



REQUEST FOR IRVINE COMMUNITY LAND TRUST BOARD ACTION

LAND TRUST BOARD MEETING DATE:

JUNE 22, 2015

TITLE: BUDGET REVIEW

A handwritten signature in blue ink that reads "Mark Asturias".

Executive Director

RECOMMENDED ACTIONS:

1. Adopt Resolution 15-028 of the Irvine Community Land Trust approving the Fiscal Year 2015-2016 Budget.
2. Approve contracts for legal services, real estate services, bookkeeping services, accounting and audit services, property management services, and financial services and authorize the Executive Director to execute contracts.
3. Adopt Resolution 15-029 of the Irvine Community Land Trust authorizing the President, Vice-President, Secretary, Treasurer, and/or Executive Director to Apply for Grants, Acquire, Lease and Dispose of Property.

BACKGROUND:

Analysis

The Fiscal Year 2015-2016 draft budget (Budget) is presented for adoption. The Budget beginning fund balance, approximately \$9.4 million, is based on the estimated closing balance for Fiscal Year 2014-2015. Administration, contract services, project development, and operating costs are proposed at approximately \$779,000. Reserving funds for liabilities will leave approximately \$6.4 million in available funds.

Proposed 2015-16 Budget Revenues

The estimated fund balance beginning July 2015 is \$9.4 million and is based on current revenues less projected expenditures for FY 2014-15 (Attachment 1). Additional revenues for FY 2015-16 are estimated at \$789,000 with the majority of these funds being a ground lease payment by AMCAL Multi-Housing, Inc. in the amount of \$500,000 for the Alegre project. Revenues from rental payments of eight homes, a note owed by Jamboree Housing Corporation for the Doria project, and settlement funds, provide the balance of funds for the Land Trust during the upcoming fiscal year.

Proposed 2015-16 Budget Expenditures

Expenditures have been adjusted in the Budget to account for general activities and potential liabilities associated with the possible acquisition of 80 Clearbrook (Attachment 1).

Administrative costs are estimated at a total of \$71,350, which is a reduction of approximately \$20,000 from the 2014-15 fiscal year. This is due to a reduction in expenses for staff time charged by the City of Irvine. Contract services increased by approximately \$10,000 to a total of \$314,500 and project costs are budgeted for the acquisition of 80 Clearbrook that is to be discussed at this Board meeting. Property operational costs are proposed to decrease by approximately \$40,000 due to gaining the welfare exemption for the condominiums owned by the Land Trust, which significantly reduced property tax liability.

Reserve funds

Reserve funds are established at approximately \$3.027 million to cover liabilities associated with paying the potential “clawback of funds” by the State of California Controller. Remaining funds not encumbered by the budget for administration, property management and project development costs will be reserved in investment accounts.

Assets and Liabilities

The Land Trust has a significant number of assets (Attachment 2). The estimated cash balance as of June is \$4.1 million and other assets include BNY Mellon investments of approximately \$4.6 million, eight rental units valued at \$2,693,500 and one lease fee valued at \$68,710 from the sale of the first ownership property developed by the Land Trust. In addition to the above assets, the Land Trust has set aside \$3.02 million in cash for potential liabilities as discussed below. The Land Trust has loans issued to the Doria affordable rental housing project. Doria Phase I and the Doria Phase II loans have a combined value of approximately \$3.2 million. The Cypress Village site is appraised at a value of \$8.35 million and is owned in fee by the Land Trust. In addition, the development agreement with AMCAL Multi-Housing, Inc. for the Alegre project includes annual lease payments that will be generated through a ground lease and an up-front lease payment of \$500,000 to be made at project occupancy, which is anticipated during the beginning of the budget year. At the termination of the ground lease, the physical improvements (104 units) will become the property of the Land Trust.

The Land Trust outstanding liabilities include approximately \$3.02 million held in reserve pending a possible request from the State of California for Housing Set-Aside funds held by the Land Trust. In addition, the Alegre Tenant Placement Guarantee for tenants with developmental disabilities is also included in liabilities that are summarized in Attachment 2.

Overall, the budget estimated revenues and expenses including reserve funds for potential liabilities, leaves unencumbered funds of approximately \$3.8 million for development activities of the Land Trust. Staff is recommending adoption of Resolution 15-028 approving the Budget as presented.

