


DATE: **March 15, 2021**

TO: Honorable Mayor and Members of the City Council through City Manager 

FROM: Karen Shimizu, Housing Manager

SUBJECT: Adoption of a Resolution Approving the Annual Successor Agency Report July 1, 2019 – June 30, 2020 pursuant to Health and Safety Code §34176.1 and directing staff to submit the Annual Successor Agency Report to the State Department of Housing and Community Development (“HCD”) as an attachment to the Housing Element Annual Progress Report and to the Governor’s Office of Planning and Research (“OPR”)

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution Approving the July 2019 – June 30, 2020 Annual Successor Agency Report pursuant to Health and Safety Code §34176.1 and direct staff to submit the report to HCD as an attachment to the Housing Element Annual Progress Report and to OPR.

BACKGROUND

On December 29, 2011, the California Supreme Court upheld the constitutionality of Assembly Bill 26 (“Dissolution Law”) dissolving redevelopment agencies statewide as of February 1, 2012. The Council established the Petaluma Community Development Successor Agency (“PCDSA”) as a separate legal body to oversee the dissolution of the former Petaluma Community Development Commission.

The successor entity reporting outlined in Senate Bill 341 (Chapter 796, Statutes of 2013) amended Health & Safety Code Section 34176 addressing particular provisions and functions relating to former “redevelopment agencies” and new “housing successor” entities that were permitted to assume particular functions of the former redevelopment agencies (“RDA(s)”) that were dissolved in 2012. One successor entity reporting requirement is providing an independent financial audit to the legislative body. Another requirement is for housing successor agencies to report housing information by (1) including specified information with the housing element Annual Progress Report (APR) required to be submitted annually to HCD by April 1 and (2) posting specified information on the successor agency’s website. The attached Annual Successor Agency Report is intended to satisfy Health and Safety Code Section 34176 successor agency reporting requirements.

DISCUSSION

Senate Bill 341 (SB 341) became effective on January 1, 2014, and required each housing successor agency to post a report on its website containing information on the low and moderate-income housing asset funds of the former RDA (“Funds”) for the previous fiscal year. The City created the Petaluma Community Development Successor Agency (“Successor Agency”) in accordance with the Dissolution Law to wind down the operations and manage the assets and obligations of the Petaluma Community Development Commission (“PCDC”), the City’s former redevelopment agency. Under the Dissolution Law, the Successor Agency is required to prepare and post the Funds 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 Successor Agency to assume the housing functions of the former PCDC on January 23, 2012. As a result, low-and moderate-income housing funds of the former PCDC and funds generated by the former PCDC assets were transferred to the Successor Agency.

To ensure that the monies in the Funds 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 City’s Comprehensive Audited Financial Report (“CAFR”) prepared by Maze and Associates and is on the City's website at www.cityofpetaluma.net/finance/finstatement.html.

The Fiscal Year 19-20 Annual Successor Agency Report (“Report”) Exhibit A to the resolution attached as Attachment 1 to this staff report is based upon information prepared by Successor Agency staff and information within the independent financial audit of the Low- and Moderate- Income Housing Asset Fund (“LMIHAF”). The report conforms with Sections I through XI, of Section 34176.1(f) of the Dissolution Law.

ENVIRONMENTAL COMPLIANCE

Preparation and approval of the Report is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that preparation and approval of the Report does not meet CEQA's definition of a “project,” because the action does not have the potential for resulting either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because preparation and approval of the Report constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. Even if preparation and approval of the Report is deemed a “project” under CEQA, the action would be categorically exempt from environmental review per CEQA Guidelines section 15306, which provides that information collection activities that do not result in a serious or major disturbance to an environmental resource are exempt from the provisions of CEQA.

FINANCIAL IMPACTS

There are no City direct costs involved in preparation of the Annual Successor Agency Report for FY19/20, just utilization of staff time.

ATTACHMENTS

1. Resolution Approving the Fiscal Year 19-20 Annual Successor Agency Report as required Pursuant to Health and Safety Code Section 34176; and
2. Exhibit A – Successor Agency Annual Report for FY 19/20.

RESOLUTION NO. _____

A RESOLUTION OF THE PETALUMA COMMUNITY DEVELOPMENT SUCCESSOR AGENCY ADOPTING THE JULY 1, 2019 – JUNE 30, 2020 ANNUAL SUCCESSOR AGENCY REPORT PURSUANT TO HEALTH AND SAFETY CODE §34176 (I)

WHEREAS, the City of Petaluma (City) established the Petaluma Community Development Commission Successor Agency (Successor Agency) to assume all rights and obligations, and wind down the operations of, the former Petaluma Community Development Commission (PCDC), by Resolution No. 2012-03; and

WHEREAS, the City Council established the Successor Agency as an independent public entity pursuant to Health and Safety Code Section 34173(g), on August 6, 2012, by adoption of Resolution No. 2012-118 N.C.S.; and

WHEREAS, the liability of the Successor Agency is limited pursuant to Health and Safety Code Section 34173(e) and other applicable law; and

