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Title: Receive Annual Report and Approve FY 19-20 Program Income Budget for the City of Fresno in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno
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Attachments: 1. HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT - FY18.pdf, 2. 6-20-19_Housing Successor Budget.pdf, 3. 6-20-19_Housing Asset Fund Transfer.pdf

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JOINT MEETING OF THE FRESNO REVITALIZATION CORPORATION AND CITY OF FRESNO IN ITS CAPACITY AS HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY.

June 20, 2019

FROM: MARLENE MURPHEY, Executive Director

SUBJECT

Receive Annual Report and Approve FY 19-20 Program Income Budget for the City of Fresno in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno

RECOMMENDATION:

Staff recommends that the City acting in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno (FHS) and the Fresno Revitalization Corporation (FRC) approve the attached FY19-20 FHS Budget to appropriate program income.

BACKGROUND:

On January 26, 2012, in accordance with Health & Safety Code Section 34176, the City Council elected to assume, as of February 1, 2012, the housing assets, duties, functions and obligations of the former Redevelopment Agency of the City of Fresno (former Agency) and delegated all of those duties and responsibilities to the Fresno Revitalization Corporation.

Pursuant to Section 34176 HSC, added by AB x1 26 and amended by AB 1484, the State Department of Finance (DOF) issued a decision letter on August 31, 2012 and the Superior Court of California, County of Sacramento, issued a Ruling on February 11, 2014 confirming that the FHS owns all affordable housing assets of the former Agency as listed in a housing asset transfer schedule prepared by the FHS and submitted to the DOF on August 1, 2012. All housing assets are now held and administered by the FHS in the Low to Moderate Income Housing Asset Fund (LMIHAF) pursuant to the Dissolution Law, in particular Sections 34176 and 34176.1, as amended by Senate Bill 341, effective on January 1, 2014 and Senate Bill 107 approved and filed September 22, 2015.

As discussed in detail below, changes in the law resulted in new rules applicable to the: expenditure of unencumbered moneys in the LMIHAF; time limit for development of property acquired by the former agency for the development of affordable housing; and, preparation of an annual report.

SB107/ANNUAL REPORT:

In accordance with Section 34176.1(f), incorporated into SB 107, an annual report must be prepared that contains the following elements: loan repayments; amount deposited into LMIHAF; ending balance of LMIHAF; description of expenditures from the LMIHAF; statutory value of assets owned by the housing successor; description of transfers; project descriptions; status of compliance with Section 33334.16; description of outstanding obligations under Section 33413; income test; senior housing test; excess surplus test; and homeownership units. The annual report is attached and is posted on the Agency's website. The information required enables the State's determination of compliance.

SB107 Expenditure Requirements/Income Targeting:

The SB107 expenditure requirements and property development time limits drive the Housing Successor program budget. Following the administrative and homeless allocation (if applicable) the remaining program income must be spent as follows: (i) at least 30% of the funds must be spent for the development of rental housing affordable to and occupied by extremely low income households earning 30% or less of the area median income; (ii) no more than 20% of the funds may be spent for the development of housing affordable to and occupied by households earning between 60% and 80% of the area median income; and, (iii) 50% of the funds may be spent for the development of housing affordable to and occupied by households earning 60% or less of the area median income; and, development activity must be initiated by August 31, 2017 for all of the Housing Successor's real property. Failure to comply with the 30% of net program income for the 30% of AMI requirement will result in an increase to 50% of net program income for the 30% AMI requirement until the extremely low income targeting requirement is met. Additionally, to the extent that the Housing Successor fails to comply with an excess surplus test (i.e. unencumbered funds that exceed the greater of \$1,000,000 or the total amount of net program income deposits over the previous four years), the excess surplus must be transferred to the Department of Housing and Community Development if not spent within a period of three years. The income targets for FY19-20 are shown in the attached FY19-20 Program Income Funds Budget.

