

TRANSMITTAL

To:

THE COUNCIL

Date: 04/6/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Regulatory Compliance & Code Bureau

1200 West 7th Street, 8th Floor, Los Angeles, CA 90017
tel 213.808.8888 | toll-free 866.557.7368
hcidla.lacity.org

April 5, 2016

Council File: 13-1105
Council Districts: Citywide
Contact Person(s):
Roberto Aldape (213) 808-8826
Anna Ortega (213) 808-8551
Valerie Steffens (213) 922-9631

The Honorable Eric Garcetti
Mayor, City of Los Angeles
200 N. Spring Street, Room 303
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO EXECUTE A SECOND AMENDMENT TO CONTRACT WITH PARAGON PARTNERS LTD. (C-123876), FOR TENANT RELOCATION ASSISTANCE SERVICES

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA) hereby respectfully requests authority to execute the second amendment to its contract with Paragon Partners Ltd., (C-123876) to provide tenant relocation assistance services. The existing contract is scheduled to expire on April 30, 2016. The proposed second amendment will allow the City to exercise the renewal option to extend the term of the contract by one year to end on April 30, 2017, and increase the contract amount by \$500,000 for a total contract amount of \$1,500,000. The contract will be supported by fees paid by landlords attempting to displace tenants for no-fault evictions.

Approval of this second contract amendment will enable HCIDLA to continue utilizing the services of the contractor to provide displaced tenants with relocation assistance services required under the Los Angeles Municipal Code.

A copy of this transmittal, along with the draft contract, has been forwarded to the City Attorney for concurrent review and approval as to form.

RECOMMENDATIONS

The General Manager, HCIDLA, respectfully requests that:

1. The Mayor’s Office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter; and
2. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. AUTHORIZE the General Manager of HCIDLA, or designee, to execute the second contract amendment with Paragon Partners Ltd. by, 1) extending the term of the contract for one year through April 30, 2017, 2) increasing the authorized contract amount by \$500,000 to \$1,500,000, 3) revising language in the contract to be consistent with current City requirements, subject to the approval of the City Attorney as to form:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>TOTAL</u>
Paragon Partners Ltd.	\$500,000	\$500,000	\$500,000	\$1,500,000

- B. AUTHORIZE the City Controller to:
 - I. Establish account 43M208 “Relocation Services Provider Fee” within the Rent Stabilization Fund No. 440 and transfer appropriation as follows:

BFY	Fund Number	Account	Title	Amount
From: 2016	440	43M411	Unallocated	\$500,000
To: 2016	440	43M208	Relocation Services Provider Fee	\$500,000

- II. Expend funds upon proper demand of the General Manager, HCIDLA, or designee.
- C. AUTHORIZE the General Manager, HCIDLA, or designee, to prepare Controller’s instructions and make any technical adjustment consistent with the Mayor and City Council action on this and other approved projects, subject to the approval of the City Administrative Officer, and request the Controller to implement these instructions in accordance with the funding allocations approved by the Mayor and City Council.

BACKGROUND

There is a critically short supply of rental housing in the City of Los Angeles. The occupancy rate in 2015 for rental units subject to the Rent Stabilization Ordinance (RSO) was 97.2% with an average asking rental rate of \$1,779 (Real Facts Annual Rental Trends, 2015). The annual income needed to afford the average asking rental rate is \$71,160; however, the average median household income in the City of Los Angeles is only \$49,682 (US Census, 2010-2014). The Census data from 2010-2014

indicates that 59% of renters are rent burdened in the City of Los Angeles, paying over 30% of income towards rent, while 33% are severely rent burdened, paying over 50% of their income towards rent. Additionally, the loss of ownership status by many households during the economic downturn has led to an increased demand for rental units, which in turn has driven up rental rates in the Los Angeles rental market.

