



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: May 25, 2010

TO: Finance Committee

FROM: Community Development Department

SUBJECT: Restated And Amended Cooperation Agreement With The City Housing Authority

RECOMMENDATION:

That the Finance Committee consider and recommend to Council that Council hold a public hearing and adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Restated and Amended Cooperation Agreement Between the City and the Housing Authority of the City of Santa Barbara Concerning the Housing Authority's Payment to the City's General Fund of "Payment In Lieu of Taxes" from Certain Housing Authority Rental Projects, and Authorizing the Mayor to Execute Such Agreement.

BACKGROUND:

Under the constitution and statutes of the State of California, a Housing Authority shall pay no property taxes or processing fees to any taxing entity on projects funded by HUD (the U.S. Department of Housing and Urban Development). The City may not, therefore, impose any taxes, special assessments or fees on such projects. In 1969, the City entered into a "Cooperation Agreement" with the Housing Authority in which the City agreed to provide all City services such as fire and police protection and to waive processing fees at no cost to all Housing Authority projects funded by HUD. Such a Cooperation Agreement between the City and the Housing Authority was required by HUD as a pre-condition to HUD's financing of Housing Authority projects.

In order to recoup some of the local entities costs, the State Health and Safety Code allows housing authorities and local entities to enter cooperation agreements that allow the Housing Authority to make a Payment In-Lieu of Taxes to the City (PILOT). In the early years it was standard practice for the Housing Authority to make such payments to the City annually. In 1986 the Housing Authority was facing budget shortfalls, and the City agreed to make the payments optional at the discretion of the Housing Authority. No payments have been made to the City since 1986.

DISCUSSION:

The Housing Authority has recently informed the City that it is again in a position to make payments of PILOT to the City. In order to begin making payments, however, the Housing Authority has requested some minor revisions to the Cooperation Agreement to conform the agreement to State law. These changes are reflected in the proposed Amended and Restated Cooperation Agreement.

The estimated total amount of the PILOT funds that might be received by the City for the Housing Authority's fiscal year ending March 31, 2011, is approximately \$57,000.

The Housing Authority's recent offer to resume PILOT payments is due to two factors. First, they recognize that the City could make good use of some additional revenue to its General Fund. Second, a change in HUD accounting rules has led to increased availability of funding from HUD toward the PILOT payments. The funds would be paid to the City in a lump-sum sometime after the March 31, 2011 close of the Housing Authority's current fiscal year and prior to June 30, 2011.

BUDGET/FINANCIAL INFORMATION:

This action will increase the City's Fiscal Year 2011 revenues to its General Fund by approximately \$57,000. Staff will include this item as a proposed adjustment to the Fiscal Year 2011 Recommended Budget, which will be presented to the Finance Committee on May 26, 2010, separately for their consideration along with other proposed adjustments.

- ATTACHMENTS:**
1. March 7, 2010, Letter from Executive Director Robert Pearson, Housing Authority
 2. Restated and Amended Cooperation Agreement
 3. Proposed Resolution

PREPARED BY: Brian Bosse, Housing and Redevelopment Manager/SF

SUBMITTED BY: Paul Casey, Assistant City Administrator

APPROVED BY: City Administrator's Office



HOUSING

AUTHORITY OF THE
CITY OF SANTA BARBARA808 Laguna Street / Santa Barbara
California / 93101Tel (805) 965-1071
Fax (805) 564-7041

May 7, 2010

James L. Armstrong, City Administrator
City of Santa Barbara
City Hall, De La Guerra Plaza
Santa Barbara, CA 93101

RE: HOUSING AUTHORITY'S COOPERATION AGREEMENT WITH CITY

Dear Jim:

Pursuant to our recent email exchanges and telephone conversations, I am pleased to transmit herewith for City Council consideration a "Restated and Amended Cooperation Agreement" between the Housing Authority and the City. It was approved by the Housing Authority Commission on May 5, 2010.

As I explained previously, the Housing Authority, owing to changes in HUD's accounting procedures, is now eligible to receive HUD "operating subsidy" for our HUD Assisted Public Housing program. We currently have 494 units in that program that we own. These are older units where HUD paid almost 100% of their development cost. One of the line items under operating subsidy we can now apply for and receive some level of funding for is what is termed PILOT—Payment In Lieu of Taxes.

In revising the subject Cooperation Agreement, we have adjusted language so that it is clear that any PILOT monies we receive from HUD in the form of operating subsidy goes strictly to the City for its General Fund. We estimate this amount to be approximately \$57,000 for our FYE 3-31-11.

