**AGENDA**

ISLAND CITY DEVELOPMENT
Special Meeting
Thursday, March 17, 2016, 1:00 p.m.
701 Atlantic Avenue, Alameda, CA

1. CALL TO ORDER & ROLL CALL
2. CONSENT CALENDAR **(Action)**
    a. Approval of Minutes – November 18, 2015 Special Meeting
    b. Accept the ICD 2014 Audit Report
    c. Approve Capitalization Policy
3. UNFINISHED BUSINESS
4. NEW BUSINESS
    a. Rosefield Project Update; Approve Redevelopment Planning Tasks including Approval to Submit a Funding Application for Affordable Housing and Sustainable Communities (AHSC) Funds and for President to Execute Related Documents **(Action)**
    b. Authorize the Board President to Negotiate Terms and Execute a Three-Year Contract Agreement for Certified Public Accounting Services in an Amount Not to Exceed $100,000 **(Action)**
5. PUBLIC COMMENT (non-agenda items)
6. WRITTEN COMMUNICATIONS
7. ORAL COMMUNICATIONS – BOARD MEMBERS AND STAFF
8. ADJOURNMENT

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**IF YOU WISH TO ADDRESS THE BOARD:**

- Anyone wishing to address the Board on agenda items or business introduced by Board members may speak for a maximum of three (3) minutes per agenda item when the subject is before the Board. Please file a speaker's slip with the Board President. Upon recognition by the President, approach the rostrum and state your name.
- Lengthy testimony should be submitted in writing and only a summary of pertinent points presented verbally.
- Applause and demonstrations are prohibited during Board meetings.

NOTES:

Sign language interpreters will be available on request. Please contact Housing Authority Executive Assistant at 747-4325 or 522-8467 (TDD number) at least 72 hours before the meeting to request an interpreter. Accessible seating for persons with disabilities (including those using wheelchairs) is available. Audio tapes of the meeting are available upon request. MINUTES OF THE MEETING ARE AVAILABLE IN ENLARGED PRINT. Please contact Housing Authority Executive Assistant at 747-4325 or 522-8467 (TDD number) at least 72 hours before the meeting to request agenda materials in an alternative format, or any other reasonable accommodations that may be necessary to participate in and enjoy the benefits of the meeting.

KNOW YOUR RIGHTS UNDER THE SUNSHINE ORDINANCE. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City of Alameda exist to conduct the citizen of Alameda's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

FOR MORE INFORMATION ON YOUR RIGHTS UNDER THE SUNSHINE ORDINANCE OR TO REPORT A VIOLATION OF THE ORDINANCE, CONTACT THE OPEN GOVERNMENT COMMISSION: the address is 2263 Santa Clara Avenue, Room 380, Alameda, CA, 94501; phone number is 510-747-4800; fax number is 510-865-4048, e-mail address is lweisige@alamedaca.gov; and contact is Lara Weisiger, City Clerk.

In order to assist the Housing Authority's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

**MINUTES**
***(Draft until approved)***

ISLAND CITY DEVELOPMENT
Special Meeting
Wednesday, November 18, 2015, 6:30 p.m.
Independence Plaza, Ruth Rambeau Memorial Community Room
703 Atlantic Avenue, Alameda, CA

1. CALL TO ORDER & ROLL CALL

President Cooper called the meeting to order at 6:30 p.m., with the following Board Members present: Vice President McCahan and Secretary/Treasurer Roche. Members absent: none. Staff in attendance: Victoria Johnson.

2. CONSENT CALENDAR **(Action)**

   a. Approval of Minutes - June 22, 2015 Special Meeting

      Motion and second (McCahan/Roche) to approve the Consent Calendar as submitted.