Service Contracts

The Land Trust has contracts for legal services with Rutan & Tucker, real estate services with CivicStone, bookkeeping services with Borish, financial services with RSG and property management services with Proactive Realty. The contracts are renewed every two years and have hourly rates that have not increased for at least two years. Staff negotiated maximum annual

contract amounts and hourly rates with all service providers and all contracts are proposed to be renewed for two years. In addition, and where there has been a proposed increase in hourly rates, staff has compared the proposed new rate against industry standards and confirmed costs are appropriate for the specific service. One new service contract is proposed for the Land Trust financial audit, which is required every year. Staff secured proposals from audit companies in Orange County that are familiar with non-profit audit requirements and are experienced as certified public accounts and management consultants. Two companies submitted proposals; KMJ|Corbin & Company and Haynie & Company. Haynie & Company's proposal of \$12,000 per year was the lowest proposal and KMJ|Corbin & Company was \$14,500 for year one and \$15,000 for year two. Staff is recommending that audit services be provided by Haynie & Company.

Signature Authorizations

The Land Trust previously authorized, per prior Board Resolutions 13-019, 12-015, 11-013, 10-010, 09-007 and 07-004, the President, Secretary, and Executive Director to seek and apply for grants to fund the operations, programs and projects of the Land Trust. This authorization is granted biannually to allow the Land Trust to apply for grants throughout two business years and the current Board authorization expires June 30, 2015.

The attached resolution will authorize the President, Vice-President, Secretary, and/or Executive Director to submit applications for grants to fund operation and housing development costs through June 2017 to coincide with the Land Trust fiscal year. In addition, the President, Vice-President, Secretary, and/or Executive Director will be authorized to transact leases, acquisitions, and/or sales of Land Trust properties within the city limits of the City of Irvine to home buyers, renters and developers. This authorization will be effective until June 30, 2017 unless amended earlier by action of the Board. Staff recommends that the Board approve Resolution 15-029.

Attachments:

- Attachment 1: Proposed Budget for Fiscal Year 2015-2016
- Attachment 2: 2015-2016 Statement of Assets and Liabilities
- Attachment 3: Resolution 15-028
- Attachment 4: Resolution 15-029

IRVINE COMMUNITY LAND TRUST
ESTIMATED REVENUE BUDGET
For
FISCAL YEAR JULY 2015 through JUNE 2016

	Estimated Budget Fund Balance
BEGINNING OF YEAR FUND BALANCE	\$ 9,435,384
	Estimated Budget Revenues
PROGRAM REVENUES:	
Operating grants and contributions from Settlement Funds (Note 1)	\$ 195,000
Interest	\$ 300
Miscellaneous Receipts	\$ 50
Rent (eight rental units) (Note 2)	\$ 88,800
Lease payment (80 Clearbrook) (Note 3)	\$ 600
Doria Loan Repayment/Monitoring Fee (Note 4)	\$ 4,400
Alegre Ground Lease Payment (Note 5)	\$ 500,000
TOTAL REVENUES	\$ 789,150
 TOTAL FUNDS AVAILABLE	 \$ 10,224,534

Note 1: City of Irvine may transfer future settlement funds to Land Trust.
None anticipated to be transferred for Fiscal Year 14-15.

Note 2: Eight unit rent payments. If 80 Clearbrook purchased revenue added here

Note 3: Lease payments from Lessee if property is not purchased.

Note 4: Doria Agreement requires residual receipts payments.
Amount estimated based on prior year payment.

Note 5: Alegre Ground lease requires \$500K up front lease payment upon
completion and occupancy of project. Scheduled for August 2015.

IRVINE COMMUNITY LAND TRUST
STATEMENT OF ACTIVITIES EXPENDITURES

For the Year Ended June 30, 2016

EXPENDITURES/EXPENSES:	Beginning Year Budget
Administration Costs:	
Salaries/Services provided by the City of Irvine (Note 1)	\$ 40,000
Duplicating/Copying	\$ 2,000
Office Supplies	\$ 1,500
Business Expenses - Meeting Supplies/Refreshments	\$ 1,500
Banking Expenses	\$ 1,000
Special Events	\$ 2,500
Memberships/Subscriptions/Dues	\$ 2,500
Taxes/Licenses/Misc. Fees	\$ 100
Postage/Mailing Materials/Express Mailings	\$ 250
Advertising and Publishing/Govt. relations	\$ 6,000
Internet/Webpage management	\$ 3,000
Local Travel	\$ 1,000
Business Expenses (Out-of-Area Travel)	\$ 10,000
Subtotal	\$ 71,350
Contract Services	
Rutan (Legal Services)	\$ 120,000
CivicStone (Real Estate Services)	\$ 60,000
Borish CPA	\$ 10,000
Accounting Firm	\$ 12,000
Alliant Insurance (Corporate/Director's Coverage)	\$ 3,000
Title	\$ 2,500
Appraisal Services	\$ 7,500
Architectural Firm	\$ 500
Rosenow Spevacek Group (Financial Services)	\$ 70,000
Development and Environmental Review Services	\$ 5,000
Escrow Services	\$ 2,500
Engineering Services	\$ 500
Proactive Realty Investments (Property Manager)	\$ 11,000
Property Maintenance/Rehabilitation	\$ 10,000
Subtotal	\$ 314,500
Acquisition of 80 Clearbrook Development Opportunities City of Irvine Site	\$ 340,000
Subtotal	\$ 340,000
Operation costs of Acquired Property	
Utilities	\$ 4,000
Home Owner Association Dues	\$ 29,500
Taxes - Eight Units (Note 3)	\$ 2,000
Taxes for 80 Clearbrook until Welfare Exemption granted	\$ 3,375
Insurance	\$ 4,000
Maintenance	\$ 10,000
Subtotal	\$ 52,875
Reserved Funds	
State Controller Clawback of Set Aside Funds	\$ 3,027,626
Subtotal	\$ 3,027,626
TOTAL EXPENDITURES/EXPENSES/RESERVED	\$ 3,806,351

