City of Culver City, California
Agenda Item Report

Meeting Date: 09/22/14	Item Number: J-1
JOINT CITY COUNCIL/CULVER CITY HOUSING AUTHORITY AGENDA ITEM: (1) Discussion of the Projected Funding Shortfall for Housing Programs Provided by the City and (2) Provide Direction to the City Manager/Executive Director as Deemed Appropriate.	
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Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: _______________
Public Notification E-mail, Agenda and Meetings – City Council, and Housing Authority (09/17/14)	
Department / Assistant Director Approval: Sol Blumenfeld (09/17/14)	City Attorney/Authority General Counsel Approval: Carol Schwab (by H. Baker) (09/17/14) Authority Special Counsel Approval: Deborah Rhoads (09/17/14)
Chief Financial Officer Approval: Jeff Muir (09/17/14)	City Manager/Executive Director Approval: John M. Nachbar (09/17/14)

RECOMMENDATION:

Staff recommends the City Council and the Culver City Housing Authority (Authority) Board consider the anticipated funding shortfall for Housing Program provided by the City and/or the Authority and provide direction to the City Manager/Executive Director as deemed appropriate.

BACKGROUND:

At the May 19, 2014 budget meeting, the City Council/Authority Board requested that staff provide a report on the Housing Programs affected by the State's elimination of redevelopment agencies.

The Housing Division was historically funded primarily with tax increment deposited into the former Culver City Redevelopment Agency (former CCRA) Low and Moderate Income Housing Fund (Housing Set Aside Funds). With the elimination of the former CCRA, that funding source has been lost.

The City and Authority perform the housing functions previously performed by the former CCRA and administers the Low Moderate Income Housing Asset Fund (LMIHAF) which includes all funds generated from real and personal property, rental proceeds, loan receivables, and amounts owed the former CCRA's Housing Set Aside Fund.[1] The LMIHAF constitutes the only remaining source of funds to continue affordable housing activities. It is projected that the current fund balance will be exhausted by June 30, 2016.[2]

The Housing Division provides housing services to those of extremely low, very low, and low-income. Without access to the City's housing programs, 54 households may be displaced from their current housing. Additionally, several hundred homeless persons would no longer have access to homeless services provided by the City and the production of new affordable housing units as outlined in the City's Comprehensive Housing Strategy (CHS) could no longer be pursued due to lack of available funds. As is common in many cities, there exists waiting lists for housing-related programs. In the event housing services are reduced or eliminated, those currently on waiting lists for housing services could not be accommodated.[3]

The programs the Division administers include[4]:

- Homeless Outreach
- Homeless Rental Assistance
- Affordable Housing Covenant Monitoring (Tilden Terrace, Culver Villas)
- Mobile Home Park and Mortgage Assistance Program (MAP) Monitoring and Loan Repayment
- Affordable Real Property Management (Jackson Avenue Apartments)
- Staff support to the Committee on Homelessness
- Staff support to the Landlord Tenant Mediation Board
- Fair Housing Referrals
- Section 8 Rental Assistance (federally funded)

DISCUSSION:

There are few funding options currently available to provide housing programs. The City's Section 8 program provides rental subsidies, with federal funds, to 91 property owners subsidizing 252 units. All other programs are administered with proceeds from the LMIHAF. The Housing Division's annual budget currently is $1,481,159 which includes $490,390 for administration and $990,769 for programs. In addition to the $1,481,159, the Section 8 Housing Fund budget for Fiscal Year 2014/2015 is $1.9 million, approximately $200,000 of which can be used for administrative purposes.

As part of its review, staff made an initial evaluation of revenue sources available through the Federal Government and the State of California.

Federal Government Revenue Sources

In Fiscal Year 2014/2015, the City has budgeted $1.9 million in available resources in the Section 8 Housing Fund, with an actual annual revenue of $1.8 million collected in Fiscal Year 2013/2014.

