

**FOUNTAIN VALLEY HOUSING AUTHORITY ANNUAL REPORT  
AND FOUNTAIN VALLEY HOUSING SUCCESSOR ANNUAL REPORT  
FOR FISCAL YEAR 2023-24 PURSUANT TO CALIFORNIA  
HEALTH AND SAFETY CODE SECTIONS 34176.1 AND 34328**

This Annual Report of the Fountain Valley Housing Authority (Housing Authority) is prepared under the California Health and Safety Code (HSC), Division 24, Parts 1.8 and 1.85 (Dissolution Law), in particular Section 34176.1 as the housing successor, and under the California Housing Authorities Law, HSC Section 34200, *et seq.* (HAL), in particular Section 34328 as a housing authority (together, Report). The Dissolution Law and HAL respectively require preparation of an annual report on the housing successor and the housing authority's activities for the prior fiscal year. This Report details the Housing Authority's activities during Fiscal Year (FY) 2023-2024 and is intended to satisfy the requirements under both HSC Sections 34176.1 and 34328. More specifically, this Report details the Housing Authority's activities for FY 2023-2024, including the information required about the Low- and Moderate-Income Housing Asset Fund (LMIHAF) and other information under Section 34176.1(f). A copy of the Report, in this draft form, has been provided to the City Council, as governing body, and to the Housing Authority by December 31, 2024, under Section 34176.1(f), and, upon their joint review and action to file the Report, it will be posted on the City's website at [www.fountainvalley.org](http://www.fountainvalley.org), with a copy forwarded to California Department of Housing and Community Development and the Governor's Office as required by State Law.

This Report includes information prepared by City staff on behalf of the Housing Authority and information contained within the financial records of the Low- and Moderate-Income Housing Asset Fund for FY 2023-2024. This Report conforms with, and is organized into sections I. through XIV., inclusive, under HSC Section 34176.1(f) of the Dissolution Law and Section 34328 of the HAL.

- I. **Amount Received Pursuant to Section 34191.4(b)(3)(A):** This section provides a total amount of funds received pursuant to Section 34191.4(b)(3)(A).
- II. **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.
- III. **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, and amounts allocable to Section 34191.4 deposits, must be distinguished from the other amounts deposited.
- IV. **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 among administration for monitoring and preserving covenanted housing units, homeless prevention and rapid rehousing, and development of housing.

- V. Statutory Value of Assets Owned by Housing Successor In LMIHAF:** 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.
- VI. 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.
- VII. 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.
- VIII. 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.
- IX. 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.
- X. 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 first time period beginning January 1, 2014, and whether the statutory thresholds have been met.
- XI. 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. For this Report the ten-year period reviewed is July 1, 2014 - June 30, 2024.
- XII. 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.
- XIII. Inventory of Home Ownership Units:** This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency's investment of moneys from the Low- and Moderate-Income Fund per Section 33334.3 (f).
- XIV. Housing Authority Annual Report:** Housing Authority's activities for FY 2023-2024 pursuant to HSC Section 34328.

In addition, this report and the former redevelopment agency's pre-dissolution Implementation Plans are available to the public on the City's website [www.fountainvalley.gov](http://www.fountainvalley.gov).

**I. AMOUNT RECEIVED PURSUANT TO SECTION 34191.4(b)(3)(A):**

No funds were received pursuant to Section 34191.4(b)(3)(A).

**II. AMOUNT DEPOSITED INTO LMIHAF**

A total of **\$3,551,118** was deposited into the LMIHAF during the Fiscal Year as shown in Table 1 below. Of the total funds deposited into the LMIHAF, **\$0** were held for items listed on the ROPS. The deposits are allocated as follows:

