



HOMEOWNERSHIP & PRESERVATION DIVISION – NEIGHBORHOOD STABILIZATION PROGRAM

Los Angeles Housing Department

LAHD

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Antonio R. Villaraigosa, Mayor
Rushmore D. Cervantes, Interim General Manager

June 6, 2012

Council File:07-2438-S8;10-0799;10-1869
11-0223, 11-1190

Council Districts: Citywide

Contact Persons:

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The Honorable Antonio R. Villaraigosa
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales
Legislative Coordinator

Attention: Richard Williams
Legislative Assistant

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO SUBMIT SUBSTANTIAL AMENDMENT TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TO IMPLEMENT THE CITY NEIGHBORHOOD STABILIZATION PROGRAM FUNDED BY THE AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 (ARRA) WITH BUDGETARY AND FISCAL ADJUSTMENTS FOR CONTINUED IMPLEMENTATION OF PROGRAM ACTIVITIES

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests authority to apply for a substantial amendment for the City's Neighborhood Stabilization Program 2 (NSP2), subject to the approval by the U.S. Department of Housing and Urban Development (HUD). The Substantial Amendment will allow for a technical amendment to the NSP2 application and Action Plan to add additional census tracts to the NSP2-eligible target areas for the acquisition, rehabilitation and disposition of foreclosed upon or vacant property for affordable rental housing opportunities. If approved, this action will increase the NSP2-eligible target areas from 165 to 167 Census Tracts. LAHD seeks to add the additional target areas for the development and rehabilitation of housing units as affordable rental housing. NSP funds will leverage other public investment to improve vacant and nuisance properties and create long-term affordable housing units.

All federal NSP2 allocations were based on a competitive scoring process; therefore all Substantial Amendments to the NSP2 Action Plan are subject to the approval of HUD. LAHD is required to submit a Substantial Amendment to the NSP2 Action Plan to HUD to allow for a reevaluation of the application score to meet the criteria to have been selected for funding under the initial NSP2 competition. The City is also required to publish a public notice and receive public comments and obtain Mayor and City Council approval prior to submitting the Substantial Amendment to the NSP2 Action Plan to HUD.

LAHD has been authorized to receive and disburse the City's first, second and third funding rounds of NSP grant funds (NSP1, NSP2 and NSP3, respectively) awarded by HUD in the amount of \$142.6 million in accordance with HUD NSP regulations and with the intentions of the Mayor and Council (C.F. 07-2438-S8, 10-0685, 10-0799, 11-0223 and 11-0223-S1). To that end, LAHD also requests authority for budgetary and fiscal adjustments for the continued implementation of the City's NSP. To meet the ongoing demands and high volume of projects for NSP program operations, these adjustments include: the execution of contract amendments; and allocation of additional NSP funds for services provided by the Los Angeles Department of Building and Safety (LADBS) that are above and beyond the public counter engineering and inspection fees.

RECOMMENDATIONS

The General Manager, LAHD, respectfully requests:

- I. That your Office schedule this transmittal in the next available meeting(s) of the appropriate City Council Committee(s) for consideration and forward it to the full City Council immediately thereafter.
- II. That the City Council:
 - A. AUTHORIZE the General Manager, LAHD, or designee, to submit and apply for a Substantial Amendment, and any other required documents between HUD and the City, for technical amendment to the NSP Action Plan to add two additional census tracts (Census Tracts 187100 and 295101) to the NSP2 eligible target areas for grant activities under the terms of Funding Approval and Grant Agreement Number B-09-LN-CA-0046 between the City and HUD in the amount of \$100 million.
 - B. AUTHORIZE the General Manager, LAHD, or designee, to execute the fourth amendment to the City's contract with ICF Incorporated, LLC (Contract C-117373), with terms of the amendment described in Attachment A, to increase the contract amount by \$150,000 from NSP2 funds, from \$200,000 for a new total contract amount not to exceed \$350,000 for third party auditing and consultant services, subject to the review and approval of the City Attorney as to form.
 - C. AUTHORIZE the General Manager, LAHD, or designee, to execute the fourth amendment to the City's contract with Barr & Clark (Contract C-116844), with terms of the amendment described in Attachment B, to increase the contract amount by \$100,000 comprised of two funding sources consisting of \$50,000 from NSP1 funds and \$50,000 from NSP2 funds, from \$172,492 for a new total contract amount not to exceed \$272,492 for inspection, environmental risk assessment and consultant services, subject to the review and approval of the City Attorney as to form.
 - D. AUTHORIZE the General Manager, LAHD, or designee, to execute the third amendment to the City's contract with Gold Coast Appraisals, Inc. (Contract C-116852), with terms of the amendment described in Attachment C, to increase the contract amount by \$20,000 from NSP2 funds, from \$130,000 for a new total contract amount not to exceed \$150,000 for property appraisal services, and to extend the time of performance by 12 additional months, for a new contract expiration date of December 31, 2013, subject to the review and approval of the City Attorney as to form.
 - E. AUTHORIZE the General Manager, LAHD, or designee, to execute the sixth amendment to the Professional Services and Rehabilitation Agreement with Restore Neighborhoods LA, Inc.