State of California Revenue Sources

Assembly Bill 471

On February 20, 2014, AB 471 was adopted which allocates to housing authorities that are acting as housing successors a "housing entity administrative cost allowance" in an amount up to 1% of the amount allocated to the Successor Agency's Redevelopment Obligation Retirement Fund (RORF) for the applicable fiscal year but not less than $150,000 per fiscal year. The Housing Division (through the Authority) would be eligible to receive this allowance for up to five years and could potentially receive $150,000 - $300,000 per year in revenues However, the State Department of Finance (DOF) is disallowing payment of the administrative cost allowance across the board, arguing that these funds were intended for distribution to county housing authorities only.

Successor Agency – ROPS

Prior to dissolution, the former CCRA owed the LMIAHF approximately $13 million in loans that were used to pay prior State takeaways (Educational Revenue Augmentation Fund – ERAF and Supplemental Educational Revenue Augmentation Fund - SERAF property tax shifts). While the State Department of Finance (DOF) recognizes these debts as enforceable obligations owed to the Housing Authority, AB 1484 instituted a very complex formula that makes it unlikely that repayment can occur any time in the short run, if ever. Without legislative assistance in how the repayment formula is applied, this is not a revenue source that can be counted on.

Also, prior to dissolution, the former CCRA owed approximately $36 million to the LMIAHF for deferred deposits dating back to the 1980's and 1990's. While staff continues to carry this item on the ROPS as an outstanding obligation, our current understanding is that DOF may not recognize this as an enforceable obligation. This matter has not been tested as no request for RPTTF for this item has been made to date, and the repayment of the ERAF/SERAF loans are senior obligations. Any payback that may be possible of this item is also subject to the same repayment formula stipulated in AB 1484, and therefore this is considered an unlikely revenue source.

Project Based Grant Funding

The State Department of Housing and Community Development (HCD) provides one-time project grants on a competitive basis but those funds may not be used to support on-going administrative costs or Housing Division programs that are not project-specific.

Multifamily Housing Program (MHP)

$100 million was approved in the current State budget for the Multifamily Housing Program (MHP), with half designated for supportive homes. This would be the first State General Fund allocation for MHP and MHP-Supportive Housing in more than a decade. This Program would provide competitive grants for the new construction or rehabilitation of housing for low and moderate income households. To be awarded the grants, a specific project must be designated. Funds from this grant could support the completion of projects outlined in the CHS.

Local Housing Trust Fund (Matching Grant) Program (LHTF) – FY2014

The grant awards under LHTF range from $500,000 to $2 million. A total of $8.1 million is available statewide beginning May 21, 2014. These are competitive grants evaluated on a first-come, first-serve basis.

The grant is intended to help finance local housing trust funds dedicated to the creation or preservation of affordable multifamily rental and ownership housing and emergency shelters. As a matching grant, applicants must provide at least a one-to-one match of the award amount via cash. Matching funds must be provided from sources other than local impact fees. At least 30 percent of total program and matching funds must be expended on projects that are restricted to extremely low-income households. No more than 20 percent of overall funding may go toward projects for moderate-income households.

Local Revenue Options

In addition to the above, staff has also reviewed the options available to increase local sources of revenue. Such sources include the City's General Fund. Also, through its research, staff has become aware of a Housing Impact Fee (also known as a Linkage Fee).

Linkage Fee

Culver City has experienced a significant expansion of commercial development over the last five years, which may have increased the number of employed persons who may qualify for assistance under the City's current housing programs. A Linkage Fee can be used to mitigate the increased demand for such programs. There are currently 26 California cities that have enacted commercial development Linkage Fees[6] and several more throughout the country, including Boston and Seattle.

General Linkage Fee Requirements

1. A fee that is uniformly applied to all new commercial development. The majority of Linkage Fee programs are assessed per square foot.

2. A nexus study that clearly demonstrates the relationship between increased commercial development, affordable housing demand, and the assessed fee to fund the affordable housing supply.

3. Funds may be used for the construction of affordable units, affordable housing programs such as rental assistance and related administration of such programs.

