

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: David C. Moe II, Redevelopment Manager *Dea*

DATE: September 19, 2013, (Meeting of 10/2/13)

SUBJECT: Consider Adopting City Affordable Housing Spending Plan For Fiscal Year 2013/14 – Fiscal Year 2020/21

BACKGROUND

Under state law, the City of Moorpark (City) was required to prepare a Housing Element update for the 2008-2014 planning period. The City Council held a public hearing on May 16, 2012, to review the Draft Housing Element Update 2008-2014 and approved Resolution No. 2012-3105, adopting the Housing Element Update 2008-2014 as one of the mandatory elements of the City's General Plan.

The goals and policies of the Housing Element are implemented through housing programs coordinated by the City Manager's Office. There are several programs that the City is required to implement to address housing needs within the community. Attachment I is the Fiscal Year 2013/14 – 2020/21 City Affordable Housing Spending Plan (Plan) which is intended to implement Housing Element Program No. 12. Attachment II is a copy of Program 12 in the Housing Element.

Maintaining and creating affordable housing has always been a priority for the City of Moorpark (City). Soon after the City's incorporation, the City joined the existing Joint Powers Agreement (JPA) that formed the Area Housing Authority of the County of Ventura (AHA). The AHA sole mission is to create and maintain affordable housing within the jurisdictions of the JPA. Other members of the JPA are the unincorporated areas of Ventura County and the cities of Camarillo, Fillmore, Ojai, Simi Valley, and Thousand Oaks. The City and AHA work as partners on furthering affordable housing in the City. One recent example of this partnership is the Charles Street Terrace apartments. Over the course of time, the City has produced directly or indirectly 58 ownership and 320 rental affordable units.

DISCUSSION

As stated in program 12, priority will be given to projects that address any shortfall in the Regional Housing Needs Allocation (RHNA), particularly for very low income households. The six year objective is to adopt fee expenditure priorities as follows: 1) affordable housing production; 2) subsidy of affordable housing; 3) housing rehabilitation; and 4) housing assistance. The objective of assisting in the development of up to 20 very low income units was partially satisfied with the 14 very low income units in the recently completed 20 unit Charles Street Terrace project by AHA. Historically, for at least the past 10 years, the City and former Redevelopment Agency of the City of Moorpark generally required the equivalent of 40% of any required affordable units in a new housing project be reserved for very low income persons and the remaining 60% for low income persons. In instances, where actual very low income units were not provided, an equivalent amount of cash payment was provided.

The primary purpose of the Plan is to formalize spending programs for the City Affordable Housing (CAH) fund. A secondary purpose is to recognize the finite sources of funding and the need to recover portions of the funding as loans so they can be reused for future activities. The Plan will not alter the City's policy that new units funded totally or partially by the CAH remain affordable in perpetuity.

The plan must also recognize that staffing of affordable housing activities must be funded by CAH. Thus at a minimum the annual administration fees paid by various projects need to be set-aside and available for staffing and contract services needed to oversee the affordability requirements of built projects but to administer and implement all of the City's affordable housing programs.

To maximize City resources and use of external funding sources, the City will partner with the Area Housing Authority and others when feasible.

The CAH fund is primarily funded by in-lieu fees paid when developers will not be providing affordable housing units within their residential developments as part of negotiating the development agreement (DA) with the City. All of the in-lieu fees are set in the DA and generally increase each year with CPI after the DA is fully executed.

The City currently has acquired the following properties for affordable housing purposes:

250 Los Angeles Avenue	10,454 sq. ft.
1123 Walnut Canyon	11,421 sq. ft.
1113 Walnut Canyon	11,325 sq. ft.
1095 Walnut Canyon	11,325 sq. ft.
1083 Walnut Canyon	11,325 sq. ft.

1073 Walnut Canyon	11,225 sq. ft.
1063 Walnut Canyon	11,167 sq. ft.
1331 Walnut Canyon	11,718 sq. ft.
1293 Walnut Canyon	11,718 sq. ft.
782 Moorpark Avenue	30,000 sq. ft.
81 Charles Street	7,500 sq. ft.
765 Walnut Street	15,000 sq. ft.
798 Moorpark Avenue	7,452 sq. ft.
780 Walnut Street	5,625 sq. ft.
450 Charles Street	7,405 sq. ft.
460 Charles Street	7,405 sq. ft.
484 Charles Street	11,470 sq. ft.
112 First Street	7,500 sq. ft.
124 First Street	7,500 sq. ft.
SW terminus of Millard	59,240 sq. ft.
282 Los Angeles Ave	14,100 sq. ft.

FISCAL IMPACT

The current fund balance in the CAH fund is \$3.6 million. If all the potential housing projects in the City were built, at the current in-lieu fee rate, the fund would be increased by approximately \$1.9 million, leaving a total potential fund balance of \$5.5 million.