If you could have the City Council approve the Restated and Amended Cooperation Agreement by resolution (this is a HUD requirement) at your earliest convenience, I will then transmit the fully executed agreement to HUD for approval. While it is not a huge sum of money, we suspect any amount of General Fund revenue in these trying times would be welcomed.

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA

ROBERT G. PEARSON
Executive Director/CEO

cc: Sarah Knecht, City Attorney's Office

RESTATED AND AMENDED
COOPERATION AGREEMENT

THIS RESTATED AND AMENDED COOPERATION AGREEMENT ("Agreement") is entered into this ____ day of _____, 2010, by and between the HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA (herein called the "Local Authority"), and the CITY OF SANTA BARBARA, a municipal corporation, (herein called "Municipality"); witnesseth:

In consideration of the mutual covenants hereinafter set forth, the parties hereto do agree as follows:

1. Whenever used in this agreement.

(a) The Term "Project" shall mean any low-rent housing hereafter developed as an entity by the Local Authority with financial assistance of the United States of America acting through the Secretary of Housing and Urban Development (herein called the "Government") and located within the corporate limits of the Municipality, excluding, however, any low-rent housing project covered by any contract for loans, grants, and/or annual contributions entered into between the Local Authority and the Government, or its predecessor agencies, prior to October 28, 1969, the date of the original cooperation agreement between the parties.

(b) The term "Taxing Body" shall mean the State or any political subdivision or taxing unit thereof in which a Project is situated and which would have authority to assess or levy real or personal property taxes or to certify such taxes to a taxing body or public officer to be levied for its use and benefit with respect to a Project if it were not exempt from taxation.

(c) The term "Shelter Rent" shall mean the total of all charges to all tenants of the Project for dwelling rents and non-dwelling rents (excluding all other income of such Project), less the cost to the Local Authority of all dwelling and non-dwelling utilities.

(d) The term "Slum" shall mean any area where dwellings predominate which, by reason of dilapidation, over-crowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health or morals.

2. The Local Authority shall endeavor (a) to secure a contract or contracts with the Government for loans, grants, and/or annual contributions covering one or more Projects comprising approximately nine hundred (900) units of low-rent housing, and (b) to develop and administer such Project or Projects. The obligations of the parties hereto shall apply to each such Project.

3. (a) Under the Constitution and statutes of the State of California, all Projects are exempt from all real and personal property taxes and special assessments levied or imposed by any Taxing Body. With respect to any Project, so long as either (i) such Project is owned by a public body or governmental

agency and is used for low-rent housing purposes, or (ii) any contract between the Local Authority and the Government for Loans or annual contributions, or both, in connection with such Project remains in force and effect, or (iii) any bonds issued in connection with such Project or any monies due to the Government in connection with such Project remain unpaid, whichever period is the longest, the Municipality agrees that it will not levy or impose any real or personal property taxes or special assessments upon such Project or Local Authority with respect thereto. During such period the Local Authority may make annual payments (herein called "Payments in Lieu of Taxes") in lieu of such taxes and special assessments and in payment for the public services and facilities furnished from time to time without other cost or charge for or with respect to such Project.

b) Each such annual Payment in Lieu of Taxes shall be made after the end of the fiscal year established for such Project, and shall be in an amount not to exceed either (i) ten percent (10%) of the Shelter Rent actually collected by the Local Authority in respect to such Project during such fiscal year; (ii) the amount permitted to be paid by applicable State law in effect on the date such payment is made; or (iii) that amount received by the Local Authority from the Government as operating subsidy under the Public Housing Operating Fund or any successor program, whichever amount is lower. In no event shall any payment be in excess of the amount of real property taxes which would have been paid for such year if the Project were not exempt from taxation.

c) Upon failure of the Local Authority to make any Payment in Lieu of Taxes, no lien against any Project or assets of the Local Authority shall attach, nor shall any interest or penalties accrue or attach on account thereof.

4. The Municipality agrees that, subsequent to the date of initiation (as defined in the United States Housing Act of 1937) of each Project and within five (5) years after completion thereof, or such further period as may be approved by the Government, there has been or will be eliminated, as certified by the Municipality, by demolition, condemnation, effective closing or compulsory repair or improvement, of unsafe or unsanitary dwelling units situated in the locality or metropolitan area in which such Project is located, substantially equal in number to the number of newly constructed dwelling units provided by such Project; provided, that where more than one family is living in an unsafe or unsanitary dwelling unit, the elimination of such unit shall count as the elimination of units equal to the number of families accommodated therein; and provided further, that this Paragraph 4 shall not apply in the case of (i) any Project developed on the site of a Slum cleared subsequent to July 15, 1949, and that the dwelling units eliminated by the clearance of the site of such Project shall not be counted as elimination for any other Project or any other low-rent housing project, or (ii) any Project located in a rural non-farm or Indian area.

