



DRAFT
FISCAL YEAR
2022/2023

HOUSING SUCCESSOR AGENCY ANNUAL REPORT



Day Creek Villas Senior Affordable Housing – Rancho Cucamonga

- 1.) **The amount deposited to the Low- and Moderate-Income Housing Asset Fund (LMIHAF), distinguishing any amounts deposited for items listed on the Recognized Obligation payment Schedule (ROPS).**

There was a total of \$510,151 deposited into the LMIHAF during Fiscal Year 2022/2023. The deposits primarily consisted of land value held for resale, residual receipt loan payments of multi-family housing financed by the former Redevelopment Agency, and loan payments of first-time homebuyer loans.

- 2.) **A statement of the balance in the LMIHAF as the close of the fiscal year, distinguishing any amounts held for items listed on the ROPS.**

As of the close of Fiscal Year 2022/2023 the LMIHAF ended with a balance of \$75,025.00.

- 3.) **A description of expenditures from the LMIHAF by category, including, but not limited to, expenditures for (a) monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants and administrative expenses; (b) homeless prevention and rapid re-housing services; and (c) development of affordable housing.**

ACTIVITY	EXPENDITURE
Administrative Costs	\$200,000
Homeless Prevention	\$28,716.00
Affordable Housing Development	\$0.00

- 4.) **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.**

LOAN NAME/DESCRIPTION/PROPERTY	ENDING BALANCE	FAIR VALUE OF LAND SECURED BY LOAN
NHDC (San Sevaine Villas)	\$ 45,567,136	N/A
HB Housing Partners (Sunset Heights)	\$ 13,306,896	N/A
Villa Pacifica II	\$ 10,093,378	N/A
LINC-Pepperwood	\$ 28,690,050	N/A

Rancho Verde Village East	\$ 7,936,311	N/A
Heritage Pointe	\$ 3,385,452	N/A
Olen Jones	\$ 4,580,082	N/A
Villa Del Norte	\$ 10,761,686	N/A
Villaggio on Route 66	\$ 34,957,322	N/A
First-Time Homebuyer Program	\$ 2,735,808	N/A
Day Creek Villas LP	\$ 5,542,384	N/A
Day Creek Villas 2 LP	\$ 9,347,505	N/A
Total	<u>\$ 176,904,010</u>	

5.) A description of any transfers of LMIHAF funds made to another Housing Successor in the previous fiscal year.

There have been no transfers of LMIHAF funds to any other Housing Successor in the previous fiscal year.

6.) A description of any project for which the housing successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

There are no projects which the Housing Successor receives or holds property tax revenue pursuant to the ROPS.

7.) For interests in real property acquired by the former agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interest in real property acquired by the Housing Successor on or after February 1, 2012, a status update on the project.

In July 2014 the Housing Successor Agency acquired a 2.5-acre property for the purpose of constructing a 60-unit senior affordable rental housing complex. The project affordability agreement provides for 59 of the 60 1-and 2-bedroom units to be restricted to income eligible seniors. Construction of the project has been completed and a grand opening was held in May 2018.

Additionally, in 2019 the Agency acquired a 4.01-acre property for the construction of a 140-unit senior affordable rental housing complex. As of the date of this report the project was completed in October of 2020. The project offers 1-and 2-bedroom units to qualified seniors.

8.) A description of any outstanding obligation pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, the Housing Successor’s progress in meeting these obligations, and the Housing Successor’s plans to meet unmet obligations.

There is no outstanding obligation that had been transferred to the Housing Successor Agency on February 1, 2012.

9.) Housing Successor must determine the % of housing for seniors and persons of all ages within the previous 10-years. Senior housing units may not exceed 50% of the total units restricted.

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing to seniors assisted by the Housing Successor to the former redevelopment agency 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 Housing Successor to the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City provides assistance on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Successor’s Senior Housing Test for the 10-year period of 2011-2021.

