WESTMINSTER HOUSING AUTHORITY

ANNUAL HOUSING AUTHORITY REPORT & HOUSING SUCCESSOR COMPLIANCE REPORT

FISCAL YEAR 2023-2024

September 25, 2024

(Report subject to revisions following annual 3rd party audit)

THE WESTMINSTER HOUSING AUTHORITY

Housing authorities play a vital role in communities. Under State law, they are distinct, autonomous, legal entities that derive their powers from the State itself for the purpose of providing housing for very low- and low-income households. To best address affordable housing issues within the city, the City Council of the City of Westminster activated the Westminster Housing Authority (WHA) on February 9, 2011, through Resolution No. 4344, with findings that unsafe or unsanitary housing conditions exist, and that there is a shortage of safe and sanitary housing available to persons of low-income.

For many housing authorities, their primary role is to interact with the Department of Housing and Urban Development ("HUD") on behalf of their communities, and to function as the administrator of "Section 8" funds, as defined by Section 8 of the United States Housing Act of 1937.

However, a housing authority can also be a powerful tool to meet the affordable housing needs of a wider range of residents that Section 8 alone cannot address. For example, a housing authority is able to own and operate housing developments, which alleviates the need to find prospective owners or operators for the units created. A housing authority can also exercise eminent domain to assemble land for affordable housing projects.

THE WESTMINSTER HOUSING AUTHORITY AS THE REDEVELOPMENT HOUSING SUCCESSOR

In 2012, following the dissolution of the former Westminster Redevelopment Agency (RDA), the WHA was designated as the Housing Successor for redevelopment housing functions. Real property assets, affordability covenants, and outstanding receivables were transferred to the WHA as Housing Successor pursuant to State law. For the WHA, this included several hundred income-restricted covenants, a few properties, loans and residual receipt repayments from previously developed affordable projects, and a $14.6 million loan receivable from funds borrowed by the former RDA to pay to the Supplemental Educational Revenue Augmentation Fund (SERAF) pursuant to legislation adopted in 2009 and 2010.

The former RDA housing assets were substantial; therefore, most of the WHA's activities today are based on that inheritance. This essentially means the WHA's expenditures must comply not only with housing authority law, but with California Health and Safety Code (HSC) Section 34176.1. Compliance details are discussed later in this report but can generally be summarized as a directive to serve those most challenged by housing affordability, including the homeless and those making less than 80% of the area median income.

REPORT PURPOSES

Annual Report for the City of Westminster Housing Authority

- Covers the activities that have occurred during the 2023-24 Fiscal Year

- Written to comply with California Health and Safety Code Section 34328

- Filed with the California Department of Housing and Community Development (HCD)

Annual Compliance Report for the Westminster Housing Authority as Housing Successor

- Reports on activities and expenditure compliance during the 2023-24 Fiscal Year

- Written to comply with California Health and Safety Code Section 34176.1

- Filed with the City of Westminster for review by external auditors, and posted to the Housing Successor's website

CURRENT PROJECT WORK AND RECENT ACHIEVEMENTS

Homelessness Outreach and Prevention

The WHA has undertaken homelessness prevention and outreach activities, often in partnership with the City of Westminster's Family Resource Center and Westminster's Homeless Liaison Outreach team. The Homeless Liaison Outreach team are the initial contact with the homeless population and has offered bus vouchers, temporary hotel stays, and reunification assistance funded by WHA. In addition, the City has coordinated with the Orange County Health Care Agency and BeWell Orange County for additional field resources.

THE WHA'S GOALS

1. Increase and improve housing stock available to low- and very low-income residents;
2. Rehabilitate multi-family properties that exhibit unsafe or unhealthy characteristics;
3. Increase the affordability of housing for low- and very low-income residents; and
4. Reduce overcrowding conditions in multi-family units.

ANNUAL REPORTING

The remainder of this document fulfills the legislated reporting activities for the WHA as a housing authority pursuant to HSC Section 34328 and as a housing successor pursuant to HSC Section 34176.1. Please note, all financial reporting is performed with the best available data at the time of this report but is subject to adjustment following the annual auditing process.

Land Transactions and Development

HSC Section 34312.3 requires that all prior year activities be recorded related to the development, rehabilitation, or finance of affordable housing projects; purchase, sale, lease, ownership, operation, or management of housing projects assisted by the WHA; conveyance of surplus lands to a developer for permitted purposes; and establishment of a special trust fund or account funded with bond issuance proceeds or developer.

All real property currently owned by the WHA is developed for affordable housing purposes.

Financial Activities

Pursuant to HSC Section 34312.3, the WHA must provide a report of its activities taken during the prior fiscal year, which includes bonds, loans, and financing agreements for multi-family rental housing projects.

