

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 3, 2011

CAO File No. 0220-00540-0945

Council File No. 11-0932

Council District: All

To: The Budget and Finance Committee

From: Miguel A. Santana, City Administrative Officer *DH
RW*

Reference: Report from the Housing Authority of the City of Los Angeles dated June 6, 2011 and received June 2, 2011 (C.F. 11-0932); Council Motion No. 21 (C.F. 11-0600)

Subject: **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES REPORT ON PROPOSED USES OF WAIVED PAYMENT IN LIEU OF TAXES (PILOT) FEES**

SUMMARY

During discussion of the 2011-12 Budget, the City Council directed the City Administrative Officer (CAO) to review the use of Payment in lieu of Taxes (PILOT) funds, relative to requesting that the Housing Authority of the City of Los Angeles (HACLA) reimburse the Department of Recreation and Parks (RAP) for services provided at HACLA sites. HACLA has submitted a request that the City waive the Payment In Lieu Of Taxes (PILOT) fees for the years 2005 through 2011 at an estimated total amount of \$14.2 million (C.F. 11-0932). HACLA's waiver request indicates that the Authority will provide a total of \$2.7 million to the City for a variety of City services, including \$1 million to reimburse RAP for recreational programming and maintenance services at HACLA sites.

From the period effective from 1992 through 2004, the City waived HACLA's payment of PILOT fees so that HACLA could utilize available resources for repairs to infrastructure associated with HACLA's public housing developments and for services to public housing residents (C.F. 92-0208). Therefore, rather than paying the PILOT fees to the City, HACLA directly utilizes the PILOT funds for a variety of infrastructure and public services expenditures that benefit both the City and HACLA. The PILOT amount is based on the lesser of 10 percent of the rent minus utilities paid or the estimated property taxes. Prior to the City's waiver, HACLA made PILOT payments in exchange for City services at HACLA's public housing developments pursuant to a Cooperation Agreement between the City and HACLA, which is included within Chapter Six of the Los Angeles Administrative Code. Based on HACLA's reported tenant rents, the waived PILOT amount for the seven years from 2005 through 2011 is \$14.2 million. Note that HACLA's Fiscal Year is January through December, so the requested waiver would incorporate the period of time from January 1, 2005 through December 31, 2011. Additional detail regarding the accrual of the PILOT funds since 2005 is provided within HACLA's Memorandum dated June 6, 2011.

Since there has been no formal action of the Council and Mayor relative to a waiver of the PILOT fees since 2004, HACLA indicates that the PILOT funds accrued from 2005 to the present have been set aside by the Authority pending formal action. HACLA is now requesting the waiver of the

PILOT payments for 2005 through 2011, and has proposed an expenditure plan for the accrued PILOT funds. This expenditure plan allocates a total of \$2.7 million to the City for provision of City services, as well as other expenditures in support of HACLA's public housing developments. Following is a summary of the proposed PILOT funds expenditure plan provided by HACLA:

<u>Expenditure Item</u>	<u>Amount (in Millions)</u>
Summer Youth Employment Program	\$ 1.2
Summer Night Lights Program	0.5
Recreation and Parks Programming	1.0
Mar Vista Summer Activities Program	0.1
Public Housing Capital Projects	2.4
Jordan Downs New Development	4.0
HACLA One-time Budget Balance	<u>5.0</u>
TOTAL:	\$ 14.2

A total of \$1.2 million would be provided to the Community Development Department (CDD) for the Summer Youth Employment Program (SYEP), in order to provide jobs for youth at HACLA's public housing developments. Based on an estimated average cost of \$2,000 per youth provided by CDD, the \$1.2 million allocation from HACLA would fund approximately 600 jobs. This Office recently reported on potential funding for SYEP for 2011 totaling \$3.78 million, including \$2.05 million approved in the 2011-12 Budget, approximately \$735,000 in General Fund savings pending approval by the Council, and \$1 million in Emergency Efficiency and Conservation Block Grant funds to be utilized for training and educational purposes pending grantor and Council approval (C.F. 11-0859). This additional \$1.2 million provided by HACLA would increase the potential SYEP funding to \$3.98 million in non-EECBG funds, and \$4.98 million total.

The Summer Night Lights (SNL) program, administered by the Mayor's Office of Gang Reduction and Youth Development (GRYD), would be allocated \$500,000 from HACLA to provide SNL programming at various HACLA public housing developments. SNL provides extended recreational, educational, and artistic programming at various sites throughout the City between the hours of 7 p.m. and midnight, four days a week throughout the summer months. The GRYD Office is in the process of preparing a report to the Council relative to the SNL Program for Summer 2011.

