



CITY COUNCIL/HOUSING AUTHORITY AGENDA REPORT

MEETING DATE: June 21, 2016

ITEM NUMBER: CC-9

SUBJECT: FY 15-16 HOUSING AUTHORITY BUDGET AMENDMENT

DATE: JUNE 6, 2016

FROM: FINANCE DEPARTMENT

PRESENTATION BY: COLLEEN O'DONOGHUE, CPA
ASSISTANT FINANCE DIRECTOR

**FOR FURTHER
INFORMATION
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RECOMMENDED ACTION:

CITY COUNCIL and HOUSING AUTHORITY:

Adopt Joint Resolution of City Council and Housing Authority relating to FY 15-16 Housing Authority Budget Amendment for the Housing and Community Development Department (HCD) relating to revenues and expenses for the James St./W.18th St. Properties.

BACKGROUND

On June 2, 2015 the City Council and Housing Authority approved the Housing Authority budget for Fiscal Year 2015-16. The Housing Authority budget was comprised of \$95,500 for Housing Administration and \$71,158 for Homeless Prevention/Rapid Rehousing for a total budget of \$166,658. The Housing Authority operations were to be funded exclusively from 20% of the Department of Finance (DOF) reinstated City/Agency loan under Section 34191.4 and from the ground lease rent paid by Costa Mesa Family Village, residual receipts payments on certain affordable housing project loans, and other program income.

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 repairs, capital improvements, unit inspections required by federal regulations, tenants' income certifications, property taxes, utilities, appraisals for financial statement disclosure purposes and property management fees and related property management and operations.

ANALYSIS

At the time the original Housing Authority FY 15-16 budget was approved on June 2, 2015, the Housing Authority had not yet acquired the James St./W.18th St. Properties, so the expenses were not appropriated for, nor revenues budgeted; however, all 30 units were acquired during current FY 15-16 so the revenues and expenses should be accounted for in the FY 15-16 budget, which is the requested action here. Staff anticipates that for FY 15-16 ending June 30, 2016, the total revenues from the James St./W.18th St. Properties will be approximately \$175,000. And, staff anticipates \$100,000 in expenses will have been, and will be, expended by June 30 that are directly related to these properties.

The Housing Authority, as housing successor under the Dissolution Law (Parts 1.8 and 1.85, Division 24, Health and Safety Code, in particular sections 34176, 34176.1) manages all housing assets and maintains the accounts of the Low to Moderate Income Housing Asset Fund ("LMIHAF"). In addition to the annual expenses for administration and the prevention of homelessness and rapid rehousing program, all monies in the LMIHAF are required to be directed to "development" of affordable housing. The term "development" is defined in Section 34176.1 to include various activities, including: "new construction, acquisition and rehabilitation, substantial rehabilitation ..., acquisition of long-term affordability covenants on multifamily units ..., or the preservation of an assisted housing development ...". The Housing Authority's actions to foreclose, acquire and to continue operation of the James St./W.18th St. Properties have occurred in preservation of, and will continue to preserve, this affordable housing that was previously assisted by the City and former Redevelopment Agency (now the Housing Authority as housing successor.)

FISCAL IMPACT

There will be no fiscal impact to the City's General Fund relating to this FY 15-16 Housing Authority Budget Amendment because the Housing Authority's revenues generated by the James St./W.18th Street Properties will fund 100% of the expenses. For FY 15-16, staff estimates the Housing Authority will receive \$175,000 in revenues and incur \$100,000 in expenses for these properties. Residual or other income, if any, generated by the James St./W.18th Street Properties will be reserved for future expenses. A recap of the Housing Authority's revenues and expenditures by programs are as follows:

Revenues:	
Covenant Monitoring, Administration, Homeless Prevention/Rapid Rehousing	\$166,658
Housing Development & Preservation of Low Income Housing	175,000
TOTAL REVENUES	\$341,658
Expenditures:	
Covenant Monitoring, Administration, Homeless Prevention/Rapid Rehousing	\$166,658
Housing Development & Preservation of Low Income Housing	100,000
TOTAL EXPENDITURES	\$266,658
RESIDUAL	\$ 75,000

LEGAL IMPACT

There is no adverse legal impact anticipated by the City Council and Housing Authority actions approving the FY 15-16 Housing Authority Budget Amendment.

CONCLUSION

Staff recommends the Council and Housing Authority adopt the attached joint Resolution approving the FY 15-16 Housing Authority Budget Amendment of \$175,000 revenues and \$100,000 of expenses, all relating to the James St./W.18th St. Properties during the period the Housing Authority continues its ownership, operation, and preservation of this affordable housing project.

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Attachments:
[Attachment "A" Joint City Council/Housing Authority Resolution](#)
[Attachment "B" Housing Authority Budgeted Expenditures for FY 15-16](#)