

**GARDEN GROVE HOUSING AUTHORITY ANNUAL REPORT
AS HOUSING AUTHORITY AND AS HOUSING SUCCESSOR
FOR FISCAL YEAR 2017-2018 UNDER CALIFORNIA
HEALTH & SAFETY CODE SECTIONS 34176.1 AND 34328**

This Annual Report of the Garden Grove Housing Authority (GGHA) is prepared under the California Health and Safety Code (HSC), Division 24, Parts 1.8 and 1.85 (Dissolution Law), in particular Section 34176.1 as the housing successor, and under the California Housing Authorities Law, HSC Section 34200, *et seq.* (HAL), in particular Section 34328 as a housing authority (together, Report). The Dissolution Law and HAL respectively require preparation of an annual report on the housing successor and the housing authority's activities for the prior fiscal year. This Report details the GGHA's activities during Fiscal Year (FY) 2017-2018 and is intended to satisfy the requirements under both HSC Sections 34176.1 and 34328. More specifically, this Report details the GGHA's activities for FY 2017-2018, including the information required about the Low and Moderate Income Housing Asset Fund (LMIHAF) and other information under Section 34176.1(f). A copy of the Report, in draft form, was provided to the City Council, as governing body, and to the GGHA by December 31, 2018 under 34176.1(f). Upon joint review and action to file the Report, this Report will be posted on the City's website: <https://ggcity.org/> and thereafter appended to the City's annual update report prepared under Section 65400 of the Government Code.

This Report includes information prepared by City staff on behalf of the GGHA and data from the independent financial audit of the Low and Moderate Income Housing Asset Fund Financial Report for FY 2017-2018 (CAFR) as prepared by Davis Farr LLP, which audit is separate from this Report and attached as Exhibit B hereto; further, this Report conforms with and is organized into sections I. through XIV., inclusive, under HSC Section 34176.1(f) of the Dissolution Law and Section 34328 of the HAL:

- I. **Amounts Received and Deposited Under 34191.4(b)(3)(A).** This section provides the total amount of funds paid to the City and the amount deposited into the LMIHAF allocable to 20% of the repayments on the reinstated City/Agency loan(s), if any, per Section 34191.4.
- II. **Amount Deposited into LMIHAF.** This section provides the total amount of funds deposited into the LMIHAF in FY 17-18 and itemized by amounts deposited in FY 17-18 for items listed on Recognized Obligation Payment Schedule (ROPS), amounts allocable to Section 34191.4 deposits, and other amounts deposited into the LMIHAF.
- III. **Ending Balance of LMIHAF.** This section provides a statement of the balance in the LMIHAF as of the close of FY 17-18. Any amounts deposited for items listed on the ROPS, and amounts allocable to Section 34191.4 deposits, must be distinguished from the other amounts deposited.
- IV. **Description of Expenditures from LMIHAF.** This section provides a description of expenditures made from the LMIHAF during FY 17-18. The expenditures are to be categorized among (A) administration for monitoring, preserving covenanted housing units, (B) homeless prevention and rapid rehousing services and (C) development of housing.
- V. **Statutory Value of Assets Owned by Housing Successor.** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

- VI. Description of Transfers.** This section describes transfers, if any, to another housing successor made in previous fiscal year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.
- VII. Project Descriptions.** This section describes any project for which the Housing Successor receives or holds property tax revenue under the ROPS and the status of that project.
- VIII. Status of Compliance with Section 33334.16.** As and if applicable, this section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.
- IX. Description of Outstanding Obligations under Section 33413.** This section describes outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.
- X. Income Test.** This section provides information required by Section 34176.1(a)(3)(B), or a description of expenditures by income category and restriction for the applicable five-year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.
- XI. Senior Housing Test.** This section provides the percentage of deed-restricted rental housing units 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 10-year time period.
- XII. Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.
- XIII. Inventory of Homeownership Units:** This section provides a summary of covenanted homeownership units assisted by the former redevelopment agency or the housing successor that include equity sharing and repayment provisions, including: (A) number of units; (B) number of units lost to the portfolio in the last fiscal year and the reason for those losses, and (C) any funds returned to the housing successor due to losses or repayments.
- XIV. Additional Information:** GGHA's Activities for the Preceding Year FY 17-18 under HSC Section 34328.

This Report and the former Garden Grove Agency for Community Development's ("Former Agency") pre-dissolution Implementation Plans are to be made available to the public on the City's website: <https://ggcity.org/econdev/redevelopment-agency-dissolution>.

I. AMOUNT RECEIVED BY THE CITY PER HSC SECTION 34191.4

No funds (\$0.00) were received during FY 17-18 by the City in repayment of reinstated City/Agency loans per Section 34191.4.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$197,608 was deposited into the LMIHAF during FY 17-18. A total of \$50,000 was funded through the ROPS 17-18 process and held for items listed on ROPS 17-18 that was attributable to legal services provided during the fiscal period of July 1, 2017 to June 30, 2018; Line Item 55 on ROPS 17-18 was funded and then expended related to continued implementation of the *Limon* Judgment (defined below) and monitoring, interpretation and enforcement therefor. In FY 17-18, no funds (\$0.00) were received under or allocable to HSC Section 34191.4(b)(3)(B) or (C).

III. ENDING BALANCE OF LMIHAF

At the close of FY 17-18, the ending balance in the LMIHAF was \$730,829 as reported in the audit/2017-18 CAFR, of which \$0 is held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

Below is a table describing expenditures from the LMIHAF by category:

	Fiscal Year 17-18
Monitoring & Administration Expenditures (2017-18 CAFR)	\$375,847
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Housing Development Expenditures	\$0
➤ Expenditures on Low Income Units	
➤ Expenditures on Very-Low Income Units	
➤ Expenditures on Extremely-Low Income Units	
➤ Total Housing Development Expenditures	
Total LMIHAF Expenditures in Fiscal Year	\$375,847

The administrative expenditures total less than five percent (<5%) of the statutory value of real property owned by the Housing Successor and of loans and grants receivable held by the Housing Successor.

V. STATUTORY VALUE OF HOUSING ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the "statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule (HAT) approved by the Department of Finance (DOF) as listed

in HAT under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following provides the statutory value of assets owned by the Housing Successor (2017-18 CAFR).

	As of end of FY
Statutory Value of Real Property Owned by Housing Authority	\$2,995,594
Value of Loans and Grants Receivable*	\$18,729,066
Total Value of Housing Successor Assets	\$21,724,666

**This balance includes SERAF and ERAF loans totaling \$13,254,260 (which changed from the prior fiscal year, based on the State of California, Department of Finance's (DOF) determination of allowable notes receivable balances). The total value of loans and grants receivable is gross of any allowance.*

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other housing successor(s) under Section 34176.1(c)(2) during FY 17-18.

VII. PROJECT DESCRIPTIONS

Except as to the \$50,000 funded via ROPS 17-18, Line Item 55, related to continued implementation of the DOF-approved enforceable obligations referred to as the *Limon* Judgment (see II. above), the Housing Successor did not receive or hold property tax revenue pursuant to the ROPS process.

VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; nevertheless, this Report presents a status update on the project related to such real property.

With respect to interests in real property acquired by the former redevelopment agency *prior* to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset on the HAT.

