

# **Special Housing Authority Meeting Agenda**

Thursday, July 16, 2015

11:00 AM

City Hall Council Chambers



The Indian Wells Housing Authority welcomes and encourages participation at Authority meetings. The Board requests speakers present their remarks in a respectful manner, within the 3 minute time limit, and focus on issues which directly affect the Housing Authority or which are within the subject jurisdiction of the Authority. Please fill out a blue Speaker Request form and give it to the Secretary, preferably before the start of the meeting.

Any public record, relating to an open session agenda item, that is distributed within 72 hours of the meeting is available for public inspection at City Hall reception, 44-950 Eldorado Drive, Indian Wells during normal business hours.

**1. CONVENE THE INDIAN WELLS HOUSING AUTHORITY, AND ROLL CALL**

CHAIRMAN TY PEABODY  
VICE CHAIRMAN DANA REED  
COMMISSIONER RICHARD BALOCCO  
COMMISSIONER DOUGLAS HANSON  
COMMISSIONER TED J. MERTENS

**2. OATHS OF OFFICE FOR NEW MEMBERS**

**3. HOUSING AUTHORITY ROLL CALL**

CHAIRMAN TY PEABODY  
VICE CHAIRMAN DANA REED  
COMMISSIONER RICHARD BALOCCO  
COMMISSIONER DOUGLAS HANSON  
COMMISSIONER TED J. MERTENS  
COMMISSIONER (Appointed Member)  
COMMISSIONER (Appointed Member)

**4. APPROVAL OF THE FINAL AGENDA**

**5. PUBLIC COMMENTS**

The Housing Authority requests speakers present their remarks in a respectful manner, with the 3 minutes time limit, and focus on issues which directly affect the Authority or which are within the subject jurisdiction of the Authority. The Chair will call upon the members of the public to address the Authority. When you're called, please come forward to the podium, and state your name for the record.

The Brown Act, with certain exceptions, does not permit the Authority to discuss or take action on issues not listed on the agenda. The Authority may respond briefly to statements made or questions pose, request clarification, or refer the item to Staff.

## 6. CONSENT CALENDAR

All matters listed under Consent Calendar are considered to be routine and will be passed by one vote. There will be no discussion of these items unless a Board Member or a member of the public requests specific item(s) be discussed separately. Item(s) removed from the Consent Calendar will be heard immediately after approval of the remaining consent items. Public comments are limited to 3 minutes per speaker, please state your name for the record.

### A. [1182-15](#) **Best Best & Krieger Annual Requisition**

#### **RECOMMENDED ACTION:**

Housing Authority **APPROVES** requisition in the amount of \$75,000 to Best Best & Krieger, LLP for Fiscal Year 2015-16 legal services.

**Attachments:** [Requisition](#)

### B. [1196-15](#) **March 19, 2015 Special Housing Authority Minutes.**

**Attachments:** [03-19-15 Minutes](#)

### C. [1197-15](#) **April 1, 2015 Special Housing Authority Minutes.**

**Attachments:** [04-01-15 Minutes](#)

### D. [1198-15](#) **May 21, 2015 Special Housing Authority Minutes.**

**Attachments:** [05-21-15 Minutes](#)

### E. [1192-15](#) **Housing Authority Warrants and Demands**

#### RECOMMENDED ACTION:

Housing Authority APPROVES the July 16, 2015 Warrants and Demands.

**Attachments:** [HA Warrants](#)

## 7. GENERAL BUSINESS

The Chair will call upon the members of the public to address the Authority regarding the agenda item being considered. After the public has provided comment, the item is closed to further comment and brought to the Authority for discussion and action. Public comments are limited to 3 minutes per speaker, please state your name for the record.

**A. [1183-15](#) Senate Bill 341 Impacts**

**RECOMMENDED ACTIONS:**

Housing Authority **DISCUSSES** impacts of Senate Bill 341 on the Indian Wells Housing Authority and provides further **DIRECTION** to staff.

**Attachments:** [April 1, 2015 Staff Report](#)  
[Administrative Cap Breakdown](#)

**8. EXECUTIVE DIRECTOR'S COMMENTS AND MATTERS FROM STAFF**

The Executive Director or Staff may make brief announcements, informal comments, or brief the Authority on items of interest.

**9. COMMISSIONERS' COMMENTS**

- A. Commissioner (Appointed Member)
- B. Commissioner (Appointed Member)
- C. Commissioner Ted Mertens
- D. Commissioner Douglas Hanson
- E. Commissioner Richard Balocco
- F. Vice Chairman Dana Reed
- G. Chairman Ty Peabody

**10. ADJOURNMENT**

To a regularly scheduled meeting of the Indian Wells Housing Authority to be held at 1:00 p.m. on September 17, 2015 in the City Hall Council Chambers.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE SENIOR BUILDING INSPECTOR OR THE RISK MANAGER AT (760) 346-2489. NOTIFICATION 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING. 128 CFR 35.102.35.104 ADA TITLE III

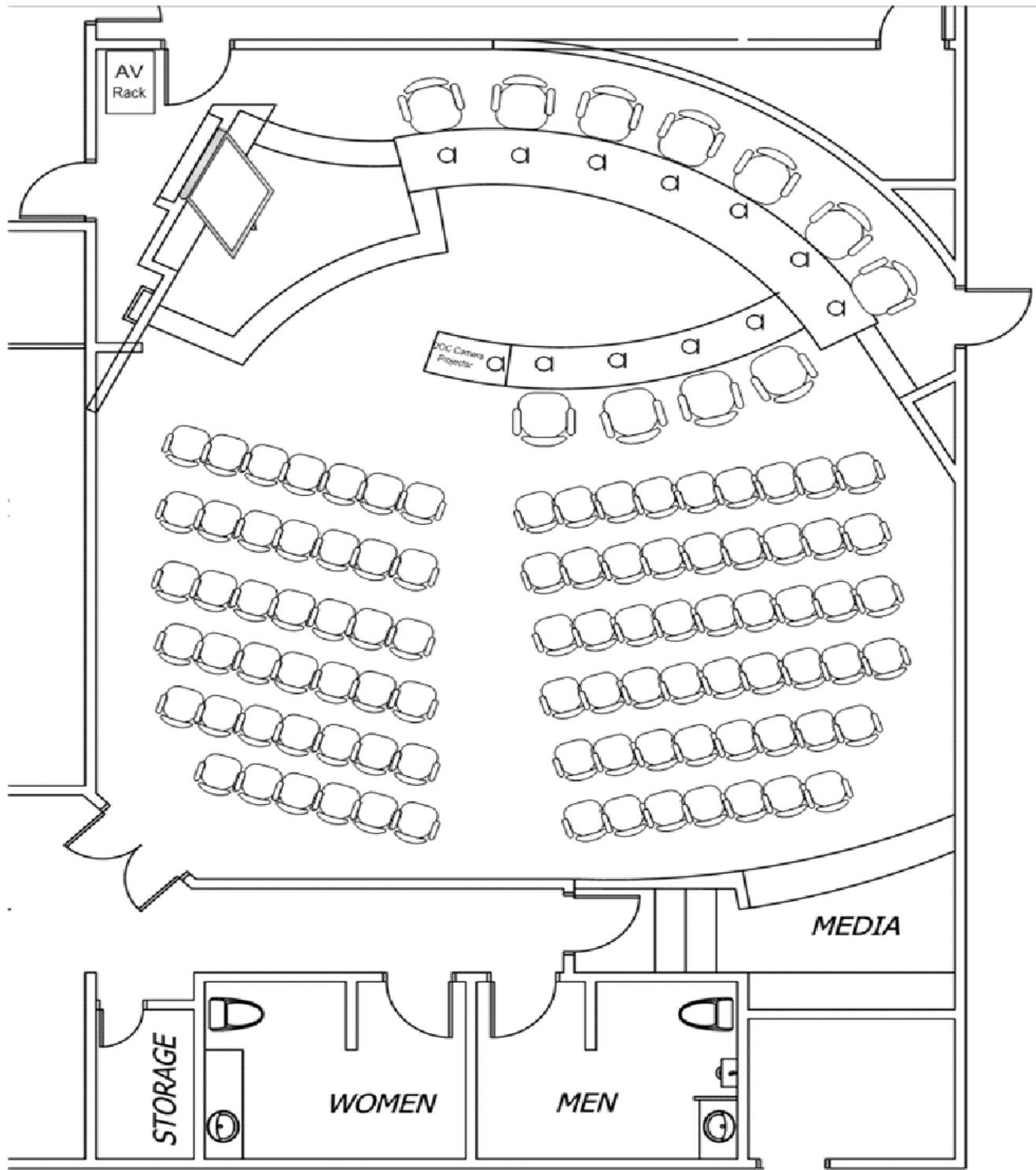
Affidavit of Posting and Notice

I, Anna Grandys, certify that on July 10, 2015, I caused to be posted and served upon all members of the Housing Authority, a notice of a Special Housing Authority Meeting to be held on July 16, 2015 at 11:00 a.m. in the City Hall Council Chambers.