3. UNFINISHED BUSINESS (none)

4. NEW BUSINESS

   a. Approve and Adopt Revised Budget for Fiscal Year 2016 **(Action)**

      Motion and second (Roche/McCahan) and unanimous to approve.

   b. Approve Resolution Authorizing the Officers to be Admitted as a Limited Partner and Execute Loan Documents and Project Agreements and to Authorize the Board President to Execute Related Documents Required for the Development of Stargell Commons **(Action)**

      Motion and second (McCahan/Roche) and approved unanimously by roll call vote.

   c. Approve a Loan from the Housing Authority for Pre-development Costs at Rosefield Village; Authorize the Submission of a Tax-Exempt Bond Application to the California Debt Limit Allocation Committee (CDLAC); and Authorize the Board President to Execute Related Documents **(Action)**

      Motion and second (Roche/McCahan) and unanimous to approve.

   d. Authorize the Executive Director to Negotiate Terms and Execute a Final Contract Agreement for Architectural and Engineering Design Services for the Del Monte Senior Project in an Amount Not to Exceed $600,000 **(Action)**

      Motion and second (McCahan/Roche) and unanimous to approve.

5. PUBLIC COMMENT (non-agenda items) (none)

6. WRITTEN COMMUNICATIONS (none)

7. ORAL COMMUNICATIONS – BOARD MEMBERS AND STAFF (none)

8. ADJOURNMENT

   The meeting was unanimously adjourned at 6:46 p.m.

Respectfully submitted,

***Draft until approved***

Janet Basta
Secretary

CROPPER ROWE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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December 16, 2015

To the Board of Directors
Island City Development

We have audited the financial statements of Island City Development (A California Nonprofit Corporation) for the year ended December 31, 2014, and have issued our report thereon dated December 16, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Island City Development are described in Note 1 to the financial statements. We noted no transactions entered into by Island City Development during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

As usual we are pleased to report that we encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no noted material misstatements noted during our audit of the Organization for 2014.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 16, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Island City Development's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Island City Development (A California Nonprofit Corporation) and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Cropper Rowe, LLP

Cropper Rowe, LLP

CROPPER ROWE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

# ISLAND CITY DEVELOPMENT
(A California Nonprofit Corporation)
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2014

**(Including Auditors' Report Thereon)**

professional. personalized. service.

**ISLAND CITY DEVELOPMENT**
**ANNUAL FINANCIAL REPORT**
**DECEMBER 31, 2014**

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Island City Development
Alameda, California

We have audited the accompanying financial statements of Island City Development (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island City Development as of December 31, 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cropper Rowe, LLP

Walnut Creek, California
December 16, 2015

## ISLAND CITY DEVELOPMENT
## STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2014

| | |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash (Note 3) | $ - |
| Total current assets | - |
| Total assets | $ - |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable – vendors | $ 10,080 |
| Total current liabilities | 10,080 |
| Total liabilities | 10,080 |
| **NET ASSETS (DEFICIT)** | |
| Unrestricted | (10,080) |
| Temporary restricted (Note 2.B.) | - |
| Permanently restricted | - |
| Total net assets (deficit) | (10,080) |
| Total liabilities and net assets (deficit) | $ - |

See Notes to Financial Statements.

**ISLAND CITY DEVELOPMENT**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED DECEMBER 31, 2014**

| | |
|---|---|
| **Revenues, Gains, and Other Support:** | |
| Other income | $ - |
| Total unrestricted revenues, gains, and other support | - |
| **Expenses:** | |
| Legal | 10,080 |
| Total expenses | 10,080 |
| Change in net assets | (10,080) |
| Net assets, beginning of year | - |
| Net assets (deficit), end of year | $ (10,080) |

See Notes to Financial Statements.

**ISLAND CITY DEVELOPMENT**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2014**

| | |
|---|---|
| Cash flows from operating activities | |
| Decrease in net assets | $ (10,080) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable - vendors | 10,080 |
| Net cash provided (used) in operating activities | - |
| Net increase (decrease) in cash | - |
| Cash beginning of year | - |
| Cash end of year | $ - |

See Notes to Financial Statements.