The following table provides a status update on the real property or properties housing asset(s) that were acquired prior to February 1, 2012 and compliance with five-year period that commenced on August 30, 2012, the date of the letter issued by DOF approving the these properties as housing assets on the HAT:

12892, 12942 Grove St., 10936 Acacia Pkwy, no site address for APNs 089-213- 02, 29, 31,32	03/11/2011	04/29/2017	No status at this time [vacant].
12291 Thackery Dr.	01/10/2008	04/29/2017	No status at this time [vacant].
12602 Keel Ave.	04/25/1989	n/a	This property is subject to an Affordable Housing Agreement with long-term ground lease, sublease and sub-sublease dated as of 6/25/1990 with Orange County Community Housing Corporation as ground lessee and ground sublessor, Shelter for the Homeless (now American Family Housing as sublessee and ground sub-sublessor, and Thomas House as sub-sublessee, and is encumbered with recorded affordable housing covenants (HAT).

The following table provides a status update on the project(s) for property(ies), if any, that have been acquired by the Housing Successor using LMIHAF since dissolution on or after February 1, 2012:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
N/A			

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO HSC SECTION 33413

Replacement Housing: Whatever unmet obligation that existed according to the 2010-2014 Implementation Plan for the former redevelopment agency, if any, this obligation has been superseded and is being met pursuant to that certain *Stipulation to Substitute Party and for Entry of Interlocutory Judgment (Limon Judgment)* approved by the Superior Court, County of Orange, State of California in the action *Marina Limon, et. al., v. Garden Grove Agency for Community Development*, attached as Exhibit A. The Successor Agency to the Garden Grove Agency for Community Development (Successor Agency) in cooperation with the GGHA and City of Garden Grove (City) have entered into and implemented the 38 units of replacement housing required under the *Limon Judgment* through a series of subsidies, contracts and implementing instruments for: (i) Wesley Village a 47-unit, new construction senior and family affordable housing project and (ii) Sycamore Court, a 78-unit substantial rehabilitation multi-family project, both of which have recorded regulatory agreements with 55-year affordability covenants for tenancy and occupancy by qualified very low and low income households. During FY 17-18, the Successor Agency, as well as the City and Housing Authority, have provided documentation and supplemental documentation to the plaintiffs' counsels in the *Limon Judgment*, but to date plaintiffs' counsel for unstated reasons have refused to cause the filing in the Superior Court of a full satisfaction of judgment affirming complete satisfaction of that judgment. Legal counsel to Garden Grove continues to seek filing of that satisfaction of judgment presently.

Inclusionary/Production Housing: Whatever unmet obligation that existed according to the 2010-2014 Implementation Plan for the Former Agency, if any, this obligation has been superseded and has been met in full by performance under that certain *Limon Judgment* (Exhibit A).

The *Limon Judgment* and the Former Agency's Implementation Plans are posted on the City's website at: <https://ggcity.org/econdev/redevelopment-agency-dissolution>.

X. EXTREMELY-LOW INCOME TEST

HSC Section 34176.1(a)(3)(A) requires that the Housing Successor must require at least 30% of the funds in the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. Under HSC Section 34176.1(a)(3)(B), if the Housing Successor fails to comply with the Extremely Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates

compliance with the Extremely-Low Income requirement. This information is not required to be reported until 2019 for the 2014 – 2019 period, which is the first of the five-year periods added by Section 34176.1.

XI. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, 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, 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 assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The table on the next page provides information about the Housing Successor's Senior Housing Test for the 10-year period of July 1, 2008 through June 30, 2018:

Senior Housing Test		07/01/2008 – 6/30/2018
# of Assisted Senior Rental Units (in the Wesley Village project 16 of the 47 units are senior units, and 30 are family units, with one manager's unit)		16
# of Total Assisted Rental Units		497
Senior Housing Percentage		3%

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater. The following provides the Excess Surplus test for the preceding Fiscal Years of the Housing Successor:

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Beginning Balance	\$191,355	\$252,996	\$314,555	\$459,145	\$704,604
Add: Deposits	\$89,909	\$135,552	\$219,904	\$500,105	\$402,072
(Less)	(\$28,268)	(\$73,992)	(\$75,314)	(\$254,646)	(\$375,847)
Expenditures					
Ending Balance	\$252,996	\$314,555	\$459,145	\$704,604	\$730,829

The Low and Moderate Income Housing Asset Fund does not have an Excess Surplus.

XIII. INVENTORY OF HOMEOWNERSHIP UNITS

This section provides an inventory of homeownership units assisted by the Former Agency or the Garden Grove Housing Authority, as Housing Successor, that are subject to covenants or restrictions or to an adopted program that protects the Former Agency's investment of moneys

from the former Low and Moderate Income Housing Fund (LMIHF) per HSC Section 33334.3(f). This inventory includes:

A. The total number of homeownership units assisted by the former Agency:

13741 Clinton #76, Garden Grove, CA	1 Unit
10302 Malinda, Garden Grove, CA	1 Unit
12191 Stanford, Garden Grove, CA	1 Unit
12661 James, Garden Grove, CA	1 Unit
11761 Samuel, Garden Grove, CA	1 Unit
5742 Ludlow, Garden Grove, CA	1 Unit
13180 Ferndale, Garden Grove, CA	1 Unit
8861 Calico, Garden Grove, CA	1 Unit
8183 Larson #D, Garden Grove, CA	1 Unit
12631 Woodland, Garden Grove, CA	1 Unit
10119 Andy Reese, Garden Grove, CA	1 Unit
12582 Spinnaker, Garden Grove, CA	1 Unit
12372 Elmwood, Garden Grove, CA	1 Unit
9852 Orangewood, Garden Grove, CA	1 Unit
1360 River Drive, Norco, CA	1 Unit
9611 Blanche, Garden Grove, CA	1 Unit
13421 Mickey, Garden Grove, CA	1 Unit
6732 Laurelton, Garden Grove, CA	1 Unit
10592 McKeen, Garden Grove, CA	1 Unit
14402 Ward, Garden Grove, CA	1 Unit
11682 MacDuff, Garden Grove, CA	1 Unit
6652 Belgrave, Garden Grove, CA	1 Unit
6662 Park, Garden Grove, CA	1 Unit
5452 Richmond, Garden Grove, CA	1 Unit
13096 Blackbird, Garden Grove, CA	1 Unit
11531 Faye, Garden Grove, CA	1 Unit
13582 Hope, Garden Grove, CA	1 Unit
11450 Brookhurst, Garden Grove, CA	1 Unit
13651 Havenwood, Garden Grove, CA	1 Unit
11291 Garden, Garden Grove, CA	1 Unit
Note: The following homeownership units were identified in further review of Garden Grove files, but had not been located or identified during preparation of the HAT in July 2012 that was submitted to and approved by the DOF or listed in the initial report prepared under HSC Section 34176.1(f)(13) relating to homeownership units assisted by the Former Agency, but are listed in this Report as each is an ownership unit assisted by the Former Agency prior to dissolution. Several of these loans have been paid off or the covenants expired, so are also listed in the tables that follow.	
11861 Winton St., Garden Grove, CA	1 Unit
12741-12831 Arbor Ct. & 12752-12852 Arbor Ct., Garden Grove, CA	17 Units
13143 Michael Monsoor Ct., Garden Grove, CA	1 Unit

10852 Sonoma Ln., Garden Grove, CA	1 Unit
13100 Mendocino Ln., Garden Grove, CA	1 Unit
10803 Sonoma Ln., Garden Grove, CA	1 Unit
10811 Sonoma Ln., Garden Grove, CA	1 Unit
10853 Sonoma Ln., Garden Grove, CA	1 Unit
10831 Sonoma Ln., Garden Grove, CA	1 Unit
Total	55 Units

B. Summary of Lost Units.

1. The total number of homeownership units lost to the Housing Successor's portfolio between February 1, 2012 up to June 30, 2018, along with the reason or reasons for those losses: 28 units