Notices were posted at Indian Wells Civic Center, Village I [Ralph's], and Indian Wells Plaza [Indian Wells Chamber of Commerce], and were delivered to all Housing Authority members.



Anna Grandys  
Chief Deputy City Clerk





Legislation Text

File #: 1182-15, Version: 1

***Indian Wells Housing Authority  
Staff Report - Finance***

***July 16, 2015***

**Best Best & Krieger Annual Requisition**

**RECOMMENDED ACTION:**

Housing Authority **APPROVES** requisition in the amount of \$75,000 to Best Best & Krieger, LLP for Fiscal Year 2015-16 legal services.

**DISCUSSION:**

The Housing Authority approved an agreement with Best Best and Krieger, LLP (BB&K) in November 2014, for general legal counsel services. The Agreement provides for an automatic increase effective every July 1 based upon the percentage change in the Consumer Price Index for the Los Angeles/Anaheim/Riverside. For Fiscal Year 2015-16, the percentage increase is ½% over the previous year's hourly rates. The proposed hourly rates are as follows:

\$282	Partners/of Counsel
\$247	Associates
\$166	Paralegals/Clerks

For matters reimbursed by third parties to the Housing Authority:

\$333	Partners/of Counsel
\$305	Associates
\$191	Paralegals/Clerks

**FISCAL IMPACT:**

BB&K estimates legal fees in the amount of \$75,000 based upon known work product which includes potential legal work associated with Housing Authority vacant land. Legal fees are budgeted in the Housing Authority fund account number 256.46.01.05310.000

**ATTACHMENT:**

1. Requisition



CITY OF INDIAN WELLS  
 44-950 ELDORADO DRIVE  
 INDIAN WELLS, CA 92210  
 (760) 346-2489

# SERVICES REQUISITION

DATE	DEPARTMENT
5/22/2015	

Terms: **Net 30 Days**

VENDOR: Best, Best and Krieger

VENDOR PHONE:  
 VENDOR FAX:  
 VENDOR EMAIL:  
 DEPT. CONTACT: David Gassaway

VENDOR #:

DESCRIPTION	PRICE
2015/2016 Housing Authority Board Legal Services	\$75,000
	-
	-
	-
	-
	-
<b>TOTAL</b>	<b>\$ 75,000.00</b>

ACCOUNT NUMBER	BUDGET AVAILABLE
256.46.01.05310	75,000.00
	-
	-
<b>TOTAL</b>	<b>\$ 75,000.00</b>

*Handwritten: 147,000 - 6/9/15*

PREPARED BY: Cathy Terrones

DATE: 5/22/2015

**REQUISITION CHECKLIST:**

<input type="checkbox"/> <b>Minor Services (\$1 to \$5,000)</b>	<b>Procurement Method - Select One:</b>	<b>Required for NEW Agreements - Select All</b>
	<input type="checkbox"/> Department Head Authorized <input type="checkbox"/> 3 Vendor Price Quotes/Bids, if applicable <input type="checkbox"/> Continuation of Agreement (complete below): <input type="checkbox"/> Copy of agreement & Insurance attach'd Term Dates: _____ to _____ Insurance Active: _____ to _____	<input type="checkbox"/> Short-Form Service Agreement or Professional/Maint Service Agreement attached <input type="checkbox"/> 3 Vendor Price Quotes/Bids attached, if applicable <input type="checkbox"/> Insurance Certificate(s) & Endorsement(s) attached <input type="checkbox"/> W-9 or City 1099 Information Request Form attached

The Finance Department reserves the right to request vendor price quotes/bids for purchases between \$1 to \$5,000.

<input type="checkbox"/> <b>Intermediate Services (\$5,001 to \$25,000)</b>	<b>Procurement Method - Select One:</b>	<b>Required for NEW Agreements - Select All</b>
	<input type="checkbox"/> 3 Vendor Price Quotes/Bids <input type="checkbox"/> Continuation of Agreement (complete below): <input type="checkbox"/> Copy of agreement & Insurance attach'd Term Dates: _____ to _____ Insurance Active: _____ to _____ <input type="checkbox"/> Written Justification for exceptions	<input type="checkbox"/> Short-Form Service Agreement or Professional/Maint Service Agreement attached <input type="checkbox"/> 3 Vendor Price Quotes/Bids attached <input type="checkbox"/> Insurance Certificate(s) & Endorsement(s) attached <input type="checkbox"/> W-9 or City 1099 Information Request Form attached

<input type="checkbox"/> <b>Major Services (\$25,001 or more)</b>	<b>Procurement Method - Select One:</b>	<b>Required - Select All</b>
	<input type="checkbox"/> Formal Bidding <input type="checkbox"/> Negotiation <input type="checkbox"/> Continuation of Agreement <input type="checkbox"/> Copy of agreement & Insurance attach'd Term Dates: _____ to _____ Insurance Active: _____ to _____ <input type="checkbox"/> Written Justification for exceptions	<input type="checkbox"/> Council Approval Date & Item # _____ <input type="checkbox"/> Copy of Agenda item attached <input type="checkbox"/> Copy of Staff Report attached <b>Required for NEW Agreements - Select All</b> <input type="checkbox"/> Professional/Maint Service Agreement attached <input type="checkbox"/> Insurance Certificate(s) & Endorsement(s) attached <input type="checkbox"/> W-9 or City 1099 Information Request Form attached

INSURANCE APPROVAL: \_\_\_\_\_  
 Risk Manager

DATE: \_\_\_\_\_

REQUIRED	REQUIRED	REQUIRED FOR OVER \$25,000
<i>[Signature]</i> Department Head or Designee	<i>[Signature]</i> Finance Director or Designee	<i>[Signature]</i> City Manager or Designee
5/26/15		



# City of Indian Wells

44-950 Eldorado Drive,  
Indian Wells

## Legislation Text

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**File #:** 1196-15, **Version:** 1

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March 19, 2015 Special Housing Authority Minutes.

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# Special Housing Authority Meeting Minutes

Thursday, March 19, 2015

10:00 AM

City Hall Council Chambers



The Indian Wells Housing Authority welcomes and encourages participation at Authority meetings. The Board requests speakers present their remarks in a respectful manner, within the 3 minute time limit, and focus on issues which directly affect the Housing Authority or which are within the subject jurisdiction of the Authority. Please fill out a blue Speaker Request form and give it to the Secretary, preferably before the start of the meeting.

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**1. CONVENE THE INDIAN WELLS HOUSING AUTHORITY, AND ROLL CALL**

Present 7 - Chairman Ty Peabody, Vice Chairman Dana Reed, Commissioner Richard Balocco, Commissioner Douglas Hanson, Commissioner Ted Mertens, Commissioner Bobbi Fletcher, and Commissioner Bob Mitchell

**2. APPROVAL OF THE FINAL AGENDA**

A motion was made by Vice Chairman Reed, seconded by Commissioner Balocco to Approve the Agenda as submitted. The motion carried by the following vote:

AYES: 7 - Peabody, Reed, Balocco, Hanson, Mertens, Fletcher, Mitchell

**3. PUBLIC COMMENTS**

None.

