HOUSING SUCCESSOR ANNUAL REPORT
City of El Monte

Fiscal Year 2019-20

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INTRODUCTION

The dissolution of California redevelopment agencies in 2012 resulted in a dramatic change to property tax finance. It eliminated the major source of local publicly generated dollars earmarked for affordable housing. Successor housing entities have been left in a challenging position – the need for affordable housing is greater than ever, yet a key funding source no longer exists.

The City of El Monte ("City") is the Housing Successor Agency ("Housing Successor") to the former El Monte Community Redevelopment Agency ("Agency"). The Housing Successor is responsible for maintaining housing assets transferred from the former Agency. Its main goal is to provide affordable housing for City of El Monte residents. The Housing Successor's assets were transferred from the former Agency when it dissolved pursuant to the Dissolution Act (enacted by Assembly Bills, or "AB", x1 26 and 1484). All "rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former Agency, excluding any amounts in the Low and Moderate Income Housing Fund" were transferred from the former Agency to the Housing Successor. Although the Housing Successor inherited the former Agency's housing assets and functions, it does not have an ongoing financing mechanism to maintain them. The former Agency primarily funded projects with redevelopment tax increment, which was abolished with the dissolution of redevelopment.

Pursuant to AB 1484, the former Agency prepared a housing asset transfer form, which provided an inventory of all assets received in the mandatory transfers of assets following the dissolution of redevelopment. The El Monte Housing Asset Transfer Form ("HAT") was submitted to the California Department of Finance ("DOF") on July 29, 2013 and approved by DOF on December 13, 2013.

This Housing Successor Agency Annual Report ("Annual Report") contains information on Fiscal Year ("FY") 2019-20 finances and activities as required by Health and Safety Code ("HSC") Section 34176.1(f). FY 2018-19 marked the end of the first five-year compliance period for income proportionality. The Housing Successor did not meet all of the requirements for expenditures by income level in the first five-year period (July 1, 2014 through June 30, 2019). This Annual Report details how the Housing Successor met all requirements for expenditures by income level from July 1, 2019 through June 30, 2020.

The Annual Report is due to the California Department of Housing and Community Development ("HCD") by April 1 annually, and must be accompanied by an independent financial audit. The City's audited financial statements will be posted on the City's website when available.

HOUSING SUCCESSOR REQUIREMENTS

Senate Bill ("SB") 341[1] and subsequent legislation enacted several requirements for housing successor agencies. Housing successors must comply with three major requirements pursuant to HSC Section 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 based on certain thresholds.

3. Properties must be developed with affordable housing within five (5) to ten (10) years of the DOF approving the HAT.

The requirements are 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.

ASSETS TRANSFERRED TO HOUSING SUCCESSOR

Upon the statewide dissolution of redevelopment in 2012, all rights, powers, committed assets, liabilities, duties, and obligations associated with the housing activities of the Agency were transferred to the Housing Successor. The Housing Successor prepared a HAT that provided an inventory of all housing assets transferred from the Agency to the Housing Successor. This included:

1. Real properties;

2. Loans and grants receivables; and

[1] 2013-14 legislative session

3. Rents/Operations.

All items on El Monte's HAT were approved by the DOF on December 13, 2013. A copy of the HAT is provided as Appendix 2. It is important to distinguish that Housing Successor assets that were not transferred from the former Agency, or generated by or purchased with assets from the former Agency, are not subject to HSC Section 34176.1.

HOUSING ASSET FUND ACTIVITY

In the months following redevelopment dissolution, the California legislature passed several legislative bills, including SB 341, to clarify issues concerning the activities and assets of former redevelopment agencies. SB 341 reinstated many affordable housing requirements formerly completed by redevelopment agencies. Former Agency assets, and the revenues generated by those assets, are maintained in a Low and Moderate Income Housing Asset Fund ("Housing Asset Fund"). Specifically, HSC Section 34176.1 restricts Housing Successor's Housing Asset Fund expenditures as follows:

- **Administrative costs** up to $200,000 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 2019-20 limit for the Housing Successor was $220,400. However, 5% of the Portfolio is a significantly lower value of $109,822.

