

Date: 11/14/12

Scheduled in HCED Committee

Council File No: 11-2106

Item No.: 3

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER *Report from the CAO*

Date: November 14, 2012

CAO File No. 0220-00540-1018
Council File No. 07-2438-S8,
09-2721, 10-0685,
10-0799, 11-0223,
11-2106
Council District: Various

To: The Mayor
The Council

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

Reference: Transmittal from Mayor dated October 23, 2012; received by the City Administrative Officer on October 23, 2012

Subject: **REPORT FROM THE LOS ANGELES HOUSING DEPARTMENT ON THE NEIGHBORHOOD STABILIZATION PROGRAM INCOME FUNDS AND REQUEST FOR AUTHORITY TO EXECUTE AMENDMENT 6 TO CONTRACT C-115683 WITH RESTORE NEIGHBORHOODS LA, INC. FOR THE CONTINUATION OF PROGRAM ACTIVITIES**

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) requests authority to execute the Sixth Amendment to Contract No. C-115683 with Restore Neighborhoods LA, Inc. (RNLA) to continue the acquisition, rehabilitation and sale of foreclosed and abandoned housing properties to meet the Neighborhood Stabilization Program (NSP) grant requirements. The amount being added to the RNLA contract is \$7,792,223. In addition, the General Manager of the LAHD requests authority to make technical adjustments to receive and appropriate NSP funds.

The City's NSP is funded by a grant from the U.S. Department of Housing and Urban Development (HUD). The goal of the NSP is to address foreclosed and abandoned residential properties and to prevent neighborhood nuisances. To date, HUD has awarded the City three NSP grants, called NSP1, NSP2 and NSP3, for a combined total of \$142.7 million. The LAHD is the City's designated administrator of the NSP (C.F. 07-2438-S8 and C.F. 08-1933).

The RNLA is a nonprofit holding and development corporation which was created specifically to meet the requirements of the NSP to benefit low and moderate income families in the City of Los Angeles. Since 2009, the LAHD has contracted with RNLA (Contract No. C-115683) to purchase and rehabilitate foreclosed or abandoned single-family and multi-family housing properties. Once rehabilitated, the RNLA may sell the single-family properties to qualified homebuyers. In addition, the RNLA creates affordable rental housing opportunities with the rehabilitated multi-family properties.

The LAHD has amended the RNLA contract five times to add funding to the contract and to change the term of the contract. The table in Attachment A includes the execution dates, terms, amounts for each amendment, and the amounts expended for the RNLA contract by each NSP. The table also includes the amount of advance or bridge funding that has been provided to RNLA. The total contract amount for RNLA is \$117 million and the total amount expended as of October 31, 2012 is \$99.9 million.

The income generated from sales of RNLA homes and from the Walk-In Program (public homebuyer program) is used to further the NSP including acquisition, rehabilitation, property management, appraisals, or sales of acquired residential properties. The RNLA is required to use program income before drawing down other program funds. As of June 30, 2012, \$7.1 million in program income has been generated. The LAHD requests that the Sixth Amendment to Contract No. C-115683 include the addition of \$5,790,223 of the \$7.1 million in program income to the RNLA contract under NSP1 (\$3,129,009) and NSP2 (\$2,663,214). The balance of the \$7.1 million in program income will be addressed by LAHD in a forthcoming transmittal.

Subsequent to the October 23, 2012 transmittal, LAHD requests that the Sixth Amendment to the RNLA contract include \$2 million in NSP3 funds to ensure that LAHD meets the HUD 50 percent expenditure goal on March 1, 2013. The LAHD had initially allocated \$4.4 million in NSP3 funds to the RNLA contract and planned to allocate the remaining amount for any NSP-eligible Affordable Housing Trust Fund (AHTF) projects. However there are currently no feasible AHTF projects in the pipeline that would meet the March 2013 deadline. The approval of the additional \$2 million for the RNLA contract will leave \$2,444,019 in remaining NSP3 funds to be allocated for any future AHTF projects. A revised version of the proposed Sixth Amendment is included as Attachment B.

