

**City and County of San Francisco
Mayor's Office of Housing and Community Development**



**Low and Moderate Income Housing Asset Fund
Housing Successor Report**

For the year ended June 30, **2018**



1095 Connecticut - Potrero Terrace

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Introductory Section

Housing Successor – MOHCD

On June 28, 2011, Assembly Bill 26 (AB 26) was enacted. This legislation is referred to as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The City's Board of Supervisors elected, under Resolution 11-12 (January 26, 2012), to retain the housing assets and functions, rights, powers, duties and obligations previously performed by the former San Francisco Redevelopment Agency (Agency). In June of 2012, the State passed additional legislation through Assembly Bill 1484 (AB 1484). AB 1484 clarified that successor agencies to former redevelopment agencies are separate public entities and must retain affordable housing obligations to qualify for funding from property tax revenues (former tax increment) to fulfill those obligations. Subsequently, the City implemented AB 1484 by Ordinance No. 215-12 (October 4, 2012) and acknowledged that the Successor Agency retained enforceable obligations for the development of affordable housing required to fulfill the Major Approved Development Projects and the Replacement Housing Obligation.

The Mayor's Office of Housing and Community Development (MOHCD) now manages the affordable housing assets transferred from the former Redevelopment Agency, as well as affordable housing assets transferred to MOHCD by the Successor Agency after their enforceable obligation is satisfied. The housing assets are placed in a Special Revenue Fund, the Low and Moderate Income Housing Asset Fund, pursuant to AB 26 and AB 1484.

MOHCD coordinates the efforts of the City to maximize housing opportunities for low income households and individuals. MOHCD administers a variety of programs for housing finance funded by federal, state, and local sources. MOHCD is audited annually as part of the Comprehensive Annual Financial Report of the City and County of San Francisco. The City and County's audit report for the year ending June 30, 2018 was issued on March 25, 2019.

Housing Assets Transferred

Housing Assets

In 2012 MOHCD received \$6.2M of assets held for sale all of which has been sold as of June 30, 2018 and \$95M of land held for lease from the former Agency. In the fiscal year ending June 30, 2012, MOHCD recorded \$124M in land from the former Agency. However, \$29M was transferred from MOHCD to the Successor Agency in the fiscal year ending June 30, 2013. As of June 30, 2018 MOHCD manages over \$100M of housing assets from the former Agency.

Excerpt from 2012 CAFR:

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2012 was as follows:

Governmental Activities:

	Balance July 1, 2011	Increases *	Decreases *	Balance June 30, 2012
Capital assets, not being depreciated:				
Land.....	\$ 157,308	\$ 124,550	\$ -	\$ 281,858
Intangible assets.....	25,475	11,101	(687)	35,889
Construction in progress.....	365,241	312,979	(104,759)	573,461
Total capital assets, not being depreciated.....	<u>548,024</u>	<u>448,630</u>	<u>(105,446)</u>	<u>891,208</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,076,718	62,844	(1,767)	3,137,795
Machinery and equipment.....	348,288	14,758	(3,704)	359,342
Infrastructure.....	428,250	46,995	-	475,245
Intangible assets.....	2,321	708	-	3,029
Total capital assets, being depreciated.....	<u>3,855,577</u>	<u>125,305</u>	<u>(5,471)</u>	<u>3,975,411</u>
Less accumulated depreciation for:				
Facilities and improvements.....	735,517	60,809	(1,653)	794,673
Machinery and equipment.....	295,101	18,862	(3,682)	310,281
Infrastructure.....	58,331	14,404	-	72,735
Intangible assets.....	202	482	-	684
Total accumulated depreciation.....	<u>1,089,151</u>	<u>94,557</u>	<u>(5,335)</u>	<u>1,178,373</u>
Total capital assets, being depreciated, net.....	<u>2,766,426</u>	<u>30,748</u>	<u>(136)</u>	<u>2,797,038</u>
Governmental activities capital assets, net.....	<u>\$ 3,314,450</u>	<u>\$ 479,378</u>	<u>\$ (105,582)</u>	<u>\$ 3,688,246</u>

* The increases and decrease include transfers of categories of capital assets from construction in progress to depreciable categories. Upon dissolution of the former Agency pursuant to AB X1 26 (See Note 2(p)), capital assets designated for housing activities in the amount of \$124.5 million previously recorded in the former Agency's records were transferred to the City as its Housing Successor on February 1, 2012.