**4. CONSENT CALENDAR****A. Housing Warrants and Demands**

Commissioner Balocco questioned why a meeting was necessary for just the approval of the Housing Authority's Warrants and Demands.

It was determined to DIRECT Staff to come back to the Authority with another way to approve the warrants and demands without the need to call for a special meeting; and

to APPROVE the March 19, 2015 Housing Authority Warrants and Demands.

A motion was made by Vice Chairman Reed, seconded by Commissioner Mertens to Approve the March 19, 2015 Warrants and Demands and direct to Staff to come back to the Authority with suggestions to process the warrants and demands without coming before the Housing Authority for approval. The motion carried by the following vote:

AYES: 6 - Peabody, Reed, Balocco, Mertens, Fletcher and Mitchell

ABSTAIN: 1 - Hanson

**5. ADJOURNMENT**

At 10:04 a.m. Chairman Peabody ADJOURNED to a special meeting of the City Council to be held at 10:00 a.m. on March 19, 2015 in the City Hall Council Chambers.

Respectfully submitted,

\_\_\_\_\_  
Wade G. McKinney, Executive Director



# City of Indian Wells

44-950 Eldorado Drive,  
Indian Wells

## Legislation Text

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**File #:** 1197-15, **Version:** 1

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April 1, 2015 Special Housing Authority Minutes.

# Special Housing Authority Meeting Minutes

Wednesday, April 1, 2015

10:00 a.m.

Indian Wells Golf Resort, Celebrity Ballroom

44-500 Indian Wells Lane, Indian Wells



*Indian Wells Villas*

WELCOME TO A SPECIAL MEETING OF THE HOUSING AUTHORITY. ALL PERSONS WISHING TO ADDRESS THE HOUSING AUTHORITY SHOULD FILL OUT A BLUE PUBLIC COMMENT FORM BEFORE THE MEETING BEGINS, AND GIVE IT TO THE AUTHORITY SECRETARY. WHEN THE CHAIR HAS RECOGNIZED YOU, PLEASE COME FORWARD TO THE PODIUM AND STATE YOUR NAME FOR THE RECORD. A 3-MINUTE TIME LIMIT IS CUSTOMARY. PLEASE NOTE THAT YOU MAY ADDRESS THE HOUSING AUTHORITY ON AN AGENDA ITEM AT THE TIME IT IS DISCUSSED, BUT ONLY AFTER BEING RECOGNIZED BY THE CHAIR. ANY PUBLIC RECORD, RELATING TO AN OPEN SESSION AGENDA ITEM, THAT IS DISTRIBUTED WITHIN 72 HOURS PRIOR TO THE MEETING IS AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL RECEPTION AREA 44-950 ELDORADO DRIVE, INDIAN WELLS DURING NORMAL BUSINESS HOURS.

**1. CONVENE THE HOUSING AUTHORITY AND ROLL CALL**

Chair Peabody convened the Housing Authority Meeting of the City of Indian Wells at 10:02 a.m. on April 1, 2015 in the Indian Wells Golf Resort, Celebrity Ballroom.

**A motion was made by Commissioner Balocco, seconded by Commissioner Reed to Excuse Commissioner Mertens from today’s meeting. The motion passed by the following vote 6-0-1.**

AYES: 6 – Peabody, Reed, Balocco, Hanson, Mitchell and Fletcher  
NOES: 0 – None  
EXCUSED: 1 - Mertens

PRESENT: 6 – Chair Peabody, Vice Chair Dana Reed, Commissioner Richard Balocco, Commissioner Douglas Hanson, Commissioner Bob Mitchell and Commissioner Bobbi Fletcher  
EXCUSED: 1 - Commissioner Ted Mertens

**2. APPROVAL OF THE FINAL AGENDA**

**A motion was made by Vice Chair Reed, seconded by Commissioner Balocco to Approve the Agenda as Submitted. The motion carried by the following vote 6-0-1:**

AYES: 6 – Peabody, Reed, Balocco, Hanson, Mitchell and Fletcher  
NOES: 0 – None  
EXCUSED: 1 – Mertens

**3. PUBLIC COMMENTS**

None.

**4. GENERAL BUSINESS**

- A. A. Discussion and Direction Regarding Senate Bill 341 Requirements for Housing Authority Assets and Funding.

Mr. Ethan Walsh, Housing Authority Special Counsel from the law firm of Best Best & Krieger, Assistant to the City Manager David Gassaway and

Finance Director Kevin McCarthy provided an analysis of Senate Bill 341 requirements, facts on existing assets and fiscal analysis.

It was the CONSENSUS of the Housing Authority to DIRECT Staff to either arrange to have created special legislation to fix the 2% cap component or obtain an administrative ruling from the State Department of Finance to make an exception regarding the current 2% annual cap on administrative costs (up to a maximum of \$200,000) for the monitoring and maintaining of existing affordable housing; and

to obtain a construction cost estimate to build the 65 units at the Mountain View Villas II site; and

to obtain an estimate of the value for each of the vacant properties owned by the Authority; and

to bring back to the Authority a revenue and cost projection to maintain the existing two housing sites including the best and worst case scenarios.

**5. ADJOURNMENT**

At 11:03 a.m., Chair Peabody ADJOURNED to a special meeting of the Indian Wells Housing Authority to be held at 11:00 a.m. on June 18, 2015 in the City Hall Council Chambers.

Respectfully submitted,

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Wade G. McKinney, Executive Director



# City of Indian Wells

44-950 Eldorado Drive,  
Indian Wells

## Legislation Text

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**File #: 1198-15, Version: 1**

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May 21, 2015 Special Housing Authority Minutes.

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# Special Housing Authority Meeting Minutes

Thursday, May 21, 2015

3:00 PM

City Hall Council Chambers



The Indian Wells Housing Authority welcomes and encourages participation at Authority meetings. The Board requests speakers present their remarks in a respectful manner, within the 3 minute time limit, and focus on issues which directly affect the Housing Authority or which are within the subject jurisdiction of the Authority. Please fill out a blue Speaker Request form and give it to the Secretary, preferably before the start of the meeting.

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## 1. CONVENE THE INDIAN WELLS HOUSING AUTHORITY, AND ROLL CALL

Chair Peabody convened the Housing Authority Meeting of the City of Indian Wells at 3:00 p.m. on May 21, 2015 in the City Hall Council Chambers.

A motion was made by Commissioner Hanson, seconded by Vice Chairman Reed, that this be Approved. The motion carried by the following vote:

AYES 7 - Peabody, Reed, Balocco, Hanson, Mertens, Fletcher, Mitchell

NOES 0

## 2. APPROVAL OF THE FINAL AGENDA

A motion was made by Commissioner Hanson, seconded by Vice Chairman Reed, that this be Approve the Agenda as Submitted. The motion carried by the following vote:

AYES 7 - Peabody, Reed, Balocco, Hanson, Mertens, Fletcher, Mitchell

NOES 0

## 3. APPROVAL OF MEETING MINUTES

### 3. APPROVAL OF MEETING MINUTES

AYES 7 - Peabody, Reed, Balocco, Hanson, Mertens, Fletcher, Mitchell

NOES 0

### A. November 6, 2014 Special Housing Authority Minutes

### B. December 18, 2014 Housing Authority Minutes

### C. January 8, 2015 Special Housing Authority Minutes

### D. February 6, 2015 Special Housing Authority Minutes

## 4. PUBLIC COMMENTS

Ms. Joyce Brandstetter, resident, stated some of the senior management of Winn Residential previously worked with National CORE when they managed the City's two housing sites in prior years and therefore, she does not support the selection of Winn Residential as the new management company.

Ms. Nancy Browning, resident, reported on various incidents and management problems when National CORE was the management company for the two housing sites.

## 5. GENERAL BUSINESS

### A. **Award Three Year Agreement to Winn Residential to Provide Management Services for Indian Wells Villas and Mountain View Villas**

Winn Residential representatives introduced themselves to the audience and the Housing Authority; they were Joyce Coberth, Vice President of Quality Control; Danielle Briggs, Senior Property Manager and Jim Aliberti, Division Vice President. It was noted that both Ms. Briggs and Mr. Aliberti had previously worked for the City's prior management company, National CORE.