- **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 Housing Successor is eligible to incur these expenses because the former Agency had a surplus of affordable housing production units upon dissolution.

- **Affordable housing development** assisting households up to 80% of the Area Median Income ("AMI"), subject to specific income and age targets.

  Five-Year Income Proportionality: If Housing Asset Funds are spent on affordable housing development, at least 30% of such expenses must assist extremely low income households (30% AMI) and no more than 20% can be spent on low income households (between 60-80% AMI) per five-year compliance period. The first five-year compliance period concluded on June 30, 2019. FY 2019-20 marks the first year of the current five-year compliance period, which is July 1, 2019 through June 30, 2024.

Note that housing successors must report expenditures by category each year, but compliance with income proportionality limits is assessed every five (5) years. For example, a housing successor could spend all of its funds in a single year on households earning between 60-80% AMI, as long as it was 20% 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 Housing Successor or former Agency during the past ten (10) years are restricted to seniors, the Housing Successor may not spend more Housing Asset Funds on senior rental housing.

Appendix 3 describes Housing Asset Fund expenditure requirements in more detail, including the types of costs eligible in each category.

EXPENDITURE LIMIT COMPLIANCE

The Housing Successor complied with all Housing Asset Fund expenditure restrictions in FY 2019-20:

- Administrative costs totaled $16,179, which is far below the $220,400 maximum amount for FY 2019-20. Note that the previous year's cap of $215,500 was increased by $4,900 to account for inflation. The Housing Successor has been in compliance with the administrative costs since FY 2013-14.

- No homeless prevention or rapid rehousing expenses were made in FY 2019-20.

- In the first year of the new five-year compliance period (July 1, 2019 through June 30, 2024), the Housing Successor did not encumber funds for development-related expenditures.

In the previous five-year compliance period (January 1, 2014 to June 30, 2019), the Housing Successor complied with the limits on administrative expenditures, homeless prevention/rapid rehousing expenditures, and expenditures on projects with units restricted to 60% to 80% of AMI. The Housing Successor spent $417,518 (18%) on units in the 60 to 80% AMI category, which is below the 20% maximum. However, the Housing Successor did not comply with the limits on project expenditures restricted to 30% of AMI range. As was reported last year, the Housing Successor spent $632,723 (27%) on projects with units at or below 30% of AMI in the previous five-year compliance period. This is below the 30% minimum expenditure requirement.

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

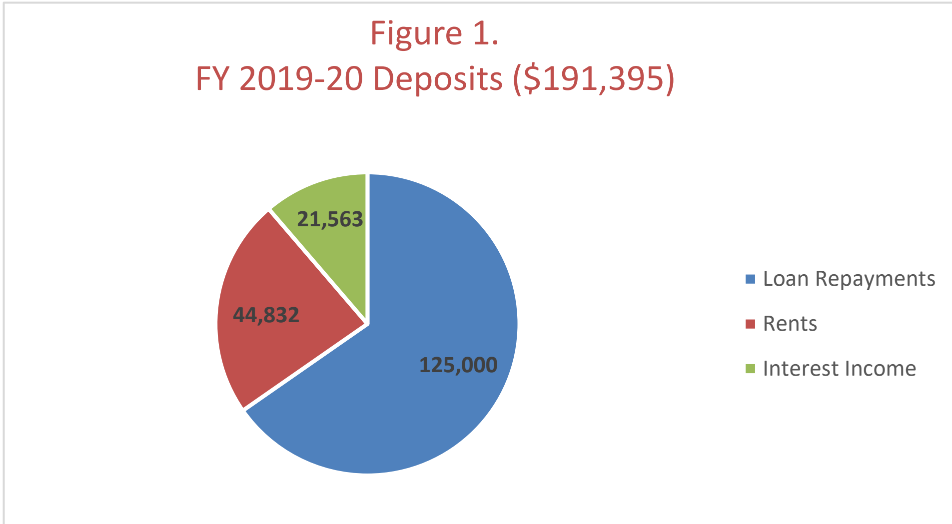
Consequently, the Housing Successor will ensure that 50% of the remaining funds will be spent on development for 30% AMI units until in compliance with the January 1, 2014 through June 30, 2019 five-year period. The Housing Successor will monitor compliance by tracking expenditures in each future fiscal year against this reporting period until this threshold is met.

