REQUEST FOR IRVINE COMMUNITY LAND TRUST BOARD ACTION

LAND TRUST BOARD MEETING DATE: JUNE 18, 2018

TITLE: FISCAL YEAR 2018-2019 BUDGET

Mark Astuna

Executive Director

RECOMMENDED ACTION:

Adopt Resolution 18-040 of the Irvine Community Land Trust Approving the Fiscal Year 2018-2019 Budget.

BACKGROUND:

Analysis

The draft Fiscal Year 2018-2019 Budget (Budget) is presented for adoption. The Budget beginning fund balance, approximately $13.1 million, is based on the estimated closing balance for Fiscal Year 2017-2018. Revenues are projected at approximately $2.885 million. Administration, contract services and operating costs are proposed at approximately $791,800. Reserving funds for future liabilities will leave approximately $11.2 million in available funds for capital projects.

Anticipated 2018-2019 Budget Revenues

The estimated fund balance beginning July, 2018 is $13,120,416 and is based on Fiscal Year 2017-2018 revenues less expenditures. Additional revenues for Fiscal Year 2018-19 are estimated at $2,885,000 with a portion of these funds coming from Settlement Agreement with the City of Irvine. Revenues from rental payments on 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 projected funds for the Land Trust during the upcoming fiscal year (Attachment 1).

Proposed 2018-2019 Administrative Expenditures

Expenditures account for operational and general activities, and project development costs for the Nightmist property (Attachment 2). Administrative costs are estimated at $336,320 to support expenses associated with salaries, office space, legislative efforts and conference attendance. Contract services total $455,500 due to development activity that is expected for the Nightmist property that will be developed by Chelsea Investment Corporation.

Property operational costs for the scattered site condominiums remain constant with Homeowner Association dues, property maintenance and repair costs, and property taxes accounting for the majority of expenses. However, due to the increasing age of the condominiums, the rehabilitation budget has been increased to cover potential systems replacements, such as heating and air conditioning units, plumbing, appliances, flooring and window coverings. Property management costs remain unchanged for the fiscal year and are included with contract service expenditures.

Service Contracts

The Land Trust contracts legal services with Meyers/Nave, real estate services with CivicStone, Inc., bookkeeping services with Robert S. Borish CPA, Inc., audit services with Haynie & Company, financial services with RSG, Inc., advocacy services with Joe A. Gonsalves & Son, marketing services with HKA, and property management services with Proactive Realty Investments, Inc. These contracts will continue through June 30, 2020 and the annual contract amounts for each consultant are included in the Budget.

Reserve Funds – Capital Projects

Reserve funds of approximately $43,000 are established to cover liabilities associated with tenant rental guarantees for units that are set-aside for adults with developmental disabilities at the Alegre and Parc Derian developments. The Chelsea Investment Corporation affordable rental housing project (Nightmist site) is budgeted at the recommended $5.8 million in gap funding for the development of this project. These funds will be expended toward the end of the fiscal year and will be used for project related expenses including payment of community facilities district fees, architectural and engineering costs, city permits and fees.

Funds not encumbered by the Budget for administration, property management, liabilities and capital development costs will be reserved in investment and banking accounts.

Assets and Liabilities

The Land Trust holds multiple assets including land, rental units and cash investments (Attachment 3). These assets include BNY Mellon investments of approximately $9.2 million, $352,000 in a cash savings account, operating funds of $1,711,950, multiple certificates of deposit totaling approximately $1,512,741, and nine scattered site rental units valued at approximately $4,330,000.

The Land Trust has issued loans to the Doria Phase I and Doria Phase II affordable rental housing for a combined value of approximately $3.2 million. The Alegre Project land is appraised at a value of $8.35 million. In addition, the Development Agreement with AMCAL Multi-Housing, Inc. for the Alegre Project includes annual lease payments. 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 is $36,200,000. 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 most recent development, Parc Derian, has an estimated project value (land and improvements of $29,750,000. The Parc Derian Project completed construction in April and was fully occupied by May. A grand opening event is proposed during the Summer.

