

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 9, 2016

CAO File No. 0220-00540-1218
Council File No. 11-2106
10-0799
Council District: Citywide

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Housing and Community Investment Department Transmittal dated November 18, 2016; Received by the City Administrative Officer on November 23, 2016; Additional Information Received through December 8, 2016

Subject: **REQUEST FOR APPROVAL OF VARIOUS ACTIONS REGARDING THE NEIGHBORHOOD STABILIZATION PROGRAM AND GRANT SUB-RECIPIENT RESTORE NEIGHBORHOOD, L.A., INC.**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt recommendations A through C, E and I of the Housing and Community Investment Department (HCID) transmittal dated November 18, 2016;
2. Authorize resolution employment authority in HCID for two exempt positions listed below for the Neighborhood Stabilization Program Grant (NSP) from January 1, 2017 through June 30, 2017, subject to review of the Civil Service Commission as to Civil Service Classification, pay grade determination by the City Administrative Officer, and exemption in accordance with Charter Section 1001 (d) (4), based on the temporary grant-funded nature of the program and available funding from NSP Grant-related Program Income:

Number	Class Code	Classification Title
1	9184-2	Management Analyst II
1	1513-2	Accountant II-As Needed
2		TOTAL

3. Authorize the General Manager of the Housing and Community Investment Department (HCID), or designee, to:
 - a. Pay off a loan up to the amount of \$500,000 with J.P. Morgan Chase Bank, National Association regarding three foreclosed properties known as "The Corridor Projects" from the ARRA Neighborhood Stabilization Program 2 Fund No. 52J,

Account No. 43N808; and,

- b. De-obligate funds for the previously approved Affordable Housing Trust Fund Pipeline projects within Fund No. 561/43 as follows:

<u>Project</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
Angelus Funeral Home	43L008	Affordable Housing Trust Fund	\$ 16,800
Angelus Funeral Home	43M008	Affordable Housing Trust Fund	1,866,260.19
(aka Paul Williams)	43M010	Affordable Housing Trust Fund – PY	943,347.81
Total			\$ 2,826,408

4. Authorize the Controller to:

- a. Relative to the Neighborhood Stabilization Program Fund No. 50T/43:

- i. Establish new accounts and increase appropriations within the Neighborhood Stabilization Program Fund No. 50T as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
43E820	NSP Program	\$ 24,289.17
43N467	Slauson Wall Green Space	16,942.00
43N805	Beverly Terrace	1,000,000.00
43N806	NSP HCID Program Delivery	40,900.08
43N807	Florence Morehouse	1,000,000.00
Total		\$ 2,082,131.25

- ii. Decrease appropriations within the Neighborhood Stabilization Program Fund No. 50T as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
43E818	NSP Program Administration	\$ (1,868,480.35)
43L143	Housing	(1,137.00)
43M112	City Attorney	(75,203.70)
43M143	Housing	(24,628.29)
43M299	Reimbursements to General Fund	(3,440)
43N112	City Attorney	(66,937.00)
Total		\$ (2,039,825.87)

- iii. Decrease appropriations within Fund 100/12 Account 001010 Salaries in the amount of \$66,937.

b. Relative to the ARRA-Neighborhood Stabilization Program 2 Fund No. 52J/43:

- i. Establish new accounts and increase appropriations within the ARRA-Neighborhood Stabilization Program 2 Fund No. 52J as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
43F830	NSP 2 ARRA Program Adm	\$ 1,303.24
43N112	City Attorney	10,000.00
43N467	Slauson Wall Green Space	984,637.00
43N501	Admin Reserve	17,791.79
43N806	NSP HCID Program Delivery	100,000
43N808	Corridor Projects	500,000
43N809	Angelus aka Paul Williams	<u>2,826,408.00</u>
	Total	\$ 4,440,140.03

- ii. Decrease appropriations within the ARRA-Neighborhood Stabilization Program 2 Fund No. 52J as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
43F868	NSP 2/ARRA Program	\$ (4,328,077.31)
43L143	Housing	<u>(3,274.01)</u>
	Total	\$ (4,331,351.32)

- iii. Increase appropriations within Fund 100/12 Account 001010 Salaries in the amount of \$10,000.

c. Relative to the Neighborhood Stabilization Program 3 Fund No. 53T/43:

- i. Establish new accounts and increase appropriations within the Neighborhood Stabilization Program 3 Fund No. 53T as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
43N112	City Attorney	\$ 10,000.00
43N467	Slauson Wall Green Space	2,216,072.00
43N501	Admin Reserve	63,415.44
43N806	NSP HCID Program Delivery	<u>174,877.15</u>
	Total	\$ 2,464,364.59

- ii. Decrease appropriations within the Neighborhood Stabilization Program 3 Fund No. 53T as follows:

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
43G818	Program Operation	\$ (2,399,989.78)
43M143	Housing	(204,341.76)
43M299	Reimbursements to General Fund	(82,835.26)
	Total	\$ (2,687,166.80)

- iii. Increase appropriations within Fund 100/12 Account 001010 Salaries in the amount of \$10,000.

- d. Expend funds upon proper demand of the General Manager, HCID, or designee.

