

TRANSMITTAL

To:

THE COUNCIL

Date: JUN 20 2014

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, Interim General Manager

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June 5, 2014

Council File: New
Council District: Citywide
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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUEST FOR VARIOUS ACTIONS RELATED TO A TRANSFER OF FUNDS FROM THE JOHN D. AND CATHERINE T. MACARTHUR FOUNDATION

SUMMARY

The General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) respectfully submits this transmittal for Mayor and Council review and consideration. Through this transmittal, the HCIDLA seeks the approval by the City Council and Mayor to accept \$183,788.64 in grant funds from the John D. and Catherine T. MacArthur Foundation (Foundation) and execute a grant agreement with the Foundation (Attachment 1); enter into Professional Service Agreements (PSAs) with third-party experts to provide support services to complement the work to be undertaken by HCIDLA staff; and continue resolution employment authority for one Project Assistant, Class Code 1542, from July 1, 2014 to June 30, 2015.

This grant will support a one-year initiative, specifically to develop a long-term proactive and preventive strategy to integrate, track, monitor and preserve the subset of the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) portfolio that have affordability covenants set to expire in 2015. The HCIDLA is currently directing its focus towards the transfer of the former CRA/LA multi-family housing assets, and this funding will play a critical role in assessing the immediate CRA/LA inventory with covenants at risk of expiring.

RECOMMENDATIONS

The General Manager of the HCIDLA respectfully recommends that:

- A. 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 for review and approval immediately thereafter;
- B. The City Council, subject to the approval of the Mayor, take the following actions:
 - 1. APPROVE the agency's acceptance of the award and the execution and filing of any required agreements related to the grant.
 - 2. AUTHORIZE the General Manager, HCIDLA, or designee, to execute a contract with the California Housing Partnership Corporation (CHPC) from July 1, 2014 to June 30, 2015, for a total term of 12 months, with a contract total of \$60,000, to provide consulting and professional services to HCIDLA, subject to the review and approval by the City Attorney as to form (Attachment 2).
 - 3. AUTHORIZE the General Manager, HCIDLA, or designee, to execute a contract with the Coalition for Economic Survival (CES), from July 1, 2014 to June 30, 2015, for a total term of 12 months, with a contract total of \$40,000, and making other changes as are required, to provide consulting and professional services to HCIDLA, subject to the review and approval by the City Attorney as to form (Attachment 3).
 - 4. AUTHORIZE the continuation of resolution authority for one exempt position in the classification of Project Assistant (Class Code 1542) approved by Council in 2013-14 (C.F. 13-1700), through June 30, 2015.
 - 5. AUTHORIZE, in accordance with City Charter Section 1001(d)(4), the Civil Service Commission to continue exemption of existing resolution authority Project Assistant (Class Code 1542) position from the civil service provisions of the Charter, based on the temporary grant-funded nature of this project.
 - 6. AUTHORIZE that this position be granted a one-time exemption from the City's Managed Hiring Process.

7. INSTRUCT the City Clerk to place the following recommendations on the City Council Agenda on July 1, 2014 or soon thereafter:

- a. Establish new accounts and appropriations within the HCIDLA Small Grants and Awards Fund No. 49N for Fiscal Year 2014-15 as follows:

<u>Account</u>	<u>Name</u>	<u>Amount</u>
43L143	HCIDLA	\$161,664
43L299	Related Costs	<u>22,124</u>
		\$183,788

- b. Increase appropriations within HCIDLA Fund No. 100/43, Fiscal Year 2014-15 as follows:

<u>Account</u>	<u>Name</u>	<u>Amount</u>
1010	Salaries General	\$ 60,070
3040	Contractual Services	100,000
6010	Office and Administrative	<u>1,594</u>
	Total	\$161,664

- c. Expend funds from the fund and accounts specified above upon proper written demand by the General Manager, HCIDLA, or designee, for grant program administration in accordance with applicable state and federal guidelines and all City rules, regulations and ordinances.
8. AUTHORIZE the General Manager, HCIDLA, or designee to prepare Controller instructions and make any necessary technical adjustments consistent with Council and Mayor actions on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

BACKGROUND

Initial Foundation Grant

On May 9, 2008, the City Council authorized the former Los Angeles Housing Department (LAHD) and the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) to apply to the John D. and Catherine T. MacArthur Foundation Awards for State & Local Housing Preservation Leaders (CF 08-0952). These awards were part of the Foundation's Window of Opportunity Initiative, a national \$150 million, 10-year effort to preserve affordable rental homes across the nation.