WHEREAS, the Successor Agency has completed the Annual Successor Agency Report for the period July 1, 2019 through June 30, 2020 (“Report”), in accordance with Health and Safety Code Section 34176 to address particular provisions and functions relating to former redevelopment agencies and housing successor entities; and

WHEREAS, the Report is due to be submitted to the State Housing and Community Development Department (HCD) as an attachment to the Housing Element Annual Progress Report and due to the Governor’s Office of Planning and Research (OPR) by April 1, 2021; and

WHEREAS, in preparing and submitting the Report, the Successor Agency intends to comply with all applicable posting and notification requirements, including posting the Report on the Successor Agency’s website and providing a copy thereof to HCDOPR; and

WHEREAS, the Oversight Board for the Successor Agency must review and approve the Report prior to its submission; and

WHEREAS, the Report, a copy of which is attached to this resolution as Exhibit A, and made part hereof, has been presented to the Successor Agency, the Successor Agency has had an opportunity to review the contents thereof, and the Executive Director recommends approval of the same, subject to the contingencies and reservation of rights set forth in this Resolution; and

WHEREAS, the Successor Agency reserves the right to challenge the legality of Assembly Bills 26 and 1484 and/or any implementing regulations, and to rescind its acceptance

of Successor Agency rights and obligations, and reserves any and all rights concerning Assembly Bill 26 and AB 1484 pursuant to applicable law; and

WHEREAS, in approving the Report, the Successor Agency does not intend to waive, nor shall the Successor Agency be deemed to have waived, any rights the Successor Agency may have pursuant to or in connection with any obligation, including without limitation, the right to modify, amend, terminate or challenge any obligation listed in the Report; and

WHEREAS, preparation and approval of the Report is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that preparation and approval of the Report does not meet CEQA's definition of a "project," because the action does not have the potential for resulting either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because preparation and approval of the report constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment; and

WHEREAS, even if preparation and approval of the Report is deemed a "project" under CEQA, the action would be categorically exempt from environmental review per CEQA Guidelines section 15306, which provides that information collection activities that do not result in a serious or major disturbance to an environmental resource are exempt from the provisions of CEQA;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Petaluma, acting in its capacity as the Petaluma Community Successor Agency, a separate legal entity, as follows:

1. The recitals set forth above are true and correct and are incorporated into this resolution as findings of the Successor Agency.
2. Preparation and approval of the Report is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that preparation and approval of the Report does not meet CEQA's definition of a "project," because the action does not have the potential for resulting either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because preparation and approval of the Report constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. Even if preparation and approval of the Report is deemed a "project" under CEQA, the action would be categorically exempt from environmental review per CEQA Guidelines section 15306, which provides that information collection activities that do not result in a serious or major disturbance to an environmental resource are exempt from the provisions of CEQA.
3. The Annual Successor Agency Report for July 1, 2019 – June 30, 2020 attached hereto as Exhibit A, which has been prepared pursuant to Health and Safety Code

section 34176 (1), is approved, subject to all reservations of rights and contingencies set forth above.

4. The Executive Director or her designee is hereby authorized and directed to take all actions necessary to implement this Resolution, including without limitation, by submitting the Annual Successor Agency Report to the State Department of Housing and Community Development as an attachment to the Housing Element Annual Progress Report, and to the Governor's Office of Planning and Research; and by the posting of this Resolution and the Annual Successor Agency Report on the Successor Agency's website.
5. If any provision, sentence, clause, section, or part of this resolution is found to be unconstitutional, illegal or invalid, such finding shall affect only such provision, sentence, clause, section or part, and shall not affect or impair any of the remainder.

Housing Successor Annual Report

Low- and Moderate-Income Housing Asset Fund Fiscal Year 2019-2020
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 Comprehensive Audited Financial Report (CAFR) prepared by Maze and Associates and is on the City's website at www.cityofpetaluma.net/finance/finstatement.html.

The Fiscal Year 19/20 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 Sections I through XI, of Section 34176.1(f) of the Dissolution Law.

Amount Deposited into LMIHAF

A total of \$241,277 was deposited into the LMIHAF during the 2019/2020 Fiscal Year. Of that total, \$228,600 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).

Fiscal Year End Balance of LMIHAF

At the close of the Fiscal Year, the balance in the LMIHAF was \$22,655,979 of which \$0 was being held for items listed on the ROPS.

Description of Expenditures from LMIHAF

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

Fiscal Year 2019-2020

Monitoring and Administrative Expenditures ^{(5)(b)}	\$185,633
Homeless Prevention and Rapid Re-Housing Services	\$0
Housing Development Expenditure	\$487,144

Total LMIHAF Expenditures **\$672,777**

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 \$1,289,745.50 on Monitoring and Administration Expenditures. Therefore, the total expenditure of \$185,633 for fiscal year 2019-2020 is consistent with regulations.

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 2019-2020.

Fiscal Year 2019-2020

Statutory Value of Real Property Owned by Housing Successor	\$ 3,210,058
Value of Notes Receivable	\$22,764,852

Total Value of Housing Assets **\$25,794,910**

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.

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.

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.

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.

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% of 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

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

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.

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, 2009 to June 30, 2019 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.

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.