**ISLAND CITY DEVELOPMENT**
**NOTES TO THE FINANCIAL STATEMENTS**
**DECEMBER 31, 2014**

## Note 1 - DESCRIPTION OF ORGANIZATION

Island City Development is a Non-Profit organization (the Corporation) exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Corporation is not a private foundation as defined by the IRS code. The Corporation was formed in 2014 primarily to engage in acquiring, developing, rehabilitating, owning, and managing affordable housing for low and moderate income individuals and families in the City of Alameda, California.

Island City Development is a discrete component unit of the City of Alameda Housing Authority. The Island City Development's Board of Directors is made up of three directors. The Executive Director of the Housing Authority of the City of Alameda appoints the members of the Board.

## Note 2 - SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

The Corporation presents its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for nonprofit organizations. Under this guidance, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets are resources over which the board of Directors has discretionary control and are available for the various programs and administration of the Corporation. These are also resources that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Temporarily restricted net assets are net assets subject to donor-imposed stipulations which will be satisfied by actions of the Corporation or the passage of time. Donor restricted contributions for which restrictions are met in the same reporting period are reported as unrestricted support.

ISLAND CITY DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

**Note 2 (continued)**

Permanently restricted net assets – Permanently restricted net assets are net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Corporation. There were no permanently restricted net assets for the Corporation as of December 31, 2014.

**B. Fund Accounting**

The Corporation maintains its accounts in accordance with the principles of fund accounting. Accordingly, all assets, liabilities and activities are stated on the accrual basis and are accounted for in unrestricted, temporarily restricted, and permanently restricted net assets. The Board of Directors has discretionary control over all net assets of the Corporation.

**C. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Income Taxes**

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service.

**E. Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for the current use with an initial maturity of three months or less to be cash equivalents. Included in the cash balance for the Statement of Cash Flows are the combined operating cash amounts and the replacement reserve account cash balances.

**Note 2 (continued)**

**F. Affiliated Agencies**
The Corporation's administrative and accounting functions are performed by the staff of the Housing Authority of the City of Alameda (the Authority). The amounts reflected as payables to governmental agencies on the Statement of Financial Position are payable to the Authority.

## Note 3 - CASH AND INVESTMENTS

There was no cash balance at December 31, 2014 for the agency.

## Note 4 – SUBSEQUENT EVENTS

Management evaluated all activity of the Corporation through December 16, 2015 and concluded that no subsequent events have occurred that would require recognition in the financial statements of disclosure in the notes to the financial statements.

**Housing Authority of the City of Alameda**

**CAPITALIZATION POLICY**

This capitalization policy shall also be applicable to any and all AHA-affiliated entities.

**Minimum Capitalization Amount**:

It is established through this policy that a minimum capitalization amount of $5,000 shall be applied to justify the capitalization of property and equipment, with an estimated useful life of more than one year, on the financial statements as fixed assets and consequently maintaining continuing property records.

The $5,000 minimum is applicable to per-unit cost and/or a system or products made up of complimentary units purchased or acquired together of lesser unit costs, which when combined amounts to $5,000 or more.

**Financial Controls:**

The determination to capitalize a particular property or equipment as ‘non-expendable’ for budgetary and financial control purposes shall be based on sound principles of property management and GAAP (Generally Accepted Accounting Principles) after giving full consideration of the following factors:

1. The factors and standards relating to the nature of the expenditure and the characteristics of the property unit that shall consider criteria that include:
   - Retention of identity when put into use.
   - Relatively long services, usually more than one year.
   - Repeated use, rather than one-time use and no need for frequent replacement.
   - Sufficient value to justify maintaining continuing monetary property records.
2. Succinctly stated, the basic control criteria shall be established to assure classification and disclosure on financial statements of the following assertions:
   - property existence
   - valuation
   - financial presentation
3. Financial planning purposes for the purchase of new equipment or replacements.
   - A source of information is provided for insurance coverage and claims.
   - A valid basis is provided for the comparison of physical inventories with the records.
   - An effective basis is provided for custodial accountability.

