

TRANSMITTAL

To:

THE COUNCIL

Date: 11/23/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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November 18, 2016

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10-0799
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

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

SUMMARY

The U.S. Department of Housing and Urban Development (HUD), from 2009 to 2011, provided the Los Angeles Housing + Community Investment Department (HCIDLA) three Neighborhood Stabilization Program (NSP) grant allocations: NSP1 (\$32.8 million), NSP2 (\$100 million) and NSP3 (\$9.8 million), collectively, the “NSP Grant,” totaling of \$142.7 million.

Since 2009, Restore Neighborhoods, L.A., Inc. (RNLA) has implemented the NSP Grant on behalf of HCIDLA to reduce the number of foreclosed and/or vacant properties in order to improve and stabilize neighborhoods most impacted by foreclosures in the City of Los Angeles under City Contract Number C-115683. In total, RNLA has been involved in grant activities in the amount of \$140 million in NSP funds for the restoration and/or redevelopment of 880 affordable housing units, previously vacant and/or abandoned foreclosed properties in severe disrepair.

Although the majority of NSP Grant funds have been expended, there remains NSP Grant-funded work to be completed until at least June 30, 2020. Activities will include expenditure oversight of \$10.2 million in remaining NSP Grant funds, project management of the Slauson and Wall project and administrative work relating to program close-out, among other tasks.

As such, HCIDLA requests authority for various administrative and RNLA-related actions as follows: (1) expand the NSP3 target area; (2) extend hiring authority for one NSP staff full-time exempt position and one “as-needed” position; (3) allocate the remaining \$10.2 million in NSP Grant funds to eligible projects; (4) execute the tenth contract amendment to the RNLA sub-

recipient contract (C-115683); (5) extend both the Repayment and Maturity dates for the Municipal Housing Finance Fund (MHFF) Loan with RNLA, and; (6) authorize a technical adjustment and execute an amendment to the MHFF Grant with RNLA to allow reimbursement of incurred NSP-related administrative expenses (C.F. 10-0685).

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests:

I. That your Office schedule this transmittal for the next available meeting(s) of the appropriate City Council Committee(s) for consideration and to forward it to the City Council for review and approval immediately thereafter.

II. That the City Council, subject to the approval of the Mayor, take the following actions:

A. AUTHORIZE the General Manager of HCIDLA, or designee, to submit for a Substantial Amendment, and any other required documents between HUD and the City, for technical amendment to the NSP3 Action Plan to add one additional census tract (Census Tract 239202) to the NSP3 eligible target areas for grant activities under the terms of Funding Approval and Grant Agreement Number B-11-MN-06-0512;

B. AUTHORIZE the General Manager of HCIDLA, or designee, to amend the loan agreement with Hollywood Community Housing Corporation in the amount of \$1,200,000 in Community Development Block Grant (CDBG) funds for the purchase of the Angelus Funeral Home (City Contract C-126859), by extending the loan term from 20 years to 55 years, subject to approval as to form by the City Attorney;

C. AUTHORIZE the General Manager of HCIDLA, or designee, to amend the loan agreement with Florence Morehouse, L.P. (Loan # 920432-002), increasing the loan amount by \$1,000,000 in NSP1 funds for acquisition/rehabilitation of the Florence Morehouse Apartments;

D. AUTHORIZE the General Manager of HCIDLA, or designee, to de-obligate funds for the previously approved Affordable Housing Trust Fund Pipeline project as follows:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Acct Name</u>	<u>Amount</u>
Angelus Funeral Home	561/43	43M008	AHTF	\$1,866,260.19
(aka Paul Williams)	561/43	43M010	AHTF-PY	<u>933,739.81</u>
			Total	\$2,800,000.00

E. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute the Tenth Amendment to the existing Professional Services Agreement with RNLA (Contract No. C-115683), for continued work relating to project development, program wind-down, audits and program closeout, subject to approval as to form by the City Attorney, to include the following provisions:

1) Extend the contract termination date from February 28, 2016 to June 30, 2019;

