SB 341 Annual Report
Housing Successor Agency of the Community Development Commission of the City of Escondido
Fiscal Year End June 30, 2018

The dissolution of the California redevelopment agencies in 2012 resulted in a dramatic change to property tax finance. It eliminated the major source of local publically generated dollars earmarked for affordable housing.

The City of Escondido established a Successor Housing Agency ("SHA") to the City of Escondido Community Development Commission ("CDC") on January 25, 2012 by the adoption of Resolution No. 2012-16. The majority of the SHA's assets were transferred from the CDC when it dissolved pursuant to the Dissolution Act (enacted by Assembly Bills x1 26 and 1484). All "rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amount in the Low and Moderate Income Housing Fund" were transferred from the CDC to the SHA. The transferred assets consisted of loans made to the CDC and land owned by the CDC. Proceeds from these assets will be deposited into the Low and Moderate Income Housing Asset Fund ("Affordable Housing Fund").

On January 1, 2014, Senate Bill 341 ("SB 341") became effective. Senate Bill 341 (chapter 796, Statutes of 2013) previously amended Health and Safety Code ("HSC") Section 34176 to address particular provisions and functions relating to former "redevelopment agencies" and new "housing successor" entities allowed to elect and assume particular functions of redevelopment agencies (RDAs) dissolved in 2012. SB 341 eliminated the former redevelopment agency annual report requirement due to both the Department of Housing and Community Development ("HCD") and State Controller while RDAs were active. All successor housing entities are now required to comply with different annual report requirements. In accordance with HSC Section 34176.1(f), specific data must now be reported annually for the Affordable Housing Fund. Senate Bill 107 (chapter 325, Statutes of 2015, effective January 2016) amended HSC Section 34176.1(f) to add a new reporting item and revise one reporting item.

1	**The amount the city, county, or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.**

The Department of Finance approved a loan repayment. A loan repayment from the Successor Agency to the City in the amount of $1,941,247 was made during calendar year 2018. The Successor Housing Agency received $388,250 in July 2018 as a result of that loan repayment.

2	**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, amounts deposited for other items listed on the Recognized Obligation Payment Schedule, and other amounts deposited.**

SB 341 Annual Report
Housing Successor Agency of the Community Development Commission of the City of Escondido
Fiscal Year End June 30, 2018

The SHA deposited $1,173,890 into the Affordable Housing Fund during fiscal year 2017-18. This consisted of rents, promissory note and loan repayments, reimbursements and interest income.

Revenue Source	Amount
Escondido Views/Mountain Shadows Rents	$164,327
Former CDC Promissory Note Repayments	$721,698
Sale of Real Property	$39,499
Interest Income	$125,359
Other Revenues	$123,007
	$1,173,890

3	**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.**

Low and Moderate Housing Funds (as of July 1, 2018)	$42,900,263
Land Held for Resale	($2,052,117)
Loans Receivable	($36,140,109)
Available Funds	$4,708,037

4	**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),** **(B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and** **(C) for the development of housing pursuant to paragraph (3) of subdivision (a).**

The SHA spent $899,093 in FY 2017-18.

Administrative Expenses (including monitoring)	$442,939
Homeless Prevention and Rapid Rehousing	$12,220
Development of Housing	$433,934
	$899,093

SB 341 Annual Report
Housing Successor Agency of the Community Development Commission of the City of Escondido
Fiscal Year End June 30, 2018

5	**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.**

Real Property

Individual mobile home lots at Mountain Shadows and Escondido Views
And property located at 542 W 3rd Avenue & 201 N Pine Street ($2,052,117)

Loans Receivable

Developer loans and homeowner loans ($36,140,109)

6	**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 – no transfers made.

7	**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**

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

8	**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.**

All real property was acquired prior to February 1, 2012. The Successor Housing Agency must initiate development activities on property acquired by the former redevelopment agency within five years after the Department of Finance confirmed the property as a housing asset (February 15, 2018).