SENIOR HOUSING LIMIT COMPLIANCE

The Housing Successor complies with the requirement that no more than 50% of the total number of rental units produced within the preceding 10 years be restricted to seniors. The Housing Successor, City, and former Agency assisted a total of 1,599 deed-restricted rental units in the last 10 years, 88 (6%) of which are restricted to seniors. Therefore, the Housing Successor is well below the limit.

DEPOSITS AND FUND BALANCE

HSC Section 34176.1 requires housing successors to annually report the amount of funds that were deposited into the Housing Asset Fund during the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule (“ROPS”). The Housing Successor deposited $191,395 into the Housing Asset Fund during FY 2019-20. No items deposited into the Housing Asset Fund were listed on the ROPS. As shown in Figure 1 below, the deposits made in FY 2019-20 include repayment of first-time homebuyer down payment assistance loans, rental income, and interest income.



The Housing Asset Fund balance as of June 30, 2020 was $3,633,307, as summarized in Table 1 below.

Table 1
Housing Asset Fund Ending Balance FY 2019-20

Balance Type	Amount
Pooled Cash	1,432,511
Cash With Fiscal Agent	-
Accounts Receivable	4,344
Miscellaneous Accounts Receivable	-
Notes Receivable	2,973,820
Allowance for Doubtful Accounts	(2,281,463)
Land Held for Resale	1,504,095
Ending Balance	**$ 3,633,307**

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 in a timely manner.

The Housing Successor has an excess surplus in the amount of $148,658 as of FY 2019-20, as shown in Table 2 below. This is the first year that the Housing Successor has had an excess surplus since first performing the calculation in FY 2017-18.

Table 2
Excess Surplus Calculation

Fiscal Year	2015-16	2016-17	2017-18	2018-19
Deposits	$ 125,648	$ 300,413	$ 250,631	$ 191,395
FY 2019-20 Beginning Cash Balance				$ 1,148,658
Less: Encumbered Funds				$ -
Unencumbered Amount[1]				$ 1,148,658
Step 1				
$1 Million, or				$ 1,000,000
Last 4 Deposits				$ 868,087
Result: Larger Number				$ 1,000,000
Step 2				
Unencumbered Cash Balance				$ 1,148,658
Larger Number From Step 1				$ 1,000,000
Excess Surplus				$ 148,658

[1] As of July 1, 2019

The Housing Successor will continue monitoring its deposits and fund balance to avoid an excess surplus in the future. Excess surpluses 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 third fiscal year. Accordingly, the Housing Successor will expend or encumber the excess surplus by the end of FY 2022-23.

TRANSFERS TO OTHER HOUSING SUCCESSORS

The Housing Successor did not make any transfers to another housing successor entity for a joint project pursuant to HSC Section 34176.1.

HOUSING SUCCESSOR PORTFOLIO

The Housing Successor Portfolio includes five properties and 21 loans receivable transferred from the former Agency. The Portfolio had a value of $2,196,452 as of FY 2019-20, as detailed in Table 3 below. Note that the "Allowance for Doubtful Accounts" line item is recorded due to the long-term nature of the loans receivable.

Table 3
Portfolio Value of Real Properties and Loans Receivable

Asset	Amount
Real Properties	
3436 Tyler Ave	734,659
11016 Ramona	150,000
Investment in Land in Area Y	430,356
3571 Palm	64,855
3555 Palm	124,225
Subtotal	*$1,504,095*
Loans Receivable	
Homebuyer Assistance (15)	593,000
Singing Wood Senior Housing - Deed Loan	99,357
Mercy Housing Site Acquisition Note	288,856
Working Capital Loan -TDF - Special Project Construction Reserve	454,129
TDF Senior Housing (Titan) - Project Gap Loan (CRA portion)	877,190
TDF Senior Housing (Titan) - Long term loan	395,704
Tyler Court Deferred Fee Note	87,736
Mercy Housing - Baldwin Rose (Through Housing Authority)	177,845
Allowance for Doubtful Accounts	(2,281,460)
Subtotal	*$692,357*
Total Portfolio Value	**$2,196,452**

LOANS RECEIVABLE

The former Agency transferred 25 loan agreements to the Housing Successor as part of the HAT approved by DOF on July 29, 2013. None of the loans have been paid off as of FY 2019-20. Five (5) loans were added to the HAT after the initial transfer, one of which has been paid off. The remaining loans are described below, including the outstanding loan balances as of June 30, 2020.

