

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: April 4, 2017

FROM: Megan Hunter, Community Development Director, and Community Development (CD) Department.

BY: Anastacia Wyatt, Planning Manager, Community Development (CD) Department.

SUBJECT: Community Development Housing Division Budget Transfer and Appropriations

RECOMMENDATION:

It is recommended that the City Council:

- 1) Approve a Resolution authorizing approval of a budget transfer from the Community Development Housing Division General Fund account to the Inclusionary Housing Ordinance Update (CIP 9041) account in the amount of \$50,000 for legal services, outside services and legal publications and appropriate \$80,200 of Program Income (PI) from the Housing Successor Agency (HSA) revenue account to HSA legal services and contingency expenditure accounts.

DISCUSSION:

The City has incurred additional costs above and beyond what was originally budgeted for in FY 2016-17 as a result of updating its existing Inclusionary Housing Ordinance No. 2451 (Ordinance), work performed on the Disposition, Development and Loan Agreement (DDLA) for the Mid-Peninsula (MidPen) The Farm, Inc. 21 Soledad Street Housing Community (Project) and experiencing an increase of documentation review requests within its existing inclusionary housing portfolio.

INCLUSIONARY HOUSING ORDINANCE UPDATE:

As part of the City's 2015-23 General Plan Housing Element update, the City Council authorized direction under "*Action H-8: Inclusionary Housing*" to update the existing 2005 Inclusionary Housing Ordinance No. 2451 (Ordinance) along with a Housing Impact Fee Nexus Study (Nexus Study). Furthermore, the City Council approved the selection of the Technical Advisory Committee (TAC) to serve as the recommendation committee regarding the Ordinance update. In addition, the City contracted with Baird and Driskell Community Planning (Consultant) to assist with drafting the Nexus Study. The City also utilizes outside legal services provided by Goldfarb and Lipman, LLC regarding the Ordinance update. There have been several meetings to-date regarding the draft Ordinance update which have included TAC, CDBG/Housing Subcommittee, Planning Commission and a City Council Study Session. Below is a list of prior meetings that were conducted throughout the draft Ordinance update process to-date.

- December 8, 2014 (TAC Introduction Meeting)
- July 1, 2015 (TAC)
- March 9, 2016 (TAC)
- March 22, 2016 (TAC)

- April 18, 2016 (TAC)
- May 19, 2016 (TAC)
- June 22, 2016 (TAC)
- July 20, 2016 (TAC)
- August 2, 2016 (TAC)
- August 16, 2016 (TAC)
- September 1, 2016 (CDBG/Housing Subcommittee)
- November 1, 2016 (City Council Housing Study Session)
- December 12, 2016 (TAC)
- January 19, 2017 (TAC)
- March 2, 2017 (TAC)
- March 15, 2017 (Planning Commission)
- March 17, 2017 (CDBG/Housing Subcommittee)

During the draft Ordinance update process the TAC asked staff to further analyze the proposed residential ownership in-lieu and rental housing impact fees. The request from the TAC, will require the Consultant to perform a supplemental residential ownership in-lieu and rental housing impact fee analysis. The request from the TAC will also require additional legal review from Goldfarb and Lipman, LLC of the original Nexus Study and supplemental ownership in-lieu and rental housing impact analysis. Goldfarb and Lipman will also need to provide an additional supplemental memo regarding their examination of the Consultant's Nexus Study and ownership in-lieu and rental housing impact fee supplemental analysis. Staff did not originally anticipate or budget for the additional consultant and legal tasks necessary to further analyze the Nexus Study and ownership in-lieu and rental housing impact fee analysis.

The draft Ordinance was also brought before the CDBG/Housing Subcommittee on March 17, 2017. After receiving the staff report and public comment, the CDBG/Housing Subcommittee provided direction to staff to hold an additional TAC meeting and bring the item back to the CDBG/Housing Subcommittee. The direction provided to staff by the CDBG/Housing Subcommittee will require additional public meetings and costs associated with the overall draft Ordinance update than was originally budgeted for in FY 2016-17.