5. During the period commencing with the date of the acquisition of any part of the site or sites of any Project and continuing so long as either (i) such Project is owned by a public body or governmental agency and is used for low-rent housing purposes, or (ii) any contract between the Local Authority and the Government for loans or annual contributions, or both, in connection with such Project remains in force and effect, or (iii) any bonds issued in connection with such Project or any monies due to

the Government in connection with such Project remain unpaid, whichever period is the longest, the Municipality without cost or charge to the Local Authority or the tenants of such Project (other than the Payments in Lieu of Taxes) shall:

(a) Furnish or cause to be furnished to the Local Authority and the tenants of such Project public services and facilities of the same character and to the same extent as are furnished from time to time without cost or charge to other dwellings and inhabitants in the Municipality;

(b) Vacate such streets, roads and alleys within the area of such Project as may be necessary in the development thereof, and convey without charge to the Local Authority such interest as the Municipality may have in such vacated areas; and, insofar as it is lawfully able to do so without cost or expense to the Local Authority or to the Municipality, cause to be removed from such vacated areas, insofar as it may be necessary, all public or private utility lines and equipment;

(c) Insofar as the Municipality may lawfully do so, (i) grant such deviations from the Building Code of the Municipality as are reasonable and necessary to promote economy and efficiency in the development and administration of such Project, and at the same time safeguard health and safety, and (ii) make such changes in any zoning of the site and surrounding territory of such Project as are reasonable and necessary for the development and protection of such Project and the surrounding territory;

(d) Accept grants of easements necessary for the development of such Project; and

(e) Cooperate with the Local Authority by such other lawful action or ways as the Municipality and the Local Authority may find necessary in connection with the development and administration of such Project.

6. In respect to any Project the Municipality further agrees that within a reasonable time after receipt of a written request therefore from the Local Authority:

(a) It will accept the dedication of all interior streets, roads, alleys and adjacent sidewalks within the area of such Project, together all storm and sanitary sewer mains in such dedicated areas, after the Local Authority, at its own expense, has completed the grading, improvement, paving and installation thereof in accordance with specifications acceptable to the Municipality;

(b) It will accept necessary dedications of land for, and will grade, improve, pave and provide sidewalks for, all streets bounding such Project or necessary to provide adequate access thereto (in consideration whereof the Local Authority shall pay to the Municipality such amount as would be assessed against the Project site for such work if such site were privately owned); and

(c) It will provide, or cause to be provided, water mains and storm and sanitary sewer mains leading to such Project and serving the bounding streets thereof (in consideration whereof

the Local Authority shall pay to the Municipality such amount as would be assessed against the Project site for such work if such site were privately owned).

7. If by reason of the Municipality's failure or refusal to furnish or cause to be furnished any public services or facilities which it has agreed hereunder to furnish or to cause to be furnished to the Local Authority or to the tenants of any Project, the Local Authority incurs any expense to obtain such services or facilities then the Local Authority may deduct the amount of such expense from any Payments in Lieu of Taxes due or to become due to the Municipality in respect to any Project or any other low-rent housing projects owned or operated by the Local Authority.

8. This Agreement constitutes the only agreement between the Municipality and the Local Authority with respect to the subject matter hereof, any other agreements are void and of no effect from and after the date hereof.

9. No member of the governing body of the Municipality or any other public official of the Municipality who exercises any responsibilities or functions with respect to any Project during his or her tenure or for one year thereafter shall have any interest, direct or indirect, in any Project or any property included or planned to be included in any Project, or any contracts in connection with such Projects or property. If any such governing body member or such other public official of the Municipality involuntarily acquires or had acquired prior to the beginning of his or her tenure any such interest the member shall immediately disclose such interest to the Local Authority.

10. So long as any contract between the Local Authority and the Government for grants, loans, (including preliminary loans) and/or annual contributions in connection with any Project remains in force and effect, or so long as any bonds issued in connection with any Project remain unpaid, this agreement shall not be abrogated, changed or modified without the consent of the Government. The privileges and obligations of the Municipality hereunder shall remain in full force and effect with respect to each Project so long as the beneficial title to such Project is held by the Local Authority or by any other public body or governmental agency, including the Government, authorized by law to engage in the development or administration of low-rent housing projects. If at any time the beneficial title to, or possession of, any Project is held by such other public body or governmental agency, including the Government, the provisions hereof shall inure to the benefit of and may be enforced by, such other public body or governmental agency, including the Government.

IN WITNESS WHEREOF, the Municipality and the Local Authority have respectively signed this Agreement and caused their seals to be affixed and attested as of the day and year first above written.