- **Homebuyer Down Payment Assistance Loans** – Twenty-One (21) first-time homebuyer down payment assistance loans totaling $856,000 were issued between 2002 and 2010. These loans either had no interest rates or varying interest rates based on the property sale date. An additional loan was added in FY 2016-17 (11320 Iris Lane) in the amount of $12,680 but was subsequently collected in the same fiscal year. Loan repayments are due upon property sale, property transfer, or failure to occupy the property. Seven (7) loans (including 11320 Iris Lane) were collected since the HAT was prepared. The outstanding amount due is $593,000 on the 15 outstanding loans.

- **Blessed Rock Senior Housing Project** – In 1996, the former Agency loaned $60,223 of housing funds to Blessed Rock of El Monte, L.P. for the development and operation of Blessed Rock Senior Housing Project. The outstanding principal on the loan is to be repaid over 30 years and interest accrues at the simple interest rate of 2%. As of June 30, 2015, the outstanding balance of the loan was repaid.

- **Singing Wood Senior Housing Project** – In FY 2013-14, the Housing Successor loaned $484,710 of Housing Asset Funds to Singing Wood Senior Housing, L.P. for the development and operation of Singing Wood Senior Housing Project. The outstanding principal on the loan is to be repaid over 30 years and interest accrues at the simple interest rate of 3% per year. As of June 30, 2020, the outstanding loan balance was $99,357.

- **Mercy Housing California** – The Housing Successor entered into a Disposition and Development Agreement with Mercy Housing California on October 14, 2015, related to the construction of Mercy Housing Family Veterans Affordable Rental Housing Project. In FY 2016-17, the Housing Successor loaned $300,000 of Housing Asset Funds to Mercy Housing for the site acquisition in relation to the project. In FY 2017-18, the Housing Successor loaned an additional $177,845 of Housing Asset Funds to Mercy Housing through a Development Project Mitigation Fee Loan specifically for the Baldwin Rose project. The outstanding principal on the loans are to be repaid over 57 years and interest accrues at the simple interest rate of 2% per year. As of June 30, 2020, the outstanding balances of the loans were $288,856 and $177,845, respectively.

- **Tyler Court Associates** – The Housing Successor entered into a Disposition and Development Agreement with Tyler Court Associates, L.P. on March 20, 2012 regarding the sale of a property located at 3348 Tyler Avenue and the construction of Tyler Court Apartments on the site. In FY

2017-18, the Housing Successor loaned $87,736 of Housing Asset Funds to Tyler Court Associates, L.P. for a deferment of development fees owed. The outstanding principal on the loan is to be repaid over 55 years at a simple interest rate of 2% per year. As of June 30, 2020, the outstanding balance has remained $87,736.

- **Pacific Towers Senior Housing Project** – In 2003 and 2004, the former Agency entered into three loan agreements with TDF, L.P for the development and operation of Pacific Towers Senior Housing Project. The first was the "Original Project Gap Loan" in the amount of $398,500 approved on January 1, 2003. The second was the "Long-term Project Note" in the amount of $650,000, and the third was the "Special Construction Loan" in the amount of $250,000, both of which were approved on March 2004. The Original Project Gap Loan and the Special Construction Loan are to be repaid over 45 years with interest accruing at the simple interest rate of 3% per year. The Long-term Project Note is to be repaid over 55 years with interest accruing at the simple interest rate of 5% per year. On February 5, 2015, the Housing Successor and TDF Senior Housing entered into an agreement affirming principal and interest owed by TDF on its loans. As of June 30, 2020, the outstanding balance of all of the loans was $1,772,023.