(Contract C-115683), to include the following provisions, subject to the review and approval of the City Attorney as to form:

- i. Amend Exhibit F, entitled "Applicable Census Tracts and Block Groups," to include all NSP eligible target areas authorized by the Mayor and Council;
 - ii. Amend Exhibit G, entitled "Timeline and Performance Measures," to add the number of units consistent with all NSP funding allocations; and,
 - iii. Amend Exhibit H, entitled "Administrative Budget," to amend the existing administrative budget amounts for NSP1, NSP2 and NSP3; to include the operating budget, for informational purposes. The contract amount will not be increased by this sixth amendment.
- F. AUTHORIZE the General Managers, LAHD and LADBS, or designees, to execute an amendment to Letter of Agreement to increase the amount by \$332,144, from \$249,108 to \$581,252, where \$332,144 is for compensation in Fiscal Year 2012-13, described in Attachment D, to reimburse LADBS for the provision of services for projects funded through the NSP that are above and beyond the typical services provided from LADBS public counter engineering and inspection fees, subject to the review and approval of the City Attorney as to form.
- G. INSTRUCT the City Clerk to place on the agenda for the first Council meeting in Fiscal Year 2012-13 or shortly thereafter, the following items for Council action:

i. AUTHORIZE the City Controller to undertake the following actions:

1) Establish a new account within NSP Grant Fund 50T, Department 43 as follows:

<u>Account No.</u>	<u>Account Name</u>
43J245	Professional Services Contracts

2) Transfer appropriations within NSP Grant Fund 50T, Department 43 as follows:

Transfer from:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43E818	NSP Program Operations	\$50,000.00
43E820	NSP Program Administration	\$140,625.00
	TOTAL	\$190,625.00

Transfer to:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43F844	Technical Services	\$50,000.00
43J245	Professional Services Contracts	\$140,625.00
	TOTAL	\$190,625.00

3) Expend funds on an as-needed basis in an amount not to exceed \$140,625.00 in NSP Grant Fund 50T, Department 43 Account J245, Professional Services Contracts, for computer programming services that were authorized in C.F. 11-1963 to develop

and maintain database and website management systems upon proper written demand by the General Manager, LAHD, or designee.

- 4) Expend funds on an as-needed basis in an amount not to exceed \$50,000.00 in NSP Grant Fund 50T, Department 43 Account F844, Technical Services, upon the proper written demand by the General Manager, LAHD, or designee.
- 5) Establish a new account within NSP – ARRA Grant Fund 52J, Department 43 as follows:

<u>Account No.</u>	<u>Account Name</u>
43J844	Technical Services

- 6) Transfer appropriations within NSP – ARRA Grant Fund 52J, Department 43 as follows:

Transfer from:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43F304	Admin Reserve	\$336,500.00
43F868	NSP2/ARRA Program Operation	\$70,000.00
	TOTAL	\$406,500.00

Transfer to:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43J844	Technical Services	\$70,000.00
43G245	NSP II Professional Services Contracts	\$336,500.00
	TOTAL	\$406,500.00

