

TRANSMITTAL

To:

THE COUNCIL

Date: 9/13/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero) for

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

September 12, 2017

Council File: New
Council Districts: Citywide
Contact Person(s):
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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 AUTHORITY TO INCREASE AUTHORIZED SIX MONTH CONTRACT EXTENSION AMOUNT 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 increase the six month contract extension amount by \$350,000 for the fourth amendment to its contract with Paragon Partners Ltd., (C-123876) to provide tenant relocation assistance services. The existing contract extension is scheduled to expire on October 31, 2017 and the funds have been expended. The proposed revision to the fourth amendment for a monetary increase will increase the contract amount by \$350,000 for a total contract amount of \$1,850,000. The contract is supported by fees paid by landlords attempting to displace tenants for no-fault evictions.

Approval of this revision to the fourth 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 (LAMC) through the end of the contract. The LAMC requires the relocation assistance to be provided by a Relocation Assistance Service Provider, which is defined as a company that specializes in relocation assistance and has a contract with the City for the delivery of those services. The relocation assistance program is funded entirely by fees paid by landlords who file relocation services applications. Since the number of relocation services applications filed varies depending on landlords' business decisions and rental market conditions, the need for the relocation assistance services is intermittent. Although the need for these mandated services will continue indefinitely, the workload is unpredictable and it is not feasible to hire permanent employees for this program.

The draft contract attached to this transmittal has been reviewed by the City Attorney as to form and legality.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that this transmittal be scheduled for consideration at next available meeting(s) of the appropriate City Council committee(s) and scheduled for consideration by the full City Council immediately thereafter.

The HCIDLA General Manager further recommends that the City Council, subject to the approval of the Mayor, take the following actions:

1. AUTHORIZE the General Manager of HCIDLA, or designee, to execute a fourth amendment to the contract with Paragon Partners Ltd., (contract number C-123876), adding \$350,000 to the contract ending October 31, 2017.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>TOTAL</u>
Paragon Partners Ltd.	\$500,000	\$500,000	\$500,000	\$350,000	\$1,850,000

2. AUTHORIZE the City Controller to expend funds not to exceed \$350,000 upon proper demand of the General Manager, HCIDLA, or designee, from Account Number 43N208 – Relocation Services Provider within the Rent Stabilization Trust Fund 440.
3. AUTHORIZE the General Manager of 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

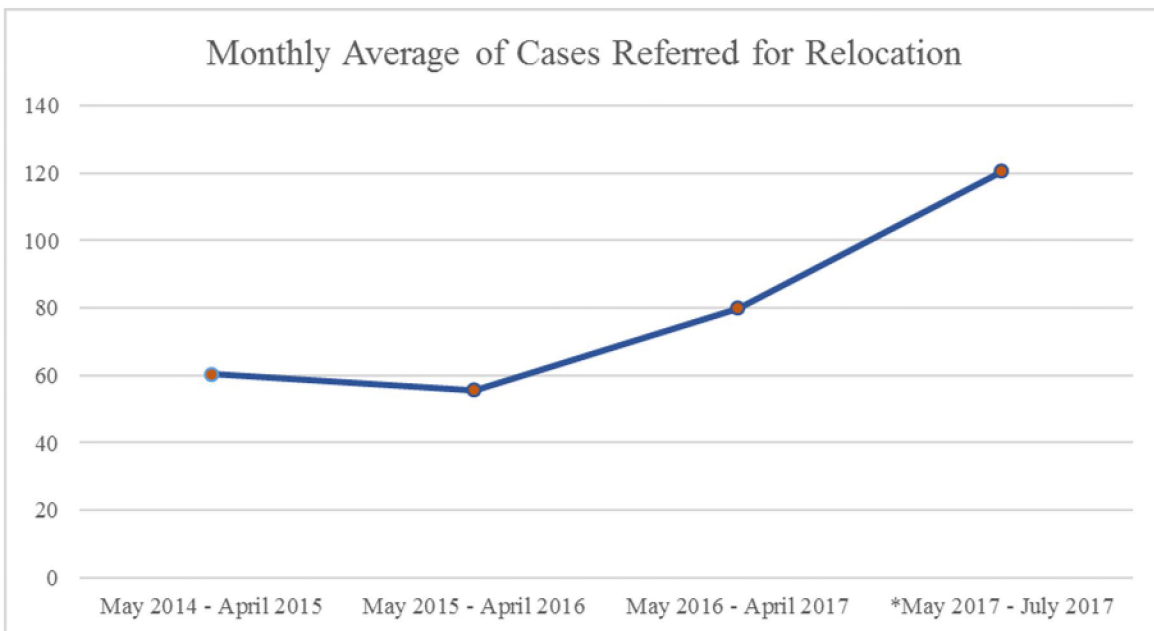
In 2007, the City took steps to mitigate the effects of displacement on tenants evicted for no-fault reasons. Included in the City’s enhanced relocation program were various amendments to the Rent Stabilization Ordinance (RSO) and the hiring of a tenant relocation contractor to assist tenants, particularly the elderly, persons with physical limitations and families with minor dependent children, in locating suitable replacement housing. Since October 2007, HCIDLA has utilized the Request for Proposals (RFP) competitive bids process to select a qualified contractor(s) to provide relocation services for displaced tenants.