A nexus study is required to establish the need for the Linkage Fee and the precise method of allocating it. The following table illustrates the amount of revenue generated by a fee equivalent to one percent of exiting permit fees.

Size	Project Description (New Const.)	Valuation	Square Footage	Permit Fees	1%
Large	Three story mixed-use.	$5,620,000	98,000	$384,186	$3,842
Large	One story retail building	$1,365,000	13,500	$10,694	$169
Med	One story comm. Building	$15,000	65	$745	$7
Small	Concrete slab commercial lot	$5,000	50	$718	$7

For example, as an illustration, a 1% fee applied to ALL building, plumbing, and electrical permit fees collected in Fiscal Year 2013/2014 would yield $25,800.

Chief Financial Officer Comments: The City Council and staff have spent considerable effort over the last several years to ensure the long-term financial viability of the City, particularly the General Fund. The voters of Culver City greatly assisted these efforts with the approval of Measure Y, which provided just over $8 million for Fiscal Year 2013/2014. The cost of providing current City services will rise significantly in the coming years, particularly due to rising pension costs. Even though the financial results of the most current fiscal year have been positive, the current General Fund Financial Forecast (from the Fiscal Year 2014/2015 budget) projects a slight deficit in the final year. Given nothing has significantly changed these expectations, it does not seem advisable to add what would essentially be a new program to the General Fund, without a recommendation for corresponding cost reductions elsewhere or on-going revenues that will cover the costs with some level of certainty. Additionally, the nature of the majority of General Fund programs (public safety, infrastructure and facility maintenance/ improvement, provision of parks and recreational facilities, etc.) is to provide a general benefit available to the public. Additional user driven programs (facility rentals, permits, classes, etc.) normally carry a fee to the specific user. A direct monetary subsidy to specific individuals does not seem aligned with these concepts. Redevelopment funds always had a finite lifecycle, and therefore the rental subsidy program was never intended to continue into perpetuity. It is also necessary to differentiate between the continuation of the subsidy program versus the long-term need to create permanent affordable housing units. If the linkage fee is pursued, it is also important to keep in mind the cycles of development that occur, which could cause significant year-to-year variations in the amount generated.

Finance Advisory Committee (FAC) Comments: The City Council directed the FAC to examine the Rental Assistance Program and the Homeless Outreach and Referral program, and to come back with a recommendation regarding City funding for these programs. A subcommittee of three members was formed, and at their meeting of November 13, 2013, their findings were discussed and the FAC made two recommendations. The FAC determined that it does not make financial sense for the General Fund to support the Rental Assistance Program. The FAC supported the continuation of the Homeless Outreach and Referral services contract with St. Joseph Center, recommending the exploration of alternative funding sources, with General Fund support if nothing can be identified.

City Manager's/Executive Director's Comments: Given the current financial projections which indicate existing funding for most housing programs will be exhausted by June 30, 2015 (Section 8 Funds would remain), staff is presenting this item to the City Council and Housing Authority Board at this time as an opportunity for the City Council/Authority Board to discuss this important policy issue. It is not the intent of this report to be fully illustrative of all of the options available to the City/Authority in the case the City Council/Authority Board determine to continue providing all or some of the existing housing programs in the future.

As part of its discussions, should the City Council/Authority Board so desire, they may provide me with direction to further evaluate the options available to the City and Housing Authority, which would include more detailed analysis on the application of existing Federal and State funds and a prioritization of programming using such existing funding. Should the City Council/Authority Board have interest in specific consideration of local sources (whether existing or new) of funding for housing programs, I would respectfully request such direction, including if the City Council would support the use of existing City General Funds, whether in whole or in part, for housing programs. Should that be an area of interest to the City Council/Authority Board, the impacts of the allocation of existing General Funds to housing programs on other existing City programs and the overall financial forecast along with the process of implementing any new revenue sources would be analyzed in detail, including any applicable legal issues.

