



R-9

Date: May 13, 2014

To: Honorable Mayor and City Council

From: Vice Mayor Robert Garcia, Chair, Housing Authority

Subject: **FULL FORGIVENESS OF \$2.9 MILLION IN AN OUTSTANDING LOAN MADE BY THE CITY OF LONG BEACH TO THE HOUSING AUTHORITY**

The Housing Authority of the City of Long Beach, California, at its meeting held Tuesday, April 15, 2014, considered communications relative to the above subject.

It is the recommendation of the Housing Authority of the City of Long Beach, California to the City Council to approve the 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.

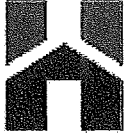
Respectfully submitted,

HOUSING AUTHORITY OF THE CITY OF LONG BEACH, CALIFORNIA

Vice Mayor Robert Garcia, Chair

Prepared by:
Megan Wiegelman

10:00 - 1:00 P.M.



CITY OF LONG BEACH

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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HOUSING AUTHORITY
of the City of Long Beach

521 E. 4TH STREET • LONG BEACH, CALIFORNIA 90802 • (562) 570-6985 • FAX: (562) 499-1052

April 15, 2014

HONORABLE HOUSING AUTHORITY COMMISSION
City of Long Beach
California

RECOMMENDATION:

Approve 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 under a Loan Agreement entered into on July 6, 2004, and forward recommendation to the City Council for consideration. (Citywide)

DISCUSSION

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.

HONORABLE HOUSING AUTHORITY COMMISSION

April 15, 2014

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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.
- 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.

This matter was reviewed by Deputy City Attorney Linda Vu on March 24, 2014 and by Budget Management Officer Victoria Bell on March 27, 2014.

TIMING CONSIDERATIONS

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.

FISCAL IMPACT

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.

SUGGESTED ACTION:


Approve recommendation.

Respectfully submitted:



KELLY COLOPY
ASSISTANT EXECUTIVE DIRECTOR

APPROVED:



PATRICK H. WEST
EXECUTIVE DIRECTOR

Attachments:

- Exhibit A: Loan Agreement
- Exhibit B: Summary of Housing Authority Contributions

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1-11-04
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LOAN AGREEMENT
BETWEEN
CITY OF LONG BEACH
AND
THE HOUSING AUTHORITY
OF THE CITY OF LONG BEACH, CALIFORNIA

THIS LOAN AGREEMENT ("Agreement") is entered into this 06 day of July, 2004, between THE HOUSING AUTHORITY OF THE CITY OF LONG BEACH, CALIFORNIA (the "Authority") and the CITY OF LONG BEACH, a municipal corporation ("City").

Recitals:

A. The Authority was established by the City in 1969 to meet the housing needs of the low-income residents of the City and, as part of its service to said residents provides rental housing assistance payments ("HAP") to persons of very low, low, and moderate income residents of the City as well as disabled residents of the City utilizing funds allocated to the Authority under to the U.S. Department of Housing and Urban Development ("HUD") Section 8 Program.

B. In an effort to achieve one hundred (100%) percent lease up prior to the end of the current HUD reporting cycle, and consistent with industry practice, the Authority issued HAP vouchers ("Vouchers") for a total amount that exceeded the Authority's baseline budget for HAP (the "Budget").

C. Due to the recent amendment of HUD rules and regulations concerning the allocation of funding for HAP, including the rule change prohibiting funding for HAP in excess of the Budget, the Authority has a deficit of approximately \$2.9 million in its obligation under the Vouchers (the "Voucher Obligations").

C. The City, through its departments and bureaus, provides home ownershi

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1 funding and rehabilitation assistance for qualified very low, low and moderate-income
2 residents and owners of rental units.

3 D. In order to assist the Authority, the City is willing to loan funds to enable the
4 Authority to meet the Voucher Obligations.

5 THE CITY AND THE AUTHORITY agree as follows:

6 Section 1. City Loan. The City agrees to loan to the Authority, from program
7 income under the HUD Rental Rehabilitation Program Grant ("RRP Grant"), an amount not
8 to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000.00) (the "City Loan"),
9 without interest, for the purpose of meeting the Voucher Obligations of the Authority under
10 the Section 8 Program.