Fiscal Year	Property Address	Reason for Loss
FY 2011-12	11861 Winton St., Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2013-14	9852 Orangewood Ave., Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2014-15	12741-12831 Arbor Ct. & 12752-12852 Arbor Ct., Garden Grove, CA (17 units)	Covenants expired
FY 2014-15	10831 Sonoma Lane, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2012-13	13741 Clinton #76, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2017-18	10119 Andy Reese, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2014-15	6732 Laurelton, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2014-15	10592 McKeen, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2015-16	6652 Belgrave, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2013-14	11450 Brookhurst, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2012-13	13651 Havenwood, Garden Grove, CA (1 unit)	Loan paid off by owner
FY 2014-15	11291 Garden, Garden Grove, CA (1 unit)	Loan paid off by owner

2. Total losses between 2/1/12 to 6/30/18: 28 units

Fiscal Year	Property Address	Pay Off Date
FY 2011-12	11861 Winton St., Garden Grove, CA (1 unit)	3/27/2012
FY 2013-14	9852 Orangewood Ave., Garden Grove, CA (1 unit)	11/12/2013
FY 2014-15	12741-12831 Arbor Ct. & 12752-12852 Arbor Ct., Garden Grove, CA (17 units)	2014
FY 2014-15	10831 Sonoma Lane, Garden Grove, CA (1 unit)	5/8/2015
FY 2012-13	13741 Clinton #76, Garden Grove, CA (1 unit)	5/6/2013
FY 2017-18	10119 Andy Reese, Garden Grove, CA (1 unit)	9/18/2017
FY 2014-15	6732 Laurelton, Garden Grove, CA (1 unit)	3/17/2015
FY 2014-15	10592 McKeen, Garden Grove, CA (1 unit)	8/28/2014
FY 2015-16	6652 Belgrave, Garden Grove, CA (1 unit)	11/12/2015
FY 2013-14	11450 Brookhurst, Garden Grove, CA (1 unit)	3/31/2014
FY 2012-13	13651 Havenwood, Garden Grove, CA (1 unit)	6/18/2013

FY 2014-15	11291 Garden, Garden Grove, CA (1 unit)	8/11/2014
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3. Reason for loss from portfolio of each such unit (FY 2017-18 only):

Fiscal Year	Property Address	Reason for Loss
FY 2017-18	10119 Andy Reese, Garden Grove CA	Loan paid off by owner

4. Funds returned to the Housing Successor as part of an adopted program that protects the Former Agency's investment of moneys from the LMIHF. This includes repayments of all Single Family Rehab and First Time Homebuyer loans including principal, interest, and equity sharing payments from February 1, 2012 to June 30, 2018. There were cumulative repayments since dissolution of \$114,582.62.

C. The number of homeownership units lost to the Housing Successor's portfolio in fiscal year 2017-18 and the reason for those losses.

1. Total losses to portfolio in FY 17-18: One

2. Reason for loss from portfolio of each such unit: Loan was paid off by owner.

3. Funds returned to the Housing Successor as part of an adopted program that protects the former Agency's investment of moneys from the LMIHF, which includes repayments of all Single Family Rehab and First Time Homebuyer loans including principal, interest, and equity sharing payments during FY 2017-18 was \$2,571.08.

D. State whether the Housing Successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

1. The City's Neighborhood Improvement Division administered a majority of the Former Agency's Single Family Rehabilitation Program and First Time Homebuyer Program. The Neighborhood Improvement Division does have an existing agreement with Amerinational Community Services, Inc., a Minnesota corporation (dba AmeriNat), relating to certain, but not all, aspects of administration of the Former Agency's Single Family Rehabilitation loans and First Time Homebuyer loans that provided second lien mortgages for homeownership units. These consulting services include assistance with oversight and administration of amortized loan payments, if any, due; with tracking and calculation of loan balances in the event of payoff; and, other administrative activities for these outstanding Single Family Rehab and First Time Homebuyer loans. Additionally, the City has contracted with AIM Asset Property Management for property management services.

XIV. ADDITIONAL INFORMATION ABOUT GARDEN GROVE HOUSING AUTHORITY'S ACTIVITIES FOR THE PRECEDING YEAR FY 17-18 PER HSC SECTION 34328

The GGHA provides rental assistance up to 2,337 households per month through Section 8 vouchers. The lease-up rate by month for FY 2017-18 was as follows:

<u>Month</u>	<u>Number of units leased</u>
July	2171
August	2178

September	2188
October	2197
November	2192
December	2197
January	2206
February	2218
March	2221
April	2226
May	2214
June	2215

Additionally, the GGHA also administers a Tenant Based Rental Assistance Program for the City's Neighborhood Improvement Division funded with HOME Investment Partnership Program (HOME) funds from the Department of Housing and Urban Development. During FY 2017-18, the GGHA provided no new Tenant Based Rental Assistance vouchers.

During FY 2017-18, there were no terminations of Section 8 vouchers of victims of domestic violence.

During FY 2017-18, the GGHA and the City's Neighborhood Improvement staff worked with the developers of the Wesley Village and Sycamore Court projects, respectively in continued implementation of those affordable housing projects, which were further described above in this Report, along with monitoring, compliance and enforcement activities and the preliminary negotiations related to potential new projects and programs, as well as the proposed resyndication and refinancing of existing affordable housing projects, including without limitation tax credit and bond projects sponsored or authorized by the GGHA.

EXHIBIT A

Limón, et al. v. Garden Grove Agency for Community Development
Case No. 30-2009-00291597
Stipulation to Substitute Party and for Entry of Interlocutory Judgment
(attached)

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FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CIVIL COMPLEX LITIGATION CENTER

MAY - 8 2014

ALAN CARLSON, Clerk of the Court
Alan Carlson
BY: B. ZUANICH

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE

MARINA LIMON, *et al.*,

Plaintiffs and Petitioners,

v.

GARDEN GROVE AGENCY FOR
COMMUNITY DEVELOPMENT, a municipal
entity, *et al.*,

Defendants and Respondents.

GARDEN GROVE MXD, LLC, and
MCWHINNEY REAL ESTATE SERVICES,
and DOES 21 through 40,

Real Parties in Interest.

) Case No. 30-2009-00291597
)
) **INTERLOCUTORY JUDGMENT**
)
)
) Complaint Filed: August 10, 2009
) Dept.: CX-102
) Judge: Robert J. Moss

Comes now Plaintiffs Marina Limon, Alfredo Cordero, Celia Gonzalez, Jackquelyn Bodenstedt as executor of the Estate of Randolph Maynor, Jose Sanchez, Raymond Kent Creamer, Ana Rosa Olea, Elidia Gonzalez, Ivan Torres, Javier Ibarra ("Individual Plaintiffs"), and the Kennedy Commission (collectively, "Plaintiffs"), along with Defendants, the City of Garden Grove ("City"), the City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development ("Successor Agency"), the Garden Grove Housing Authority as Successor Agency to the Garden Grove Agency for Community Development ("Housing Successor") and the Garden Grove City Council (collectively, "Defendants").

1 Judgment is hereby entered on the following terms:

2 1. As used herein, the term "Low Income Households" shall have the meaning set
3 forth in Health and Safety Code section 50079.5.

4 2. As used herein, the term "Very Low Income Households" shall have the meaning
5 set forth in Health and Safety Code section 50105.

6 3. As used herein, the term "Low Income Rent" shall be rent affordable to lower
7 income households as set forth in Health and Safety Code section 50053(b)(3).

8 4. As used herein, the term "Very Low Income Rent" shall be rent affordable to very
9 low income households as set forth in Health and Safety Code section 50053(b)(2).