Excerpt from 2013 CAFR:

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2013 was as follows:

Governmental Activities:

	Balance July 1, 2012	Increases * Decreases *		Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 281,858	\$ 4,250	\$ (29,019) **	\$ 257,089
Intangible assets	35,889	7,236	(35,593)	7,532
Construction in progress.....	573,461	452,829	(163,210)	863,080
Total capital assets, not being depreciated.....	<u>891,208</u>	<u>464,315</u>	<u>(227,822)</u>	<u>1,127,701</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,137,795	74,979	(240)	3,212,534
Machinery and equipment.....	359,342	23,291	(2,403)	380,230
Infrastructure.....	475,245	86,302	-	561,547
Intangible assets.....	3,029	35,593	-	38,622
Total capital assets, being depreciated.....	<u>3,975,411</u>	<u>220,165</u>	<u>(2,643)</u>	<u>4,192,933</u>
Less accumulated depreciation for:				
Facilities and improvements.....	794,673	63,255	(240)	857,688
Machinery and equipment.....	310,281	17,788	(2,371)	325,698
Infrastructure.....	72,735	17,381	-	90,116
Intangible assets.....	684	1,800	-	2,484
Total accumulated depreciation.....	<u>1,178,373</u>	<u>100,224</u>	<u>(2,611)</u>	<u>1,275,986</u>
Total capital assets, being depreciated, net.....	<u>2,797,038</u>	<u>119,941</u>	<u>(32)</u>	<u>2,916,947</u>
Governmental activities capital assets, net.....	<u>\$ 3,688,246</u>	<u>\$ 584,256</u>	<u>\$ (227,854)</u>	<u>\$ 4,044,648</u>

* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

** Assets in the amount of \$29.0 million were transferred from the City as of July 1, 2012 in accordance with DOF guidance regarding the management of former Agency housing assets.

Housing Assets Fund

As of June 30, 2018 the Low and Moderate Income Housing Asset Fund had a cash balance of \$28M.

Financial Section

Housing Asset Fund Balance Sheet

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2018
(In Thousands)

	Human Welfare Fund	Housing Asset Fund	Low and Moderate Income Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:							
Deposits and investments with City Treasury.....	\$ 13,143	\$ 28,439	\$ 44,491	\$ 72,562	\$ 41,639	\$ 64,289	
Deposits and investments outside City Treasury.....	-	-	-	-	-	-	37
Receivables:							
Property taxes and penalties.....	-	-	1,968	1,968	-	-	-
Other local taxes.....	-	-	-	-	-	-	-
Federal and state grants and subventions.....	13,793	-	-	-	19,114	56	
Charges for services.....	-	-	-	1	3,290	6,358	
Interest and other.....	101	98	168	237	268	-	
Due from other funds.....	-	-	-	-	-	-	345
Due from component unit.....	-	-	-	-	-	-	1,626
Advance to component unit.....	-	8,214	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	446	-	-	-	-	-
Other assets.....	100	-	1,029	81	75	-	3
Total assets.....	\$ 27,137	\$ 37,197	\$ 47,656	\$ 74,849	\$ 64,386	\$ 72,714	
Liabilities:							
Accounts payable.....	\$ 12,863	\$ 762	\$ 422	\$ 2,766	\$ 6,829	\$ 4,184	
Accrued payroll.....	112	44	916	3,348	1,398	3,370	
Unearned grant and subvention revenues.....	5,646	-	-	-	10,239	100	
Due to other funds.....	-	-	-	-	-	-	364
Unearned revenues and other liabilities.....	192	4,886	1,494	1,493	12	7,625	
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-	
Total liabilities.....	18,813	5,692	2,832	7,607	18,478	15,643	
Deferred inflows of resources.....	3,485	8,660	1,348	1,349	11,054	5,959	
Fund balances:							
Nonspendable.....	-	-	-	-	-	-	
Restricted.....	4,839	22,845	43,476	64,740	29,560	5,234	
Assigned.....	-	-	-	1,153	5,294	45,878	
Unassigned.....	-	-	-	-	-	-	
Total fund balances.....	4,839	22,845	43,476	65,893	34,854	51,112	
Total liabilities, deferred inflows of resources and fund balances.....	\$ 27,137	\$ 37,197	\$ 47,656	\$ 74,849	\$ 64,386	\$ 72,714	