On February 26, 2009, the Foundation awarded the City \$1 million in grant funds to be used over a three-year period, from January 1, 2009 through December 31, 2011, to enhance its affordable housing preservation efforts. Of this award, \$700,000 was granted to the former LAHD and \$300,000 to the former CRA/LA. A two-year, no-cost extension of the former LAHD grant term was approved by the Foundation to complete grant deliverables and embark on new initiatives through December 31, 2013 (Council File #11-1371).

The goals and objectives of the approved grant were to enhance the former LAHD's Affordable Housing Preservation Program (AHPP) non-financing efforts by engaging in a robust data collection effort on affordable housing, develop criteria to identify and prioritize at-risk projects, enhance the owner and tenant outreach components, improve coordination with other City and financing agencies, hire program support staff and direct more resources toward preserving affordable rental housing, in accordance with the Foundation-approved grant.

Grant Implementation 2009 - 2013 and Outcomes

Over the last five years, the initial grant was instrumental in facilitating the City's efforts to develop new policies and strategies that focus on the preservation of affordable housing. Throughout the life of the grant, the preservation of affordable housing has been elevated to the forefront of citywide housing program development and policy, and culminated in several large-scale grant and policy influencing initiatives that:

- Improved the coordination with other City and financing agencies to develop and enhance Citywide affordable housing preservation strategies;
- Enhanced at-risk affordable housing data tracking systems and strategies;
- Completed an at-risk assessment ranking criteria to prioritize and better predict and assess the risk of affordable housing projects converting to market-rate;
- Developed preservation strategies and identified properties for targeted owner outreach and education;
- Implemented and expanded the AHPP tenant outreach and education component and outreached to approximately 8,000 families living in at-risk expiring housing units;
- Analyzed policies, processes and financial tools to streamline HCIDLA's preservation programs;
- Engaged and led affordable housing preservation policy discussions through interagency group meetings and two Citywide Affordable Housing Preservation Summits;
- Commissioned a Transit-Oriented Districts (TODs) study to identify and prioritize areas for the preservation of existing affordable housing based on various housing indicators and proximity to transit; and
- Directed additional staff resources toward the preservation of affordable rental housing.

TRANSFER OF GRANT FUNDS

Background

On December 29, 2011, the California Supreme Court ruled on the Community Redevelopment case (*Association v. Matosantos*) which upheld state bill AB 1x26, the redevelopment elimination bill. As a result, the State's roughly 400 redevelopment agencies were dissolved as of February 1, 2012. Per State Law, and subsequent to the CRA/LA dissolution, the City of Los Angeles elected to retain the housing assets and perform the housing functions of the CRA/LA. As such, on January 25, 2012 the HCIDLA became the Housing Successor Agency on behalf of the City of Los Angeles (C.F. 12-0049). The dissolution took place before the former CRA/LA was able to fully expend the \$300,000 grant funds that were awarded to them on February 26, 2009. Consequently, the remaining balance of \$183,788.64 was returned to the Foundation by the CRA/LA.

In January 2014, the HCIDLA completed its initiatives and submitted its final closeout report for the \$700,000 grant, which concluded on December 31, 2013. The final closeout report reflects that the completed grant initiatives resulted in the integration of affordable housing preservation as a core element of citywide housing policy. The Foundation responded favorably, expressing their satisfaction with the efforts and accomplishments that have been made by the Department. As a result, the Foundation awarded the balance of the grant awarded to the former CRA/LA to HCIDLA to sharpen the focus of the outgrowths from the prior work done by the former CRA/LA.

