



Date: August 15, 2014
To: Patrick H. West, City Manager *PH West*
From: *Amy Bodek* Amy Bodek, Director of Development Services
For: Members of the Budget Oversight Committee
Subject: **Affordable Housing Funding and Programs**

Summary

The Budget Oversight Committee has requested additional information on the resources available for Affordable Housing and the restrictions on some of those funds. This memo provides an overview of the current \$29 million available in the FY 15 budget for affordable housing, additional detail on the \$24.7 million that will become available to the City for affordable housing, and outlines other resources that will be available in the future such as 20% of repayment of former RDA/City loans, a summary of the City's \$80 million Housing Authority Fund that provides housing vouchers for over 6,600 families, and the new State grant program for affordable housing.

Property Tax Increment Funds

In FY 14, the City was facing a projected \$10.9 million deficit and an expected reduction of General Fund services such as police, fire, parks, library, public works, and other departments to bring expenses back in line. Redevelopment (including funds dedicated to Affordable Housing) had recently been dissolved by the Legislature, resulting in the loss of over \$100 million per year in total Tax Increment to the City of Long Beach. However, with the loss of Redevelopment, the City began to realize nearly \$11 million of property tax in the General Fund, which was the City's share of the property tax (22% of countywide RDA-related property tax revenues). These funds, along with \$3.7 million in pension reform from the IAM, prevented significant service reductions in FY 14, and resulted in a \$3.1 million surplus that could carry forward and assist with future projected deficits.

The roughly \$11 million in General Fund property tax is what some affordable housing groups have referred to as "boomerang" funds. Those groups have requested that 20% of these dollars be diverted for affordable housing. The full property tax amount (roughly \$11-12 million, which varies by year due to the Dissolution Act) has already been dedicated to prevent service reductions to the community. Any redirection of those funds would result in either a reduction in the surplus or service reductions in departments. Dedicating 20% of those funds would equal roughly \$2.4 million in other solutions that would have to be identified.

Affordable Housing Funds

The City has a number of current funding sources for providing affordable housing. Each of these funding sources has its own set of restrictions and permissible uses. The following table identifies the resources available for Fiscal Year 2014-2015 (FY 15).

FY15 Affordable Housing Resources

Redevelopment-Related Housing Funds	
Low/Mod Income Housing Asset Fund (LMIHAF)	\$ 9,000,000
Successor Agency Repayments to LMIHAF	8,800,000
2005 Redevelopment Bond Proceeds	2,500,000
Housing Trust Fund	162,000
CalHOME 10, 11, 12	4,000,000
HOME	5,400,000
	<u>\$ 29,862,000</u>

City staff also works with developers to secure funding for their projects that do not pass through the City’s Housing Fund. These other resources include county and state loan, grant and bond programs, and federal tax credits.

Redevelopment-Related Housing Funds

When the Long Beach Redevelopment Agency dissolved, the City of Long Beach chose to become the Housing Successor Agency. Through an agreement with the City, the City’s non-profit, the Long Beach Community Investment Company, manages the Housing Successor’s assets. These assets are known as the Low- and Moderate-Income Housing Asset Fund (LMIHAF). Currently, the LMIHAF has an approximate \$9.0 million fund balance at the beginning of FY 15.

LMIHAF funds have been and will continue to be used primarily to provide long-term loans to developers for the preservation, acquisition and rehabilitation, or development of affordable housing. In conjunction with the development of a Housing Action Plan in FY 15, the funds will be made available to prospective developers or owners through a Notice of Funding Availability (NOFA) process.

Repayment of Funds from the Successor Agency

LMIHAF funds must be used in accordance with the California Health and Safety Code, as amended by SB 341 as follows:

- 30% for Extremely Low Income households (30% or less of area median income)
- 50% for Extremely Low or Very Low Income household (60% or less of area median income)
- 20% maximum for Low Income households (60% to 80% or less of area median income)
- 0% is available for workforce housing (above 80% of median income)

The LMIHAF is also due approximately \$24.7 million from the Successor Agency (housing set-aside repayments). The funds were owed for two reasons:

1. At the time existing redevelopment project areas were first required to set aside 20% of their annual tax increment for affordable housing, state law allowed those project areas with outstanding obligations to defer their housing set-aside payments. The Downtown Project Area had such obligations and deferred its housing set-aside payments. At the time of dissolution, the Downtown Project Area owed approximately \$16.3 million.