HSC Section 34176.1 further requires reporting of deposits and expenditures of the housing successor. The law allows the housing successor to spend up to $250,000 per year on homelessness prevention, and up to 5% of housing successor's asset portfolio may be spent on administration costs. Any remaining expenditures must direct a minimum of 30 percent of funds towards households earning 30 percent or less of the Area Median Income (AMI), and a maximum of 20 percent towards households earning between 60 and 80% of the AMI on a five-year reporting period basis. The current reporting period is from 2019-2024. This means that while individual years do not have to meet these proportional expenditures, by the end of FY 2023-2024, the WHA must have aligned total 5-year expenditures to this requirement.

As shown in the Table 1 below, the WHA is compliant with the proportionality requirements of SB 341.

TABLE 1 - SB 341 PROPORTIONALITY REQUIREMENTS (current reporting period is 2019-2024)

	Total Project Expenditures	Low Income 60-80% AMI (Assume Max 20%)	Very Low 30-60% AMI	Ext. Low <30% AMI (Required Min 30%)
2019-20	$ 5,594,115	$ -	$ 2,619,000	$ 2,975,115
2020-21	$ -	$ -	$ -	$ -
2021-22	$ -	$ -	$ -	$ -
2022-23	$ -	$ -	$ -	$ -
2023-24	$ -	$ -	$ -	$ -
Totals	$ 5,594,115	$ -	$ 2,619,000	$ 2,975,115
Expenditure Targets On Track?		***compliant***	***compliant***	***compliant***

While the WHA maintains an agreement with the City that states the City may advance funds to the WHA for the purpose of financing operations and projects, no such advance was taken in FY 2023-2024. No funds were transferred to another housing successor. No affordable housing projects are being directly funded through the Recognized Obligation Payment Schedule. Additionally, the Successor Agency to the Westminster Redevelopment Agency (SAWRA) has never had, nor does it anticipate ever having, loans in repayment from the City. Therefore, HSC Section 34191.4(b)(3)(A) does not apply.

Total outstanding receivables associated with housing successor operations are shown in Table 2. The balance of this total is the basis for calculation of the 5% administrative maximum allowance. At a little over $20.6 million in outstanding receivables and land assets, the administrative cap for FY 2023-2024 is approximately $1,034,440. The adopted budget for FY 2024-2025 identifies about $569,605 of administrative costs.

TABLE 2 - OUTSTANDING RECEIVABLE BALANCES AND LAND ASSETS

		Amount Outstanding
Developer Notes	$	13,970,812
Loans	$	4,458,388
Statutory Land Value	$	2,259,611
Total	**$**	**20,688,810**

Sources: City of Westminster accounting detail reports, internal record keeping, HdL

Greater detail on deposits and expenditures for FY 2023-2024 are reported in Table 3 along with the budget for FY 2024-2025.

TABLE 3 - DEPOSITS AND EXPENDITURE REPORTING

		FY 2023-2024 (Actual)		FY 2024-2025 (Adopted)
Deposits				
Interest Income	$	111,974	$	90,000
Program Income	$	-		-
Outstanding Developer Note Payments		28,291		-
Outstanding Loan Payments		28,200		-
Reimbursements		1,248		1,300
Total Deposits	$	169,713	$	91,300
Expenses				
Administration	$	320,554	$	569,605
Homelessness/Rapid Rehousing	$	48,398		250,000
Program Loans		-		200,000
Program Grants		-		40,000
Expenditures at 60-80% AMI		-		-
Expenditures at 30-60% AMI		-		-
Expenditures at 30% or Below AMI		-		-
Total Expenses	$	368,952	$	1,059,605
Other Encumbrances Made	N/A			N/A
Statement of Asset Balance	$	-		N/A

Sources: City of Westminster accounting detail reports and internal record keeping

Excess Surplus

The "excess surplus" requirements imposed by HSC Section 34176.1(d) are generally intended to ensure housing successors are spending their funds on affordable housing activities, and not simply accumulating money. Excess surplus is defined by the law as an unencumbered fund amount that exceeds the greater of $1 million, or the aggregate amount deposited during the preceding four years. The WHA currently has an excess surplus at this time, as shown in Table 4. The WHA plans to make available approximately $3 million for a potential development of an affordable housing project and expend by April 2026; otherwise the WHA will forfeit the excess amount to the State.

TABLE 4 - EXCESS SURPLUS

Prior Year Deposits			
	2019-20	$	488,771
	2020-21	$	393,831
	2021-22	$	147,485
	2022-23	$	237,594
	Total	**$**	**1,267,681**
Outstanding Encumbrances			
Closing Cash Balance FY 2023-2024			
		$	3,949,745

Balance is more than deposit total = Excess Surplus

Sources: City of Westminster accounting detail reports, internal record keeping

HOUSING UNIT COMPLIANCE

The WHA is required to document how funds are used to increase and maintain the supply of units affordable to low-income residents, including the total number of units created at varying income levels, residential age restrictions, and incidents of domestic violence. Additional reporting requirements apply to housing successors. The following subsections address these requirements.

