



CITY COUNCIL/HOUSING AUTHORITY AGENDA REPORT

MEETING DATE: June 7, 2016

ITEM NUMBER: CC-7

SUBJECT: HOUSING AUTHORITY BUDGET FOR FY16-17

DATE: APRIL 28, 2016

FROM: DEVELOPMENT SERVICES DEPARTMENT - HOUSING AND
COMMUNITY DEVELOPMENT

PRESENTATION BY: COLLEEN O'DONOGHUE, CPA
ASSISTANT FINANCE DIRECTOR
WILLA BOUWENS-KILLEEN, AICP
ZONING ADMINISTRATOR

**FOR FURTHER
INFORMATION
CONTACT:** COLLEEN O'DONOGHUE, CPA
ASSISTANT FINANCE DIRECTOR
714.754.5219 colleen.o'donoghue@costamesaca.gov

WILLA BOUWENS-KILLEEN, AICP
ZONING ADMINISTRATOR
714.754.5153 willa.bouwens-killeen@costamesaca.gov

RECOMMENDED ACTIONS:

CITY COUNCIL:

Approve the Housing Authority Budget for Housing and Community Development (HCD) expenses for FY16-17 by adoption of attached joint Resolution.

HOUSING AUTHORITY:

Approve the Housing Authority Budget for Housing and Community Development (HCD) expenses for FY16-17 by adoption of attached joint Resolution.

BACKGROUND

On January 17, 2012, pursuant to the California Housing Authorities Law, Health and Safety Code Section 34200, *et seq.* ("HAL"), the City Council established the Costa Mesa Housing Authority (Housing Authority). Also on that date, the City Council selected the Housing Authority to serve as the "housing successor" and to assume the housing assets, duties, functions and obligations of the former Costa Mesa

Redevelopment Agency (“Former Agency”) as of February 1, 2012. These actions occurred due to the dissolution of all California redevelopment agencies by Assembly Bill x1 26, the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Matosantos*, Assembly Bill 1484, Senate Bill 107 and other legislation (together, “Dissolution Law”), which laws set forth the processes and obligations of the “successor agencies” charged with winding down the affairs of the former redevelopment agencies.

Pursuant to Section 34176, added by AB x1 26 and amended by AB 1484 (and other subsequent legislation), 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 schedule prepared by the Housing Authority and submitted to the DOF by 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”) under the Dissolution Law, in particular, Sections 34176 and 34176.1¹, most recently amended by Senate Bill 341 effective January 2014 and Senate Bill 107 effective September 22, 2015.

With limited exceptions, DOF prohibits spending Redevelopment Property Tax Trust Fund (RPTTF) monies on housing related expenditures. And, the DOF has denied funding in the ROPS process of the \$150,000 annual “housing entity administrative cost allowance” under Section 34171(p). Interpretation of this statute is the subject of several lawsuits filed by housing successors against the DOF; albeit, some cases have been decided in favor of the housing successors and others decided in DOF’s favor. Ultimately, eligibility to be paid the housing entity administrative cost allowance will be decided by the appellate courts.

Due to the DOF’s refusal to allow housing costs to be billed to the Successor Agency, staff recommends the continued funding of housing activities from four primary sources: (1) program income from the housing assets; (2) 20% of each annual repayment from the reinstated City/Agency loan approved by DOF; (3) revenues from the James St./W.18th St. Properties (as explained below); and (4) current fund balance.

Certain statutory limitations on expenditures apply to housing successors under Section 34176.1; each fiscal year the Housing Authority’s funding of two categories cannot exceed: (1) \$200,000 for the administrative costs 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 general administration of authorized housing activities, and (2) \$250,000 “for homeless prevention and rapid rehousing services for individual 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 of other appropriate activities for homelessness

¹ The HAL and the Dissolution Law are set forth in the Health and Safety Code (HSC); and, thus, all statutory references in this agenda report are to the HSC unless otherwise specified.

prevention and rapid rehousing of person who have become homeless.” The remaining funds in the LMIHAF must be directed to “development” of affordable housing, as explained in more detail in this report. The term “development” is defined in Section 34176.1 to include various activities: “new construction, acquisition and rehabilitation, substantial rehabilitation ..., acquisition of long-term affordability covenants on multifamily units ..., or the preservation of an assisted housing development ...”