<b>SOURCE</b>	<b>AMOUNT</b>
1 <sup>st</sup> Time Homebuyer Monthly Loan Repayment (Principal)	<b>\$9,063</b>
1 <sup>st</sup> Time Homebuyer Monthly Loan Repayment (Interest)	<b>\$22,511</b>
1 <sup>st</sup> Time Homebuyer Monthly Client Service Charge	<b>\$212</b>
1 <sup>st</sup> Time Homebuyer Monthly Loan (Equity Share Payoff)	<b>\$0</b>
Housing Rehab Monthly Loan Repayment (Principal)	<b>\$1,172</b>
Housing Rehab Monthly Loan Repayment (Interest)	<b>\$366</b>
Prado – Harbor Loan Repayment (Principal)	<b>\$55,661</b>
Prado – Harbor Loan Repayment (Interest)	<b>\$17,967</b>
Jasmine Project Loan Repayment (Loan Payoff)	<b>\$3,173,840</b>
Jasmine Project Loan Repayment (Interest)	<b>\$35,651</b>
Jasmine Project Loan Payoff Legal Fee Recovery	<b>\$8,975</b>
Misc. Received Interest	<b>\$226,066</b>
Misc. Fees	<b>\$0</b>
Recognized Obligation Payment Schedule (ROPS) – Completed	<b>\$0</b>
<b>TOTAL LMIHAF Deposits</b>	<b>\$3,551,118</b>

Table 1

**II. ENDING BALANCE OF LMIHAF**

At the close of the Fiscal Year, the ending available cash balance in the LMIHAF was **\$8,646,975**. The balance is the cash balance minus the balance in accounts payable.

**III. DESCRIPTION OF EXPENDITURES FROM LMIHAF**

Table 2 below shows a description of expenditures from the LMIHAF by category.

<b>SUBJECT</b>	<b>AMOUNT</b>
Monitoring & Administration	<b>\$ 267,208</b>
Homeless Prevention & Rapid Rehousing Services Expenditures (Maximum allowable per statute in FY 23/24 is \$250,000)	<b>\$ 250,000</b>
Housing Development Expenditures for pre-development expenses.	<b>\$ 3,839</b>
Transfer pursuant 34176.1(c) (2) to Garden Grove Housing Authority for Regional Homeless Center (CCNC) (GF Loan repayment) (Maximum transfer per statute in FY23/24 is \$1,000,000)	<b>\$1,000,000</b>
<b>Total Expenditures</b>	<b>\$ 1,521,047</b>

Table 2

The Housing Successor is permitted to spend the greater of \$263,200, or five percent of the value of the Housing Assets Portfolio (Defined and calculated in Section V as \$9,078,990), on Monitoring and Administration. Five percent of the value of the Housing Assets Portfolio is \$453,950; therefore, the maximum amount allowed to spend on Monitoring and Administrative expenses for the year is \$453,950. The Successor Agency spent a total of \$267,208 for monitoring and preserving affordability covenants and administrative costs during the Fiscal Year, which is less than the maximum of \$453,650, so the Successor Agency is in compliance with the expenditure limits.

Homeless Prevention & Rapid Rehousing Services Expenditures and the transfer between housing successors are expenditures for the Acquisition and Development of the Central Cities Navigation Center.

Housing Development Expenditures for pre-development expenses consist of staff costs related to the 50-unit affordable housing project the Housing Successor developed with The Related Companies CA (TRCC) under the Affordable Housing Agreement (AHA) approved in FY 2018-2019. Development costs continue to accrue as the project comes to a completion and the developer transitions to their permanent financing. The final TCAC audit is anticipated to be completed by the end of 2024. At that time all administration and monitoring costs related to the project will be reflected in Monitoring and Administration.

**V. 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 does not own any real property. Table 3 below shows the statutory value of loans owned by the Housing Successor.

<b>Asset Category - Loans</b>	<b>Statutory Value</b>
1 <sup>st</sup> Time Home Buyer Loans (5 Loans)	\$ 459,797
Home Improvement Loans (9 Loans)	\$ 201,576
Development Loan (Jasmine) Paid off July 2023	\$ 0
Acquisition & Development Loans (TRCC)	\$ 8,144,339
Accrued Interest Receivable * (TRCC Development Loan)	\$ 267,278
Accounts Receivable (TRCC- Monitoring Fee)	\$ 6,000
<b>Total Statutory Value of Loans Held by Housing Successor</b>	<b>\$ 9,078,990</b>

Table 3 \*Interest has been accruing on loan from agreement date however; first payment was received in June 2024.

