HOUSING SUCCESSOR ANNUAL REPORT
Orange County Housing Authority

Fiscal Year 2023-24

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INTRODUCTION

The County of Orange ("County") elected to designate the Orange County Housing Authority ("OCHA") as the housing successor to the former Orange County Development Agency ("OCDA" or "Agency"), following the dissolution of redevelopment agencies statewide ("Housing Successor"). Assembly Bill x1 26 (ABx1 26) and the subsequent Assembly Bill 1484 have defined housing asset transfers to include "all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund. All former OCDA housing assets and liabilities were transferred to OCHA through the Housing Asset Transfer Form ("HAT") and approved by the Department of Finance ("DOF") in August 2012. The State Controller also approved the transfer of housing assets in May 2015.

Additional provisions in ABx1 26 also allowed a local jurisdiction to select the local county housing authority as its housing successor, if that jurisdiction did not want to become the housing successor. As a result, the City of Seal Beach also named OCHA as its housing successor and transferred assets and liabilities through its Housing Asset Transfer Form.

This Housing Successor Agency Annual Report ("Annual Report") contains information on Fiscal Year ("FY") 2023-24 finances and activities as required by Health and Safety Code ("HSC") Section 34176.1(f). FY 2023-24 marks the fifth year of the five-year compliance period from July 1, 2019 through June 30, 2024 for income proportionality following the previous five-year compliance period from January 1, 2014, through June 30, 2019. This Annual Report details how OCHA met all requirements for expenditures by income level from July 1, 2023, through June 30, 2024.

HOUSING SUCCESSOR REQUIREMENTS

Originally put into law by Senate Bill 341 and later amended by Assembly Bill 1793, Assembly Bill 346, and Senate Bill 107, HSC Section 34176.1 requires that all former redevelopment agency housing assets except properties, regardless of their originating redevelopment agency, must be maintained in a separate fund, known as the Low and Moderate Income Housing Asset Fund ("Housing Asset Fund"). In accordance with HSC Section 34176.1(f), the following data must be reported annually for the Housing Asset Fund. Additional data for the Housing Asset Fund is reported in the County's Comprehensive Annual Financial Report, which is made available on the County's website.

Housing successors have to comply with three major requirements pursuant to HSC 34176.1:

1. Expenditures and housing production are subject to income and age targets.

2. Housing successors may not accumulate an “excess surplus,” or a high balance in the Housing Asset Fund based on certain thresholds.

3. Properties must be developed with affordable housing within five to ten years.

The requirements were designed to ensure that housing successors are actively utilizing former agency housing assets to produce affordable housing. Appendix 1 provides a detailed summary of the reporting requirements that are addressed in this Annual Report.

ACCOMPLISHMENTS FY 2023-2024 AND FUTURE PLAN

ONGOING PROGRAMS

OCHA is a separate legal entity housed in the OC Community Resources Department (“OCCR”) within the County of Orange. In many instances, different divisions within a department will act in conjunction with one another as services may overlap or be closely related, and that is true within OCCR. However, it is OCHA, specifically, that was named the Housing Successor. As the County’s Housing Authority, OCHA has an extensive list of program work including direct administration of Section 8 housing programs, Continuum of Care (“CoC”) services, and a variety of other activities that build networks and resources to provide affordable housing options and end homelessness within Orange County. Where feasible and legally compliant, OCHA as Housing Successor may utilize the Housing Asset Fund to support these endeavors, particularly where it may be possible to leverage other funding sources such as the HOME Investment Partnerships Program (“HOME”).

OCCR has historically leveraged funding and relationships in order to:

- Rehabilitate deteriorated units and encourage the maintenance and repair of units to prevent deterioration;
- Enhance the quality of existing residential neighborhoods by maintaining public facilities and requiring residents and landlords to maintain their properties in good condition;
- Support first-time home buyers through the Mortgage Assistance Program; and
- Support the creation of new affordable rental housing units.