- 7) Expend funds on an as-needed basis in an amount not to exceed \$406,500.00 from the above funds and accounts in NSP – ARRA Grant Fund 52J, Department 43 upon the proper written demand by the General Manager, LAHD, or designee, whereby \$406,500.00 consists of:
 - a. Amount not to exceed \$50,000.00 in NSP – ARRA Grant Fund 52J, Department 43 Account J844, Technical Services, for Contract C-116844 for inspection, environmental risk assessment and consultant services described in Recommendation C above;
 - b. Amount not to exceed \$20,000.00 in NSP – ARRA Grant Fund 52J, Department 43 Account J844, Technical Services, for C-116852 for property appraisal services described in Recommendation D above;
 - c. Amount not to exceed \$150,000.00 in NSP – ARRA Grant Fund 52J, Department 43 Account G245, Professional Services Contracts, for Contract C-117373 for third party auditing and consultant services described in Recommendation B above; and,
 - d. Amount not to exceed \$186,500.00 in NSP – ARRA Grant Fund 52J, Department 43 Account G245, Professional Services Contracts, for computer

programming services that were authorized in C.F. 11-1963 to develop and maintain database and website management systems.

- ii. AUTHORIZE the General Manager, LAHD, or designee, to prepare Controller instructions and make any necessary technical adjustments that are consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer, and authorize the City Controller to implement those instructions.
- iii. AUTHORIZE the City Controller to implement the following instructions:

- 1) Establish new accounts within Fund 52J as follows:

<u>Account No.</u>	<u>Account Name</u>
43J108	Building and Safety
43J299	Related Costs

- 2) Transfer appropriations within NSP – ARRA Grant Fund 52J, Department 43 as follows:

Transfer from:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43F304	Admin Reserve	\$332,144.00

Transfer to:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43J108	Building and Safety	\$202,131.00
43J299	Related Costs	\$130,013.00
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	TOTAL	\$332,144.00

- 3) Expend funds on an as-needed basis in an amount not to exceed \$332,144.00 from the above funds and accounts in NSP – ARRA Grant Fund 52J, Department 43 upon the proper written demand by the General Manager, LAHD, or designee.
- 4) Increase appropriations within General Fund 100/08 for Budget Fiscal Year 2012-13 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries	\$200,451.00
3310	Transportation	\$1,680.00
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	TOTAL	\$202,131.00

- iv. AUTHORIZE the General Managers, LAHD and LADBS, or designees, to prepare Controller instructions and make any necessary technical adjustments that are consistent with the Mayor and Council actions on the matter, subject to the approval of the City Administrative Officer, and authorize the City Controller to implement those instructions.

III. That the Mayor concur with the actions of the City Council.

BACKGROUND

In February 2009, the Mayor and Council authorized LAHD to receive and disburse the first round of NSP grant funds (NSP1) awarded by the U.S. Department of Housing and Urban Development in the amount of \$32.8 million. To date, HUD has awarded the City an additional \$109.8 million in grant funds from the second and third funding rounds (NSP2 and NSP3) for a total cumulative grant award of \$142.6 million. On behalf of the City, LAHD was authorized to be the administrator of these funds for the acquisition, rehabilitation and resale or disposition of foreclosed upon or vacant properties in identified areas of greatest need throughout the City (C.F. 07-2438-S8, 10-0685, 10-0799, 11-0223 and 11-0223-S1).

The goal of the NSP is to provide homeownership and rental opportunities by renovating some of the most blighted and dilapidated foreclosed residential properties, and restoring these foreclosures as affordable energy-efficient livable homes in the City. All grant funds must be fully expended under an aggressive schedule; and as a result LAHD anticipates the completion of hundreds of projects over the next 10 months to meet the performance goals of the NSP. The end of the grant period is February 2013 for the NSP1 and NSP2 grants, and February 2014 for the NSP3 grant.