10 5. Within the timeframe described in Paragraph 8, below, the Successor Agency or,
11 at its discretion, the Housing Successor (hereinafter "Successors"), shall develop replacement
12 housing. Pursuant to this paragraph funds held in the Low and Moderate Income Housing Asset
13 Fund, as defined in Health and Safety Code section 34176, shall be available for development of
14 the replacement housing pursuant to this Judgment. The Successors shall develop or cause to be
15 developed twenty five (25) additional new construction dwelling units as replacement housing for
16 the Travel Country Recreational Vehicle Park ("Park") to address Plaintiffs' claims for
17 development of replacement housing pursuant to Health and Safety Code section 33413. No less
18 than twelve (12) of the units developed pursuant to this paragraph shall be covenanted to be
19 leased at Very Low Income Rent and restricted to occupancy by Very Low Income Households;
20 the balance of thirteen (13) units shall be covenanted to be leased at Low Income Rent and
21 restricted to occupancy by Low Income Households.

22 6. In addition to the dwelling units described in Paragraph 5, within the timeframe
23 described in Paragraph 8, below Successors shall develop or cause to be developed thirteen (13)
24 additional dwelling units, either as new construction or Substantial Rehabilitation (as defined
25 below), as replacement housing for the Park to address Plaintiffs' claims for development of
26 replacement housing pursuant to Health and Safety Code section 33413. No less than seven (7)
27 of the units developed pursuant to this paragraph shall be covenanted to be leased at Very Low
28 Income-Rent and restricted to occupancy by Very Low Income Households; the balance of six (6)

1 units shall be covenanted to be leased at Low Income Rent and restricted to occupancy by Low
2 Income Households.

3 7. The Successors may reduce the number of dwelling units required to be developed
4 pursuant to Paragraph 6 (but not Paragraph 5) by one dwelling unit for each dwelling unit offered
5 to a household listed on Exhibit A or B hereto that is rejected by such household provided that a
6 household's rejection of a unit under this section will not disqualify that household from
7 eligibility under Paragraph 10. In order to reduce the unit count, (1) a displaced household must
8 receive an offer of affordable replacement housing after a determination (provided to the
9 displaced household in writing) by the operator of that housing that the displaced household
10 is eligible for occupancy of the replacement housing with respect to all of its qualifications and
11 restrictions, including but not limited to income, family size, rental history and credit score, (2)
12 the offer of affordable housing must be either hand delivered to the displaced household as
13 evidenced by a proof of personal service, or through regular and certified U.S. mail, and (3) the
14 displaced household must be allowed ten (10) business days after receipt of the offer to accept or
15 reject the offer.

16 8. The Successors shall develop, rehabilitate, construct or cause the development,
17 rehabilitation or construction (as applicable) of the dwelling units described in Paragraphs 5 and
18 6 ("Replacement Units") within four years from entry of this Judgment.

19 9. "Substantial Rehabilitation" shall have the same meaning as contained in Health
20 and Safety Code section 33413.

21 10. In accordance with Health and Safety Code section 33411.3, all residents displaced
22 by the Redevelopment Agency shall have priority in occupancy of the Replacement Units
23 developed pursuant to this Judgment. Successors shall provide for such priority in any agreement
24 for development or administration of the Replacement Units, and shall maintain a list of eligible
25 persons and families displaced by the Redevelopment Agency.

26 11. Defendants shall provide notice to Plaintiffs' counsel upon (1) entry into an
27 agreement for development of Replacement Units, and (2) completion of construction of any
28 replacement dwelling units, no later than ten (10) days after issuance of a certificate of

1 occupancy. The number of required replacement dwelling units shall not be reduced pursuant to
2 Paragraph 7 unless the Successor Agency shall have provided notice (including a copy of the
3 offer) to Plaintiffs' Counsel within five (5) business days of making an offer of affordable
4 housing to a displaced household. Notice to Plaintiffs' counsel pursuant to this paragraph shall be
5 delivered by electronic mail and first class mail to: Public Counsel, Shashi Hanuman, Directing
6 Attorney, Community Development Project, 610 South Ardmore Avenue, Los Angeles,
7 California 90005, shanuman@publiccounsel.org. Plaintiffs and Defendants shall cooperate in the
8 exchange of information relating to any offers.

9 12. Successor Agency shall pay additional relocation amounts to Individual Plaintiffs
10 based on rents paid in 2003 as initiation of negotiation rents, pursuant to the California Relocation
11 Assistance Act, 25 Code of California Regulations, § 6104, as set forth in the "Total Payment"
12 column of Exhibit A hereto.¹ Successor Agency shall pay additional relocation amounts to all
13 other former residents of the Park whom they determined to be eligible for relocation assistance,
14 based on rents paid in 2005 as initiation of negotiation rents, pursuant to the California Relocation
15 Assistance Act, 25 Code of California Regulations, § 6104, as set forth in the "Total Payment"
16 column of Exhibit B hereto.

17 13. Pursuant to action of the California Legislature in Stats. 2012, Ch. 5 (Assembly
18 Bill No. 26, 2011-2012 1st Ex. Sess.) (the "Dissolution Act"), effective June 29, 2011,
19 redevelopment agencies throughout California began a dissolution process. The Dissolution Act
20 provides that the city "that authorized the creation of each redevelopment agency" became the
21 "successor agency" to that redevelopment agency, by operation of law, unless the designated
22 successor entity elected not to serve as the successor agency. California Health and Safety Code
23 sections 34173(a), (d). The Garden Grove City Council adopted resolutions electing to serve as
24 the Successor Agency to the dissolved Redevelopment Agency pursuant to Health and Safety
25 Code section 34173, and designating the Garden Grove Housing Authority as the Housing
26

27 ¹ In order to protect the privacy of the individual plaintiffs and displacees, Exhibits A and B
28 hereto reference each household by space number only. Plaintiffs and Defendants have reviewed
and agree that the relocation amounts, household names, and corresponding space numbers in
Exhibit A, as previously exchanged by their respective counsel of record are correct.

1 Successor pursuant to Health and Safety Code section 34176. City of Garden Grove Resolution
2 Nos. 9072-11 (July 12, 2011) and 9089-12 (Jan 17, 2012). As prescribed by the Dissolution Act,
3 the amounts the Successor Agency is obligated to pay pursuant to the terms of this Judgment shall
4 be included as an enforceable obligation of the Successor Agency on each applicable Recognized
5 Obligation Payment Schedule ("ROPS"), as defined in California Health and Safety Code section
6 34171(h) and in accordance with Health and Safety Code section 34177(l), (m), and as set forth
7 below.

8 14. The Successor Agency shall include in the ROPS due to be completed and
9 approved by the oversight board of the Successor Agency no later than October 3, 2014, the
10 entire amount of relocation assistance due pursuant to Paragraph 12.

11 15. The Successor Agency shall include in the ROPS due to be completed and
12 approved by the oversight board of the Successor Agency no later than October 3, 2015 (ROPS
13 2015-16B), amounts for Replacement Units that will be expended during the January 1, 2016
14 through June 30, 2016 period. The amounts to be expended during this ROPS 2015-16B period
15 shall be appropriate to complete development of the Replacement Units for occupancy within
16 four years from entry of the Judgment.

17 16. The Successor Agency shall pay \$795,000 in attorneys' fees to Public Counsel.
18 This amount shall bear interest at the rate of 7 percent per annum, from the date of entry of this
19 Judgment, pursuant to Article XV, Section 1, of the California Constitution. The entire amount of
20 attorneys' fees shall be placed on the ROPS due to be completed by the oversight board of the
21 Successor Agency no later than October 3, 2014 (ROPS 2014-15B).

