



# CITY COUNCIL STAFF REPORT



July 16, 2024

## ITEM TITLE

Housing Successor Agency: Appropriation of \$4,550,000 in Low and Moderate Income Housing Asset Funds for Fiscal Year 2024-25

**Report Number:** 24-0194

**Location:** No specific geographic location

**Department:** Housing and Homeless Services

**G.C. § 84308:** No

**Environmental Notice:** The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## Recommended Action

City Council and Housing Authority adopt a resolution: 1) authorizing the use of Housing Successor Agency Low and Moderate Income Housing Asset Funds for fiscal year 2024-25, in the amounts of \$300,000 for administration, \$200,000 for the Homelessness Prevention Program, \$50,000 for the Landlord Incentive Program, and \$4,000,000 in “excess surplus” funds for the development of affordable housing; 2) authorizing the City Manager/Housing Authority Director or designee to execute documents consistent with the proposed activities; and 3) appropriating funds therefore. **(4/5 Vote Required)**

## SUMMARY

Since 2012 the Chula Vista Housing Authority (“Housing Authority”) has served as the Housing Successor Agency (“Housing Successor”), overseeing the liabilities and assets of the former Chula Vista Redevelopment Agency (“Agency” or “RDA”) including the Low and Moderate Income Housing Asset Fund (“Housing Asset Fund”). Tonight’s action will appropriate \$4,550,000 in Housing Asset Funds to eligible activities, serving as the Housing Successor budget for fiscal year (“FY”) 2024-25 and ensuring compliance with State law.

## ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (“CEQA”) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Staff attempted to hold a special meeting of the Housing and Homeless Advisory Commission in order to consider the item. The meeting was scheduled for June 26, 2024, but was cancelled due to lack of quorum. A rescheduled special meeting was arranged for July 10, 2024, but was cancelled again due to lack of quorum.

## DISCUSSION

The Housing Authority is the Housing Successor to the former Agency, which was [dissolved](#) along with all redevelopment agencies statewide by the State legislature in 2012. At the time of dissolution, a housing successor was to be selected to transfer and be responsible for the remaining assets and liabilities of a former redevelopment agency.

The City of Chula Vista (“City”) City Council elected to designate the Housing Authority as the Housing Successor to the former Agency. All rights, powers, committed assets, liabilities, duties, and obligations associated with the affordable housing activities of the Agency were transferred to the Housing Authority, who acting as the Housing Successor, transferred these assets to the Housing Asset Fund. As of June 30, 2023, the balance of the Housing Asset Fund was \$13,590,518.

Under California Code, Health and Safety Code (“HSC”) Section [34176.1](#), Housing Asset Funds may be spent on:

1. Administrative costs for the operation of the housing successor agency, at the greater of \$200,000 per year adjusted for inflation (\$254,500 for FY 2022-23), or 5% of the statutory value of real property owned by the Housing Successor and the value of loans and grants receivable (\$1,286,085 for FY 2022-23);
2. Homeless prevention and rapid rehousing services up to \$250,000 per year; and
3. Affordable housing development assisting households with up to 80 percent of the Area Median Income (“AMI”), subject to specific income and age targets over a five-year period.

State law also limits how much cash a housing successor may retain and, if it fails to commit and spend these dollars in a reasonable timeframe, ultimately penalizes the housing successor by requiring unspent funds to be transferred to the California Department of Housing and Community Development (“HCD”) for use on State housing programs. HSC Section 34176.1(d) establishes a limit, known as an “excess surplus” on the amount of unencumbered Housing Asset Funds based on the greater of the following:

- \$1,000,000; or
- The total amount of deposits made into the Housing Asset Fund over the preceding four years.

Once an excess surplus is determined, a housing successor must account for these funds separately and encumber (commit pursuant to a legally enforceable contract or agreement) said monies within three years. If after the third year, the excess surplus has not been fully encumbered, the remaining balance of the excess surplus is to be transferred to HCD. The City must report annually to the State in the Housing Successor [Annual Report](#). The City reported an excess surplus for the first time in 2020-21 and through this appropriation will enable continued compliance with HCS Section 34176.1(d).

### **Administration (\$300,000)**

While the City reported an available administrative cost limit [HSC Section 34176.1(a)(1)] of \$1,286,085 in FY 2022-23, with the limited eligible uses of such funds, mainly for compliance and monitoring related activities, staff is proposing to commit \$300,000 in FY 2024-25 Housing Asset Funds for administration of

Housing Successor Agency activities, including executing options to extend existing contracts with RSG and Compliance Services who provide review and inspection of Housing Authority assets and tracking software, respectively.

### **Homeless Services (\$250,000)**

Up to \$250,000 in Successor Agency funds may be used for Homeless Services per year if the former redevelopment agency did not have any outstanding inclusionary housing or replacement housing production requirements as of 2012 [HSC Section 34176.1(a)(2)]. The City is eligible for this expense because it did not have any outstanding inclusionary or replacement housing requirements upon dissolution and intends to commit \$200,000 towards the Homeless Prevention Program and \$50,000 for the Landlord Incentive Program in FY 2024-25 Housing Asset Funds.

