



I U.S. Department of Housing and Urban Development  
Office of Community Planning and Development  
Los Angeles Field Office, Region IX  
611 W. 6th Street, Suite 1000  
Los Angeles, CA 90017

FEB 05 2015

Rushmore Cervantes, General Manager  
Housing and Community Investment Department  
City of Los Angeles  
1200 W. 7<sup>th</sup> Street  
Los Angeles, CA 90017

Dear Mr. Cervantes:

Subject: Community Planning and Development Block Grant Program (CDBG)  
Regulatory Violation

This letter is to advise you that our office recently reviewed Los Angeles for compliance with Federal Regulation at 24 CFR 570.902 concerning the timeliness of the City's CDBG program. A grantee is considered to be in compliance if there is no more than 1.5 times the City's annual grant remaining in the Line of Credit Control System (LOCCS) 60 days prior to the end of its program year.

The City of Los Angeles did not meet HUD's timeliness standard for 2015 and is currently in violation of the regulatory requirement. The City is now on a one year probationary period during which it must submit a workout plan and quarterly reports that address the City's CDBG timeliness violation.

The City's workout plan should at a minimum include: identification of main causes of excess backlog, identification of activities to be modified or terminated, reprogramming available funds, planned actions, long range plans, milestone schedule, drawdown projection, progress reports, and the City's commitment to execute the workout plan. The workout plan should be submitted within thirty days of receipt of this letter. HUD will review the City's workout plan for approval.

These corrective actions are meant to resolve the underlying planning and administrative problems causing the City's timeliness issue. If the City of Los Angeles fails to meet the 1.5 standard again in 2016, HUD would reduce their grant by 100% of the amount in excess of 1.5 times the city's annual grant.

The latest Integrated Disbursement and Information System (IDIS) Timeliness Report indicated that City of Los Angeles has a 1.53 ratio. The city needs to draw down a minimum of \$1,332,376.00 in order to address the violation.

HUD staff is available to provide technical assistance to grantees, if needed. Should you have any further questions, please do not hesitate to call Jane Wilson or Michael Kovalsky, Senior CPD Representatives, at (213) 534-2718 and (213) 534-2566.

Sincerely,

A handwritten signature in black ink, appearing to read "William Vasquez". The signature is fluid and cursive, with a large, stylized initial "W" and "V".

William G. Vasquez, Director  
Office of Community Planning  
and Development

cc: Luz Santiago

IDIS - PR56

U.S. Department of Housing and Urban Development  
Office of Community Planning and Development  
Integrated Disbursement and Information System

DATE: 02-04-15  
TIME: 17:19  
PAGE: 1

Current CDBG Timeliness Report  
Grantee : LOS ANGELES, CA

PGM YEAR	PGM YEAR START DATE	TIMELINESS TEST DATE	CDBG GRANT AMT	--- LETTER OF CREDIT BALANCE ---		DRAW RATIO		MINIMUM DISBURSEMENT TO MEET TEST	
				UNADJUSTED	ADJUSTED FOR PI	UNADJ	ADJ	UNADJUSTED	ADJUSTED
2013	04-01-13	01-31-14	53,304,104.00	73,562,582.62	71,503,654.39	1.38	1.34		
2014	04-01-14	01-31-15	51,090,928.00	77,968,767.87	77,968,767.87	1.53	1.53	1,332,376	1,332,376





Strategic Planning & Policy Division  
1200 West 7th Street, 9th Floor, Los Angeles, CA 90017  
tel 213.928.9071 | fax 213.808.8999  
hcidla.factcity.org

Attachment B



Eric Garcetti, Mayor  
Ramonette D. Covantes, General Manager

March 6, 2015

William G. Vasquez, Director  
U.S. Department of Housing and Urban Development  
Office of Community Planning and Development  
Los Angeles Field Office, Region IX  
611 W. 6<sup>th</sup> Street, Suite 1000  
Los Angeles, CA 90017

Attention: Jane Wilson and Michael Kovalsky, Senior CPD Representatives

**RESPONSE TO FEBRUARY 5, 2015 CORRESPONDENCE REGARDING COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM TIMELINESS AND REQUESTED WORKOUT PLAN FOR THE CITY OF LOS ANGELES**

**SUMMARY**

The Los Angeles Housing + Community Investment Department (HCIDLA) received your February 5, 2015 correspondence regarding exceeding the regulatory requirement of having no more than 1.5 times the City's annual grant remaining in the line of credit 60 days prior to the end of the program year of March 31, 2015 (measured as of January 30, 2015).

