

RESOLUTION NO. 2015-81
RESOLUTION NO. 2015-01 (NPC)

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
AND THE ABRAMS B NON-PROFIT CORPORATION APPROVING ABRAMS B
HOUSING AREA BUDGET FOR FY 2015-16 AND AUTHORIZING FINANCE DIRECTOR
TO MAKE APPROPRIATE ACCOUNTING AND BUDGETARY ENTRIES

WHEREAS, Alliance Communities Inc. is under contract as the management agent of Abrams B Housing and they submitted a draft FY 2015/16 budget on June 30, 2015, and;

WHEREAS, at a regular meeting of June 3, 2010, the City Council and Board adopted Resolution No. 2010-87 approving the Market Rent Formula for Move-In tenants to be calculated to market rent levels throughout the year, and the Market Rent Formula for annual rent increases for in-place tenants to be capped at the lesser of three percent (3%) or the Department of Labor's Consumer Price Index for San Francisco-Oakland-San Jose, All Items, for All Urban Consumers (referred to as CPI-U) "Annual Average" percentage increase for the previous February to February of the current year, to be applied to the next fiscal year, provided that the increased rent for in-place tenants does not exceed the market rent charged to move-in tenants, and;

WHEREAS, the staff of Alliance Communities Inc. and the City of Marina have worked collectively on preparing a budget to be presented to the City Council and Board of Abrams B Non-Profit Corporation, and;

WHEREAS, Alliance prepared two budgets for consideration: Option 1) has been prepared consistent with City Council adopted Resolution No. 2010-87 approving long term formulas for calculating and establishing market rents at Abrams Park with a 2.4% increase for in-place market rents (the February 2014-February 2015 CPI-U); Option 2) no increase in rents for in-place market tenants, and;

WHEREAS, Alliance Communities Inc. submitted a budget letter describing highlights of the proposed Abrams B Housing Area FY 2015-16 Budget Option 1 and Option 2 and accompanied by updated proposed budgets, and;

WHEREAS, on June 30, 2015 the City Council of Marina and the Board of the Abrams B Non-Profit Corporation reviewed and considered the proposed budgets, and;

WHEREAS, the City Council has selected Budget Option 1, and;

WHEREAS, anticipated Owner revenues for Owner Distributions for FY 2014-15 will be approximately \$1,502,220 that are credited to the Abrams B Non-Profit Corporation Fund, Rental Income, Account No. 57.557.54320, and;

WHEREAS, the rental revenues are used to provide funds for debt service payments on the 2006 Abrams B Multifamily Housing Revenue Bonds.

Resolution No. 2015-80
Resolution No. 2015-01 (NPC)
Page Two

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Marina and the Corporation Board of the Abrams B Non-Profit Corporation do hereby:

1. Approve the Abrams B Housing Area Budget Option 1 for FY 2015-16, and;
2. Authorize the Finance Director to make appropriate accounting and budgetary entries.

PASSED AND ADOPTED, by the City Council of the City of Marina and the Corporation Board of the Abrams B Non-Profit Corporation at a regular meeting duly held on the 17th day of June, 2014, by the following vote:

AYES: COUNCIL MEMBERS: Amadeo, Morton, Delgado
NOES: COUNCIL MEMBERS: None
ABSENT: COUNCIL MEMBERS: Brown, O'Connell
ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor/President

ATTEST:

Anita Flanagan,
Deputy City Clerk/Board Secretary

June 26, 2015

Item No. **11a**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 30, 2015

Chair and Board Members of
Abrams B Non-Profit Corporation

Corporation Board Meeting
of June 30, 2015

**CITY COUNCIL AND ABRAMS B NON-PROFIT CORPORATION
BOARD CONSIDER ADOPTING RESOLUTION NO. 2015-, AND 2015-
(NPC), APPROVING ABRAMS B HOUSING AREA BUDGET FOR
FY2015-16 AND AUTHORIZING FINANCE DIRECTOR TO MAKE
APPROPRIATE ACCOUNTING AND BUDGETARY ENTRIES**

REQUEST:

It is requested that the City Council and Corporation Board consider:

1. Adopting Resolution No. 2015- and Resolution No. 2015- (NPC), approving the Abrams B Housing Area Budget for FY 2015-16, and;
2. Authorizing Finance Director to make appropriate accounting and budgetary entries.

