

Agenda Report

June 11, 2018

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Housing and Career Services Department

SUBJECT: PUBLIC HEARING: APPROVAL OF THE TERMS OF AGREEMENTS TO TRANSFER HOUSING SUCCESSOR FUNDS IN A TOTAL SUM NOT TO EXCEED \$472,399 TO THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES TO ASSIST PERMANENT SUPPORTIVE HOUSING

RECOMMENDATION:

It is recommended that upon the close of the public hearing, the City Council, in its capacity as the board of the housing successor ("City Housing Successor"), take the following actions:

- a) Determine that the activity described in this Agenda Report is not a "project" for purposes of CEQA, because the activity is administrative and will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the Guidelines;
- b) Approve a budget amendment reducing the balance of the City Housing Successor's Low and Moderate Income Housing Asset Fund (the "City Housing Successor Fund") by an amount not to exceed \$472,399, which sum of funds is proposed to be transferred to the Housing Authority of the County of Los Angeles, in its capacity as housing successor to the former Redevelopment Agency of the County of Los Angeles (the "County Housing Successor"), and for the benefit of a permanent supportive housing project, the Miramonte Apartments in an unincorporated area of Los Angeles County;
- c) Find that the proposed transfer of City Housing Successor Funds will not cause or exacerbate racial, ethnic, or economic segregation in Pasadena;
- d) Approve the key terms of Transfer Agreements between the City Housing Successor and the County Housing Successor as described in this agenda report; and

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- e) Authorize the City Manager to execute, and the City Clerk to attest to such execution, the Transfer Agreements and any other documents required to effectuate the proposed transfer of City Housing Successor Funds.

BACKGROUND:

On June 28, 2011, Assembly Bill No. X1 26 ("AB 26") was signed into law by the Governor of California which amended the California Health and Safety Code and called for the dissolution of redevelopment agencies throughout the State and the wind down of their business and fiscal affairs, and also established the procedures by which this was to be accomplished. AB 26 has since been amended by various assembly and senate bills enacted by the California Legislature and signed by the Governor (AB 26 as amended is hereinafter referred to as the "Dissolution Law"). Pursuant to the Dissolution Law, the City of Pasadena ("City") accepted the role of City Housing Successor and agreed to assume the housing assets and functions of the Pasadena Community Development Commission.

The Dissolution Law requires each housing successor to conduct annual independent financial audits to determine the amount of excess surplus existing at the end of every fiscal year in the City Housing Successor Fund ("Excess Surplus"). Excess Surplus is defined in Health and Safety Code Section 34176.1(d) as an unencumbered amount in the City Housing Successor Fund that exceeds the greater of: a) one million dollars (\$1,000,000); or b) the aggregate amount deposited into the City Housing Successor Fund during the preceding four (4) fiscal years. The Excess Surplus amounts for each year from FY 2014 through FY 2017 are summarized in the following table:

Fiscal Year	Excess Surplus required to be encumbered at end of Fiscal Year	Encumbrance Deadline	Notes
2014	\$644,915	6/30/2017	\$451,440 encumbered, \$193,475 balance
2015	\$929,745	6/30/2018	\$650,821 encumbered, \$278,924 balance
2016	\$0	6/30/2019	
2017	\$964,787	6/30/2020	

The Excess Surplus calculated for each fiscal year is required to be encumbered within three (3) years from the end of that fiscal year by the City Housing Successor on eligible activities which provide affordable housing for households at or below low income. Eligible activities include new construction, acquisition, substantial rehabilitation, and preservation of affordability. Furthermore, the Dissolution Law requires Excess Surplus to be encumbered in accordance with the following categories:

- At least 30% for the development of rental housing, serving persons or families with income at or below 30% of Area Median Income ("AMI"). This category basically requires Excess Surplus to assist the development of permanent supportive housing for the homeless population. Due to the challenges in developing such projects, this is the most difficult category of Excess Surplus

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funds to encumber. The FY 2014 and FY 2015 unencumbered Excess Surplus balances of \$193,475 and \$278,924, respectively (as shown in the above table), fall within this category of Excess Surplus, and these amounts pertain to the staff recommendation.