22 17. The obligations contained herein are obligations of the Garden Grove Agency for
23 Community Development ("Redevelopment Agency"), now dissolved, prior to enactment of the
24 Dissolution Act. The obligations set forth herein are not and under no circumstances shall they be
25 construed as obligations of the City or Garden Grove Housing Authority other than in their roles
26 as Successor Agency and Housing Successor, respectively. Consistent with Health and Safety
27 Code § 34173(e), Successor Agency's liability for amounts owing pursuant to this Judgment shall
28 be limited to the extent of the total sum of property tax revenues the Successor Agency and the

1 Housing Successor receive pursuant to the ROPS process and the value of the assets received by
2 the Successor Agency and the Housing Successor. The Successor Agency shall continue to list
3 the obligations of this Judgment on each ROPS until all obligations required by the Judgment are
4 satisfied.


5 18. Jackqlyn Bodenstedt as executor of the Estate of Randolph Maynor is substituted
6 as a plaintiff in this action in place of plaintiff Randolph Maynor, by reason of his death.

7 19. The Court shall have continuing jurisdiction to enforce the terms of this settlement
8 and Judgment pursuant to California Code of Civil Procedure section 664.6.

9 20. This Judgment represents the sole obligation among the parties hereto and all other
10 causes of action and/or claims arising out of this action are dismissed with prejudice and forever
11 waived.

12 IT IS SO ORDERED

13
14 DATED: 5/8/14



JUDGE OF THE SUPERIOR COURT
ROBERT J. MOSS

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Exhibit A
Additional Relocation Payments to Plaintiffs

<u>SPACE</u>	<u>Relocation Base Rent</u>	<u>2003 Rent</u>	<u>Differential</u>	<u>Total Payment</u>
1	955	800	155	\$6,510.00
35	416	410	6	\$252.00
38	665	410	255	\$10,710.00
45	418.5	400	18.5	\$777.00
60	630	420	210	\$8,820.00
82	655	400	255	\$10,710.00
93	695	490	205	\$8,610.00
94a	392.4	470	-77.6	0
114	423.73	540	-116.27	0
118a	523.31	450	73.31	\$3,079.02

Exhibit B
Additional Relocation Payments to Non-Plaintiff Displacees

SPACE	Relocation Base Rent	2005 Rent	Differential	Total Payment
2	587.95	575	12.95	\$543.90
14	331.19	565	-233.81	0
22	705	575	130	\$5,460.00
23	720	590	130	\$5,460.00
41	670	540	130	\$5,460.00
53	394.3	625	-230.7	0
57	695	565	130	\$5,460.00
74	695	565	130	\$5,460.00
75	344.1	555	-210.9	0
80a	715	585	130	\$5,460.00
85a	680	550	130	\$5,460.00
88a	402.97	590	-187.03	0
92a	698	615	83	\$3,486.00
98	650	520	130	\$5,460.00
100a	685	555	130	\$5,460.00
104	339	515	-176	0
105	695	565	130	\$5,460.00
107	675	545	130	\$5,460.00
109	336.3	550	-213.7	0
111a	675	545	130	\$5,460.00
115	670	540	130	\$5,460.00
116	690	560	130	\$5,460.00
119a	385.37	545	-159.63	0
120	705	575	130	\$5,460.00
122	669.29 (Section 8)	575	0	\$0.00
126	541.23	525	16.23	\$681.66
129	356.3	565	-208.7	0
130	695	565	130	\$5,460.00

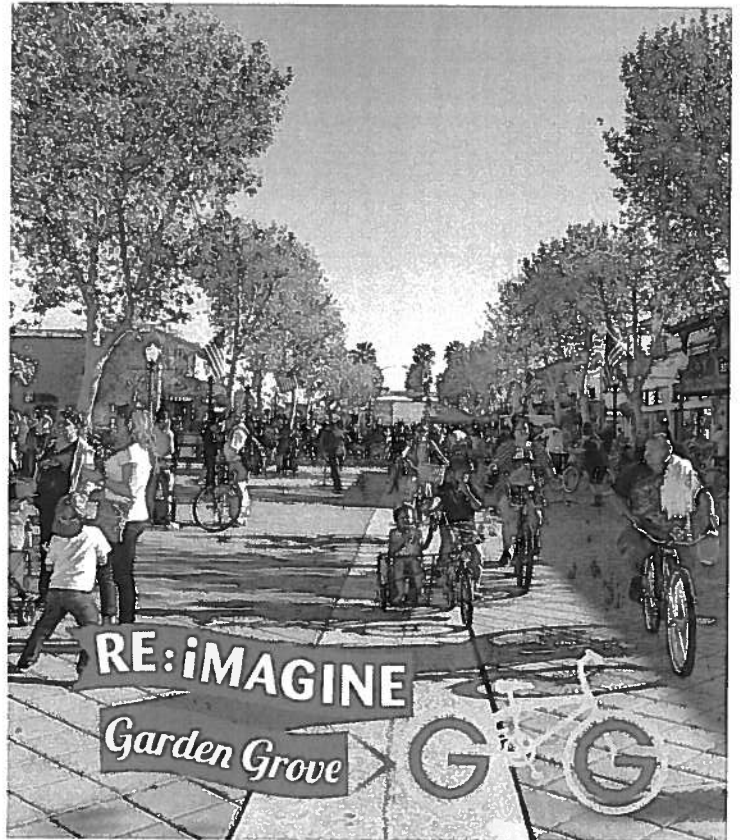
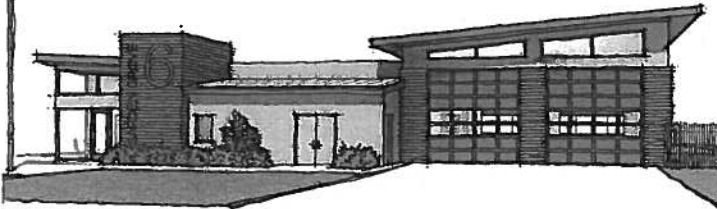
Exhibit B

2017-2018 Audit of LMIHAF

CITY OF GARDEN GROVE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT



NEW FIRE STATION #6



JULY 1, 2017 -
JUNE 30, 2018



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**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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To the City Council
City of Garden Grove, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note 18 to the financial statements, during the year ended June 30, 2018 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, which resulted in a prior period adjustment. The financial statements for the year ended June 30, 2018 also reflect other prior period adjustments as described further in note 18 to the financial statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, certain budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions and the Schedule of Changes in total OPEB liability and Related Ratios* be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements, certain budgetary comparison schedules, the introductory section and the statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements and the budgetary comparison schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 *combining and individual nonmajor fund financial statements* and *certain budgetary comparison schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have 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 on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date January 28, 2019 on our consideration of the City of Garden Grove's internal control over 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Garden Grove's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Davis Lam CP".

