

Lompoc City Council Agenda Item



City Council Meeting Date: January 20, 2015

TO: Patrick Wiemiller, City Administrator

FROM: Christie A. Alarcon, Community Development Program Manager
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SUBJECT: Status Report on Sub-recipient Compliance (1/1/2014-12/31/2014)

Recommendation:

Staff recommends the City Council receive the status report on Sub-recipient Compliance covering the two mid-year periods of 1/1/2014-6/30/2014 and 7/1/2014-12/31/2014.

Background/Discussion:

The City Council recognizes the value provided to the community by Sub-recipients and the wider policy goal of Federal and State regulations and laws that promote the use of Federal, State and Local resources to extend the affordability of housing for residents, and fund organizations that provide community resources and services that improve the quality of life for area residents. Due to that, on April 15, 2014, City Council adopted the Sub-Recipient Financial, Programmatic, and Monitoring Reporting Requirement Policy (Policy).

The Policy required an annual compliance report to be presented to the City Council at a public meeting at least annually by the Economic and Community Development Department staff, at the second meeting in July each year or soon thereafter. In addition, staff is required to provide City Council with a written status report on Sub-recipient compliance mid-year for the periods of January 1 through June 30, and July 1 through December 31 of each calendar year.

Economic and Community Development Department staff began the annual monitoring process in February 2014. The annual monitoring included the following:

- Multi-Family Affordable Housing Monitoring (Attachment 1)
- Single-Family Affordable Housing Monitoring (Attachment 2)
- Commercial Property Monitoring (Attachment 3)
- Sub-recipient agency and activity monitoring for those agencies and activities that were funded with City of Lompoc Community Development Block Grant Program Income, County of Santa Barbara Urban County Partnership

Community Development Block Grant, and Human Services Funds (Attachment 4).

Each of the programs listed above have various compliance requirements described in their corresponding regulatory agreements.

Sub-Recipient Agency and Activity Monitoring (Attachment 4)

This report consists of site visits to the location where the activity is conducted; in some cases the activity is conducted City-wide and therefore staff visited the agencies' home office locations to conduct the site visit. Listed below are the agencies visited. These monitoring site visits were conducted during the month of April 2014, for agencies funded with FY 2013-14 Community Development Block Grant and Human Services Funds. In addition to Community Development Division staff, Human Services Commissioners attended the site visits as well. The site visit has two components (see Attachment 5); first is the agency's fiscal management, and second is the program compliance with the Federal, State and local requirements as described in the Funding Agreement.

Agency Name - Activity
Catholic Charities – Food Distribution Program
Catholic Charities – Community Services Program
Catholic Charities – Mobile Home Emergency Repair Grant / Emergency Repair Grant
Community Action Commission – Senior Nutrition Program
Community Partners in Caring – Senior Services Program
Domestic Violence Solutions – Lompoc Emergency Shelter
Family Service Agency – Big Brothers Big Sisters
Family Service Agency – Dorothy Jackson Family Resource Center
Foodbank of Santa Barbara County – Lompoc Distribution Program
Good Samaritan Shelter, Inc. – Bridgehouse Emergency Shelter
Good Samaritan Shelter, Inc. – Marks House Family Transitional Shelter
Legal Aid Foundation of Santa Barbara County – Emergency Legal Services
Legal Aid Foundation of Santa Barbara County – Fair Housing Services
Lompoc Meals on Wheels – Meals on Wheels
North County Rape Crisis and Child Protection Center – Education, Prevention & Intervention Program
Santa Barbara County District Attorney's Office – Sexual Assault Response Team
Transitions-Mental Health Association – Lompoc Recovery Learning Center
Boys & Girls Club – Lompoc Clubhouse
Valley Haven – Adult Day Program

Multi-Family Affordable Housing Monitoring (Attachment 1)

Begins in February through April of each year, with notices of upcoming inspections (Attachment 6) being sent to property management companies and property owners, which include a request for information. Such information requested includes the following:

