

**City of Culver City, California
Agenda Item Report**

Meeting Date: <u>01/09/12</u>		Item Number: <u>A-X</u>	
CITY COUNCIL AGENDA ITEM: Adoption of (1) a Resolution Activating the Culver City Housing Authority and Approving a Cooperation Agreement with the Culver City Housing Authority and (2) a Resolution Designating the Culver City Housing Authority to Receive the Transfer of all Housing Assets, Rights, Powers, Duties, Obligations, Liabilities and Functions Previously Performed by the Culver City Redevelopment Agency.			
Contact Person/Dept.: Tevis Barnes/CDD		Phone Number: (310) 253-5782	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Public Notification: Agendas and Meetings – City Council (01/06/12)			
Department Approval: Sol Blumenfeld: (01/06/12)		City Attorney Approval: Carol Schwab (by H. Baker) (01/06/12)	
Fiscal Impact Approval: Jeff Muir (by M. Noller) (01/06/12)		City Manager/Executive Director Approval: John Nachbar (01/06/12)	
<u>RECOMMENDATION:</u> Staff recommends that the City Council: 1) Adopt a Resolution activating the Culver City Housing Authority in accordance with the California Housing Authorities Law and making certain determinations and findings related thereto and approving a Cooperation Agreement with the Culver City Housing Authority; and 2) Adopt a Resolution designating the Culver City Housing Authority to receive the transfer of all housing assets, rights, powers, duties, obligations, liabilities and functions previously performed by the Culver City Redevelopment Agency. <u>BACKGROUND:</u> On December 29, 2011, the California Supreme Court issued its final opinion in the redevelopment-related litigation action, California Redevelopment Association et al. v. Ana Matosantas et al. (“CRA Litigation”). Specifically, the Court upheld as constitutional Assembly Bill 1X 26 (“AB 26”), the legislation that freezes redevelopment activities and dissolves community redevelopment agencies throughout the State, and struck down as unconstitutional Assembly Bill 1X 27 (“AB 27”), the legislation that would have allowed cities and counties to continue to operate their redevelopment agencies by voluntarily making continuation payments to the State, counties, school districts and other local government bodies. The Court found that AB 26 was a proper exercise of the legislative power vested in the Legislature by the California Constitution but found that AB 27 violated Proposition 22 (specifically, Cal. Const. Art. XIII, § 25.5, subd. (a)(7)). This result, unfortunately,			

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was the worst potential outcome of the CRA Litigation for redevelopment and local agencies.

The Court's decision to uphold AB 26 and strike down AB 27 will eliminate, upon the effectiveness of AB 26, the authority that local governments have had for 60 years of utilizing property tax increment revenues and exercising governmental powers provided in the California Community Redevelopment Law to address blighting conditions, facilitate economic revitalization and expand affordable housing within their communities. Under this ruling, and when AB 26 is effective, redevelopment agencies will be dissolved and successor agencies and oversight boards will oversee the winding down of each agency's affairs and the liquidation of each agency's non-housing assets for distribution to counties, school districts and other local public agencies.

Under AB 26, the city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by its redevelopment agency or may select the city's housing authority to hold those assets and perform housing functions. If the City of Culver City does not elect to retain the housing assets and functions previously performed by the Culver City Redevelopment Agency (the "Agency"), and if there is no City housing authority, those assets and functions would be transferred to the Los Angeles County Housing Authority.

To assure that Culver City's housing assets and functions remain under local control, staff recommends that the City Council activate the Culver City Housing Authority and designate the Housing Authority as the entity that will receive the housing assets and perform the housing functions of the Agency, subject to an express reservation of rights, as applicable. Staff further recommends that, upon its formation, the Housing Authority accept the transfer of the Agency's housing assets to the Housing Authority as authorized under AB 26. This will provide the City, through the Culver City Housing Authority, with the legal authority to continue monitoring ongoing rent and income compliance at affordable housing developments and partner with developers to construct and operate affordable housing in Culver City. If the City Council approves the activation of the Culver City Housing Authority, the Housing Authority should convene its noticed meeting to consider acceptance of the transfer of the Agency's assets and functions.

DISCUSSION:

California Health and Safety Code (H&SC) Section 34240, et seq ("Housing Authorities Law"), stipulates that every county and city in California has a dormant public body identified as a housing authority. A county or city may, by resolution, declare that there is a need for that housing authority to function to ensure the provision of safe and sanitary housing for persons of low income. In light of the California Supreme Court's ruling upholding AB 26 and invalidating AB 27, it is in the

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City's best interest to declare the need for and establish the Culver City Housing Authority to help assure the protection and use of housing funds for the residents of Culver City.

In order to establish a housing authority, the City must find that either unsanitary or unsafe dwelling units exist within the City or that there is a shortage of safe or sanitary dwellings for persons of low income at affordable rents within the City. The unmet demand for affordable safe and sanitary housing units is exemplified by the City's experience with two programs currently administered by the City's Housing Division.