- 2) Re-allocate the current contract authority balance of \$825,597 as indicated in Table Two in order to align the remaining contract authority with the actual location of the remaining 11 lots in development;
 - 3) Increase the amount of the RNLA sub-recipient contract (C-115683) by \$11,230 of NSP1 funds which will increase the total amount of the contract from \$140,811,916 to an amount not to exceed \$140,823,146. The \$11,230 will be for eligible administrative expenses, such as, program office relocation, planning, reporting, evaluation, marketing, audits and related staff time;
 - 4) Allow RNLA to borrow private funds for the construction and completion of the last remaining 11 lots, including allowing RNLA to encumber the lots with promissory notes necessary by third-party construction financing;
 - 5) Amend the MHFF Loan to extend the maturity date from February 28, 2016 to June 30, 2019, to align with the extended RNLA contract termination date (listed above) and associated administrative activity, and to amend MHFF repayment term date from 45 days after the contract termination date to 180 days after the contract termination date, to allow for the completion of administrative and other related accounting functions;
 - 6) Authorize technical adjustments and amend the MHFF Grant of \$55,000 to allow reimbursement for NSP related administrative expenses incurred but ineligible for Grant reimbursement, including, but not limited to, permit fees, legal settlement costs, back taxes with imposed penalties, and other pre-existing delinquencies (C.F. 07-2438-S8, 10-0685 and 11-0223);
- F. INSTRUCT the City Attorney's Office to work with the HCIDLA to evaluate the feasibility of transitioning RNLA into a support corporation, and report back to the City Council with recommendations;
- G. AUTHORIZE the General Manager of HCIDLA, or designee, to extend the employment and funding authority, pursuant to Los Angeles City Charter Section 1001, for the following exempt HCIDLA staff positions through June 30, 2020 for continued NSP grant activities;

<u>Number of Positions</u>	<u>Class Code</u>	<u>Classification Title</u>
1	9184-2	Management Analyst II
1	1513-2	Accountant II-As Needed

H. AUTHORIZE the Controller to:

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

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

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

<u>Account</u>	<u>Title</u>	<u>Amount</u>
43E818	NSP Program Operation	(\$ 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	(3,439.53)
43N112	City Attorney	<u>(66,937.00)</u>
	Total	(\$2,039,825.87)

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

<u>Account</u>	<u>Title</u>	<u>Amount</u>
43F830	NSP 2 ARRA Program Adm	\$ 1,303.24
43N112	City Attorney	10,000.00
43N467	Slauson and Wall	1,011,045.00
43N501	Admin Reserve	17,791.79
43N806	NSP HCID Program Delivery	100,000.00
43N808	Corridor Projects	500,000.00
43N809	Angeles aka Paul Williams	<u>2,800,000.00</u>
	Total	\$4,440,140.03

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

<u>Account</u>	<u>Title</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)

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

<u>Account</u>	<u>Title</u>	<u>Amount</u>
43N112	City Attorney	\$ 10,000.00
43N467	Slauson and Wall	2,216,072.00
43N501	Admin Reserve	23,415.44
43N806	NSP HCID Program Delivery	<u>174,877.15</u>
	Total	\$2,424,364.59

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

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

- 7) Decrease appropriations within Fund 100/12 Account 001010 Salaries in the amount of \$46,937.

- I. AUTHORIZE the General Manager of HCIDLA, 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 Office of the City Administrative Officer, and authorize the City Controller to implement those instructions.

BACKGROUND

On September 23, 2008, a response to the Federal Directive for Housing and Economic Recovery Act of 2008 (H.R. 3221) was issued through a City Motion to address the negative impacts of foreclosure upon the City's most afflicted neighborhoods and to develop stabilization strategies with other agencies (C.F. 07-2438-S8). HUD provided a total award of \$142.7 million to the City through three grant allocations: NSP1 (\$32.8 million), NSP2 (\$100 million) and NSP3 (\$9.8 million), collectively, the "NSP Grant." On February 25, 2009, the Mayor and City Council authorized the HCIDLA to administer the NSP Grant and to create RNLA, a non-profit holding and development organization to carry out the NSP Grant goals and objectives of stabilizing neighborhoods and addressing blight created from foreclosed and abandoned properties (C.F. 07-2438-S8).