The City has already begun to address the problems identified as well as make changes in City procedures for selecting projects, managing and monitoring projects, and replacing projects that are not progressing. To address issues leading to delays in CDBG expenditures, the City started with the Neighborhood Improvement Fund (NIF) Request for Proposals (RFP). The Mayor and Council approved the NIF RFP to fund neighborhood improvement projects, and the RFP incorporated elements to facilitate more successful project selection, expenditures, and completion rates.

Although the City exceeded the requirement by \$1,332,376 at a ratio of 1.53 of the current entitlement, we met the 1.5 ratio on February 19, 2015; and as of February 28, 2015, we are now down to a ratio of 1.49. Continuing the efforts to decrease the ratio, the City is working with its subrecipients, including City departments, to prepare the workout plan to ensure we meet the timeliness test in the future, and will take the proposed plan to the Mayor and City Council for approval. We will be submitting a detailed final workout plan after we receive approval from the Mayor and City Council.

Below is a summary of the major points of the workout plan for discussion with your office in advance of the plan being approved by Mayor and Council.

**BACKGROUND**

On August 14, 2014, HCIDLA staff met staff of the offices of the Mayor, Chief Legislative Analyst (CLA), and City Administrative Officer (CAO) to talk about the status of the current Program Year (PY) 40 Action Plan and begin preparations for development of the PY 41 Action Plan. At that time, the City had 2.12 times the City's annual grant in its line of credit. HCIDLA apprised staff in the other offices of concerns regarding the rate of spending on CDBG and the potential of not meeting the regulatory requirement as of January 30, 2015, if the City continued to spend at the same rate. The City had anticipated potential challenges to meeting the timeliness ratio given the reduction in services with the loss of the Community Based Development Organizations.

On September 18, 2014, HCIDLA sent out the balances to the City departments asking for the status of projects and CDBG funding and to identify funding that could be made available for other projects, a process frequently referred to as *reprogramming*. After reviewing the information submitted, HCIDLA set up meetings to meet with departments regarding information provided and potential funding available.

In October, HCIDLA, with the support of staff from the offices of the Mayor, CLA, and CAO, met with eight City departments and bureaus: Cultural Affairs, Disability, Economic and Workforce Development, Engineering, Housing + Community Investment, Recreation and Parks, Street Services, and Transportation. The status of projects was discussed, including impediments to ongoing projects, CDBG unspent savings available for reprogramming, additional funding needed to complete the project, and projects no longer needing funds. Additionally, HCIDLA briefed the other City staff on the US Housing and Urban Development (HUD) timeliness standard for CDBG. At the time of the October meetings, the City had an amount equal to 2.03 times this year's entitlement funding that was undisbursed. In meetings with other City departments and reviewing CDBG projects and expenditures, our preliminary review identified challenges and opportunities for improvement. We intend to do an in depth review of each project to inform our workout plan.

On April 1, 2014, the start of PY 40, there was approximately \$140.9 million in CDBG allocated to projects. As of January 31, 2015, there was \$77 million or 55 percent of the budget that was not yet encumbered (committed for a specific purpose) in a contract. An additional \$10.6 million (8 percent) was encumbered but not yet expended, and \$52.3 million (37 percent) had been expended and drawn down from HUD for reimbursement.