Council Member Balocco questioned what the future process would be for Winn Residential and staff to oversee the management of these two properties.

Council Member Hanson questioned industry standards as it relates to leasing the units, responsibilities of staff representing the housing authority to oversee the two housing facilities, what the limits and parameters of authority for staff and frequency of internal and outside firm audits.

It was determined to APPROVE the Agreement together with the changes to the Agreement described by David Gassaway at this meeting and any and all other changes that are appropriate in the view of the Executive Director and the Authority's Legal Counsel; and

AUTHORIZE the Executive Director to execute the Agreement.

A motion was made by Commissioner Mitchell, seconded by Commissioner Fletcher, that this Recommendation be Approved. The motion carried by the following vote:

AYES 5 - Peabody, Reed, Mertens, Fletcher, Mitchell

NOES 1 - Balocco

ABSTAIN 1 - Hanson

### B. **Approve Housing Authority Operating and Capital Budgets for Fiscal Years 2015-17**

It was determined to APPROVE the Operating and Capital Budgets for Fiscal Years 2015-17.

A motion was made by Vice Chairman Reed, seconded by Commissioner Mitchell, that this Recommendation be Approved. The motion carried by the following vote:

AYES 7 - Peabody, Reed, Balocco, Hanson, Mertens, Fletcher, Mitchell

NOES 0

**C. Discussion and Direction Regarding Phase II Cultural Analysis for Housing Authority Property on the Southside of Miles Avenue Across from the Tennis Garden**

Mayor Pro Tem Reed stated the Aqua Caliente Band of Cahuilla Indian tribe is his law firm's client and he will not participate in discussion or vote on this item. Mayor Pro Tem Reed left the Dais at 5:34 p.m.

Commissioner Mitchell questioned what would be the involvement and claim on the property by the Aqua Caliente Band of Cahuilla Indian tribe based on the discovery of the burial site.

it was determined to APPROVE the contract with MSA Consulting, Inc. and CRM TECH for Phase II cultural analysis; and

AUTHORIZE and DIRECT the Executive Director to execute the contracts for same.

A motion was made by Commissioner Balocco, seconded by Commissioner Hanson, that this Recommendation be Approved. The motion carried by the following vote:

- AYES 4 - Peabody, Balocco, Hanson, Mertens
- NOES 1 - Mitchell
- ABSTAIN 1 - Reed
- ABSENT 1 - Fletcher

**6. CLOSED SESSION**

Mayor Pro Tem Reed returned to the Dais at 5:36 p.m. Chair Peabody stated the Housing Authority would hold a Closed Session to discuss the following item.

Housing Authority Legal Counsel Deitsch stated this Closed Session Item #6A pertains to a claim made against the Housing Authority.

**A. Conference with Legal Counsel Regarding Anticipated Litigation Pursuant to Government Code Section 54956.9(b)(1): Claimant: Jimmie Barcena, Jr.**

At 5:44 p.m. Housing Authority Counsel stated no action was taken which, under the Brown Act, would be required to be publicly reported.

**7. ADJOURNMENT**

At 5:45 p.m. Chair Peabody ADJOURNED to a special meeting of the Indian Wells Housing Authority to be held at 10:00 a.m. on July 16, 2015 in the City Hall Council Chambers.

Respectfully submitted,

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Wade G. McKinney, Executive Director

Unofficial



# City of Indian Wells

44-950 Eldorado Drive,  
Indian Wells

## Legislation Text

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**File #: 1192-15, Version: 1**

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Housing Authority Warrants and Demands  
RECOMMENDED ACTION:

Housing Authority APPROVES the July 16, 2015 Warrants and Demands.

**HOUSING AUTHORITY  
07/16/2015 MEETING WARRANT LIST**

<b>CHECK #</b>	<b>DATE</b>	<b>INVOICE #</b>	<b>VENDOR NAME/DESCRIPTION</b>	<b>INVOICE AMT</b>	<b>CHECK TOTAL</b>
47640	7/16/2015		BEST, BEST & KRIEGER, L.L.P.		
		744375	2/15 HOUSING AUTHORITY LEGAL SERVICES	9,296.00	
		747858	4/15 HOUSING AUTHORITY LEGAL SERVICES	4,905.63	
		749820	5/15 HOUSING AUTHORITY LEGAL SERVICES	4,200.00	
		746178	3/15 HOUSING AUTHORITY LEGAL SERVICES	4,005.00	
		746180	3/15 HOUSING AUTHORITY LEGAL SERVICES	2,295.87	
		744373	2/15 HOUSING AUTHORITY LEGAL SERVICES	364.00	<b>25,066.50</b>
47643	7/16/2015		VINTAGE ASSOCIATES		
		SI-155583	2/15 INTEREST DUE	2,877.71	
		SI-154725	1/15 EXTRA LANDSCAPE SERVICES	1,405.00	<b>4,282.71</b>
47648	7/16/2015		HUGHES RESERVES & ASSET		
		2698	7/15-2/15 RESERVE STUDY FEE-IW VILLAS & MV VILLAS	1,800.00	<b>1,800.00</b>
47642	7/16/2015		MSA CONSULTING INC.		
		2204.004-01	5/15 CEQA PHASE II CULTURAL ANALYSIS	1,127.50	<b>1,127.50</b>
47641	7/16/2015		GREEN DESERT NURSERY		
		65345	4/15 LANDSCAPE MAINTENANCE SUPPLIES-MV VILLAS	223.56	<b>223.56</b>

5 checks in this report

**TOTAL HOUSING AUTHORITY WARRANTS: 47640-47643 & 47648    32,500.27**



Legislation Text

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File #: 1183-15, Version: 1

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***Indian Wells Housing Authority  
Staff Report - Executive Director's Office***

***July 16, 2015***

**Senate Bill 341 Impacts**

**RECOMMENDED ACTIONS:**

Housing Authority **DISCUSSES** impacts of Senate Bill 341 on the Indian Wells Housing Authority and provides further **DIRECTION** to staff.

**DISCUSSION:**

Background:

The Housing Authority Board of Commissioners ("HA Board") held a study session on April 1, 2015 to learn about Senate Bill 341 ("SB341"), its effects on the Housing Authority ("HA"), and provided Staff direction on a number of targeted questions posed at the meeting. The Staff report for that April meeting can be found as **Attachment 1** to this report.

This report and study session updates the HA Board on actions taken by Staff since April 1, and seeks further HA Board discussion and direction in response to SB341.

HA Board Direction:

The HA Board made clear their desire to continue ownership of both Indian Wells Villas and Mountain View Villas. Discussion focused on the limits to funding the two properties with the 2% administrative cap placed by SB341. HA Board directed Staff to seek a legislative modification to SB341 to resolve the direct limitations on operations of existing senior properties.

Staff worked with our lobbyist, Joe Gonsalvez & Sons, and the California Department of Finance ("DOF"), to find acceptable language modifying SB341 to not prohibit HA from owning the two senior properties. The DOF, through much negotiation, agreed to put into the RDA Dissolution trailer bill (AB 974) an increase in the administrative cap to 5% of assets. A 5% administrative cap resolves the HA challenge in continuing to operate the properties. **Attachment 2** details how the change in language resolves the HA's ability to continue operations of the two senior properties.

In summary, the legislative change to the Administrative Cap provided for in SB341 causes the two existing senior affordable housing properties to be financially sustainable into the future.

SB341 Continuing Impact:

Table 1 details vacant properties owned, acreage, purchase price, and assumed current valuation. All four vacant properties must either be sold or development of affordable housing initiated by August of 2017.

<b>Table 1 - Vacant Property Detail</b>			
Property	Approx. Acreage	Purchase Price	Current Assumed Value <sup>1</sup>
MVV Phase II	7.66	\$5,070,587	\$3,217,200
Brixton/MVV Buffer	3.19	\$1,618,000	\$1,339,800
South of Miles	50.12	\$15,074,119	\$13,440,000
Warner Trail	4.2	\$2,700,801	\$1,764,000
	65.17	\$24,463,507	\$19,761,000

<sup>1</sup>Assumed value based on comparable sales at average \$420,000 per developable acre. <sup>2</sup>South of Miles property is 50.12 acres, with only approximately 32 acres developable. 18.12 acres are the Whitewash Channel.

