


REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 23, 2019
CAO File No. 0220-00540-1391
Council File No. 17-0274
Council District: Citywide

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer 

Reference: The Affordable Housing Linkage Fee Oversight Committee Transmittal dated August 22, 2019; Received by the City Administrative Officer on September 16, 2019; Additional Information Received through September 20, 2019

Subject: **REQUEST TO ADOPT THE AFFORDABLE HOUSING LINKAGE FEE 2019-20 EXPENDITURE PLAN**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Approve the Proposed Tier Affordable Housing Linkage Fee (AHLF) Expenditure Plan, as outlined on Table 1 of the AHLF Oversight Committee Transmittal Attachment;
2. Approve the Proposed Expenditure for Fiscal Year (FY) 2019-20 AHLF Budget, as outlined on Table 2 of the AHLF Oversight Committee Transmittal Attachment;
3. Authorize the continuation of the approved FY 2018-19 administrative funding amount of \$63,558 for FY 2019-20;
4. Approve the continued funding of two authorized positions consisting of one full-time Management Analyst and one existing, vacant Housing, Planning and Economic Analyst, to be funded up to 50 percent of the position's salary by the Housing Impact Trust Fund;
5. Approve the funding of one existing, vacant Financial Development Officer I, to be funded up to 50 percent of the position's salary by the Housing Impact Trust Fund;
6. Authorize the City Controller to:
 - A. Appropriate \$5,023,799.89 to the following accounts within the Housing Impact Trust Fund No 59T as follows:

Account No	Name	Amount
43S723	Rental New Construction	\$ 3,208,781.00
43S724	Rental Preservation	1,169,688.00

43S725	Homeownership MIPA	432,662.00
43S143	Housing and Community Investment Department	76,696.89
43S299	Reimbursement of General Fund Costs	15,972.00
43S792	HIMS Replacement	120,000.00
	Total	\$ 5,023,799.89

B. Increase appropriations in the following accounts within Fund 100/43 as follows:

Account No	Name	Amount
001010	Salaries General	\$ 48,987.89
006010	Office and Administration	12,600.00
006030	Leases	15,109.00
	Total	\$ 76,696.89

C. Reappropriate funds from the Housing Impact Trust Fund No. 59T/43 to the General Fund as follows:

- i. Transfer appropriations in the amount of \$42,612 within the Housing Impact Trust Fund No. 59T/43 from Account No. 43R143, Housing and Community Investment Department to Account No. 43S143, Housing and Community Investment Department; and,
- ii. Increase appropriations in the amount of \$37,054 within the Housing and Community Investment Department No. 100/43, Account No. 001010, Salaries General.
- iii. Increase appropriations in the amount of \$5,558 within the Housing and Community Investment Department No. 100/43, Account No. 006030, Leasing;

D. Transfer appropriations in the amount of \$20,946 within the Housing Impact Trust Fund No. 59T/43 from Account No. 43R299, Reimbursement of General Fund Costs to Account No. 43S299, Reimbursement of General Fund Costs; and,

7. Authorize the General Manager of the Housing and Community Investment Department, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer.

SUMMARY

The Affordable Housing Linkage Fee Oversight Committee considered the Housing and Community Investment Department (HCID) report relative to the Affordable Housing Linkage Fee FY 2019-20 Expenditure Plan at its July 24, 2019 meeting. The HCID requested that the Oversight Committee review and approve the following: 1) the proposed Tier Expenditure Plan of

appropriating Linkage Fee revenue across categories that reflect stakeholder input during the development of Linkage Fee programs in 2018 and, 2) the proposed 2019-20 Linkage Fee Expenditure Budget. Both the Linkage Fee Expenditure Plan and 2019-20 Linkage Fee Expenditure Budget include proposed set-asides in the following categories: Administration, Rental New Construction, Rental Preservation, Homeownership, and Innovative Housing Demonstration Programs. The HCID's request for Administrative costs includes continued funding for two positions consisting of a Management Analyst and a Housing, Planning and Economic Analyst approved in 2018-19, the use of funding for a Financial Development Officer I, related costs for the three positions, and funding for a proposed Housing Program Loan Origination and Management Reporting Software. The Oversight Committee requested that the HCID clarify that Financial Development Officer I to be funded by 50 percent of Linkage Fee revenue is an existing position authority and also requested additional information regarding the proposed housing software. Additional details regarding the HCID's proposed 2019-20 Expenditure Plan and the July 24, 2019 Oversight Committee meeting can be found in the AHLF Oversight Committee transmittal and attachment dated August 22, 2019 (Report). The Oversight Committee Report does not include the HCID recommendation regarding the continued funding of the Accessory Dwelling Unit (ADU) Program for 2019-20. Subsequent to the release of the Report, the HCID indicated that the recommendation was removed because funding approved for the ADU Program in 2018-19 was appropriated within the Housing Impact Trust Fund No. 59T and that funding is available across multiple fiscal years. The Oversight Committee recommends that Council adopt HCID's recommendations, as amended.