The Alegre and Parc Derian Tenant Placement Guarantee Agreements for residents with developmental disabilities and the Chelsea Investment funding guarantee are included in the Budget. Total costs for the tenant guarantee liabilities and Chelsea project development funding total $5,932,000.

The Land Trust Settlement Agreement with the City of Irvine transfers $29.2 million over time to the Land Trust for affordable housing development. The City transferred $2,372,974 during fiscal year 2017-18 and to date the Land Trust has received $5,408,008 in settlement funds. The remaining funds due the Land Trust are $23,596,173 and based on City projections the final payment should be made in fiscal year 2024-25.

Staff is recommending adoption of Resolution 18-040 approving the Budget as presented.

Attachments:

Attachment 1: Estimated Revenue Budget for Fiscal Year 2018-2019
Attachment 2: Statement of Activities Expenditures Fiscal Year 2018-2019
Attachment 3: 2017-2018 Statement of Assets and Liabilities
Attachment 4: Resolution 18-040

Irvine Community Land Trust
2018-2019 Budget Statement of Revenues
July 1, 2018

	Estimated Budget Fund Balance
BEGINNING OF YEAR FUND BALANCE	$ 13,120,416

	Estimated Budget Revenues
PROGRAM REVENUES:	
Operating grants and contributions	
from Settlement Funds	$ 2,200,000
Interest on cash deposits.	$ 18,750
Investment Income (BNY Mellon)	$ 500,000
Donations	$ -
Miscellaneous Revenues	$ 250
Rent (Note 1)	$ 108,500
Doria Loan Repayment/Monitoring Fee (Note 2)	$ 40,000
Alegre Ground Lease Payment (Note 3)	$ 17,500
TOTAL PROJECTED REVENUES	**$ 2,885,000**

TOTAL ESTIMATED FUNDS (2018 - 2019) $ 16,005,416

Note 1: Nine units rent payments.
Note 2: Doria Agreement requires residual receipts payments and amounts fluctuate annually.
Note 3: Annual lease payment increases by 3.5% annually. Initial amount of $500K received in 2015-16 fiscal year.

ATTACHMENT 1

ANNUAL BUDGET OPERATIONAL EXPENDITURES	
Administration Costs	
Employment Costs	
Executive Director	*$130,000*
Car Allowance	*$4,800*
Phone Allowance	*$1,200*
Administrative Analyst/Office Coordinator/Recording Secretary	*$60,000*
Subtotal Salaries Expenses	***$196,000***

Employer Related Business Insurance and Payroll Costs	
Employer Related Payroll Taxes	*$27,000*
Business Insurance (Directors Coverage, Errors & Omissions,) ALLIANT	*$2,500*
Business Insurance (Workers Compensation) HARTFORD	*$1,500*
Liability Insurance (short term disability) ALLIANT	*$2,500*
Employee Insurance (Medical/Dental/Vision) BLUE SHIELD OF CA	*$37,750*
Less Employee Contributions (Offsetting Amount)	*($15,130)*
Employee Benefits (Term Life/Disability Insurance) GUARDIAN	*$3,000*
Subtotal Insurance & Payroll Expenses	***$59,120***
TOTAL EMPLOYMENT COSTS	***$255,120***

ATTACHMENT 2

IRVINE COMMUNITY LAND TRUST
FISCAL YEAR 2018 - 2019
BUDGET

ANNUAL BUDGET General Operating Costs	
Land Trust Office Lease	
Office Lease ($2,100 a month for Executive Space @ 930 Roosevelt)	*$25,200*
Subtotal Lease Expenses	**$25,200**
Office Expenses (Operating)	
Business Expense (lunch/dinner meetings)	$6,000
Phone/ AT&T Telecommunication	$1,500
Local Travel	$2,500
Meeting Supplies	$2,500
Banking Charges	$1,000
Special Events - (Project related)	$2,500
Memberships/Subscriptions/Dues/Professional Fees	$5,000
Taxes/ Business Licenses/Fees (state/gov agency)	$1,000
OFFICE SUPPLIES	$5,000
Duplicating/Copying/Publishing	
Supplies	
Postage	
COMPUTERS	$5,000
Computer Hardware/Equipment	
Computer Software/License fee	
Computer Training	
Website maintenance (CivicStone)	
CONFERENCE/EVENTS/MEETINGS	$30,000
Registration Fees	
Hotel/Lodging	
Travel - Airfare/Parking/Taxi/rentals	
Meals	
Subtotal General Office Expenses	**$56,000**
TOTAL GENERAL OPERATING COSTS	***$81,200***