- Project Financial Statements
- Occupancy Summary Report
- Affirmative Marketing Plan
- Rent Roll
- Tenant Income and Rent Certification (TIRC) with supporting documentation
- Copy of current standard lease or lease waiver
- Copy of Utility Allowance from source
- Copy of Rent & Income Limits
- Property Management Plan

The properties listed below were noticed of the annual monitoring requirement and provided a date of inspection, upon receipt of the following:

- Project Financial Statements (Audited Preferred)
- Occupancy Summary Report
- Rent Roll
- Tenant Income and Rent Certification (TIRC)

Community Development Division staff selected at random a minimum of three units from the Occupancy Summary Report to conduct Housing Quality Standards (HQS) (Attachment 7) inspections on and notified the property manager and property owner a minimum of 72 hours in advance of the inspection date.

Neither the City Regulatory Agreements nor the funding sources provide a “required” number of units to be inspected annually. After the 2014 inspections were conducted, staff prepared the following guide to utilize during the 2015 annual compliance monitoring site visits with respect to multi-family properties:

Number of units inspected annually – The unit inspection must cover all vacant units and, at a minimum, 25% of occupied units. If the results of the review of the vacant units or of the 25% of project units indicate there are repeated violations of housing quality standards, then the contract administrator must complete a unit inspection on 100% of the units.

Staff will select units for inspection from the most recent occupancy summary report with an effort to not repeat inspection of the same units year to year. By the fourth year of inspection, every unit should have been inspected once.

While staff is conducting the unit inspections, other staff conduct the On-Site Program Inspection, which includes review of tenant files associated with units selected for inspection utilizing the checklist attached, specifically verifying the following items in file:

- Copy of current lease or lease waiver;
- Tenant Income and Rent Certification (TIRC) with supporting documentation; and
- Annual Income Certification / Self-Certification.

In addition, the On-Site Program Inspection includes a review of the Program Binder for all items on the checklist (Attachment 8), specifically verifying the following items are up to date:

- Copy of Utility Allowance from source (Current Utility Allowance); and
- Copy of Rent and Income Limits (Current Income Guidelines per Regulatory Agreement requirements).

The City of Lompoc has regulatory agreements on 24 multi-family properties. Due to the nature of affordable housing development, there are various funding sources for those projects, with each having their own mandates, hence separate regulatory agreements, resulting in 45 regulatory agreements for those 24 properties. Prior to the 2014 compliance monitoring, each funding source conducted a separate site visit which only addressed that funding source's compliance requirements. The Economic & Community Development Department conducted the first streamlined monitoring in 2014. The monitoring included projects funded with Community Development Block Grant, HOME Investment Partnership, Redevelopment Agency and Lompoc Affordable Housing Trust Funds. In addition to projects with regulatory agreements due to funding, there were additional regulatory agreements for those projects produced through Inclusionary Housing. The multi-family properties included in the 2014 Affordable Housing Compliance Monitoring are listed in the table below:

Project Name	Property Address	Owner
College Park Apartments	608-698 N. G St.	Peoples Self-Help Housing Corporation
Jay Apartments	501-513 N. S St. & 508 N. T St.	Mr. & Mrs. Hugh Jay
K Street Cottages	120 & 120 1/2 S. K St.	Mr. & Mrs. Hugh Jay
Marks House	203 N. N St.	City of Lompoc
Hope House	115 South L Street	Good Samaritan Shelter, Inc.
North B Street Apartments	503, 507 & 507 1/2 N. B St.	John Bohlman
Recovery Way Home	604 W. Ocean Ave.	Good Samaritan Shelter, Inc.
Cypress Court Apartments	125 S. 7th St.	Housing Authority of Santa Barbara Co.
Homebase on G Apartments	513 N. G St.	Housing Authority of Santa Barbara Co.
Santa Rita Village	912-926 W. Apricot Ave.	Housing Authority of Santa Barbara Co.
K Street Apartments	328-330 N. K St.	Dan & Helene Frainer

