



## *CITY COUNCIL/HOUSING AUTHORITY AGENDA REPORT*

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MEETING DATE: SEPTEMBER 16, 2014    ITEM NUMBER:

**SUBJECT:**            AMENDMENT FOR HOUSING AUTHORITY BUDGET

**DATE:**              SEPTEMBER 9, 2014

**FROM:**             CHIEF EXECUTIVE OFFICE

**PRESENTATION BY:**                            THOMAS R. HATCH, CHIEF EXECUTIVE OFFICER

**FOR FURTHER INFORMATION CONTACT:**    RICHARD L. FRANCIS, ASSISTANT CHIEF  
EXECUTIVE OFFICER  
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### **RECOMMENDATION:**

Staff recommends that the City Council and Housing Authority approve Budget Adjustment No. 15-008 for FY 14-15 to appropriate the Housing Authority's program income as follows:

1. \$16,000 to fund the remaining balance of a Management Analyst position once HCD funds are exhausted;
2. \$80,000 to fund Community Outreach Workers and part-time Management Analysts for time they allocate to homeless housing placement;
3. \$70,000 for special counsel legal services relating to the four Civic Center Barrio Housing Corporation projects, pending litigation re those projects, and the potential restructure of those four affordable housing projects;
4. \$36,313 for special counsel legal services relating to a potential Supportive Housing project.

### **BACKGROUND:**

On January 17, 2012, pursuant to the California Housing Authorities Law, Health and Safety Code Section (HSC) 34200, *et seq.*, the City Council established the Costa Mesa Housing Authority (Housing Authority). Also on that date, the City Council selected the Housing Authority to be the housing successor and, as of February 1, 2012, to assume the housing assets, duties, functions and obligations of the former Costa Mesa Redevelopment Agency (former Agency). These actions occurred due to the dissolution of the former Agency under Assembly Bill x1 26, the California Supreme Court's decision in *California Redevelopment Association, et al. v. Matosantos*, and Assembly Bill 1484, and other subsequent dissolution legislation (together, "Dissolution Laws") which regulate the administration of successor agencies and housing successors due to the dissolution of all California redevelopment agencies.

Pursuant to Section 34176 HSC, added by AB x1 26 and amended by AB 1484, the State Department of Finance (DOF) issued a decision letter in January 2013 that confirms the Housing Authority holds all affordable housing assets of the former Agency as listed in a housing asset transfer schedule prepared by Costa Mesa and submitted to the DOF on August 1, 2012. All housing assets are now held and administered by the Housing Authority in the Low to Moderate Income Housing Asset Fund (LMIHAF) pursuant to the Dissolution Law, in particular Sections 34176 and 34176.1, as amended most recently by Senate Bill 341, effective on January 1, 2014.

### **ANALYSIS:**

In FY 13-14, the Housing Authority received additional funds of approximately \$292,313, including \$135,717 from various loan repayments of FTHB and SF rehabilitation loans and \$156,596 transferred by the Successor Agency. The \$156,596 deposit equals 20% of \$782,980 (\$626,384 to City General Fund) that was approved by the Department of Finance (DOF) through the 14-15A Recognized Obligation Payment Schedule and allocated from the Redevelopment Property Tax Trust Fund (RPTTF) for the first annual payment on the reinstated City/Agency loan under Section 34191.4. The Dissolution Law mandates that 20% of each annual payment on any reinstated city/agency loan be allocated to the LMIHAF, so, each year additional amounts equal to 20% of the DOF-authorized payment on the City/Agency loan will be deposited into the Housing Authority's LMIHAF.

On May 20, 2014, the City Council approved the Housing Authority's FY 14-15 annual budget that appropriated \$90,000 of the \$292,313 to pay for HCD staffing and other administrative costs of the Housing Authority, as housing successor, authorized by the Dissolution Law. By this agenda item, Staff recommends appropriating the remaining \$202,313 to fund and supplement three (3) items: (i) staff time, (ii) the Rapid Rehousing Program, and (iii) legal fees.

### ***Staff Time***

Under Section 34176.1(a)(1), as amended by SB 341, the Housing Authority, as housing successor, may spend up to \$200,000 for the purpose of monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the former redevelopment agency or the housing successor and for the purpose of administering the housing successor's activities. Housing and Community Development (HCD) grant funds currently cover most of the salary for the Management Analyst that works compliance/monitoring and enforcement and on other housing programs and projects, but a small portion is covered by the City's General Fund. Staff recommends appropriating \$16,000 from the Housing Authority program income to limit the impact to the General Fund, and to earmark the program income for the authorized administrative costs under Section 34176.1.

As the housing successor and pursuant to Section 34176.1(a)(2) the Housing Authority may expend up to \$250,000 per fiscal year "for homeless prevention and rapid rehousing services for individuals and families who are homeless or would be homeless but for this assistance, including the provision of short-term or medium-term rental assistance, housing relocation and stabilization services including housing search, mediation, or outreach to property owners, credit repair, security or utility deposits, utility payments, rental assistance for a final month at a location, moving cost assistance, and case management, or other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless." In this regard, the Housing Authority will assist in paying for the City's Community Outreach Workers

who assertively work toward placing homeless individuals and families into temporary or permanent housing as it becomes available. These part-time staff are addressing the various needs represented by our homeless population on a daily basis. Their case management efforts are augmented by a part-time Management Analyst who provides budget support and maintains the database that City Community Outreach Workers and volunteers from varied community groups utilize to streamline their reporting and recordkeeping processes relative to placement of homeless individuals and families into housing. Staff recommends appropriating up to \$80,000 from the Housing Authority program income to further limit the impact to the General Fund.

### ***Legal Fees***

Stradling Yocca Carlson & Rauth is Costa Mesa's special counsel on various affordable housing matters. In FY 14-15, special counsel legal services will continue to be necessary relating to affordable housing projects and programs and the administration of the LMIHAF, in particular the four Civic Center Barrio Housing Corporation projects and litigation against CCBHC as well as a potential workout and restructuring of those projects, and the proposed Supportive Housing project will require legal services to the Housing Authority. Staff recommends appropriating \$70,000 to Civic Center Barrio and \$36,313 to the Supportive Housing Project to cover legal fees.

### **ALTERNATIVES CONSIDERED:**

City Council/Housing Authority can approve any one budget adjustment itself or any combination of the three budget adjustments proposed.

### **FISCAL REVIEW:**

No new fiscal impact is anticipated because the funds have been allocated to and received by the Housing Authority, as housing successor. If approved, this action would shift \$80,000 in current costs from the General Fund to the Housing Authority budget. The General Fund had absorbed these housing related costs but it is preferable to shift this cost to the Housing Authority budget.

### **LEGAL REVIEW:**

There is no adverse legal impact anticipated by the City Council and Housing Authority.

### **CONCLUSION:**

Staff recommends that the City Council and Housing Authority approve Budget Adjustment No. 15-008 that will appropriate funding for administrative staff time, the Rapid Rehousing Program, and legal fees, as authorized under the Dissolution Law.

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RICHARD L. FRANCIS  
Assistant Chief Executive Officer

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THOMAS R. HATCH  
Chief Executive Officer

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STEPHEN G. DUNIVENT  
Interim Director of Finance

Attachment: 1. [Budget Adjustment No. 15-008](#)