Primary budget consideration must be given to ensure that over multi fiscal years, the proper percentage of net program income funds are encumbered/expended as required within each target

income category.

As a point of information, from February 1, 2012 through May 31, 2018, the Housing Successor received program income in the amount of \$7,890,373 including \$3,764,783 from various loan repayments, rents, property sales, and single family rehabilitation loans and \$4,125,590 from the Housing Successor's 20% share of City/Agency loan repayments.

Administration and Operations & Maintenance Expenses:

Under Section 34176.1(a)(1), as amended by SB 107, the Housing Successor, is allowed 2% of the statutory value of real property and loans and grants receivables equaling \$560,137.76 ($\$28,006,887.78 \times .02 = \$560,137.76$) for the purpose 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 for the purpose of administering the housing successor's activities. The Agency is proposing a reduced O&M budget from the amount for which it is eligible.

Development Requirements for Real Property Owned by the Housing Successor:

Under Health & Safety Code Section 33334.16, as to all real property acquired by the Housing Successor from the former redevelopment agency, the Housing Successor must initiate activities for the development of affordable housing within five (5) years of the date the Department of Finance ("DOF") approved such property as a housing asset. For the City of Fresno, the date of DOF's approval was August 31, 2012; consequently, the deadline to initiate development activity is August 31, 2017. The Housing Successor's parcels may be eligible for an extension of time. As shown on the attached Housing Successor to the Redevelopment Agency Annual Report for the Fiscal Year 2017-18, the Housing Successor owned as of June 30, 2018, 17 uncommitted parcels (mostly single family lots) where development activity for affordable housing must be initiated. Since that time one parcel (329 College) is now under development as an affordable single family home; and, 8 parcels are under negotiation for affordable single family residential development. Lastly, one parcel (3702 Ventura) is undergoing due diligence pursuant to a proposed Purchase and Sale Agreement for multi-family mixed-use.

Program Income Funds Budget:

The FY19-20 Housing Successor Budget has been prepared taking all of the above requirements into consideration.

In FY19-20 the Housing Successor anticipates receiving the sum of \$851,597 from the Successor Agency for the 20% annual City/Agency loan repayment, a \$600,000 loan from the City of Fresno for the Blackstone and McKinley project, and \$50,000 of single and multi-family loan repayments. When combined, the net unencumbered program income balance available in FY19-20 is estimated at approximately \$2,098,209.46. This balance reflects O&M, \$166,500 in loan payments to the City of Fresno and approximately \$6,235,750 encumbered by approved projects.

In order to comply with the income targeting; affordability levels and development activity requirements for affordable housing as described above, Staff recommends appropriating: \$629,463

for 30% AMI (30% of net program income); \$1,049,105 for 30-60% of AMI (50% of net program income); and, \$419,642 for 60-80% of AMI (20% of net program income). The specific projects to be funded from program income funds will be considered for approval by Council. Criteria for selection includes among other factors: property ownership by Housing Successor; property ownership/control by developer; financial feasibility; potential to meet required income targets; potential to secure project funding; potential to meet timetables and project milestones; and, the project's value in meeting housing affordability goals and the overall requirements of SB 107.

HOUSING ASSET FUND TRANSFER:

On February 11, 2014 the Superior Court of California, County of Sacramento, ruled that certain enforceable obligations and the funds encumbered to carry out the enforceable obligations to provide affordable housing are under the jurisdiction of the Housing Successor of the City of Fresno. The enforceable obligations are pursuant to owner participation agreements and disposition and development agreements. The budget for those court approved obligations and expenditures are included in Attachment 3 for your information.

CONCLUSION:

Staff recommends that the Housing Successor to the Redevelopment Agency of the City of Fresno and the Fresno Revitalization Corporation approve the FY19-20 Housing Successor Budget.

Attachments:

1. FHS Annual Report for the Fiscal Year 2017-18
2. FHS FY 19-20 Program Income Budget
3. Housing Asset Fund Transfer Budget