BACKGROUND:

The Abrams B Housing Area was built in the 1980's as military housing for families assigned to the former military reservation. At the regularly scheduled meeting of August 11, 2006, the City Council approved Resolution No. 2006-199, creating the Abrams B Non-Profit Corporation (NPC). In October 2006, the Redevelopment Agency conveyed the property to the City and then leased the property to the NPC.

At the regularly scheduled meeting of October 16, 2007, the City Council adopted Resolution No. 2007-249, and the NPC Board adopted Resolution 2007-01 (NPC), approving a contract with the Alliance Residential Company (Alliance) to manage the property beginning January 1, 2008.

The Management Agreement requires Alliance to submit to the City a proposed budget for the following fiscal year beginning July 1. After review by tenants, the budget is considered by the City Council for approval in June in order to incorporate it in the City's proposed budget for the next Fiscal Year.

At a regular meeting of June 2, 2010, the City Council adopted Resolution No. 2010-87 approving long term formulas for calculating and establishing market rents at Abrams Park. The market rents for move-in tenants are calculated at the time of move-in according to local market surveys. According to the formula in Resolution No. 2010-87, the annual rent increases for existing market-rent tenants is the smaller of either (a) three percent (3%) or (b) the February-to-February annual increase in the Department of Labor's Consumer Price Index All Items, for All Urban Consumers-All expenses (CPI-U), for San Francisco-Oakland-San Jose, provided that the increased rent for in-place tenants does not exceed the market rent charged to move-in tenants.

The Consumer Price Index All Item from February-to-February 2014-2015 shows there was a 2.4% increase.

Alliance has held two (2) public meetings to discuss the budget. Additional meetings were also held with the Preston and Abrams Park Tenants Association. Mayor Pro Tem Frank O'Connell, Councilmember Morton, City Manager Layne Long and Alliance staff attended one or both of the public meetings. Changes have been incorporated into the proposed budget for FY 2015-16 in response to input for the Tenants Association.

ANALYSIS:

The attached budget letter from Alliance Inc. (Exhibit A) details the proposed budget for FY 2015-16. The proposed budget is presented with two options. In both options, rent charged to move-in tenants for market units would be established on an ongoing basis according to a market survey. Rents charged to in-place tenants would be either: Option 1) a proposed rent increase according to the Consumer Price Index of 2.4% for all in place residents whose current rents are below the Fair Market Rental rate as published by the Monterey County Housing Authority. Option 2) no rent increase.

The budget letter also details the rental rates to be charged for Affordable Units according to the Regulatory Agreement for Abrams Park. These rents are based upon 50% and 60% of the median income for Monterey County. The rents for the two bedroom units decrease and the rents for the four bedroom units increase between 5 – 7%.

Owner Distribution

The City's owner distribution is proposed to remain at \$1,502,220, this is the same level it has been the past few years. If the proposed 2.4% rent increase for in-place units is approved, staff recommends that this go to the Reserve Fund for Capital Improvement Projects rather than to owner distribution.

Capital Expenditures

Capital expenditures totaling \$1,235,580 are proposed with the largest expenditure being repairs of patio decks at \$848,000. The five year Capital Improvement Program reflects the need to replace the asphalt shingles on all the roofs in approximately five years. This is a project estimated to be around \$2,000,000 which the current budget will not be able to fund at the present time nor in the future. This is a discussion we will need to start having in the next year or two.

New 80% Median Income Level

The budget letter also indicates a new category for households that are 80% of the median income. Staff needs to have further discussion regarding this issue, but would like to bring it back to the Council at a later date for consideration.

Also included are the following Exhibits:

Exhibit A – Budget Letter

Exhibit B – Budget Summary

Exhibit C – Revenue Summary

Exhibit D – Expenditure Summary

Exhibit E – Capital Project Fund
Exhibit F – Affordable Unit Calculation
Exhibit G – Market Survey

FISCAL IMPACT:

Should the City Council and Corporation Board elect to approve this request for the FY 2015-16 Budget, the owner distribution as proposed will remain the same at \$1,502,220.

The total contribution to the Capital Improvement Projects Fund will be either \$430,241 or \$416,871 dependent on whether or not Council approves the 2.4% CPI-U increase for existing market rent tenants, which is a difference of \$13,370.

CONCLUSION:

This request is submitted for City Council and NPC Corporation Board consideration and possible action.

Respectfully submitted,

Layne Long
City Manager
City of Marina