- 5. Instruct HCID to report back to the Mayor and Council regarding the transition of Restore Neighborhood L.A., into a support organization for HCID.

SUMMARY

The General Manager of the Los Angeles Housing and Community Investment Department (HCID) requests authority for various actions related to the close-out of the Neighborhood Stabilization Program (NSP) and grant sub-recipient Restore Neighborhoods, L.A., Inc. (RNLA), including: 1) expanding the NSP 3 target area to include an additional project; 2) amending loan agreements; 3) retroactively executing the tenth amendment to the professional services contract with RNLA; 4) allocating the remaining \$10.2 million in NSP Grant funds to eligible projects; 5) granting position authority for two positions to support the program; and 6) evaluating the feasibility of transitioning RNLA into a support corporation for HCID.

This Office concurs with HCID's request to expand the NSP 3 target area, amend loan agreements, execute the tenth amendment with RNLA, and allocate the remaining \$10.2 million in NSP Grant funds. However, subsequent to the release of their report, the HCID requested adjustments to funding allocations for various programs and Council authority to pay off an outstanding loan for one of the properties. We concur with their subsequent requests. The HCID requested position authority for two positions through June 30, 2020. However, we recommend position authority through June 30, 2017 and subsequent requests for continued authority each fiscal year through the NSP close-out. Finally, we recommend that HCID report to the Mayor and Council with additional information on RNLA's performance and HCID's programmatic challenges before the Council considers instructing the City Attorney to work with HCID regarding the feasibility of transitioning RNLA into a support corporation. The recommendations in this report are in compliance with the City's Financial Policies in that the proposed actions would be funded by special and/or grant funds.

Employment and Funding Authority

This Office supports continued staffing to close-out the NSP program. However, we recommend resolution position authority for one Management Analyst II and an Accountant II, as needed through June 30, 2017. HCID must report back and request resolution position authority for each fiscal year through the close of the NSP program. The HCID should submit a resolution authority request to the Civil Service Commission as to the Civil Service classification and exemption of the positions in accordance with Charter Section 1001 (d) (4), based on the temporary grant funded nature of the program. Charter Section 1001 (d) (4) of the Los Angeles Charter and Administrative Code exempts any grant-funded positions approved by Council upon the request of the head of a department or office, subject to the order of the Board of Civil Service Commissioners.

Chase Bank Pay-Off

The HCID requested authority for \$500,000 in NSP2 funds to be committed and disbursed to pay-off the remaining balance of a J.P. Morgan Case note associated with properties known as “The Corridor Projects” in its report, but inadvertently omitted a recommendation that Council provide authority for the expenditure. The recommendation is included in this CAO report.

Revised Use of NSP Funds

Subsequent to the release of HCID’s report, the Department requested to amend the amounts designated for the Angelus Funeral Home and Slauson and Wall project. The revised proposed appropriations (italicized) are illustrated in the Table below and reflected in the revised Controller Instructions of the CAO’s report.

Proposed Appropriations and Set-Aside of Remaining NSP Funds

	NSP1	NSP2	NSP3	Total
Program Operations Funds				
J.P. Morgan Chase Bank Pay-Off		\$500,000		\$500,000
Beverly Terrace Apartments	\$1,000,000			1,000,000
Florence Morehouse	1,000,000			1,000,000
Angelus Funeral Home		<i>2,826,408</i>		<i>2,826,408</i>
RNLA 11 lots	410,000	415,597		825,597
NSP Staffing	75,000	100,000	\$225,000	400,000
Subtotal: Program Operations Funds	\$2,485,000	\$3,842,005	\$225,000	\$6,552,005
Administrative Funds				
NSP Staffing-Admin	\$65,164	\$31,895	\$285,579	\$382,638
RNLA Support-Admin	24,377	5,500	123	30,000
Subtotal: Administrative Funds	\$89,541	\$37,395	\$285,702	\$412,638
Slauson and Wall	16,942	<i>984,637</i>	2,216,072	<i>3,217,615</i>
Grand Total	\$2,591,483	\$4,864,037	\$2,726,774	\$10,182,294

Additionally, we recommend revising HCID's recommendation to de-obligate HOME funds for the Angelus Funeral Home to reflect the revised proposed appropriations. The HCID reports that use of NSP funds for the Angelus Funeral Home project would allow HOME funds to be allocated to other pipeline projects applying for tax credits in March, 2017.

Transition of RLNA

This Office recommends that the request to transition RNLA into a support organization for HCID be addressed in a separate report. In its report, the HCID should discuss: 1) RNLA's performance in carrying out the NSP Grant goals and objectives; 2) RNLA's core competencies; 3) HCID's programmatic challenges; 4) how RNLA's past performance and core competencies meet HCID's programmatic challenges; and 5) proposed funding source(s) for RNLA given the close-out of NSP grant funds.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund. The Housing and Community Investment Department (HCID) is proposing to allocate the remaining \$10.2 million in Neighborhood Stabilization Program Grant funds and program income to: 1) eligible projects; 2) staffing for the close-out of the program; and 3) administrative support from the grant sub-recipient Restore Neighborhood, L.A., Inc. The recommendations in this report are in compliance with the City's Financial Policies in that the proposed actions would be funded by special and/or grant funds.

MAS:EIC:02170087C