In carrying out the NSP national objective, RNLA has been charged with the responsibility of acquiring and rehabilitating foreclosed or abandoned properties and redeveloping them into affordable housing for resale or rental opportunities for income eligible households. From 2009 to 2015, RNLA acquired, rehabilitated and turned around approximately 880 affordable housing property units, including fifty-six units developed into Permanent Supportive Housing (PSH) for homeless in partnership with the Los Angeles County Department of Health. RNLA has also forged into other innovative partnerships with the City's Department of Recreation and Parks to

create nine pocket parks and with Habitat for Humanity to create a demonstration project involving three pre-fabricated, net-zero energy efficient homes on property sites too costly to repair. Also noteworthy is that RNLA has generated employment for 61 Los Angeles-based contractors, including MBE/WBE contractors.

NSP GRANT PROGRAM UPDATE

As of November 1, 2016, \$10.2 million in NSP funds is available as shown in Table One below.

TABLE ONE: REMAINING NSP BALANCES				
	NSP1	NSP2	NSP3	TOTAL
ORIGINAL GRANT				
Program Operations	\$710,122		\$2,398,202	\$3,108,324
Administrative	\$78,903		\$266,466	\$345,369
SUB-TOTAL	\$789,025	\$0	\$2,664,668	\$3,453,693
PROGRAM INCOME				
Program Operations	\$1,791,820	\$4,826,642	\$42,870	\$6,661,332
Administrative	\$10,638	\$37,395	\$19,236	\$67,269
SUBTOTAL	\$1,802,458	\$4,864,037	\$62,106	\$6,728,601
GRAND TOTAL	\$ 2,591,483	\$ 4,864,037	\$ 2,726,774	\$ 10,182,294

HCIDLA requests authority to allocate \$10.2 million in funds to several new NSP-eligible projects. All projects will have high impact to the City, and will require HCIDLA NSP staff oversight. Additional information on the allocation of funds is provided on Page 8 of this report.

Relative to existing program work by RNLA, there are eleven open projects, consisting of 17 homes in various stages of predevelopment, including, but not limited to, the final close-out of one sold home and the finalization of entitlements for two small-lot subdivisions.

NSP close-out instructions were provided by HUD in July 2016. As part of the newly-released information, HUD affirmed that program close-out is discretionary for Grantees that are ready to close-out and have met the NSP readiness criteria.

In order to continue the implementation of the remaining work, HCIDLA recommends in the following sections of this report various administrative and RNLA-related actions, including a recommendation that HCIDLA work with the City Attorney to explore the possibility of transforming RNLA into a corporation whose role shall be to support HCIDLA’s housing programs.

PROGRAM ADMINISTRATION-RELATED MODIFICATIONS

HCIDLA proposes the following recommendations:

Extension of NSP3 Census Tract Boundaries

As currently configured, the NSP3 area is geographically limited that it has been very difficult to identify eligible projects within these boundaries. Moreover, in May 2013 HCIDLA accepted the obligation to redevelop the Slauson and Wall project, a former Community Redevelopment Agency/Los Angeles (CRA/LA) project less than two miles outside the NSP3 area. Envisioned as a public park and affordable housing, the seven-acre Brownsfield site currently consists of multiple vacant buildings in severe disrepair. The HCIDLA is currently processing authorities to fund (through non-NSP funds) and contract for the demolition of the existing buildings. This will be the First Phase. However, it is expected that the site will require extensive soils clean-up. This will be the Second Phase. Considering its current condition and extensive soils clean-up expenses beginning approximately in the 2nd quarter of 2018, HCIDLA requests to set-aside NSP Grant funds for the Second Phase of the project. Please refer to C.F. 12-0049-S7 for more information on Slauson and Wall.

HCIDLA proposes to amend the NSP3 Action Plan to add Census Tract 239202 for the Slauson and Wall project. An amendment to the NSP3 Action Plan is subject to the approval of HUD. The City has previously requested, and received approval, from HUD to add Census tracts to the NSP Grant areas. Therefore, HCIDLA anticipates HUD's approval for the current request. If approval is not granted, HCIDLA will report back on an alternative plan for the expenditure of the NSP3 funds.