Staff in consultation with the finance department analyzed the year-to-date status of the Community Development Housing Division General Fund account for salaries and benefits and determined there are sufficient funds to transfer and cover the proposed Ordinance update expenses. The requested budget transfer from the Community Development Housing Division General Fund account (1000.30.3220-61 Salaries & Benefits) to the Inclusionary Housing Ordinance Update (CIP 9041) account (5800.30.9041) in the amount of \$50,000 will be transferred to the following expense accounts as shown below.

Inclusionary Housing Ordinance Update (CIP 9041) account (5800.30.9041)			
Source of Funding	Account Description	NWS Expense Account Number	Funding Amount
Community Development Housing Division General Fund account (1000.30.3220-61 Salaries & Benefits)	Legal Services	63.5100	\$ 30,000
	Outside services	63.6010	\$ 14,000
	Legal Publications	64.1100	\$ 6,000
	Total		\$ 50,000

HOUSING SUCCESSOR AGENCY (HSA) ACTIVITIES:

The DDLA for the MidPen Project was approved unanimously by the City Council on February 21, 2017. The City worked diligently to get the DDLA approved by City Council so that MidPen could meet their California Tax Credit Allocation Committee (CTCAC) March 2017 application deadline. As part of the DDLA approval process staff was required to spend additional time on this Project than was originally budgeted for in FY 2016-17. In addition, there was additional legal expenses that were incurred above and beyond what was originally budgeted in FY 2016-17.

A total of \$148,270 in Program Income (PI) from the Housing Successor Agency (HSA) revenue account was received from the following sources and dollar amounts below in FY 2016-17.

- Tresor Apartments - \$16,065.79 (Residual Receipts)
- 7 Spoleto Circle - \$75,000 (Homebuyer Loan Payoff)
- Haciendas Phase II - \$57,205 (Residual Receipts)

The program income amended budgeted is \$68,000. Therefore, the revenue budget can be increased by the rounded \$80,200. Likewise, the total appropriation increase of \$80,200 is requested to the following HSA expenditure accounts:

Housing Successor Agency (HSA) account (2602.30.3220)			
Source of Funding	Account Description	NWS Expense Account Number	Funding Amount
Program Income (PI) from the Housing Successor Agency (HSA) revenue account (2602.30.2505-57.3020)	Legal Services	63.5100	\$ 30,000
	Contingency	64.5820	\$ 50,200
	Total		\$ 80,200

By appropriating funds to the HSA expenditure accounts as listed above, this will ensure that existing and future legal fees associated with the Project are reimbursed in a timely manner and other HSA related expenses will have sufficient funding for FY 2016-17.

ISSUE:

Shall the City Council:

- 1) Authorize the proposed budget transfer and appropriations as detailed in the staff report?

COMMISSION, COMMITTEE, COUNCIL SUBCOMMITTEE RECOMMENDATIONS:

The City Council authorized the update of the Ordinance as part of 2015-23 General Plan Housing Element under Action H-8. The City Council unanimously approved the DDLA for the MidPen Project on February 21, 2017.

FISCAL IMPACT:

There is sufficient funding for the proposed budget transfer and appropriation in existing accounts as detailed in the staff report and tables listed above.

TIME CONSIDERATIONS:

There are currently outstanding invoices associated with the Ordinance update and MidPen Project. Approve the proposed budget transfer and appropriations on April 4, 2017 so sufficient funding is available to pay existing outstanding invoices and future expenses.

ALTERNATIVES/IMPLICATIONS:

There would not be sufficient funding to cover existing outstanding invoices and future expenses associated with the update of the Ordinance, MidPen Project and other miscellaneous expenses.

CITY COUNCIL GOALS:

The update of the draft Ordinance and approval of the MidPen DDLA is in concurrence with goals and actions identified in the City's 2015-2023 General Plan Housing Element and other City housing planning documents.

CONCLUSION:

Approve the proposed budget transfer and appropriations.

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