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Council File No. 14-1382
Council Districts: 6, 7, 8, 9 & 14
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Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, Room 395, City Hall
200 N. Spring Street, Los Angeles, CA 90012

Attention: John White, Legislative Assistant

COUNCIL TRANSMITTAL: REPORT BACK REGARDING COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS FOR THE GREAT STREETS PROJECT

SUMMARY

Council File No. 14-1382, which approved the 41st Program Year Consolidated Plan, instructed the Los Angeles Housing + Community Investment Department (HCIDLA) to report back to the Housing Committee on specific project information for the Great Streets line item. The information requested included the scope, budget, application process and guidelines to determine eligibility and timeframe to expend the \$2 million in Community Development Block Grant (CDBG) funds allocated. This Council Action also directed that Council District 6 be added to the Council Districts scheduled to have projects funded in the CDBG Great Streets program.

RECOMMENDATIONS

- A. That your office schedules this transmittal at the next available meeting of the Housing Committee to consider the information.
- B. That the City Council:
 1. Consider the information presented and receive, approve and file the HCIDLA report.

BACKGROUND

The Economic and Workforce Development Department (EWDD) submitted a PY 41 (2015-2016) Consolidated Plan application requesting \$4 million in Community Development Block Grant (CDBG) funds for the Great Streets Los Angeles project. In the application, EWDD proposed the funds be used for projects to be determined in consultation with Council Offices 7, 8, 9 and 14. The actual funding approved for this project was \$2 million and a motion requested that Council District 6 be added and this report back be submitted prior to spending any of the funds.

Subsequently, staff from HCIDLA, EWDD and the Mayor’s Office Great Streets program scheduled meetings with each of the respective Council Offices to review any specific proposals the Council office may have had, discuss the possibility of small business loan programs and explain the CDBG requirements. HCIDLA will need specific information on each proposed use (e.g., each loan) of the CDBG funds to make an eligibility determination. The Council Office prioritized the following potentially CDBG-eligible programs for their Great Streets:

CD	Great Street	Funding	Proposed Activity
6	Van Nuys Blvd between Victory & Oxnard	\$400,000	Façade Program or Micro/Small Business Loans to Neighborhood-Serving Businesses
7	Van Nuys Blvd between Laurel Cyn & San Fernando	\$400,000	Augment funding for Green Walkway; Façade Program or Micro/Small Business Loans to Neighborhood-Serving Businesses
8	Crenshaw Blvd between 78 th St & Florence	\$400,000	Augment LADOT funding for pedestrian safety / traffic calming projects
9	Central Ave between MLK Blvd & Vernon	\$400,000	Supplement existing Façade Program and add Micro/Small Business Loans for Neighborhood-Serving Businesses
14	Cesar Chavez between Evergreen and St. Louis	\$400,000	Façade Program or Micro or Small Business Loans to Neighborhood-Serving Businesses
		\$2,000,000	

In order to be an eligible use of CDBG funds, every project, except for administration and planning, must meet a National Objective. This can be challenging on commercial thoroughfares as a majority of the CDBG funds must document a direct benefit to low income *residents* of the City. Generally, projects such as installing medians or bike lanes or beautifying public assets on commercial thoroughfares will not meet this requirement. This is because the presumed beneficiaries would be anyone driving or biking down the thoroughfare, not primarily the residents of the surrounding lower income community. Approximately 30% of a City’s CDBG allocation may be used to address Slum / Blight National Objectives; however, the area must meet specific conditions and, in essence, be declared slum and blighted. The City has not undertaken any current slum/blight studies and therefore cannot qualify projects under this National Objective in the PY41 Consolidated Plan.

One way that limited activities can be eligible, depending upon the specifics of each activity, is to benefit small businesses on the commercial thoroughfares that provide goods and services primarily to the surrounding lower income residential community. Some examples may be grocery markets, barber or other personal service shops, veterinarians, or similar neighborhood-serving businesses. Businesses that serve a larger regional area or are “destinations” that attract customers from outside the local area would not meet these CDBG requirements.

Other limited activities that can be eligible, depending upon the specifics of each activity, may be permanent improvements on the thoroughfare that specifically target pedestrian safety for lower income residents who live adjacent to the commercial corridor. This may include installation of smart crosswalks so local residents can access bus lines, curb cuts or sidewalk reconstruction to remove barriers for residents with disabilities, or improvements such as installation of benches at neighborhood-serving facilities like libraries or senior centers.