Each of the vacant properties owned by HA require some form of action in the coming two years. Staff is seeking HA Board discussion and direction to determine:

- Which, if any, properties are preferred for development of affordable housing?
- Does HA Board desire to have Staff conduct further investigation into purchase of property by the City?
- Does HA Board desire to have Staff conduct further investigation into interest from development partners in purchase of vacant properties?
- Does HA Board desire to have Staff investigate partnership opportunities with neighboring communities for development of eligible projects under SB341?

Other Considerations:

In addition to vacant property timeframe discussed above, the HA must spend excess surplus funds (over \$1,000,000) for the development of affordable housing within three years of determination of

excess surplus. The HA currently does not have excess surplus funds as determined by DOF; therefore, the time constraints on excess surplus funds are not as limiting as the requirements with vacant property. Any sale of property would create excess surplus funds that would be required to either develop affordable housing or revert to the state within three years.

HA Board's discussion on the points listed above are likely to guide the use of excess surplus funds should actions be taken on vacant properties.

**ATTACHMENTS:**

1. April 1, 2015 Staff Report
2. 2% vs. 5% Administrative Cap Breakdown

**Discussion and Direction Regarding Senate Bill 341 Requirements for Housing Authority Assets and Funding**

**RECOMMENDED ACTIONS:**

Housing Authority **DISCUSSES** Senate Bill 341 and provides **DIRECTION** to staff.

**REPORT-IN-BRIEF:**

This report provides analysis of Senate Bill 341 requirements, facts on existing assets, and fiscal analysis to help guide Housing Authority Board discussion on the future use of housing assets and proceeds. Senate Bill 341 substantially changes the landscape of Housing Authority operations. The formerly accepted redevelopment strategy of landbanking will no longer be permitted past 2017 for the Housing Authority. SB341 requires use of assets for certain eligible activities within strict timeframes.

Staff is seeking Housing Authority Board discussion to clarify and pursue viable actions in accordance with Senate Bill 341. Information presented can help guide Board discussion on future Staff analysis into strategy alternatives for Housing Authority assets.

**DISCUSSION:**

Summary:

Senate Bill 341 (“SB341”), adopted during the 2013-14 State Legislative Session, places strict requirements on the use of housing revenues and assets received from the former Redevelopment Agency. SB341 restricts the use of assets and funds, effectively forcing the Housing Authority to use assets for development of affordable housing or to sell assets and revert funds to the State of California. The legislation went into effect January 1, 2014.

Objective:

SB341 changes the environment for the future sustainability of the City of Indian Wells Housing Authority (“HA”). Information provided in this report is intended to raise

awareness to the impact that SB341 has on the HA and begin the discussion and decision making process to respond.

Staff's goal for this meeting is to present information to HA Board members, and answer any questions to help clarify Commissioners' understanding of the impact of SB341. The following targeted questions should be in mind when reading this report, and raised progressively throughout. At HA Board direction, Staff will bring back these questions to begin determining policy decisions to respond to SB341 requirements.

**Targeted Objective Questions:**

- A. Determine whether or not the Housing Authority desires to build additional income restricted housing in Indian Wells; and
- B. Determine if the Housing Authority desires to dispose of assets through sale and either (1) remit funds to State of California, or (2), partner with surrounding jurisdictions to utilize funds for allowable uses; and
- C. Determine if the Housing Authority desires continued ownership of existing affordable housing communities; and
- D. Determine if the Housing Authority desires to be a long-term entity.

Background:

Created in 2012, the City of Indian Wells Housing Authority is the housing successor agency performing the housing functions of the former Indian Wells Redevelopment Agency ("Agency"). The primary function of the HA is the preservation and development of housing for persons with very low, low, and moderate incomes.

As part of dissolution, the Agency transferred a number of assets from Agency to HA. SB341 went into effect January 1, 2014 forcing housing successor agencies with assets held, or purchased, for affordable housing to perform on those obligations or to sell those assets and transfer the funds to the State. The timeframes provided for in SB341 were made retroactive to the date of Department of Finance ("DOF") confirmation of assets. For Indian Wells, this retroactivity went back nearly a year and a half from SB341 adoption (Aug. 31, 2012).

SB341 has been under the radar of statewide groups such as the League of California Cities, legislative advocacy groups, and cities in general. Luckily, Housing Authority General Counsel brought SB341 to Staff's attention in mid-2014. Research into the topic revealed that no statewide group had produced guidance on the impacts of SB341. In late 2014, Counsel was instructed to draft a memorandum detailing the impacts of SB341 as it relates to HA (**Attachment 1**).

BB&K's memorandum now appears to be the leading piece of information on the impacts of SB341 in California. Staff has since shared it with the League legislative advocates, affordable housing law firms, consultants, and other cities.

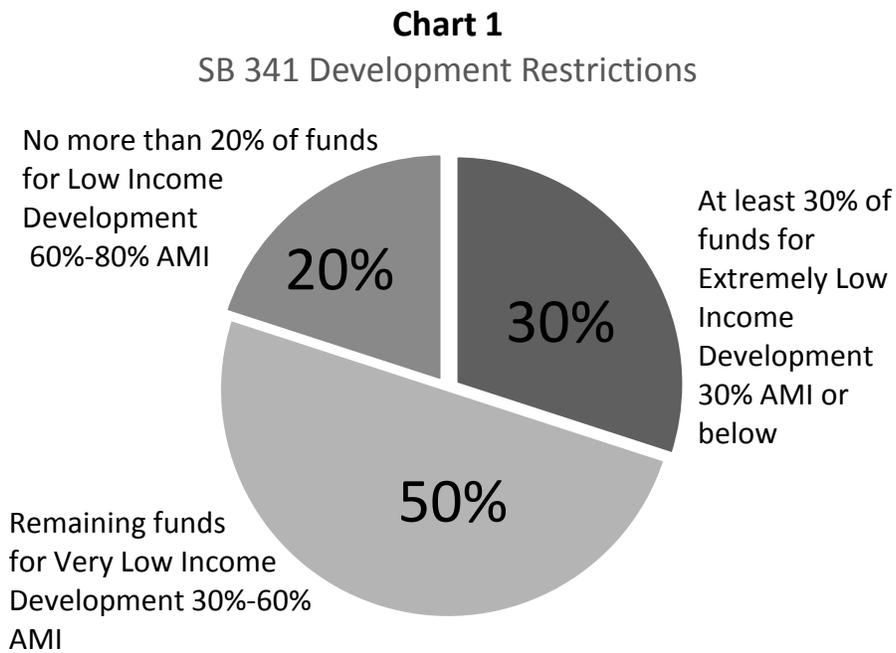
Given the number of assets held by the HA, SB341 is a substantially impactful piece of legislation. Understanding it, verifying the reality of what it mandates of the HA, and interpreting how to begin moving forward will be a substantial undertaking in coming months.

### Analysis of SB341:

**Attachment 1** prepared by HA Counsel describes the impact of SB341 on housing funds received through the Agency dissolution process. The following summarized points are critical to the discussion:

- Time limits on development or sale of property – HA must initiate development of housing on any HA properties within five (5) years of DOF confirmation of housing asset transfer. DOF confirmed HA's transfer on August 31, 2012. This requires all properties owned by HA (assets described in **Attachment 2**) initiate development, or be sold, by August 31, 2017.
- Expenditure of HA funds – HA may use existing funds and future revenues generated from assets on administrative costs, including for maintaining existing affordable housing units (up to 2% of total asset value), homeless services (capped at \$250,000/year), and the development of affordable housing. However, funds used for development of affordable housing have a number of restrictions:
  - Maximum 20% can be used for low income households - 60-80% area median income ("AMI");
  - Minimum 30% *must* be used for extremely low income households – 30% AMI or below;
  - Remaining funds may be used for very low income households – 30-60% AMI;
  - NO funds may be used for moderate income households or above – 80% AMI or more.