OCHA as Housing Successor will continue to look for opportunities to partner with funding sources and entities such that the Housing Asset Fund revenues may be used to their fullest potential to supply affordable housing opportunities within the legal parameters set by SB 341 and other applicable laws.

NOTICE OF FUNDING AVAILABILITY

On April 24, 2018, the Orange County Board of Supervisors ("Board") approved a $4 million increase in Housing Successor funds and Federal HOME Investment Partnership ("HOME") funds to the 2016 Permanent Supportive Housing Notice of Funding Availability ("2016 PSH NOFA") totaling $12 million.

On December 17, 2019, the Board approved the 2020 Supportive Housing Notice of Funding Availability (2020 NOFA). OCCR released the 2020 NOFA on January 27, 2020 and received Board approvals for multiple addendums and increases and decreases to the 2020 NOFA in FY 2020-21, 2021-22 and 2022-23 and processed 19 applications requesting 367 Project Based Vouchers ("PBVs") and approximately $31.6 million in combined funding requests. Housing Successor funds in the total amount of $453,600 were encumbered as of FY 2021-22 for the Mountain View project.

On February 7, 2023, the Board approved the issuance of a 2023 Supportive Housing Notice of Funding Availability ("2023 NOFA") with an emphasis on developing extremely low-income housing for a combination of up a total of $67.1 million with funding provided by:

- Federal HOME Program
- Federal HOME American Rescue Plan Act
- State of California's Mental Health Services Act ("MHSA")
- American Rescue Plan Act Coronavirus State
- Local Fiscal Recovery Funds
- 210 Housing Choice and/or Veterans Affairs Project-Based Vouchers
- Funding commitments to individual projects by the Board.

The 2023 NOFA was released on March 20, 2023 and staff processed eight applications requesting $25,386,095 in funding, 192 Housing Choice PBVs and 10 Project-Based VASH Vouchers. On February 27, 2024, the Board approved the recommended revisions to the current policy/processes for Amendment #1 to the 2023 NOFA and its issuance making up to $32.7 million in funding and

218 PBVs available for supportive housing development. The Amendment #1 was released on March 15, 2024. To date, staff has received and is processing six applications requesting approximately $12,698,200 in funding and 130 Housing Choice PBVs. As such, funding applications are being reviewed and it is anticipated that additional projects may be funded through the 2023 NOFA Amendment #1 after the date of this report. It should be noted that no Housing Successor funds were a part of the 2023 NOFA or subsequent amendment.

Please note that there may be other County funding sources not listed for the below projects, including Project-Based Vouchers VASH, and/or Housing Choice Vouchers. Also, note that previously listed projects have been fully funded and constructed before FY 2023-24.

Clara Vista (formerly Tahiti): Jamboree Housing Corporation ("Jamboree") was awarded $2,400,000 in Housing Successor Funds in NOFA proceeds for a 60-unit conversion into an affordable rental housing development, the Tahiti Motel located in the City of Stanton. The housing funds were encumbered by the project in FY 2020-21, and were funded and applied to the excess surplus from FY 2017-18. The former long-term residents have been relocated and immediate repairs were made to re-occupy all 60 rooms. Jamboree completed the conversion of the site into Permanent Supportive Housing in December 2023.

Mountain View Apartments: National Community Renaissance of California ("National CORE") was awarded $453,600 in Housing Successor funds from the 2020 NOFA for this project, a 71-unit affordable rental housing development, Mountain View Apartments ("Mountain View"), located in the City of Lake Forest. Mountain View is new construction of 71 units (70 rental units and one manager's unit) consisting of 17 one-bedroom units, 35 two-bedroom units, 18 three-bedroom units and a two-bedroom unit for the onsite property manager. OCCR recorded rent and occupancy restrictions on 8 one-bedroom units for MHSA eligible individuals experiencing homelessness earning at or below 30% AMI for a term of 55 years. The manager's unit will not be income restricted. National CORE was awarded $453,600 in Housing Successor funds from the 2020 NOFA for this project. The Housing Successor funds were encumbered by the project in FY 2021-22 and funded in FY 2023-24. Mountain View received an allocation of 9% low-income housing tax credits and started construction in December 2021. Construction was completed in April 2023.