(Continued)

Housing Asset Fund Income Statement

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ 61,497	\$ 61,497	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	333	-	-	-	509	-
Fines, forfeitures, and penalties.....	11	-	-	-	4,012	208
Interest and investment income.....	220	3,080	367	557	400	97
Rents and concessions.....	-	4,279	-	3	-	20
Intergovernmental:						
Federal.....	28,070	-	-	-	35,953	-
State.....	4,630	-	158	220	14,223	-
Other.....	19	1,773	-	-	-	703
Charges for services.....	169	-	-	758	19,417	34,218
Other.....	-	3,858	-	-	1	1,011
Total revenues.....	33,452	12,990	62,022	63,035	74,515	36,257
Expenditures:						
Current:						
Public protection.....	-	-	-	-	65,327	-
Public works, transportation and commerce...	4,439	-	833	1,564	29	27,961
Human welfare and neighborhood development.....	70,097	6,409	-	-	3,570	14,780
Community health.....	-	-	-	-	1,208	-
Culture and recreation.....	-	-	61,445	125,252	-	-
General administration and finance.....	-	-	-	-	2,885	16
General City responsibilities.....	-	-	-	-	-	-
Debt service:						
Principal retirement.....	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-
Total expenditures....	74,536	6,409	62,278	126,816	72,999	42,757
Excess (deficiency) of revenues over (under) expenditures.....	(41,084)	6,581	(256)	(63,781)	1,516	(6,500)
Other financing sources (uses):						
Transfers in.....	49,400	-	1,180	84,380	-	18,245
Transfers out.....	-	(1)	(367)	(6,379)	(1,455)	(300)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-
Total other financing sources (uses)....	49,400	(1)	813	78,001	(1,455)	18,945
Special item:						
Receipt of Yerba Buena Garden assets.....	-	-	-	-	-	-
Net changes in fund balances.....	8,316	6,580	557	14,220	61	12,445
Fund balances at beginning of year.....	(3,477)	16,285	42,919	51,673	34,793	38,867
Fund balances at end of year.....	\$ 4,839	\$ 22,845	\$ 43,476	\$ 65,893	\$ 34,854	\$ 51,112

(Continued)

** Excerpt from 2018 CAFR

Fiscal Year ended June 30, 2018 Low and Moderate Income Housing Asset Fund
Expenditures by Character

Monitoring, Preservation, and Development Admin ¹		
	Salaries & Fringe Benefits	\$ 1,343,425.17
	Non-personnel	\$ 36,362.42
Subtotal		\$ 1,379,787.59
Housing Development ²		\$ 5,029,535.71
TOTAL		\$ 6,409,323.30

¹ In accordance with Health and Safety Code Section 34176.1(a)(1)

² In accordance with Health and Safety Code Section 34176.1(a)(3)

Required Information

California Health and Safety Code Section 34176.1(f) requires that the following information be included in the report. Italicized portions below are not found in Section 34176.1(f), but are included for clarity and may be drawn from other portions of the Health and Safety Code or other external explanations.

1. **Amount Deposited into LMIHAF.** The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) from other amounts deposited.