Accordingly, as a minimum, property and equipment capitalized shall provide a broad classification for the financial statements presentation as per Attachment 1:

The ranges and the refrigerators (other appliances) generally do not meet the minimum threshold of $5,000 and thus would not be capitalized. However, as required by Financial Control the ranges and the refrigerators would be separately tracked by means of memorandum subsidiary book log entries and annually, at fiscal year-end, reconciled to the physical count. (See Attachment 2 for further clarification.)

**Capitalized Assets Record Keeping and Annual Physical Verification:**

All capitalized property and Equipment will be recorded in the Capitalized Asset Log/register. With respect to each asset in each of the classifications, will include the following information;

a. Description/name/title of the asset.- mode/serial number, other ID
b. Inventory/stock control number.
c. Date of acquisition
d. Cost or FMV
e. Depreciation method
f. Estimated useful life
g. If applicable: Funding source – Federal/Grant- its restriction/share of cost/vesting of title.
h. Other information – insurance purposes, limitation and restriction, etc.

Each of the above necessary information shall be cross-referenced to supporting documents, (invoices, appraisals, funding source, etc.) that are maintained in the permanent Capitalized Asset Binder/Folder. The register should be updated as needed, for every purchase, disposal (sold, donated, scrapped, etc.), stolen assets, depreciation, etc., and appropriately required calculations made for the depreciation and gain or loss. In addition, updates must be accounted for in the general ledger and reconciled.

Each year, at the end of the fiscal year, a physical count of the inventory is to be undertaken of all the capitalized property and equipment based on the procedures on Attachment 2.

All the required and necessary documents, register and other records reconciled as applicable must be readily available for the annual independent audit and periodic asset management reviews.

**Impairment of Investment in Real Estate:**

Annually, a consideration must be made for the impact of impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be fully recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate (normally building and site improvements) to the future net undiscounted cash flow expected to be generated by the rental property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. Such impairment amount will be reviewed by the AHA Facilities and Finance Department and approved by the Director of Facilities and Finance, and authorized by the Board of Commissioners.

**Donated or Contributed Assets:**

Donated or Contributed Assets with an appropriate determined fair market values of $5,000 or more, as in accordance with all the criteria of this capitalization policy, shall be capitalized as fixed assets on the financial statements. Fair Market values will be determined by the Finance Department through an appraisal or other objective research with due consideration of the condition, usefulness and other relevant applicable criteria as applicable.

**Repairs to Capitalized Property and Equipment:**

Costs of repairs to capitalized property and equipment are normally expensed as they are generally believed not to enhance the value or extend the useful life of a capitalized asset.

However, if the repairs are extensive, then further consideration must be made if overall it represents a complete or significant replacement of the asset and if it is likely to extend the life and value of the asset. If so, then the asset replaced (roof, sidings, etc.) may require appropriate financial and accounting entries to recognize the loss by removing the replaced asset's original cost and accumulated depreciation and recognize the loss. In its place, the new replacement's capitalize cost needs to be capitalized and depreciated over its new useful life.

At times, the original cost of a section of a building, which is being replaced is not identifiable in the overall original building cost; therefore, it is not determinable. In such circumstances, it is recommended that the area's Construction CPI be used to discount the new replacement cost to determine an estimate of what its original cost would have been when the item (section) was first capitalized. The index to reference can be located at the following website:

http://enr.construction.com/economics/ or for subscription at
http://rsmeans.reedconstructiondata.com/

The present Net Book Value (NBV) of the replaced section can be determined by deducting accumulated depreciation calculated over its life to date from the Estimated Original Cost (calculated as noted in the previous paragraph). The present NBV is then removed from the records by removing from the original building costs the estimated original cost of the section and the determined accumulated depreciation, and is recognized as a loss. Lastly, the new replacement capitalized cost replaces the original capitalized costs of the item (section) replaced and the new replacement capitalized cost will be depreciated over its new useful life.