The Housing Successor Agency is unable to develop two properties owned by the located at 542 W 3rd Avenue & 201 N Pine Street as affordable housing. The City has been working with a developer to sell properties. Funds from the sale will be deposited into the Affordable Housing Fund for future development.

SB 341 Annual Report
Housing Successor Agency of the Community Development Commission of the City of Escondido
Fiscal Year End June 30, 2018

9	**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 a report posted on its Internet Web Site the implementation plans of the former redevelopment agency.**

The City of Escondido, as the housing successor agency of the Community Development Commission of the City of Escondido, has no unmet obligations pursuant to Section 33413.

10	**The information required by subparagraph (B) of paragraph (3) of subdivision (a).**

Not applicable until 2019.

11	**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.**

26% of the affordable units developed in the past 10 years (7/1/2008 – 6/30/2018) by the former redevelopment agency (Community Development Commission of the City of Escondido), housing successor agency, and the City of Escondido (predominantly using federal HOME funds) have been restricted to seniors (130 of 502 units).

Project Name	Afford. Housing Agreement Date	Number of Units	Age Restrictions
The Crossings	05/01/2010	55	None
Windsor Gardens	11/18/2010	130	62+
Avocado Court	03/07/2012	36	None
Crossings @ Escondido Manor	04/15/2015	44	None
Cypress Cove	08/06/2015	200	None
Solutions Escondido	12/17/2015	33	None
557-563 Aster Place	06/08/2017	4	None

SB 341 Annual Report
Housing Successor Agency of the Community Development Commission of the City of Escondido
Fiscal Year End June 30, 2018

12	**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.**

None.

13	**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:** **(A) The number of those units** **(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.** **(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** **(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.**

See attached Successor Housing Agency Homeownership Inventory.

SUCCESSOR HOUSING AGENCY HOMEOWNERSHIP INVENTORY

		LOANS CLOSED PRIOR TO FEB 2012										LOANS CLOSED AFTER FEB 2012						LOANS CLOSED FY 2017/18					
Fiscal Year		1121 FTHB LOANS (>80% AMI)										02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
1992-93	0	178,050	10	10	(178,050)																		
1996-97																							
1999-00	1	216,000	36	34	(204,000)	1	(6,000)																
2000-01	0	276,000	46	46	(276,000)																		
2001-02	1	90,000	15	12	(72,000)	2	(12,000)																
2002-03	2	290,000	29	23	(230,000)	4	(40,000)																
2003-04	1	150,000	15	10	(100,000)	2	(20,000)	1	(10,000)					1	(10,000)								
2004-05	1	50,000	2											1	(25,000)								
2005-06	1	50,000	2											1	(25,000)								
2006-07	4	400,000	16			1	(25,000)						(25,000)	7	(175,000)	3	(50,000)	1	(25,000)				
2007-08	26	1,350,000	54	1	(25,000)	4	(100,000)					16	(400,000)	2	(50,000)			5	(125,000)				
2008-09	33	1,592,365	128	9	(104,600)	13	(145,750)					63	(727,225)	3	(41,250)	2	(30,000)	5	(83,180)				
2009-10	22	840,732	71			6	(71,875)					38	(454,779)			1	(7,857)	4	(42,250)				
2010-11	13	634,605	50			2	(31,740)					32	(392,345)					3	(35,695)				
2011-12	13	412,753	34			4	(44,750)					16	(196,108)					1	(12,500)				
Totals		6,530,505			(1,189,650)		(497,115)		(10,000)		0		(2,195,457)		(326,250)		(87,857)		(323,625)		0		0
			508	145		39		1		0		165		15		6		19		0		0	
118		1,900,551																					

		1106 FTHB LOANS (<80% AMI)										02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
1996-97	1	51,310	20	19	(48,310)																		
2008-09	7	375,000	15			2	(50,000)					2	(50,000)	3	(75,000)			1	(25,000)				
		426,310			(48,310)		(50,000)		0		0		(50,000)		(75,000)		0		(25,000)		0		0
			35	19		2		0		0		2		3		0		1		0		0	
8		178,000																					