2. In 2009, the State Legislature required redevelopment agencies to make a "Supplemental Education Revenue Augmentation Fund" (SERAF) payment. Redevelopment agencies could use 100% of the FY 10 housing set-aside amount to help make this payment, as long as the Redevelopment Agency repaid the Housing Set-Aside Fund. The remaining SERAF repayment was approximately \$8.4 million.

With ROPS 14-15A (July to December 2014), the Successor Agency received the first installment of funds to repay its debt, approximately \$8.8 million. The remaining balance is \$15.9 million, which is expected to be repaid in two remaining payments, one each in FY 16 and FY 17. This amount is an estimate and will likely change based on property tax distributions.

Repayment of City Loans

In addition to the housing set-aside repayments, the LMIHAF can expect future funds from the repayment of City loans by the Successor Agency (City/Agency loans). AB 1484 requires that 20% of the funds the Successor Agency repays to the City must be allocated to the LMIHAF. The amount of money the LMIHAF could receive as a result of these loan repayments is uncertain. This uncertainty is due primarily to issues regarding the interest rate that may be used to calculate the amount of debt. As a result, a solid cumulative estimate is not possible at this time. An estimate of what could be available within the next five years is possible.

The amount of the City/Agency loans that can be repaid annually is prescribed by state law. In addition, the City/Agency loans cannot be repaid until the Successor Agency has repaid the LMIHAF in full. Current projections have the City Agency loans commencing in Fiscal Year 2016-2017 (FY 17). Through FY 19, an estimated \$5.5 million could be deposited in the LMIHAF as a result of the loan repayments.

Housing Trust Fund

The Housing Trust Fund was established by City Council ordinance in 2006. To the extent possible, funds in the Housing Trust Fund are to be allocated as follows:

- 50% of funds to be allocated for housing affordable to above moderate-income households.
- 50% of funds to be allocated for housing affordable to extremely low-income households.

The Housing Trust Fund defines extremely low-income household as one whose income does not exceed 30 percent of area median income. The Housing Trust Fund currently has a \$162,000 fund balance. The Housing Trust Fund dollars have been earmarked in the certified Housing Element for grants of up to \$12,000 to extremely low-income mobile home owners to address building code issues and make other needed home repairs.

As part of his FY 15 budget, Mayor Garcia recommended placing the \$24.7 million in Successor Agency housing loan repayments into the Housing Trust Fund. He also recommended that the Development Services Department explore methods to reconstitute the Housing Trust Fund and seek additional affordable housing resources.

CalHome Funds

The California Department of Housing and Community Development (HCD) offers a competitive grant program that provides funding for homebuyer second mortgage assistance and homeowner rehabilitation assistance. The City, through The Long Beach Community Investment Company (LBCIC) has received several grant awards to fund. Existing grant funds total approximately \$4.0 million and are used for the following programs:

- First-Time Homebuyer Second Mortgage Assistance Program. This program provides second mortgage assistance loans of up to \$57,000 to low-income first-time homebuyers living in certain areas of the city.
- Single Family Rehabilitation Loan Program. This program provides loans of up to \$57,000 to low-income homeowners to address building code issues and make other needed repairs to their homes. The program is limited to properties in certain areas of the city.