The rental housing scarcity is further aggravated by the removal of housing units from the rental housing market through no-fault evictions. From 2001 through December 2015, approximately 20,374 rental housing units were removed from the rental market through conversion to condominiums, demolitions, and withdrawals pursuant to the Ellis Act. Tenants displaced for no-fault evictions face serious difficulties in locating comparable replacement rental housing, which are exacerbated for elderly tenants, those with physical limitations, families with minor dependent children, and families with low incomes.

In 2007, the City Council adopted an ordinance to mitigate the effects of displacement on tenants. Pursuant to Council File Number 06-1325, the City Council adopted an Ordinance No. 178632 (effective May 26, 2007) amending various sections of the Los Angeles Municipal Code to create an improved tenant relocation assistance program. The Ordinance significantly increased the relocation payments landlords must pay tenants in no-fault evictions, pursuant to Los Angeles Municipal Code sections 46.06, 46.07 and 151.09.G, to cover the first and last months' rent and the difference in rental rates for 18 months.

The Ordinance also established an enhanced rental relocation assistance program in which the HCIDLA contracts with a relocation assistance consultant to assist tenants in locating comparable replacement units. The Ordinance defined a relocation assistance contractor as "a company that specializes in relocation assistance and has a contract with the City for the delivery of those services." This type of relocation service is typically performed by companies with expertise in relocation requirements under federal, state and City law. The City Personnel Department has determined City staff is neither trained, nor available to perform this function.

The role of the contractor is to contact each tenant household who will be displaced, assess their replacement unit needs, obtain necessary supporting documentation and information to determine the amount of relocation assistance due and provide the tenants with listings of available rental units tailored to meet their needs. The contractor may also provide transportation or ambulatory services, if needed by the tenants. The contractor responds to tenants' inquiries and provides relocation determinations to the landlord and HCIDLA. By using a City-selected contractor that can provide services citywide at locations and times convenient to tenants, including evenings and weekends, the City ensures a common reasonable standard in the relocation services provided to each tenant. Because the volume of no-fault tenant displacements fluctuates based on the rental housing market, vacancy rates and property owners' economic decisions, utilizing the services of an outside contractor is the most efficient way to provide these services to tenants.

Relocation services provided are funded entirely by fees paid by property owners who elect to evict tenants for permissible no-fault reasons, such as for owner or resident manager occupancy, to demolish or convert rental units to other use, including condominium conversions, and to comply with a government agency order. While this contract provides for up to \$500,000 annually for these services,

the actual amount paid depends on the number of no-fault evictions filed by landlords. In fiscal year 2014-15, \$356,151 was paid to the contractor for these services. Because the relocation fees are paid entirely by landlords, there is no impact to the General Fund or the Rent Trust Fund. During the period from October 2007 to February 2016, Paragon Partners provided assistance to 3,570 households, of which 1,573 households included senior citizen(s), minor dependent children, person(s) with disabilities, and low income tenants. Through this program, from October 2007 through February 2016, relocation assistance totaling approximately \$45 million was obtained for tenants facing no-fault evictions.

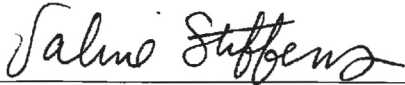
Paragon Partners was selected as the relocation contractor on December 17, 2013 through a Request for Proposal competitive bid process approved by Council on April 1, 2014 and the Mayor on April 8, 2014. The current contract (C-123876) was executed on April 30, 2014 for one year, with the option to renew the contract for two additional one year terms. Approval of this request will allow HCIDLA to renew and execute the second contract renewal without an interruption in services. HCIDLA must therefore complete a new RFP for these services in 2017.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The Tenant Relocation Assistance Services contract is supported entirely by fees paid by landlords.

