

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 12, 2013

CAO File No. 0220-00540-1035
Council File No. 11-0932-S2
Council District: Various

To: The Housing, Community and Economic Development Committee

From: Miguel A. Santana, City Administrative Officer *MA*

Reference: Request from the Housing Authority of the City of Los Angeles (HACLA) dated February 20, 2013; request from Councilmember Alarcon on March 21, 2013 for the City Administrative Officer to report on the HACLA request to the Housing, Community and Economic Development Committee

Subject: **REQUEST FOR \$4.054 MILLION WAIVER OF PAYMENT IN LIEU OF TAXES (PILOT) FOR CITY PROGRAMS AND RECREATIONAL SERVICES**

SUMMARY

The Housing Authority of the City of Los Angeles requests authorization from the City of Los Angeles to waive Payment in Lieu of Taxes (PILOT) in the amount of \$4,054,000 to provide funds for the continuation of the City's Summer Night Lights Program (SNL), the Summer Youth Employment Program (SYEP) and the transition of recreational services provided by the City at five HACLA sites to recreational services provided by non-profit organizations. These funds cover a two-year period for 2012-13 and 2013-14. We are in agreement with the proposed allocation of the PILOT funds.

BACKGROUND

The City and HACLA signed a PILOT Cooperation Agreement in 1939. Under this Agreement the Housing Authority consented to reimburse the City for the value of municipal services provided to HACLA housing developments, although the HACLA is exempt from paying property taxes. The City has granted waivers to HACLA to allow the Housing Authority to use these funds for services that benefit residents or for capital and infrastructure improvements at the various HACLA housing developments. The annual amount is based on the level of rents collected from public housing residents.

In fiscal year 2012, HACLA requested waivers for \$5.17 million in PILOT funds, which were an accumulation of PILOT fees over multiple years. The Council approved the use of the funds for SNL, SYEP, the Mayor's Gang Reduction and Youth Development Program (GRYD), the completion of the design of the Century Boulevard extension, and capital improvements at the Gonzaque Village and Estrada Courts public housing sites. In addition, the 2012 funds provided services at public housing sites from the City's Recreation and Parks (RAP) Department (C.F. 11-0932-S1).

For several years, RAP provided recreational services at no cost at the following seven HACLA housing sites: Mar Vista Gardens, Pueblo Del Rio, Nickerson Gardens, Jordan Downs, Imperial Courts, Ramona Gardens, and Pico Gardens. The City's programs served public housing residents and the surrounding communities. Two years ago, due to budget constraints, the City requested support from HACLA for these services. In 2011, the amount of HACLA's contribution was \$1 million. In 2012, the RAP request was for \$1.6 million, and HACLA reports that the Housing Authority was informed that the reimbursement for 2013 would be \$2.1 million for the seven sites. As a result of limits on PILOT fees and cutbacks in federal funding, HACLA states that the 2013 RAP request for reimbursement and future requests are not sustainable.

As an alternative and in cooperation with RAP, HACLA has begun seeking recreation services from non-profit organizations for which start-up funding could be provided in the short term with the long-term goal that the non-profits would use their fundraising experience to become self-supporting. The first site to follow this model was Mar Vista Gardens. With approval from Council, start-up funding was provided through the PILOT program and bids were solicited to run the recreational programs and facilities. The award was made to the Mar Vista Boys and Girls Club, which began service on February 1, 2013. A second contract was awarded to the Police Athletic League for the Pueblo Del Rio site, which began services on March 1, 2013. For the five remaining sites, HACLA plans to take the same approach by awarding contracts to non-profits through a bidding process. The Housing Authority will also provide start-up funds to allow the selected organizations to establish themselves and build their local fundraising communities.

As approved by the HACLA Board of Commissioners, the Housing Authority requests waivers for 2012-13 in the amount of \$2,087,249 and for 2013-14 in the amount of \$1,966,751 for a total of \$4,054,000. The funds will be used to fund SNL and SYEP programs. In addition, the funds will provide start-up costs for the five remaining housing sites. The HACLA anticipates that a non-profit will take over the recreational activities at Pico Gardens on July 1, 2013 and the start-up amount will be \$125,000. For the four other sites, HACLA will use PILOT fees to continue RAP services through September 2013; therefore, the start-up costs for those locations would be \$100,000 for the fiscal year. The non-profits will be required to support the SNL programs. Should the transition of any site be delayed, RAP indicates that it will continue to provide recreational services until the non-profits are in place. Funding for RAP would be adjusted and provided by HACLA. The attached table includes the proposed use of the PILOT funds. The recommended expenditure plan is summarized as follows:

Recommended Expenditure Plan for 2012-13 and 2013-14

Expenditure Item	Amount
Start-up Cost Transition	\$1,025,000
Recreation and Parks Program	420,000
Summer Night Lights Program	1,000,000
Summer Youth Employment Program	1,609,000
Total	\$4,054,000

Under the proposed expenditure plan, the total amount reimbursed to the City would be \$1,420,000 for the RAP and SNL Programs. Of the balance, \$1,025,000 would be paid by HACLA to non-profit organizations for start-up transition costs and \$1,609,000 would be paid by HACLA to the SYEP.