Per HUD requirements, LAHD monitors RNLA on a weekly, monthly, quarterly and annual basis. For the period from March 1, 2010 to February 28, 2011, LAHD states that the services provided by RNLA are "Satisfactory." As of November 5, 2012, 837 housing units have been funded by the three NSP grants, which includes 646 units acquired by RNLA and 191 units funded through the City's Affordable Housing Trust Fund.

Approval to contract with RNLA required a Charter Section 1022 determination. In December 2008, the Personnel Department identified City classifications that possess some of the necessary skills, knowledge and abilities to perform the work. However, LAHD would have needed to hire additional staff to carry out the tasks outlined by the NSP because the LAHD did not have sufficient staff available to perform the work. Therefore, this office determined that it was more feasible to contract for the NSP services.

The recommendations contained in this report are in compliance with the City's Financial Policies in that the continuation of the NSP grant activities is contingent on the continuation of federal funding.

RECOMMENDATIONS

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

1. Authorize the General Manager, LAHD, or designee:
 - a. To execute a Sixth Amendment to the Professional Services and Rehabilitation Agreement with Restore Neighborhoods LA, Inc. (RNLA) Contract No. C-115683 to include the following provisions, subject to the review and approval of the City Attorney as to form:
 - i. Provide additional Neighborhood Stabilization Program 1 (NSP1) funds in an amount up to \$3,129,009 for Program Operations;
 - ii. Provide additional NSP2 funds in an amount up to \$2,663,214 for Program Operations;
 - iii. Provide additional NSP3 funds in an amount up to \$2,000,000 for Program Operations; and,
 - iv. Increase the total contract amount in an amount not to exceed \$7,792,223 to reflect additional City funding sources identified above.

2. Authorize the City Controller to undertake the following actions:

- a. Establish new accounts within NSP Grant Fund 50T, Department 43 as follows:

<u>Account No.</u>	<u>Account Name</u>
43J143	Housing
43J299	Related Costs

- b. Appropriate funds and/or increase appropriations to reflect periodic appropriation of NSP Program Income received by Fund 50T between January 2011 and June 2012 in the total amount of \$3,839,014.53, consisting of \$3,455,113.08 (90 percent) for program operations costs and \$383,901.45 (10 percent) for administrative costs in various accounts as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43J143	Housing	\$308,342.92
43J299	Related Costs	75,558.53
43E818	Program Operation	3,455,113.08
	<u>TOTAL</u>	<u>\$3,839,014.53</u>

- c. Expend funds in an amount not to exceed \$3,839,014.53 from the fund and accounts identified above upon proper written demand from the General Manager, LAHD, or designee;
- d. Increase appropriations in General Fund No. 100, Department 43, Account No. 001010 entitled Salaries-General in the amount \$308,342.92;

- e. Expend funds in an amount not to exceed \$308,342.92 from Fund No. 100. Department 43 Account No. 001010 entitled Salaries-General upon proper written demand by the General Manager, LAHD, or designee;
- f. Increase appropriations to reflect periodic appropriation of NSP Program Income received by Fund 52J between January 2011 and June 2012 in the sum amount of \$2,959,127.62, consisting of \$2,663,214.86 (90 percent) for program operations costs and \$295,912.76 (10 percent) for administrative costs in various accounts as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43F304	Admin Reserve	\$295,912.76
43F868	Program Operation	2,663,214.86
TOTAL		\$2,959,127.62