Arbor Square	800 North G Street	HCP Pacific Asset Management
Chestnut Apartments	401-405 W. Chestnut St.	Mr. & Mrs. Hugh Jay
Courtyard Apartments	725, 729 & 733 N. E St.	Santa Barbara Community Housing
Voelker Apartments	500-504 N. T St.	Santa Barbara Community Housing
Casa Con Tres	434-438 N. L St.	805 Property Management
West College Apartments	521-537 N. T St.	805 Property Management
Courtyard South Apartments	717-721 N. E St.	805 Property Management
Portabello Apartments	305-309 N. K St.	Glen Sutherland
Southern Court Apartments	709-713 N. E St.	Medio Investments, LLC

Four additional properties were included in the monitoring, as they are under regulatory agreement but have not been developed; there are no occupants as of the 2014 monitoring:

Project Name	Property Address	Owner
T Street Parcel	518 N. T St.	City of Lompoc
K Street Homes	308 N. K Street	Habitat for Humanity, North County
Casa Desarrollo	114 S. K St.	Successor Housing Agency
West College	1404 & 1408 W. College	Successor Housing Agency

Monitoring results are included in Attachment 1, which includes a list of the regulatory agreements/covenants on each property, the date of the site visit, the status of the physical inspection, and programmatic and fiscal review.

The Housing Quality Standards inspection checklist is attached for reference as to what constitutes an inspection. (Attachment 7.) Programmatic compliance includes review of the rents being charged to the tenants to ensure compliance with the regulatory agreements requirements, as well as the income level of the tenants residing in the assisted units.

Fiscal compliance includes reviewing the projects' financial statements for any irregularities or lack of financial statements. Financial statements collected include current budget to actual, profit and loss statement, balance sheet, and year-end and most recent rent roll. In some cases, additional information is collected to determine compliance.

Single-Family Affordable Housing Monitoring (Attachment 2)

This report consists of annual confirmation and verification of the owner-occupancy requirements described in the regulatory agreements recorded against Single-Family homes, either through inclusionary policy requirements, Redevelopment Agency,

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Community Development Block Grant, HOME Investment Partnership or Lompoc Affordable Housing Trust Fund assistance provided to the developer or homeowner. This includes those homes that receive assistance under the Single-Family Rehabilitation Loan Program. Forty homes were monitored during the 2014 Affordable Housing Compliance Monitoring. The Single-Family Properties Monitoring Report (Attachment 2) details the project name, property address, owner, type of regulatory agreement, including the date of maturity, the date the monitoring was conducted, the date the owner-occupancy was confirmed, and the date of expiration of the insurance policy for the property.

Properties 1-6 are inclusionary units, which do not have any funding or loans against the properties, hence such properties are “n/a” under the insurance requirement, as there is no risk of financial loss to the City which would require the City be listed as loss payee.

The Owner-Occupancy is determined by various methods. Letters are mailed to the property address requesting the property owner sign and return a certification form (Attachment 9) stating they reside in the home along with providing a utility bill in the borrower’s name. In some cases, the City does not receive the certification back from the property owner, and continues to research for compliance by requesting utility billing records from the City Utility Department, property tax records from the County of Santa Barbara Property Tax Assessor, and/or conducting a title search to ensure the property is still owner-occupied. If the City has a loan secured by the property, then the City can call the loan due if owner-occupancy certification is not produced by the borrower or if the borrower no longer occupies the unit. In cases where the City does not have a deed of trust recorded against the property, staff continues to work to locate the property owner and/or follow the recourse allowed by the regulatory agreement.

Community Development Division staff are working with both the homeowners and the City Attorney’s Office to determine enforceability and recourse with respect to expired insurance policies on the five properties that have not provided updated insurance policies.

Commercial Loan Monitoring (Attachment 3)

Typically, the regulatory agreements require the borrowers to “maintain the property in a manner reasonably satisfactory to Agency.”