LAHD requests authority to apply and submit a subsequent Substantial Amendment that will improve the City's capacity to successfully implement its NSP2. LAHD will add two Census Tracts to NSP2 target areas that will further contribute to NSP program goals. LAHD proposes to add Census Tracts 187100 and 295101 because of the potential of the two tracts providing the most impact on program performance by leveraging funds with other public investment in transit oriented development; and, the completion of additional affordable rental housing units.

LAHD is required to follow HUD's citizen participation process for submission of a Substantial Amendment to the NSP2 Action Plan. The citizen participation process requires that all NSP2 Substantial Amendments are posted for public comment for 10 days. All citizen comments or a report of no comments must be provided with the application to HUD. A notice will be published on June 15, 2012 to open the public comment period. A copy of the notice will be available on the LAHD website at <http://lahd.lacity.org>.

LAHD also requests the following budgetary and fiscal adjustments as necessary solutions to address the high volume of program activities under an aggressive schedule. LAHD proposes the execution of contract amendments to increase funds for professional services contracts for an internal auditor, real estate appraisals, environmental risk assessment, computer programming and website development, as follows:

- As a result of the original NSP2 competitive application and award of grant funds, LAHD entered into a contract with ICF Incorporated LLC (ICF) to meet the internal audit requirement of the NSP2 NOFA (City contract C-117373). ICF conducts visits on a quarterly basis to examine potential areas of risk in NSP program operations. LAHD is requesting approval to amend the contract with ICF to increase the amount of NSP funds as a funding source for the contract by \$150,000, from \$200,000 for a new total contract amount not to exceed \$350,000. These funds will be utilized to pay for additional quarterly visits up to February 2013.
- HUD NSP regulations require that all properties purchased with grant funds be purchased for a price below fair market value. For this purpose, appraisals will be needed to establish the values to which

the discounts will be applied. LAHD is requesting approval to amend the contract with Gold Coast Appraisals for real estate appraisal services to increase the amount of NSP funds as a funding source for the contract by \$20,000, from \$130,000 for a new total contract amount not to exceed \$150,000.

- All NSP-funded acquisitions may also require additional review for environmental risks and presence of health hazards. LAHD also requests to amend the contract with Barr & Clark for environmental risk assessment services to increase the amount of NSP funds as a funding source for the contract by \$100,000, from \$172,492 for a new total contract amount not to exceed \$272,492. The authorized funds for the Gold Coast Appraisals and Barr & Clark contracts also consist of additional funding sources that are described in C.F. 09-0374 and 12-0194.
- Also, LAHD requests to allocate NSP funding in the aggregate amount of \$327,125 [in Recommendation G(i) of this transmittal] to be set aside to pay for computer programming services that were authorized by the Mayor and Council on February 1, 2012 (C.F. 11-1963). The original contracts limits were authorized at \$900,000 per contract, whereby the additional NSP funds as a funding source for the contracts do not require an increase in the authorized contract limits. The NSP funds will be utilized to pay for computer programming services consistent with the intentions of the Mayor and Council in C.F. 11-1963.

LAHD requests to execute a contract amendment to the NSP sub-recipient contract with RNLA for technical amendments to the contract exhibits. The technical amendments will be consistent with the intentions of the Mayor and Council (Council Files 07-2438-S8, 10-0685, 10-0799, 11-0223 and 11-0223-S1).

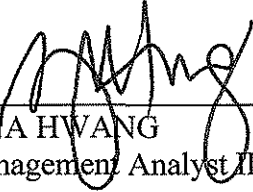
LADBS Pilot Program

On November 18, 2011, the Mayor and Council authorized the LAHD to implement a pilot program with LADBS for the provision of additional services that are above and beyond the typical services provided from LADBS public counter engineering and inspection fees (C.F. 11-0223). These services that are above and beyond typical plan check and inspection fees are made available to LAHD and RNLA, as NSP grant sub-recipient, to facilitate the completion of hundreds of planned NSP-funded housing units. LAHD is requesting approval to add funds to the Letter of Agreement executed between LAHD and LADBS to increase the amount of NSP funds for reimbursement to LADBS by \$332,144, from \$249,108 to \$581,252, where \$332,144 is for compensation in Fiscal Year 2012-13.