11 Section 2. Repayment of City Loan. In consideration of City Loan, the Authority
12 agrees to repay the City Loan on or before the tenth (10th) anniversary of the date of this
13 Agreement from the excess administrative reserve funds and/or funds that are not
14 committed to other project activities by the Authority. No minimum annual payment is
15 required to be made by the Authority to repay the City Loan, and the Authority reserves
16 the right to prepay all or any portion of the unpaid principal balance of the City Loan without
17 the payment of penalty or premium. The foregoing to the contrary notwithstanding, the City
18 reserves the right to forgive all or any portion of the City Loan in its sole and absolute
19 discretion.

20 Section 3. Credit for Services and Contributions to the City. In addition to any
21 repayments made pursuant to paragraph 2 above, the principal balance of the City Loan
22 will be reduced by an amount equal to the costs incurred by the Authority for services
23 and/or facilities provided to the City for City programs and activities and monetary
24 contributions made by the Authority to the City for the furtherance of such City programs
25 and activities. The Executive Director of the Authority shall submit an annual statement
26 to the City Manager of the City indicating all costs and/or contributions incurred to be
27 credited against the principal balance of the City Loan.

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THE PARTIES have executed this Agreement as of the date first written above.

THE HOUSING AUTHORITY OF THE
CITY OF LONG BEACH, CALIFORNIA

7.30, 2004

By: *[Signature]*
Executive Director

CITY OF LONG BEACH, a municipal corporation

7.30, 2004

By: *[Signature]*
City Manager

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

Approved as to form this *30th* day of *July*, 2004

ROBERT E. SHANNON, City Attorney

[Signature]
Everett L. Glenn, Deputy

SUMMARY OF HOUSING AUTHORITY CONTRIBUTIONS TO THE CITY'S STRATEGY FOR AFFORDABLE HOUSING
Fiscal Years 2005 - 2013

CONTRIBUTIONS	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTALS
PROGRAMS - HAP ASSISTANCE										
DISASTER VOUCHER PROGRAM	\$ -	\$ 55,920	\$ 109,298	\$ 62,139	\$ 29,641	\$ 5,558	\$ -	\$ -	\$ -	\$ 262,556
HOPWA	129,882	215,857	101,112	172,002	314,335	374,745	344,999	371,052	397,654	2,421,638
VASH	-	-	-	-	161,959	706,359	1,202,620	2,427,295	2,788,563	7,286,796
Homeless Services - MSC Referrals	263,149	264,985	271,584	288,320	302,764	313,376	323,626	328,252	322,603	2,678,659
Family Preservation	-	-	-	-	-	-	-	68,386	268,836	337,222
Project Based - Palace Apartments	-	-	-	-	-	-	-	60,929	137,642	198,571
Non-Elderly Disabled HCV	1,754,328	1,766,568	1,810,560	1,922,136	2,018,424	2,089,176	2,157,504	2,188,344	2,150,688	17,857,728
Subtotal of HAP Assistance	\$ 2,147,359	\$ 2,303,330	\$ 2,292,554	\$ 2,444,597	\$ 2,827,123	\$ 3,489,214	\$ 4,028,749	\$ 5,444,258	\$ 6,065,986	\$ 31,043,170
OTHER PROGRAMS										
Family Self Sufficiency (FSS)	\$ 153,746	\$ 225,787	\$ 218,864	\$ 145,208	\$ 220,345	\$ 294,924	\$ 261,047	\$ 313,383	\$ 338,544	\$ 2,171,848
HOME Program (Housing Services Inspections)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	45,000
Section 3 Compliance (Flyers for training)	2,000	2,000	2,000	2,200	2,200	2,200	2,400	2,400	2,400	19,800
TOTAL CONTRIBUTIONS	\$ 2,308,105	\$ 2,536,117	\$ 2,518,418	\$ 2,597,005	\$ 3,054,668	\$ 3,791,338	\$ 4,297,196	\$ 5,765,041	\$ 6,411,930	\$ 33,279,818