



REQUEST FOR IRVINE COMMUNITY LAND TRUST BOARD ACTION

LAND TRUST BOARD MEETING DATE:

DECEMBER 14, 2011

TITLE: Budget for First Six Months of 2012

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

Executive Director

RECOMMENDED ACTION:

1. Approve six-month budget from January through June 2012.
2. Waive Section 2.4(b)(2) of the Affordable Housing Grant Agreement between the Land Trust and the Irvine Redevelopment Agency.

BACKGROUND:

Each December, the Land Trust reviews and adopts a budget for the upcoming calendar year. The budget reflects the anticipated revenues and expenditures associated with administration and project development by the Land Trust. At the October 19 Board meeting, staff obtained authorization to file a notice with the Internal Revenue Service and State Franchise Tax Board to amend the Land Trust fiscal year from January 1st through December 31st to July 1st through June 30th. As such, the Land Trust is presenting a six-month budget to permit the ongoing operations and activities through the end of June 2012. Staff will return to the Board with a full-year budget by May 2012 that will cover the time period of July 1, 2012 to June 30, 2013.

The Land Trust budget identifies revenues and expenditures, which are divided into three areas (see Attachment 1, Proposed 2012 Housing and Land Trust Budget). Revenues include existing funds, deposits from the Affordable Housing Grant Agreement (Grant Agreement) with the Irvine Redevelopment Agency (Agency) and net rents from the six rental units owned by the Land Trust. Expenditures include salaries, supplies and services, and contract services. In summary, the Land Trust will add approximately \$1,237,585 from the Grant Agreement and condominium rentals to existing funds in the budget. Expenditures are approximately \$200,000 for salaries and benefits, \$84,700 for operational expenditures including supplies and services and \$1,952,000 for contract services.

Operational expenditures (\$84,700) include two pre-existing outlays that must be accounted for in the budget. State law mandates that counties may charge a fee for collecting and distributing tax increment revenues and this tax collection charge is estimated at \$10,000. The Agency has an existing affordable housing loan that is accruing interest and \$47,250 is budgeted for this interest payment. As such, the bulk of operational expenditures (\$57,250) are fixed outlays.

Contract services and capital projects (\$1,952,000) include amounts budgeted for the second phase of the Doria affordable apartments project (\$1,600,000) and anticipated costs to repair two units rented by the Land Trust (\$25,000). The repairs include the replacement of a forced air heating and ventilation system and a potential repair of a slab leak. Remaining budgeted amounts of \$326,500 are primarily budgeted for legal expenditures that could include litigation costs, project development costs for the 3.36 acre site that will be conveyed to the Land Trust and financial and audit costs for the Land Trust.

Total operating costs are budgeted at \$2,236,750 and total revenues not including fund balance are budgeted at \$1,237,585. Budgeted expenditures have been discussed with the Finance Subcommittee, which will continue to review and provide input to staff as well as oversight through future budget processes. Staff recommends approval of the draft six-month budget, which begins January 1, 2012 and ends June 30, 2012.

In addition to the proposed budget recommendation, staff and legal counsel have discussed how the process by which the proposed administrative expenditures included in the budget is reviewed by the Agency per the terms of the Grant Agreement. Section 2.4(b)ii provides that prior to the commencement of any given fiscal year, the Land Trust shall determine that the anticipated general expenditures of its administrative costs are necessary for the production, improvement, or preservation of affordable housing. The Land Trust must then transmit its determination to the Agency for its review and file. Due to the current fiscal years of the Land Trust and the Agency, the Agency Board reviewed the Land Trust budget for the Agency's fiscal year that will end June 30, 2012. This effectively completed the review of the six-month budget that is presented to the Land Trust Board and is consistent with the previously reviewed budget by the Agency. Therefore, staff and legal counsel recommend that for the administrative record the Land Trust Board formally waive Section 2.4(b)ii. This will complete the documentation required per the Grant Agreement.

Attachment: Proposed 2012 Housing and Land Trust Budget