The CAH fund also receives annual revenue of approximately \$67,000 from investment earnings and fees. Of this total, approximately \$21,100 is generated by interest income from investments. For purposes of this report and the Plan, interest income is not recognized and will be considered as a contingency reserve. When the Plan is formally reviewed in 2017/18 Fiscal Year, available revenues from interest income will be evaluated. The remaining \$45,900 is produced from the administrative fees from Vintage Crest, Villa Del Arroyo, and Waterstone projects:

Vintage Crest Annual Admin Fee	\$ 24,000
Villa Del Arroyo Annual Admin Fee	\$ 15,000
Waterstone Annual Admin Fee	<u>\$ 6,900</u>
	\$ 45,900*

** Once approved, Essex's proposed project will also contribute an annual admin fee.*

The following is a list of the potential In-Lieu fees to be received by the City from future developer In-Lieu Fees:

Pardee (School Site)	\$ 599,564
Toll Brothers (Highlands)	\$ 570,838
Resmark	\$ 744,627
	<u>\$1,915,029*</u>

** If the City Council approves the proposed amendment to the Development Agreement between the City and Shea Homes on October 16, 2013, Shea Homes will pay an in-lieu fee of \$127,000.*

Future rental projects developed in the City will also contribute an annual administrative fee to the CAH fund.

At, this time, the CAH fund is the sole funding source of the Plan. The various loan activities will repay the CAH fund overtime with interest to maintain the fund balance and continue with future Plan activities. The current administration costs (City staff and contract services) charged to the CAH funds is \$114,250. The Plan's activities focus primarily on issuing loans so the CAH funds can be recycled and used for future activities.

STAFF RECOMMENDATION

Adopt Fiscal Year 2013/14 – 2020/21 City Affordable Housing Spending Plan

ATTACHMENT:

1. Fiscal Year 2013/14 – 2020/21 City Affordable Housing Spending Plan
2. Program 12 of the Housing Element

City Affordable Housing Spending Plan Fiscal Year 2013/14 – Fiscal Year 2020/21

Introduction

Program 12 of the adoptive Housing Element includes a six-year objective that requires adoption of expenditure priorities as follows:

- 1st priority – Affordable housing production
- 2nd priority – Subsidy of Affordable Housing
- 3rd priority – Housing Rehabilitation
- 4th priority – Housing Assistance

This plan has been prepared for the referenced eight year period covering the anticipated period of the next Housing Element currently under preparation.

In order to provide for appropriate levels of staff support for administration, monitoring and implementation of City's affordable housing programs and activities, \$550,000 of the City Affordable Housing (CAH) fund shall be set aside for this purpose. This is the estimated amount needed for the eight year period of this spending plan in excess of the current annual administrative fees. The CAH estimated balance of \$4,950,000 is targeted to the programs contained in this Plan.

Housing Programs

Below are potential housing programs that can be funded with the CAH fund. The programs have been broken down into four categories and priorities:

1. Affordable Housing Production
 - A. Land acquisition - \$1,500,000
 - B. Loan Program available to builders providing a substantial number of very low income units in a project - \$1,500,000.
2. Affordable Housing Subsidy
 - A. Downpayment Assistance Program to low and moderate income households. Interest only payments with principal repayment at resale, refinance, or change of ownership - \$500,000
 - B. Sell land at reduced price or contribution of land to developer for substantial number of very low income units – N/A, considered on a case by case basis
 - C. Grant matching funds provided to developers applying for grant funds to be used to construct a substantial number of very low income units - \$500,000

3. Housing Rehabilitation - \$500,000

- A. Housing rehabilitation assistance for very low and low income home owners. Program offered citywide, but home shall be older than 40 years old. Low or no interest loans with repayment over 10 years.
- B. Housing rehabilitation assistance to moderate income home owners. Program offered citywide, but home shall be older than 40 years old. Below market interest loans with repayment over 10 years.

4. Housing Assistance

- A. Security Deposit Assistance Program. Assistance for low income households with the needed funds for a security deposit. Maximum security deposit assistance would be \$500. City loan will be repaid in 12 monthly payments - \$10,000
- B. 211 Program. The City contributes \$5,000 each year to the 211 Interface – Child/Family Hotline.
- C. Homeless. Periodically, the City contributes \$5,000 to the countywide effort to prevent/end homeless.
- D. The Mortgage Credit Certificate Program. The City contributes approximately \$300-\$500 per year to allow first home buyers receive a federal income tax credit that helps first time home buyers by increasing the loan amount that you qualify for and increasing take home pay.
- E. Future programs \$429,500

Plan Review

The Spending Plan is a plan to implement the identified affordable housing priorities. Actual expenditures will require funding appropriation by the City Council either as part of the annual budget adoption or by separate action as required. The Spending Plan will be formally reviewed by the City Council for possible updates in FY 2017-18.

12. Inclusionary Program

Through the use of development agreements, the City's inclusionary policies require that 10% to 15% of all units in each development project and 15% to 20% of all units in development projects within the redevelopment area must be affordable to low- and very-low-income households. In appropriate situations, developers unable to provide units are assessed in-lieu fees based upon the estimated cost of providing affordable units, or acquiring units or build units offsite. This occurs most often with single-family developments in the hillsides. Currently, the City can allocate inclusionary fees for housing rehabilitation, construction, or assistance. To ensure that the City addresses its RHNA affordability requirements for low-income housing, it may become necessary to earmark funding to assist in the development. Therefore, the City will develop a policy for expending the estimated \$3 to \$3.5 million in in-lieu fees, these estimated fees assume all projects are completed, (ie. Pacific Communities, Tract 5187, Shea, etc.), that may be generated over the planning period. Priority will be given to projects that address any shortfall in the RHNA, particularly for VL households.

Six-Year Objective:

Adopt fee expenditure priorities as follows:

- 1st – affordable housing production;
- 2nd -- subsidy of affordable housing;
- 3rd -- housing rehabilitation; and
- 4th -- housing assistance.

Adopt expenditure priorities by end of 2012.

Assist in the development of up to 20 very low-income units by end of 2014.