Extension of Staffing Authority

HCIDLA has significantly reduced the amount of dedicated staff from 22 full-time staff members during fiscal year 2012-13 to the current two full-time staff members. Due to the remaining workload, HCIDLA must maintain a small NSP Grant staff to continue performing the necessary Slauson and Wall project management, and program oversight, administrative, accounting and close-out duties. Therefore, HCIDLA requests continued exempt position authority, pursuant to Charter Section 1001 for one full-time Management Analyst II and one "as-needed" Accountant II until June 30, 2020:

The Management Analyst II position will remain as a full time position exempted from Civil Service. The Accountant II position will be a part time position on an "as-needed" basis. HCIDLA will set aside up to \$782,638 from the remaining NSP funds to support these positions.

HCIDLA respectfully requests to extend position authority for the two positions above until June 30, 2020 to be consistent with the projected timeline for NSP Grant close-out.

Appropriation of NSP Funds To Eligible Projects

HCIDLA herein recommends appropriating \$6,125,597 in NSP Program Operations funds to support various NSP-eligible projects and related HCIDLA staffing. In addition, HCIDLA herein recommends appropriating up to \$412,637 in NSP Administrative funds to support the operations of the HCIDLA NSP staff and RNLA.

- ***Chase Bank Pay-off.*** On February 20, 2013 the HCIDLA foreclosed on three properties known as “The Corridor Projects,” consisting of a 10-unit property located at 6503 S. Victoria Avenue, a 22-unit property located at 2217-2133 West 54th Street and a 12-unit property located at 3507-3511 Stocker Street. The Corridor Projects are NSP2 eligible. HCIDLA assumed ownership of the properties subject to a senior deed of trust held by J.P. Morgan Chase with an original principal of \$584,259. The J.P. Morgan Chase loan survived the foreclosure action and debt payments have been made through the projects’ revenues. J.P. Morgan Chase is now requesting that HCIDLA pay off the loan. The J.P. Morgan Chase note pay-off is an eligible use of NSP funds, and the properties are located in the NSP2 target area. HCIDLA respectfully requests that \$500,000 in NSP2 funds be committed and disbursed to pay-off the remaining balance of the J.P. Morgan Chase note.
- ***Beverly Terrace Apartments*** will be a newly constructed 40-unit PSH development located in CD 13 and NSP1 eligible. The project is under construction on a previously vacant site. It was funded with \$6,332,409 in HOME funds, tax exempt bonds and 4% Low Income Housing Tax Credits. It has been determined that the project will be subject to commercial rather than residential prevailing wages. This will add approximately \$1.3 million to the contract amount and the HCIDLA loan is currently at the HOME maximum per unit subsidy limits. HCIDLA respectfully requests that \$1,000,000 in NSP1 funds be committed and disbursed to this project to offset the increased construction cost.
- ***Florence Morehouse Apartments*** is a 59-unit scattered acquisition/rehabilitation project CD 9 and NSP1 eligible. One site Florence Avenue Villas is a 20 unit building previously acquired by RNLA using \$759,758 in NSP2 funds in 2015. The other site is the Morehouse Apartments, a 41 unit project owned by Century Housing. HCIDLA is requesting to increase the existing Loan Agreement #920432-002 with Florence Morehouse, L.P. in the amount of \$1,000,000 in NSP1 funds for the rehabilitation of the Florence Morehouse Apartments. The project has a funding gap of \$1.7 million. HCIDLA respectfully requests that \$1,000,000 in NSP1 funds be committed and disbursed to this project through the RNLA contract. HCIDLA will work with the developer to address the remaining funding gap.
- ***Angelus Funeral Home (also known as the Paul Williams Apartments)*** will be a 41-unit affordable large family housing development located in CD 9 and NSP2 eligible. The affordability levels range from 30% of Area Median Income (AMI) to 50% of AMI, and will include a reserved number of units for “at risk homeless” households. The project will include a parklette area, a community garden, as well as commercial space.

On June 27, 2016, the project received a loan commitment of \$2,800,000 with a 55-year term in HOME (C.F.13-0303-S7). With the availability of NSP2 funds, HCIDLA respectfully requests to swap the HOME commitment to a NSP2 commitment for the same amount and term.

In addition, on December 11, 2105, the City Council adopted ordinance No. 183996, C.F. 15-1183, which authorized a CDBG loan for \$1.2 million to finance the purchase of the Angelus Funeral Home under City Contract C-126859. However, the term of the CDBG loan is only 20 years, which is inconsistent with all the other financing for the project. HCIDLA respectfully requests to amend City Contract C-126859 to extend the term of the loan to 55 years.