Note 1, Per Contract for the Provision of Administrative Services total reimbursement for services may be capped at \$1,000.

Note 2: AMCAL Agreement obligates \$1,254,603 from Land Trust, which majority of funds were expended during construction. Remaining funds to be expended during fiscal year.

Of the full loan amount (\$1,254 million) \$837,673 is CDBG and \$416,930 is HOME.

Note 3: Tax Assessor confirmed property taxes will be abated for eight units during current Fiscal Year.

Irvine Community Land Trust
Land Trust Statement of Assets and Liabilities
June 2015

Assets:

1. Cash ^A	\$4,125,675
2. Deposit with management company ^B	\$16,995
3. Eight rental units ^C valued at	\$2,693,500
4. One lease fee valued at	\$68,710
5. Partnership interest in Doria Affordable Rental Housing Project:	
a. Doria Phase 1 Development Loan	\$1,602,505 at 3 percent simple interest payable over 55 years
b. Doria Phase 2 Development Loans	\$1,600,000 at 1 percent simple payable over 55 years
6. Partnership interest in Alegre Affordable Rental Housing Project:	
a. CDBG Development Loan	\$837,673 at 3 percent simple interest payable over 59 years
b. HOME Development Loan	\$416,930 at 3 percent simple interest payable over 59 years
7. Cypress Village Alegre Affordable Rental Housing Parcel: 3.36 acres ^C	\$8,350,000 appraised value
8. AMCAL Development Agreement Ground Lease (Future Revenue)	\$500,000 rent payment plus \$10,000 in annual base rent and up to an additional \$20,000 in bonus rent
9. BNY Mellon Investments	\$4,613,198 Market Value

Liabilities:

1. State of California Controller Demand	\$3,027,626
2. Security deposit for rentals ^D	\$7,637
3. Tenant Placement Guarantee ^E	\$20,306

Footnotes:

- A. Excess cash is invested through California United Bank and BNY Mellon.
- B. Cash held for security deposits and operation of eight rental units.
- C. Capital assets are recorded at historical cost; donated capital assets are recorded at estimated fair market value at the date of donation.
- D. Security deposits owed to renters upon termination of lease.
- E. Rental Guarantee for two two-bedroom units at Alegre Project set aside for residents with developmental disabilities.

RESOLUTION 15-028

A RESOLUTION OF THE IRVINE COMMUNITY LAND
TRUST APPROVING THE FISCAL YEAR 2015-2016 BUDGET

WHEREAS, the Irvine Community Land Trust (Corporation) Board of Directors (Board) took steps to perfect the organization of the Corporation and to conduct other business on behalf of the Corporation; and

WHEREAS, the Board has reviewed the Fiscal Year 2015-2016 Budget (Budget); and

WHEREAS, the Budget estimates revenues of approximately \$789,150; and

WHEREAS, the Budget proposes administrative costs of approximately \$71,350, contract service expenditures of approximately \$314,500, project development costs of approximately \$360,306, and operation costs of acquired properties of approximately \$52,875; and

WHEREAS, contracts for legal, real estate, bookkeeping, accounting, insurance, financial, and property management services as part of the Budget and authority to execute by the Executive Director contracts in amounts not to exceed the annual budget for each service have been considered by the Board; and

WHEREAS, the Budget proposes reserving approximately \$3.02 million in funds for a potential liabilities; and

WHEREAS, with the estimated fund balance, estimated revenues and proposed expenditures the Budget projects a positive balance at the end of the fiscal year.

NOW, THEREFORE, the Board of Directors of the Irvine Community Land Trust DOES HEREBY RESOLVE as follows:

SECTION 1. The Fiscal Year 2015-2016 Budget is approved and adopted as presented.