From 2001 through July 2017, over 23,548 rental housing units have been removed from the rental market through conversion to condominiums, demolitions, withdrawals pursuant to the Ellis Act and for owner occupancy. Tenants displaced for no-fault evictions face serious difficulties in locating comparable replacement rental housing. Estimates place the vacancy rate in the City’s submarkets at 1.8% for units subject to the RSO and 5.6% for non-RSO units (Real Facts Data – Quarter 3 2016). The difficulties in locating replacement housing 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 Ordinance No. 178632 (effective May 26, 2007) amending various sections of the Los Angeles Municipal Code to create an improved tenant relocation assistance program and instructed the then Los Angeles Housing Department (LAHD) to immediately prepare a RFP to solicit and retain qualified contractors for the Relocation Assistance Provider Program (Council File Number 06-1325-S1 dated April 11, 2007). 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 HCIDLA contracts with a relocation assistance consultant to assist tenants in locating comparable replacement units. In 2014, a contract for a one year term, renewable for two additional one year terms, was awarded to Paragon Partners Ltd. through a competitive bids process (Council File Number 13-1105 dated October 18, 2013). The final extension for the current contract will expire on October 31, 2017. HCIDLA has completed a new competitive bid process and will submit a recommendation to the Mayor on Council for a new contract to begin services on or about November 1, 2017.

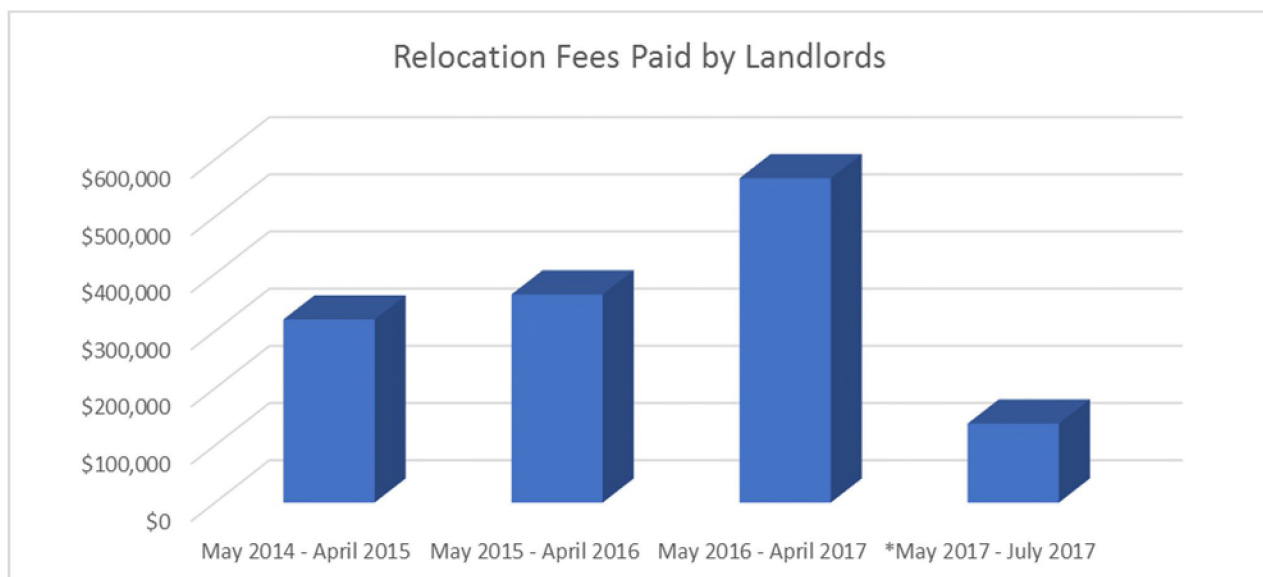
Relocation services are funded entirely by fees paid by property owners who elect to evict tenants for permissible no-fault reasons. Consequently, there is no impact to the General Fund. By using a City selected contractor who can provide services citywide at times convenient to tenants, including evenings and weekends, the City ensures a common reasonable standard in the relocation services provided to each tenant. During the period from October 2007 to July 2017, relocation assistance was provided to 4,785 households, including 2,198 households with senior citizen(s), minor dependent(s), person(s) with disabilities, or low income households. Through this program, from 2007- July 2017, relocation assistance totaling over \$62,062,400 was obtained for tenants facing no-fault evictions.