**Replacement Reserves:**

If applicable, the Replacement Reserves requirements are normally governed by the partnership agreement that provides the directive on how the reserves need to be used to fund for the replacement of the capital assets. Those requirements are independent and exclusive of this capitalization policy. This policy and its criteria may provide necessary support to apply the reserves for the replacement of the capitalized assets.

However, it is important to also consider that assets considered as expendable- assets (appliances, etc.) and expensed under this capitalization policy, may qualify for the use of the replacement reserves. Such a determination must be based only on the Replacement Reserves requirements.

**Depreciation Method and the Useful Life:**

All the depreciable assets shall be depreciated over their useful life using the straight-line method. The useful life, for the depreciation purpose only, of each type of fixed assets is as noted below;

- Building[1] 27.5 - 40 years
- Land & site improvements (fences, sewer, roads, etc.) 10 years
- Dwelling & non Dwelling - Furniture/equipment 5 years
- Autos/Trucks/other motor vehicles 5 years
- Computer hardware and software 3 Years

For tax credit development, there are two standard depreciation schedules as follows:

1. 27.5years - residential property; 15 years site work; 5 years personal property, OR
2. 40 years - residential property; 20 years site work; 9 years personal property

In the year of acquisition and disposition, the depreciation is based on the full number of months that an asset is in use. Also, one full month depreciation amount will be made irrespective when in the month the depreciating asset was purchased (and/or placed in use) and/or disposed.

If the useful life of the capitalized asset applied is later considered inappropriate and needs to be adjusted, then the change must be approved by the Director of Finance and the Director of Facilities. Additionally, the appropriate accounting corrections need to be made and reflected on the general ledger and the Capitalized Asset Register.

**Major Rehabilitation Construction Costs:**

Significant construction costs associated with a major rehabilitation of a building that replaces or substantially alters the structure, will need to comply with the best practices and the rules of the Construction Cost Accounting. The costs that need to be capitalized and the original building costs that need to be removed are beyond the scope of this policy.

**Policy Official Effective Implementation:**

To be effective this policy must be approved by the Board of the Commissioners. This policy also must be updated or renewed, as required, based on the evolving best

[1] Normally buildings are depreciated over a useful life of forty (40) years for the purpose of GAAP and twenty-seven and a half (27.5) years for IRS Tax reporting purposes. However, certain buildings may currently have a useful life on a GAAP depreciation schedule that differs from forty years. However, in those instances this policy does not specifically mandate that the useful life of such buildings be changed to comply with this policy.

practices of the Property Management and the Financial Accounting rules or for any other reasons that may be considered appropriate. Such updated or renewed policy must also be approved by the Board of the Commissioners.

Attachments: The following are attachments to this policy:

- Attachment 1- Classification of Real and Personal Property.
- Attachment 2-Inventory of Capitalized Property and Equipment.

## ATTACHMENT 1- CLASSIFICATION OF REAL AND PERSONAL PROPERTY

A. Real Property. Real property is comprised of all land and buildings and all fixtures permanently attached thereto, installed in a fixed position, such as elevators, boilers, all heating equipment, Exception: space heaters not connected to ducts or pipes for the distribution of heat; water, gas, and electric meters; fixed cabinets, shelving, and other built-in facilities, such as, fences, garbage stations, and other similar appurtenances.

B. Personal Property – Personal Property encompasses all materials, supplies, equipment, and fixtures, which are not attached to the land or the buildings and are not installed in a fixed position, such as ranges, water heaters, refrigerators, screens, window shades, movable kitchen cabinets and tables, office equipment, community space equipment, maintenance equipment, individual space heaters not connected to ducts or pipes for the distribution of heat, and playground equipment, benches, etc. not permanently installed in a fixed position.