The Section 8 Housing Choice Voucher Program: There are currently 762 applicants actively waiting for rental assistance through the Section 8 Housing Choice Voucher Program. Some applicants have been on the list since 1998, a waiting period of fourteen (14) years. Once an applicant receives a Section 8 voucher they are given 90 days to locate a unit in Culver City. Due to lack of available affordable decent, safe and sanitary units, many voucher holders exhaust the 90-day time period and are forced to seek units outside of Culver City. These forced relocations can result in the loss of jobs and the removal of children from their schools.

Rental Assistance Program (RAP): This program assists extremely-low and up to moderate-income households to subsidize their housing through the Rental Assistance Program. There are currently 1,062 applicants waiting to receive rental assistance. Some applicants have been on this waiting list since 1990, a waiting period of twelve (12) years. The average search time for voucher holders to locate and lease a unit on this program ranges from 60 days to 90 days.

Low income families, aging population and special needs groups have greater difficulty in finding decent, affordable housing based on their special circumstances. According to the 2008-2014 Culver City Housing Element, the rental vacancy rate in Culver City is 2.1%. Based on the low vacancy rate and the limited number of affordable rental units available, this shortage of affordable units makes it extremely difficult for Section 8 and RAP families to utilize their vouchers for rental assistance in the City.

An additional cause of the shortage of affordable, decent, safe and sanitary housing units is the lack of housing production. Culver City has not increased the supply of low and moderate income affordable housing units for low income, special needs and homeless families in more than 10 years. With the recent approval of the Irving, Tilden Terrace and Globe housing projects, Culver City will produce affordable housing units for the first time in over ten years.

The establishment of the Culver City Housing Authority will enable the Authority to continue the housing functions previously performed by the Culver City

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Redevelopment Agency and will allow the transfer of those housing functions and assets under AB 26.

Housing Authorities Law authorizes the City Council to appoint itself as the commissioners of the Housing Authority. The first chairperson of the Housing Authority is appointed by the Mayor and successor chairpersons are selected by the commissioners. If the Housing Authority chooses to own or operate housing projects, then within one year after taking title to the property, the commissioners must appoint two tenants of those projects to serve as additional commissioners, at least one of which shall be at least 62 years of age, if there are tenants of that age. The terms of Housing Authority Commissioners shall range from one to four years and may be coterminous with the City Council terms. Commissioners may receive limited per diem payments and travel expenses only.

To assure proper operations, the newly formed Housing Authority must also formally adopt a name, the Culver City Housing Authority; designate the initial permanent chairperson, vice chairperson, and officers of the Housing Authority; establish the commissioners' terms of office and succession; adopt rules for procedure, personnel rules and regulations, and a conflict of interest code; and provide for the time and place to hold regular meetings.

Upon its formation, the Culver City Housing Authority would then be able to approve and accept the transfer of the housing assets and functions of the Culver City Redevelopment Agency.

FISCAL ANALYSIS:

The Culver City Housing Division receives approximately \$1.9 million from the US Department of Housing and Urban Development (HUD) for the rental subsidies and administration of the Section 8 Housing Choice Voucher Program. As of June 30, 2011, the cash balance of Housing Set Aside funds held by the Agency was approximately \$3 million. Additionally, the Housing Fund is currently owed approximately \$45.4 million by the Redevelopment Agency to repay ERAF/SERAF payments (\$10.5 million payable by June 2015) and repayment of housing set aside funds that were deferred between 1985 and 1996 (\$34.9 million to be repaid in future years). These amounts are enforceable obligations of the Agency and will be repaid to the Housing Authority by the Successor Agency per the enforceable obligations payment schedule. Upon approval of the City Council, the cash and assets held by the low moderate income housing fund (fund 554) will transfer to the Culver City Housing Authority.

The costs associated with the administration of the Culver City Housing Authority is estimated at \$1,316,500. Should the City Council activate the Housing Authority, the Authority accept the transfer of assets, and the Redevelopment Agency be dissolved

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effective February 1, 2012, then staff will prepare a budget for consideration by the Housing Authority Board.

ATTACHMENTS:

1. Proposed Resolution activating the Culver City Housing Authority in accordance with the California Housing Authorities Law and making certain determinations and findings related thereto and approving a Cooperation Agreement with the Culver City Housing Authority.
2. Proposed Resolution designating the Culver City Housing Authority to receive the transfer of all housing assets, rights, powers, duties, obligations, liabilities and functions previously performed by the Culver City Redevelopment Agency.

MOTION:

That the City Council:

- 1) Adopt a Resolution activating the Culver City Housing Authority in accordance with the California Housing Authorities Law and making certain determinations and findings related thereto and approving a Cooperation Agreement with the Culver City Housing Authority;

AND

- 2) Adopt a Resolution designating the Culver City Housing Authority to receive the transfer of all housing assets, rights, powers, duties, obligations, liabilities and functions previously performed by the Culver City Redevelopment Agency.

AND

- 3) Authorize the City Manager and Chief Financial Officer to create additional Special Revenue Funds, as appropriate, and administratively transfer appropriations between funds as needed to carry out this action.