**Chart 1** helps to visualize the limitations on use of HA funds for development of affordable housing. For comparison, the two senior affordable housing properties owned by the Housing Authority have incomes at very low income (50% AMI or below), low income (50%-80% AMI), and moderate income (80%-120% AMI). SB341 requires housing development targeted at the lowest income categories, which was not the Agency's prior strategy.



**TARGETED OBJECTIVE QUESTION A:**

**Does HA desire to utilize funds for development of additional affordable housing in Indian Wells?**

The lower the incomes targeted by a project are, the less operating revenues a property has. This challenge generally requires partnership with affordable housing development firms who specialize in seeking additional outside funding, such as low-income housing tax credits, to build moderate income and market rate units that can help to spread the operating costs and make a development sustainable. This would be a departure from prior Agency strategies of development using only Agency funds with limited private involvement.

- 2% Administrative Cost Cap – all revenues produced from housing assets must be placed into the housing fund, including rents collected from Indian Wells Villas (“IWV”) and Mountain View Villas (“MVV”). Current projection of IWV and MVV annual operating budgets are just over \$1.6 million. This accounts for the bulk of total allowable administrative expenditures, which includes maintaining affordability of existing housing.

This requirement may limit the HA’s ability to fund future capital replacement projects at the senior properties and severely limits the amount of funding available for staff oversight of HA activities. If the properties exceed the 2% cap, then the City General Fund would be required to subsidize HA operations.

- Transfer to Other Jurisdictions – HA may transfer funds to surrounding jurisdictions within fifteen (15) miles for a) affordable housing in transit priority projects, b) supportive housing for those with disabilities, c) housing for agricultural laborers, or d) special needs housing.
- Homeless Services – HA may fund homeless services up to an amount of \$250,000 per year if inclusionary housing requirements of the Agency were met. Staff does not believe Agency’s inclusionary housing requirements have been met, and would require additional legal investigation to determine if this option is viable.

## Current Assets:

**Table 1** provides an overview of the current assets owned by the HA, referencing lots identified on the map provided as **Attachment 2**.

**Table 1**  
Housing Authority Owned Property

Lot (Identified On Map)	Lot Size	Project Name	Housing Covenants
O	10.36	Mountain View Villas Ph. II	65 units
N	2.47	Indian Wells Crossing Ph. II <sup>1</sup>	None
L	50.12	Miles Parking	0 <sup>3</sup>
G	4.2	Warner Trail	None
TOTAL			65 <sup>3</sup>

NOTES:

1. Lot N is subdivided as part of Brixton. The remaining acreage was intended as a buffer between Mountain View Villas Phase II and Indian Wells Crossing.
2. Miles Parking property only has approximately 27 developable acres. The remainder is in the Whitewater Wash. Assumed valuation based on developable acres, not total acres.
3. Miles Parking property has affordable housing restrictive covenants recorded against the property, but those covenants do not dedicate any specific unit count.

Lots O and L currently have recorded restrictive affordable housing covenants, which restrict the property to development of affordable housing. Removal of affordable housing covenants is possible through land sale or transfer but are generally intended to tie a property to use for affordable housing. The covenants currently recorded meet the goals identified in the currently adopted City Housing Element (discussed later in this report). HA could determine it desires to remove existing covenants, the last remaining in the City of Indian Wells, but exposes itself to some legal risk from housing advocacy groups.

### **TARGETED OBJECTIVE QUESTION B:**

**Does HA desire dispossession of existing assets and either (1) remit funds to the State, or (2), partner with neighboring jurisdictions to utilize funds for allowable uses?**

**Table 2** shows the two properties currently owned by the City, presented for informational purposes so as to not be confused with properties owned by the HA.

**Table 2**  
City Owned Property

Lot (Identified On Map)	Lot Size	Project Name	Housing Covenants
F	3.13	Accent Homes	None
I	12.64	Warner Trail Parking Lot	None

**Indian Wells Villas and Mountain View Villas**

Not listed in Table 1 are IWV and MVV, 90 units and 128 units respectively. IWV and MVV are the only existing affordable housing stock owned by the HA. Each property has a regulatory agreement with restrictive covenants maintaining affordability of units through 2031 for IWV and 2039 for MVV.

The assumed value is difficult to estimate. Value is likely greater than the \$400,000 per acre used for vacant land assets due to improvements. However, affordable housing generally has lower real estate values than market given difficulty of purchasers to carry debt while maintaining affordability provisions (i.e. rents do not cover debt repayment costs).

As mentioned, the properties do produce revenues and have expenses counted against the two percent (2%) administrative cap. Staff is in conversation with DOF for an administrative ruling on the inclusion of existing properties in the cap. It appears HA's situation was an unintended consequence of SB341, but no final administrative determination has been made. The HA may desire to pursue some legislative amendment to modify this provision of SB341.

**TARGETED OBJECTIVE QUESTION C:**

**Does HA desire continued ownership of existing affordable housing communities?**

This decision substantially affects future HA funding and expenditure requirements and sustainability. It is likely the City General Fund would require future subsidies to capital repairs to maintain IWV and MVV at current standards.

## Senior Housing

SB341 prevents expenditure of HA funds for development of senior affordable housing if the Agency had developed more than fifty percent (50%) of housing as senior within the previous ten (10) years. Both IWV and MVV are senior affordable housing. However, construction completion of both properties was more than ten years ago. This means HA could build one additional senior affordable housing property under the income limits imposed by SB341.

## Housing Element Considerations

Pursuant to State law, the City of Indian Wells developed, and had approved by the State, a 2013-2021 Housing Element of the General Plan. The Housing Element is a requirement of all General Plans intended to guide development and preservation of housing in a way that is consistent with the overall social and economic values of the community. The Housing Element also meets State law pertaining to the provision of housing opportunities for all income groups.

Through the Housing Element, the City of Indian Wells has made some commitments to attempt to develop additional future housing. The existing affordable covenants in place on Mountain View Villas Phase II (lot O) would represent nearly all of the commitments identified in the 2013-2021 Housing Element.

Nothing in State law specifically ties repercussions for not meeting Housing Element commitments. However, there is some legal risk by affordable housing industry advocates for not meeting the objectives laid out in the current Housing Element, despite capacity to do so.

## FISCAL IMPACT:

HA's total asset picture includes the properties previously discussed, cash on hand, and ongoing revenue from a loan to the Agency prior to dissolution. **Table 3** details estimated Fiscal Year End 2014/2015 ("FY14/15") assets and liabilities comprising total funds balance.

**Table 3 - Estimated FY14/15**

	Housing Authority	Indian Wells Villas	Mountain View Villas	Total
<b>Assets</b>				
Cash	\$2,899,144	\$967,415	\$946,161	\$4,812,720
Management Cash		\$72,574	\$122,384	\$194,958
Loans Receivable	\$10,957,829	\$0	\$0	\$10,957,829
Accrued Interest	\$4,684	\$1,563	\$1,529	\$7,776
Accounts Receivable		\$4,049	\$7,936	\$11,985
<b>Total Assets</b>	<b>\$13,861,657</b>	<b>\$1,045,601</b>	<b>\$1,078,010</b>	<b>\$15,985,268</b>
<b>Liabilities</b>				
Accounts Payable	\$5,810	\$18,990	\$21,079	\$45,879
Security Deposits		\$29,600	\$52,845	\$82,445
<b>Total Liabilities</b>	<b>\$5,810</b>	<b>\$48,590</b>	<b>\$73,924</b>	<b>\$128,324</b>
<b>Total Fund Balance</b>	<b>\$13,855,847</b>	<b>\$997,011</b>	<b>\$1,004,086</b>	<b>\$15,856,944</b>
Assumed Property Value	\$17,612,000	\$10,293,966	\$36,191,583	\$64,097,549
<b>Total Asset Value</b>	<b>\$31,467,847</b>	<b>\$11,290,977</b>	<b>\$37,195,669</b>	<b>\$79,954,493</b>

SB341 requires the HA to perform on the development of affordable housing with existing assets, or sell. Table 3 highlights that the HA has considerable assets that could be utilized for affordable housing development, including nearly \$3 million in cash and considerable value in vacant land.

