



REQUEST FOR IRVINE COMMUNITY LAND TRUST BOARD ACTION

LAND TRUST BOARD MEETING DATE:

JUNE 19, 2017

TITLE: FISCAL YEAR 2017-2018 BUDGET AND SIGNATURE AUTHORITIES

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

Executive Director

RECOMMENDED ACTIONS:

1. Adopt Resolution 17-033 of the Irvine Community Land Trust Approving the Fiscal Year 2017-2018 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 17-034 Authorizing the President, Vice-President, Secretary, and/or Executive Director to Apply for Grants, Acquire, Lease and Dispose of Property

BACKGROUND:

Analysis

The draft Fiscal Year 2017-2018 Budget (Budget) is presented for adoption. The Budget beginning fund balance, approximately \$10.9 million, is based on the estimated closing balance for Fiscal Year 2016-2017. Administration, contract services and operating costs are proposed at approximately \$946,600. Reserving funds for liabilities will retain approximately \$11,586,600 in available funds.

Anticipated 2017-2018 Budget Revenues

The estimated fund balance beginning July, 2017 is \$10,898,800 and is based on current revenues less projected expenditures for FY 2016-17 (Attachment 1). Additional revenues for FY 2017-18 are estimated at \$1,671,800 with the majority of these funds derived from the increased disbursements from the Settlement Agreement with the City of Irvine. Revenues from rental payments of nine homes, a note owed by Jamboree Housing Corporation for the Doria project, and the ground lease payment from AMCAL Multi-Housing, Inc. for the Alegre project, provide the balance of funds for the Land Trust during the upcoming fiscal year.

Proposed 2017-2018 Budget Expenditures

Expenditures have been adjusted in the Budget to account for general activities and project development costs for the Native Spring and Nightmist properties (Attachment 2). Administrative costs are estimated at \$335,125 to support expenses associated with salaries,

interim office space, legislative efforts and conference attendance. Contract services total \$521,500 due to development activity that is expected for the Native Spring and Nightmist parcels.

Property operational costs for the scattered site condominiums remain constant with Homeowner Association dues, property maintenance and repair costs, and property tax accounting for the majority of expenses. Property management costs are included in the contract with Proactive Realty Investments, Inc. as part of contract service expenditures.

Reserve Funds

Reserve funds of approximately \$37,400 are available to cover liabilities associated with tenant rental guarantees for units set-aside for adults with developmental disabilities at the Alegre and Parc Derian developments. Funds not encumbered by the Budget for administration, property management, liabilities and project development costs will be reserved in investment and banking accounts as detailed in this report.

Assets and Liabilities

The Land Trust holds significant assets (Attachment 3). These assets include BNY Mellon investments of approximately \$7.0 million, \$350,000 in a cash savings account, operating funds of \$1.3 million, multiple certificates of deposit totaling approximately \$1.5 million, and nine scattered site rental units valued at approximately \$3 million.

The Land Trust has loans issued to the Doria Phase I and Doria Phase II affordable rental housing for a combined value of approximately \$3.2 million. The Cypress Village land (Alegre) is appraised at a value of \$8.35 million. In addition, the Development Agreement with AMCAL Multi-Housing, Inc. for Alegre includes annual lease payments that are generated through a Ground Lease. At the termination of the Ground Lease, the physical improvements (104 units) will become the property of the Land Trust. The current estimated value of the improvements, exclusive of land, presuming \$300,000 per unit in valuation, is \$31,200,000. The Land Transfer Agreements with the City of Irvine for the Native Springs and Nightmist properties have a combined value of \$12.6 million.

The Alegre and Parc Derian Tenant Placement Guarantee Agreements for residents with developmental disabilities are also included in liabilities that are summarized in Attachment 3.

Service Contracts

The Land Trust contracts legal services with Rutan & Tucker, Inc., real estate services with CivicStone, Inc., bookkeeping services with Robert S. Borish CPA, Inc., audit services with Haynie & Company, financial services with Rosenow Spevacek Group, Inc., advocacy services with Joe A. Gonsalves & Son, and property management services with Proactive Realty Investments, Inc. These contracts will continue through June 30, 2020 and the Budget adjusts the maximum annual contract amounts for each consultant subject to Board approval of the Budget. Staff is recommending adoption of Resolution 17-033 approving the Budget as presented.

Fiscal Year 2017-2018 Budget and Signature Authorities

June 19, 2017

Page 3

Signature Authorizations

The Land Trust authorized, per prior Board Resolutions 15-029, 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 has been granted biannually to allow the Land Trust to apply for grants throughout two business years and the current authorization expires June 30, 2017. Resolution 17-034 (Attachment 5) amends Resolution 15-029 and extends authorization until June 30, 2019 unless amended earlier by action of the Board. Staff recommends that the Board approve Resolution 17-034.