#### *Homelessness Prevention Program (\$200,000)*

Since June of 2023 the Housing and Homeless Services Department has administered a Homelessness Prevention Program which assists clients on the verge of eviction and has assisted 23 households to date. This program enables the City of Chula Vista to pay up to six months of missed rent and late fees to avoid eviction and potential homelessness. Keeping households in place has a direct impact on the health of the community as well as on the individual. Having an eviction on their rental history can lead to housing instability, barriers, and other negative impacts.

There are many reasons a household can fall behind on rent that are unpredictable and unmanageable, such as sudden medical issues or conditions that prevent them from working for weeks at a time, resulting in them being unable to pay rent. Most households assisted are considered low-income, earning less than 50% of the AMI, or \$75,750 for a family of four. Any loss of income, no matter how temporary, can be a substantial setback for a household that depends on every paycheck.

Many individuals experiencing homelessness came to be in that situation because of an eviction. Once a household has gone through the eviction process, they may have trouble finding a future landlord willing to accept them due to their rental history. This is the beginning of a harsh cycle of applying to units and being repeatedly denied, further preventing the household from stabilizing, and returning to self-sufficiency. In the ongoing battle against homelessness, the City aims to provide programs designed to protect households from common factors contributing to homelessness. This program directly addresses the issue by stepping in on behalf of the tenant to prevent eviction and instability. With an allocation of FY 2024-25 Housing Asset Funds in the amount of \$200,000, the City anticipates being able to assist up to 30 additional households with rental arrears to maintain their current housing.

#### *Landlord Incentive Program (\$50,000)*

The City of Chula Vista is working to address the issues surrounding homelessness and give unhoused clients a better opportunity to succeed and become self-sufficient. By offering a variety of programs, as well as partnering with other agencies and service providers, the City seeks to better serve residents and provide all of the resources available. In this effort, staff has identified several barriers to housing previously unhoused clients, including lack of rental history and credit, which may be resolved by offering a Landlord Incentive Program.

First funded in January 2024, the incentive program includes the following:

- a leasing bonus of \$2,500 to a landlord willing to accept a tenant who was previously unhoused;
- security deposit totaling up to 2 months' rent;

- payment of application and credit check fees up to \$50; and/or
- a contingency fund totaling up to \$5,000 per unit to cover any damage caused.

While not utilized since inception due to an increase in available units, the City wants to be positioned to adjust to market changes, such as decreased vacancy rates, with \$50,000 in FY 2024-25 Housing Asset Funds, should this need arise again. This program would assist both parties in the rental market as it helps secure a unit for an individual who may not be otherwise accepted, and it assures landlords when considering housing the City's clients.

### **Affordable Housing Production (\$4,000,000)**

Any Housing Asset Funds [HSC Section 34176.1(a)(3)] may be spent on the development of affordable housing projects affordable to low, very low, and extremely low-income households. "Development" is defined as "new construction, acquisition, and rehabilitation, substantial rehabilitation as defined in HSC Section 33413, the acquisition of long-term affordability covenants on multifamily units as described in HSC Section 33413, or the preservation of an assisted housing development that is eligible for prepayment or termination or for which within the expiration of rental restrictions is scheduled to occur within five years...."

Housing Successor expenditure and production requirements are measured on different timeframes, as detailed further in the Annual Report, and summarized below:

- Over each five-year compliance period (the current period beginning July 1, 2019), at least 30 percent of such development expenditures must assist extremely low-income households (30% of AMI), while no more than 20 percent may assist low-income households (between 60% to 80% of AMI). The balance of the funds may be used on very low-income households (defined as households earning between 30% and 60% of AMI). The Housing Successor is on track to be in compliance with this requirement during the current five-year compliance period.
- If more than 50 percent of the total aggregate number of rental units produced by the city, housing authority, or former redevelopment agency during the past 10 years are restricted to seniors, the housing successor may not spend more Housing Asset Funds on senior rental housing.

It is the City's intent to issue a Notice of Funding Availability or Request for Proposal in late summer 2024 to provide up to \$4,000,000 in FY 2024-25 Housing Asset Funds for gap financing towards a project that meets the Housing Successor expenditure and production requirements, using excess surplus funds, and continue the issuance of similar funding on an annual basis thereafter.

Approval of this item will authorize and appropriate the use of FY 2024-25 Successor Housing Agency Funds as described above and authorize the City Manager/Housing Authority Director or their designee to execute documents consistent with the proposed activities.

### **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

### CURRENT-YEAR FISCAL IMPACT

There is no current-year fiscal impact to the City's General Fund as all costs associated with the program are covered by Successor Housing Agency Funds. This action will allocate surplus funds from the Successor Housing Agency in the amount of \$300,000 for administration, \$200,000 for a Homelessness Prevention Program, \$50,000 for a Landlord Incentive Program and \$4,000,000 towards affordable housing development as detailed in Table II.

**Table II - Housing Asset Funds Commitments FY 2024-25**

Eligible Activity	Program	Funds
Administration		\$ 300,000
Homeless Services	<i>Homelessness Prevention Program</i>	\$ 200,000
	<i>Landlord Incentive Program</i>	\$ 50,000
Affordable Housing Development		\$ 4,000,000
<b>TOTAL Successor Agency FY 2024-25 Budget</b>		<b>\$ 4,550,000</b>

### ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the City's General Fund as all costs associated with the program are covered by available funds from Successor Housing Agency Funds.

### ATTACHMENTS

None.

*Staff Contact: Stacey Kurz, Director of Housing and Homeless Services  
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