For accounting purposes, personal property is treated in three general classes of items as follows:

1. Materials and Supplies – normally expensed, these are defined as items of property which,
    a. can be used only once, such as fuel, cleaning supplies, etc.;
    b. are spent in use, such as brooms, brushes, etc.; or
    c. lose their identity or become an integral part of other property when put into use, such as nails, lumber, cement, repair parts, etc.
    d. The term “Materials and Supplies” also includes items of small tools and equipment having a useful life of one year or less.
2. Expendable Equipment – normally expensed, these are defined as items of equipment having a useful life of more than one year, the cost of which, when purchased, is not treated as a capital expenditure (e.g. stoves, refrigerators, small tool, calculator).
3. Non-expendable Equipment - defined as items of equipment that has a useful life of more than one year, the cost of which is treated as a capital expenditure and for which financial control is maintained through appropriate control accounts in the general ledger. Examples are:
    a. Office furniture and fixtures; desks; file cabinets
    b. Office equipment - copiers; postage machine
    c. Information Technology- computer and communication system equipment (servers)
    d. Autos, trucks and vans

e. Non-dwelling equipment

C. Classification of Assets:

In connection with accounting for property, fixed assets are classified into 12 separate accounts:

1. Site Acquisition
2. Site Improvement
3. Dwelling Structures
4. Dwelling Equipment - Non-expendable
5. Dwelling Equipment – Expendable (may be separately tracked but expensed and is not capitalized)
6. Non-dwelling Structures
7. Indirect Development Costs
8. Office Furniture and Equipment
9. Maintenance Equipment
10. Community Space Equipment
11. Automotive Equipment
12. Expendable Equipment – if required to maintain separate inventory, e.g., ranges and other appliances.

## ATTACHMENT 2 - INVENTORY OF CAPITALIZED PROPERTY AND EQUIPMENT

There shall be an annual physical inventory undertaken, preferably at the fiscal year-end, of all non-expendable items and equipment and the outcome of the physical inventory compared with the inventory records that are reconciled to the general ledger.

The purpose of the physical inventory is to provide the following objectives:

- Financial Reporting. Fulfill current fiscal reporting requirements; establish audit compliance with Generally Accepted Accounting Principles (GAAP).
- Accountability and Control. Meet current requirements for accountability and custodianship. Enhance operational efficiency through identification, control, re-inventory and maintenance of equipment.
- Insurance. Provide basis for current insurable values for replacement and proof of loss.
- Capital Expenditure Planning. Establish a basis for projecting capital asset improvements and replacements to assist the Housing Authority in planning and budgeting processes.

Differences between the amounts shown on the records and the amounts obtained through a physical count arising out of errors, other than theft, destruction, or obsolescence, shall be adjusted by means of inventory adjustment reports approved by the Director of Facilities and the Director of Finance.

Losses from theft destruction or obsolescence shall first be evaluated by the Director of Facilities and will be reported to and approved for write off by the Director of Facilities and the Director of Finance.

Generally, due to the capitalization threshold of $5,000, ranges and refrigerators (other appliances) will not be capitalized. However, as required by Financial Control the ranges and the refrigerators would be separately tracked by means memorandum subsidiary book log entries and annually, at fiscal year-end, reconciled to the physical count. Accordingly, a complete listing of ranges and refrigerators inventory should be annually reconciled to the physical count as if they are capitalized fixed assets, and the normal inventory procedures in this attachment will be applicable.

# ISLAND CITY DEVELOPMENT

To: Board of Directors
Island City Development

From: Victoria Johnson
Director of Housing and Community Development

Date: March 17, 2016

Re: Rosefield Project Update; Approve Redevelopment Planning Tasks including Approval to Submit a Funding Application for Affordable Housing and Sustainable Communities (AHSC) Funds and for President to Execute Related Documents

## BACKGROUND

In November 2015, the Board authorized staff to proceed with the formulation of a redevelopment plan for Rosefield Village and to accept a $1 million loan from the Housing Authority for pre-development work. Since then, staff has worked on four related tasks. First, there have been a series of meetings with staff from different departments, consultants, and residents to collect information about the property and to brainstorm. Second, a structural engineer has been engaged to conduct further investigation of the building structure and potential for renovation. Third, a site planning architect has been engaged to design alternate plans to renovate the buildings and add some new common area space and new units. Fourth, staff has been working with the department of Public Works to prepare an application for AHSC funds. This program provides money for affordable housing projects that partner with agencies working on transit strategies that will reduce greenhouse-gas emissions.