Senior Housing Test	10 Year Test
Number of Assisted Senior Rental Units	199
Number of Total Assisted Rental Units	558
Senior Housing Percentage	36%

Previous Affordable Housing Accomplishments Prior to 2011

PROJECT	TYPE	# OF UNITS
Las Casitas	Family	14
Rancho Verde	Family	104
Rancho Verde East	Family	40
Monterey Village	Family	110
San Sevaine Villas	Family	225
Sycamore Springs	Family	96
Sunset Heights	Family	116
Villa Pacifica	Senior	158
Heritage Pointe	Senior	48
Olen Jones	Senior	96
	Total	1,007

10.) The amount of excess surplus, the amount of time the Housing Successor has had excess surplus, and the Housing Successor’s plan for eliminating the excess surplus.

At the start of this reporting Fiscal Year the Housing Successor Agency opened with an no excess surplus. The Housing Successor has ended this reporting Fiscal Year with a balance of \$75,025.00 of unobligated funds.

**RANCHO CUCAMONGA HOUSING SUCCESSOR
FINANCIAL STATEMENTS REPORT
JUNE 30, 2023**

REPORT ATTACHED

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RANCHO CUCAMONGA HOUSING SUCCESSOR RANCHO CUCAMONGA, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENTS

Focused
on YOU



RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
RANCHO CUCAMONGA, CALIFORNIA

Financial Statements

June 30, 2023

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
RANCHO CUCAMONGA, CALIFORNIA

Financial Statements

June 30, 2023

Table of Contents

	<u>Page Number</u>
Independent Auditors' Report.....	1
Independent Auditors' Report on Compliance with Applicable Requirements and on Internal Control over Compliance.....	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to Financial Statements.....	11
Required Supplementary Information	
Budgetary Comparison Schedule.....	20
Other Information	
Computation of Low- and Moderate-Income Housing Fund Excess/Surplus.....	21



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
Rancho Cucamonga Housing Successor
City of Rancho Cucamonga, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the governmental fund information of the Housing Successor (the "Housing Successor"), a special revenue fund of the City of Rancho Cucamonga, California (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Successor's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund information of the Housing Successor, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Fund Financial Statements

As discussed in Note 1, the financial statements of the Housing Successor are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the governmental fund information of the Housing Successor that is attributable to the transactions of the Housing Successor. They do not purport to, and do not, present fairly the financial position of the City of Rancho Cucamonga, as of June 30, 2023 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



To the Honorable Mayor and Members of the City Council
Rancho Cucamonga Housing Successor
City of Rancho Cucamonga, California

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Successor's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Successor's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Honorable Mayor and Members of the City Council
Rancho Cucamonga Housing Successor
City of Rancho Cucamonga, California

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Successor's basic financial statements. The Computation of the Housing Successor Excess/Surplus schedule (supplementary information) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the Housing Successor's internal control over the Housing Successor's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Successor's internal control over the Housing Successor's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Successor's internal control over the Housing Successor's financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 12, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE
REQUIREMENT AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council
Rancho Cucamonga Housing Successor
City of Rancho Cucamonga, California

Report on Compliance

Opinion

We have audited the Rancho Cucamonga Housing Successor, California (the "Housing Successor")'s compliance with the types of compliance requirements identified as subject to audit in the California Health and Safety Code sections applicable to California Housing Successor Agencies (the "HSC") for the year ended June 30, 2023.

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 the Housing Successor's compliance with the HSC for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the HSC. Our responsibilities under those standards and the HSC are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Housing Successor and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Program. Our audit does not provide a legal determination of the Housing Successor's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Housing Successor's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the HSC will always detect material noncompliance when it exists.



To the Honorable Mayor and Members of the City Council
Rancho Cucamonga Housing Successor
City of Rancho Cucamonga, California

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Housing Successor's compliance with the requirements the HSC as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the HSC, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Housing Successor's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Housing Successor's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the HSC, but not for the purpose of expressing an opinion on the effectiveness of the Housing Successor's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 requirement of the HSC 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 material noncompliance with a type of compliance requirement of the HSC 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 with a type of compliance requirement of the HSC 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



To the Honorable Mayor and Members of the City Council
Rancho Cucamonga Housing Successor
City of Rancho Cucamonga, California

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 the HSC. Accordingly, this report is not suitable for any other purpose.