## **VI. DESCRIPTION OF TRANSFERS**

In 2022, the city entered into a Memorandum of Understanding (MOU) with the cities of Westminster and Garden Grove, and the County of Orange, for site acquisition, development, and operation of the Central Cities Navigation Center (CCNC) to address homelessness and implement the County's Continuum of Care in the partner cities for a minimum of ten years. The CCNC provides emergency housing and wrap around services to individuals experiencing homelessness. Each City's share represents a portion of the city program costs that is estimated to be equal to each City's anticipated use of the aggregate guest capacity of the center, along with the associated costs of managing and operating the CCNC over the ten-year period.

This fiscal year the Housing Successor made a one million dollar (\$1,000,000) transfer to the City of Garden Grove Housing Successor Agency under HSC 34176.1(c)(2) allowing, "Two or more housing successors within a county, ...within 15 miles of each other, or that are in contiguous jurisdictions, may enter into an agreement to transfer funds among their respective Low and Moderate Income Housing Asset Funds... for a regional homeless shelter...." One million dollars (\$1,000,000) is the maximum amount that may be transferred between housing successors annually.

A housing successor that intends to transfer and/or receive LMIHAF funds under HSC Section 34176.1(c)(2) must meet seven specific conditions. Last year the City of Fountain Valley met all seven conditions and the partner cities met six out of seven conditions only needing an approved Housing Element. Both jurisdictions have since received HCD approval of their Housing Elements therefore all jurisdictions are now in compliance with the transfer requirements of HSC Section 34176.1(c)(2).

Last year, as noted in the annual report, to move the development of the CCNC forward in a timely manner, the City of Fountain Valley entered into a Cooperation Agreement with the Housing Authority to make a temporary loan from the General Fund to pay the initial site acquisition costs for the CCNC in the amount of nine hundred, thirty-five thousand, eight hundred and ten dollars (\$935,810). This was a short-term loan pending the partner cities obtaining Housing Element approval. The partner jurisdictions are now in compliance, so the Housing Successor repaid the General Fund loan, and that amount is reflected as a transfer between housing successors in this report.

A total of one million dollars (\$1,000,000) was transferred for the development and operation of the CCNC in compliance with HSC Section 34176.1(c)(2). The total is a combination of the initial nine hundred, thirty-five thousand, eight hundred and ten dollars (\$935,810) for acquisition and development costs and sixty-four thousand, one hundred and ninety dollars (\$64,190) in additional development costs.

## **VII. PROJECT DESCRIPTIONS**

The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.

## VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

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. The following provides a status update on the project(s) for property or properties that were acquired prior to February 1, 2012, and compliance with the five-year period:

- *The Housing Successor does not own any properties acquired prior to February 1, 2012.*

The following provides a status update on the project(s) for property or properties that have been acquired by the Housing Successor using LMIHAF on or after February 1, 2012:

- *The Housing Successor does not own any properties acquired on or after February 1, 2012.*

## IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

### **Replacement Housing:**

According to the FY2010/11-FY2014/15 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor.

### **Inclusionary/Production Housing:**

According to the FY2010/11-FY2014/15 Implementation Plan for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor.

The former redevelopment agency's Implementation Plans are posted on the City's website at [www.fountainvalley.org](http://www.fountainvalley.org)

## X. INCOME TEST

This section provides the information required by Section 34176.1(a)(3)(A) or a description of expenditures by income restriction in five-year reporting increments and whether the statutory thresholds have been met. The first five-year period was January 1, 2014, to June 30, 2019. The second five-year reporting period is July 1, 2019, to June 30, 2024.

Section 34176.1(a)(3)(B) requires that for each reporting period the Housing Successor must ensure that at least 30% of the LMIHAF be expended for development of rental housing affordable to, and occupied by, households earning 30% or less of the AMI (Extremely Low).

No more than 20% of the LMIHAF may be expended for the development of housing affordable to, and occupied by, households earning 60% to 80% of the AMI (Low), during each reporting period.