CDBG	Funds (in millions)	Percentage
Balance as of 4/1/2014	\$140.9	-
Unencumbered Funds (as of 1/31/15)	\$77.3	55%
Encumbered Funds (as of 1/31/15)	\$10.6	8%
Expenditures through 1/31/15	\$52.3	37%

The initial review identified the following impediments to projects:

- Additional funds needed to complete the project, delaying the start until sufficient funding was available
- Scope of work unclear for projects, requiring time after start of program year to develop scope and schedule for projects
- Environmental clearance not being completed in advance of allocating to a project
- Project completion slowed by contractors not identifying funding in advance for five-year maintenance and operating plan to meet national objectives

**PROCESS IMPROVEMENTS AND ACTIONS TAKEN OR IN PROCESS**

The City is working on a detailed workout plan and will submit the final plan after approval by the Mayor and City Council. The City's workout plan will include identification of main causes of excess backlog, identification of activities to be modified or terminated, reprogramming available funds, planned actions, long range plans, milestone schedule, drawdown projection, progress reports, and a commitment to execute the workout plan.

One of the City's initial efforts, the NIF RFP, required shovel ready projects that needed CDBG funding exclusively or as gap financing. The RFP set a time frame for construction, with project timelines requiring construction to be started within one year and completed within two years of notice of award. The RFP required support of the Councilmember who represented the district where the project was located to ensure Council support of projects and facilitate approval. The RFP essentially pulled many planning aspects that the City already was doing and brought them together to precede award of any funds. The RFP required detailed information including:

- Identification of eligibility and national objective proposed
- Project budget (sources and uses of funds)
- Construction timeline
- Documentation of other funding sources needed to complete the project, including loan commitment letters, grant award letters, etc.
- Status of NEPA and CEQA review and reports and a review as to whether attaining environmental clearance was feasible in the limited time frame
- Status of the General Information Notice , if there were project occupants
- An accessibility report for any project making improvements to a facility
- Two-years of certified audited financial statements to review the financial status of the organization
- Evidence of program sustainability after construction, requiring a five-year maintenance plan and, if services are to be offered, a five-year operations or service plan
- Identification of service area and how the project would meet the needs of the community
- Identification of whether the project was part of a larger community planning effort and outreach completed to determine community's commitment to the project
- Visibility and impact of the project on the community and how the project would improve the quality of life in the community or stimulate economic growth

Funds previously identified for the NIF can fund 11 of the 23 successful project proposals. As part of the workout plan, the City proposes to apply PY 41 funds to the remaining 12 projects. Using the existing list of successful proposals from the RFP will speed up the process for obligating and expending PY 41 funds. If successful in improving the approach to starting and completing projects, to address the City's timeliness issues the City may expand further to project selection on other neighborhood improvement and public facility projects, including possible expansion to economic development projects.

One of the goals of the NIF was to provide more technical assistance to applicants preparing CDBG proposals. This goal is also being used to address staff turnover and keep staff trained in CDBG. The City has begun and will provide more frequent training on CDBG project development and requirements, and as discussed at a prior quarterly meeting between HCIDLA and your staff, the City requested HUD's assistance in providing some training. HCIDLA held two training sessions for City departments, two training sessions for Council staff, one training session for HCIDLA executive management, and one training session for HCIDLA staff since August 2014. HCIDLA is drafting the schedule for development of the PY 42 Action Plan to have the application process start earlier in the year and provide more time for training, prepare projects and applications, and technical assistance to develop strong, feasible projects. The application period has been held in the fall and HCIDLA now plans for this in the summer. Additional training will become more detailed and frequent and will be provided to staff of all departments using CDBG, as well as to Council staff.

To address the challenges of staff vacancies within HCIDLA and replacing staff lost through attrition, HCIDLA has been working with CAO and CLA staff to develop a schedule to fill staff vacancies and was recently given authority and clearance from the City's Managed Hiring Committee to develop a hiring plan and fill vacant positions. New staff hired or transferred through these efforts will also receive training in CDBG. The hiring

plan will include a review of staffing levels for monitoring and program oversight of neighborhood improvement projects.

