

TRANSMITTAL

To:

THE COUNCIL

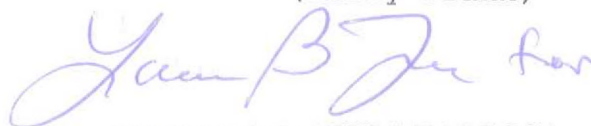
Date: OCT 23 2012

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

(Larry Frank)



ANTONIO R. VILLARAIGOSA

Mayor



Los Angeles Housing Department

LAHD

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Antonio R. Villaraigosa, Mayor
Mercedes M. Márquez, Interim General Manager

2012 OCT 16 PM 12:00

CITY OF LOS ANGELES

October 11, 2012

Council File: 07-2438-S8; 10-0685; 10-0799; 11-0223
Council Districts: Citywide
Contact Persons:
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The Honorable Antonio R. Villaraigosa
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales
Legislative Coordinator

COUNCIL TRANSMITTAL: REPORT BACK ON CITY NEIGHBORHOOD STABILIZATION PROGRAM (NSP) PROGRAM INCOME FUNDS WITH REQUEST FOR AUTHORITY TO EXECUTE CONTRACT AMENDMENT WITH RESTORE NEIGHBORHOODS LA, INC. FOR CONTINUATION OF PROGRAM ACTIVITIES

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully submits this transmittal to provide a report on the program income funds generated by affordable homeownership and rental projects funded by the Neighborhood Stabilization Program (NSP) since the inception of the grant program through June 30, 2012. The LAHD is the administrator of NSP funds on behalf of the City, as directed by the Mayor and Council (C.F. 07-2438-S8). To implement the City's NSP, the LAHD was also authorized to execute an agreement with a nonprofit property holding and development company, Restore Neighborhoods LA, Inc. (RNLA), to purchase some of the most blighted and dilapidated foreclosed residential properties and renovate them to become attractive, affordable, energy-efficient homes for lower and moderate-income households. All NSP grant funds must be fully expended under an aggressive schedule; and as a result LAHD has completed a large volume of projects to meet the expenditure goals by the end of the grant period. Program income funds in the amount of approximately \$7.1 million were generated as a result from the completion and sale of NSP-funded projects through June 30, 2012.

This report requests authorities for: 1) the LAHD to execute an amendment with RNLA to continue the acquisition, completion, and sale of NSP properties to meet the requirements of the grant; and, 2) technical amendments necessary for the receipt of program income funds.

RECOMMENDATIONS

The General Manager, LAHD, respectfully requests:

I. That your Office schedule this transmittal in the next available meeting(s) of the appropriate City Council Committee(s) for consideration and forward it to the full City Council immediately thereafter.

II. That the City Council:

A. AUTHORIZE the General Manager, LAHD, or designee, to execute an amendment to the Professional Services and Rehabilitation Agreement with Restore Neighborhoods LA, Inc. (Contract C-115683), to include the following provisions, subject to the review and approval of the City Attorney as to form:

- i. Provide additional NSP1 funds up to \$3,129,009 for Program Operations;
- ii. Provide additional NSP2 funds up to \$2,663,214 for Program Operations;
- iii. Increase the total contract amount for an amount not to exceed up to \$5,792,223 to reflect additional City funding sources identified above.

B. AUTHORIZE the City Controller to undertake the following actions:

i. 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 |

ii. 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 |
| | TOTAL | \$3,839,014.53 |

- iii. Expend funds 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;
- iv. Increase appropriations in General Fund No. 100, Department 43, Account No. 001010 entitled Salaries-General in the amount \$308,342.92;

- v. Expend funds 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;
- vi. 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 |

- vii. Expend funds 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;
 - viii. 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).
- C. 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 (CAO), and request the Controller to implement these instructions.

III. That the Mayor concur with the actions of the City Council.

BACKGROUND

In February 2009, the Mayor and Council authorized LAHD to receive and disburse the first round of NSP grant funds (NSP1) awarded by the U.S. Department of Housing and Urban Development in the amount of \$32.8 million. To date, HUD has awarded the City an additional \$109.8 million in grant funds from the second and third funding rounds (NSP2 and NSP3) for a total cumulative grant award of \$142.6 million (C.F. 07-2438-S8, 10-0685, 10-0799, 11-0223 and 11-0223-S1). LAHD initially budgeted 90 percent of the award for grant activity delivery costs and 10 percent for the administration of the program.

The end of the grant period and expenditure deadline is February 2013 for the NSP1 and NSP2 grants, and March 2014 for the NSP3 grant. To date, LAHD has expended over \$110 million and acquired and initiated rehabilitation or new construction of over 800 affordable rental and homeownership housing units with the NSP funding. The completed rental units are targeted to households with income at or below 50 percent of Area Median Income (AMI) and homeownership units are targeted to households with income at or below 120 percent AMI. Through June 30, 2012, LAHD has received program income

funds in the amount of \$7,156,960 that was generated primarily through the sale of single family homes to lower and moderate-income homebuyers.

HUD requires that NSP program income be spent on NSP-eligible activities only for immediate cash needs on a first-in, first-out basis, whereby program income may not be held, or accumulated, for a specific activity. As a result of this requirement, LAHD has utilized program income funds generated by NSP-funded projects by returning funds through the cycle of acquisition, rehabilitation, and resale. Since NSP program income funds must be expended before drawing down additional grant funds, LAHD has reported approximately \$7.1 million in program income expenditures to HUD as of June 30, 2012, consisting of \$4.2 million in NSP1 funds and \$2.9 million in NSP2 funds.

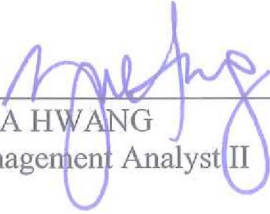
LAHD requests authority to increase appropriations in NSP1 Fund 50T and NSP2 Fund 52J to reflect the periodic appropriation of NSP program income that has been generated up to June 30, 2012. The periodic appropriation of program income generated from NSP grant funds was initially approved by Mayor and Council in June 2010 (C.F. 10-0685). LAHD is authorized to allocate 90 percent of program income funds to respective Program Operations accounts and 10 percent to respective Administrative accounts under each grant. For NSP1 and NSP2, the program income funds that have been generated up to June 30, 2012 will be utilized for additional grant program activities that will be performed by RNLA to allow for completion of projects to meet grant program goals and objectives; and, LAHD administrative costs for Fiscal Year 2012-13.

LAHD also requests the execution of a contract amendment with RNLA to increase funds for compensation for professional services. Under the terms of City contract C-115683, RNLA is responsible for selling NSP-funded single family homes as affordable homeownership opportunities, or transferring multifamily properties to mission-driven affordable rental housing providers. LAHD recommends to execute the contract amendment with RNLA to ensure completion of NSP-funded projects to meet expenditure deadlines under an aggressive schedule.

FISCAL IMPACT STATEMENT

There will be no impact on the General Fund. The Neighborhood Stabilization Program is supported with federal grant funds awarded to the City by the U.S. Department of Housing and Urban Development. The recommendations in this transmittal will allow for increase in grant funds and appropriations to implement an increased volume of program activities.

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Approved By:



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Executive Officer

Approved By:



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