- No greater than 20% for eligible activities which serve persons or families with income from 60% to 80% of AMI. For the FY 2015 Excess Surplus, this category totals \$185,948 and has been encumbered for the Villa Los Robles rehabilitation project in the City.
- No greater than 50% for eligible activities which serve persons or families with income up to 60% of AMI. For the FY 2015 Excess Surplus, this category totals \$464,873 and has been encumbered for the Villa Los Robles rehabilitation project in the City.

Any amount of Excess Surplus not encumbered within the three year period required by the Dissolution Law must be remitted to the State Department of Housing and Community Development ("HCD").

However, the Dissolution Law provides an alternative to the requirement to either encumber Excess Surplus funds within three years or remit the funds to HCD. Pursuant to Health and Safety Code Section 34176.1(c)(2), two or more housing successors within a county or located within 15 miles of each other may enter into an agreement to transfer funds among their respective Low and Moderate Income Housing Assets Funds to assist the development of permanent supportive housing. The collaborating housing successors must meet certain specified conditions including the requirement that "each participating housing successor make a finding (the 'Transfer Finding') based on substantial evidence, after a public hearing, that the agreement to transfer funds will not cause or exacerbate racial, ethnic, or economic segregation."

The City Housing Successor has submitted a request to HCD to allow the unencumbered Excess Surplus from FY 2014 to be transferred to the County Housing Successor instead of remitted to HCD under Health and Safety Code Section 34176.1(d). If HCD grants the City Housing Successor's request, then the unencumbered Excess Surplus from FY 2014 in the amount of \$193,475 will be transferred to the County Housing Successor via a Transfer Agreement to cause development of the Project (as such term is defined below). If HCD does not grant the City Housing Successor's request, then the unencumbered Excess Surplus from FY 2014 in the amount of \$193,475 will be remitted to HCD no later than June 30, 2018. Additionally, the City Housing Successor will transfer the unencumbered Excess Surplus from FY 2015 in the amount of \$278,924 to the County Housing Successor via a separate Transfer Agreement to cause development of the Project (as such term is defined below). Hence the total amount to be transferred to the County Housing Successor shall not exceed \$472,399.

Pasadena Housing Successor Transfer Finding

The lack of an opportunity to develop in Pasadena a City Housing Successor-subsidized rental affordable housing project serving persons with income at or below 30% AMI will not cause or exacerbate racial, ethnic, or economic segregation in

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Pasadena. This can be demonstrated through the private development of non-City subsidized inclusionary housing projects that are currently in the entitlement pipeline.

There are currently nine inclusionary rental projects that are in the City's entitlement process or which are under construction. These projects contain 1,420 market rate units and 177 affordable units that are City deed-restricted as to income and rent. These mixed-income projects are located in Census tracts that have an average median income of \$76,896, which is greater than the citywide median income of \$73,848. Moreover, as these developments are market-driven, the locations of the affordable inclusionary units are not concentrated in any single area within the City.

In addition, based on extrapolation of data from inclusionary projects completed within the past three years, it is anticipated that the occupancy of the affordable units for rental projects currently in the entitlement phase or under construction would be comprised of approximately 75% persons of color. This is a greater representation compared to the City's overall population in which, according to Census data, 42.3% is comprised of persons who are black, Hispanic (non-White), Asian, or other. Furthermore, the City deed restrictions contain covenants which prohibit property owner discrimination against "any tenant or potential tenant on the basis of sex, color, race, religion, ancestry, national origin, age, pregnancy, marital status, family composition, sexual orientation, or the potential or actual occupancy of minor children."

County Housing Successor Transfer Finding

The County Housing Successor's Transfer Finding is based on the following:

- a) As part of the requirement to certify to the U. S. Department of Housing and Community Development ("HUD") that the County Housing Successor is affirmatively furthering fair housing, an Analysis of Impediments to Fair Housing Choice ("Analysis") was prepared for the County Housing Successor earlier this year. The Analysis included HUD-prescribed 'Racially and Ethnically Concentrated Areas of Poverty' (R/ECAPs). The Miramonte Apartments project (the "Project") is located in an area that was not designated as an R/ECAP.
- b) In the 2016 Community Profile, which was prepared to prioritize the investment of Community Development Block Grant and other funds within the unincorporated areas of Los Angeles County, the Project site was designated as being in a 'Level II' area, or an area requiring 'Selective Investment'. Level II describes areas where the majority of properties are in standard condition and adequate private investment occurs. However, in Level II areas specific properties or limited areas do show signs of disinvestment. This is in contrast to Level III areas requiring 'Intensive Investment', or Level IV areas that require 'Extensive Investment' to address sub-standard conditions.
- c) Although the Project site is a low-income area, this is mitigated by the presence of the Metro Florence Avenue Blue Line Station. Health and Safety Code Section 34176.1(c)(2)(B) provides that the development to be funded by the Excess Surplus transfer may be located in an area exceeding 50% very low-income provided that the development is within one half-mile of a high quality transit stop.