Domestic Violence

State law requires that a housing authority annually disclose data related to domestic violence incidents in units owned or operated by the housing authority. The data must include the number of tenancy terminations or removal of Section 8 vouchers due to domestic violence in housing authority units, and a summary of steps taken by the housing authority to address current and potential violations in the future.

The WHA did not terminate tenancies for any reason in FY 2023-2024. If ever required, information on any terminations of this kind will be presented under separate cover to protect the privacy of the parties involved.

Housing Affordability

Pursuant to HSC Section 34312.3, not less than 20 percent of the units assisted by the WHA, or 15 percent in targeted areas, as defined by Section 103(b) (12) (A) of Title 26 of the United States Code, must be affordable to persons of low income. Of that amount, not less than one-half must be available to persons of very-low income, if the housing development is financed by bonds. Restrictions imposed on housing successors are more stringent, where all expenditures must assist low-income residents.

When the WHA, and the former RDA before it, participates in the development or substantial rehabilitation of housing units, it places an income restrictive covenant on the unit, which identifies the maximum rent a property owner can charge for the unit. Affordability requirements can vary between different projects, based upon the source of funding. For example, a project completed with tax credits adheres to program restrictions imposed by the State, while a project completed with WHA funding must be compliant with income restrictions described in the HSC.

Table 5 provides a summary of the multi-family real estate assets with income-restricted covenants maintained by the WHA, and the breakdown of the current income levels that the units fall within. Table 4 shows that the current affordability mix of the WHA's projects meet established requirements within HSC Section 34312.3.

TABLE 5 – AFFORDABILITY COVENANTS MAINTAINED BY THE WHA

Development	Location	Project Type	Affordability Levels*					
			ELI	VL	Low	Mod	Mkt	Total
AFH Triplex	13942 Cedar St	Family Rental Units		3				3
AFH Single Family	8022 Worthy Dr	Family Rental Units			1			1
Windsor Court	8140 13th St	Senior Rental Units		58				58
Stratford Place	8144-8158 13th St	Senior Rental Units		8	20			28
Coventry Heights	7521 Wyoming St	Senior Rental Units		75			1	76
AMCAL Royale	280 Hospital Cir	Family Rental Units		26	9		1	36
Newland Street	14041 Newland St	Family Rental Units		53			1	54
Westminster Senior Apts	7632 21st St	Senior Rental Units		29	64			93
Rose Gardens	8190 13th St	Senior Rental Units			132			132
Village Way	14282 Village Way	Family Rental Units				4		4
Locust Street	14242, -46, -48 Locust Dr	Family Rental Units			12			12
Affordable Living Solutions	13811 Locust St	Family Rental Units			3			3
Della Rosa	14800 Beach Blvd	Family Rental Units	24					24
Westminster Crossing	7122 Westminster Blvd	Family Rental Units	23		9			32
Totals			**47**	**252**	**250**	**4**	**3**	**556**

Note: Most operational units were originally covenanted by the former Redevelopment Agency. New construction for Westminster Crossing was recently completed, and WHA is tasked with enforcing all other covenants.

**Affordability Levels: ELI= Extremely Low Income: 15-30% AMI*
VL= Very Low Income: 30%-50%AMI
Low= Low Income: 50% to 80% AMI
Moderate= Moderate Income: 80%-120% AMI
Mkt= Market Rate

HSC Section 34176.1 restricts a housing successor from developing units restricted to seniors if more than half of the units restricted in the last ten years were senior units. Not more than half of the developed units have been restricted to seniors during the last ten years, therefore the WHA is in compliance with all senior restrictions at this time, and as Housing Successor, has the option of restricting future units to senior occupants.

Additional Housing Successor Reporting Requirements

- The former RDA had no outstanding production requirements that the WHA must fulfill.
- No rental units have been lost to the portfolio of covenants since February 1, 2012.
- The former RDA assisted homeownership units in the following ways:
  - 30 rehabilitation loans existed at the close of FY 2022-23. Since dissolution, repayments totaled $86,770 in FY 12-13, $104,605 in FY 14-15, $204,731 in FY 15-16, $124,374.36 in FY 17-18, $229,127.72 in FY 18-19, $218,260 in FY 19-20, $240,000 in FY 20-21, $27,687.50 in FY 21-22, $89,240 in FY 22-23 and $28,200 in FY 23-24.
  - No current contract for management of units is associated with these loans.
  - 15 condominium assistance loans existed at dissolution and none have been repaid to date. No contract for management of the units exists.
  - 2 first time homebuyer loans existed at dissolution, and one was repaid in FY 16-17 for $50,000, resulting in 1 remaining homebuyer loan for $75,000. No contract for management of these units exists.