January 28, 2019
Irvine, California

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Housing Successor			Total Governmental Funds
	General Fund	Agency Capital Project Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and cash investments	\$ 30,594,736	\$ 730,829	\$ 18,824,058	\$ 50,149,623
Cash and cash investments with fiscal agents	136	-	4,776,541	4,776,677
Taxes receivable	6,144,106	-	423,230	6,567,336
Accounts receivable	2,180,582	-	828,883	3,009,465
Interest receivable	364,730	3,568	54,505	422,803
Intergovernmental receivable	-	-	1,029,453	1,029,453
Intercity loans receivable, net	13,455,995	-	-	13,455,995
Due from Successor Agency	-	13,254,260	-	13,254,260
Deposits and prepaid items	16,970	-	3,749	20,719
Notes receivable, net	2,255,090	5,444,806	21,872,921	29,572,817
Land held for resale	-	2,995,594	-	2,995,594
Total assets	<u>\$ 55,012,345</u>	<u>\$ 22,429,057</u>	<u>\$ 47,813,340</u>	<u>\$ 125,254,742</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 925,658	\$ 198,184	\$ 1,733,847	\$ 2,857,689
Accrued liabilities	1,694,946	1,486	1,145,833	2,842,265
Refundable deposits	1,619,380	-	23,813	1,643,193
Intercity loan payable	-	-	52,354	52,354
Due to other funds	-	-	1,081,344	1,081,344
Total liabilities	<u>4,239,984</u>	<u>199,670</u>	<u>4,037,191</u>	<u>8,476,845</u>
Deferred inflows of resources:				
Unavailable revenue	1,104,314	-	490,438	1,594,752
Total Deferred inflows	<u>1,104,314</u>	<u>-</u>	<u>490,438</u>	<u>1,594,752</u>
Fund balances:				
Non-Spendable:				
Intercity loan	13,455,995	-	-	13,455,995
Prepaid items	16,970	-	-	16,970
Restricted:				
Public safety	84,181	-	5,335,797	5,419,978
Public right of way	280	-	9,021,011	9,021,291
Drainage	-	-	412,565	412,565
Community planning and development	2,763,610	22,229,387	26,146,468	51,139,465
Community services	165,734	-	2,369,870	2,535,604
Municipal support and services	34,612	-	-	34,612
Assigned:				
Post-employment benefits	1,000,000	-	-	1,000,000
Property tax lawsuit	500,000	-	-	500,000
Building Improvements	1,300,000	-	-	1,300,000
General plan	301,492	-	-	301,492
Paramedic Tax	617,195	-	-	617,195
Unassigned	29,427,978	-	-	29,427,978
Total fund balances	<u>49,668,047</u>	<u>22,229,387</u>	<u>43,285,711</u>	<u>115,183,145</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,012,345</u>	<u>\$ 22,429,057</u>	<u>\$ 47,813,340</u>	<u>\$ 125,254,742</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Housing Successor			Total Governmental Funds
	General Fund	Agency Capital Project Fund	Nonmajor Governmental Funds	
REVENUES:				
Taxes	\$ 98,957,130	\$ -	\$ 4,132,763	\$ 103,089,893
Licenses and permits	1,969,553	-	35,025	2,004,578
Fines, forfeits and penalties	2,028,031	-	1,106,308	3,134,339
Investment earnings	1,233,957	109,127	503,269	1,846,353
Charges for current services	7,266,859	-	4,678,139	11,944,998
From other agencies	258,685	-	11,788,776	12,047,461
Other revenues	3,482,218	-	711,056	4,193,274
Total revenues	<u>115,196,433</u>	<u>109,127</u>	<u>22,955,336</u>	<u>138,260,896</u>
EXPENDITURES:				
Current:				
Fire	24,718,290	-	348,963	25,067,253
Police	54,672,769	-	1,455,072	56,127,841
Traffic safety	1,980,534	-	1,944,482	3,925,016
Public right of way	5,021,633	-	2,175,797	7,197,430
Drainage	65,559	-	-	65,559
Community buildings	3,421,453	-	-	3,421,453
Community services	2,808,902	-	1,877,751	4,686,653
Economic development	738,494	-	2,360,215	3,098,709
Parks and greenbelts	1,544,635	-	780,391	2,325,026
Community planning and development	5,450,619	1,120,708	1,411,002	7,982,329
Municipal support	7,478,070	-	148,201	7,626,271
Capital outlay:				
Fire	11,350	-	3,482,855	3,494,205
Police	-	-	1,201,519	1,201,519
Traffic safety	160,440	-	21,105	181,545
Public right of way	-	-	5,849,492	5,849,492
Drainage	-	-	29,718	29,718
Community buildings	-	-	18,293	18,293
Parks and greenbelts	-	-	163,486	163,486
Debt service:				
Principal retirement	572,744	-	-	572,744
Interest and other charges	1,087,349	-	-	1,087,349
Total expenditures	<u>109,732,841</u>	<u>1,120,708</u>	<u>23,268,342</u>	<u>134,121,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,463,592</u>	<u>(1,011,581)</u>	<u>(313,006)</u>	<u>4,139,005</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,329,772	-	495,950	2,825,722
Transfers out	(495,950)	-	(757,288)	(1,253,238)
Total other financing sources (uses)	<u>1,833,822</u>	<u>-</u>	<u>(261,338)</u>	<u>1,572,484</u>
Special item	<u>2,502,947</u>	<u>15,424,125</u>	<u>12,102,321</u>	<u>30,029,393</u>
Net change in fund balances	9,800,361	14,412,544	11,527,977	35,740,882
Fund balances, beginning of year, as restated (Note 18)	<u>39,867,686</u>	<u>7,816,843</u>	<u>31,757,734</u>	<u>79,442,263</u>
Fund balances, end of year	<u>\$ 49,668,047</u>	<u>\$ 22,229,387</u>	<u>\$ 43,285,711</u>	<u>\$ 115,183,145</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

3. Due From Successor Agency

The former Redevelopment Agency has five loans from the Low Income Housing Assets Capital Project Fund, that were used to make the fiscal year 2003-04 (\$847,149), 2004-05 (\$1,523,830), and 2005-06 (\$1,350,397) mandated Educational Revenue Augmentation Fund (ERAF) payments and "Supplemental" Educational Revenue Augmentation (SERAF) payments for the fiscal year 2009-10 (\$7,906,610) and 2010-11 (\$1,626,274). These loans were due 10 years from when the loans were originally established except for 2009-10 and 2010-11 loans which are due on May 10, 2015 and June 30, 2016, respectively. These loans which were previously invalidated, have been approved as an allowable Recognized Obligation payment by the State of California Department of Finance (DOF).

On June 12, 2018, the DOF approved the repayment of the original principal balance of \$13,254,260 based on review of the April 27, 2018 Oversight Board (OB) Resolution No. 58-18. All accrued interest was therefore denied, OB Resolution No. 58-18 establishes and approves the repayment schedule of the funds borrowed from the Low and Moderate Income Housing Fund (LMIHF) to make the ERAF and SERAF payment totaling \$ 3,721,376 and \$ 9,532,884 respectively.

\$ 13,254,260

4. Interfund Receivables, Payables, and Transfers

a. The composition of interfund receivable/payable balances as of June 30, 2018 is as follows:

	Due From Other Funds	Due To Other Funds
Housing Authority Fund	\$ -	\$ 336,468
Nonmajor governmental funds	-	1,081,344
Internal service funds	<u>1,417,812</u>	<u>-</u>
Total	<u>\$ 1,417,812</u>	<u>\$ 1,417,812</u>

The interfund payable balances represent routine and temporary cash flow assistance from the Workers' Compensation internal service fund until the amounts receivable are collected to reimburse eligible expenditures.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

5. Notes receivable at June 30, 2018, consisted of the following: (continued)

e. Single Family Rehab (Deferred Loan) - Housing Successor Agency Major Capital Project Fund:

The City has entered into seventy Deferred Loan Agreements utilizing City funds; at June 30, 2018 eight Deferred Loan Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$20,000 in down payment assistance in the form of a silent loan that requires no payment for 15 or 30 years. The loans carry 3% or 5% interest charges.

\$ 126,064

f. ADDI Down Payment Rehab (ADDI) Loan – Other nonmajor governmental funds:

The City has entered into nine ADDI Agreements utilizing American Dream Downpayment Initiative funds; at June 30, 2018 fourteen ADDI Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$30,000 in down payment assistance in the form of a silent loan that requires no payment for 15 years. The loans carry 0% interest charges. These loans are forgivable if the recipient complies with all conditions.