PROPERTY DESCRIPTIONS AND DISPOSITION STATUS

The former Agency transferred seven properties to the Housing Successor. The properties include the following two single family residences (SFR) and five vacant lots:

- 3436 Tyler Avenue – *Vacant Land*
- 11016 Ramona Boulevard – *Vacant Land*
- Investment in Land in Area Y – *Vacant Land*
- 11448 Lee Lane – *Vacant Land*
- 11462 Lee Lane – *Vacant Land*
- 3571 Palm Drive – *Vacant Land*
- 3555 Palm Drive – *SFR*

HSC Section 34176.1(e) requires that all real properties acquired by the Agency prior to February 1, 2012 and transferred to the Housing Successor be developed pursuant to the requirements detailed in HSC Section 33334.16. All property that falls within 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 December 13, 2018 in the Housing Successor's case. If the Housing Successor was unable to develop or dispose of these properties within the five-year period, the law allows for a five-year extension via adoption of a resolution. All Housing Successor properties transferred on the HAT are subject to this provision.

The Housing Successor adopted a resolution for an extension after the December 13, 2018 deadline. On October 20, 2020, the Housing Successor adopted Resolution No. 10192 extending the time-period for the disposition of the properties to December 13, 2023.

Descriptions of the properties and their disposition status are below.

3436 Tyler Avenue (APN 8579-014-903) and 11016 Ramona Boulevard (APN 8579-014-901)

The Housing Successor owns the land located at 3436 Tyler Avenue and 11016 Ramona Boulevard. The 3436 Tyler Avenue property is a 0.28-acre vacant lot purchased by the City on March 1, 2010, and the 11016 Ramona Boulevard property is a 0.14-acre vacant lot purchased by the former Agency on July 2, 2008. The properties are adjacent to each other separated by a public alley. In FY 2017-18, the Housing Successor issued a Request for Proposals (RFP) to solicit proposals for the development of an affordable housing project. Domus Development, a subsidiary of Newport Partners, LLC, won the bid and was approved by the Planning Commission in October 2018 to construct a 51-unit affordable housing apartment complex called the Metro Point Project. In FY 2018-19, the East-West Public Alley was approved to move forward with connecting both properties. The developer is in the process of securing gap financing for the project. Once funding has been secured, construction is expected to begin.

Area Y (13 Parcels)

The Housing Successor owns the land known as “Area Y”, an approximately 4.9-acre site on the north side of Valley Boulevard just east of Santa Anita Avenue. The property includes 13 land parcels[2] and five (5) streets available for assembly, with the assumption that the five (5) streets will be vacated by the City. The property is within the station sub-area of the Downtown Main Street Transit-Oriented Specific Plan (DMSSP), which was adopted in April 2017. In May 2018, the City requested proposals for Area Y for the development of a project consistent with the specific plan. On October 20, 2020, the City Council approved a purchase and sale agreement with UTH Holdings I, LLC for the development of 85 residential units on approximately 3.36 acres of Area Y.

11448 (APN 8567-023-900) and 11462 Lee Lane (APN 8567-023-901)

The Housing Successor owns the land located at 11448 and 11462 Lee Lane. The 11448 Lee Lane property is a 0.20-acre vacant lot purchased by the former Agency in September 2003, and the 11462 Lee Lane property is a 0.13-acre lot improved with a 988-square-foot single-family residence with two bedrooms and one bathroom that was purchased by the former Agency in December 2003. The properties are adjacent to each other and separated by two parcels. The Housing Successor intends to sell the 11448 Lee Lane property, which is zoned R2YYEM (low-density multifamily residential), to a nonprofit organization for the development of three to four affordable housing units.

The Housing Successor previously rented the property at 11462 Lee Lane to low-income residents. The tenants were permanently relocated in FY 2018-19. The residential structure was demolished due to deterioration and health and safety concerns. The Housing Successor intends to sell the property, which is zoned C-3 (general commercial). The owner of an adjacent business has expressed interest in purchasing the property for either commercial parking or market-rate housing.