Currently, the annual contract amount for relocation assistance services for displaced tenants is up to \$500,000. The actual yearly amount expended varies based on the number of no-fault evictions filed by landlords and is not within the control of City staff. The relocation services are funded entirely by fees paid by property owners who elect to evict tenants for permissible no-fault reasons. Consequently, there is no impact to the General Fund. The current contract was extended with the existing contractor for an additional six months, without any additional funds and will expire on October 31, 2017, with no further renewal option. HCIDLA is requesting authorization to increase the total contract amount by adding an additional \$350,000 to the six month contract extension due to an increase in no-fault evictions filed during the latter half of fiscal year 2016-17 and continuing through the present. As a result of increased applications for no-fault evictions, the \$500,000 available was not sufficient funding to cover the last year of the contract as well as the six month period extension and has been expended. Applications referred during the first and second years of the contract averaged 60 and 56 cases per month respectively. Case referrals spiked during the last contract year (May 2016 through April 2017) when an average of 80 cases per month were referred. The monthly case referrals increased substantially during the first three months (May through July) of the 2017 contract extension period to an average of 120 cases per month.



The relocation assistance process takes an average of 30 to 45 days to complete and invoicing occurs thereafter. The fees paid by the landlords for relocation assistance services to be provided by the contractor totaled \$567,401 for the last year of the contract, however it was capped at \$500,000. In addition, the monthly average of fees paid for the first three months of the six month extension is \$46,120. We are requesting to increase the contract cap by \$350,000. The relocation assistance program is funded entirely by fees paid by landlords who file relocation services applications.

Fees Paid May 2016 through April 2017	\$567,401
Estimate for Six Month Extension	\$276,722
Total	\$844,123
Total Funded	\$500,000
Estimated Funding Needed	\$344,123



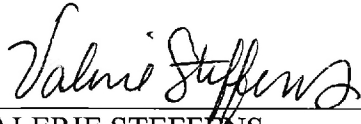
The City Council authorized HCIDLA to release an RFP on March 29, 2017 (C.F. 13-1105). The City Council also authorized HCIDLA to extend the term of the current contract with Paragon Partners Ltd. for six months to October 31, 2017 to prevent any lapse in service while the RFP and contractor selection processes are completed. The Third Amendment was executed on May 9, 2017, and will expire on October 31, 2017. The additional funds for the contract will provide sufficient funding to close out the contract and prevent a lapse in services to displaced tenants.

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 removing units from the rental market for permissible no-fault reasons.

Prepared by:

Reviewed by:



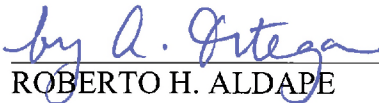
VALERIE STEFFENS
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Rent Stabilization Division



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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

FOURTH 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 FOURTH 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., 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 May 14, 2014 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 Council File Number XX-XXXX approved by City Council on XXXXber XX 2017 and concurred by the Mayor on XXXXber XX 2017) which authorizes the General Manager of the Housing and Community Investment Department to prepare and execute an amendment to the Agreement for the purpose of: (a) adding additional funds in the amount of XXX Thousand Dollars (\$XXX,000) for a new total of XXX Hundred XXX Thousand Dollars (\$XXX,000); and (b) making such other changes as are required in connection with the foregoing, all as detailed elsewhere in this Amendment;

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 as follows:

FOURTH AMENDMENT

- §1. Amend Section 301.A, “Compensation and Method of Payment” by deleting the contract total of One Million Five Hundred Thousand Dollars (\$1,500,000) and replacing it with the new total of **XXXX Million XXXX Thousand XXXX Hundred Dollars (\$XXX,XXX,000)**. This amendment adds **XXXX Hundred Thousand Dollars (\$XXX,000)**.

This amendment adds **XXXX Hundred XXXX Thousand Dollars (\$XXX,000)** for a new contract total of **XXXX Million XXXX Thousand XXXX Hundred Dollars (\$XXX,XXX,000)**.

- §2. Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.
- §3. This Amendment is executed in three (3) duplicate 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: Executed this _____ day of _____, 2017

MICHAEL N. FEUER, City Attorney

By _____
Deputy/Assistant City Attorney

For: THE CITY OF LOS ANGELES

RUSHMORE D. CERVANTES
Housing and Community Investment
Department

Date _____

ATTEST:

HOLLY L. WOLCOTT, City Clerk

By _____
Laura K. Guglielmo
Executive Officer

By _____
Deputy City Clerk

Executed this _____ day of _____, 2017

Date _____

For: PARAGON PARTNERS LTD.

By _____
Neila La Valle
President & Chief Executive Officer

By _____
Joel Sewell
Vice President & Secretary

City Business License Number: 0000318396-0001-4

Internal Revenue Service Number: 33-0572526

Council File/CAO File Number: XX-XXXX Date of Approval XXXber, XX, 20XX

Said Agreement is Number C-123876 of City Contracts Amendment 4