In each of the above cases, the area that the business serves or the area that would reasonably benefit from a crosswalk or from an improved public facility must be documented and found to be (1) more than 51% low or moderate income and (2) primarily residential. This would meet the Low Moderate Area Benefit (LMA) National Objective.

EWDD proposed two potentially eligible options for the Great Street's districts selected to participate in this fund allocation. The first is to initiate a Façade Program, providing funding for exterior and interior tenant or building improvements with the goal of creating a more active and vibrant street front as well as providing a means for businesses to brand, expand, and update or add business efficiencies. The Façade Program offers between \$25,000 and \$100,000 in low-interest, service repayment loans forgivable at the end of a five or ten year term if the business remains operational and meet the goods/services needs of the neighborhood. The Façade Program funds will take longer to place and spend because each improvement requires property owner approval if the space is leased, architectural plans and permits as well as contractor compliance and mobilization. Many of the Great Streets desire to initiate a façade program in PY41 and EWDD will begin working with them to market the program and initiate design and permitting. While the Façade Programs lead time moves forward, EWDD recommended that the Great Streets districts consider setting aside an allocation of their PY41 funds in a targeted local pool for a micro or small business loan program. EWDD's micro loan program would provide loans up to \$50,000 to businesses seeking funds for start-up and operations. The funds are typically targeted to Micro-Enterprises, defined as businesses with five or fewer employees, one of whom owns the business. The small business program loans between \$50,000 and \$450,000 for operating and expansion costs and serves both Micro-Enterprises and Small Businesses, defined by HUD as having fewer than five hundred employees and less than \$10 million in annual revenue. The loans are intended to help these businesses expand their employment base and provide goods and services to the surrounding community. EWDD will establish accounts for each of these areas and work with the local BusinessSource Center, chambers, BIDs and the Council Office to market the funds. The CDBG micro- and small business loans should revolve so the program income can be utilized to ensure longevity to the fund. EWDD staff will assist interested businesses in submitting applications and underwrite the proposed loan. Once EWDD has identified a business, underwritten the proposed loan and plans to move forward, they will submit specific documentation to HCIDLA to confirm that the loan meets CDBG eligibility requirements and set up the activity on HUD's system. Both departments will work together at all stages of the process to ensure a program success.

Council Districts 6, 7, 9 and 14 indicated interest in focusing their limited funds on the proposed façade and loan program. Council District 8 identified a need for traffic calming projects because their Great Street is residential as opposed to commercial in nature, and pedestrian safety has been an issue in this area. Staff from the Los Angeles Department of Transportation (LADOT) joined the meeting with EWDD and HCIDLA to discuss parameters for upcoming grant funds LADOT is applying for and how CDBG can be leveraged to improve pedestrian safety. EWDD and HCIDLA will continue to work with LADOT to obtain specific information to fund the activity. Council District 7 has established an existing CDBG project to fund a green walkway from the residential neighborhood to important community-serving and commercial uses on Van Nuys Boulevard, including the library. Funds from Great Streets may be used to ensure the pathway is fully funded and connections to the pathway within the neighborhood are safe. If not all of the funds are needed, Council District 7 intends to pursue the business lending and façade improvement options posed by EWDD.

It is expected that the façade and loan programs will be able to conduct outreach, review applications and begin disbursing funds within 12 months of the program start. LADOT is submitting applications to Caltrans for

Highway Safety Improvement Program (HSIP) funds. The applications are due by the end of July and successful projects will be announced in October or November. EWDD and HCIDLA will assist LADOT in finalizing the CDBG application for funding. At that time we can better estimate the specific costs the CDBG would pay for and when the funds would be expended.

FISCAL IMPACT

There is no impact on the City's General Fund. Two million dollars in Community Development Block Grant (CDBG) funds was previously approved in the 41st Program Year Consolidated Plan.

Prepared by:

Reviewed by:



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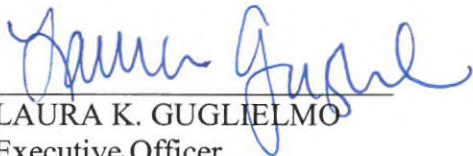


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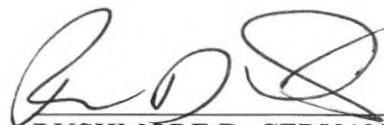
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cc: Honorable Eric Garcetti, Mayor
City of Los Angeles
c/o Mandy Morales, Legislative Coordinator