



Housing and Homelessness Advisory Commission

April 23, 2025

Item No. 5.2

ITEM TITLE: Successor Agency Funding Allocations for Fiscal Year 2025-26

Location: No specific geographic location

Recommended Action: Commission provide an advisory recommendation to the Housing Authority on the Fiscal Year 2025-26 Successor Agency funding allocations.

SUMMARY

The Chula Vista Housing Authority, acting in its capacity as the successor housing entity to the Chula Vista Redevelopment Agency (Housing Successor Agency), administers the Low and Moderate Income Housing Asset Fund (Housing Fund). In Fiscal Year 2025-26 (FY 25-26), staff recommends Housing Fund monies be appropriated for the following actions: \$300,000 for administration, \$250,000 for homelessness prevention services, and \$3 million for affordable housing production.

ENVIRONMENTAL REVIEW

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3), no environmental review is required.

DISCUSSION

Background

The Chula Vista Redevelopment Agency, along with all redevelopment agencies statewide, was [dissolved](#) by the State legislature in 2012. At the time of dissolution, a housing successor was to be selected to transfer and be responsible for the remaining assets and liabilities of a former redevelopment agency.

The City of Chula Vista (City) City Council elected to designate the Chula Vista Housing Authority as the Housing Successor Agency. All rights, powers, committed assets, liabilities, duties, and obligations associated with the affordable housing activities of the Agency were transferred to the Housing Authority, who acting as the Housing Successor, transferred these assets to the Housing Asset Fund. As of June 30, 2024, the unencumbered balance of the Housing Asset Fund was \$14,741,072.

Under California Code, Health and Safety Code (HSC) Section [34176.1](#), Housing Asset Funds may be spent on:

1. Administrative costs for the operation of the housing successor agency, at the greater of \$200,000 per year adjusted for inflation (\$263,100 for FY 2023-24), or 5% of the statutory value of real

property owned by the Housing Successor and the value of loans and grants receivable (\$1,304,188 for FY 2023-24);

2. Homeless prevention and rapid rehousing services up to \$250,000 per year; and
3. Affordable housing development assisting households with up to 80 percent of the Area Median Income (AMI), subject to specific income and age targets over a five-year period.

State law also limits the amount of uncommitted funds a housing successor may retain. Funds that exceed this amount are known as the “Excess Surplus,” calculated based on the greater of the following:

- \$1,000,000; or
- The total amount of deposits made into the Housing Asset Fund over the preceding four years.

Once an excess surplus is determined, the Housing Successor Agency must account for these funds separately and commit said monies within three years. Excess Surplus funds may be claimed by HCD if not committed within a timely manner. Entering Fiscal Year FY 24-25 the Housing Successor Agency had an Excess Surplus balance of \$10,640,600, of which at least \$7,092,093 needed to be expended or encumbered by June 30, 2025. These funds were primarily committed via two project loan approvals for the E Street Apartments (\$4 million) and Palomar Motel permanent supportive housing project (\$3 million) in March 2025. The Housing and Homeless Advisory Commission recommended both projects for funding at their February 24, 2025 meeting. Combined with administrative and other eligible programming, the City expects to expend or encumber approximately \$7.3 million by June 30, 2025, leaving a balance of approximately \$3,340,600 which will need to be expended or encumbered by June 30, 2026.

The proposed appropriations will fulfill this requirement and enable continued compliance with State requirements for the Housing Fund.

Administration (\$300,000)

Pursuant to HSC Section 34176.1(a)(1), the City reported an available administrative cost limit [HSC Section 34176.1(a)(1)] of \$1,304,188 in FY 2023-24. Because eligible administrative costs are primarily limited to compliance and monitoring-related activities, staff is proposing to commit \$300,000 in FY 25-26 Housing Asset Funds for administration of Housing Successor Agency activities. This allocation includes the extension of existing contracts with RSG, Inc., which performs inspections and compliance reviews of Housing Authority assets, and Housing Compliance Services, which maintains a portal for compliance reporting.

Homeless Prevention Services (\$250,000)

Up to \$250,000 in Successor Agency funds may be used for Homeless Prevention Services per year if the former redevelopment agency did not have any outstanding inclusionary housing or replacement housing production requirements as of 2012 [HSC Section 34176.1(a)(2)]. The City is eligible for this expense because it did not have any outstanding inclusionary or replacement housing requirements upon dissolution and intends to commit \$250,000 towards the Homeless Prevention Program in FY 25-26 Housing Asset Funds.

Homelessness Prevention Program (\$250,000) – Senior Shallow Subsidy Program

Housing insecurity among older adults is an increasingly urgent issue as fixed incomes fail to keep pace with rising housing costs, often forcing older adults to forego basic need purchases such as healthy food or medicine in lieu of paying rent. The impact of eviction or displacement is especially severe for seniors, who may experience compounding health and mental health challenges as a result. Shallow subsidy programs

have recently been a critical intervention in addressing those risks by promoting aging in place, housing stability, and long-term community wellness.