The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) of paragraph (3) of subdivision (b) of Section 34191.4.

Please see Income Statement Financial Section.

We note that during the year ended June 30, 2010, the former Agency borrowed \$16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of \$28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. For the year ended June 30, 2018, the Successor Agency made principal payments in the amount of \$1.8 million to the City. The outstanding payable principal balance at June 30, 2018 was \$8.2 million.

Intergovernmental Revenue – Other is related to the SERAF loan principal payment.

Other Revenues are Principal Repayments to the Low Mod Income Housing Asset Fund.

2. **Ending Balance of LMIHAF.** A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.

Please see Balance Sheet Financial Section. We note that the Advance to Component unit (SERAF Loan) is included in the ROPS. Please see discussion in item # 1 for more information on the SERAF loan.

3. **Description of Expenditures from LMIHAF.** A description of expenditures from the fund by category, including, but not limited to, expenditures
 - A. For monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in

paragraphs (2) and (3) of subdivision (a), *The amount that can be spent on monitoring and administration is capped at 5% of the value of the assets in the Fund or \$200,000, whichever is greater.*

As of July 1, 2017 the value of assets in the Fund totaled \$101M. The assets include \$1M in property held for sale and \$100M in land held for lease. In FY 18 over \$1M of property held for sale was sold. MOHCD also received transferred loans from the Office of Community Investment and Infrastructure (SFRA Successor), however the loan allowance for the transferred loans approaches 100% and as such, the value of the loans is not included in the calculation of the value of assets in the Low and Moderate Income Housing Asset Fund.

As of June 30, 2018 with assets totaling \$100M, MOHCD was allowed to spend around \$5M on monitoring and administration, of which MOHCD only spent \$1.4M (less than 5% of value of assets in fund). Please see income statement section.

Note 1: MOHCD used value of assets in the Fund at the end of the fiscal year. There were no significant events during the fiscal year that would lead MOHCD to believe that value of assets in Fund had decreased in value.

Note 2: MOHCD reported assets in Housing Asset Fund in City and County's FY 18 CAFR.

- B. For homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a). *This amount is limited to \$250,000 annually.*

N/A - MOHCD did not have expenditures on homeless prevention and rapid rehousing services.

- C. For the development of housing pursuant to paragraph (3) of subdivision (a). *The required income targeting expenditures are that, over a five year period, the funds remaining after expenditures for monitoring and administration and rapid rehousing services, if any, must be expended for the development of housing affordable to and occupied by households earning 80% or less of the Area Median Income (AMI), with at least 30% of the funds expended on the development of housing affordable to and occupied by households earning 30% or less of the AMI and not more than 20% of the funds expended on the development of housing affordable to and occupied by households earning between 60% and 80% of the AMI. If the housing successor fails to meet the extremely low income requirement in any five-year period, at least 50 percent of the funds in each fiscal year must be spent for extremely low income households until the extremely low income target is met. Similarly, if the housing successor exceeds the expenditure limit for households earning between 60 to 80 percent of median income, the housing successor is prohibited from spending funds on housing in that income range until the limit is met.*

MOHCD spent \$5.3M on housing development in FY 18. Please see item # 9 for documentation related to AMI of the units.

4. **Value of Assets Owned by Housing Successor in LMIHAF.** As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts. *"Statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer form approved by the Department of Finance and the purchase price of properties purchased by the housing successor.*

	In Millions
Land Held for Lease	\$100
Grants/ Loans Receivable	\$393
Grants/ Loans Receivable (Allowance)	(\$393)
	\$100

5. **Description of Transfers.** A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.

N/A – There were no inter-jurisdictional transfers from the fund to date.

6. **Project Descriptions.** A description of any project for which the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.

N/A – MOHCD does not receive/ hold property tax revenue pursuant to ROPS.

7. **Status of Compliance with Code Section 33334.16.** For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.

N/A - Office of Community Infrastructure and Investment retained contractual production obligations for Mission Bay, Transbay, Hunters Point Shipyard, and Bayview Hunters Point.

