

Annual Housing Successor Agency Report
Low- and Moderate-Income Housing Asset Fund Fiscal Year 2021-2022
Pursuant to California Health and Safety Code Section 34176
for the City of Petaluma

Senate Bill 341 (SB 341) became effective on January 1, 2014, requiring each housing successor agency that assumed the housing functions of a former redevelopment agency (RDA) to post a report on its website containing information regarding the low- and moderate-income housing asset funds of the former RDA (Funds) for the previous fiscal year. The Petaluma Community Development Successor Agency, as the housing successor, is required to prepare and post the report. In addition, the Successor Agency is required to conduct and provide an independent financial audit of the Funds within six months of the end of the fiscal year. The Audit may be included as part of the City's independent financial audit.

The City of Petaluma established the Petaluma Community Development Successor Agency to assume the housing functions and wind down the operations of the former Petaluma Community Development Commission (PCDC) on January 23, 2012. As a result, the low- and moderate-income housing funds and funds generated by the former PCDC housing assets were transferred to the Successor Agency.

To ensure that the monies in the Fund are expended in accordance with the law, Section 34176.1(f) of the California Health and Safety Code (part of the Dissolution Law) requires an independent financial audit of the Funds within six months of the end of the fiscal year. The independent audit of the Successor Agency Funds is included as part of the Annual Comprehensive Financial Report (ACFR) issued by Badawi and Associates on December 30, 2022, and is on the City's website at <https://cityofpetaluma.org/financial-reports/>

The Fiscal Year 21/22 Annual Successor Agency Funds report is based upon information prepared by Housing Successor staff and information within the independent financial audit of the Low- and Moderate- Income Housing Asset Fund (LMIHAF). This report conforms with and is organized into Sections I through XIII, inclusive pursuant to Section 34176.1(f) of the Dissolution Law.

I. Amounts Received and Deposited Pursuant to Section 34191.4(b)(3)(A):

This Section provides the total amount of funds paid into the City and the amount deposited into the LMIHAF allocable to 20% of the repayments on reinstalled City/Agency loans pursuant to Health and Safety Code Section 34191.4. The former redevelopment agency and City did not enter any loans that are to be repaid.

II. Amount Deposited into LMIHAF

A total of \$450,494 was deposited into the LMIHAF during the 2021/2022 Fiscal Year. Of that total, \$449,145 were funds transferred from other City Housing funds to support the administrative costs of the Housing Division. Of the total funds deposited into the LMIHAF, a total of \$0 was held for items listed on the Recognized Obligation Payment Schedules (ROPS).

III. Fiscal Year End Balance of LMIHAF

At the close of the Fiscal Year, the balance in the LMIHAF was \$24,019,189 of which \$0 was

being held for items listed on the ROPS.

IV. Description of Expenditures from LMIHAF

The following is a description of expenditures from the LMIHAF by category

Fiscal Year 2021-2022

| | |
|---|-----------|
| Monitoring and Administrative Expenditures ^[OBJ] | \$211,576 |
| Homeless Prevention and Rapid Re-Housing Services | \$ 90,025 |
| Housing Development Expenditure | \$137,112 |

| | |
|----------------------------------|------------------|
| Total LMIHAF Expenditures | \$438,713 |
|----------------------------------|------------------|

The Housing Successor is allowed to spend up to the greater of \$200,000 or 5% of the value of the Housing Assets Portfolio (defined in Health and Safety Code Section 34176(e)), which totals \$1,358,634.15 on Monitoring and Administration Expenditures. Therefore, the total expenditure of \$211,576 for fiscal year 2021-2022 is consistent with regulations.

I. Statutory Value of Assets Owned by Housing Successor

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, 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 receivable is included in these reported assets held in the LMIHAF.

The following is the statutory value of assets owned by the Housing Successor in fiscal year 2021-2022.

Fiscal Year 2021-2022

| | |
|---|--------------|
| Statutory Value of Real Property Owned by Housing Successor | \$ 3,210,058 |
| Value of Notes Receivable | \$23,962,625 |

| | |
|--------------------------------------|---------------------|
| Total Value of Housing Assets | \$27,172,683 |
|--------------------------------------|---------------------|

II. 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.

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

III. 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.

The Housing Successor did not receive or hold any property tax revenue pursuant to the ROPS during the Fiscal Year.

I. Status of Compliance with Health and Safety Code Section 33334.16

This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former PCDC prior to February 1, 2012¹. For interests in real property acquired on or after February 1, 2012, this section provides a status update on the project.

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 (DOF) approved the property as a housing asset in the LMIHAF. For real property acquired by the former PCDC that is not being held by the Housing Successor in the LMIHAF, the Successor Agency 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.