## DISCUSSION

Staff continues to evaluate alternative plans to rehabilitate or to demolish and replace the modular buildings (40 units) at Rosefield Village, to renovate the other single-family and multi-family structures and to determine the most feasible plan. The final evaluation is subject to receipt of a full report from a structural engineer and professional construction cost estimates.

At this time, staff has completed a draft application for AHSC funds based on a rehabilitation plan that also includes the construction of four new units. If this plan is accepted by the State Department of HCD, a formal application for the funds will be due in June. Under any scenario, Island City Development will be expected to play a role as the general partner or co-owner of the property.

FINANCIAL IMPACT

The cost to apply for the AHSC funds is expected to be approximately $10,000 for consulting services. This will be paid from the existing pre-development loan. If the rehabilitation plan is determined to be reasonable and the AHSC application is successful, a loan of up to $5.5 million may be awarded to the project. This loan would be made by the State Department of Housing and Community Development and would require a regulatory agreement and deed restriction. The loan terms will include an annual servicing fee and repayment of the loan principal will be subject to project cash flow. Staff would return to the Board with a detailed project when more progress has been made.

RECOMMENDATION

Subject to a final determination of financial feasibility, staff requests Board approval to submit an application for AHSC funds and to authorize the Board President to execute any related documents.

Respectfully submitted,

Victoria Johnson

Victoria Johnson
Director of Housing and Community Development

# ISLAND CITY DEVELOPMENT

To: Board of Directors
Island City Development

From: Victoria Johnson
Director of Housing and Community Development

Date: March 17, 2016

Re: Authorize the Board President to Negotiate Terms and Execute a Three-Year Contract Agreement for Certified Public Accounting Services in an Amount Not to Exceed $100,000

## BACKGROUND

A Request for Proposals (RFP) for CPA Tax Credit Services for Island City Development (ICD) was issued in December and we received proposals from five firms. These firms are: CohnReznick; Holthouse Carlin & Van Trigt LLP; Lindquist, von Husen & Joyce LLP; Novogradac & Company LLP; and Propp Christensen Caniglia LLP.

## DISCUSSION

The Housing Authority Director of Finance and HCD staff reviewed each proposal carefully and there was unanimous agreement to select three firms for interviews. The fees quoted by each firm were fairly similar and within industry standards. After the interviews, staff conducted reference checks for all three firms and met again to make a final recommendation. Based on this evaluation, staff is recommending the firm Holthouse Carlin & Van Trigt LLP. This firm has extensive tax credit and non-profit experience and was highly recommended by all professional references. The firm provides services only to non-profit and public agencies and does not represent tax credit investors. The firm is primarily located in Southern California, but will meet with AHA staff at our offices for a kick-off meeting.

The scope of services will include guidance during the initial set-up of limited partnership accounting records, expert advice related to tax credit and bond financing, preparation of the ICD tax returns and financial audits, preparation of tax credit partnership returns (costs paid by the partnership), and the final cost-certification and tax filings required for tax credit projects.

## FINANCIAL IMPACT

The costs of the accounting services will be paid by ICD. ICD tax returns and audits will be considered ICD administrative costs and are included within the budget. Services related to specific tax credit partnerships are paid by the partnership as an operating expense.

RECOMMENDATION

Authorize the Board President to negotiate terms and execute a three-year contract agreement for certified public accounting services in an amount not to exceed $100,000.

Respectfully submitted,

Victoria Johnson

Victoria Johnson
Director of Housing and Community Development