FISCAL ANALYSIS:

Given current projects, existing funding for most of the City's housing programs would be exhausted at the end of Fiscal Year 2014/2015. As part of the budget process for Fiscal Year 201452016 (which will begin in January, 2015), unless alternative resources are identified, most of the existing housing programs will not have sufficient funding to continue. While it is possible the Federal or State governments may make new funding sources available in the coming year, such action is considered unlikely.

ATTACHMENTS

1. Housing Division Budget
2. Survey of Housing/Job Linkage Fee Cities

MOTION:

That the City Council and Housing Authority Board:

Discuss the projected funding shortfall for Housing Programs provided by the City/Housing Authority and provide direction to the City Manager/Executive Director as deemed appropriate.

NOTES AND SUPPLEMENTAL INFORMATION:

1. Included in the receivables is a statutory obligation to repay Housing Set Aside Funds that were deferred or were borrowed to make the RDA's Education Revenue Augmentation Fund (ERAF) payments. The LMIHAF is owed approximately $47 million in repayment of loans from the RDA's Housing Set Aside Funds from 2004-2010 (2004-$25,848, 2005-$1.1 million, 2006-$995,000, 2010-$10.9 million) and deferment of deposits to the Housing Set Aside Fund from 1986-1995 (a total of $33.9 million). Although the LMIHAF is owed a significant sum of money, the ERAF/Deferral repayment is not guaranteed to occur within the next 5 years, since AB 1484 imposes a repayment formula that will severely limit annual payments.

2. In FY 2013/2014 only $2.7 million remained in the LMIHAF. If the HA continues to expend funds at its current rate of $1.2 million per year, the remaining balance of the LMIHAF will be expended by the end of FY 2014/2015. Currently the HA receives approximately $50,000 per year in revenue from rental proceeds generated from real property located at 4031 Jackson Avenue and Mortgage Assistance Program (MAP) loan repayments. Unless supplementary funding and cost savings measures are instituted, the HA will exhaust all funds held within the next 2 years and all but the Section 8 housing voucher program (which is operated with federal funds) will be terminated. As a consequence of the elimination of tax increment funding, the Housing Division has eliminated eight positions, reduced operations by over 60% and cannot be cut further and still administer its core programs. Enactment of Senate Bill (SB) 341 (DeSaulnier) will further exacerbate the Housing Division's funding challenges. The bill imposes restrictive criteria for expenditures of monies from the LMIHAF, including limitations on funding of administrative costs, as well as specified procedures for how such funds are expended and reported.

3. There are 1,023 applicants on the Rental Assistance Program (RAP) Waiting List, 531 applicants on the Section 8 Waiting List, 1,436 applicants on the Culver Villas Waiting List and 1,236 applicants on the Tilden Terrace Waiting List. This totals to 4,559 homeless and low and moderate income individuals and families who will not be served in need of affordable housing. The RAP program provides rental assistance where the household spends no more than 30% of their adjusted income towards the rent. The average subsidy is $948 per month per household and approximately $11,000 per year per household. The majority of RAP participants are elderly or disabled living on a fixed income of social security or social security disability. Of the 57 RAP participants, 44 are elderly or disabled. All 57 participants are unable to afford the full rental payment on their own and risk eviction and/or homelessness with the removal of the RAP rental subsidy. To note, the RAP program was designed to assist our community's low income residents.

Culver City residency was a required eligibility criteria to participate in the RAP Program. All RAP participants are Culver City residents prior to program admission.

RAP Demographic Profile:

Total Participants	Elderly	Disabled	Elderly/Disabled	Children	Formerly Homeless
54	21	23	9	18	26

RAP Income Profile**:**

Income Level	Extremely-Low	Very-Low	Low	Moderate
	41	8	5	0

4. The Housing Division currently administers:

- **Homeless Outreach (HO)** – Through a three year contract with Saint Joseph Center (SJC), HO provides four days of homeless outreach per week, referral services to supportive services, 70 nights of emergency hotel/motel vouchers stay and bus tokens to address homelessness in the community. HA is budgeted at $123,441 with $4,750 earmarked for emergency hotel/motel vouchers ($4,500) and bus tokens ($250) and $8,750 in staffing costs for a total program cost of $132,191.

