



Legislation Details (With Text)

File #: 21-540 **Version:** 1

Type: Report **Status:** Agenda Ready

File created: 1/10/2022 **In control:** REGULAR CITY COUNCIL AND HOUSING AUTHORITY*

On agenda: 1/18/2022 **Final action:**

Title: COSTA MESA HOUSING AUTHORITY FINANCIAL STATEMENTS AND HOUSING SUCCESSOR ANNUAL REPORT FOR THE PERIOD ENDING JUNE 30, 2021

Sponsors:

Indexes:

Code sections:

Attachments: 1. Agenda Report, 2. 1. CM Housing Authority Audit Report, 3. 2. Housing Report CMHA FY 20-21

Date	Ver.	Action By	Action	Result
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TITLE:

COSTA MESA HOUSING AUTHORITY FINANCIAL STATEMENTS AND HOUSING SUCCESSOR ANNUAL REPORT FOR THE PERIOD ENDING JUNE 30, 2021

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

CONTACT INFORMATION: CAROL MOLINA, FINANCE DIRECTOR, (714) 754-5243

RECOMMENDATION:

Staff recommends that the City Council and Housing Authority receive and file the following:

1. The Fiscal Year 2020-21 Independent Financial Audit of the Costa Mesa Housing Authority, including the Low and Moderate Income Housing Asset Fund; and
2. The Fiscal Year 2020-21 Housing Successor Annual Report prepared under the California Health and Safety Code Section 34176.1 as the housing successor and Section 34328 as a housing authority.

BACKGROUND:

On January 17, 2012, under the California Housing Authorities Law (HAL), Health and Safety Code (HSC) Section 34200, *et seq.*, the City Council established the Costa Mesa Housing Authority (Housing Authority). Also on that date, the City Council selected the Housing Authority to be the housing successor and, as of February 1, 2012, to assume the housing assets, duties, functions and obligations of the former Costa Mesa Redevelopment Agency (Former Agency). These actions occurred as a result of the dissolution of the Former Agency under Assembly Bill x1 26, the

California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill 1484, and other subsequent dissolution legislation (together, "Dissolution Law"), which laws regulate the administration of successor agencies and housing successors due to the dissolution of all California redevelopment agencies. Further, under Section 34328 of the HAL, the Housing Authority also prepares and presents an annual report on its activities for the preceding year.

Under Section 34176, added by AB x1 26 and amended by AB 1484, the State Department of Finance (DOF) issued a decision letter in January 2013 that confirms the Housing Authority holds all affordable housing assets of the Former Agency as listed in a Housing Asset Transfer (HAT) schedule prepared by the Housing Authority and submitted to the DOF prior to August 1, 2012. Since dissolution, all housing assets are held and administered by the Housing Authority in the Low to Moderate Income Housing Asset Fund (LMIHAF) under the Dissolution Law, as per Sections 34176 and 34176.1. Under Section 34176.1(f), the housing successor is required to conduct an independent financial audit of the LMIHAF (LMIHAF Audit) and prepare an annual report (Report) for each fiscal year, and provide such reports to the governing body, within six months after the end of each fiscal year.

From inception, the Housing Authority's primary function had been to serve as the housing successor to the Former Agency. Beginning in Fiscal Year (FY) 2018-19, the Housing Authority expanded services beyond the scope of LMIHAF by consolidating the City's existing homeless outreach program and establishing a new bridge shelter operation for homeless individuals.

ANALYSIS:

An audit of the Housing Authority's financial activities, consisting of the LMIHAF activities and homeless assistance programs, was completed as part of the City's overall financial audit by an independent certified public accounting firm, Davis Farr, LLP. The Housing Authority received an unmodified opinion. This is the highest attestation report given by independent auditors. The reports that deal with compliance information also received unmodified opinions with no findings. The audit results are incorporated as part of the City's Comprehensive Annual Financial Report (CAFR). The section in the City's audit/CAFR relating to the LMIHAF Audit is entitled: *Costa Mesa Housing Authority (A Component Unit of the City of Costa Mesa) Financial Statements Year ended June 30, 2020* (Attachment 1).

In FY 2020-21, the Housing Authority received approximately \$1.9 million in revenues and incurred \$3.6 million in expenditures. The General Fund provided a budgeted \$1.8 million transfer to the homeless outreach and bridge shelter programs. At June 30, 2021, the Housing Authority's available fund balance was \$3.7 million, all of which is restricted for LMIHAF purposes.