HOME Funds

The City of Long Beach receives grant funding on an annual basis from the U.S. Department of Housing and Community Development (HUD) through the Home Investment Partnerships Program (HOME). HOME funds must be used to provide affordable housing to lower income households that earn less than 80% of the area median income. The City plans for the use of these funds through a five-year Consolidated Plan and Annual Action Plan. HOME resources for FY 15 total approximately \$5.4 million. The following programs are included in the current Action Plan:

- Single-Family Rehabilitation Loan Program. This program provides loans of up to \$60,000 to low-income homeowners to address building code issues and make other needed home repairs.
- Multi-Family Rehabilitation Loan Program. This program provides loans to owners of multi-family residential properties to address building code and habitability issues, and to make other needed property repairs. Loan amounts vary.
- Acquisition and Rehabilitation Assistance. This program provides long term loans to developers for the acquisition and rehabilitation of existing multi-family residential buildings or commercial buildings that may be rehabilitated and converted to a multi-family residential building. Loan amounts vary.
- Security Deposit Assistance Program. This program provides funds in an amount equal to up to two month's rent to pay for a residential security deposit to help homeless individuals and families move into permanent housing.

Other Resources Supporting Affordable housing in Long Beach

The following three programs have benefited developers providing affordable housing opportunities in the city in the past and will continue to do so in the future.

- Low-Income Housing Tax Credit Program (LIHTC). The California Tax Credit Allocation Committee administers the federal and state tax credit programs, which encourage private investment in affordable rental housing. The tax credits are competitively awarded to affordable housing developers who partner with equity investors. The investors provide equity in an affordable housing project in exchange for the tax credits. This is a major component of

the funding of affordable housing, and has been used on many existing Long Beach projects. It will continue to be a main source of funding for affordable rental projects.

- Multi-Family Housing Revenue Bond Program (MFBP). The California Debt Limit Allocation Committee administers a variety of bond finance programs, including the Multi-Family Housing Revenue Bond Program that is used to fund affordable housing projects. The bonds, which are financed at a lower cost than conventional financing, are combined with tax credit equity. This is also major component of the funding of affordable housing, and has been used on many existing Long Beach projects. It will continue to be a main source of funding for affordable rental projects.
- Los Angeles County Community Development Commission (LACDC) Affordable Housing Trust Fund. The County of Los Angeles periodically makes funds available for the development of affordable housing. The LACDC recently awarded \$1.8 million to Thomas Safran & Associates for the development of Immanuel Senior Housing, which includes the adaptive reuse of the former Immanuel Church at 3215 E. Third Street. The LBCIC is providing \$1.6 million in HOME funds to the project.
- HCD Multifamily Housing Program (MHP). The FY 14 State Budget allocates \$100 million from the State's General Fund to MHP. This is the first time in over a decade that the state has allocated general fund revenues to fund this program. MHP provides long-term loans for the development of affordable multi-family rental housing projects, and is typically layered with MFBP. This is another major component of the funding of affordable housing, and has been used on many existing Long Beach projects. It will continue to be a main source of funding for affordable rental projects.
- Housing Authority Fund – The Housing Authority administers rental housing assistance programs that benefit nearly 6,600 families in Long Beach and is 100 percent grant funded. Its largest program, the Housing Choice Voucher Program (HCV), is designed to provide affordable housing to low-income families, the elderly and disabled residents of Long Beach so they can live in decent, safe, sanitary and affordable housing. In FY 14, approximately \$80 million supports housing services programs.
- Veterans Housing at Cabrillo – Veterans Housing at Cabrillo administers The HUD-VASH program combines HUD HCV rental assistance for homeless veterans with case management and clinical services provided by the Veterans Affairs at its medical centers and in the community.

New Resources to Support Affordable Housing in Long Beach

The state is rolling out two new affordable housing programs:

- Proposition 41, the California Veterans Housing and Homeless Prevention Bond Act, was approved by California voters on June 3, 2014. The measure authorizes \$600 million in bonds to provide funding for affordable multi-family housing to low-income homeless veterans. Staff is currently working with a developer that will be applying for funds under this program for a proposed 120-unit project for homeless veterans.
- Affordable Housing and Sustainable Communities (AHSC) Program. The California Budget Act of 2014 appropriates \$130 million from the Greenhouse Gas Reduction Fund (GGRF) to the Strategic Growth Council (Council). The Council is currently developing the AHSC program, which will provide funding

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for affordable housing near transit. Twenty percent of the GGRF proceeds will be provided to the AHSC program on an annual basis beginning in FY 16.

If you have any questions, please contact Amy Bodek, Director of Development Services, at (562) 570-6428.

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