

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES INTER-OFFICE MEMORANDUM

June 6, 2011



TO: Councilmember Eric Garcetti, President, Council District 13

THRU: Ken Simmons, Interim-President & Chief Executive Officer

FROM: David L. Esparza, Chief Financial Officer *[Signature]*

CC: Councilmember Jan Perry, President Pro Tempore, Council District 9
 Councilmember Dennis P. Zine, Assistant President Pro Tempore, Council District 3
 Councilmember Ed P. Reyes, Council District 1
 Councilmember Paul Krekorian, Council District 2
 Councilmember Tom LaBonge, Council District 4
 Councilmember Paul Koretz, Council District 5
 Councilmember Tony Cardenas, Council District 6
 Councilmember Richard Alarcon, Council District 7
 Councilmember Bernard Parks, Council District 8
 Councilmember Herb J. Wesson, Council District 10
 Councilmember Bill Rosendahl, Council District 11
 Councilmember Greig Smith, Council District 12
 Councilmember Jose Huizar, Council District 14
 Councilmember Janice Hahn, Council District 15

Chief Legislative Analyst Gerry Miller
 City Administrative Officer Miguel A. Santana

SUBJECT: Request for Waiver of Remittance of PILOT Obligations from HACLA

Purpose

The purpose of this memorandum is to provide the President and members of the Los Angeles City Council information and a request to waive the sums accrued by the Housing Authority of the City of Los Angeles (HACLA) for Payment in Lieu of Taxes (PILOT).

Request of the Los Angeles City Council

The Housing Authority of the City of Los Angeles respectfully requests the members of the Los Angeles City Council pass and send to the Mayor for approval the waiver of sums accrued by HACLA for Payment in Lieu of Taxes and direct the Housing Authority to allocate the accrued sums per the City Council's and Mayor's joint directive.

Background

This memorandum follows the Housing Authority's memorandum to the Budget and Finance Committee of the Los Angeles City Council dated May 12, 2011, under the same subject title.

Table 1 shows the sum of all PILOT expenses

Table 1

Financial Accrual for Payment in Lieu of Taxes (PILOT) by Fiscal Year*

As of: 30-Apr-11

Fiscal Yr	PILOT	
	Assessment	Accumulated Totals
FY2005	\$ 1,744,798	\$ 1,744,798
FY2006	1,875,705	3,620,503
FY2007	1,974,006	5,594,509
FY2008	2,187,840	7,782,349
FY2009	2,222,546	10,004,895
FY2010	2,074,950	12,079,846
FY2011	2,081,898	14,161,744
Total	\$ 14,161,744	

Notes:

* Prior to 2005, PILOT assessments were waived by actions of the LA City Council and Mayor.

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accrued by HACLA since FY2005. Amounts prior to FY2005 were waived by action of the City Council and approval of the Mayor. In the past, the City of Los Angeles waived the remittance of the PILOT and, instead, directed HACLA to expend the funds for various infrastructure projects and repairs, and services to public housing residents. The total amount of accrued PILOT since FY2005 is approximately \$14.2 million.

Analysis

Federal Budget Cuts Affecting HACLA. The April 15, resolution of the federal budget impasse included significant reductions to appropriations supporting public housing and public housing authorities. The federal budget reductions to public housing primarily targeted funding for public housing authorities' operations and personnel. Table 2 summarizes the budget cuts to the Housing Authority's various program operations, including administration. Initial analysis of total *annual* reductions to all funds and departments projects a loss of about 70 to 75 full-time staff.

Table 2

Summary of Budget Changes - All Funds & All Departments

As of: 6-May-11

Program / Fund	Amount
Public (Low Rent) Housing	\$ (812,509)
HACLA Administrative Operations (COCC)	\$ (1,024,075)
Non-Public Housing & Asset Management	\$ (69,006)
Section 8 HAP Administrative Operations	\$ (5,840,304)
Total Reductions - All Funds & Depts	\$ (7,745,894)

HACLA Proposal for Expenditure of Accrued PILOT Funds. The Housing Authority proposes to allocate, pending direction from the City Council and Mayor, the accrued sums of PILOT to a number of City and HACLA programs and projects that benefit public housing residents and their surrounding communities, including providing a partial budget solution for the Housing Authority. The proposal looks to leverage these 'one-time' funds to start and, in some cases finish, structural projects around public housing developments and continue some City programs currently at risk of elimination because of funding shortfalls within the City.

