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**Title:** Receive Annual Report and Approve FY 23/24 Program Income Budget for the City of Fresno in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno

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**Attachments:** 1. 1. FHS Annual Report for the Fiscal Year 21-22, 2. 2. FHS FY 23-24 Program Income Budget, 3. 3. Housing Asset Transfer, 4. 4. Overview-Affordable Housing

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6/8/2023	1	City Council	PRESENTED	

**JOINT MEETING OF THE FRESNO REVITALIZATION CORPORATION AND CITY OF FRESNO IN ITS CAPACITY AS HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY.**

**FROM:** MARLENE MURPHEY, Executive Director

**SUBJECT**

Receive Annual Report and Approve FY 23/24 Program Income Budget for the City of Fresno in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno

**RECOMMENDATION**

Staff recommends that the City acting in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno (FHS) and the Fresno Revitalization Corporation (FRC) receive the Annual Report and approve the attached FHS FY 23/24 Program Income Budget.

**BACKGROUND**

Pursuant to Dissolution Law, the Sacramento Superior Court of California confirmed the Housing Successor’s ownership of affordable housing assets of the former Redevelopment Agency as listed in the housing asset transfer schedule. The housing assets are held and administered by the FHS in the Low to Moderate Income Housing Asset Fund (LMIHAF) pursuant to HSC Sections 34176 and 34176.1. Dissolution law related to affordable housing includes requirements for program income fund expenditures and the preparation of an Annual Report of affordable housing activities described in the following.

**Annual Report**

In accordance with Section 34176.1(f), an annual report must be prepared that contains thirteen elements: loan repayments; amount deposited into LMIHAF; ending balance of

LMIHAF; description of expenditures from the LMIHAF; statutory value of assets owned by the housing successor; description of transfers; project descriptions; status of compliance with Section 33334.16; description of outstanding obligations under Section 33413; income test; senior housing test; excess surplus test; and homeownership units. Included in the Annual Report is the status of real property acquired by the FHS for low and moderate income housing purposes in accordance with time frames for initiation of activities for affordable housing development. From a total of eighty parcels, 54 have been developed with affordable housing. Activity for development has been initiated on the remaining 26 parcels. Two of the 26 parcels have been conveyed for development where construction is underway for 28 single family homes.

A primary purpose of the Annual Report is to enable the State to monitor compliance in meeting the extremely low affordability test and the excess funds surplus test. The FHS is in full compliance with requirements for both affordability and excess funds. The Annual Report for the current reporting period of FY 21/22 is attached and posted on the Agency's web site.

### **Income Limits/Expenditure Requirements**

The Housing Successor program budget is driven by the need to develop FHS-owned property with affordable housing and by program income expenditure requirements. Following the administrative allocation the remaining program income must be spent as follows: (i) at least 30% of the funds must be spent for the development of rental housing affordable to and occupied by extremely low income households earning 30% or less of the area median income; (ii) no more than 20% of the funds may be spent for the development of housing affordable to and occupied by households earning between 60% and 80% of the area median income; and, (iii) 50% of the funds may be spent for the development of housing affordable to and occupied by households earning 60% or less of the area median income. Failure to comply with the 30% of net program income for the 30% of AMI requirement will result in an increase to 50% of net program income for the 30% AMI requirement until the extremely low income targeting requirement is met. Additionally, to the extent that the Housing Successor fails to comply with an excess surplus test (i.e. unencumbered funds that exceed the greater of \$1,000,000 or the total amount of net program income deposits over the previous four years), the excess surplus must be transferred to the Department of Housing and Community Development if not spent within a period of three years. The income targets for FY 23/24 are shown in the attached FY 23/24 Program Income Funds Budget.

Primary budget consideration must be given to ensure that over multiple fiscal years, the proper percentage of net program income funds are encumbered as required within each target income category.

### **Administration, Operations and Maintenance**

Under Section 34176.1(a)(1), the Housing Successor, is allowed 5% of the statutory value of real property and loans and grants receivables for an administrative operation and maintenance allowance of \$1,271,680 for the purpose of: monitoring and preserving the long term affordability of units subject to affordability restrictions or covenants entered into by the former redevelopment agency and the housing successor; for the development of affordable housing pursuant to income limits; and, for the purpose of administering the housing successor's activities. The Agency's FY 23/24 budget of \$575,000 is less than half of the 5%

allowed.

### **Program Income Funds Budget FY 23/24**

The FY 23/24 Housing Successor Budget has been prepared in accordance with applicable requirements and plan objectives.

In FY 23/24 the Housing Successor budget total of \$6,190,634.00 includes a carryover balance of \$5,740,634 and estimates program income of \$400,000 from the annual City/Agency loan repayment (HSC Section 34191.4); and \$50,000 from single and multi-family loan repayments. Net of \$1,768,006 encumbered for approved projects, and \$575,000 for personnel, operations and maintenance, the available program fund for FY 23/24 is \$3,847,628. In accordance with requirements for targeted income limits and for the development of real property acquired by FHS for affordable housing purposes, the budget provides for affordable residential development on FHS owned property that includes sites to the southeast and northwest of Florence and Plumas Avenues in southwest Fresno, a site at Mono, F and G Streets in the Chinatown Area and sites along Fulton Street south of Kern. The Program Income Targets for FY 23/24 shown in the attached budget are: \$1,154,288; \$1,923,814; and \$769,526 for extremely low, very low and low-income households respectively.

### **Housing Asset Fund Transfer**

Funds encumbered to carry out enforceable obligations and activities to provide and monitor affordable housing are housing assets under the jurisdiction of the Housing Successor of the City of Fresno as approved by the Sacramento Superior Court of California. The enforceable obligations include owner participation agreements and disposition and development agreements. The schedule for those Court approved obligations and housing activity expenditures are included in the Housing Asset Transfer attachment.

### **Affordable Housing Overview**

The attached chart provides an overview of affordable housing development by the FHS since dissolution of the former redevelopment agency. The first table "Affordable Housing Development Expenditures by Income Target Requirements" provides the percentage of Program Income Funds spent per income category and illustrates that 36.4%, 48.0% and 15.6% of Program Income has been allocated to households at 30%; 30-60% and 60-80% of AMI respectively for approved and or completed projects. The second table illustrates the number of units occupied by AMI level and includes mixed income developments that together provide 503 affordable and 132 market rate units with a combined total of 635 units. The last table shows the expenditure per unit that generally reflects the importance of FHS dollars that leverage private equity or other public funding sources.

## **CONCLUSION**

Staff recommends that the Housing Successor to the Redevelopment Agency of the City of Fresno and the Fresno Revitalization Corporation approve the FY 23/24 Housing Successor Budget.

**Attachments:**

1. FHS Annual Report for the Fiscal Year 21/22
2. FHS FY 23/24 Program Income Budget
3. Housing Asset Transfer
4. Overview-Affordable Housing