Orchard View Gardens Apartments: National CORE was awarded $453,600 in Housing Successor funds from the 2020 NOFA for this project, a 66-unit affordable rental housing development (65 rental units and one manager's unit), Orchard View Gardens Senior Apartments ("Orchard View Gardens"), located in the City of Buena Park. Orchard View Gardens a new construction consisting of 62 one-bedroom units and four two-bedroom units and was awarded $453,600 in Housing Successor funds from the 2020 NOFA for this project. The Housing Successor funds were encumbered by the project in FY 2022-23. Orchard View Gardens received an allocation of 9% low-income housing tax credits and started construction in June 2023. Construction is anticipated to be completed in November 2024.

HOUSING ASSET FUND ACTIVITY

Former OCDA assets, and the revenues generated by those assets, are maintained in a Low- and Moderate-Income Housing Asset Fund. Housing Asset Funds may be spent on:

- **Administrative costs** up to $263,100 per year adjusted for inflation, or 5% of the statutory value of real property owned by the housing successor and the value of loans and grants receivable from the HAT ("Portfolio"), whichever is greater. The FY 2023-24 limit for the County was $1,322,350 (5% of the Portfolio value of $26,447,000).

- **Homeless prevention and rapid rehousing services** up to $250,000 per year if the former Agency did not have any outstanding housing inclusionary or replacement housing production requirements. The County qualifies because the former Agency had a surplus of affordable housing production units upon dissolution.

- **Affordable housing development** assisting households up to 80 percent of the Area Median Income ("AMI"), subject to specific income and age targets. Expenditures must be dedicated to improving rental housing options affordable to households earning 80 percent or less of the AMI. This means that no funding may be spent on median-income households, as was previously authorized by redevelopment law. Of the money expended, a minimum of 30 percent must go towards households earning 30 percent or less of the AMI, and a maximum of 20 percent may go towards households earning between 60 and 80 percent of the AMI.

  Five-Year Income Proportionality: If any Housing Asset Funds are spent on affordable housing development, it triggers a requirement to spend at least 30 percent of such expenses assisting extremely low-income households (30% AMI) and no more than 20 percent on low-income households (between 60-80% AMI) per five-year compliance period. The first five-year compliance period was January 1, 2014, through June 30, 2019.

Note that housing successors must report expenditures by category each year, but compliance with income proportionality limits is measured every five years. For example, a housing successor could spend all its funds in a single year on households earning between 60-80% AMI, as long as it was 20 percent or less of the total expenditures during the five-year compliance period.

Ten-Year Age Proportionality: If more than 50% of the total aggregate number of rental units produced by the County, OCHA, OCCR or former Agency during the past 10 years are restricted to seniors, then OCHA may not spend more Housing Asset Funds on senior rental housing.

Appendix 2 describes Housing Asset Fund expenditure requirements in more detail, including the types of costs eligible in each category.

EXPENDITURE LIMIT COMPLIANCE

The OCHA complied with all Housing Asset Fund spending restrictions in FY 2023-24 in the fifth year of the new five-year compliance period:[1]

- Administrative costs of $546,000 did not exceed the $1,322,350 maximum amount for the fiscal year.
- No homeless prevention or rapid rehousing expenses were made.

OCHA will continue to ensure it meets all expenditure requirements going forward, including the next five-year compliance period of July 1, 2024, through June 30, 2029

[1] The Housing Asset Fund figures in this Annual Report are based on unaudited numbers that were available at the time this report was prepared. They might vary slightly from audited numbers once the County's annual audit is complete.

Failure to comply with the extremely low-income requirement in any five-year compliance period will result in the OCHA having to ensure that 50 percent of remaining funds be spent on extremely low income rental units until in compliance. Exceeding the expenditure limit for low households earning between 60-80% AMI in any five-year reporting period will result in the OCHA not being able to expend any funds on these income categories until in compliance.