Table 3

HACLA Proposal for Expenditure of Accrued PILOT

Table 3 provides a list of proposed uses of these funds. The proposal allocates approximately \$2.8 million to support the City's Youth Summer Employment, Summer Night Lights, and Department of Recreation and Parks activities programs at seven HACLA public housing development sites and initiate a new summer activities program for the Mar Vista community. In addition, the proposal also allocates about \$6.4 million to infrastructure and capital projects in Jordan Downs (Century Blvd. Extension Project) and other public housing developments. Also, the proposal provides roughly \$5.0 million to address the Housing Authority's FY2011 budget shortfall resulting from the mid-year federal budget resolution and capital fund reductions.

Expenditure Item	Amts in Millions
Youth Summer Employment Program	\$ 1.2
Summer Night Lights (GRYD) Program	0.5
Mar Vista Summer Activities Program	0.1
City of LA - Dept of Recreation & Parks	1.0
Public Housing Capital Projects	2.4
Jordan Downs New Development	4.0
HACLA One-time Budget Balance	5.0
Total	\$ 14.2

Detail of Public Housing Capital Projects. Although many of the proposed expenditures for the Housing Authority's accrued PILOT are descriptive and recognizable, specific descriptions of proposed expenditures for "Public Housing Capital Projects" may not be as well known to members of the City Council.

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The Housing Authority is responsible for the physical and infrastructure maintenance and repairs of its properties. This maintenance includes interior and exterior painting, roof replacements and repairs, and lead paint and asbestos abatements. The Housing Authority's proposal includes about \$2.4 million for public housing capital projects of which \$1.5 million is to construct Americans with Disabilities Act-compliant sidewalk curb-cuts and approximately \$900,000 for trash-bin enclosures.

Although HACLA is responsible for sidewalk maintenance adjacent to and throughout its properties, sidewalk curb-cuts are typically outside the purview of HACLA capital projects, but are a critical need for public housing and community residents, especially as these residents become older in age. Also, trash bin enclosures have been requested and built to improve the health and sanitation, and safety, and enhance the physical appearance of public housing developments.

Table 4 provides the proposed list of Housing Authority capital projects for ADA-compliant sidewalk curb-cuts and trash-bin enclosures by Council District, specific public housing development site and the proposed amounts to be expended for each.

Table 4

Proposed Use of Requested PILOT Funds by Council District, Public Housing Community & Activities

Council District	Public Housing Community	ADA-Compliant Sidewalk Curb-cuts for Disabled Access	Trash Bin Enclosures	Totals
1	William Mead	\$ 77,650		\$ 77,650
7	San Fernando Gardens	137,892	\$ 50,000	187,892
9	Pueblo Del Rio	176,950	115,000	291,950
9	Avalon Gardens	64,466	22,500	86,966
11	Mar Vista Gardens	40,700	67,500	108,200
14	Pico Gardens / Las Casitas	495,926	20,000	515,926
14	Estrada Courts	60,600	50,000	110,600
14	Ramona Gardens	54,000	62,500	116,500
14	Rose Hills	24,300	17,500	41,800
15	Gonzaque Village	56,000	37,500	93,500
15	Rancho San Pedro	80,000	92,500	172,500
15	Nickerson Gardens	100,000	162,500	262,500
15	Imperial Courts	86,400	82,500	168,900
15	Jorden Downs	90,000	77,500	167,500
Totals		\$ 1,544,884	\$ 857,500	\$ 2,402,384

Conclusion

Accumulated funds attributed to the Housing Authority's PILOT can be used for many capital projects and programs benefiting public housing residents and their surrounding communities. The funds can also partially assist the Housing Authority address its current fiscal year budget shortfall resulting from the federal mid-year budget reduction. Finally, members of the City Council have requested the Housing Authority submit its Five-Year Capital Plan for Council review, which HACLA will provide after the final internal and stakeholder reviews.

Should members of the City Council have further questions or comments, please contact me by email at david.esparza@hacla.org, or by phone at (213) 252-6190.