ANALYSIS

Costa Mesa is legally responsible for its housing assets and functions. In FY16-17, the Housing Authority, as housing successor, will receive approximately \$293,725 in restricted revenues of which: (a) \$108,000 will come from program income of the ground lease rent paid by the ground lease tenant, Costa Mesa Family Village; (b) \$4,450 from investment income; (c) \$15,000 from loan repayments such as under the Single Family Rehabilitation and First Time Homebuyer Programs; (d) \$4,000 from the fund balance; and, (e) \$162,275 from the third annual payment on the reinstated City/Agency loan under Section 34191.4 due to the mandate to set aside and deposit into the LMIHAF 20% of the DOF-authorized payment on the City/Agency loan as reported on ROPS 16-17AB for FY16-17. Further, these funds will be used for administration, covenant monitoring, homeless prevention and rapid rehousing efforts.

In addition, the Housing Authority will receive approximately \$275,000 in restricted revenues sourced from the tenants’ rent and operation of the James St./W.18th St. Properties previously operated by the Civic Center Barrio Housing Corporation. The restricted revenue will be used exclusively for Housing Development and Preservation of Affordable Housing.

The proposed Housing Authority revenue budget for FY 16-17 is as follows:

COVENANT MONITORING AND ADMINISTRATION AND HOMELESS PREVENTION/RAPID REHOUSING	
Program Revenues	Amount
Costa Mesa Family Village Ground Lease Payment	\$108,000
Investment Income	4,450
Loan Repayments – FTHB, Single Family Rehab, etc.	15,000
Use of Fund Balance	4,000
RDA Loan Repayment from DOF	<u>162,275</u>
TOTAL REVENUES	\$293,725

HOUSING DEVELOPMENT & PRESERVATION OF AFFORDABLE HOUSING	
Program Revenues	Amount
Rental Income from the James St./W.18 th St. Properties	\$275,000

PROGRAM EXPENDITURES FOR COVENANT MONITORING AND ADMINISTRATION

As previously explained, the Housing Authority, as the housing successor, is limited per fiscal year to \$200,000 for administrative costs and covenant monitoring under Section 34176.1. Federal/HUD and State/HCD grant funds currently cover part of the salary for the Management Analyst who administers compliance, monitoring and enforcement and works on other housing programs and projects. The appropriation of \$25,000 from the Housing Authority program income would allow a portion of the Management Analyst salary, as well as, \$37,000 for legal and consulting services to be allocated to the Housing Authority for monitoring, compliance, and enforcement functions. And, \$6,725 is allocated for the annual Housing Authority audit.

The proposed Housing Authority budget for Covenant Monitoring and Administration for FY 16-17 is as follows:

Covenant Monitoring and Administration					
Program Expenditures	Legal	Consulting	Staff Time	Other	Total
First Time Homebuyer	\$ 9,000	\$ 500	\$ -	\$ -	\$ 9,500
Habitat for Humanity	9,000	500	-	-	9,500
St. John's Manor	500	-	-	-	500
Costa Mesa Family Village	500	500	-	-	1,000
Housing Authority – Management Analyst	-	-	25,000	-	25,000
Housing Authority – General	14,750	1,500	-	-	16,250
Housing Financial Audit	-	-	-	6,725	6,725
Housing Authority/Housing Successor Annual Report	250	-	-	-	250
Sub Total	<u>\$34,000</u>	<u>3,000</u>	<u>25,000</u>	<u>6,725</u>	<u>\$68,725</u>

PROGRAM EXPENDITURES FOR HOMELESS PREVENTION AND RAPID REHOUSING

Section 34176.1 allows a limit of \$250,000 for homeless prevention and rapid rehousing services. The Housing Authority will fund costs for two Community Outreach Workers (one full-time and one part-time) who proactively work toward placing homeless individuals and families into temporary or permanent housing as it becomes available. The case workers are addressing the various needs presented by the community's homeless population on a daily basis. Their case management efforts are augmented

by a part-time intern who provides support and maintains the database that the 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 appropriation of \$180,000 for these workers plus \$45,000 for the Mercy House Emergency Solutions Grant (“ESG”) for a total of \$225,000. These eligible expenditures funded by the Housing Authority will limit the budgetary impact to the City’s General Fund.