Lance, Solt & Luyhard, LLP

Brea, California
December 12, 2023

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,717,128
Receivables (net of uncollectibles):	
Accrued interest	12,935
Notes and loans	176,904,010
Prepaid costs	2,393
Total assets	<u>179,636,466</u>
NET POSITION	
Restricted:	
Community development	179,636,466
Total net position	<u>\$ 179,636,466</u>

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
Statement of Activities
For the Year Ended June 30, 2023

	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenues and Changes in Net Position
					Governmental Activities
Functions/Programs:					
Primary government:					
Governmental activities:					
Community development	\$ 378,716	\$ -	\$ -	\$ -	\$ (378,716)
Total governmental activities	\$ 378,716	\$ -	\$ -	\$ -	(378,716)
General revenues:					
Use of money and property					2,951,005
Other					312,087
Total general revenues and transfers					3,263,092
Change in net position					2,884,376
Net position-beginning					176,752,090
Net position-ending					\$ 179,636,466

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY

Balance Sheet

June 30, 2023

	Housing Successor Agency
ASSETS	
Cash and investments	\$ 2,717,128
Receivables (net of allowance for uncollectible):	
Accrued interest	12,935
Notes and loans	176,904,010
Prepaid costs	2,393
Total assets	<u>\$ 179,636,466</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	\$ 39,831,135
Total deferred inflows of resources	<u>39,831,135</u>
FUND BALANCES	
Nonspendable	
Prepaid costs	2,393
Restricted	
Community development projects	139,802,938
Total fund balances (deficits)	<u>139,805,331</u>
Total deferred inflows of resources, and fund balances	<u>\$ 179,636,466</u>

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY

Reconciliation of the Balance Sheet of Governmental Funds

to the Statement of Net Position

June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 139,805,331
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either labeled unavailable or not reported in the funds.	
Long-term receivables	<u>39,831,135</u>
Net position of governmental activities	<u><u>\$ 179,636,466</u></u>

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023

	Housing Successor Agency
REVENUES	
Use of money and property	\$ 198,064
Miscellaneous	312,087
Total revenues	<u>510,151</u>
EXPENDITURES	
Current:	
Community development	378,716
Total expenditures	<u>378,716</u>
Excess of revenues over (under) expenditures	<u>131,435</u>
Net change in fund balances	131,435
Fund balances - beginning	<u>139,673,896</u>
Fund balances - ending	<u><u>\$ 139,805,331</u></u>

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$ 131,435
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Earned but unavailable other revenues	<u>2,752,941</u>
Change in net position of governmental activities	<u><u>\$ 2,884,376</u></u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Rancho Cucamonga Redevelopment Agency (the Agency) was activated pursuant to the State of California Health and Safety Code, Section 33000 et seq., entitled Community Redevelopment Law (CRL). Sections 33334.2 and 33334.3 require the Agency to use not less than 20 percent of taxes allocated to the Agency pursuant to Section 33670 of the CRL for the purpose of increasing, improving, and preserving the community's supply of low and moderate income housing ("Low and Moderate Income Housing Fund"). The Agency has continuously utilized its Low and Moderate Income Housing Fund for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing available at affordable housing cost.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

The Rancho Cucamonga Housing Successor Agency Fund (Housing Successor) was established pursuant to the California Housing Authority Law codified under the State of California Health and Safety Code, Section 34200 et seq. The restricted resources and assets from the former Rancho Cucamonga Redevelopment Agency's low and moderate income housing fund were transferred to the City's Housing Successor Agency Fund. The Housing Successor accounts for the assets of the former Redevelopment Agency's Low and Moderate Income Housing Fund. The source of revenue in the fund is primarily from repayment of Low and Moderate Income notes and loans receivable, and interest received from the notes and loans receivable

B. Basis of Presentation

The Housing Successor's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Housing Successor. Eliminations have been made to minimize the double counting of internal activities. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

While separate government-wide and fund financial statements are presented, they are interrelated.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

D. Assets, Liabilities and Net Position or Equity

Cash and Investments

All cash and investments, except those that are held by fiscal agents or through a trust, are held in a City pool. These pooled funds are available upon demand and therefore are considered cash and cash equivalents for purposes of the statement of cash flows. Investments held by fiscal agents with an original maturity of three months or less are also considered cash equivalents and are shown as restricted assets for financial statement presentation purposes. Investments for the City, as well as for its component units, are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of allowance for uncollectibles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources related to certain changes arising from net pension liability, net pension asset, and net OPEB asset.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has several items that qualify for reporting in this category:

Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for revenues that are measurable but not collected within 60 days of the end of the current fiscal period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

Fund balance is essentially the difference between the assets, liabilities, and deferred inflows reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Non-spendable fund balance (*inherently non-spendable*)
- Restricted fund balance (*externally enforceable limitations on use*)
- Committed fund balance (*self-imposed limitations on use*)
- Assigned fund balance (*limitation resulting from intended use*)
- Unassigned fund balance (*residual net resources*)

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Net Position

In the governmental-wide financial statements and proprietary fund financial statements, net position is classified as follows:

- Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

RANCHO CUCAMONGA HOUSING SUCCESSOR
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND CASH EQUIVALENTS

As of June 30, 2023, cash and investments were reported in the accompanying financial statements as follows:

Cash and Investments \$2,717,128

The Housing Successor’s fund is pooled with the City of Rancho Cucamonga’s cash and investments in order to generate optimum interest income. The pooled interest earned is allocated quarterly based on the month end cash balances. The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Citywide information concerning cash and investments for the year ended June 30, 2023, including authorized investments, custodial credit risk, credit risk, interest rate risk, concentration of investments, and carrying amount and market value of deposits and investments is available in the annual financial report of the City.

NOTE 3: NOTES AND LOANS RECEIVABLE

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
NHDC (San Sevaine)	\$ 45,282,652	\$ 404,577	\$ (120,093)	\$ 45,567,136
LINC-Pepperwood Housing Investors, LP	28,257,288	432,762	-	28,690,050
HB Housing Partners, L.P.	13,143,008	200,219	(36,331)	13,306,896
SCHDC (Rancho Verde)	7,844,805	97,499	(5,993)	7,936,311
SCHDC (Heritage Pointe Senior Apartments)	3,163,882	221,570	-	3,385,452
Rancho Workforce Housing, L.P.	34,142,678	814,644	-	34,957,322
North Town Housing Partners (Villa Del Norte)	10,583,811	177,875	-	10,761,686
NHDC (Olen Jones Senior Apartments)	4,451,850	128,232	-	4,580,082
Villa Pacifica II LP	9,832,863	260,515	-	10,093,378
Day Creek Senior Housing Partners 2, L.P.	9,086,763	260,742	-	9,347,505
Day Creek Senior Housing Partners, L.P.	5,385,661	156,723	-	5,542,384
First-Time Homebuyer Program	2,975,808	-	(240,000)	2,735,808
	<u>\$ 174,151,069</u>	<u>\$ 3,155,358</u>	<u>\$ (402,417)</u>	<u>\$ 176,904,010</u>

Notes and loans receivables consist of the following at June 30, 2022:

- On September 1, 2005, the Agency entered into a loan agreement with Northtown Housing Development Corporation (NHDC) for the purchase of undeveloped real property and the development of an apartment complex (San Sevaine) which will increase the supply of affordable housing to low and moderate income households for a period of ninety-nine (99) years. This loan is a line of credit not-to-exceed \$40,700,000 with simple interest accruing at 1% per annum from the date of disbursement for a term of 55 years (2060), as modified on May 6, 2009, with Amendment #2. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2023, the advances paid against this line of credit amount to \$40,457,658 and accrued interest amounts to \$5,109,478 for a total of \$45,567,136. Accrued interest is offset by unavailable revenue.