If the Housing Successor fails to comply with the Extremely Low-Income requirement in any five-year report, then they shall ensure that at least 50% of the remaining LMIHAF funds expended in each fiscal year following the latest fiscal year following the five-year report, be expended for the development of rental housing for Extremely Low-Income households until they are in compliance in an annual report.

During the 2014-2019 reporting period, the Housing Successor expended 27% from the LMIHAF on Extremely Low-Income households and 7% on Low Income households. Because the expenditures for Extremely Low-Income households fell below the 30% threshold, the Housing Successor must ensure that at least 50% of the remaining LMIHAF funds expended in each fiscal year are used for the development of rental housing for Extremely Low-Income households, until the housing successor demonstrates compliance in an annual report.

During the 2019-2024 reporting period, the Housing Successor only spent funds that were exempt from the Income Test by statute. This includes administration and monitoring, homeless prevention, pre-development costs (Related) and the acquisition and development costs for the CCNC.

Because the Housing Successor did not spend funds on rental housing development in this reporting period, they were not able to bring the LMIHAF into compliance. This means the requirements of the previous cycle remain.

There is no penalty for non-compliance however the Housing Successor must ensure the next affordable rental housing project meets the required extremely low-income criteria.

## **XI. 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.

Table 4 below provides the Housing Successor's Senior Housing Test for the 10-year period of 7/1/2014-6/30/2024. The Housing Successor currently has no restriction on senior

housing expenditures.

Senior Housing Test	10 Year Test – July 1, 2014 - June 30, 2024
# of Assisted Senior Rental Units	0
# of Total Assisted Rental Units	50 (TRCC – Prado in FY 20-21)
Senior Housing Percentage	0%

Table 4

## XII. 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. The following provides the Excess Surplus test for the preceding four Fiscal Years:

Excess Surplus Calculation	
<b>Greater of:</b>	
➤ <b>Base Amount of</b>	<b>\$1,000,000</b>
➤ <b>Or Four Years of Deposits</b>	
FY 20/21	\$ 733,226
FY 21/22	\$ 783,915
FY 22/23	\$ 612,466
FY 23/24	\$ 3,551,118
<b>Total of Deposits</b>	<b>\$ 5,680,725</b>
The greater amount between \$1,000,000 and \$5,680,725 =	\$ 5,680,725
Account Balance	\$ 8,646,975
Excess Surplus (Account balance – Total of deposits)	\$ 2,966,250
Amount encumbered for CCNC operation	\$ 3,321,113
Excess Surplus	None- See Narrative

Table 5

As Table 5 reflects, \$5,680,725 was deposited into the LMIHAF account in the four previous fiscal years. Section III shows that the year-end cash balance in the LMIHAF account is \$8,646,966 which means there is an excess surplus of \$2,966,250. However, as noted in previous annual reports, the excess surplus will be eliminated by the encumbered operating costs of an estimated \$3,321,113 for the operation of the CCNC over the ten–year period (FY 24/25 – FY 33/34) estimating an annual 2% escalation per year. **After encumbering this projected amount, the cash balance of the LMIHAF would be \$5,325,862, which is less than the 4-year deposit total of \$5,680,725 thus eliminating the excess surplus.**

Additionally, the Housing Successor has 53 years of monitoring remaining on 50 affordable rental units, 35 years remaining on 156 affordable rental units, 39 years remaining on 14 affordable rental units, 25 years remaining on 54 for sale affordable units along with several individual loans with various end dates. Because there is no other funding source to pay for

the staff costs to carry out these responsibilities, excess surplus will be further reduced by these annual costs.

### **XIII. INVENTORY OF HOME OWNERSHIP UNITS**

This section provides an inventory of homeownership units assisted by the former Agency or FVHA as Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former Agency's investment of moneys from the Low- and Moderate-Income Fund per Section 33334.3 (f).

(A) As of June 30, 2024, the total number of homeownership units currently assisted by the former Agency that are subject to covenant or restrictions is **59 units**.

i. This includes 54 Low and Moderate-Income Senior condos located at Liberty at Founder's Village and five First-Time Home Buyer Loans on properties throughout the city.

