

## COMMUNICATION

**TO: LOS ANGELES CITY COUNCIL**

**FILE NO. 11-0994**

**FROM: COUNCILMEMBER TONY CÁRDENAS, CHAIR  
HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE**

COMMUNICATION FROM CHAIR, HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE relative to rules, regulations and/or practices related to restricting relatives of any person who has invested in, developed, or managed City-subsidized housing from living in a unit within said housing development.

Recommendations for Council action:

1. INSTRUCT the General Manager, Los Angeles Housing Department (LAHD) to work with the City Attorney to make the appropriate modifications (as detailed in the LAHD transmittal dated March 13, 2012 attached to the Council File 11-0994) to pertinent documents, including, but not limited to, loan documents, regulatory agreements, ordinances, management plans and land use covenants.
2. INSTRUCT the Chief Legislative Analyst (CLA) to provide a report on this matter to the Council for its consideration.

Fiscal Impact Statement: The LAHD reports that there is no impact on the General Fund.

Community Impact Statement: None submitted.

### SUMMARY

At a regular meeting held on April 4, 2012, the Chair of the Housing, Community and Economic Development Committee considered a transmittal from the LAHD relative to rules, regulations and/or practices related to restricting relatives of any person who has invested in, developed, or managed City-subsidized housing from living in a unit within the aforementioned housing development.

Representatives of the LAHD and the City Attorney appeared before the Committee Chair to provide a brief overview on this matter. The LAHD reported that currently there are no provisions that prohibit relatives of developers from occupying affordable units within housing structures financed with federal funds. Although the relatives would have to qualify under income guidelines, there is still concern about the appearance of such a situation.

The LAHD uses Federal HOME guidelines as it relates to ethics, primarily around contracting and subcontracting to ensure no relatives are associated with the process, although there are exceptions which must have prior approval. However, the LAHD working with the City Attorney has crafted recommendations to incorporate the same stringent guidelines relative to restrictions on relatives of developers of affordable housing as residents. These guidelines would hold both developer and tenant accountable by having the tenant sign an affidavit disclosing any relationship to the developer or contractor. Additionally, the definition of family would be expanded to be as broad as possible, although there would be case-by-case approvals. Developers would have to request prior approval from the City before allowing any related individual to occupy the development. There would be penalties of \$5,000 if a developer is found to have a relative in a unit without prior notice to the City, and immediate eviction of the tenant who signed an affidavit indicating they are not related to the developer.

The Committee Chair requested that the LAHD develop plain language that clarifies not only a prospective tenant's relationship to the developer, but to any non-profit board members as well. A recent highly-publicized situation was then discussed that involved a board member of a municipal housing agency who was also president of a non-profit low-income housing developer and whose immediate relatives were living in units in the affordable housing project. There were concerns regarding the appearance of a conflict in this case. Additionally, since many affordable housing projects have significant waiting lists, there were concerns in that case about preferential treatment and whether the situation was ever disclosed. The LAHD assured the Committee Chair that part of the pre-approval language for the proposed guidelines would ensure that developers were asked about waiting lists to ensure that no individual was given preference. The intent of the proposed guidelines is to ensure it covers anyone associated with the development of the project, from developers, board members, etc. and to put them on notice that they will be fined if they don't adhere to the proposed guidelines once they are adopted.

In response to a question from the Chair, the LAHD clarified that the proposed guidelines don't prevent a relative of a developer, etc. from living in a unit, but provide for disclosure by having the City vet the process and ensure that no individuals were given preferential treatment. Additionally, the Committee Chair raised the concern that some non-profit organizations that are part owners of affordable housing developments require that low-income individuals from the surrounding community be on the board, and whether the proposed guidelines would discriminate against low-income individuals who would be eligible for the affordable housing but have a relative on the board. The LAHD responded that the proposed guidelines would not discriminate and would only provide full disclosure to ensure equal access.

The Committee Chair then instructed the LAHD to ensure the disclosures and guidelines are comprehensive, written in plain language and clarify who qualifies as a potential conflicted individual, and that the disclosures and guidelines also clarify the legal position of non-compensated board members so that such individuals are aware that although they are not being compensated as board members, the position of being in an authority or decision-making capacity requires disclosure. Lastly, the Committee Chair instructed the CLA to provide a report to Council at the time it considers this matter.

After a brief discussion and after providing an opportunity for public comment, the Committee Chair recommended approval of the recommendations in the LAHD transmittal and the instruction to the CLA. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

TONY CÁRDENAS, CHAIR  
HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CARDENAS:	YES
REYES:	ABSENT
WESSON:	ABSENT
ALARCON:	ABSENT
PERRY:	ABSENT

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