Project funding will be leveraged with nine percent LIHTC and Historical Tax Credits equity from a limited partner investor.

RNLA 11 Lots RNLA purchased 11 lots with NSP funds through the sub-recipient contract. One lot has been developed and final close-out is pending. RNLA is in the process of securing building permits for the remaining 10 lots which will result in 17 new homes-- two of those 10 lots will be developed as small-lot subdivisions accommodating 4 homes each--which will be sold to NSP-eligible households. The \$825,597 current balance of the RNLA contract is sufficient to reimburse RNLA project management costs relating to the construction and sale of the remaining 17 homes.

RNLA Support

RNLA incurred more than \$30,000 in administrative costs of eligible expenses that have not been reimbursed, pending the approval of the contract amendment. HCIDLA respectfully requests in the Recommendations Section above to amend the RNLA contract to add \$11,230 in NSP1 Administrative funds to reimburse RNLA for eligible costs incurred.

Set-Aside of NSP Funds

In addition to the recommended appropriations above, HCIDLA recommends setting aside \$3,244,060 in NSP funds for the Second Phase of the Slauson and Wall project.

- ***Slauson and Wall.*** As previously discussed in this transmittal, in May 2013 HCIDLA accepted the obligation to redevelop the Slauson and Wall project, a former CRA/LA project. Envisioned as a public park and affordable housing, the seven-acre site currently consists of multiple vacant buildings in severe disrepair within a brownfield site. The site is eligible for NSP1 and NSP2, and will be eligible for NSP3 upon approval of the recommendation to extend the NSP3 census tract boundaries by both the City and HUD. The Second Phase entails remediation of extensive soil contamination and related expenses. Please refer to C.F. 12-0049-S7 for more information on Slauson and Wall. A transmittal requesting formal

commitment will be submitted to the Mayor and City Council in late 2017 or early 2018 once the First Phase has been completed. The Second Phase is tentatively scheduled to begin during the 2nd quarter of 2018.

Table Two below summarizes the proposed use of \$10,182,294 in NSP funds.

TABLE TWO: 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		2,800,000		\$2,800,000
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	\$3,815,597	\$225,000	\$6,525,597
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
Set-Asides				
Slauson and Wall	\$16,942	\$1,011,045	\$2,216,072	\$3,244,060
GRAND TOTAL	\$2,591,483	\$4,864,037	2,726,774	\$10,182,294

In short, herein HCIDLA makes three recommendations for Program Administration-Related Modifications: make adjustments to the NSP3 census tract target area, extend HCIDLA's staffing authority and appropriate and set-aside remaining NSP funds. Combined, these changes will enhance and expedite the close-out of the NSP Grant.

RNLA-RELATED MODIFICATIONS

HCIDLA proposes the following recommendations:

10th Amendment: Contract Extension and Miscellaneous Items

The RNLA cumulative contract amount is \$140,811,916. To date, expenditures total \$139,927,549, with a remaining uncommitted balance of \$884,367. The RNLA contract expired on February 28, 2016. A tenth contract amendment is necessary to continue the existing program until the development of the last 11 lots. RNLA and HCIDLA believe completion will take place by June 30, 2019.

HCIDLA respectfully requests in the Recommendations Section the authority to execute a tenth contract amendment to the existing RNLA Contract Agreement (C-115683) to: 1) retroactively extend the contract termination date from February 28, 2016 to June 30, 2019, 2) re-allocate the current contract authority balance of \$825,597 as indicated in Table Two, and 3) increase the contract authority by \$11,230 from NSP1 for additional RNLA administrative costs.

Municipal Housing Finance Fund (MHFF) Loan

On November 25, 2009, HCIDLA was authorized to provide RNLA a loan of \$250,000 using resources from the Municipal Housing Finance Fund (the “MHFF Loan”) (C.F. 09-2721). Consistent with its intent, the MHFF Loan has been used by RNLA as working capital to cover administrative and operational expenses pending reimbursement from the NSP Grant. Due to the added NSP2 award of \$100 million and associated exponential workload increase, in February 2011 the Mayor and City Council authorized an increase to the MHFF Loan by an additional \$450,000 to the current loan amount of \$700,000.