Staff has also prepared the Report (Attachment 2) summarizing the housing successor activities for FY 2020-21 as outlined by Section 34176.1(f). The LMIHAF Audit and Report are attached to this agenda report for the City Council's review and to take minute action to receive and file in accordance with the applicable Dissolution Laws. Further, as required by Section 34176.1, the Report and the former Agency's pre-dissolution Implementation Plan are available to the public on the City's website <<http://www.costamesaca.gov/>>www.costamesaca.gov <<http://www.costamesaca.gov/>><<http://www.costamesaca.gov/>>.

Based upon information prepared by staff and data contained in the LMIHAF Audit, the Report presents information organized into the following Sections I to XIV, inclusive, under Section 34176.1

(f) of the Dissolution Law:

- I. **Amounts Received and Deposited under Section 34191.4(b)(3)(A).** This section provides the total amount of funds paid to the City and the amount deposited into the LMIHAF allocable to 20% of the repayments on the reinstated City/Agency loan per Section 34191.4.
- II. **Amount Deposited into LMIHAF.** This section provides the total amount of funds deposited into the LMIHAF in FY 2020-21 and itemized by amounts listed on Recognized Obligation Payment Schedule (ROPS), amounts allocable to Section 34191.4 deposits, and other amounts deposited into the LMIHAF.
- III. **Ending Balance of LMIHAF.** This section provides a statement of the balance in the LMIHAF as of the close of FY 2020-21. Any amounts deposited for items listed on the ROPS, and amounts allocable to Section 34191.4 deposits, must be distinguished from the other amounts deposited.
- IV. **Description of Expenditures from LMIHAF.** This section provides a description of expenditures made from the LMIHAF during FY 2020-21. The expenditures are to be categorized among (A) administration for monitoring, preserving covenanted housing units, (B) homeless prevention and rapid rehousing services and (C) development of housing.
- V. **Statutory Value of Assets Owned by Housing Successor.** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.
- VI. **Description of Transfers.** This section describes transfers, if any, to another housing successor made in previous fiscal year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for development of transit priority projects, permanent supportive housing, regional homeless shelter, housing for agricultural employees, or special needs housing.
- VII. **Project Descriptions.** Any project for which the Housing Successor receives or holds property tax revenue under the ROPS and the status of that project.
- VIII. **Status of Compliance with Section 33334.16.** As and if applicable, this section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the Former Agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide an update on the project.
- IX. **Description of Outstanding Obligations under Section 33413.** This section describes outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the Former Agency as of February 1, 2012, along with the Housing Successor's progress in meeting those prior obligations, if any, of the Former Agency and how the Housing Successor plans to meet unmet obligations, if any.
- X. **Income Test.** This section provides information required by Section 34176.1(a)(3)(B), or a description of expenditures by income category and restriction for the applicable five-year period, with the time period beginning January 1, 2014, and whether the statutory thresholds have been met. FY 2018-19 was the end of the initial five-year period under this section. The next five year report is due in FY 2023-24.

XI. Senior Housing Test. This section provides the percentage of deed-restricted rental housing units restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former redevelopment agency and its host jurisdiction within the same 10-year time period.

XII. Excess Surplus Test: This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

XIII. Inventory of Homeownership Units: This section provides a summary of covenanted homeownership units assisted by the former redevelopment agency or the housing successor that include equity sharing and repayment provisions, including: (A) number of units; (B) number of units lost to the portfolio in the last fiscal year and the reason for those losses; and (C) any funds returned to the housing successor pursuant to losses or repayments.

XIV. Additional Information: Costa Mesa Housing Authority's Activities for the Preceding FY 2020-21 under HSC Section 34328.

ALTERNATIVES:

The reports are for receive and file purposes.

FISCAL REVIEW:

There is no fiscal impact associated with receiving and filing the reports.

LEGAL REVIEW:

The City Attorney's Office has reviewed the reports, and approves the reports as to form.

CITY COUNCIL GOALS AND PRIORITIES:

Achieve fiscal sustainability.

CONCLUSION:

Staff recommends that the City Council and Housing Authority receive and file the following:

1. The Fiscal Year 2020-21 Independent Financial Audit of the Costa Mesa Housing Authority, including the Low and Moderate Income Housing Asset Fund; and
2. The Fiscal Year 2020-21 Housing Successor Annual Report prepared under the California Health and Safety Code Section 34176.1 as the housing successor and Section 34328 as a housing authority.