The following provides a status update on the real property housing asset(s) that were acquired prior to February 1, 2012, and compliance with the five-year period:

| | |
|---------------------------------------|--|
| Property Address: | 951 Petaluma Boulevard South |
| Date Acquired: | February 2011 |
| DOF Transfer Approved: | August 29, 2012 |
| Deadline to Initiate Activity: | August 29, 2017 |
| Status of Activity: | On June 1, 2017 the Petaluma City Council directed staff to work with PEP Housing on their proposed senior/veteran affordable project. The Petaluma Planning Commission approved the project in August 2018. Title to the property has been transferred to PEP Housing, and the project is under construction with a projected completion in fall of 2021. |

No properties have been acquired by the Housing Successor after February 1, 2012.

| | |
|---------------------------------------|--|
| Property Address: | Industrial Drive Auto Center - Assessor Parcel Number 150-020-036, |
| Date Acquired: | 12-12-1998 |
| DOF Transfer Approved: | January 4, 2021 |
| Deadline to Initiate Activity: | August 29, 2017 |

Status of Activity: The Petaluma Successor Agency is required to sell a 2.6-acre parcel located at Industrial Drive and Auto Center Drive as part of the dissolution of the former Petaluma Community Development Commission. The parcel is part of Auto Plaza Planned Unit District which allows new and used auto sales.

The property was listed for sale at \$1,160,000 based on equivalent properties zoned for auto sales that had recently sold in and around the bay area as supported by an appraisal dated June 2016. The proceeds from the sale of this property will be distributed to the affected taxing

¹ February 1, 2012 is the date the all redevelopment agencies dissolved.

agencies, including the City of Petaluma. Petaluma's share is approximately 14%.

Since the property was appraised, several offers to purchase the property have been accepted however, they have not resulted in a sale due to development constraints of the property. Below is a list of the offers that have been submitted for the property:

- **March 2018** – an offer of \$850,000 was submitted for a proposed mini storage facility. The Council directed staff to reject that offer and wait for an offer closer to the list price with a proposed use consistent with the property's zoning.
- **October 2018** – an offer of \$1,000,000 was submitted for a proposed new auto dealership. That offer was accepted and approved by the Council in October of 2018. That purchaser then failed to move forward with the purchase.
- **April 2020** – an offer of \$800,000 was submitted for a proposed new RV dealership. That sale did not come to fruition due to development constraints related to the 100-year floodplain that partially covers the property.

An offer was submitted and approved in November, with a purchase price of \$575,000. The buyer owns the local Nissan dealership and will use the property for additional inventory storage for the current Nissan dealership. The sale of the property provided approximately \$80,000 in additional revenue to the City of Petaluma which represents the City's share of any proceeds received by the County for assets sold because of the dissolved former redevelopment agency.

II. Description of Outstanding Obligations Pursuant to Section 33413

This section requires compliance with Section 33413 if there were any outstanding inclusionary and replacement housing obligations prior to dissolution of the former redevelopment agency and description of how the Successor Agency plans to meet unmet obligations, if any. According to the 2007-2012 Implementation Plan for the former PCDC, no Section 33413(a) replacement housing or inclusionary/production housing obligations were transferred to the Successor Agency. The former PCDC's 2007-2012 Implementation Plan is posted on the City's website.

III. Extremely Low-Income Test

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

IV. Senior Housing Test

Pursuant to Health and Safety Code Section 34176.1(b), the Successor Agency is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Successor Agency, the former PCDC 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 Successor Agency, the former PCDC, and/or the City within the same time period. If this percentage exceeds 50%, then the Successor Agency cannot expend future funds in the LMIHAF to assist additional senior housing units until the Successor Agency or the City provides assistance 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 summarizes the number of deed-restricted rental housing units produced by the former PCDC and the Successor Agency over the past 10 years:

| Project Name | Year Built | Senior Units | Non-Senior Units | Total Units |
|----------------------------|-------------------|---------------------|-------------------------|--------------------|
| Vintage Chateau II | 2012 | 68 | | 68 |
| Logan Place Apartments | 2013 | | 66 | 66 |
| Kellgren Senior Apartments | 2014 | 50 | | 50 |
| Total Units | | 118 | 66 | 184 |

This data shows that for the 10-year period from July 1, 2010, to June 30, 2020 that 118 units of assisted senior rental units were constructed and 66 units of assisted non-senior rental units were constructed. Therefore, the number of assisted non-senior rental units was 35% of the total number of assisted rental units. Therefore, the data shows that because the senior housing test is met, the Successor Agency cannot expend future funds in the LMIHAF to assist additional senior housing units until the Successor Agency or the City provides assistance 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.

V. Excess Surplus Test

This section provides the amount of excess surplus in the LMIHAF and if any, the length of time that the Successor Agency has had excess surplus, and the Successor Agency's plan for eliminating the excess surplus. Excess Surplus is defined in Section 34176.1(d) of the Dissolution Law 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 Successor Agency's preceding four fiscal years, whichever is greater.

| Year | Amount |
|--|---------------|
| | |
| Fiscal Year 2014-2015 | \$234,191 |
| Fiscal Year 2015-2016 | \$88,552 |
| Fiscal Year 2016-2017 | \$153,782 |
| | |
| Fiscal Year 2017- | <\$1,863>> |
| Total Deposits | \$869,191 |
| Greater of \$1,000,000 or Previous Four Fiscal Year's Deposits | \$1,000,000 |
| Available Unencumbered Amount in LMIHAF @ 7/1/18 | \$0 |

| | |
|-------------------------|------|
| Computed Excess Surplus | NONE |
|-------------------------|------|

Based on the calculation above, the LMIHAF does not have a Surplus Funding balance.

VI. HOMEOWNERSHIP

The Housing Successor is to provide an inventory of homeownership units assisted by the former redevelopment agency or the Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the LMIHAF pursuant to Section 33334.3(f). The city does not have any inventory for the Housing Successor Agency.