



*CITY OF COSTA MESA
COSTA MESA HOUSING AUTHORITY
CITY OF COSTA MESA SUCCESSOR
AGENCY TO THE REDEVELOPMENT
AGENCY*

MEETING DATE: FEBRUARY 18, 2014 ITEM NUMBER:

SUBJECT: RECOGNIZE AND ALLOCATE HOME PROGRAM INCOME

DATE: FEBRUARY 6, 2014

**FROM: DEVELOPMENT SERVICES DEPARTMENT/HOUSING AND COMMUNITY
DEVELOPMENT**

**PRESENTATION BY: WILLA BOUWENS-KILLEEN, PRINCIPAL PLANNER
SILVIA KENNERSON, MANAGEMENT ANALYST**

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RECOMMENDATION

1. Recognize \$247,050 in HOME program income funds and allocate these funds for HOME Administration and the HOME Single Family Rehabilitation Program.
2. Authorize the City Chief Executive Officer to appropriate any additional HOME program income for FY 2013-2014.
3. Approve Budget Adjustment No. 14-025 in the amount of \$247,050 to increase revenue and appropriate HOME program income fund to Housing and Community Development's operating budget.

BACKGROUND

The City of Costa Mesa is a recipient of HOME Investment Partnerships (HOME) grant funds from the U.S. Department of Housing and Urban Development (HUD). HOME funds may be used to develop, expand or preserve housing that is available to low and moderate-income households. The City has used HOME resources to fund tenant-based rental assistance (TBR), acquire/rehabilitate rental housing, and for owner-occupied housing rehabilitation. Ten percent of HOME funds may be used for program administration. The City is required to commit HOME funds within 24 months from the receipt of funds, and must spend funds within 60 months.

ANALYSIS

In addition to its annual allocation of HOME funds by HUD, HCD also receives income when prior funded housing rehabilitation loans are repaid. Program income may be used for any HOME eligible activity. The City is also allowed to keep up to 10% of program income funds for HOME administration expenditures. Based on Finance Department records, the City has \$247,050 in program income on hand. HUD requires these funds be spent prior to the commitment/expenditure of regular HOME funds. While this income is of great value to the City, as the City spends program income, the commitment of regular HOME funds is delayed. A delay in committing funds can result in the recapture of HOME funds for failing to meet the 24 month commitment deadline.

In recent years, HOME allocations have steadily been reduced. The most significant reduction was in 2012 when the City's grant was reduced over 50%. During this time period, the City's Community Development Block Grant (CDBG) was also reduced and the City's Redevelopment Agency was dissolved by the State. In response, HCD staff was reduced to two full-time management analysts and a part-time consultant.

At the time HCD prepared the FY 2013-2014 Action Plan/Budget, HOME program income was not recognized as revenue. Staff is requesting Council recognize and allocate HOME program income funds. This action is required in order to ensure upcoming HOME program expenditures can be drawn against program income funds as required by HUD. As part of this action, HCD staff is requesting that the Council allocate 10% of program income for HOME administration (\$20,800). These funds would be allocated as follows:

Part-time Intern (20 hours/week) *	\$ 4,800
Consulting Services (Keyser Marston Associates)	\$10,000
Legal Services (Stradling, Yocca, Carlson and Rauth)	\$ 6,000

Of the remaining program income funds (\$226,250), staff recommends the allocation of funds to be used for single-family housing rehabilitation loans and grants.

HOME Single Family Rehabilitation Program	\$226,250
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Due to a shortage in staff and additional duties and responsibilities assumed by both management analysts, HCD is proposing hiring a part-time intern to assist HCD staff to qualify homeowners, community outreach, dissemination of documents, research, etc. for housing rehabilitation loans and grants in order to spend down program income funds. Additional housing financial consulting and legal services are needed to assist staff with housing issues such as the annual financial analysis of completed affordable housing units, and analysis of potential supportive housing programs.

Additionally, staff is requesting Council provide authority to the City Chief Executive Officer to appropriate any additional HOME program income funds for the remainder of FY 2013-2014.

ALTERNATIVES CONSIDERED

Council may choose not to recognize and allocate HOME program income funds; however, if this is the case, the funds will most likely be returned to the U.S. Treasury.

FISCAL IMPACT

The City has \$247,050 in program income from repayment of housing rehabilitation loans to allocate for the HOME Single Family Rehabilitation Program, consulting costs, legal costs, and a part-time intern. The General Fund will not be impacted. The attached budget adjustment will recognize these funds and make them available for program use.

LEGAL IMPACT

There is no adverse legal impact anticipated by the Council's taking the recommended action(s), based upon the documents and information provided to this office.

CONCLUSION

Staff recommends recognition and allocation of HOME program income funds as detailed in this report.

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Attachments: [Attachment A – Budget Adjustment](#)