The City's initiative builds on two successful regional models. In 2022, Serving Seniors piloted the region's first shallow rental subsidy program, providing \$300 monthly subsidies for 24 months to 21 clients aged 63–82. The program targeted low-income seniors and was funded with \$350,000. Following this, the County of San Diego launched a larger pilot in 2023, offering \$500 monthly subsidies to 222 older adult households for up to 18 months. In 2024, the County expanded its program to serve an additional 160 households with a total budget of \$2 million. These models proved that shallow subsidies can be an effective tool in preventing homelessness, especially for seniors living on fixed incomes.

In FY 25-26, the City of Chula Vista will allocate \$250,000 in Housing Asset Funds to implement a Pilot Senior Shallow Rental Subsidy Program aimed at preventing homelessness among older adult residents. The program is designed to provide fixed, monthly rental assistance to eligible low-income seniors (ages 55+) at risk of housing instability, helping them to remain housed and avoid displacement.

The Pilot Senior Shallow Rental Subsidy Program offers a \$500 monthly subsidy, paid directly to landlords, and is not tied to rent fluctuations. Instead, it serves as a stabilizing measure to help bridge the gap between income and housing costs. Tenants remain responsible for the remaining portion of their rent and must meet annual recertification requirements to remain eligible.

Prioritization of applicants is based on Successor Agency funding guidelines, which require an equitable distribution of Housing Asset Funds. Priority for the program is given to households earning 30% of Area Median Income (AMI) or less, with at least 30% of funds reserved for this population. Households earning between 31% and 50% of AMI are eligible as funding allows. No more than 20% of total program funds may be used to assist households earning between 60% and 80% of AMI. This tiered priority structure, outlined in the program's Priority Selection Process, ensures that funds are equitably distributed and that the most vulnerable households are served first.

Eligible participants must reside in Chula Vista, be the primary leaseholder, and demonstrate rent burden or housing instability. Households receiving long-term federal rental assistance are not eligible, though those who previously received COVID-19 rental relief may still qualify. With a total allocation of \$250,000, the City anticipates assisting approximately 40 older adult households in the initial year of the program, depending on duration of enrollment and continued funding availability.

Affordable Housing Production (\$3,000,000)

Affordable housing development is a primary function of the Housing Fund. "Development" is broadly defined to include new construction, substantial rehabilitation, acquisition/rehabilitation, and preservation of existing affordable housing.

HSC Section 34176.1 prescribes income and age requirements for projects assisted through the Housing Fund, as measured by various compliance timeframes, summarized below:

- Over each five-year compliance period (the current period beginning July 1, 2019), at least 30 percent of such development expenditures must assist extremely low-income households (30% of AMI), while no more than 20 percent may assist low-income households (between 60% to 80% of AMI). The balance of the funds may be used on very low-income households (defined as households earning

between 30% and 60% of AMI). The Housing Successor is on track to be in compliance with this requirement during the current five-year compliance period.

- If more than 50% of the total aggregate number of rental units produced by the city, housing authority, or former redevelopment agency during the past 10 years are restricted to seniors, the housing successor may not spend more Housing Asset Funds on senior rental housing.

It is the City's intent to issue a Notice of Funding Availability (NOFA) in 2025 to provide up to \$3,000,000 in FY 25-26 Housing Asset Funds for financing towards a project that meets the Housing Successor expenditure and production requirements. The exact timing of the NOFA will be based on feedback from the developer community and other agencies to maximize the potential for leveraging of other funds.

After the NOFA process is completed, staff will return to this Commission and City Council with a funding recommendation for a specific project.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

There is no current-year fiscal impact to the City's General Fund as all costs associated with the program are covered by Successor Housing Agency Funds. This action will allocate surplus funds from the Successor Housing Agency in the amount of \$300,000 for administration, \$250,000 for a Homelessness Prevention Program, and \$3,000,000 towards affordable housing development as detailed in Table II.

Table II - Housing Asset Funds Commitments FY 25-26

Eligible Activity	Program	Funds
Administration		\$ 300,000
Homeless Prevention Services	Shallow Subsidy Program	\$ 250,000
Affordable Housing Development	TBD through NOFA	\$ 3,000,000
TOTAL Successor Agency FY 2024-25 Budget		\$ 3,550,000

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the Housing and Homelessness Advisory Committee members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.). Staff is not independently aware, and has not been informed by any Housing and Homelessness Advisory Committee member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

Staff Contact: Brian Warwick, Housing Manager

ATTACHMENTS

None