As mentioned earlier, staff began the process of reviewing CDBG balances in the fall and efforts have continued, including discussions with Council staff about projects where eligibility has been unable to be determined or the scope or work is unclear. Examples of reprogramming occurring recently or in process include:

- Request to reprogram over \$690,000 to the Homeownership Purchase Assistance Loan Program from the Comprehensive Rehabilitation project is planned for introduction and approval to Council on March 18, 2015. Council and Mayor approval would follow. The Homeownership Purchase Assistance Loan Program uses other funds including CalHome, HOME, and mortgage credit certificates on this program as well and through it HCIDLA provides purchase assistance loans, and/or mortgage credit certificates, combined with first-lien mortgages from participating lenders, to low and moderate income first-time homebuyers to assist in the purchase of a home. In the last six months, staff has averaged six loans per month at \$60,000 for each loan, so the average projection is for \$360,000 per month for the CDBG and HOME funds.
- Recommendation going to Council for approval to reprogram \$5.86 million from prior year projects to use for PY 41 projects.
- Council and Mayor approved reprogramming of over \$90,000 from PY 36 Laurel Canyon and Fox Pocket Park, which no longer needed funds to complete the project, to the Bradley Plaza development.
- Council and Mayor approved reprogramming of over \$725,000 from PY 39 Slauson Corridor Renovation to a sidewalk reconstruction program in Council District 8.

Overall, handling of CDBG requires more and improved communication among City staff about CDBG projects. Although HCIDLA has the role as administrator of the grant, the department does not have authority over any of the other City departments that receive CDBG funds. To address this, HCIDLA proposes elevating some of the discussions and reports to the Council to ensure enhanced oversight and accountability of CDBG.

#### Proposed Schedule for PY 41:

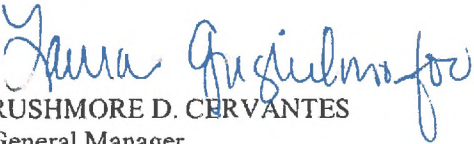
Date	Action
March 2015	<p><b>Meetings with subrecipients:</b></p> <ul style="list-style-type: none"> <li>· Review status of prior year projects. Discuss projects to be funded in PY 41.</li> <li>· Include fiscal, program, planning, and contract management staff to discuss projects, as well as staff from other departments to have full discussion of projects by department, for example, Bureau of Engineering will attend meetings about projects managed by the Departments of Cultural Affairs and Transportation, since Engineering is also involved in the project management.</li> <li>· Request updated backup strategies for projects in the event they do not move or additional funds do not materialize.</li> </ul>
March-April 2015	<ul style="list-style-type: none"> <li>· Perform risk assessment of projects to determine those needing closer monitoring, starting with those identified in 2015 Remote Monitoring Report.</li> <li>· Identify severity of risk of project not being completed in PY 41.</li> </ul>
May 2015	<p><b>Meetings with subrecipients:</b></p> <ul style="list-style-type: none"> <li>· Review progress on work plan. Identify continuing project impediments.</li> <li>· Include fiscal, program, planning, and contract management staff to discuss projects, as well as staff from other departments to have a full discussion of projects by department.</li> <li>· Review Schedule of Performance and whether project is on track to start within one year. For projects not scheduled to start within one year, funds will be reprogrammable. Review backup strategies prepared by subrecipients.</li> </ul>



Date	Action
June 2015	<ul style="list-style-type: none"> <li>· Review of PY 41 expenditures with City Departments, CLA, CAO, and Mayor's office.</li> <li>· Review of progress of projects against workout plans, with highest level of attention on projects identified as the greatest risk.</li> <li>· Reprogram funds from projects that are not moving. Review if moving funding to some projects would accelerate their completion during the year.</li> </ul>
July 2015	<ul style="list-style-type: none"> <li>· Review CDBG expenditures and status of projects at City Council committee meeting,</li> </ul>
August 2015	<p><b>Meetings with subrecipients:</b></p> <ul style="list-style-type: none"> <li>· Review progress on work plan. Identify continuing project impediments.</li> <li>· Include fiscal, program, planning, and contract management staff to discuss projects, as well as staff from other departments to have full discussion of projects by department.</li> <li>· Review Schedule of Performance and how project progress compares to schedule. Review if backup strategies prepared by subrecipients should be implemented for stalled projects.</li> </ul>
October 2015	<ul style="list-style-type: none"> <li>· Review CDBG expenditures and status of projects at City Council committee meeting,</li> </ul>
November 2015	<p><b>Meetings with subrecipients:</b></p> <ul style="list-style-type: none"> <li>· Review progress on work plan. Identify continuing project impediments.</li> <li>· Include fiscal, program, planning, and contract management staff to discuss projects, as well as staff from other departments to have full discussion of projects by department.</li> <li>· Review Schedule of Performance and how project progress compares to schedule. Review if backup strategies prepared by subrecipients should be implemented for stalled projects.</li> </ul>