The MacArthur Foundation endeavors to be a constructive partner with the City of Los Angeles and desires to continue the work already underway. These additional funds will allow the HCIDLA to advance its current efforts in the preservation of former CRA/LA-funded affordable rental housing with expiring covenants and add more resources to the AHPP.

Additional Funds and Grant Agreement

On February 20, 2014, the Foundation awarded the HCIDLA \$183,788.64 as a transfer grant to engage in proactive and preventive initiatives to support a long-term strategy to preserve the subset of the former CRA/LA covenanted portfolio due to expire in 2015. The grant agreement (Attachment 1) sets forth the terms and conditions of the grant per discussions with the Foundation and agreed initiatives. This grant award has no match requirements. The HCIDLA is requesting that the Council approve the Department's acceptance of the award, the filing and execution of the grant agreement and any necessary technical adjustments to execute the agreement.

Funds and Expected Payment Schedule:

The Foundation requires that funds be used over the period of July 1, 2014 through June 30, 2015. The Foundation also requires that funds be expended towards the purpose and activities stated in the approved proposal initiatives and budget (described below).

The expected payment schedule may be amended by the Foundation, but is expected to follow this disbursement plan:

Fiscal Year 1 (FY 14/15): \$183,788.64 paid in a single lump sum

Written Reports

The Foundation requires submission of a final report to cover the entire life of the grant on July 31, 2015, as outlined in the grant agreement.

INITIATIVES

The transfer of housing assets, in particular the at-risk, expiring CRA/LA covenanted portfolio, brings both challenges and opportunities to the City. The most notable challenge is the size and timing of the at-risk expiring portfolio. Initial estimates indicate there are nearly 4,800 units located in more than 150 properties with affordability covenants expiring in the next five years. The vast majority and immediate threat consists of approximately 3,500 units in 130 properties with covenants expiring in 2015. Compounding this challenge is the permanent loss of the annual \$50 million infusion into affordable housing finance by the former CRA/LA; the necessity for more financial resources to help prevent the loss of a high number of at-risk properties is exacerbated by the simultaneous drop in local and federal resources.

The HCIDLA recognizes the need to track, outreach and preserve this endangered affordable housing portfolio, and the support of the Foundation can help HCIDLA achieve this goal. The test before the City is in developing a well-rounded approach to assimilating both the challenges and opportunities in inheriting the housing assets that remain with the dissolution of the CRA/LA. The grant initiatives take the lessons learned from the \$700,000 grant that funded the completion of the foundational work for developing a preservation strategy for the immediate expiring properties.

The HCIDLA is currently assimilating the former CRA/LA multifamily housing assets and integrating this work into the Department's overall strategies. The Foundation funds will be used to engage in proactive and preventive efforts that will support a long term strategy for the City. These preventive efforts will include the initial cataloging, prioritization, tracking and outreach efforts to preserve the at-risk former CRA/LA covenanted portfolio. Specifically, the funds will be used to:

A) Continue Support Staff

The Foundation recognized the need of key support staff to assist in the day-to-day operation of the grant. As a result, during the course of the initial grant period, two positions were filled; a project

assistant and student professional worker. Both positions were essential to the successful managing and completion of the initial grant initiatives. The Foundation continues to recognize the importance of staffing to carry on the grant initiatives. The funds provide for the continuation of the current Project Assistant to assist in the effective day-to-day management of the grant, administrative support and other tasks. Funding for this position will be paid by the grant. The Project Assistant will receive direction and oversight from a Housing Planning and Economic Analyst and the Public Policy and Research Unit Director.

B) Procure support services of third party experts:

The HCIDLA will utilize the services of consultants and/or contractors to complement the work to be done by the dedicated HCIDLA staff and execute 1) Decision-Making Framework & Training, and 2) Tenant Outreach and Education initiatives. Consultants and/or contractors will be chosen via a competitive Request for Bids (RFB) process, based on the needs of the Department, the firm's professional experience, qualifications, and abilities (described below).