Attachments:

Attachment 1: Estimated Revenue Budget for Fiscal Year 2017-2018

Attachment 2: Statement of Activities Expenditures Fiscal Year 2017-2018

Attachment 3: 2017-2018 Statement of Assets and Liabilities

Attachment 4: Resolution 17-033

Attachment 5: Resolution 17-034

IRVINE COMMUNITY LAND TRUST
ESTIMATED REVENUE BUDGET
For
FISCAL YEAR JULY 2017 through JUNE 2018

	Estimated Budget Fund Balance		
BEGINNING OF YEAR FUND BALANCE	\$ 10,898,801		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="text-align: right; vertical-align: bottom;">Estimated Budget Revenues</th> </tr> </thead> </table>			Estimated Budget Revenues
	Estimated Budget Revenues		
PROGRAM REVENUES:			
Operating grants and contributions from Settlement Funds (Note 1)	\$ 1,500,000		
Interest on cash deposits.	\$ 180		
Miscellaneous Receipts	\$ 250		
Rent (Note 2)	\$ 105,400		
Doria Loan Repayment/Monitoring Fee (Note 3)	\$ 50,000		
Alegre Ground Lease Payment (Note 4)	\$ 16,000		
TOTAL REVENUES	\$ 1,671,830		
 TOTAL FUNDS AVAILABLE	 \$ 12,570,631		

Note 1: City of Irvine may transfer future settlement funds to Land Trust.

Note 2: Nine units rent payments.

Note 3: Doria Agreement requires residual receipts payments.
Amount estimated based on prior year payment.

Note 4: Annual lease payment. Up front \$500K received in 2015-16 fiscal year.

IRVINE COMMUNITY LAND TRUST
STATEMENT OF ACTIVITIES EXPENDITURES
Adjusted
For the Year Ended June 30, 2018

EXPENDITURES/EXPENSES:	Beginning Year Budget
Administration Costs:	
Salaries/Services reimbursed to the City of Irvine (Note 1)	\$ 56,000
Salaries (Independent from City Staff Support) FULL YEAR COSTS	\$ 221,275
TEMPORARY OFFICE SPACE	\$ 23,400
<u>One Time Expenses To Establish Temporary Offices</u>	\$ 20,450
Duplicating/Copying	\$ 2,000
Office Supplies/Equipment	\$ 1,500
Business Expenses - Meeting Supplies/Refreshments	\$ 2,500
Banking Expenses	\$ 1,000
Special Events	\$ 2,500
Memberships/Subscriptions/Dues	\$ 5,000
Taxes/Licenses/Misc. Fees	\$ 1,000
Postage/Mailing Materials/Express Mailings	\$ 1,000
Advertising and Publishing	\$ 6,000
Internet/webpage mgt./Computer Equipment/software	\$ 20,000
Local Travel	\$ 2,500
Legislative advocacy / conferences / meetings	\$ 25,000
Subtotal	\$ 335,125
Contract Services	
Rutan (Legal Services)	\$ 150,000
CivicStone (Real Estate Services)	\$ 80,000
Rosenow Spevacek Group (Financial Services)	\$ 150,000
Proactive Realty Investments (Property Manager)	\$ 15,000
Borish CPA	\$ 10,000
Haynie & Company (Accounting Firm)	\$ 15,000
Alliant Insurance (Corporate/Director's Coverage)	\$ 2,500
Gonsalves & Son (Advocacy/Lobbying Services)	\$ 42,000
Communication Services	\$ 20,000
Title	\$ 5,000
Appraisal Services	\$ 7,500
Architectural Services	\$ 7,000
Development and Environmental Review Services	\$ 10,000
Escrow Services	\$ 2,500
Engineering Services	\$ 5,000
Subtotal	\$ 521,500
Operation costs of Acquired Property	
Utilities	\$ 5,000
Home Owner Association Dues	\$ 33,000
Taxes - Nine Units (Note 2)	\$ 8,000
Insurance	\$ 4,000
Site Maintenance	\$ 15,000
Property Repair/Rehabilitation	\$ 25,000
Subtotal	\$ 90,000

Reserved Funds

Tenant Placement Guarantee - Alegre Units

\$ 20,500

Tenant Placement Guarantee - Parc Derian Units (Note 3)

\$ 16,872

Subtotal \$ **37,372**

TOTAL EXPENDITURES/EXPENSES/RESERVED

\$ 983,997

Note 1. Per Contract for the Provision of Administrative Services total reimbursement for services may be capped at \$1,000. Note this is not representative of actual operating costs due to contract with the City of Irvine. These costs are eliminated once independent office and staff are secured.

Note 2: Tax Assessor confirmed property taxes will be abated for nine units. Awaiting refund for 80 Clearbrook.