Unencumbered funds in excess of the greater of \$1,000,000, or the total amount of funds deposited in the previous four years, are considered excess surplus and must be spent within three (3) years. In March of 2014 HA deposited \$2.9 million in cash assets from the sale of property to Brixton. An additional \$2 million in reserves for IWW and MVV existed. Accounting for capital reserve funds at IWW and MVV, SB341 requires HA to encumber \$3.9 million for an eligible expense by 2017 or all funds are transferred to the State.

The Loan Receivable presented in Table 3 is from a loan made from the Agency's 20% housing set-aside funds to the Agency. The full amount of that loan was accepted as part of the Agency's Recognized Obligation Payments Schedule ("ROPS"). The loan will be repaid over time, generating approximately \$450,000 per year in cash flow to the HA until loan value is repaid.

**Table 4** provides a preliminary rough estimate of the HA's FY15/16 budget numbers (formal presentation, discussion, and adoption of HA budget in May/June). This helps to highlight the operational revenues and expenditures of the HA, IWV, and MVV moving forward.

**Table 4 - Projected FY15/16 Budgets**

	Housing Authority	Indian Wells Villas	Mountain View Villas	Budget Total
<b>Revenues</b>				
Investment Earnings	\$40,000	\$5,000	\$5,000	\$50,000
ROPS Payment on SERAF Loan	\$452,000			\$452,000
Rental Income		\$621,000	\$996,000	\$1,617,000
Miscellaneous Revenues		\$5,000	\$2,000	\$7,000
<b>Total Revenues</b>	<b>\$492,000</b>	<b>\$631,000</b>	<b>\$1,003,000</b>	<b>\$2,126,000</b>
<b>Expenditures</b>				
Administration	\$217,000			\$217,000
Operating Cost	\$0	\$535,000	\$859,000	\$1,394,000
Capital Maintenance Building and Grounds Maintenance	\$0	\$86,000	\$100,000	\$186,000
	\$0			\$0
<b>Total Expenditures</b>	<b>\$217,000</b>	<b>\$621,000</b>	<b>\$959,000</b>	<b>\$1,797,000</b>
<b>Budgeted Surplus/(Loss)</b>	<b>\$275,000</b>	<b>\$10,000</b>	<b>\$44,000</b>	<b>\$329,000</b>

The annual ROPS loan repayment in Table 4 is subject to excess surplus expenditure timeframes. Depending on HA's future expenditures, it is likely that all funds deposited will have a three (3) year expenditure timeframe. The exception would be if the HA expends funds on an eligible expense and brings down the excess surplus to lower than \$1,000,000, or the total deposited over the prior four years, whichever is greater.

**TARGETED OBJECTIVE QUESTION D:**

**Does HA desire to be a long-term entity?**

## **ALTERNATIVES:**

There are a multitude of alternatives the HA could pursue in response to SB341. This report was intended to provide enough information for the HA Board to start a discussion on direction, not as an end-game discussion on fully developed policy alternatives. However, given Staff's understanding of SB341 and the HA's current situation, a few high level alternatives present themselves for further discussion:

- The HA can utilize assets and funds to develop affordable housing within the limits of SB341 through a public/private partnership.
- The HA can dispose of all assets and revert all funds back to the State.
- The HA could wait to see if any additional changes emerge to the dissolution of redevelopment and the wind-down process that brought about legislation such as SB341.
- The HA could seek a legislative amendment to SB341 in order to loosen some requirements. Staff had discussions with Joe A. Gonsalves & Son (City's Sacramento legislative advocates) regarding a legislative amendment to SB341. Initial discussions indicate that minor tweaks may be possible if other cities are experiencing similar negative impacts, but major change to SB341 is probably not likely.

The most likely scenario would be a combination of alternatives that produce the preferred policy options for the HA. The HA Work Session on April 1<sup>st</sup> will help to provide Staff with the Board's input and direction into which options should be further pursued.

## **ATTACHMENTS:**

1. BB&K Memorandum on Senate Bill 341
2. Map identifying Housing Authority and City owned property assets

## **Memorandum**

**To:** Wade G. McKinney, Executive Director  
Indian Wells Housing Authority

**From:** Best Best & Krieger, LLP, Authority Counsel

**Date:** January 9, 2015

**Re:** Senate Bill 341 and impact on the use of housing funds received through the Redevelopment Agency dissolution process

### **INTRODUCTION**

During the last legislative session the State Legislature enacted Senate Bill 341 (“SB 341”), which imposed new requirements on housing successors to former redevelopment agencies. Specifically, SB 341 dictates the manner in which housing successors must spend funds that it receives from the former redevelopment agency’s assets, and established new reporting requirements on the use of those funds. The Indian Wells Housing Authority (the “Housing Authority”) serves as the housing successor to the former Redevelopment Agency of the City of Indian Wells. As a result, it has taken possession of the former redevelopment agency’s housing assets, and all future revenue generated from those assets will be deposited into a “low and moderate income housing asset fund” (“LMIHAF”) to be administered by the Housing Authority.

The revenues that will be deposited into the LMIHAF will include the repayment of the SERAF loan made by the Redevelopment Agency’s housing fund to make certain payments required by State law. The principal balance of that loan is currently \$11,514,773, and will be repaid into the LMIHAF over the next several years. Additionally, any funds recovered from the Promissory Note to be repaid by Miles Crossing Retail, LP (approximately \$2.2 million), in connection with the proposed Phase 1 retail portion of the Indian Wells Crossing development project, will also be deposited into the LMIHAF.

The enactment of SB 341 will directly impact the manner in which the Housing Authority may spend the funds that will be deposited into the LMIHAF. This memo summarizes the requirements of SB 341 and reviews the steps that the HA should take to ensure compliance with these new requirements.

## ANALYSIS

### **I. Requirements of SB 341**

#### **A. Expenditure of Funds**

Under existing law, the housing successor to the redevelopment agency (in this case the Housing Authority) must establish the LMIHAF, and all funds generated from the former redevelopment agency's housing assets must be deposited in this fund. SB 341 dictates how these fund must be spent by the Housing Authority.

##### *1. Administrative Costs*

The Housing Authority can use funds deposited into the LMIHAF to pay administrative costs associated with monitoring and maintaining existing affordable housing and developing new affordable housing. However, the amount that can be spent on administrative costs in each fiscal year is capped at the greater of 2% of the total value of grant/loan receivables and real property owned by the Housing Authority, or \$200,000.

##### *2. Homeless Services*

If the Housing Successor has already met the inclusionary housing requirements that were imposed on the redevelopment agency pursuant to Health and Safety Code section 33413<sup>1</sup> then the Housing Authority can spend up to \$250,000 per year from the LMIHAF on homeless assistances and associated services to secure housing for homeless people and families.

##### *3. Requirements for Remaining Funds*

The remaining funds in the LMIHAF must be spent for the development of housing for households earning 80% of the area median income or less.<sup>2</sup> In other words, these funds cannot be used for moderate income housing (i.e., housing for families at 80-120% of area median income). At least 30% of these remaining funds (after use of funds for administrative costs and, if applicable, homeless assistance) must be spent on extremely low income housing, which is for households earning 30% or less of the area median income, and no more than 20% of this amount can be spent on households earning between 60% and 80% of area median income. The

<sup>1</sup> Section 33413 generally required that 15% of all housing developed in a redevelopment project area be affordable to low and moderate income households, with at least 40% of that housing being affordable to very-low income households.

<sup>2</sup> The Housing Authority can spend these funds on construction of new affordable housing, acquisition and rehabilitation of housing, substantial rehabilitation of existing units and acquisition of long term affordability covenants for existing units.

remainder of the funds must be spent on housing for households earning less than 60% of area median income.

If the Housing Authority spends more than 20% of the LMIHAF funds on housing for households between 60-80% of area median income over the course of a five year period, then the Housing Authority cannot spend any more money on housing for households at 60-80% of area median income until it spends funds on housing for the lower income levels to bring its spending back into the required proportions.