206,825

g. Rental rehabilitation - Housing Successor Agency Major Capital Project Fund:

The Low and Moderate Income Housing Asset capital projects fund holds five notes related to property rehabilitation loans, which have been used to assist developers in the rehabilitation of multifamily residential buildings located within the City for the purpose of providing adequate low income housing opportunities for City residents.

3,471,472

h. Rental rehabilitation – Housing Successor Agency Major Capital Project Fund and Other nonmajor governmental funds:

The City has entered into sixteen Housing Rehabilitation Agreements utilizing CDBG funds, which are reflected in other governmental funds and the HOME fund. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing adequate low-income housing to City residents. Many of these buildings had suffered from serious structural deterioration, overcrowding and high crime.

13,530,673

i. Affordable housing agreement – General fund:

The City has entered into three Affordable Housing Agreements with developers wherein the developers have agreed to comply to certain affordability covenants including the reimbursement to the City of forgone property taxes which would have been payable for the property, increasing at the rate of approximately 2 % annually.

2,230,090

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

5. Notes receivable at June 30, 2018, consisted of the following: (continued)

j. Rental construction – Housing Successor Agency Major Capital Project Fund and other nonmajor governmental fund:

The City has entered into a rental construction loan agreement utilizing HOME funds. The note was for the purpose of assisting the developer with the construction of new low-income housing for City residents. The note bears a simple annual interest rate of 3%. Loan repayment is based on residual receipts and is contingent upon the release of construction covenants for the project. The note commenced upon the initial disbursement of Home funds in June 2015. An additional \$1.6 million was disbursed in June 2017 and is payable to the Housing Successor Agency Fund. Its maturity will be the fifty-fifth anniversary of the date of the Release of Construction Covenants.

\$ 3,930,510

k. Conveyance of Property Loan Agreement – Housing Successor Agency and other non-major Capital Project Fund:

The City has entered into a financed sale agreement with the Housing Authority for the sale of twelve single-family residential parcels on March 12, 2016. The initial loan amount is \$2,709,030. The note bears a simple annual interest rate of 4% in 60 equal monthly interest-only payments in the amount of \$9,030 with a balloon payment on the 60th month. The term of the promissory note is due and payable in five years in March 2021.

2,709,030

l. Small Business Assistance Program – General fund and Other nonmajor governmental funds:

The City has entered into a loan agreement through the Small Business Assistance Program utilizing CDBG funds as well as General Fund monies for a total loan amount of \$50,000. The note bears an interest rate equal to the lower of 6.5% or the highest rate permitted by applicable law compounded annually. The note is payable in five years with the monthly payment of \$489.

50,000

m. Private Sewer Lateral Loan Agreement – Sewer Fund:

The Garden Grove Sanitary District has entered into a Private Sewer Lateral Loan Agreement with The Helen Brooks Montgomery Revocable Trust on October 1, 2012, for an original amount of \$10,000. The loan is due and payable at the simple annual interest rate of 2.24%. Monthly payments in the amount of \$65.47 are required. Loan principal is amortized over the 15-year life and the principal portion of monthly payment reduces the loan payable.

6,103

Total Notes Receivable

29,608,920

Less Allowance

(30,000)

Total Notes Receivable, net

\$ 29,578,920

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

6. Land Held for Resale

The City and the Successor Agency land held for resale is an inventory of land intended to be sold to developers. The land is carried at the lower of cost or estimated net realizable value, as determined upon execution of a disposition and development agreement.

City land held for resale is comprised of inventory held by the Housing Successor Agency capital projects fund. City and Successor Agency land held for resale balances at June 30, 2018 are \$2,995,594 and \$26,511,026, respectively.

7. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 418,711,185	\$ -	\$ (3,191,887)	\$ 415,519,298
Construction in progress	3,347,920	11,090,722	(9,389,418)	5,049,224
Total capital assets, not being depreciated	<u>422,059,105</u>	<u>11,090,722</u>	<u>(12,581,305)</u>	<u>420,568,522</u>
Capital assets, being depreciated:				
Infrastructure				
Street system	398,995,411	5,968,129	(2,958,683)	402,004,857
Storm drain assets	71,671,703	611,510	(175,282)	72,107,931
Buildings and park assets	45,602,139	1,995,019	(686,234)	46,910,924
Furniture and equipment	34,851,167	2,603,899	(5,146,855)	32,308,211
Total capital assets, being depreciated	<u>551,120,420</u>	<u>11,178,557</u>	<u>(8,967,054)</u>	<u>553,331,923</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(229,647,185)	(10,602,799)	2,563,292	(237,686,692)
Storm drain assets	(46,598,959)	(1,420,496)	175,282	(47,844,173)
Buildings and park assets	(26,565,699)	(1,315,568)	644,022	(27,237,245)
Furniture and equipment	(20,147,443)	(1,929,333)	5,045,215	(17,031,561)
Total accumulated depreciation	<u>(322,959,286)</u>	<u>(15,268,196)</u>	<u>8,427,811</u>	<u>(329,799,671)</u>
Total capital assets, being depreciated, net	<u>228,161,134</u>	<u>(4,089,639)</u>	<u>(539,243)</u>	<u>223,532,252</u>
Governmental activities capital assets, net	<u>\$ 650,220,239</u>	<u>\$ 7,001,083</u>	<u>\$ (13,120,548)</u>	<u>\$ 644,100,774</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,564,750	\$ -	\$ (554,961)	\$ 2,009,789
Construction in progress	4,958,300	4,869,032	(6,639,053)	3,188,279
Total capital assets, not being depreciated	<u>7,523,050</u>	<u>4,869,032</u>	<u>(7,194,014)</u>	<u>5,198,068</u>
Capital assets, being depreciated:				
Building and structures	328,260	-	-	328,260
Water system	140,388,459	3,935,568	(1,275,472)	143,048,555
Sewer system	113,243,940	2,703,485	(794,814)	115,152,611
Machinery and equipment	487,706	31,701	(6,783)	512,624
Total capital assets, being depreciated	<u>254,448,365</u>	<u>6,670,754</u>	<u>(2,077,069)</u>	<u>259,042,050</u>
Less accumulated depreciated for:				
Building and structures	(10,442)	(25,442)	-	(35,884)
Water system	(55,138,438)	(3,223,500)	1,137,573	(57,224,365)
Sewer system	(51,165,477)	(1,749,617)	558,989	(52,356,105)
Machinery and equipment	(355,542)	(21,866)	6,783	(370,625)
Total accumulated depreciation	<u>(106,669,899)</u>	<u>(5,020,425)</u>	<u>1,703,345</u>	<u>(109,986,979)</u>
Total capital assets, being depreciated, net	<u>147,778,466</u>	<u>1,650,329</u>	<u>(373,724)</u>	<u>149,055,071</u>
Business-type activities capital assets, net	<u>\$ 155,301,516</u>	<u>\$ 6,519,361</u>	<u>\$ (7,567,738)</u>	<u>\$ 154,253,139</u>

* As restated (see note 18)

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

16. Tax Abatements (continued)

In 1998, the former Successor Agency entered into an Owner Participation Agreement with Gateway Properties for the development of the Hyatt Hotel Gateway. The term of this Agreement is for a period of 17-years and performance based assistance began in Fiscal Year 2001-02. The performance based assistance is an amount equal to 75% of the Transient Occupancy Tax and 75% of the Tax Increment Revenues up to a maximum amount of \$19.8 million. Approximately \$2,973,573 was due to Gateway Properties for Fiscal Year 2017-18. This amount is an approved enforceable obligation of the Successor Agency, and will be paid via the State of California approved Recognized Obligation Payments Schedule.