[2] Parcel Numbers: 8575-019-907, 8575-019-908, 8575-019-910, 8575-019-911, 8575-019-912, 8575-019-913, 8575-019-914, 8575-017-909, 8575-021-936, 8575-021-932, 8575-021-934, 8575-022-922 and 8575-022-925

3555 (APN 8579-026-907) and 3571 Palm Drive (APN 8579-026-906)

The Housing Successor owns the two parcels located at 3555 and 3571 Palm Drive off of Lexington Avenue between Iris Lane and Main Street. The 3555 Palm Drive property is a 2,517-square-foot lot improved with a single-family residence that was acquired on August 12, 1991, and the 3571 Palm Drive property is a 2,530-square-foot lot that was acquired on March 5, 1987. Both properties are in the Zocalo Sub-Area of the DMSSP. In FY 2017-18, the City requested bids for rehabilitation of the 3555 Palm Drive home after the previous tenants were temporarily relocated in October 2017. The unit was rehabilitated using $159,626 of Community Development Block Grant (CDBG) funding and completed in December 2018 as an affordable unit. The Housing Successor is currently attempting to identify a developer to develop 3571 Palm Drive in accordance to HSC Section 34176.1(e).

HOMEOWNERSHIP UNIT INVENTORY

Table 4 presents an inventory of homeownership units assisted by the Housing Successor that require restrictions, covenants, or an adopted program that protects Housing Asset Fund monies.

Table 4
Homeownership Unit Inventory

Project Name / Address	Note Date	Interest	Status
10919 Iris Lane	10/29/2002	Varies based on property sale date	Deferment
10939 Iris Lane	8/22/2002	Varies based on property sale date	Deferment
10959 Iris Lane	10/11/2002	Varies based on property sale date	Deferment
10911 Las Flores	9/10/2002	Varies based on property sale date	Deferment
10923 Las Flores	9/12/2002	Varies based on property sale date	Deferment
10948 Las Flores	8/12/2002	Varies based on property sale date	Deferment
10953 Las Flores	10/30/2002	Varies based on property sale date	Deferment
10965 Las Flores	9/27/2002	Varies based on property sale date	Deferment
10977 Las Flores	9/26/2002	Varies based on property sale date	Deferment
10980 Las Flores	12/27/2002	Varies based on property sale date	Deferment
10988 Las Flores	9/12/2002	Varies based on property sale date	Deferment
10995 Las Flores	9/11/2002	Varies based on property sale date	Deferment
4612 Arden Drive	7/20/2004	N/A	Deferment
4616 Arden Drive	12/9/2010	N/A	Deferment
Total Units			**14**

Source: City of El Monte

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 Successor</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 or the Housing Successor 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 TRANSFER FORM

The Housing Asset Transfer Form is attached as a separate document.

APPENDIX 3 – HOUSING ASSET FUND EXPENDITURE REQUIREMENTS

<table>
<tr><th colspan="3">Housing Asset Fund Expenditure Requirements
Health and Safety Code Section 34176.1</th></tr>
<tr><th>Expense Category</th><th>Limits</th><th>Allowable Uses</th></tr>
<tr><td>Administration and Compliance Monitoring</td><td>$220,400 maximum for FY 2019-20 (limit varies each year)</td><td>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 $220,400 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.</td></tr>
<tr><td>Homeless Prevention and Rapid Rehousing Solutions</td><td>$250,000 maximum per fiscal year</td><td>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.</td></tr>
<tr><td>Affordable Housing Development</td><td>No spending limit, but must comply with income and age targets</td><td>“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</td></tr>
</table>

<table>
<tr><th colspan="3">Housing Asset Fund Expenditure Requirements
Health and Safety Code Section 34176.1</th></tr>
<tr><th>Expense Category</th><th>Limits</th><th>Allowable Uses</th></tr>
<tr><td></td><td>Income Targets</td><td>Every five years (currently FY 2020-2024), Housing Asset Funds must meet income targets:
At least 30% on extremely low income rental households (up to 30% AMI or “Area Median Income”)
No more than 20% on low income households (60-80% AMI)
Moderate and above moderate income households may not be assisted (above 80% AMI).

Failure to comply with the extremely low income requirement in any five-year compliance period will result in having to ensure that 50% 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 not being able to expend any funds on these income categories until in compliance.</td></tr>
<tr><td></td><td>Age Targets</td><td>For the prior 10 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.</td></tr>
</table>