2018-19 Linkage Fee Appropriations

The Mayor and City Council previously approved an allocation of \$138,558 of Linkage Fee revenue for HCID Administration as part of the 2018-19 AHLF Expenditure Plan. Of the \$138,558, \$75,000 was set-aside to issue a Request for Proposal to procure data analysis services in order to potentially expedite the development of innovative programs. The remaining \$63,558 was appropriated to HCID's salaries, leasing, and related costs accounts. Subsequent to the release of the Oversight Committee Report, the HCID confirmed that the 2018-19 funding was not expended. The HCID also indicated that the \$75,000 set-aside for data analysis services was appropriated within the Housing Impact Trust Fund No. 59T, and that funding is available across multiple fiscal years. The HCID is requesting to re-appropriate the remaining \$63,558 to fund HCID administrative costs in 2019-20, which is further discussed in the section below.

Controller Instructions Revisions

It should be noted that the Controller Instructions in this report differ from those included in the Oversight Committee Report. Subsequent to the release of the Oversight Committee Report, this Office and the HCID worked to revise the appropriation instructions taking into account Linkage Fee appropriations approved as part of the 2018-19 Linkage Fee Expenditure Plan and those approved during the 2019-20 Budget Process. A portion of the funding for HCID's 2019-20 staffing needs is available in the HCID administrative costs appropriations approved in 2018-19. The revised Controller instructions now include a request to re-appropriate the 2018-19 unexpended funds to 2019-20 appropriation accounts to implement Recommendation III of the Oversight Committee Report. The appropriations for the Management Analyst position to be fully funded by

Linkage Fee revenue and the Housing, Planning and Economic Analyst position to be funded by 50 percent of Linkage Fee revenue are included in the 2019-20 Adopted Budget, with the source of funds being the Housing Impact Trust Fund No. 59T. The Controller Instructions have been revised to omit the appropriation amounts already budgeted under the Housing Impact Trust Fund in the 2019-20 Adopted Budget. The HCID also requested approval for funding an existing Financial Development Officer I with up to 50 percent of Linkage Fee revenue. The existing Financial Development Officer (FDO) I is currently funded by 50 percent Low and Moderate Income Housing Fund and 50 percent HOME Investment Partnership Program Funds in the 2019-20 Adopted Budget. The HCID proposes to replace the HOME funding portion with Linkage Fee revenue. Appropriations for the FDO I are included in the Controller instructions, but an adjustment to the HOME portion of the salary will occur during the current fiscal year. This Office concurs with the recommendations included in the Oversight Committee Report, as amended.

Administrative Support

The Mayor and City Council previously approved that up to 15 percent of Linkage Fee revenue be set-aside for Administrative Costs. The HCID is requesting to use up to eight percent of available Linkage Fee revenue for HCID administrative costs in 2019-20, while the remaining seven percent of the administrative set-aside has been identified for Rental Preservation and for the MIPA program. The HCID indicates that the balance of the administrative set-aside was reprogrammed in order to maximize the use of Linkage Fee revenue. Subsequent to the release of the Oversight Committee Report, the HCID clarified that the up to 15 percent of funding for administration would be available for all City departments in need of resources for administering the Housing Impact Trust Fund and programs funded by the Linkage Fee revenue in subsequent fiscal years, including the administrative needs of HCID, the Department of City Planning, the Department of Building and Safety, and the City Attorney. All requests for Linkage Fee revenue funding will be reviewed by the AHLF Oversight Committee and then submitted for Mayor and Council approval.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report are in compliance with the City's Financial Policies in that the proposed Expenditure Plan will be funded by Linkage Fee revenue deposited into the Housing Impact Trust Fund No. 59T.

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