- **Rental Assistance Program (RAP)** – Rental subsidy payments assist 54 extremely-low, very-low and low-income households and supplement the Section 8 program, allowing the City to provide additional assistance to qualified Section 8 families. The RAP program is budgeted at $648,290 to assist 57 households with $34,200 in staffing costs for a total program cost of $682,490.

- **Landlord Tenant Mediation Board (LTMB)** – Staff support and coordination of mediation requests due to rent increases. The cost to administer the LTMB includes $1,580 for stipends and supplies and $8,750 in staffing cost for a total program cost of $10,330.

- **Homeless Rental Assistance Program (HRAP)** – Created in FY 2013/2014 to support families transitioning from Upward Bound House (UBH) Emergency Family Shelter after the completion of their 90-120 day emergency shelter stay. The HRAP program has an approved budget of $150,000. Staff cost to administer the program is $34,200. There are currently 4 former homeless families assisted under the HRAP.

- **Committee on Homelessness** – Staff support and coordination of the City's Long and Short Term Goals to Address Homelessness adopted in July 24, 2004 including coordination of Homeless Court, liaison to the Los Angeles Homeless Services Authority (LAHSA) and Westside Coalition of Hunger and Homelessness. The only cost associated with the administration of the Committee on Homelessness is staff of $17,500.

- **Fair Housing** –Provides referral to the Housing Rights Center (HRC) to address tenant rights and discrimination and staff costs of $9,000.

- **Covenant Monitoring** – Enforcement of income and rent restriction covenants of 469 affordable housing units created with the use of the former LMIHF. These units include five group homes for persons with developmental disabilities, 190 senior housing units 23 assisted living units for seniors and 77 affordable multi-family units including the recently completed Tilden Terrace and Culver Villas (4033 Irving) projects. The staff expense to conduct monitoring of covenanted units is $22,800

- **Covenant Monitoring/Culver Terrace Mobile Home Park** - Enforcement of covenant restriction for 81 mobile home units and approval of transfer of ownership to income eligible buyers. The staff cost is $5,700.

- **Covenant Monitoring/MAP Loan Repayment** – Enforcement of 70 covenant restricted units through the MAP program which equity sharing and monitoring loan repayment. The staff cost is $5,700.

- **Real Property Management –** Management of the nine unit Jackson Avenue property through a contract with Harris Property Management and overseeing the lease agreement with Homeownership Made Easy (HOME) for HA real property located on Lafayette Avenue/Braddock Drive which is utilized as a group home for persons with developmental disabilities. The rents collected from the Jackson property covers the administrative expense of the property management of $30,000.

- **Annual Single Audit** – Coordination with Finance Department to provide requested audit information and assurance to comply with all governing regulations. The staff cost to support the task associated with an annual audit is $8,750.

- **Development of Globe Site** –Coordination of land disposition for construction of 10 affordable ownership townhomes. The staff cost associated with the development of the Globe site is $72,000.

- **Section 8 Program -** The Section 8 Rental Assistance Program is a Federal program and is not impacted by the termination of redevelopment agencies. The HA receives approximately $1.8 million annually in Section 8 funding, which can only be used for Section 8 related purposes. Approximately $200,000 is earmarked administration and the balance supports rental subsidy payments paid directly to property owners.

- **Comprehensive Housing Strategy (CHS) –** Years 1-2 of the CHS were approved by Council in March 2008. To date, 44 (Tilden Terrace and Culver Villas) new affordable housing units have been introduced into the City's housing stock. The CHS programs 7 years of new affordable housing production to enhance the City affordable housing stock. If allowed to move forward, 260 additional units are investigated for production.

3. Because any Linkage Fee would be "a fee imposed as a condition of property development," it would be exempt from the voter approval requirement of Proposition 26 (Cal. Con., Art. XIIIC, Sec. 1, Subdiv.(e)).

4. Keyser Marston and Associates, City of West Hollywood Study.