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Permanent Supportive Housing Project - Miramonte Apartments

The transferred City Housing Successor funds will be used by the County Housing Successor to assist the development of the Project, a proposed 44-unit permanent supportive housing project at 7321 Miramonte Boulevard, Los Angeles, CA, 90001. The Project is located within an unincorporated area of Los Angeles County. The target population to be served by the Project is homeless persons and families whose incomes do not exceed 30% of AMI for Los Angeles County. A Community Of Friends, a nonprofit corporation, is the Project's developer.

The Board of Commissioners of the County Housing Successor is scheduled to take action on the Transfer Agreements at its regular meeting of June 26, 2018.

KEY TERMS OF TRANSFER AGREEMENTS

The key terms of the Transfer Agreements between the City Housing Successor and the County Housing Successor are as follows:

- 1) The City Housing Successor and the County Housing Successor have each made respective findings that the transfer of the City Housing Successor's unencumbered Excess Surplus to the County Housing Successor will not cause or exacerbate racial, ethnic, or economic segregation in either the City of Pasadena or Los Angeles County.
- 2) The City Housing Successor and County Housing Successor shall verify in a letter of understanding that as a condition of transferring the City Housing Successor Funds, all applicable conditions set forth in Health and Safety Code Section 34176.1(c)(2) have been met.
- 3) The City Housing Successor shall transfer a sum of funds not to exceed \$472,399 from its City Housing Successor Fund to the County Housing Successor (the "City Housing Successor Transfer Funds"). This total is comprised of \$278,924 from the FY 2015 unencumbered Excess Surplus portion of the City Housing Successor Fund, and \$193,475 from the FY 2014 unencumbered Excess Surplus portion. These amounts shall be transferred in separate Transfer Agreements. The transfer of the latter amount shall be subject to the final approval of HCD. If HCD does not approve the transfer of the \$193,475 FY 2014 Excess Surplus funds, then the City will remit this amount to HCD.
- 4) The City Housing Successor Transfer Funds shall be transferred to the County Housing Successor no later than June 29, 2018 (the "Transfer Date").
- 5) The County Housing Successor shall agree to encumber the City Housing Successor Transfer Funds for development of the Project no later than two (2) years after the Transfer Date.

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COUNCIL POLICY CONSIDERATION:

This proposed action supports the City Council strategic objective to maintain fiscal responsibility and stability.

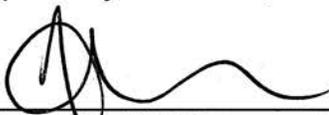
ENVIRONMENTAL REVIEW:

The activity proposed herein is not a "project" for purposes of the California Environmental Quality Act (CEQA), as that term is defined by Guidelines Section 15378, because the proposed activity is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the Guidelines.

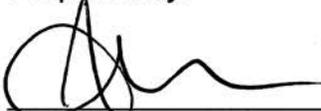
FISCAL IMPACT:

Approval of the recommended actions will result in the reduction of the City Housing Successor Fund balance by an amount not to exceed \$472,399. This total is comprised of \$278,924 from the FY 2015 unencumbered Excess Surplus portion of the City Housing Successor Fund, and \$193,475 from the FY 2014 unencumbered Excess Surplus portion. The proposed transfer of the latter amount to the County Housing Successor will be subject to the final approval of HCD. If HCD does not approve the transfer of the \$193,475 FY 2014 unencumbered Excess Surplus funds, then the City will remit this amount to HCD no later than June 30, 2018.

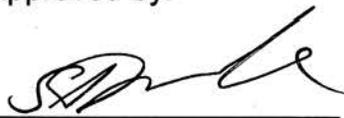
Respectfully submitted,


for WILLIAM K. HUANG
Director of Housing and Career Services

Prepared by:


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Approved by:


STEVE MERMELL
City Manager