Although we are proud of the progress made to date to drop below the 1.5 timeliness ratio, the Department appreciates your willingness to meet with staff and provide feedback. After Mayor and Council approve the workout plan and we submit it to HUD, we recommend adding this topic as a standing item on our quarterly meetings with your staff. If you have any questions, please contact Luz Santiago at [luz.santiago@lacity.org](mailto:luz.santiago@lacity.org) or 213-808-8899. Ms. Santiago will be contacting your staff to schedule a meeting to discuss the workout plan and obtain your feedback.

Sincerely,



RUSHMORE D. CERVANTES  
General Manager

RDC:LKG:LS:ECG:JO

cc: Jacqueline Diaz Rodriguez, Mayor's Office  
Jan Perry, Economic and Workforce Development Department  
Jenny Scanlin, Economic and Workforce Development Department  
Luz Santiago, Los Angeles Housing + Community Investment Department  
Miguel Santana, City Administrative Officer  
Sharon Tso, Chief Legislative Analyst



Council File Management System

**Council File: 01-2765-S2**



**Title**  
COMMUNITY DEVELOPMENT BLOCK GRANT EXPENDITURE POLICY AND GUIDELINES

**Subject**  
Transmittal from Chief Legislative Analyst relative to Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.

**Date Received / Introduced**  
05/09/2002

**Last Change Date**  
12/28/2006

**Initiated by**  
Chief Legislative Analyst

**File History**  
 5-9-02 - For ref  
 5-16-02 - Ref to Housing and Community Development and Economic Development and Employment Committees  
 5-16-02 - File to Housing and Community Development Committee Clerk  
 6-28-02 - For ref - Transmittal from Chief Legislative Analyst relative to REVISED Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.  
 7-2-02 - Ref to Housing and Community Development and Economic Development and Employment Committees - to Housing and Community Development Committee Clerk  
 8-2-02 - File to Economic Development and Employment Committee Clerk  
 7-24-03 - For ref - Transmittal from Chief Legislative Analyst relative to REVISED Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.  
 7-24-03 - Ref to Housing and Community Development and Economic Development and Employment Committees - to Housing and Community Development Committee Clerk  
 9-12-03 - Housing, Community and Economic Development Committee report ADOPTED to:  
 1. APPROVE the accompanying Revised CDBG Expenditure Policy and Guidelines (attached to the Chief Legislative Analyst (CLA) transmittal dated July 21, 2003).  
 2. INSTRUCT the Community Development Department (CDD), with the assistance of the Mayor's

**Online Documents (Doc)**

No Online Documents were found.

**Council Vote Information**

Meeting Date:	09/12/2003	
Meeting Type:	Regular	
Vote Type:	Roll Call	
Vote Given:	(11 - 0 - 4)	
<b>Member Name</b>	<b>CD</b>	<b>Vote</b>
TONY CARDENAS	6	YES
ERIC GARCETTI	13	YES
WENDY GREUEL	2	ABSENT
JANICE HAHN	15	ABSENT
TOM LABONGE	4	YES
MARTIN LUDLOW	10	ABSENT
CINDY MISCIKOWSKI	11	YES
ALEX PADILLA	7	YES
BERNARD C PARKS	8	YES
JAN PERRY	9	YES
ED REYES	1	YES
GREIG SMITH	12	YES
ANTONIO VILLARAIGOSA	14	YES
JACK WEISS	5	ABSENT
	-	-

File No. 01-2765-S2

TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

reports as follows:

Public Comments Yes No  
XX —

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to the Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.