(B) During the reporting year, **0 units** were lost from the portfolio.

(C) A total of **\$0** was returned to the Housing Successor as a part of an adopted program that protects the former redevelopment agency's investment of moneys from the LMIHAF fund.

(D) The FVHA/Housing Successor has existing consulting agreements with AmeriNat Loan Services relating to certain, but not all, aspects of administration of the former Agency's Single-Family Rehabilitation and First Time Homebuyer Program. These consulting services include oversight and assistance with amortized loan payments, tracking and calculation of loan balances in the event of payoff, and other administrative activities related to outstanding loans.

In addition, FVHA utilizes Celeste Brady of Stradling, Yocca, Carlson and Rauth as Special Legal Counsel to assist staff with legal issues and Kathe Head of Keyser Marston Associates for the provision of financial analysis for existing projects as well potential future projects.

### **XIV. Additional Information about Fountain Valley Housing Authority's Activities for FY 2023-24 subject to HSC 34328**

#### ***Development, Rehabilitation or Finance of Housing Projects***

The Housing Authority became the Successor Housing Agency on February 1, 2012. Since the passage of SB341, the allowable use of former redevelopment funds is generally restricted to administration of previously held assets, the production of rental units for low-income persons, and a limited amount that may be used to provide services for persons experiencing homelessness.

As stated in last year's report, the city entered into a Memorandum of Understanding (MOU) with the cities of Westminster and Garden Grove, and the County of Orange in 2022 for site acquisition, development, and operation of the Central Cities Navigation Center (CCNC) to address homelessness and implement the County's Continuum of Care in the partner cities. The CCNC opened in June 2024 and is providing emergency housing and wrap around services to the unhoused population in the partner cities.

Under HSC 34176.1(c)(2), "Two or more housing successors within a county, ..., may enter into an agreement to transfer funds among their respective Low- and Moderate-Income Housing Asset Funds for the sole purpose of developing ... a regional homeless center."

Last fiscal year, because the partner cities were awaiting state approval of their Housing Elements in order to comply with HSC 34176.1(c)(2), the Housing Authority entered into a Cooperation Agreement with the City obtaining a temporary loan (\$935,810) from the General Fund to pay the initial site acquisition costs of the CCNC pending the partner cities meeting the requirements. This was done to ensure the project continued forward without delay.

This fiscal year, the partner cities met the transfer requirements, and the Housing Authority repaid the \$935,810 loan to the General Fund that represented the transfer of funds to a partner housing successor for the acquisition of the regional homeless shelter. The Housing Authority then recorded the transfer of \$1,000,000, the statutory limit each year, to Garden Grove Housing Authority for site acquisition and project development. The Housing Authority also spent an additional \$250,000 on the development of the CCNC which is the maximum allowed for Homeless Prevention & Rapid Rehousing Services Expenditures.

The Housing Authority also used funds for annual administrative functions that included monitoring affordable housing covenants, managing the housing loan portfolio, homelessness assistance (CCNC), legal services and project related costs associated with the Affordable Housing Agreement with The Related Companies California executed in FY 2018-19 for the development of the 50-unit affordable housing project, Prado Family Homes. The project was fully leased and occupied in June 2022. Permanent financing is now in place however minimal development costs will continue until the final California Tax Credit Allocation Committee (CTCAC) audit is completed and provided to the Housing Authority which is anticipated by the end of 2024.

### ***Terminations of Tenancies***

The Housing Authority does not own or operate any rental properties; therefore, has not terminated any tenancies.

### ***Bonds***

The Housing Authority did not issue any bonds in FY 2023-24. The Housing Authority does not currently have any bonds.

### ***Section 8***

In 2011, the Housing Authority passed a resolution to authorize the Orange County Housing Authority to continue to provide Section 8 Leased Housing in its Areas of Operation within the City of Fountain Valley.

### ***Loans***

No loans were made in FY 2023-24.

### ***Land***

The Housing Authority does not own any land.