CITY OF SANTA BARBARA
A Municipal Corporation

By _____
Helene Schneider, Mayor

ATTEST:

By _____
James Armstrong
City Administrator/City Clerk

Approved as to form:

By _____
Stephen Wiley
City Attorney

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA

By *Barbara B. Allen*
Barbara B. Allen, Chair

ATTEST:
Robert G. Pearson
Robert G. Pearson, Secretary

Approved as to form:

By *Mark S. Manion*
Mark S. Manion
Housing Authority General Counsel

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING THE RESTATED AND AMENDED COOPERATION AGREEMENT BETWEEN THE CITY AND THE HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA CONCERNING THE HOUSING AUTHORITY'S PAYMENT TO THE CITY'S GENERAL FUND OF "PAYMENT IN LIEU OF TAXES" FROM CERTAIN HOUSING AUTHORITY RENTAL PROJECTS, AND AUTHORIZING THE MAYOR TO EXECUTE SUCH AGREEMENT

WHEREAS, it is the policy of this locality to eliminate substandard and other inadequate housing, to prevent the spread of slums and blight, and to realize as soon as feasible the goal of a decent home in a suitable living environment for all its citizens;

WHEREAS, under the provisions of the United States Housing Act of 1937, as amended, (herein called the "Act"), the Department of Housing and Urban Development (herein called "HUD") is authorized to provide financial assistance to local public housing agencies (hereinafter called "Local Authority") for undertaking and carrying out the development and operation of low-income housing projects that will assist in meeting this goal;

WHEREAS, Section 34313 of the California Health and Safety Code, as amended, provides that no low-rent housing project shall be developed, constructed, or owned by the Local Authority until the governing body of the locality has by resolution approved such projects;

WHEREAS, pursuant to Section 5(e)(2) of the Act, as amended, before HUD can provide financial assistance to a local low-income housing project, it is necessary that the local governing body enter into a Cooperation Agreement with the Local Authority providing for local cooperation in connection with such housing project;

WHEREAS, pursuant to Section 34515 of the California Health and Safety Code express authority is given for local governing bodies to enter into agreements with housing authorities providing for local cooperation with respect to low-income housing projects;

WHEREAS, the City of Santa Barbara ("City") and the Housing Authority of the City of Santa Barbara ("City Housing Authority") did in fact enter into a Cooperation Agreement on October 28, 1969, and subsequently amended the Agreement on July 1, 1986, for the development of 600 units of low-income housing, and amended the Agreement again on June 6, 1989 for the development of an additional 300 units of low-income housing as authorized by the voters of the City of Santa Barbara in the special municipal election held on November 4, 1980;

WHEREAS, in the Cooperation Agreement the City has agreed to provide all City services such as fire and police protection at no cost to all Housing Authority projects funded by HUD;

WHEREAS, the Cooperation Agreement allows the Housing Authority to make a Payment In-Lieu of Taxes to the City in order for the City to recoup some of the City's costs in providing City services to Housing Authority projects funded by HUD, and the Housing Authority wishes to make such payments;

WHEREAS, the City and the City Housing Authority wish to amend the Cooperation Agreement to conform the Cooperation Agreement to State law regarding the payment and receipt of Payment In-Lieu of Taxes funds, and these amendments are reflected in the proposed Restated and Amended Cooperation Agreement attached hereto;

WHEREAS, the notices for a public hearing regarding the Restated and Amended Cooperation Agreement have been published pursuant to Government Code 6066 and there has been made available at least three copies of the proposed Restated and Amended Cooperation Agreement for inspection by interested persons prior to the public hearing; and

WHEREAS, the City Council has held a public hearing starting at the hour of 2:00 P.M. on the 8th of June, 2010, giving all interested persons an opportunity to be heard as to whether the proposed Restated and Amended Cooperation Agreement in the form attached hereto should be entered into, which hearing has been concluded with all matters in connection therewith having been fully considered by this body.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS;

SECTION 1. The City Council of the City of Santa Barbara does hereby approve receiving Payment In-Lieu of Taxes to the City as provided for in the Restated and Amended Cooperation Agreement.

SECTION 2. The City, after having held a public hearing and giving all interested persons an opportunity to be heard, hereby agrees to enter into the Restated and Amended Cooperation Agreement in substantially the form attached hereto with the City Housing Authority.

SECTION 3. The Mayor of the City of Santa Barbara is hereby authorized and directed to execute such Restated and Amended Cooperation Agreement in the name and on behalf of the City of Santa Barbara and the City Administrator/City Clerk is hereby authorized and directed to affix or impress the official seal of this governing body thereon and to attest the same.