Recommendations for Council action:

1. APPROVE the accompanying Revised CDBG Expenditure Policy and Guidelines (attached to the Chief Legislative Analyst (CLA) transmittal dated July 21, 2003).
2. INSTRUCT the Community Development Department (CDD), with the assistance of the Mayor's Office and the City Administrative Officer (CAO), to develop a uniform CDBG reporting document for all City departments, agencies, and offices receiving CDBG funds that would facilitate monitoring, reporting, and enforcement.
3. INSTRUCT the CDD, with the assistance of the Recreation and Parks Departments, the General Services Department, the Public Works Department, the City Attorney, and other departments as necessary, to report to the Housing, Community and Economic Development Committee with a tracking mechanism for capital, industrial, commercial, and parks projects that include project expenditure schedules, contract obligations, land use restrictions, and regulations.
4. INSTRUCT the CDD to submit a list of all projects in which 50 percent or more of its (project's) budget is comprised of CDBG funds, and to identify how many years each program has been majority funded by the CDBG.
5. REQUEST the Mayor's Office and the CDD to report to the Housing, Community and Economic Development Committee relative to identifying alternative funding sources (i.e. Urban Development Action Grant) that may be used to fund the priority list and specifically, the LA's Best Program.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Summary:

In its transmittal dated July 21, 2003, the CLA reports that on February 5, 2002, as part of the 2002-03 Consolidated Plan (Council file No. 01-2765), Council instructed the CLA to establish a working group to review and report on the Mayor's proposed CDBG Expenditure Policy and Guidelines. Subsequently, the CLA conducted several meetings with the Mayor's Office and the CAO in regards to the proposed policies and procedures.

The CLA further reports that the intent of the policy is to clarify and delineate how CDBG funds will be allocated within the annual plan process and how savings will be reprogrammed in a regular program year. As proposed, a mid-year reprogramming will be initiated in July-September and additional reprogrammings may be conducted as necessary by the Mayor and Council. The policy also provides a "Readiness Standard" by which all projects will be reviewed before CDBG funds are allocated. Funds will be allocated according to Council and Mayor priorities, project readiness, and availability of funds for a specific program year.

Additionally, the funding commitment for housing projects awarded through the Housing Department's Notice for Funding Availability (NOFA) will be provided for a 24-month period after Council has awarded the Request for Proposals.

The CLA notes that recommendations made in previous Committee meetings included: (1) developing a uniform CDBG reporting document, that would facilitate monitoring, reporting, and enforcement; (2) identifying alternate funding sources (other than CDBG) to fund priorities; (3) creating a tracking mechanism for capital, industrial, commercial, and parks projects that include: project expenditure schedules, contract obligations, land use restrictions, and regulations (e.g. Environmental Impact Reports...); (4) requesting a report with a list of projects that receive 50% or more of their budget from the CDBG; and, (5) prioritizing Council Motions for funding.

The CLA further notes that, as part of the 2003-04 Consolidated Plan approval, the following recommendations relative to the use of reprogrammed CDBG funds were approved by Council: (1) instruct all departments that receive CDBG funds to refrain from spending CDBG savings incurred through midyear reprogramming in September/October 2003 to ensure that there are sufficient funds in the repayment line item at mid-year to fund remaining projects; (2) request the Mayor's Office and Chairs of the Housing and Community Development and Economic Development and Employment Committees to prepare a letter to departments receiving CDBG funds to refrain from expending CDBG savings that may incur; (3) instruct the interim General Manager, CDD, General Managers, LAHD and other implementing departments, to identify and report any CDBG savings for use to complete other programs and activities that are not fully funded.

The CLA indicates that based on previous Council actions and discussions, the Mayor and Council 29<sup>th</sup> Year (2003-04) CDBG Funding Priorities may include the following: (1) projects currently funded in the Consolidated Plan that need funds to be completed (e.g., Hollywood Homeless Shelter, PACE, and the AIDS Program and staffing); (2) Business Assistance Centers program reimbursement (\$30,000); (3) Council Motion requests; and, (4) other requests, urgent transmittals, and correspondence.