RANCHO CUCAMONGA HOUSING SUCCESSOR

Notes to the Financial Statements

June 30, 2023

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

- On April 19, 2006, the Agency entered into a loan agreement with LINC-Pepperwood Housing Investors, LP to provide financial assistance from the Low and Moderate Housing Set-aside Fund to purchase and rehabilitate the Pepperwood Apartment Homes, which will increase the supply of affordable housing to low and moderate income households, for not less than ninety-nine (99) years. The loan is in the form of a line of credit not-to-exceed \$21,638,113, which includes the rollover of the BLT Partnership No. 1 loan of \$2,350,000 and an amendment and increase of \$1,288,113 on May 16, 2007. The outstanding principal balance of the loan will accrue simple interest at 2% per annum from the date of disbursement for a term of 56 years (2062). In addition to the extent there are Residual Receipts, the Developer shall pay to the Agency 50% of the Residual Receipts from the preceding year. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2022, advances paid against this line of credit amounts to \$21,638,113 and accrued interest amounts to \$7,051,937 for a total balance of \$28,690,050. Accrued interest is offset by unavailable revenue.
- On September 1, 2005, the Agency entered into a loan agreement with HB Housing Partners, L.P. to provide financial assistance from the Low and Moderate Housing Set-aside Fund to purchase and rehabilitate the Woodhaven Manor Apartments, which will increase the supply of affordable housing to low and moderate income households for not less than ninety-nine (99) years. The loan is in the form of a line of credit not-to-exceed \$9,000,000. Simple interest accrues on the advances as follows: 1) 3% per annum from the date of disbursement through and including the date immediately prior to September 21, 2022; and 2) 2% per annum from September 21, 2022 through September 21, 2060. In addition, to the extent there are Residual Receipts-, the Developer shall pay to the Agency either 33% or 50% of the Residual Receipts from the preceding year. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2023, the advances paid against this line of credit amounted to \$9,000,000 and accrued interest amounts to \$4,306,896 for a total of \$13,306,896. Accrued interest is offset by unavailable revenue.
- On March 9, 2006, the Agency entered into a loan agreement with The Southern California Housing Development Corporation (SCHDC) for the acquisition, construction and operation of affordable housing apartments, referred to as the Rancho Verde Expansion project, which will increase the supply of very-low, low and moderate income households. This loan is a line of credit not-to-exceed \$6,500,000 with simple interest accruing at 1.5% per annum until June 27, 2035, and 2% per annum thereafter and payable without demand or notice on June 27, 2060. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2023, the advances paid against this line of credit amounted to \$6,499,910 and accrued interest amounts to \$1,436,401 for a total of \$7,936,311. Accrued interest is offset by unavailable revenue.
- On December 1, 2001, the Agency entered into a residual receipts promissory note loan agreement in the form of a line of credit not-to-exceed \$4,000,000 with Malvern Housing Partners, L.P. and Southern California Housing Development Corporation (SCHDC) for the acquisition, construction and operation of a 49-unit senior multifamily apartment project, known as Heritage Pointe Senior Apartments. A portion of the necessary funding was provided from proceeds of a \$4,000,000 bond issue by Southern California Housing Development Corporation. Funding provided by the Agency was in the form of semi-annual principal payments toward these bonds from the Agency's low and moderate housing fund. As advances were made by the Agency, beginning April 1, 2003, these amounts were added to and became the principal balance of this Residual Receipts Note, and are accruing simple interest at 1% per annum from the date of payment through December 2056. Annual payments of principal and accrued interest shall not commence until the operation of the project has generated residual receipts. On December 5, 2007, the residual receipts promissory note was amended and restated in connection with the refunding of the Southern California Housing Development Corporation's bond with the proceed of the Agency Housing Set-Aside Tax Allocation Bonds, Series 2007A and Series 2007B. All residual receipts in excess of fifteen percent of the gross operating income of project shall be paid to the Agency annually. All principal and accrued interest at the simple interest rate of 1% per annum shall be due and payable in April 2056. Upon dissolution of the

RANCHO CUCAMONGA HOUSING SUCCESSOR
Notes to the Financial Statements
June 30, 2023

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2023, the advances paid against this line of credit amounted to \$3,228,808 and accrued interest amounts to \$156,644 for a total of \$3,385,452. Accrued interest is offset by unavailable revenue.