SENIOR HOUSING LIMIT COMPLIANCE

OCHA complies with the limit allowing no more than 50 percent of the total aggregate number of rental units produced within the preceding ten years to be restricted to seniors. If a housing successor fails to comply, Housing Asset Funds may not be spent on deed-restricted rental housing restricted to seniors until in compliance. OCHA, County, OCCR and former Agency assisted 65 deed-restricted rental units in the last ten years for seniors, which is less than 50 percent of the approximate 1,500 units restricted for affordable housing purposes. Table 1 details that the Housing Successor assisted 65 units at the Orchard View Gardens for FY 2023-24.

Table 1
Deed-Restricted Senior Rental Units Assisted Prior Ten Years

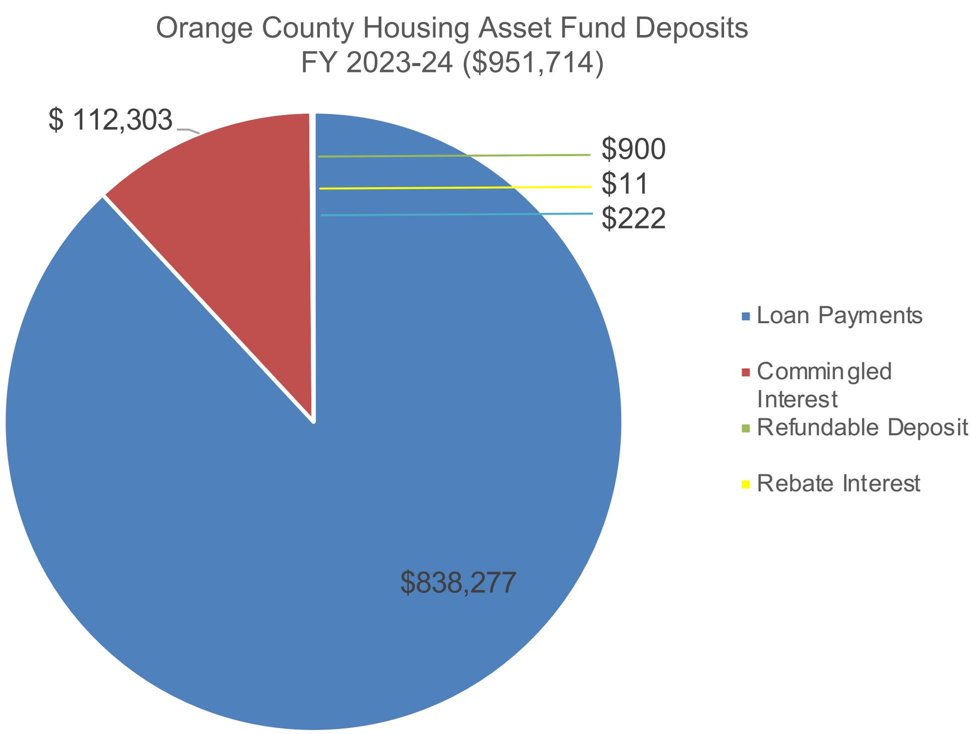
Property[1]	Funding Source	Year Restricted	Covenanted Units
Orchard View Gardens	HSA	2022-23	65
Total			**65**

[1] This list only includes units that had a ground lease executed within the last 10 years.

DEPOSITS AND FUND BALANCE

The OCHA deposited $951,714 into the Housing Asset Fund during FY 2023-24. Revenue sources include:

- Loan Payments, such as residual receipts payments required by the project loan agreement with the former Agency;
- Commingled Interest;
- Refundable Deposit
- Rebate Interest; and
- Expense Rebate.



The Housing Asset Fund balance as of June 30, 2024, was $29,240,000, as summarized in Table 2. The refunded deposit amount is not included in the ending balance.