SECTION 2. The Board of the Irvine Community Land Trust authorizes the Executive Director to execute all service contracts in amounts not to exceed the approved budget.

SECTION 3. The Secretary shall certify to the passage and adoption of this Resolution.

PASSED AND ADOPTED by the Board of the Irvine Community Land Trust at regular meeting held on the 22nd of June, 2015.

MARY ANN GAIDO
PRESIDENT OF THE IRVINE COMMUNITY LAND TRUST

ATTEST:

BETH KROM
SECRETARY OF THE IRVINE COMMUNITY LAND TRUST

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF IRVINE)

I, Beth Krom, Secretary of the Irvine Community Land Trust, DO HEREBY CERTIFY that the foregoing resolution was duly adopted at a regular meeting of the Board of the Irvine Community Land Trust, held on the 22nd day of June, 2015.

AYES: MEMBERS:

NOES: MEMBERS:

ABSENT: MEMBERS:

BETH KROM
SECRETARY OF THE IRVINE COMMUNITY LAND TRUST

RESOLUTION 15-029

A RESOLUTION OF THE IRVINE COMMUNITY LAND TRUST AUTHORIZING THE PRESIDENT, VICE-PRESIDENT, SECRETARY, AND/OR EXECUTIVE DIRECTOR TO APPLY FOR GRANTS, ACQUIRE, LEASE AND DISPOSE OF PROPERTY

WHEREAS, the mission of the Irvine Community Land Trust (Land Trust) is to provide secure, high-quality affordable housing; and

WHEREAS, the Land Trust was formed as a California Nonprofit Public Benefit Corporation for charitable purposes on March 24, 2006 and obtained its Internal Revenue Service designation as a 501(c)(3) and 509(a)(3) tax exempt, public charity on March 5, 2007; and

WHEREAS, the Bylaws of the Land Trust designate officers of the Land Trust to include a President and Secretary with responsibilities as may be prescribed by the Board; and

WHEREAS, the Board may authorize officers and staff to apply for and seek grants to fund operations of the Land Trust and facilitate the creation of housing; and

WHEREAS, the Board may authorize officers and staff to acquire, lease and dispose of real property, by sale or lease, to further its mission of providing affordable housing to income eligible households; and

WHEREAS, the Board desires to designate the President, Vice-President, Secretary and Executive Director as the officers who may transact property acquisitions, leases and sales on behalf of the Land Trust; and

WHEREAS, the Board previously approved Resolutions 13-019, 12-015, 11-013, 10-010, 09-007, and 07-004 authorizing the President, Secretary, and Executive Director to apply for grants. The Board wishes to add the office of Vice-President and extend this authority to June 30, 2017.

NOW, THEREFORE, the Board of Directors of the Irvine Community Land Trust DOES HEREBY RESOLVE as follows:

SECTION 1. The President, Vice-President, Secretary, and/or Executive Director are authorized to apply for public and private grants for the purpose of funding operating costs and developing affordable housing in accordance with the Articles of Incorporation, Bylaws, and mission statement of the Irvine Community Land Trust.

SECTION 2. The President, Vice-President, Secretary, and/or Executive Director are authorized to serve as the official representative of the Irvine Community Land Trust, to negotiate and execute documents necessary or proper, to process and receive grant funds, and to perform any other activities necessary or proper for the participation in a grant program and receipt of grant funds, which further the purpose of funding operating

SECTION 3. The President, Vice-President, Secretary, and/or Executive Director are authorized to serve as the official representative of the Irvine Community Land Trust, to negotiate and execute documents necessary or proper, to process acquisitions, easements, leases, and sales of Land Trust property located within corporate limits of the City of Irvine, and to perform any other activities necessary or proper including the execution of grant deeds, leases, easements which further the purpose of developing affordable housing in accordance with the Articles of Incorporation, Bylaws, and mission statement of the Irvine Community Land Trust.

SECTION 4. The authorization delegated to the President, Vice-President, Secretary, and Executive Director by this Resolution shall be valid through June 30, 2017, unless earlier revoked or amended by resolution of the Board of Directors of the Irvine Community Land Trust.

PASSED AND ADOPTED by the Board of the Irvine Community Land Trust at regular meeting held on the 22nd day of June, 2015.

MARY ANN GAIDO, PRESIDENT

ATTEST:

BETH KROM, SECRETARY

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF IRVINE)

I, Beth Krom, Secretary of the Irvine Community Land Trust, DO HEREBY CERTIFY that the foregoing resolution was duly adopted at a regular meeting of the Board of the Irvine Community Land Trust, held on the 22nd day of June, 2015.

AYES: MEMBERS:

NOES: MEMBERS:

ABSENT: MEMBERS:

BETH KROM, SECRETARY