- g. Expend funds in an amount not to exceed \$2,959,127.62 from the fund and accounts identified above upon proper written demand from the General Manager, LAHD, or designee; and,
 - h. Appropriate funds to reflect NSP Program Income received by Fund 50T for future periods, consisting of the following ratio: 90 percent of the periodic appropriation amount for program operations costs to be added to Account X818 entitled Program Operation; and, 10 percent of the periodic appropriation amount for administrative costs to be added within various accounts X143 entitled Housing, X299 entitled Related Costs, and X820 entitled Program Administration. This recommendation modifies Item 5E in the City Administrative Officer Report 0220-00540-0897 (Page 4) that was previously approved by the Mayor and Council on June 25, 2010 (C.F. 10-0685).
3. Authorize the General Manager, LAHD, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer, and request the Controller to implement these instructions.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report address the expenditure of Neighborhood Stabilization Program (NSP) grant funds issued by the U.S. Department of Housing and Urban Development. The recommendations comply with the City's Financial Policies in that the continuation of NSP grant activities is contingent on the continuation of federal funding.

MAS:MMR:02130053C

Attachments

ATTACHMENT A

**Los Angeles Housing Department
Neighborhood Stabilization Program
Restore Neighborhoods, L.A., Inc. Contract C-115683**

Contract History	Council File	Date of Contract	Term of Contract	NSP1 Contract Amount	NSP1 Amount Expended	NSP2 Contract Amount	NSP2 Amount Expended	NSP3 Contract Amount	NSP3 Amount Expended	Advances / Bridge Loans	Amount Expended for Advances / Bridge Loans	Contract and Loan Total	Expended Total
Original	07-2438-S8	July 2009	March 1, 2009 - September 30, 2010	\$21,828,963	\$16,432,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,828,963	\$16,432,872
First Amendment	09-2721	April 2010	March 1, 2009 - September 30, 2010	\$ -	-	-	-	-	-	250,000	250,000	250,000	250,000
Second Amendment	10-0685 10-0799	November 2010	March 1, 2009 - February 28, 2014	\$ 8,213,751	8,057,400	47,217,040	42,323,124	-	-	-	-	55,430,791	50,380,524
Third Amendment	09-2721 11-0223	May 2011	March 1, 2009 - February 28, 2014	\$ -	-	-	-	-	-	505,000	496,122	505,000	496,122
Fourth Amendment	10-0799 11-0223	January 2012	March 1, 2009 - February 28, 2014	\$ -	-	-	-	4,831,558	2,293,126	-	-	4,831,558	2,293,126
Fifth Amendment	11-2106	January 2012	March 1, 2009 - February 28, 2014	\$ (1,483,376)	3,656,085	28,100,000	26,399,304	-	-	-	-	26,616,624	30,055,389
Proposed Sixth Amendment	11-2106 TBD	TBD	March 1, 2009 - February 28, 2014	\$ 3,129,009	-	2,663,214	-	2,000,000	-	-	-	7,792,223	-
Total				\$31,688,347	\$28,146,357	\$77,980,254	\$68,722,428	\$ 6,831,558	\$ 2,293,126	\$ 755,000	\$ 746,122	\$117,255,159	\$99,908,033

ATTACHMENT B

**SIXTH AMENDMENT
TO AGREEMENT NUMBER C-115683 OF CITY OF LOS ANGELES CONTRACT
BETWEEN
THE CITY OF LOS ANGELES
AND
RESTORE NEIGHBORHOODS LA, INC.**

RELATING TO THE NEIGHBORHOOD STABILIZATION PROGRAM

THIS SIXTH AMENDMENT to Agreement Number C-115683 of City of Los Angeles Contracts is made and entered into by and between the City of Los Angeles, hereinafter referred to as the City, and RESTORE NEIGHBORHOODS LA, INC. ("RNLA"), a California nonprofit public benefit corporation, hereinafter referred to as the Contractor.