The proposed Housing Authority budget for Homeless Prevention and Rapid Rehousing for FY 16-17 is as follows:

Homeless Prevention/Rapid Rehousing					
Program Expenditures	Legal	Consulting	Staff Time	Other	Total
Community Outreach Case Workers (1) FTE and (1) PTE	\$ -	\$ -	\$165,000	\$ -	\$165,000
Part-time Intern	-	-	15,000	-	15,000
Mercy House (ESG Match)	-	-	-	45,000	45,000
Sub Total	\$ -	-	180,000	45,000	\$ 225,000

PROGRAM EXPENDITURES FOR HOUSING DEVELOPMENT AND PRESERVATION OF AFFORDABLE HOUSING

The housing successor laws do not limit the amount of LMIHAF monies for “development” (as defined by statute as noted above), including preservation of affordable housing. During FY 15-16 the City and Housing Authority, through foreclosure proceedings and successful credit bids at trustee sales, acquired a total of 30 units in four affordable housing projects (“James St./W.18th St. Properties”) from Civic Center Barrio Housing Corporation (“CCBHC”). The foreclosures occurred due to the defaults by CCBHC on the contracts, loans documents and 55-year covenants/regulatory agreements between CCBHC and the City or Authority, respectively. Further, the foreclosures were necessary to prevent foreclosure by the first lien lenders, which thereby preserved existing affordable housing that, if not acquired by Costa Mesa, was at-risk of converting to market rate housing. All of the James St./W.18th St. Properties are now vested in fee with the Housing Authority as the entity expressly authorized under the law to own and operate affordable housing. The James St./W.18th St. Properties are being managed by Pro Active Realty Investments, a professional property management company; and, the project revenues (primarily tenants’ rent) are being expended for ongoing repair, capital improvements, housing quality inspections, tenants’ income certifications, property taxes, utilities and property management. In FY 16-17, \$275,000 was budgeted for the overall operations of the thirty (30) units in the four affordable housing projects (James St./W.18th St. Properties.)

The proposed Housing Authority budget for Housing Development and Preservation of Affordable Housing for FY 16-17 is as follows:

HOUSING DEVELOPMENT & PRESERVATION OF AFFORDABLE HOUSING					
Program Expenditures	Legal	Consulting	Staff Time	Other	Total
James/18 th Properties	\$35,000	\$ -	\$ -	\$ -	\$ 35,000
James/18 th Properties Property Tax	-	-	-	10,000	10,000
James/18 th Properties Utilities	-	-	-	30,000	30,000
James/18 th Properties Property Management	-	-	-	25,000	25,000
James/18 th Properties Maintenance	-	-	-	50,000	50,000
James/18 th Properties Capital Improvement	-	-	-	<u>125,000</u>	<u>125,000</u>
Total Expenditures	<u>\$35,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>	<u>\$ 275,000</u>

FISCAL IMPACT

There will be no fiscal impact to the City because funds are anticipated to be received exclusively from housing assets' program income, Costa Mesa Family Village ground lease payment, 20% set-aside of the annual City/Agency loan repayment, rental income from the James St./W.18th Street Properties and funds on account. For FY16-17, staff has estimated that the Housing Authority will receive \$568,725 in restricted revenue and incur \$568,725 in program expenditures. A recap of the Housing Authority's revenues and expenditures by programs are as follows:

Revenues:	
Covenant Monitoring, Administration, Homeless Prevention/Rapid Rehousing	\$293,725
Housing Development & Preservation of Affordable Housing	275,000
TOTAL REVENUES	\$568,725
Expenditures:	
Covenant Monitoring, Administration, Homeless Prevention/Rapid Rehousing	\$293,725
Housing Development & Preservation of Affordable Housing	275,000
TOTAL EXPENDITURES	\$568,725
NET FISCAL IMPACT	\$ 0

LEGAL IMPACT

There is no adverse legal impact anticipated by the City Council and Housing Authority actions approving the FY 16-17 annual budget.

CONCLUSION

Staff recommends the Council and Housing Authority adopt the attached joint Resolution approving a budget of \$568,725 for the Housing Authority for FY16-17 for use by HCD for administration, monitoring, compliance, and enforcement (by staff, consultants, and counsel), for homeless prevention and rapid rehousing efforts, and for the continued operation and preservation and development of affordable housing of the James St./W.18th St. Properties.

GARY ARMSTRONG, AICP
Economic & Development Services
Director/Deputy CEO

WILLA BOUWENS-KILLEEN, AICP
Zoning Administrator

COLLEEN O'DONOGHUE, CPA
Assistant Finance Director

Attachment "A": [Joint City Council/Housing Authority Resolution](#)