In 2010, the Successor Agency entered into an agreement with Garden Grove MXD, LLC for the construction of the Great Wolf Lodge. The performance based assistance began in 2015-16 and is based on the Transient Occupancy Tax rate. If the Transient Occupancy Tax rate charged by the City impacts an agreed upon Transient Occupancy Tax rate differential with a neighboring City, an amount will be rebated to the developer equal to the total room revenue multiplied by that Transient Occupancy Tax differential. The amount of Transient Occupancy Tax to be rebated to Garden Grove MXD, LLC for the Fiscal Year 2017-18 is approximately \$715,604. This amount is an approved enforceable obligation of the Successor Agency, and will be paid via the State of California approved Recognized Obligation Payments Schedule.

17. Special Line Item

General Fund, HOME, Other Grants & Contributions, Housing Successor Agency

In Fiscal Year 2017-18, the City reassessed the collectability of its notes receivables. The City determined that the majority of its notes receivables are collectible despite the extended length of time for collections. As such, the allowance for doubtful accounts balances have been reduced resulting in a non-cash "increase" to the statement of net position.

Housing Successor Agency (a Major Governmental Fund) and the Private Purpose Trust Fund - ERAF & SERAF Loans

When the redevelopment agency was dissolved, the California Department of Finance denied repayment of the ERAF and SERAF loans as an enforceable obligation. As a result the City recorded a full allowance for doubtful accounts in the Housing Successor Agency Fund in the amount of the outstanding loans. In fiscal year 2017-18, the California Department of Finance changed its previous determination and has now approved the repayment of the principal balance of the ERAF and SERAF loans (\$13,254,260) as an enforceable obligation. As the loans are now deemed collectible, the allowance for doubtful accounts balances in the Housing Successor Agency Fund have been reduced to zero. This resulted in a non-cash increase in the Housing Successor Agency's statement of net positions. In addition, the loan payable to the Housing Successor Agency was recognized in the current year thus increasing the liability and decreasing the net position of the Private Purpose Trust Fund, City of Garden Grove as Successor Agency to the Garden Grove Redevelopment Agency.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

17. Special Line Item (continued)

Net Effect on the Statement of Revenues, Expenditures, And Changes In Fund Balance:

	<u>General Fund</u>	<u>Housing Successor Agency Capital Project Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Special Item	\$ 2,502,947	\$ 15,424,125	\$ 12,102,321	\$ 30,029,393

Net Effect on the Statement of Changes In Fiduciary Net Position:

	<u>City of Garden Grove as Successor Agency</u>
Special Item	\$ (13,254,260)

18. Prior Period Adjustment

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

Prior period adjustments were made to the beginning net position/fund balance of the Government-Wide Financial Statements and the Fund Financial Statements. As a result, the beginning of the year was restated to properly account for these corrections.

A prior period adjustment of \$1,600,000, was made to increase the beginning fund balance of Housing Successor Agency Fund, a nonmajor special revenue fund, for an understatement of revenue and notes receivable at June 30, 2017.

A prior period adjustment of \$349,156 was made to decrease the beginning fund balance of the Solid Waste Disposal Enterprise Fund, for an overstatement of accounts receivable at June 30, 2017.

The Governmental Activities had a net restatement of \$46,179 due to capital assets being understated at June 30, 2017. The Governmental Activities and Business-Type Activities had a net restatement of \$1,292,295 and \$2,607,256, respectively, due to accumulated depreciation being overstated at June 30, 2017.

Prior period adjustments of \$9,055,451 and \$1,005,052 were made to decrease the beginning net position of the respective governmental activities and business-type activities, respectively, to reflect the prior period costs related to the implementation of the OPEB liability in accordance with GASB 75.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

18. Prior Period Adjustment (continued)

The aforementioned adjustments resulted in the following restatement to net position at July 1, 2017:

	<u>Housing Successor Agency Fund</u>	<u>Other Governmental Funds</u>	<u>Fleet Management Fund</u>	<u>Information Systems Fund</u>	<u>Other Internal Service Funds</u>	<u>Governmental Activities</u>
Net position at July 1, 2017, as previously reported	\$ 6,216,843	\$ 492,148,780	\$ 37,480,733	\$ (486,065)	\$ 34,583,918	\$ 569,944,209
Prior period adjustments:						
Note receivable	1,600,000	-	-	-	-	1,600,000
Capital assets	-	(174,195)	220,374	-	-	46,179
Accumulated depreciation	-	826,913	514,633	(49,251)	-	1,292,295
Implementation of GASB Statement No. 75, net effect	-	(8,696,013)	(68,523)	(290,915)	-	(9,055,451)
Net position at July 1, 2017, as restated	<u>\$ 7,816,843</u>	<u>\$ 484,105,485</u>	<u>\$ 38,147,217</u>	<u>\$ (826,231)</u>	<u>\$ 34,583,918</u>	<u>\$ 563,827,232</u>

	<u>Water Utility Fund</u>	<u>Sewage Collection Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Business-type Activities</u>
Net position at July 1, 2017, as previously reported	\$ 65,960,376	\$ 76,705,800	\$ 5,045,915	\$ (3,963,600)	\$ 146,658,610
Prior period adjustments:					
Accounts receivable	-	-	(349,156)	-	(349,156)
Accumulated depreciation	767,648	1,839,608	-	-	2,607,256
Implementation of GASB Statement No. 75, net effect	(681,307)	(58,459)	(89,282)	(176,004)	(1,005,052)
Net position at July 1, 2017, as restated	<u>\$ 66,046,717</u>	<u>\$ 78,486,949</u>	<u>\$ 4,607,477</u>	<u>\$ (4,139,604)</u>	<u>\$ 147,911,658</u>

**CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS (CONTINUED)**

Garden Grove Tourism Improvement District

This fund is used to account for the tourism marketing efforts through the Anaheim/Orange County Visitors and Convention Bureau and other activities and improvements that promote tourism in the Garden Grove Tourism Improvement District area.

Street Rehabilitation Fund

This fund is used to account for revenues received and expenditures made for various street rehabilitation projects.

HOME Grant Special Revenue Fund

The HOME Grant special revenue fund is used to account for the revenues received and expenditures made for the housing assistance program, which is funded by the U.S. Department of Housing and Urban Development.

CAPITAL PROJECTS FUNDS

Major Fund:

Housing Successor Agency Fund

Capital projects for low and moderate income housing are accounted for in this fund.

Nonmajor Funds:

Housing Authority Assets Fund

Capital projects with the Civic Center area are accounted for in this fund.

Public Safety Fund

Capital projects with Public Safety are accounted for in this fund.

CITY OF GARDEN GROVE
Housing Successor Agency Capital Projects Fund
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	39,813	39,813	109,127	69,314
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>39,813</u>	<u>39,813</u>	<u>109,127</u>	<u>69,314</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	308,282	308,282	1,120,708	(812,426)
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>308,282</u>	<u>308,282</u>	<u>1,120,708</u>	<u>(812,426)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(268,469)</u>	<u>(268,469)</u>	<u>(1,011,581)</u>	<u>(743,112)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item	-	-	15,424,125	15,424,125
Net change in fund balance	(268,469)	(268,469)	14,412,544	14,681,013
Fund balance, beginning of year	<u>7,816,843</u>	<u>7,816,843</u>	<u>7,816,843</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,548,374</u>	<u>\$ 7,548,374</u>	<u>\$ 22,229,387</u>	<u>\$ 14,681,013</u>

See accompanying note to required supplementary information.