



Legislation Text

File #: 14-0287, **Version:** 2

Recommendation to request full forgiveness of \$2.9 million in an outstanding loan made by the City of Long Beach to the Housing Authority of the City of Long Beach, California under a Loan Agreement entered into on July 6, 2004.

In the Spring of 2004, the Housing Authority faced significant financial issues caused by rising housing costs, decreasing income of participating families, and program funding changes implemented by HUD. To provide assistance, the City loaned the Housing Authority \$2.9 million (Exhibit A) from excess funds that were part of the City's Rental Rehabilitation Program (RRP), which utilized HOME funds through the Housing Services Bureau program. The RRP funds loaned to the Housing Authority (HA) could only be used for affordable housing programs and they were non-General Fund dollars.

The loan documents state:

- Loan must be repaid on or before the 10th anniversary of the loan agreement (July 2014), with zero interest added to the loan.
- As an alternative to repayment of the loan, the principal balance of the loan can be reduced by an amount equal to the costs incurred by the Housing Authority for its programs and activities, plus the monetary contributions made by the Housing Authority for the furtherance and advancement of City Services.
- The City has the right to forgive all or a portion of the City Loan for services and/or facilities provided by the Housing Authority to support City of Long Beach activities pursuant to Section 2 of the loan agreement.

Since the inception of the loan, the Housing Authority, as outlined and allowed in the loan agreement, has made significant contributions to the City's Consolidated Plan, Continuum of Care for the Homeless Assistance and Housing Element.

Listed below are those Housing Authority Contributions to Affordable Housing to be considered as credit towards the loan payoff. Additional details are included in Exhibit B.

- Since Fiscal Year 2005, the Housing Authority has provided rental assistance to over 3,000 low-income, disabled and elderly families in Long Beach totaling over \$31 million through its "special needs" rental assistance programs: Non Elderly disabled (NED), Housing Choice Voucher (HCV), Housing Opportunities for Persons With AIDS (HOPWA), Veterans Affairs Supportive Housing (VASH), Disaster Voucher Program, Multi Service Center (MSC) for Homeless, Family Preservation and Project Based Voucher Program for youth aging out of the foster care system.
- In addition, the Family Self Sufficiency Program, a voluntary HA program designed to

assist those families receiving HUD Housing Choice Voucher rental assistance to improve their economic situation and reduce their dependence on public assistance and welfare, awarded almost \$2.8 million in escrow money to 354 participants.

It should also be noted that, while the Housing Authority is not listed as a direct provider, it is counted on as a partner with the City, as follows:

- The Housing Authority provides assistance to the Housing Services Bureau by completing annual inspections of rental units for their HOME program. During the term of the loan, this averaged 50 inspections per year at an overall cost to the Housing Authority of \$45,000.
- The Housing Authority has also continued work with the City in the dissemination of information and data collection for Section 3 compliance. This partnership cost approximately \$20,000 for the term of the loan.
- First Right of Refusal for Lower Income Households displaced due to governmental action. The Housing Authority has been providing Housing Choice Vouchers to displaced lower-income residents due to redevelopment activities, code enforcement actions, witness protection assistance (as needed by law enforcement agencies), and other governmental actions, such as displacement due to school construction and/or enlargements, and development of the new courthouse complex.

As documented, the Housing Authority, pursuant to Section 2 in the loan agreement, has made significant contributions through its Federally Funded Grant Programs listed above to the City's Consolidated Plan, Continuum of Care for Homeless Assistance and Housing Element; therefore, the Housing Authority has contributed over \$33 million during the term of this loan towards affordable housing and housing services for low-income "special needs" residents through the use of the \$2.9 million loan.

Housing Authority Commission Action is requested on April 15, 2014 to ensure compliance with loan obligations prior to the due and payable date of July 2014.

Given that the Loan Agreement contemplates forgiveness of the loan, the Department of Development Services expected that the loan would eventually be forgiven in exchange for resources provided by the Housing Authority and, therefore, did not account for these resources for its on-going programs. As a result, the requested action will not have a fiscal impact on the Department of Development Services existing programs.

Approve recommendation.

KELLY COLOPY

ASSISTANT EXECUTIVE DIRECTOR

APPROVED:

PATRICK H. WEST
CITY MANAGER