

COMMUNICATION

TO: LOS ANGELES CITY COUNCIL

FILE NO. 11-2106

**FROM: COUNCILMEMBER ED REYES, VICE CHAIR
HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE**

COMMUNICATION FROM VICE CHAIR, HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE relative to the Neighborhood Stabilization Program (NSP) and authorization to amend the contract with Restore Neighborhoods LA, Inc. (RNLA) to increase the amount by \$7,792,223 for continuation of NSP activities, and related actions.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the General Manager, LAHD, or designee to:
 - a. 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:
 - 1) Provide additional Neighborhood Stabilization Program 1 (NSP1) funds in an amount up to \$3,129,009 for Program Operations.
 - 2) Provide additional NSP2 funds in an amount up to \$2,663,214 for Program Operations.
 - 3) Provide additional NSP3 funds in an amount up to \$2,000,000 for Program Operations.
 - 4) 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 Controller to undertake the following actions:
 - a. Establish new accounts within NSP Grant Fund 50T, Department 43 as follows:

<u>Account</u>	<u>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</u>	<u>Name</u>	<u>Amount</u>
43J143	Housing	\$308,342.92
43J299	Related Costs	\$75,558.53
43E818	Program Operation	<u>\$3,455,113.08</u>
	Total:	<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</u>	<u>Name</u>	<u>Amount</u>
43F304	Admin Reserve	\$295,912.76
43F868	Program Operation	<u>\$2,663,214.86</u>
	Total:	<u>\$2,959,127.62</u>

- 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.
 - 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 (Council File 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 (CAO), and AUTHORIZE the Controller to implement these instructions.

Fiscal Impact Statement: The CAO reports that 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.

Community Impact Statement: None submitted.

SUMMARY

At a meeting held on November 14, 2012, the Vice Chair of the Housing, Community and Economic Development Committee considered a report from the City Administrative Officer (CAO) dated November 14, 2012, and a report from the Los Angeles Housing Department (LAHD) dated October 11, 2012, relative to the Neighborhood Stabilization Program (NSP) and authorization to amend the contract with Restore Neighborhoods LA, Inc. (RNLA) to increase the amount by \$7,792,223 for continuation of NSP activities, and related actions.

Representatives of the CAO and the LAHD appeared before the Committee Vice Chair to discuss the matter and respond to related questions. The representative of the CAO reported that the LAHD is requesting a 6th amendment to Contract No. 115683 with RNLA to support the NSP.

Under this contract, RNLA is responsible for the acquisition, rehabilitation, and sale of foreclosed and abandoned housing properties.

The CAO noted that since the LAHD's report of October 23, 2012 on this matter, the LAHD is now requesting an amount of \$7.79 million for the contract amendment with RNLA, rather than the originally requested amount of \$5.79 million. The increase of \$2 million is requested for the NSP3 portion of the RNLA grant due to a deadline to spend the funds by March 2013. Additionally, the LAHD is requesting authority to make technical adjustments to various NSP funds.

The representative of the LAHD reported that the City has received approximately \$143 million for NSP1, NSP2, and NSP3 and that areas of target for the program were those areas of the City hardest hit by foreclosures, reduced values, unemployment, and prevalence of fraudulent loans. Those areas in which the program is concentrated are: South Los Angeles, East Los Angeles, and the Northeast San Fernando Valley. The current target is 1,100 units (both single-family and multi-family) and to date 850 units have been completed. The NSP1 and NSP2 consisted of approximately \$132 million and all funds must be expended by February 2013 (to date 90 percent has been expended).

As required by the grant from the U.S. Department of Housing and Urban Development (HUD) for the NSP, the LAHD will be providing a comprehensive report in February 2013 to HUD and to the Housing, Community and Economic Development Committee, Council, and the Mayor regarding how the \$143 million has been expended and the level of success achieved by the LAHD through the NSP. Additionally, the LAHD will provide details regarding its adherence to the standards that are part of the grant such as reductions in the number of foreclosed properties and stabilization of land and property values in the targeted communities. It was noted that in addition to the acquisition and remediation of foreclosed properties, the LAHD through the NSP has provided 9 parcels of land to the Department of Recreation and Parks for creation of pocket parts (two of which have already opened).

In response to an inquiry from the Committee Vice Chair, a discussion occurred relative to the neighborhoods where the NSP is active and the process by which properties are selected and approved for the program. The LAHD reported that it acquires properties from a national trust in which banks place their foreclosed properties and provide RNLA and the City with first choice; the LAHD noted that the NSP can only acquire foreclosed properties that are made available by the banks. However, the LAHD will provide a complete report in 30 days to the Committee on the approval process for NSP properties, and the LAHD's representative will meet with the Council Office of the Vice Chair to discuss specific concerns relative to his District.

After providing an opportunity for public comment, the Committee Vice Chair recommended that Council approve the recommendations in the CAO report. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

COUNCILMEMBER ED REYES, VICE CHAIR
HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

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

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