		1131 ESC VIEWS/MTN SHADOW LOTS										02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
2002-03	2	380,536	8	6	(284,315)																		
2003-04	7	946,833	19	8	(391,039)							4	(194,085)										
2004-05	3	422,024	7	4	(238,003)																		
		1,749,393			(913,357)		0		0		0		(194,085)		0		0		0		0		0
			34	18		0		0		0		4		0		0		0		0		0	
12		641,951																					

		1102 MTN SHADOWS MPROP LOANS										02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
1991-1994	8	1,164,676	53	38	(856,606)			1	(11,100)	2	(23,137)	4	(88,185)										
		1,164,676			(856,606)		0		(11,100)		(23,137)		(88,185)		0		0		0		0		0
			53	38		0		1		2		4		0		0		0		0		0	
8		185,648																					

		LOANS CLOSED PRIOR TO FEB 2012								LOANS CLOSED AFTER FEB 2012						LOANS CLOSED FY 2017/18					
		1101 ESCONDIDO VIEWS MPROP LOANS								02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
1991-1994	12	1,335,678	69	43	(854,671)			5	(67,251)	1	(1,244)	8	(183,061)										
		1,335,678	69	43	(854,671)	0	0	5	(67,251)	1	(1,244)	8	(183,061)	0	0	0	0	0	0	0	0	0	0
12		**229,451**																					

		1127 RANCHO ESCONDIDO MPROP LOANS								02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
1987	0	355,224	32	25	(276,614)			5	(51,973)	1	(4,302)	1	(22,335)										
		355,224	32	25	(276,614)	0	0	5	(51,973)	1	(4,302)	1	(22,335)	0	0	0	0	0	0	0	0	0	0
0		**0**																					

		1104/1103 REHAB LOANS (SINGLE FAMILY/MOBILEHOME)								02/2012 through 06/2016						07/2017 through 06/2018					
		Loans Issued		Paid in Full		Voided		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale		Paid in Full		Foreclosure		Short-Sale	
1989-90	5	404,806.64	43	29	(311,079)			7	(31,924)	1	(434)	1	(4,500)										
1990-91	3	418,423.46	38	27	(320,415)			4	(18,593)	2	(7,437)			2	(25,400)								
1991-92	5	268,848.68	25	16	(170,831)			3	(16,963)					1	(5,500)								
1992-93	0	206,883.37	18	13	(124,808)			2	(11,761)			1	(24,754)			1	(15,247)	1	(30,315)				
1993-94	2	181,124.44	14	9	(109,500)			2	(11,624)			1	(20,000)										
1994-95	1	105,512.00	12	8	(81,466)			3	(17,536)														
1995-96	3	200,315.27	17	9	(120,489)			4	(25,999)			1	(19,883)										
1996-97	0	185,254.00	19	16	(165,044)			2	(12,835)			1	(6,500)										
1997-98	2	343,104.00	27	21	(275,989)			1	(6,500)			3	(47,690)										
1998-99	1	404,884.75	28	25	(379,174)					1	(4,500)	1	(14,711)										
1999-00	5	651,318.82	37	32	(584,267)																		
2000-01	5	315,696.00	24	13	(190,001)			1	(8,000)			3	(48,230)	1	(7,050)			1	(5,555)				
2001-02	3	350,881.00	18	14	(272,881)							1	(25,000)										
2002-03	2	240,008.00	15	10	(175,852)					1	(5,495)	2	(32,451)										
2003-04	1	108,439.72	6	4	(60,267)							1	(23,314)										
2004-05	4	76,795.00	9	2	(10,922)							3	(23,570)										
2005-06	14	710,667.00	34	6	(148,355)	1	(34,022)	1	(19,971)			5	(103,800)	4	(76,355)	2	(45,519)		(5,000)			1	(14,990)
2006-07	15	637,495.00	27	4	(101,365)			1	(20,000)			5	(158,818)					2	(40,000)				
2007-08	15	519,613.00	23	rfds	(6,619)							5	(154,788)	1	(19,697)	1	(4,920)	1	(20,000)				
2008-09	12	489,723.00	21	1	(38,055)							3	(73,978)	3	(57,247)	1	(498)	1	(11,000)				
2009-10	6	247,671.00	13	rfds	(1,831)							3	(53,031)	4	(75,000)								
2010-11	14	449,191.00	21	rfds	(12,981)	1	(20,000)					3	(60,209)	1	(20,000)	1	(6,500)	1	(14,579)				
2011-12	5	186,000.00	10	rfds	(9,752)	1	(20,000)					3	(67,082)			1	(3,137)						
Totals		7,702,655	499	259	(3,671,941)	3	(74,022)	31	(201,706)	5	(17,866)	46	(962,309)	17	(286,249)	7	(75,821)	7	(126,449)	0	0	1	(14,990)
123		**2,271,302.92**																					