RECOMMENDATIONS

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

1. Approve the waiver of the Housing Authority of the City of Los Angeles (HACLA) Payment in Lieu of Taxes (PILOT) for 2012-13 and 2013-14 totaling \$4,054,000;
2. Approve the following PILOT funds expenditure plan and direct HACLA to allocate the accrued \$4,054,000 in PILOT funds from 2012-13 and 2013-14 to the following expenditures:

Expenditure Item	Amount
Start-up Cost Transition	\$1,025,000
Recreation and Parks Program	420,000
Summer Night Lights Program	1,000,000
Summer Youth Employment Program	1,609,000
Total	\$4,054,000

3. Authorize the Executive Director of HACLA, or designee, to expend up to \$1,609,000 directly for the Summer Youth Employment Program (SYEP) and request the Executive Director of HACLA to report to Council every six months on the status of the SYEP payments;
4. Authorize the Director of the Mayor’s Office of Gang Reduction and Youth Development (GRYD), or designee, to accept \$1,000,000 from HACLA for the Summer Night Lights Program (SNL) and to prepare Controller instructions relative to the appropriation and expenditure of these funds that are consistent with this action, subject the approval of the City Administrative Officer, and authorize the Controller to implement the instructions;
5. Authorize the General Manager of the Department of Recreation and Parks (RAP), or designee, to accept \$420,000 from HACLA to reimburse the General Fund for recreation and maintenance services provided by RAP, instruct RAP to deposit such funds as a General Fund receipt, and authorize the Controller to recognize such funds as a General Fund receipt; and
6. Authorize the General Manager of RAP and the Director of the Mayor’s GRYD Office, or designees, to prepare Controller instructions for any technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and authorize the Controller to implement the instructions.

FISCAL IMPACT STATEMENT

There is a positive impact to the General Fund as a result of approval of the recommendations in this report. If the City approves the waiver of the Payment in Lieu of Taxes (PILOT) fees for the Housing Authority of the City of Los Angeles (HACLA), HACLA has agreed to provide \$1,420,000 to the City for various services. Of the \$1,420,000, \$ 1,000,000 would be allocated for the Summer Night Lights Program (SNL) and \$420,000 would reimburse the General Fund for Recreation and Parks (RAP)

programming. The recommendations in this report are in compliance with the City's Financial Policies in that one-time funds provided by HACLA for SYEP and SNL would be provided for one-time expenditures associated with these programs, and the \$420,000 allocated to RAP would reimburse the General Fund for its services.

MAS:MMR:02130100C

Attachment

Attachment

HACLA PILOT Waiver Request

2013 Proposed Budget	Recreation Centers Start-up Cost Transition Funds	RAP Reimbursement for Three Months of Operating Costs	Funding for SNL	Funding for SYEP	Site Total
Pico Gardens	\$ 125,000				\$ 125,000
Nickerson Gardens	100,000	105,000	125,000		330,000
Jordan Downs	100,000	105,000	125,000		330,000
Imperial Courts	100,000	105,000	125,000		330,000
Ramona Gardens	100,000	105,000	125,000		330,000
All Sites				642,249	642,249
Subtotal	\$ 525,000	\$ 420,000	\$ 500,000	\$ 642,249	\$ 2,087,249
2014 Proposed Budget					
Pico Gardens	\$ 100,000	N/A			\$ 100,000
Nickerson Gardens	100,000	N/A	125,000		225,000
Jordan Downs	100,000	N/A	125,000		225,000
Imperial Courts	100,000	N/A	125,000		225,000
Ramona Gardens	100,000	N/A	125,000		225,000
All Sites				966,751	966,751
Subtotal	\$ 500,000		\$ 500,000	\$ 966,751	\$ 1,966,751
Total	\$ 1,025,000	\$ 420,000	\$ 1,000,000	\$ 1,609,000	\$ 4,054,000