- On September 1, 2008, the Agency entered into a residual receipts promissory note loan agreement in the form of a line of credit not-to-exceed \$27,565,000 with Rancho Workforce Housing, L.P. for the acquisition, construction and development of a 166-unit rental housing development, including 131 residential units for low and moderate income residents. This loan bears simple interest of 2.386% compounded annually from the date of disbursement, with a term commencing on the date of this agreement and continuing for fifty-five (55) years from the date of the recordation of the Certificate of Completion. Commencing after Borrower's fiscal year first ending after the completion of construction of the development, Borrower shall make repayments to the Agency equal to 50% of the Residual Receipts. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2023, the advances paid against this line of credit amounted to \$25,868,857 and accrued interest amounts to \$9,088,465 for a total of \$34,957,322.
- On September 26, 1994, the Agency entered into a Disposition and Development Agreement (DDA) and loan agreement (as modified on March 22, 1996) for \$5,929,181 with North Town Housing Partners for the acquisition of the 88-unit multifamily rental Villa Del Norte housing project for low and moderate income households. Payments of principal and interest on the loan are due and payable only to the extent that net annual cash flow from the development is available. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. On October 9, 2014, the Loan was modified as a result of a refinancing of the project in order to provide funding for significant rehabilitation improvements to the development. As a result of the refinancing, the term of the Loan and the affordability covenant for the affordable units was extended by 55 years beginning September 1, 2014. The term of the Loan will now terminate on September 1, 2069. The note carries the same interest rate of 3% and the original principal amount of \$5,929,181 remains the same. As of June 30, 2023, the outstanding balance amounts to \$5,929,181, including accrued interest of \$4,832,505 for a total of \$10,761,686. Accrued interest is offset by unavailable revenue.
- On June 6, 2001, the Agency entered into a loan agreement (as updated on December 1, 2002) for \$4,700,000 with Northtown Housing Development Corporation (NHDC) for the development of the Olen Jones Senior Apartments. The term of the loan is 55 years, with zero interest accruing for the first 15 years, then accruing simple interest at 3% per annum for the remainder of the term. Payments of principal and interest on the loan are due and payable only to the extent that net annual cash flow from the development is available. Upon dissolution of the Agency, the loan receivable was transferred to the Housing Successor Agency of the City. As of June 30, 2023, the outstanding balance amounts to \$4,274,400 and accrued interest amounts to including \$305,682 for a total of \$4,580,082. Accrued interest is offset by unavailable revenue.
- On July 11, 2014, the City entered into a loan agreement with 7418 Archibald LLC ("Developer") in the amount of \$42,913 ("City Predevelopment Loan"), pursuant to certain Acquisition, Disposition, Development and Loan Agreement dated February 19, 2014, between Developer and the City (the "ADDLA"), to develop a 60-unit affordable senior housing project at 7418 Archibald Avenue, referred to as Villa Pacifica II. The interest of the loan is zero percent (0%) per annum. The principal and any interest due under this Note shall be repaid or forgiven as set forth in the ADDLA, as amended by a first Implementation and Amendment to Acquisition, Disposition, Development and Loan Agreement dated February 17, 2016 between the Borrower's predecessor-in-interest and City and a Second Implementation and Amendment to Acquisition, Disposition, Development and Loan Agreement dated April 1, 2017. The loan may be prepaid in full or in part, at any time without penalty or premium. On April 1, 2017, the City entered into a Promissory Note Secured By Deed of Trust with Villa Pacifica II LP ("Borrower"), not to exceed the sum of \$8,683,821 consisting of the existing Predevelopment Loan of \$42,913 made by the City to the Developer, a \$2,880,000 purchase money loan in connection with the acquisition of land from City, a \$2,760,908 construction loan

RANCHO CUCAMONGA HOUSING SUCCESSOR
Notes to the Financial Statements
June 30, 2023

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

that is being partially disbursed on the date of the closing for the City impact fees and to reimburse Villa Pacifica II LP for construction costs accrued prior to the date of the loan, and a permanent loan of up to \$3,000,000 ("Perm Loan Principal") to be disbursed as described in the ADDLA from Villa Pacifica I Funds actually received by the City under the Villa Pacifica I Note. The term of the loan is 55 years, with simple interest accruing at 3% per annum on the outstanding principal balance. Payment of principal and interest is 50% of the Residual Receipts, with payments credited toward accrued interest and then to outstanding principal, on an annual basis on June 1 of each calendar year. As of June 30, 2022, the advances paid against this line of credit amounted to \$8,683,821 and accrued interest amounted of \$1,409,557, for a total amount of \$10,093,378.