THE PUN GROUP
ACCOUNTANTS & ADVISORS

REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Escondido
Escondido, California

We have audited the City of Escondido Housing Successor's (the "Housing Successor") compliance with the type of compliance requirements described in the California Health and Safety Code Section 34176.1 – *Excess/Surplus Calculation* applicable to California Housing Successor Agencies for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the California Health and Safety Code Section 34176.1 – *Excess/Surplus Calculation,* applicable to California Housing Successor Agencies.

Auditor's Responsibility

Our responsibility is to express an opinion on the Housing Successor's compliance with the California Health and Safety Code Section 34176.1 – *Excess/Surplus Calculation*, applicable to California Housing Successor Agencies. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred above that could have a direct and material effect on the Housing Successor occurred. An audit includes examining, on a test basis, evidence about the Housing Successor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Housing Successor. However, our audit does not provide a legal determination of the Housing Successor's compliance with those requirements.

Opinion

In our opinion, the Housing Successor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Housing Successor for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Housing Successor is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Successor's internal control over compliance with the types of requirements that could have a direct and material effect on the Housing Successor to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal controls over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Housing Successor's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance of California Health and Safety Code Section 34176.1 – *Excess/Surplus Calculation,* applicable to California Housing Successor Agencies, on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of California Health and Safety Code Section 34176.1 – *Excess/Surplus Calculation,* applicable to California Housing Successor Agencies will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Excess/Surplus Calculation

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Escondido as of and for the year ended June 30, 2018, and have issued our report thereon dated December 28, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying excess/surplus calculation is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information is the responsibility of management and was derived from the financial statements. The excess/surplus calculation has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of California Health and Safety Code Section 34176.1 – *Excess/Surplus Calculation* applicable to California Housing Successor Agencies. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
December 28, 2018

City of Escondido Community Development Commission
Excess Surplus Calculation
For the Fiscal Year Ended June 30, 2018

	Low and Moderate Housing Funds All Project Areas July 1, 2017		Low and Moderate Housing Funds All Project Areas July 1, 2018	
Opening Fund Balance		$ 42,726,338		$ 42,900,263
Less Unavailable Amounts:				
Land held for resale	$ (2,091,616)		$ (2,052,117)	
Loans Receivable	(36,308,492)		(36,140,109)	
		(38,400,108)		(38,192,226)
Available Housing Successor Funds		$ 4,326,230		$ 4,708,037
Limitation (greater of $1,000,000 or four years deposits)				
Aggregate amount deposited for last four years:				
2017 - 2018			$ 604,084	
2016 - 2017	$ 512,785		512,785	
2015 - 2016	620,535		620,535	
2014 - 2015	660,836		660,836	
2013 - 2014	519,146		519,146	
Total	**$ 2,313,302**		**$ 2,917,386**	
Base Limitation	**$ 1,000,000**		**$ 1,000,000**	
Greater amount		3,974,047		2,917,386
Computed Excess/Surplus		**None**		**None**