Note 3: Presumes Parc Derian project begins lease up in December 2017 and Land Trust could be responsible for 6 months rental costs.

**Irvine Community Land Trust
Land Trust Statement of Assets and Liabilities
Estimated June 2017**

Assets:

- | | | |
|----|---|--|
| 1. | Estimated Cash ^A | \$10,898,801 |
| 2. | Deposit with management company ^B | \$16,995 |
| 3. | Nine rental units ^C valued at | \$3,057,576 |
| | a. <u>Properties</u> | |
| | | <u>Acquisition Date</u> |
| | | <u>Value</u> |
| | i. 49 Tarocco | December 2008
\$324,852 |
| | ii. 56 Clearbrook | December 2008
\$317,730 |
| | iii. 109 Tarocco | February 2010
\$301,881 |
| | iv. 55 Lakepines | April 2010
\$304,539 |
| | v. 21 Goldenrod | May 2010
\$313,662 |
| | vi. 80 Clearbrook | July 2010
\$334,409 |
| | vii. 20 Van Buren | November 2010
\$343,052 |
| | viii. 108 Cartier Aisle | April 2012
\$392,519 |
| | ix. 224 Greenmoor | May 2012
\$424,932 |
| 4. | Doria Affordable Rental Housing Project Partnership interest: | |
| | 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 interest
payable over 55 years |
| 5. | Cypress Village (Alegre Affordable Rental Housing Parcel) Land Value: | |
| | i. 3.36 acres ^D | \$8,350,000 appraised value |
| 6. | AMCAL (Alegre) Development Agreement ^E | |
| | a. Ground Lease (Future Revenue) | \$10,000 in annual base rent and up to an
additional \$20,000 in bonus rent |
| 7. | Alegre Affordable Rental Housing Project Partnership interest: | |
| | a. Development Loan - CDBG | \$837,673 at 3 percent simple interest
payable over 59 years |
| | b. Development Loan - HOME | \$416,930 at 3 percent simple interest
payable over 59 years |
| 8. | 17275 Derian Affordable Rental Housing Parcel: | |
| | a. 2 acres | \$5,750,000 acquisition cost |

9. 17275 Derian Ground Lease	\$1 per year for 99 years (prepaid in 2016)
10. Native Spring Affordable Housing Parcel:	
a. 4.0 acres	\$11,500,000 appraised value
11. Nightmist Affordable Housing Parcel:	
a. 2.5 acres	\$1,120,000 appraised value
12. Settlement Agreement (Future revenues)	\$25,969,147

Liabilities:

1. Security deposit for rentals ^F	\$16,995
2. Tenant Placement Guarantee ^G	\$28,936

Footnotes:

- A. Excess cash is invested through California United Bank and BNY Mellon. Includes operating funds deposited in California United Bank of approximately \$1.8M
- 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. Value of land without improvements. Improvements, which are owned by AMCAL, have current estimated value of \$31M. Improvements will become asset of Land Trust at termination of lease.
- E. AMCAL made up front ground lease payment of \$500,000 during 2015-16 fiscal year. Remaining term of lease includes remainder lease value for 99-year term.
- F. Security deposits owed to renters upon termination of lease.
- G. Rental Guarantee for two two-bedroom units at Alegre Project and four one-bedroom units at Parc Derian Project that may open December 2017 set aside for residents with developmental disabilities.

RESOLUTION 17-033

A RESOLUTION OF THE IRVINE COMMUNITY LAND TRUST
APPROVING THE FISCAL YEAR 2017-18 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 2017-2018 Budget (Budget); and

WHEREAS, the Budget estimates revenues of approximately \$1,671,800; and

WHEREAS, the Budget proposes administrative costs of approximately \$335,125, contract service expenditures of approximately \$521,500, and operation costs of acquired properties of approximately \$90,000; and

WHEREAS, contracts for legal, real estate, bookkeeping, accounting, insurance, financial, and property management services are included 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 \$37,375 in funds for potential liabilities associated with the Alegre and Parc Derian affordable housing projects rental guarantees for units set-aside for adults with developmental disabilities; 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 2017-2018 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 19th of June, 2017.

BRYAN STARR
PRESIDENT OF THE IRVINE COMMUNITY LAND TRUST

ATTEST:

NANCY DONNELLY
SECRETARY OF THE IRVINE COMMUNITY LAND TRUST

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

I, Nancy Donnelly, 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 19th day of June, 2017.

AYES: 0 MEMBERS:
NOES: 0 MEMBERS:
ABSTAIN: 0 MEMBERS:
ABSENT: 0 MEMBERS:

NANCY DONNELLY
SECRETARY OF THE IRVINE COMMUNITY LAND TRUST