The CLA further indicates that relative to the repayment of borrowed funds, the CDBG Expenditure Policy and Guidelines includes a deadline for those projects to request funds or balance of funds. Out of the total 21 projects/line items in which funds were borrowed in the 2001-02 Midyear Reprogramming, 14 projects have been repaid, 3 projects no longer request repayment, and 4 are at various stages of development and are in the process of review. In that the CDBG funds for these projects were originally allocated before the funds were borrowed, the CLA recommends that the obligation to repay these funds should sunset with the 2003-04 Midyear Reprogramming process (August/September).

At its regular meeting held August 13, 2003, the Housing, Community and Economic Development Committee discussed this matter with City staff and recommended that Council approve the recommendations of the CLA, substantially as submitted in its report dated July 21, 2003, and as amended to exclude all sunset provisions relative to existing repayment obligations. This matter is now submitted to Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

*E. G. W.*  
*M. S.*  
*Bob Reyes*  
*Alex Padilla*  
*Bernard C. Parker*

<u>MEMBER</u>	<u>VOTE</u>
GARCETTI	YES
LUDLOW	YES
REYES	YES
PADILLA	YES
PARKS	YES

AA  
08/15/03  
#012765.2b

*REPT.*  
**ADOPTED**  
SEP 12 2003  
**LOS ANGELES CITY COUNCIL**

RECEIVED  
CITY CLERK'S OFFICE

2003 JUL 24 AM 11:22

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

CITY CLERK

BY \_\_\_\_\_  
DEPUTY

July 21, 2003

*vm*

**TO:** Honorable Members of the Housing and Community Development and Economic Development and Employment Committees

**FROM:** Ronald F. Deaton *RFD*  
Chief Legislative Analyst

**(REVISED)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
EXPENDITURE POLICY AND GUIDELINES**

**SUMMARY:**

On July 1, 2002 the Housing and Community Development (HCD) Committee continued to review a report from this office (June 24, 2002) relative to the proposed CDBG Expenditure Policy and Guidelines (CF: 01-2765). The Committee members made additional recommendations and requested this office to incorporate the Joint Committee's revisions and recommendations into the policy.

Recommendations made in previous Committee meetings included the following: (1) develop a uniform CDBG reporting document, that would facilitate monitoring, reporting and enforcement; (2) identify other sources of funds other than CDBG to fund priorities; (3) create a tracking mechanism for capital, industrial, commercial and parks projects that includes: project expenditure schedules, contract obligations, land use restrictions and regulations (e.g. EIRs, CEQA); and (4) request a report with a list of projects that receive 50% or more of their budget from CDBG; (5) prioritize Council Motions for funding.

Additionally, as part of the 2003-04 Consolidated Plan (February 7, 2003) approval, the various actions and considerations related to the use of reprogrammed CDBG funds were approved by Council as follows:

1. INSTRUCT all departments that receive CDBG funds to refrain from spending CDBG savings incurred through midyear reprogramming in September/October 2003 to ensure that there are sufficient funds in the repayment line item at mid-year to fund remaining projects (Individual transmittals from departments or Motions allocating CDBG savings will be continued in HCD and EDE Committees until midyear reprogramming).
2. REQUEST the Mayor's Office and Chairs of the HCD and EDE Committees to prepare a letter to departments receiving CDBG funds to refrain from expending CDBG savings that may incur.

**HOUSING & COMMUNITY  
DEVELOPMENT**

**ECONOMIC DEVELOPMENT  
& EMPLOYMENT**

JUL 24 2003

3. INSTRUCT the interim General Manager, CDD, General Managers, LAHD and other implementing departments, to identify and report any CDBG savings for use to complete other programs and activities that are not fully funded (e.g., Hollywood Homeless Shelter, PACE and the AIDS Program and staffing).