The MHFF Loan provides advanced funding to RNLA for NSP program work, as outlined in the scope of the RNLA contract; therefore, the MHFF Loan maturity date also runs parallel to the RNLA contract term date. With remaining projects under the existing RNLA contract through June 30, 2019, the MHFF Loan maturity date must be extended in unison with the RNLA contract.

In conjunction with the MHFF Loan maturity date is a repayment due date of 45 days, also tied to the RNLA contract expiration date. When the RNLA contract term expired on February 28, 2016, the MHFF Loan became due and payable in mid-April 2016. However, accounting and administrative work by RNLA and HCIDLA staff is a necessary component that must be completed before repayment can occur. Therefore, HCIDLA recognizes that the MHFF Loan Repayment date of 45 days is impossible to meet.

A 180-day time frame to the RNLA contract expiration is a more realistic time frame to allow for the completion of requisite administrative and accounting activities.

Therefore, HCIDLA requests to: 1) extend the MHFF Loan Maturity date in conjunction with the in extended term date of the RNLA existing contract; and, 2) amend the existing Repayment date from 45 days to 180 days after the RNLA contract expiration date in order to provide a more realistic timeframe to complete the necessary City and RNLA administrative activities.

Modification of the MHFF Grant – Adjusted Eligible Uses

In February 2011, RNLA was provided a one-time grant of \$55,000 from the Municipal Housing Finance Fund (the “MHFF Grant”) to help cover the origination fees and interest for a line of credit obtained through the Enterprise Community Loan Fund. (C.F. 11-0233). The fees and interest costs were initially ineligible for NSP Grant reimbursement, but later became eligible NSP reimbursement costs. MHFF Grant funds disbursed were returned to HCIDLA, and to date, there is an available MHFF Grant balance of \$40,000.

Since then, RNLA has incurred other unavoidable expenses that are ineligible for NSP Grant reimbursement. These expenses include permit fees, legal settlement costs, back taxes with imposed penalties, and other pre-existing delinquencies. These expenses were passed on from the previous owner(s) and inherited by RNLA, but were necessary to resolve in order to continue with the project(s). To date, RNLA has absorbed these costs. The expenses are consistent with the business model the City contracted for from RNLA.

The HCIDLA herein requests the authority for a technical adjustment and to amend the MHFF Grant to allow for \$40,000 in reimbursements for certain NSP-related administrative expenses, listed above, incurred but ineligible for NSP Grant reimbursement (C.F. 07-2438-S8, 10-0685 and 11-0223).

TRANSITIONING RNLA INTO A SUPPORT ORGANIZATION

In light of a persistent and worsening housing crisis, HCIDLA is increasingly pressed to secure innovative approaches for continued revitalization and affordable housing production. Simultaneously, HCIDLA faces added challenges from the two-fold increase to its portfolio due to the absorption of CRA/LA assets having identified an alignment between HCIDLA's programmatic challenges and RNLA's core competencies, HCIDLA herein requests the authority to identify the feasibility of transitioning RNLA into a support organization. Doing so would allow HCIDLA to continue accessing RNLA's core competencies for the expanded delivery of services provided by HCIDLA in areas of affordable housing development. Upon approval of the recommendations, HCIDLA will work with the City Attorney to establish a new relationship with RNLA, focusing on two program areas. The first program area will entail the continuation of neighborhood stabilization services with a focus on "innovation" for the creation, testing and implementation of new and innovative zoning, financing and construction models. The second program area will entail support services to the HCIDLA Asset Management Division to help manage distressed properties.

The City created RNLA to carry out the NSP Grant goals and objectives of stabilizing neighborhoods and addressing blight created from foreclosed and abandoned properties. As the NSP goals are nearing completion, HCIDLA desires to study the feasibility of transitioning RNLA into a support organization.

FISCAL IMPACT STATEMENT

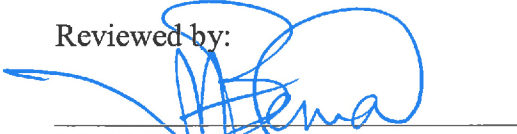
These changes have no impact on the General Fund.

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