WITNESSETH

WHEREAS, the City and the Contractor have entered into an Agreement wherein Contractor shall provide certain services and act as the City's subrecipient of the United States Department of Housing and Urban Development ("HUD") Neighborhood Stabilization Program ("HUD NSP") grant funds for the purpose of implementing the City's Neighborhood Stabilization Program ("NSP") in acquiring, rehabilitating, and disposing of abandoned and foreclosed-upon homes and residential properties in accordance with federal law and HUD regulations, said Agreement effective March 1, 2009 (Council File Number 07-2438-S8), and subsequently amended (Council File Numbers 09-2721, 10-0685, 10-0799, 11-0223 & 11-2106), which together with all amendments thereto shall hereinafter be referred to as the Agreement; and

WHEREAS, the original funding for the Agreement are pursuant to the Funding Approval and Grant Agreement Number B-08-MN-06-0512 executed between the City and HUD on February 27, 2009 (refer to Council File Number 07-2438-S8 dated February 25, 2009, Mayor concurred on March 9, 2009), for the City to receive an allocation of HUD Neighborhood Stabilization Program funds authorized under the Housing and Economic Recovery Act of 2008 ("HERA") (Public Law 110-289 (July 30, 2008)) ("NSP 1 funds"); and

WHEREAS, the City and the Contractor entered into a First Amendment to the Agreement, effective April 20, 2010 (Council File Number 09-2721), for the purpose of providing the Contractor with Two Hundred Fifty Thousand Dollars (\$250,000) of Municipal Housing Finance Funds ("MHFF Funds") to be utilized as cash advances to pay eligible HUD NSP administrative and operating costs which shall be reimbursed to City; and

WHEREAS, the City and HUD entered into Funding Approval and Grant Agreement Number B-09-LN-CA-0046 on June 22, 2010 (refer to Council File Number 10-0799 dated June 18, 2010, Mayor concurred on June 23, 2010), for the City to receive an allocation of the second award of HUD Neighborhood Stabilization Program funds ("NSP 2 funds") authorized under the American Reinvestment and Recovery Act of 2009 (Public Law 111-005 (February 17, 2009)) ("ARRA"); and

WHEREAS, the City and the Contractor entered into a Second Amendment to the Agreement, effective November 10, 2010 (Council Files 10-0799 and 10-0685), for the purpose of increasing the amount of the Agreement by Fifty Three Million Two Hundred Thirteen Thousand Seven Hundred Fifty

One Dollars (\$53,213,751) with a portion of NSP 2 Funds in an amount not to exceed Forty Five Million Dollars (\$45,000,000) plus the reallocation of NSP 1 Funds from the Walk In Program in an amount not to exceed Eight Million Two Hundred Thirteen Thousand Seven Hundred Fifty One Dollars (\$8,213,751), for a maximum Agreement amount of Seventy Seven Million Two Hundred Fifty Nine Thousand Seven Hundred Fifty Four Dollars (\$77,259,754); and extending the time of performance to March 31, 2014; and

WHEREAS, the City and the Contractor entered into a Third Amendment to the Agreement, effective May 11, 2011 (City Council File Numbers 09-2721 and 11-0223), for the purpose of (1) revising the terminology of the MHFF Advance Funds to MHFF Bridge Loan Funds and by increasing the MHFF Bridge Loan Funds with the City's Municipal Housing Finance Fund ("MHFF Funds") by adding Four Hundred Fifty Thousand Dollars (\$450,000) to the MHFF Bridge Loan amount of Two Hundred Fifty Thousand Dollars (\$250,000) for a new total MHFF Bridge Loan amount not to exceed Seven Hundred Thousand Dollars (\$700,000); (2) revising the Compensation and Method payment to allow for the utilization of additional MHFF Funds to reimburse Contractor in the amount of Fifty Five Thousand Dollars (\$55,000) to pay for approved origination fees and interest on the line of credit obtained by Contractor pursuant to the agreement with Enterprise Community Loan Fund dated July 21, 2010; (3) increasing the total contract amount, to reflect the aforementioned addition of MHFF Funds, to Seventy Eight Million Fourteen Thousand Seven Hundred Fifty-Four Dollars (\$78,014,754), consisting of funding sources from the first award allocation of HUD Neighborhood Stabilization Program Funds ("NSP1 Funds") in the amount of Thirty Million Forty-Two Thousand Seven Hundred Fourteen Dollars (\$30,042,714); NSP2 Funds in the amount of Forty-Seven Million Two Hundred Seventeen Thousand Forty Dollars (\$47,217,040); and