Table 2
Housing Asset Fund Ending Balance FY 2023-24

Balance Type		Amount
Cash		2,781,000
Notes Receivable (net of Allowance for Uncollectable Amounts)		26,447,000
Due from Other County Funds		-
Interest Receivable		24,000
Accounts Payable		-
Refundable Deposit		(12,000)
Due to Other County Funds		-
Ending Balance	**$**	**29,240,000**

EXCESS SURPLUS

The Housing Asset Fund may not accumulate an "excess surplus", or an unencumbered amount that exceeds the greater of $1 million, or the sum of deposits in the prior four fiscal years. This requirement ensures that housing successors are actively spending available Housing Asset Funds on affordable housing. HSC requires OCHA as Housing Successor to address the accumulation of monies in the Housing Asset Fund and track the expenditure of the surplus in the Housing Asset Fund. There is no excess surplus identified for the current fiscal year. If there was an excess surplus identified, the excess surplus must be expended or encumbered within three fiscal years. If a housing successor fails to comply, it must transfer any excess surplus to HCD within 90 days of the end of the fourth fiscal year. OCHA has no outstanding excess surplus amounts.

Table 3 shows the excess surplus calculation for FY 2023-24. OCHA has not accumulated an excess surplus in FY 2023-24. To not double count available funds, it should be noted the calculation below accounts for the encumbered funds. HSC allows for encumbered funds to be subtracted from the fund balance as part of the calculation.

Table 3 FY 2023-24 Excess Surplus Calculation					
Fiscal Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Deposits	$ 462,750	$ 616,331	$ 605,724	$ 635,306	
FY 2023-24 Beginning Cash Balance					$ 2,781,000
Less: Encumberances					$ -
Less: Expenses FY 2023-24					$ 545,754
Unencumbered Amount					$ 2,235,246
Step 1					
$1 Million, or					$ 1,000,000
Last 4 Deposits					$ 2,320,111
Result: Larger Number					$ 2,320,111
Step 2					
Unencumbered Cash Balance					$ 2,235,246
Larger Number From Step 1					$ 2,320,111
Excess Surplus					$ -

PROPERTY DESCRIPTIONS AND DISPOSITION STATUS

HSC Section 34176.1(e) requires all real properties acquired by the Agency prior to February 1, 2012 and transferred to the OCHA to be developed pursuant to the requirements detailed in HSC Section 33334.16. All property that falls within in these parameters must be developed for affordable housing purposes or sold within five years from the date DOF approved the Housing Asset Transfer Form, or September 5, 2017. If OCHA is unable to develop or dispose of these properties within the five-year period, the law allows for a five-year extension via the adoption of a resolution. OCHA has not transferred any real property via the HAT from the former Agency.

HOMEOWNERSHIP UNIT INVENTORY

HSC Section 34176.1(f)(13) requires certain information related to homeownership units assisted by the former OCDA through covenants or restrictions or adopted programs.

Seal Beach Shores consists of 47 units/homeowners. The owners of the 47 units received home improvement loans from the former Agency, which qualifies as an adopted program under the HSC.

There have been 17 units lost to the portfolio since the redevelopment dissolution on February 1, 2012. These units were sold by their owners. Because these units received home improvement loans, the loans were paid off when the properties were sold. There is no affordability covenant placed on the units. No loans were paid off in FY 2023-24. No funds were returned to OCHA in FY 2023-24. The OCHA has not contracted with any outside entity for the management of the units.

OTHER REPORTING REQUIREMENTS

The remaining compliance reporting requirements of SB 341 do not apply to OCHA as Housing Successor:

- Reporting of Redevelopment Loans Repaid To The County - The Successor Agency does not have any outstanding loans owed to the County.
- Transfers To Other Housing Successors - None at this time.
- Recognized Obligation Payment Schedule Projects - None.
- Interests In Real Property - The Housing Asset Fund does not include any property at this time.
- Outstanding Production Requirements - The former OCDA had a surplus of unit production.