8. **Status of Compliance with Code Section 33413.** A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.

N/A - Replacement housing obligations were not transferred to MOHCD. Office of Community Infrastructure and Investment retained contractual production

obligations for Mission Bay, Transbay, Hunters Point Shipyard, and Bayview Hunters Point.

9. **Extremely Low-Income Test.** The information required by subparagraph (B) of paragraph (3) of subdivision (a). *Reporting on income targeting requirements does not need to be included until December 31, 2019 for the period from January 1, 2014 through the end of the fiscal year covered by the report (June 30, 2019 for most housing successors), and every five years thereafter. However, it may be useful for housing successors to track this information on an annual basis to ensure the requirement is met every five years. The required income targeting expenditures are that, over a five year period, the funds remaining after expenditures for monitoring and administration and rapid rehousing services, if any, must be expended for the development of housing affordable to and occupied by households earning 80% or less of the AMI, with at least 30% of the funds expended on the development of housing affordable to and occupied by households earning 30% or less of the AMI and not more than 20% of the funds expended on the development of housing affordable to and occupied by households earning between 60% and 80% of the AMI.*

Over 73% of units developed were for households with 30% or less of the AMI and no more than 3% were for households between 61% and 81% of the AMI.

Number of Units	Units with <30% AMI	Units Between 31% - 60% AMI	Units 61% - 80% AMI
3835	2820	902	113
100%	73.5%	23.5%	2.9%

10. **Senior Housing Test.** 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. *If the percentage of assisted senior rental housing is more than 50 percent of the total of all assisted rental housing, no additional senior rental housing can be assisted until the percentage falls to 50 percent or less.*

Only 17% of deed restricted rental housing assisted within the previous 10 years are restricted to seniors.

	Projects	Affordable Units	Beds
Aggregate Deed Restricted Units 07/01/08 - 06/30/18	206	18,437	137
Deed Restricted for Seniors 07/01/08 - 06/30/18	37	3,159	10
Percentage for restricted for seniors	18.0%	17.1%	7.3%

11. **Excess Surplus Test.** The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus. *The definition of excess surplus has been modified so that an "excess surplus" exists to the extent a housing successor holds unencumbered funds in its Fund in an amount that exceeds the greater of \$1,000,000 or the total amount of deposits into the Fund for the preceding four fiscal years. The housing successor is required to spend the excess surplus amount or transfer that amount to another jurisdiction as provided in Health and Safety Code Section 34176.1(c)(2) within three fiscal years. If not, the excess surplus amount must be transferred to HCD to use pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.*

MOHCD is required to spend/ encumber funds within three fiscal years of receipt. Housing Asset Funds were received starting in FY 13. As such only funds received as of FY 15 are subject to the Excess Surplus Test as of FY 18. MOHCD received \$51M as of FY 15 and has spent/ encumbered \$82M as of FY 18 therefore no excess funds are due to HCD.

12. **Inventory of Homeownership Units.** 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 Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

- A. The number of those units.

503	Active Units
113	Right of First Refusal ONLY
1	Converted to DALP
1	Converted to a City Loan unit
236	Under Review

**** Unit number revised after MOHCD conducted an audit of inventory of homeownership units in FY 18. MOHCD is in the process of completing its audit.**

- B. In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

1	122 Dolphin Court	Sold outside of program 08/14/15
2	135 Valencia Street, Unit A306	Sold outside of program 06/06/16
3	335 Berry Street, Unit 402	Foreclosed 03/14/16 sold outside of program

- C. Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

MOHCD received \$1M from sale of 3 condo units that were financed by the Low and Moderate Income Housing Fund during fiscal year ending June 30, 2018. These units were priced to be affordable to buyers between 65% - 100% AMI.

As of FY18 MOHCD no longer has any properties held for sale that was funded by the Low and Moderate Income Housing Fund.

- D. Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

N/A. MOHCD still oversees the programs.