

City of Morgan Hill Housing Successor Agency
Annual Report on the
Low-Moderate Income Housing Asset Fund (LMIHAF)
FY 2022-2023

This Housing Successor Annual Report (Report) regarding the Low- and Moderate-Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f). This Report sets forth certain details of the City of Morgan Hill Housing Successor Agency's activities during Fiscal Year **2022-2023**, July 1st to June 30th.

The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund, which is a part of the City of Morgan Hill Comprehensive Annual Financial Report for Fiscal Year **2022-23** prepared by Morgan Hill, Finance Department, which includes the Independent Auditor's Report (Audit) prepared by Maze and Associates, Inc, Certified Public Accountants, which Audit is separate from this annual summary Report. This Report conforms with and is organized into sections I through XI, inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.
- II. **Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.
- III. **Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.
- IV. **Statutory Value of Assets Owned by Housing Successor:** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.
- V. **Description of Transfers:** This section describes transfers, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.
- VI. **Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

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- VII. **Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.
- VIII. **Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.
- IX. **Income Test:** This section provides the information required by Section 34176.1 (a)(3)(B), or a description of expenditures by income restriction for five-year period, with the time period beginning January 1, 2014, and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.
- X. **Senior Housing Test:** This section provides the percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment Agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former Redevelopment Agency and its host jurisdiction within the same time period.
- XI. **Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

This Report is to be provided annually to the Housing Successor's governing body within six months of the end of each fiscal year, and to the State Department of Housing and Community Development no later than April 1 of the year following the close of the fiscal year. In addition, this Report and the former redevelopment agency's pre-dissolution Implementation Plans are made available to the public on the City's website: www.morganhill.ca.gov

I. AMOUNT DEPOSITED INTO LMIHAF FY22-23

\$0 was deposited into the LMIHAF during the Fiscal Year and no funds were held for items listed on the Recognized Obligation Payment Schedule (ROPS).

II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the total ending fund balance in the LMIHAF was
FY22-23 - \$51,548,326

Cash or Cash Equivalent:

FY22-23 - \$3,955,200

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III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

Total Expenditures from LMIHAF:

FY22-23: \$2,159,781

Employee Services:

FY22-23: \$496,715

Internal Services:

FY22-23: \$109,790

Operation/Project Services:

FY22-23: \$1,553,276

IV. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The Housing Successor Agency has the following assets to report per the Annual Comprehensive Financial Report

Land:

FY 22-23: \$4,236,886

Building and improvements:

FY 22-23: \$0

Loans:

FY 22-23: \$47,546,899

Property held for resale:

FY 22-23: \$0

V. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VI. PROJECT DESCRIPTIONS

FY2022-23:

Main expenditures were paid for contract services for BMR Housing Services and City Loan Portfolio Management to Housekeys, Inc. for the purpose of BMR administration, income qualification for both ownership and rental affordable deed restricted units, homebuyer education, monitoring and compliance, and loan portfolio management.

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VII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the project related to such real property.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, if any the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset.

June 20, 2018, The City of Morgan Hill acquired 41% interest in a larger 6.07-acre parcel located at 17295 Butterfield Boulevard, that was acquired jointly by the former Morgan Hill Redevelopment Agency (RDA) and Santa Clara County Transit District (SCCTD), now Valley Transportation Agency (VTA). The lot is considered to be a future affordable Transit Oriented Development (TOD) opportunity, proposed to support higher density residential development consistent with the Morgan Hill Priority Development Area (PDA) and Downtown Specific Plan. \$2,610,561.

September 18, 2017, The City of Morgan Hill acquired a 9,287 square foot property located at 85 E. First Street and is considering what kind of affordable housing opportunities are possible. \$786,083.

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: The former RDA did not incur any Section 33413(a) replacement housing obligations nor transfer any such obligations to the Housing Successor.

Inclusionary/Production Housing: The former RDA did not incur any Section 33413(a) inclusionary/production housing obligations nor transfer any such obligations to the Housing Successor.

The Housing Successor has no outstanding or unmet obligations pursuant to Section 33413.

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IX. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. If the Housing Successor fails to comply with the Extremely Low-Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement.

X. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the city within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Successor's Senior Housing Test for the period of 2014-2023:

City-Assisted Rental Units, 2005-2014 (Calendar Years)

Total Assisted Senior Units	109
Total Assisted Units	900
Senior Housing Percentage	12.11

Note: "Total assisted units" counts deed-restricted, standard rental dwelling units only; does not count single-family homes assisted with rehabilitation loans or grants, inclusionary housing units that did not receive City subsidies, or City-assisted shelters or transitional housing units, pursuant to guidance of Successor Agency legal counsel.

Note: The City has 1,227 deed restricted and affordable rental units, varying from extremely low income to low income. Of that 1,227, 12 of the units are staff units, 370 units are low income (50%-80), 715 units are very low income (31%-50%), and 130 units are 0%-30% extremely low income. Of the 1,227 deed restricted units, 361 are senior affordable and deed restricted rental units. Of the 361 Senior deed restricted units, 109 are considered "assisted;" and of the 1,227 deed restricted units, 900 of the units are considered "assisted;" thus, 109 senior assisted units out of the 900 total assisted units equals 12.11% senior assisted deed restricted units. The City of Morgan Hill has an additional 548 affordable rental deed restricted units in the development pipeline of which 82 will be senior units (under construction).

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XI. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater.

As of June 30, 2023, there's no unencumbered cash in the account that exceeds one million dollars (\$1,000,000). Most of the cash balance as of June 30, 2023, has been set aside for contract services as well as employee services for BMR Housing Services and City Loan Portfolio Management, including BMR administration, income qualification for both ownership and rental affordable deed restricted units, homebuyer education, monitoring and compliance, and loan portfolio management.