WHEREAS, the City and HUD entered into Funding Approval and Grant Agreement Number B-11-MN-06-0512 on March 2, 2011 (refer to Council File Number 11-0223-S1 dated March 4, 2011, Mayor concurred on March 4, 2011), for the City to receive an allocation of the third award of HUD Neighborhood Stabilization Program funds ("NSP 3 funds") authorized under section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Public Law 111-203 (July 21, 2010)) (Dodd-Frank Act) ("WSRA"), HERA and ARRA; and

WHEREAS, the City and the Contractor entered into a Fourth Amendment to the Agreement, effective July 1, 2011 (Council File 11-0223), for the purpose of increasing the amount of the Agreement by Four Million Eight Hundred Thirty One Thousand Five Hundred Fifty Eight Dollars (\$4,831,558) with a portion of NSP3 Funds for program operation expenses in an amount not to exceed Four Million Four Hundred Forty Four Thousand Dollars (\$4,444,000) plus a portion of NSP 3 Funds for program administrative expenses in the amount of Three Hundred Eighty Seven Thousand Five Hundred Fifty Eight Dollars (\$387,558); and

WHEREAS, the City and the Contractor entered into a Fifth Amendment to the Agreement, effective December 13, 2011 (Council File 11-2106), for the purpose of increasing the amount of the Agreement by Twenty Six Million Six Hundred Sixteen Thousand Six Hundred Twenty Four Dollars (\$26,616,624) with a portion of NSP 2 Funds in an amount not to exceed Twenty Eight Million One Hundred Thousand Dollars (\$28,100,000) and a reduction of NSP 1 Funds as a City funding source for program operations by One Million Four Hundred Eighty Three Thousand Three Hundred Seventy Six Dollars (\$1,483,376), for a combined total resulting in a maximum Agreement amount of One Hundred Four Million, Seven Hundred Forty Five Thousand and Ninety Two Dollars (\$104,745,092).

WHEREAS, Section §706, Amendments, of the Agreement provides for amendments to the Agreement; and

WHEREAS, the City and the Contractor are desirous of amending the Agreement as authorized by the City Council and the Mayor (refer to Council File Number 11-2106 dated **November 16, 2012**, Mayor concurred on **November 16, 2012**), and Section 14.8 of the Los Angeles Administrative Code, which authorizes the General Manager of the Los Angeles Housing Department ("LAHD") to prepare and execute an amendment to the Agreement for the purpose of increasing the amount of the Agreement by the maximum gross amount of up to Five Million Seven Hundred Ninety Two Thousand Two Hundred Twenty Three Dollars (\$5,792,223), for a maximum agreement amount of One Hundred Fifteen Million Two Hundred Fifty Five Thousand One Hundred Fifty Nine Dollars (\$115,255,159). The increase to the Agreement consists of:

- (a) Increasing the amount of NSP 1 Funds for program operation expenses to the Agreement by Three Million One Hundred Twenty Nine Thousand and Nine Dollars (\$3,129,009); NSP 2 Funds for program operation expenses by Two Million Six Hundred Sixty Three Thousand Two Hundred Fourteen Dollars (\$2,663,214); NSP 3 Funds for program operation expenses by Two Million Dollars (\$2,000,000) and

WHEREAS, this Amendment is necessary and proper to continue and/or complete certain activities authorized under the Agreement.