FISCAL IMPACT STATEMENT

There will be no impact on the General Fund. The Neighborhood Stabilization Program is supported with federal grant funds awarded to the City by the U.S. Department of Housing and Urban Development. The requested recommendations in this transmittal will allow for fiscal and budget adjustments to implement an increased volume of program activities.

Prepared By:



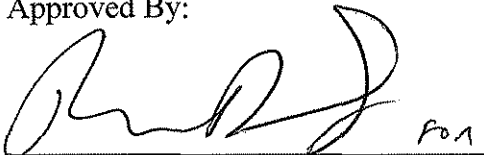
ZINA HWANG
Management Analyst II

Reviewed By:



DOUG SWOGER
Director, Homeownership and Preservation

Approved By:



HELMI A. HISSERICH
Assistant General Manager, Housing Development

Approved By:



RUSHMORE CERVANTES
Interim General Manager

Attachments

NEIGHBORHOOD STABILIZATION PROGRAM FUNDED CONTRACT AMENDMENTS

Contractor Name: <u>ICF Incorporated, LLC</u>		Contract No.: <u>C-117373</u>			
Status	Council File	Version	Source of Funds	Contract Amount	Term
Approved August 14, 2009	08-2742	Original	NSP2	\$0	June 1, 2010 –August 31, 2010
			Non-NSP	\$50,000	
Approved June 18, 2010	10-0799	1st Amendment	NSP2	\$100,000	Additional 10 months. June 1, 2010 –July 31, 2011
			Non-NSP	\$0	
Approved June 18, 2010	10-0799	2nd Amendment	NSP2	\$0	Reduced by one month. June 1, 2010 –June 30, 2011
			Non-NSP	\$0	
Approved May 24, 2011	11-0223	3rd Amendment	NSP2	Additional \$50,000	Additional 23 months. June 1, 2010 –May 31, 2013
			Non-NSP	\$0	
Requested by LAHD June 7, 2012	10-0799	4th Amendment	NSP2	Additional \$150,000	June 1, 2010 –May 31, 2013
			Non-NSP	\$0	

Up to \$350,000

<p>Type of Services to be Provided:</p>	<p>Evaluation of existing policies, procedures, and systems for the efficient use of resources, as follows:</p> <ul style="list-style-type: none"> • Provide feedback to management and make recommendations for processes, policies, and procedures; • Monitor, assess, and analyze program risk and controls for the NSP2 programs; • Review and confirm program activities and compliance with policies, procedures, and laws; • Have unrestricted access to all functions, records, information, property, and personnel that are part of LAHD's and RNLA's NSP2 activities, including consultants and contractors; • Will have continual remote access to the HIMS and other NSP-related databases to review project transactions as activities take place and have access to all reports; and, • Obtain the necessary assistance of personnel within LAHD in the conduct of planned audits. <p>In addition, during the term of the contract, the Contractor will review, but not be limited to, the following:</p> <ul style="list-style-type: none"> • <u>Financial</u>: program income, timeliness, frequency or need for budget adjustments, size of grant amount, timely submissions of financial information, and expenditures; • <u>Physical</u>: Physical conditions of REO properties at purchase and after rehabilitation and the acquisition, construction and rehabilitation of assets; • <u>Management</u>: Program complexity, compliance issues, staff capacity and oversight, results of prior OIG and CPD audits of the grantee, program design • <u>Satisfaction</u>: Citizen complaints and grantee responsiveness; and, • <u>Services</u>: Meeting program objectives, relocation, environmental, and program progress.
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NEIGHBORHOOD STABILIZATION PROGRAM FUNDED CONTRACT AMENDMENTS

