

City Council Meeting: December 5, 2017
Agenda Item: 3.B

To: Mayor and City Council
From: Andy Agle, Director, Housing and Economic Development
Subject: Annual Report on Low- and Moderate-Income Housing Asset Fund

Recommended Action

Staff recommends that the City Council:

1. Receive the Annual Report on the Low- and Moderate-Income Housing Asset Fund for Fiscal Year 2016-17 and authorize staff to post the report on the City's website by December 31, 2017; and
2. Direct staff to present the independent audit of the Low- and Moderate-Income Housing Asset Fund to the Council upon completion of the independent audit of the City's Comprehensive Annual Financial Report (CAFR) and authorize staff to post the results of the audit on the City's website after presentation to City Council.

Executive Summary

State law requires the City to report annually on the low- and moderate-income housing asset fund (Fund) of the former Santa Monica Redevelopment Agency. For fiscal year 2016-17, the Fund included approximately \$6.7 million to fund the production and preservation of affordable housing within the next three years. In addition, the former Agency's inclusionary and replacement housing obligations have been satisfied.

The law also requires an independent audit of the Fund, which will be completed as part of the City's annual audit process.

Background

The low- and moderate-income housing asset fund (Fund) was established in the wake of the dissolution of the redevelopment agency in early 2012. At that time, the City assumed the housing functions of the former Santa Monica Redevelopment Agency (RDA) and retained all housing assets as the housing successor (Housing Successor) agency. The Housing Successor furthers the City's strategic goal of "maintaining an

inclusive and diverse community” by funding loans for the acquisition and rehabilitation of existing housing and for the construction of new affordable housing. The Fund receives revenues primarily from three sources: (1) twenty percent of City-Agency loan repayments, (2) repayments made by low-income-housing agencies on loans initiated by the former RDA, and (3) interest earned on cash balances. All moneys in the Fund will be used for affordable housing initiatives. This is one of five Housing Trust Funds that is used to fund loans to affordable housing developers for the acquisition, rehabilitation, and new construction of properties to preserve and increase affordable rental housing opportunities for lower income households.

Discussion

Senate Bill 341 (SB 341), which is codified in Health and Safety Code Section 34176.1 and became effective on January 1, 2014, requires each housing successor that assumed the housing functions of a former redevelopment agency to post a report on its website that contains information regarding the Fund of the former redevelopment agency for the previous fiscal year. In this case, the City, as the Housing Successor, is required to prepare and post the report (Attachment A.)

In addition, the Housing Successor is required to conduct and provide to the Council an independent financial audit (Audit) of the Fund within six months of the end of the fiscal year. The Audit may be included as part of the City’s independent financial audit.

The City as Housing Successor assumed the housing functions of the former RDA on January 10, 2012. The transfer of the functions included the transfer of formerly designated RDA low- and moderate-income housing assets together with any funds generated by former RDA housing assets. The funds must be maintained by the City in the separate Fund and expended in accordance with Health and Safety Code section 34176.1 ("Section 34176.1"). Allowable expenditures include the development of affordable housing, monitoring and preservation of housing subject to affordability restrictions and covenants, and homeless prevention and rapid rehousing services for homeless individuals.

To ensure that the monies in the Fund are expended in accordance with the law, Section 34176.1(f) requires an independent financial audit of the Fund within six months of the end of the fiscal year. The independent audit of the City's Fund will be included as part of the City's Comprehensive Annual Financial Report (CAFR) prepared by Lance, Soll and Lunghard (LSL), the City's independent auditor. Staff is working to complete the CAFR during the required six-month timeframe. Staff will post the results of the independent audit of the Fund on its website after the CAFR is presented to City Council.

SB 341 also requires annual reporting and website posting of information related to the Fund for fiscal year 2016-2017. The Report includes the following information:

- The Fund's balance for the fiscal year ending June 30, 2017 is \$6,733,228, with \$2,240,988 of deposits from City-Agency loan repayments, interest income, and residual receipts, and zero expenditures during the period;
- the former RDA's replacement housing obligations are satisfied;
- the former RDA's inclusionary housing obligation was satisfied as of June 30, 2009;
- approximately 9.8 percent of the affordable housing assisted by the former RDA and the Housing Successor is restricted to seniors; and
- a plan to encumber "excess surplus" (the aggregate of unencumbered funds deposited into the Fund during the preceding four fiscal years) in the Fund within the next three fiscal years.

The Annual Report is attached as Attachment A and is required to be posted on the City's website after Council's review and receipt.

Financial Impacts & Budget Actions

There is no immediate financial impact or budget action necessary as a result of the recommended action.

Prepared By: Steven Hull, Principal Administrative Analyst

Approved

Forwarded to Council



Andy Agle, Director

11/21/2017



Rick Cole, City Manager

11/26/2017

Attachments:

- A. Annual Summary Report-LMIHAF 16.17