APPENDIX 1 - HOUSING SUCCESSOR ANNUAL REPORT REQUIREMENTS

<table>
<tr><th colspan="3">Housing Successor Reporting Requirements
Health and Safety Code Section 34176.1(f)</th></tr>
<tr><th>Housing Asset Fund Revenues & Expenditures</th><th>Other Assets and Active Projects</th><th>Obligations & Proportionality</th></tr>
<tr><td>Total amount deposited in the Housing Asset Fund for the fiscal year

Amount of deposits funded by a Recognized Obligation Payment Schedule (“ROPS”)</td><td>Description of any project(s) funded through the ROPS</td><td>Description of any outstanding production obligations of the former Agency that were inherited by the Housing Authority</td></tr>
<tr><td>Statement of balance at the close of the fiscal year</td><td>Update on property disposition efforts (note that housing successors may only hold property for up to five years, unless it is already developed with affordable housing)</td><td>Compliance with proportionality requirements (income group targets), which must be upheld on a five year cycle</td></tr>
<tr><td>Description of Expenditures for the fiscal year, broken out as follows:
Homeless prevention and rapid rehousing
Administrative and monitoring
Housing development expenses by income level assisted</td><td>Other “portfolio” balances, including:
Statutory value of any real property either transferred from the former Agency or purchased by the Housing Asset Fund
Value of loans and grants receivable</td><td>Percentage of deed-restricted rental housing restricted to seniors and assisted by the former Agency, the Housing Authority, or the City within the past ten years compared to the total number of units assisted by any of those three agencies</td></tr>
<tr><td>Description of any transfers to another housing successor for a joint project</td><td>Inventory of homeownership units assisted by the former Agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency’s investment of monies from the Low and Moderate Income Housing Fund</td><td>Amount of any excess surplus, and, if any, the plan for eliminating it</td></tr>
</table>

APPENDIX 2 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS

Housing Asset Fund Expenditure Requirements *Health and Safety Code Section 34176.1*		
Expense Category	Limits	Allowable Uses
Administration and Compliance Monitoring	**$1,322,350 maximum** for FY 2023-234 (limit varies each year)	Administrative activities such as: • Professional services (consultant fees, auditor fees, etc.) • Staff salaries, benefits, and overhead for time spent on Housing Successor administration • Compliance monitoring to ensure compliance with affordable housing and loan agreements • Property maintenance at Housing Successor-owned properties Capped at $200,000 adjusted annually for inflation or 5% of the statutory value of real property owned by the housing successor and the value of loans and grants receivable from the HAT (“Portfolio”), whichever is greater.
Homeless Prevention and Rapid Rehousing Solutions	**$250,000 maximum** per fiscal year	Services for individuals and families who are homeless or would be homeless but for this assistance, including: • Contributions toward the construction of local or regional homeless shelters • Housing relocation and stabilization services including housing search, mediation, or outreach to property owners • Short-term or medium-term rental assistance • Security or utility deposits • Utility payments • Moving cost assistance • Credit repair • Case management • Other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless.
Affordable Housing Development	No spending limit, but must comply with income and age targets	“Development” includes: • New construction • Acquisition and rehabilitation • Substantial rehabilitation • Acquisition of long-term affordability covenants on multifamily units • Preservation of at-risk units whose affordable rent restrictions would otherwise expire over the next five years

Housing Asset Fund Expenditure Requirements *Health and Safety Code Section 34176.1*		
Expense Category	Limits	Allowable Uses
	Income Targets	Every five years (currently FYE 2020-2024), Housing Asset Funds must meet income targets: • At least 30% on extremely low income rental households (up to 30% of AMI or "Area Median Income") • No more than 20% on low income households (60-80% of AMI) Moderate and above moderate income households may not be assisted (above 80% of AMI). Failure to comply with the extremely low income requirement in any five-year compliance period will result in having to ensure that 50 percent of remaining funds be spent on extremely low income rental units until in compliance. Exceeding the expenditure limit for low households earning between 60-80% of AMI in any five-year reporting period will result in not being able to expend any funds on these income categories until in compliance.
	Age Targets	For the prior ten years (resets every year), a maximum of 50% of deed-restricted rental housing units assisted by the Housing Successor or its host jurisdiction may be restricted to seniors. If a housing successor fails to comply, Housing Asset Funds may not be spent on deed-restricted rental housing restricted to seniors until in compliance.