



## MINUTES FINANCE COMMISSION

Wednesday, September 28, 2021 - 5:00 P.M.  
City of Huntington Beach  
Zoom Webinar  
Civic Center – Lower Level Conference Room B-7  
2000 Main Street  
Huntington Beach, CA 92648

For the audio recording of the September 28, 2021 Finance Commission Meeting, please visit the City's website at: <https://huntingtonbeach.legistar.com/Calendar.aspx>

Chair Stephanie Gledhill called the meeting to order at 5:07 p.m. and led the Pledge of Allegiance.

MEMBERS PRESENT: Stephanie Gledhill, Chair  
Charles "C.J." Ray, Vice-Chair  
Frank Lo Grasso, Commissioner  
Robert Sternberg, Commissioner  
Jamie Craver, Commissioner

MEMBERS ABSENT: Lawrence Owen, Commissioner  
Janet Michels, Commissioner

STAFF PRESENT Oliver Chi, City Manager  
Ursula Luna-Reynosa, Director of Community Development  
Sunny Rief, Assistant Chief Financial Officer  
Thuy Vi, Administrative Aide, Finance

**ORAL COMMUNICATIONS** (2:00) Frank Zappia and Melody Stillman made public comments. Patti Green Pappas emailed a statement to the City that was read during the meeting.

## **MINUTES**

(8:49) **Motion: Moved by Commissioner Frank Lo Grasso and seconded by Vice-Chair Charles "C.J." Ray to approve the Finance Commission Meeting Minutes dated July 28, 2021, as presented**

Ayes: Gledhill; Ray; Lo Grasso; Sternberg  
Noes: None  
Abstain: Craver  
Absent: Owen; Michels  
**Approved: 4-0-1-2 (Craver-Abstain; Owen, Michels-Absent)**

## **DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS**

(9:20) Middle Income Housing Program

City Manager Oliver Chi and Community Development Director Ursula Luna-Reynosa gave a presentation on Middle Income Housing Opportunity in Huntington Beach, which was presented at a July 6, 2021 Council Study Session. Chi stated that the City Council made a policy decision to create workforce housing through the Middle Income Housing Program. Chi clarified that the City did not directly acquire the Elan and Breakwater Apartments, and that the properties were acquired by the Joint Powers Authority (JPA). Chi noted that the City is part of multiple JPAs, and emphasized that JPAs are set up specifically so that when the City becomes part of a JPA, it has no legal liability or oversight control of that entity outside of what is in the formation documents.

Lo Grasso asked if there were limitations on what type of occupations were qualified for the program. Luna-Reynosa stated that the program is available to anyone who is income qualified, with a preference for people who live and work in Huntington Beach. She indicated that at the January 2021 Strategic Planning Session, the City Council identified housing as one of its goals and priorities, specifically creating a continuum of housing options in Huntington Beach. Luna-Reynosa described the accomplishments and upcoming projects, which include the Homeless Shelter, Permanent Supportive Housing, Low Income Housing, and Workforce Housing or Middle Income Housing.

Luna-Reynosa explained how Middle Income Housing is financed with essential government bonds. She stated that a JPA is tax exempt and does not have to pay property taxes. The JPA is able to purchase the property at fair market value and leverage savings from being tax exempt to offer discounted rents, as well as set aside a significant amount of reserves for maintenance.

Lo Grasso asked about the bond types used for the purchase and maintenance of the Breakwater Apartment. Luna-Reynosa and Chi discussed the bond types, noting that the purchase price was \$185M with additional proceeds taken out by the JPA to set aside in a reserve account for underwriting costs, initial improvements to that facility, and ongoing maintenance related set aside costs.

Luna-Reynosa stated that the cost to the City is lost property tax revenue, but the benefit is the low cost per door for the moderate-income units. Lo Grasso asked how much property tax the City would forego. Chi stated that for the first year, it would be approximately \$370,000, and increases over time based on property value. She indicated that the City would be able to create public equity for the program. She noted that the City currently has limited investment options with low returns. By investing in a real estate asset, at the end of the bond term or potentially earlier, the property will transfer to the City from the JPA, and the City will own this property. This was an opportunity to not only to provide some of the policy benefits to the City, but also to invest money in a way that will benefit the City in the future.

Gledhill asked how many affordable housing units the City is required to have. Ursula-Reynosa stated that every eight years, an assessment is done through the Housing Element Update. Chi said through Housing Element, there is a prescribed number of affordable units in each community based on demographics, income levels and things happening in the community; the City's current portfolio is 2,000 affordable housing units.

Lo Grasso asked for the required number of affordable housing units, and if we have achieved that number. Luna-Reynosa stated that in this current, fifth cycle of the Housing Element, the City's number is 7,000 units. She stated that we have achieved all of the thresholds for moderate and market rate housing, and are short on the low and very low-income housing. Luna-Reynosa noted that the Middle Income Housing Program was not done to achieve targets, as the City has already achieved targets, but anecdotal evidence exists that there is a need for workforce housing.

Luna-Reynosa identified the project's partners: CMFA as the JPA, Catalyst as the Asset Manager and Orrick as Bond Counsel. She shared rental rate ranges and tier levels based on income levels for the Breakwater and Elan Apartments, as well as the maximum income by household size that would qualify for the program.

Lo Grasso inquired regarding the Breakwater Apartment debt service payment schedule and asked if excess rent payments per unit would be paid into principle reduction. Chi reaffirmed that the JPA and Catalyst are managing the deal, and offered to have the JPA and the underwriters explain the details of the overall structure to the Commission at a future meeting.

### **COMMISSIONER COMMENTS**

(1:06:40) Lo Grasso asked for clarification on the reasons for cancellation of scheduled Finance Commission meetings.

Sternberg requested that the Finance Commission be involved in the future sale of City property and school sites, before the City Council votes on a decision.

Ray stated that he has been appointed to the Charter Review Commission, and that tonight was his last Finance Commission meeting. He thanked the Commissioners and staff.

Gledhill thanked Ray for his service, and thanked staff for the Middle Income Housing Program presentation.

### **COMMISSIONER ITEMS**

None.

### **ADJOURNMENT**

Chair Gledhill adjourned the meeting at 6:30 p.m.

Submitted by:  
Sunny Rief, Assistant Chief Financial Officer

By: Thuy Vi, Administrative Aide, Finance