For the one property currently under regulatory agreement, a drive-by inspection was conducted to verify the property was in good physical appearance.

2013-14 Sub-recipient Monitoring Report (Attachment 4)

The Multi-Family, Single-Family, and Commercial Properties under regulatory agreement with the City of Lompoc were all included in the Status Report on Sub-

recipient Compliance. With the exception of expired insurance policies of five properties, all of the regulatory requirements have been met satisfactorily. Community Development Division staff are working with the City Attorney's Office to enforce the insurance requirements with respect to those five properties. The Sub-recipients of CDBG/Human Services Funding who had findings and or comments regarding their 2013-14 monitoring site visit have all remedied those items.

Fiscal Impact:

While there is no direct fiscal impact apparent by accepting this monitoring compliance report, there is a material fiscal component related to the cost of staff time to conduct such monitoring. Staff began this process in February 2014 and completed it in December 2014. There were multiple technical assistance appointments held with affordable housing property owners to provide guidance regarding the various compliance regulations. Staff continues to work closely with property managers and owners to ensure compliance. The amount of staff time required to complete the monitoring in 2015 is anticipated to increase as staff begins inspecting a higher number of units with the newly adopted division procedures.

With the dissolution of the Lompoc Redevelopment Agency (RDA), the resources available to provide for the costs outlined above are limited. Prior to the dissolution of the RDA, of the 20% of tax increment collected for low- and moderate-income housing (20% set-aside), a portion of the tax increment was available to pay for monitoring costs. After the dissolution, available funds to support the monitoring process are restricted to some portion of the interest income generated by amortizing loans and eligible CDBG funds. The use of CDBG funds is further limited by regulation. Many RDA loans were made with the assumption the 20% set-aside would continue for the life of the loans, insuring a funding source for monitoring activities required under redevelopment law.

In addition, interest on amortizing loans is typically used for "ordinary" loan servicing costs, such as the process validating insurance is in place for a property protecting the lender's position. As outlined extensively above, the scope of monitoring the entire City's inventory of affordable housing and commercial loans is extensive and requires significant resources to adequately verify compliance with all required monitoring.

City staff must consider the obligations of monitoring and loan servicing as existing loans are paid off through turnover or via the ordinary amortization process. The resulting cash flow must be closely monitored to provide for the cost of monitoring, as well as returning the funds to the originating programs to be reinvested into the community, furthering the wider policy goal of Federal and State regulations and laws that promote the use of Federal, State and Local resources to extend the affordability of housing for residents, and fund organizations that provide community resources and services that improve the quality of life for area residents.

Conclusion:

Combined, the attached spreadsheets provide a comprehensive reporting of the monitoring compliance requirements as described in the Sub-recipient Financial, Programmatic and Monitoring Report Requirement Policy Section B, Numbers 5 and 6.

With the exception of expired insurance policies on five properties, all of the regulatory requirements have been met satisfactorily. Community Development Division staff will be working with the City Attorney's Office to enforce the insurance requirements with respect to those five properties.

Respectfully Submitted,

Christie A. Alarcon, Community Development Program Manager

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Teresa Gallavan, Economic Development Director/Assistant City Administrator

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Patrick M. Wiemiller, City Administrator

- Attachments:
- 1) [2014 Monitoring Report – Multi-Family Properties](#)
 - 2) [2014 Monitoring Report – Single-Family Properties](#)
 - 3) [2014 Monitoring Report – Commercial Properties](#)
 - 4) [2013-14 Sub-recipient Monitoring Report](#)
 - 5) [Sub-recipient On-Site Monitoring Review Checklist](#)
 - 6) [Notice to Multi-Family Property Managers / Owners](#)
 - 7) [Housing Quality Standards Checklist \(HQS\)](#)
 - 8) [Affordable Housing Monitoring Compliance Checklist](#)
 - 9) [Single-Family Owner Occupancy Certification](#)