NOW, THEREFORE, the City and the Contractor agree that the Agreement be amended effective **November 16, 2012** as follows:

AMENDMENT

§1. Amend the RECITALS by adding the following:

"WHEREAS, the City Council and Mayor authorized the General Manager of the Los Angeles Housing Department to amend this Agreement to reflect an increase in the total contract amount by Five Million Seven Hundred Ninety Two Thousand Two Hundred Twenty Three Dollars (\$5,792,223), for a maximum agreement amount of One Hundred Fifteen Million Two Hundred Fifty Five Thousand One Hundred Fifty Nine Dollars (\$115,255,159), pursuant to Council File Number 11-2106."

§2. Amend Section §301, Compensation and Method of Payment, by deleting Section A and replacing with the following respective paragraphs:

"A. City's Allocation of Funds for Compensation to Contractor.

- 1. For Allowable Program Operations Costs. The City's allocation of funding for the acquisition, rehabilitation, and sale of foreclosed and abandoned single family and multifamily bank owned properties purchased through group sales from lenders and loan servicers by the Contractor ("Acquisition and Disposition of Foreclosed Properties Program") shall not exceed the maximum sum of:

One Hundred Ten Million Five Hundred Thirty Seven Thousand Three Hundred Fifteen (\$110,537,315) which consists of NSP 1 funds in an amount not to exceed Thirty Million Three Hundred Thirty Thousand One Hundred and One Dollars (\$30,330,101); and NSP 2 funds in an amount not to exceed Seventy Five Million Seven Hundred Sixty Three Thousand Two Hundred Fourteen Dollars (\$75,763,214); and NSP 3 funds in an amount not to exceed Six Million Four Hundred Forty Four Thousand Dollars (\$6,444,000).

- §3. Amend Section §302, Allowable and Unallowable Costs, Subsection C, Item 6 by adding the following language: "Interest costs associated with borrowing to fund NSP-eligible administrative and NSP-eligible program delivery costs is allowable under HUD NSP requirements."
- §4 Amend Exhibit F, entitled "Applicable Census Tracts and Block Groups," to add two additional census tracts (Census Tracts Nos. 187100 and 295101) to the NSP2 eligible target areas that are HUD-approved (refer to Council File No. 10-0799 dated June 29, 2012). The revised Exhibit F is attached hereto and incorporated herein.
- §5 Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.
- §6 This Amendment is executed in four (4) duplicate originals, each of which is deemed to be an original. This Amendment includes five (5) pages which constitute the entire understanding and agreement of the parties.

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Agreement to be executed by their duly authorized representatives.

APPROVED AS TO FORM:

Executed this _____ day of _____, 2012

CARMEN A. TRUTANICH, City Attorney

For: THE CITY OF LOS ANGELES

By: _____
Deputy/Assistant City Attorney

MERCEDES M. MÁRQUEZ

Interim General Manager

Los Angeles Housing Department

Date: _____, 2012

By: _____

ATTEST:

JUNE LAGMAY, City Clerk

Executed this _____ day of _____, 2012

By: _____
Deputy City Clerk

For: RESTORE NEIGHBORHOODS LA, INC.

Date: _____, 2012

By: _____
Jeffrey Schaffer
President, Board of Directors

(Contractor's Corporate Seal)

By: _____
John Perfitt
Executive Director

City Business License Number: 0002445935-0001-9

Internal Revenue Service Number: 26-4142930

Council File Number	Contract/Amendments	Council & Mayoral Approval Dates
11-2106	6 th Amendment	11/16/12
11-2106	5 th Amendment	12/13/11
10-0799	4 th Amendment	07/27/11
11-0223		02/25/11 & 02/28/11
11-0223	3 rd Amendment	02/25/11 & 02/28/11
10-0685	2 nd Amendment	06/23/10 & 06/25/10
10-0799		06/18/10 & 06/23/10
09-2721	1 st Amendment	11/25/09 & 12/08/09
07-2438-S8	Original Contract	02/25/09 & 03/09/09

Said Agreement is the SIXTH Amendment of Agreement Number C-115683 of City Contracts.