REQUEST FOR APPROVAL OF CONTRACTS

On November 8, 2012, the Mayor and City Council approved a request by the former LAHD to ratify a list of 55 qualified contractors selected through the 2012 Housing Studies and Services Request for Qualifications (RFQ) and granted authority to execute Professional Services Agreements (PSAs) with qualified contractors for the provision of outreach activities and various housing studies (CF 12-1470).

Request for Bid Process

On April 22, 2014, the HCIDLA released two separate Request for Bids (RFB) - one to qualified contractors selected in the Assisted Affordable Housing - Tenant - Outreach & Education Program category and another to qualified contractors within the Housing Program Evaluation, Improvement, and Design category of the 2012 RFQ. Proposers were required to respond to the RFB within 10 business days of the release of the RFB. The Department received one response for the Tenant - Outreach & Education Program category, and four responses for the Housing Program Evaluation, Improvement, and Design category. The proposed contractors were selected based on their score, reflecting their expertise, proposed costs and ability to successfully complete the services sought by the Department.

Approval of Contracts

The HCIDLA is requesting approval of the two attached draft contracts, subject to City Attorney review and approval as to form. The HCIDLA has identified these professional services as priorities for carrying out the Foundation approved initiatives. These contracts are for a one-year period on an as-needed basis by the HCIDLA.

The California Housing Partnership Corporation (CHPC) (Attachment 2)

HCIDLA requests authority to enter into a contract with the California Housing Partnership Corporation (CHPC) to carry out the Decision-Making Framework & Training initiative. The contract is for a period of one year, from July 1, 2014 to June 30, 2015, for a total term of 12 months, and a contract amount totaling \$60,000. The CHPC will provide the following services:

- Assess and categorize the former CRA/LA inventory with affordability covenants expiring in 2015, as determined by HCIDLA, with a focus on the multiple layers of subsidies to develop a specific strategy for preservation and a decision-making framework by type of subsidy.
- Recommend financial and non-financial approaches to extend the affordability of rental housing.
- Identify programs and quantify what financial subsidies may assist HCIDLA in preserving affordability, including how much subsidy will keep affordability in place.
- Conduct training on affordable housing programs, affordability restrictions and identified recommendations and strategies.

CHPC was created by the California Legislature in 1988 and has helped more than 100 nonprofit and government organization leverage more than \$5 billion in private and public financing to create and preserve affordable rental homes. CHPC advises federal and California housing agency and legislative leaders on housing preservation and finance resource issues and is recognized as one of the national leaders in the field of affordable housing. CHPC has a favorable history of working with the City in conducting analyses on multifamily subsidized/restricted affordable housing and financing strategies, with a distinct focus on HUD-assisted properties. CHPC's level of expertise will be invaluable to this initiative.

Coalition for Economic Survival (CES) (Attachment 3)

Communication with residents of at-risk affordable housing properties has been a fundamental and critical component of the HCIDLA's preservation efforts. HCIDLA requests authority to enter into a contract with Coalition for Economic Survival (CES) to carry out outreach and education activities to tenants living in identified expiring CRA/LA covenanted housing. The CES was the only applicant through the Request for Bids (RFB) process. The contract is for a period of one-year from July 1, 2014 to June 30, 2015, for a total term of 12 months, and a contract total of \$40,000. CES has extensive knowledge and over ten years of expertise in outreaching to tenants living in at-risk affordable housing.

The CES will provide consultant work for the provision of the following services on an as-needed basis:

- Conduct direct outreach and education to inform residents of HCIDLA identified expiring CRA/LA covenanted properties of their rights, responsibilities, potential impact, and potential housing alternatives upon covenant expiration;
- Disseminate program information and educational materials to targeted residents;
- Conduct informational mail outs, tenant meetings of identified expiring properties based on the expiration date, ownership type, geographic location or other criteria identified by HCIDLA.

The expiration of covenants does not translate into immediate displacement, however, the HCIDLA recognizes the risks and the importance of informing tenants of their rights, responsibilities and options.

FISCAL IMPACT STATEMENT

There is no impact on the General Fund. The activities will be supported by a grant from the John D. and Catherine T. MacArthur Foundation.

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