Prepared by:

Reviewed by:



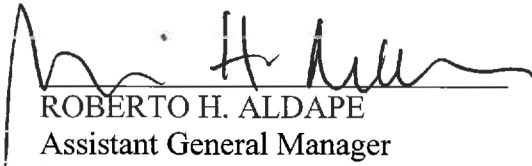
VALERIE STEFFENS
Management Analyst II
Rent Stabilization Division



ANNA ORTEGA
Director of Enforcement Operations
Rent Stabilization Division

Reviewed by:

Reviewed by:



ROBERTO H. ALDAPE
Assistant General Manager
Los Angeles Housing and
Community Investment Department



LAURA GUGLIELMO
Executive Officer
Los Angeles Housing and
Community Investment Department

Approved by:



RUSHMORE D. CERVANTES
General Manager
Los Angeles Housing and Community Investment Department

Attachment

- Draft contract

SECOND AMENDMENT
TO AGREEMENT NUMBER **C-123876** OF CITY OF LOS ANGELES CONTRACT
BETWEEN
THE CITY OF LOS ANGELES
AND
PARAGON PARTNERS, LTD.
TENANT RELOCATION ASSISTANCE SERVICES

THIS SECOND AMENDMENT to Agreement Number **C-123876** of City of Los Angeles Contract is made and entered into, by and between the City of Los Angeles, hereinafter referred to as the City, and **PARAGON PARTNERS, LTD.**, a for-profit California 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, said Agreement effective April 1, 2013 and subsequently amended, which together with all amendments thereto shall hereinafter be referred to as the Agreement; and

WHEREAS, Section §505 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 CF No. _____ approved on _____ and concurred on _____), which authorizes the General Manager of the Housing and Community Investment Department of the City of Los Angeles to prepare and execute an amendment to the Agreement for the purpose of: (a) adding additional funds in the amount of Five Hundred Thousand Dollars (**\$500,000**) for a new total amount of One Million Five Hundred Thousand Dollars (**\$1,500,000**); (b) adding an additional Twelve (12) months for a new ending date of April 30, 2017; and (c) making such other changes as are required in connection with the foregoing, all as detailed elsewhere in this Amendment; 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 as follows:

SECOND AMENDMENT

- §1. Amend Section 201 Time of Performance by deleting the current ending date of April 30, 2016 and replacing with the new ending date of **April 30, 2017**.

This amendment adds an additional Twelve (12) months for a total term of Thirty-Six (36) months.

- §2. Amend Section 301A Compensation by deleting the total dollar amount of Five Hundred Thousand Dollars (**\$500,000**) for a new total amount of One Million Five Hundred Thousand Dollars (**\$1,500,000**).

This amendment adds an additional Five Hundred Thousand Dollars (**\$500,000**) for a new total amount of One Million Five Hundred Thousand Dollars (**\$1,500,000**).

- §3. Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.

- §4. This Amendment is executed in three (3) originals, each of which is deemed to be an original. This Amendment includes three (3) 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:

MICHAEL N. FEUER,
City Attorney

Executed this _____ day of _____, 2016

For: THE CITY OF LOS ANGELES

RUSHMORE D. CERVANTES
General Manager
Housing and Community
Investment Department

By: _____
Deputy / Assistant City Attorney

Date: _____

By: _____
LAURA K. GUGLIELMO
Executive Officer

ATTEST:

HOLLY L. WOLCOTT
City Clerk

Executed this _____ day of _____, 2016

For: **PARAGON PARTNERS, LTD.**
A for-profit California Corporation

By: _____
Deputy City Clerk

By: _____
Name: NEILA LA VALLE
Title: President and CEO

Date: _____

By: _____
Name:
Title:

(Contractor's Corporate Seal)

City Business License Number: 0000318396-0001-4
Internal Revenue Service Number: 33-0572526

Contract/Amendments	Council File Number	Council & Mayor Approval Dates
Second Amendment		
First Amendment	0220-00540-1116	January 20, 2015
Original Contract	13-1105	April 4, 2014/ April 14, 2014

Said Agreement is Number C-123876 of City Contracts, Amendment 2