- On May 4, 2016, the City approved a Disposition, Development, and Loan Agreement (DDLA) with Day Creek Senior Housing Partners, LP, also known as National CORE, for the development of a 140-unit senior rental affordable housing project at west of Day Creek Boulevard and north of Base Line Road. The DDLA was amended in June 2017, June 2018, and March 2019. On March 6, 2019, the City entered into land and construction loans in connection with the DDLA: The City Land Loan valued at \$7,700,000, consisting of a purchase money loan for the acquisition of the property from the City, was divided into two separate loans: (1) City Land Loan to Day Creek Senior Housing Partners, LP in the amount of \$4,896,303 and (2) City Land Loan to Day Creek Senior Housing Partners 2, L.P. in the amount of \$2,803,697. Both loans bear 2.91% interest compounded annually for 55 years. Payment of principal and interest is 50% of the Residual Receipts, with payments credited toward accrued interest and then to the outstanding principal, on an annual basis on June 1 of each calendar year. As of June 30, 2023, the outstanding balances of the land loans are as follows: (a) Day Creek Senior Housing Partners, LP amounts to \$5,542,384 including \$646,081 accrued interest and (b) Day Creek Senior Housing Partners 2, L.P. amounts to \$3,173,653 including \$369,956 accrued interest. Accrued interest is offset by unavailable revenue. The City Construction Loan valued at \$5,700,000 with Day Creek Senior Housing Partners 2, L.P. was deposited to JPMorgan Chase Bank, N.A.(Escrow) held and disbursed pursuant to the terms of the Escrow Agreement. The loan bears simple interest of 3% per annum from the date of disbursement from the Escrow fund for a term of 55 years. Payment of principal and interest is 50% of the Residual Receipts, with payments credited toward accrued interest and then to outstanding principal, on an annual basis on June 1 of each calendar year. As of June 30, 2023, the outstanding balance is \$6,173,852 including accrued interest of \$473,852. Accrued interest is offset by unavailable revenue.
- First-time homebuyer loans represent the loans made under the First Time Homebuyer's Program. The payment of the loan is not due until the property is sold. As of June 30, 2023, the outstanding balance amounts to \$2,735,808 with no interest due.

Total notes and loans receivables for governmental activities at June 30, 2023, including accrued interest of \$35,187,454 amounted to \$176,904,010.

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 17,550	\$ 207,730	\$ 198,064	\$ (9,666)
Miscellaneous	12,000	312,090	312,087	(3)
Total revenues	29,550	519,820	510,151	(9,669)
EXPENDITURES				
Current:				
Community development	383,600	378,740	378,716	24
Total expenditures	383,600	378,740	378,716	24
Net change in fund balance	\$ (354,050)	\$ 141,080	131,435	\$ (9,645)
Fund balance-beginning			139,673,896	
Fund balance-ending			\$ 139,805,331	

RANCHO CUCAMONGA HOUSING SUCCESSOR AGENCY
Computation of Low and Moderate
Income Housing Fund
Excess/Surplus

	<u>Low and Moderate Income Housing Funds All Project Area July 1, 2022</u>	<u>Low and Moderate Income Housing Funds All Project Area July 1, 2023</u>
Opening Fund Balance	\$ 139,673,896	\$ 139,805,331
Less Unavailable Amounts:		
Loans receivable	\$(137,072,875)	\$(137,072,875)
Contractual obligations	(953,550)	(953,550)
Prepaid expenses	<u>(1,498)</u>	<u>(2,393)</u>
	<u>(138,027,923)</u>	<u>(138,028,818)</u>
Available Housing Successor Funds	<u>\$ 1,645,973</u>	<u>\$ 1,776,513</u>
Limitation (greater of \$1,000,000 or four years deposits)		
Aggregate amount deposited for last four years:		
2022 - 2023	N/A	510,151
2021 - 2022	858,197	858,197
2020 - 2021	108,533	108,533
2019 - 2020	224,607	224,607
2018 - 2019	<u>4,408,372</u>	<u>N/A</u>
Total	<u>5,599,709</u>	<u>1,701,488</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>\$ 5,599,709</u>	<u>\$ 1,701,488</u>
Computed Excess/Surplus	<u>None</u>	<u>\$ 75,025</u>

Please note: In accordance with HSC34176.1(d) If a housing successor has an excess surplus, the housing successor shall encumber the excess surplus for the purposes described in paragraph (3) of subdivision (a) or transfer the funds pursuant to paragraph (2) of subdivision (c) within three fiscal years. If the housing successor fails to comply with this subdivision, the housing successor, within 90 days of the end of the third fiscal year, shall transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program. For purposes of this subdivision, "excess surplus" shall mean 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 housing successor's preceding four fiscal years, whichever is greater.