Contractor Name: Barr & Clark, Inc.		Contract No.: C-116844			
Status	Council File	Version	Source of Funds	Contract Amount	Term
Approved December 8, 2009	09-0374	Original	NSP1	\$5,000	January 1, 2010 – September 30, 2010
			NSP2	\$0	
			Non-NSP	\$52,856	
Approved December 14, 2010	08-1514-S1	1st Amendment	NSP1	\$0	Additional 15 months. January 1, 2010 – December 31, 2011
			NSP2	\$0	
			Non-NSP	\$41,336	
Approved December 14, 2010	08-1514-S1	2nd Amendment	NSP1	\$0	January 1, 2010 – December 31, 2011
			NSP2	\$0	
			Non-NSP	Additional \$28,900	
Approved April 17, 2012	12-0194	3rd Amendment	NSP1	\$0	Additional 12 months. January 1, 2010 – December 31, 2012
			NSP2	\$0	
			Non-NSP	Additional \$44,400	
Requested by LAHD June 7, 2012	10-0799	4th Amendment	NSP1	Additional \$50,000	Additional 12 months. January 1, 2010 – December 31, 2013
			NSP2	Additional \$50,000	
			Non-NSP	\$0	

Up to \$272,492

Type of Services to be Provided:	<p>Conduct a Lead Based Paint Inspection as per HUD Guidelines using an X-Ray Fluorescence (XRF) instrument. Conduct a Risk Assessment in accordance with HUD Guidelines and with a minimum of four (4) dust wipe samples and one exterior soil sample, for purposes of HUD lead grant data collection. Prepare an inspection and risk assessment report and deliver to LAHD within 14 business days</p> <p>Develop specifications for lead abatement for projects. Verify containment of material and monitor all Lead Abatement/Remediation activities for "lead-safe" work practices through two site visits. Prepare reports on the progress of abatement with description of daily activities.</p>
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NEIGHBORHOOD STABILIZATION PROGRAM FUNDED CONTRACT AMENDMENTS

Contractor Name: <u>Gold Coast Appraisals, Inc.</u>		Contract No.: <u>C-116852</u>			
Status	Council File	Version	Source of Funds	Contract Amount	Term
Approved December 8, 2009	09-0374	Original	NSP1	\$100,000	January 1, 2010 – September 30, 2010
			NSP2	\$0	
			Non-NSP	\$10,000	
Approved October 27, 2010	10-2441	1st Amendment	NSP1	\$0	Additional 15 months. January 1, 2010 – December 31, 2011
			NSP2	\$0	
			Non-NSP	Additional \$20,000	
Approved April 17, 2012	12-0194	2nd Amendment	NSP1	\$0	Additional 12 months. January 1, 2010 – December 31, 2012
			NSP2	\$0	
			Non-NSP	\$0	
Requested by LAHD June 7, 2012	10-0799	3rd Amendment	NSP1	\$0	Additional 12 months. January 1, 2010 – December 31, 2013
			NSP2	Additional \$20,000	
			Non-NSP		

Up to \$150,000

Type of Services to be Provided:	<p>Contractor will provide appraisals prepared according to the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Standards Board of the Appraisal Foundation.</p> <p>Appraisals may consist of evaluation of existing residential property, vacant land, proposed new construction projects, rehabilitation projects, mixed-use developments, and air rights.</p> <p>All appraisers must be State of California Office of Real Estate Appraisers (OREA) certified .</p>
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EXHIBIT A

LETTER OF AGREEMENT BY AND BETWEEN
LAHD AND LADBS FOR NSP PILOT PROGRAMFEE SCHEDULE AS OF JULY 1, 2012 TO JUNE

Code	Class Title	Wages & Count	Hourly Rate
7957	3 Structural Engineering Associate III	\$101,226	\$48.58
4212	Senior Building Inspector	\$99,225	\$43.90
		\$200,451	

Code	Class Title	Wages & Count	LADBS CAP 32	Related Costs
7957	3 Structural Engineering Associate III	\$101,226	64.86%	\$65,655
4212	Senior Building Inspector	\$99,225	64.86%	\$64,357
		\$200,451		\$130,013

Code	Class Title	Salary + Related Costs	Mileage \$70 per month	TOTAL COSTS FY 2011-12
7957	3 Structural Engineering Associate III	\$166,881	\$840	\$167,721
4212	Senior Building Inspector	\$163,582	\$840	\$164,422
		\$330,464	\$1,680	\$332,144

FEE SCHEDULE FOR FY 2012-13 NOT TO EXCEED
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\$ 332,144