#### 4. *Expenditures on Senior Housing*

If the number of affordable senior housing units developed by the former redevelopment agency or the Housing Authority in the previous 10 years exceeds 50% of the total affordable units developed during that time period, then the Housing Successor cannot spend any money to assist additional senior housing until the time when then number of senior affordable units assisted over the previous 10 years is less than 50% of the total affordable units developed by the redevelopment agency/housing authority.

#### B. Transfer of Funds to Other Jurisdictions

Under limited circumstances, the Housing Successor can transfer funds to another jurisdiction within the same county and within 15 miles of the housing Successor to assist with the development of (1) “transit priority projects” that call for affordable housing in close vicinity to transit stations, (2) permanent supportive housing for people with disabilities, (3) housing for agricultural laborers, or (4) special needs housing as defined by state law. Before housing funds may be transferred, both jurisdictions have to make specific findings related to the proposed housing development and each jurisdictions compliance with the inclusionary housing requirements imposed by Health and Safety Code section 33413.

#### C. Timing for Use of LMIHAF Funds

The new law also requires that funds deposited in the LMIHAF to be spent within a limited period of time. The new law essentially carries forward the “excess surplus” requirements established by the Community Redevelopment Law and declares that any unencumbered funds that are in excess of the greater of \$1,000,000 or the total amount deposited in the LMIHAF over the previous four fiscal years are considered “excess surplus.” The excess surplus funds must be spent within three years of the time that they are determined to be excess surplus. If the Housing Successor fails to use the excess surplus in that timeframe, the funds must be transferred to the State Department of Housing and Community Development, and will be used for the State’s Multifamily Housing Program or the Joe Serna Jr. Farmworker Housing Grant Program.

D. Time Limits on Development or Sale of Property

Under the Community Redevelopment Law, redevelopment agencies were required to initiate development on any property acquired with affordable housing funds, or else sell the property and redeposit the funds into the low and moderate income housing fund. Now, the Housing Authority must initiate development on any property that was transferred from the redevelopment agency to the Housing Authority as a housing asset within five years of the date that DOF confirmed the property was a housing asset, or else sell the property and redeposit the money into the LMIHAF. There are no such limitations on property that is acquired by the Housing Authority with LMIHAF.

E. Reporting Requirements

The Housing Authority is not required to prepare an annual report to HCD (as was the case for the Redevelopment Agency), but it does have to prepare an annual audit of the LMIHAF within 6 months after the end of each fiscal year, and include detailed information on the amounts deposited into and spend from the LMIHAF each fiscal year, the purpose of any expenditures, and the Housing Authority's progress toward satisfying the requirements of SB 341, including the expenditure requirements for extremely low income households and the limitations on assistance for senior affordable housing.

**II. Impact on Indian Wells**

The Housing Authority will receive a significant amount of money into the LMIHAF in the coming years. This includes not only the repayment of the SERAF Loan and the proceeds from the sale of the Indian Wells Crossing Retail site, but additionally as the Successor Agency repays loans owed to the City, 20% of the amounts repaid are required to be deposited into the Housing Authority's LMIHAF. Any other revenues generated from the redevelopment agency housing assets that were transferred to the Housing Authority must also be deposited into the LMIHAF.

The Housing Authority will have to consider how it will use this money, given the new restrictions established by SB 341. First, the Housing Authority should determine (1) how many affordable units have been developed in the City over the past 10 years, and (2) how many of those units were senior housing units. This information will help the Housing Authority to determine how many senior housing units may be constructed in future years.

Further, the Housing Authority will not be able to spend any of the funds on moderate income housing (80% to 120% of area median income) and may only spend 20% of the total funds on low income housing. The remainder of the funds will have to be spent on households at less than 60% of area median income. This will be a significant departure from the types of affordable housing that has been developed in Indian Wells in the past, and the Housing

Authority Board should consider how it wants to proceed with utilizing those funds in the near future.

If the Housing Authority does not spend the funds in the manner required by SB 341, its use of the funds will be even further constrained until it spends the proportionately required amounts, and eventually the funds will be turned over to HCD as excess surplus funds if not used in accordance with SB 341.

### **III. Conclusion**

The Housing Authority should first determine the amount of senior affordable housing it has developed over the last 10 years, to determine the extent to which it is constrained in developing senior affordable housing in the future. The Housing Authority should then work to determine the flow of revenue that it expects to receive in the coming years, to determine how much it will have to spend on affordable housing at various income levels. Once that information is secured, the Housing Authority Board can develop a plan for how it will spend funds in a manner that is consistent with community goals and will not run afoul of the requirements of SB 341.

If you have any questions or concerns regarding this memorandum, please do not hesitate to contact me.

cc: David Gassaway, Assistant to the City Manager

STEPHEN P. DEITSCH  
ETHAN WALSH



**LEGEND**

- City Boundary .....
- City Property
- Housing Authority Property



Indian Wells Villas



Fred Waring

G



HWY 111

HWY 111

MILES

F



Miles Ave.

N

O

L



Mountain View Villas

## Attachment 2 – 2% vs. 5% Administrative Cap Breakdown

**Table 1** details the total Department of Finance (“DOF”) approved asset valuation for the HA from 2012. With full asset valuation, a 2% administrative cap provides enough expenditure authority to cover expenses at the two senior properties. However, with just under \$500,000 of cushion, 2% administrative cap could make future capital replacement projects difficult. Additionally, as the HA sold vacant land, as required by SB341, the total admin cap available would reduce as those assets came off the HA’s valuation list.

<b>Table 1 - Full Asset Valuation</b>	
	Fiscal Year 15/16
Total DOF Asset Valuation	\$94,217,848
2% Admin Cap Allocation	\$1,884,357
Senior Property FY15/16 Budget	(\$1,394,000)
<b>Cap Cushion</b>	<b>\$490,357</b>
Total DOF Asset Valuation	\$94,217,848
5% Admin Cap Allocation	\$4,710,892
Senior Property FY15/16 Budget	(\$1,394,000)
<b>Cap Cushion</b>	<b>\$3,316,892</b>

At 5% of an admin cap, there is plenty of cushion under full asset valuation to operate the properties. It would also provide enough funding to complete any substantial capital improvement projects in the future.

**Table 2** shows DOF valuation net approved value of the four vacant parcels owned by the HA. Under SB341, those parcels must be sold or development initiated by August of 2017. Assuming they are sold, the overall admin cap allocation would be reduced too. 2% would not cover annual operating expenses of the senior properties. This was highlighted as the primary challenge to HA Board on April 1. The 5% admin cap

<b>Table 2 - Valuation Minus Vacant Land</b>	
	Fiscal Year 15/16
DOF Valuation minus Vacant Land	\$68,246,511
2% Admin Cap Allocation	\$1,364,930
Senior Property FY15/16 Budget	(\$1,394,000)
<b>Cap Cushion</b>	<b>(\$29,070)</b>
DOF Valuation net Vacant Land	\$68,246,511
5% Admin Cap Allocation	\$3,412,325
Senior Property FY15/16 Budget	(\$1,394,000)
<b>Cap Cushion</b>	<b>\$2,018,325</b>

increase resolves this problem and provides enough cap cushion to ensure property operations, and provides room for capital replacement projects.

**Table 3** shows valuation of only the existing senior housing developments. This demonstrates what would exist if the HA were to sell or disposes all land and existing fund balance. Under a 2% admin cap, the properties could not sustain general operations without some source of subsidy. However, with the 5% admin cap legislative fix, the properties can still operate under the admin cap, and have room for capital replacement projects. Through careful capital replacement planning, HA can ensure the properties are not negatively impacted by the restriction in capital expenditures for major future replacements, such as roofs, roadways, or substantive structural rehabilitation.

<b>Table 3 - Senior Property Valuation Only</b>	
Senior Property Valuation	\$52,389,566
2% Admin Cap Allocation	\$1,047,791
Senior Property FY15/16 Budget	(\$1,394,000)
<b>Cap Cushion</b>	<b>(\$346,209)</b>
Senior Property Valuation	\$52,389,566
5% Admin Cap Allocation	\$2,619,478
Senior Property FY15/16 Budget	(\$1,394,000)
<b>Cap Cushion</b>	<b>\$1,225,478</b>