median income, housing costs may be set at a level not to exceed 30% of the household's actual gross income.

### ***Moderate Income Levels***

For rental housing to be available at affordable housing cost, annual rents, including utility allowance, may not exceed 30% of 110% of area median income, adjusted for family size appropriate for the unit. Additionally, at the agency's option, if the household's gross income is between 110% and 120% of median income, rents may be set at a level not to exceed 30% of the household's actual gross income.

For owner-occupied housing to be available at affordable housing cost, the housing cost shall not exceed 35% of 110% of area median income, adjusted for family size appropriate for the unit, nor be less than 28% of the household's actual income. Additionally, at the agency's option, if the household's gross income exceeds 110% of median income, housing costs may be set at a level not to exceed 35% of the household's actual gross income.

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