ATTACHMENT 2

ANNUAL BUDGET **Consultant Contracts**	
Legal Services (Meyers-Nave)	$100,000
Administrative	
Nightmist Project	
Native Springs Project	
Project Management Services (CivicStone)	$100,000
Project Financial Services (Rosenow Spevacek Group)	$100,000
Property Management (Proactive Realty Investments)	$15,000
Accounting/Payroll Services (Robert S. Borish CPA)	$10,000
Auditing Services (Haynie & Company)	$14,000
Advocacy/Lobbying Services (Gonsalves & Son)	$42,000
Marketing & Communication Services (HKA)	$56,000
Appraisal Services	$5,000
Architectural/Planning Services	$5,000
Development and Environmental Review Services	$2,500
Engineering Services	$2,500
Escrow Services	$2,000
Title Services	$1,500
TOTAL CONSULTANT CONTRACT EXPENSES	**$455,500**
TOTAL OPERATION COSTS	**$791,820**

ATTACHMENT 2

ANNUAL BUDGET Capital Expenditures	
Acquired Properties Management Expenses	
Utilities/Fees	$5,500
Home Owner Association Dues	$36,000
Taxes - Nine Units (Note 1)	$8,000
Insurance	$4,500
Site Maintenance (Unit Turnover Costs)	$5,000
Property Repair/Rehabilitation	$40,000
Subtotal Expenses	**$99,000**
Tenant Rental Guarantees	
Tenant Placement Guarantee - Alegre Units	$21,500
Tenant Placement Guarantee - Parc Derian Units	$21,500
Subtotal Expenses	**$43,000**
New Construction Projects	
Habitat for Humanity Orange County (Native Spring Project)	
Chelsea Development Agreement (Nightmist/Salerno Project)	$5,800,000
Subtotal Expenses	**$5,800,000**
TOTAL CAPITAL EXPENDITURES/GUARANTEES	**$5,942,000**
Note 1: Tax Assessor confirmed property taxes will be abated for nine units. Awaiting refund for 80 Clearbrook.	
TOTAL FISCAL YEAR 2018-2019 BUDGET EXPENDITURES	**$6,733,820**

ATTACHMENT 2

Irvine Community Land Trust
Land Trust Statement of Assets and Liabilities
Estimated June 2018

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. Properties	Acquisition Date	Value
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/Improvment Value:
   - i. 3.36 acres [D] — $8,350,000 appraised value
   - ii. Improvements — $36,200,000

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

ATTACHMENT 3

8. 17275 Derian (Parc Derian) Affordable Rental Housing Parcel:
   a. 2 acres — $5,750,000 acquisition cost
   b. 80 units — $24,000,000

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) — $23,596,173

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 18-040

A RESOLUTION OF THE IRVINE COMMUNITY LAND TRUST APPROVING THE FISCAL YEAR 2018-19 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 2018-2019 Budget (Budget); and

WHEREAS, the Budget estimates revenues of approximately $2,885,000; and

WHEREAS, the Budget proposes administrative costs of approximately $336,320, contract service expenditures of approximately $455,500, and operation costs of acquired properties of approximately $89,000; 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 $43,000 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, the Budget proposes reserving approximately $5,800,000 in funds for the potential liabilities associated with the Chelsea Investment Corporation affordable housing project; 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 2018-2019 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 18th of June, 2018.

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MELISSA FOX
PRESIDENT OF THE IRVINE COMMUNITY LAND TRUST

ATTEST:

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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 18th day of June, 2018.

AYES: MEMBERS:

NOES: MEMBERS:

ABSTAIN: MEMBERS:

ABSENT: MEMBERS:

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NANCY DONNELLY
SECRETARY OF THE IRVINE COMMUNITY LAND TRUST

AGENDA ITEM #4