The RAP would be provided \$1 million from HACLA to continue the provision of recreational programming and maintenance services at seven HACLA public housing developments. This action is in accordance with Council Motion No. 21 introduced during the discussion of the 2011-12 Budget (C.F. 11-0600), which instructed this Office to review the use of PILOT funds for this purpose in order to reduce the \$1 million General Fund allocation to HACLA approved within the 2011-12 Budget. Consistent with the intent of this motion, it is recommended that this \$1 million be recognized as a General Fund receipt in order to offset the General Fund appropriation approved within the 2011-12 Adopted Budget provided to RAP for this purpose.

In addition to the \$2.7 million to be provided directly to the City for SYEP (\$1.2 million), SNL (\$500,000), and RAP (\$1 million), HACLA proposes to allocate the remaining PILOT funds to a variety of expenditures:

- \$100,000 would be allocated to provide summer recreational programming for the Mar Vista

community. HACLA indicates that the intent is to allocate these funds to a non-profit organization to provide services, and will work with Council District 11 to order to identify an appropriate use of these funds.

- \$2.4 million would be allocated for installation of ADA-compliant sidewalks, trash bin enclosures, and other infrastructure improvements at various public housing developments. More detail on this expenditure can be found within HACLA’s Memorandum dated June 6, 2011.
- \$4 million would be allocated for infrastructure and capital improvements at the Jordan Downs public housing development. HACLA indicates that the Authority is currently working with the Department of Public Works, Bureau of Engineering relative to a study to extend Century Boulevard through the Jordan Downs public housing development. This \$4 million would be utilized to complete the study as well as for construction costs associated with the Century Boulevard extension.
- \$5 million would be utilized to off-set federal budget cuts to HACLA. Within their Memorandum dated June 6, 2011, HACLA indicates that the federal budget cuts to HACLA in the current year total \$7.7 million. Due to the difference between the federal fiscal year and HACLA’s fiscal year, the Authority indicates that this reduction would have to be implemented in a six-month period, as opposed to a full year. HACLA indicates that such a large budget reduction within a six-month period would significantly impact the Authority’s ability to continue to provide public housing services. HACLA requests to utilize this \$5 million to partially off-set the federal budget cuts in order to continue to provide public housing services within the City.

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) fees for 2005 through 2011, estimated at \$14.2 million;
2. Approve the PILOT funds expenditure plan and direct HACLA to allocate the accrued \$14.2 million in PILOT funds to the following expenditures:

<u>Expenditure Item</u>	<u>Amount (in Millions)</u>
Summer Youth Employment Program	\$ 1.2
Summer Night Lights Program	0.5
Mar Vista Summer Activities Program	0.1
Recreation and Parks Programming	1.0
Public Housing Capital Projects	2.4
Jordan Downs New Development	4.0
HACLA One-time Budget Balance	<u>5.0</u>
TOTAL:	\$ 14.2

3. Authorize the General Manager of the Community Development Department (CDD), or designee, to accept \$1.2 million from HACLA for the Summer Youth Employment Program and to prepare Controller instructions relative to the appropriation and expenditure of these funds that are consistent with this action, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement the instructions;
4. Authorize the Director of the Mayor's Office of Gang Reduction of Youth Development (GRYD), or designee, to accept \$500,000 from HACLA for the Summer Night Lights Program and to prepare Controller instructions relative to the appropriation and expenditure of these funds that are consistent with this action, subject to the approval of the CAO, 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 \$1 million from HACLA in order to reimburse the General Fund for recreational 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 Managers of CDD and RAP, and the Director of the Mayor's GRYP 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 of 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 \$2.7 million to the City for various services. Of the \$2.7 million, \$1.7 million would be allocated for increased services for the Summer Youth Employment Program (SYEP) (\$1.2 million) and the Summer Night Lights (SNL) Program (\$500,000), and \$1 million would reimburse the General Fund for Recreation and Parks (RAP) programming. The recommendations of this report are in compliance with the Cities Financial Policies as the one-time funds provided by HACLA for SYEP and SNL would be provided for one-time expenditures associated with these programs, and the \$1 million allocated to RAP would reimburse the General Fund for these services.

MAS:MAF:02110201c