Based on previous Council actions and discussions, the Mayor and Council 29<sup>th</sup> Year (2003-04) CDBG Funding Priorities may include the following:

1. Projects currently funded in the Plan that need funds to be completed (e.g., Hollywood Homeless Shelter, PACE and the AIDS Program and staffing).
2. Business Assistance Centers program reimbursement (\$30,000)
3. Council Motion requests
4. Other requests: urgent transmittals and correspondence.

Relative to the repayment of borrowed funds, the attached policy includes a deadline for those projects to request funds or balance of funds. Out of the total 21 projects/line items in which funds were borrowed in 2001- 02 Midyear Reprogramming, 14 projects have been repaid, 3 projects no longer request repayment, and 4 are at various stages of development and are in the process of review. In that the CDBG funds for these projects were originally allocated before the funds were borrowed, we recommend that the obligation to repay these funds should sunset with the 2003-04 Midyear Reprogramming process (August/September).

Additionally, we have revised the policy to reflect the new Council Committee structure.

**BACKGROUND:**

On February 5, 2002, as part of the 2002-03 Consolidated Plan approval (CF: 01-2765), the City Council instructed the Chief Legislative Analyst (CLA) to establish a working group to review and report on the Mayor's proposed CDBG Expenditure Policy and Guidelines. The CLA conducted several meetings with the Mayor's Office and the City Administrative Office (CAO) to discuss policies and procedures.

The intent of the policy is to clarify and delineate how CDBG funds will be allocated within the annual plan process and how savings will be reprogrammed in a regular program year. As proposed, a mid-year reprogramming will be initiated in July-September, additional reprogrammings may be conducted as deemed necessary by the Mayor and Council. The policy also provides a "Readiness Standard" by which all projects will be reviewed before CDBG funds are allocated. Funds will be allocated according to Council and Mayor priorities, project readiness and availability of funds for a specific program year.

Additionally, the funding commitment for housing projects awarded through the Housing Department's Notice for Funding Availability (NOFA) will be provided for a 24- month period after Council has awarded the RFP.



**RECOMMENDATIONS:**

That the City Council:

1. Approve the Revised Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.
2. Instruct CDD, with assistance of the Mayor's Office and CAO to develop a uniform CDBG reporting document, that would facilitate monitoring, reporting and enforcement.
3. Instruct CDD , with the assistance of Recreation and Parks, General Services, Public Works, City Attorney and other departments as necessary, to report to the HCED Committee with a tracking mechanism for capital, industrial, commercial and parks projects that includes project expenditure schedules; contract obligations and land use restrictions and regulations (i.e. EIRs, CEQA)
4. Instruct CDD to provide to HCED Committees a list of CDBG funded projects whose budgets are 50% or more funded with CDBG, and how many years each program has been majority funded by CDBG.
5. Request the Mayor's Office and CDD to report to HCED Committees relative to other sources of funds (i.e. UDAG) that may be used to fund the priority list and specifically the LA's Best Program.
6. Instruct the General Manager, CDD to develop a unified reporting document for all City departments, agencies and offices who receive CDBG funds.
7. Request CDD to inform projects on the 2001-02 Repayment Obligation list that the obligation to repay the funds will sunset with the 2003-04 Midyear Reprogramming process (August/September). Funds must be requested and meet readiness standard.

  
Ivania Sobalvarro  
Legislative Analyst

Attachment:

1. Revised CDBG Policy Guidelines

is:reprogrammingpol(072103)HCDEDE

**PROPOSED****COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
EXPENDITURE POLICY AND GUIDELINES****Part I - CDBG General Program****A. General**

1. All project program and administrative unencumbered funds (with the exception of admin funds identified as part of City Budget (Schedule 8) and Los Angeles Housing Development- Notice Of Funding Availability (NOFA)) allocated to City Departments must be expended within one program year (April 1 through March 31), or funds are subject to reprogramming.
2. Capital projects will be funded incrementally. Funding will be provided for the portion of the project that may reasonably be expended within one program year.
3. The City will undergo a mid-year reprogramming process every year. All projects will be reviewed, subject to the policies and guidelines contained herein.
4. Request the Council President to refer all Council Motions or reprogramming requests to the Housing Community and Economic Development Committee (HCED). Continue these motions in HCED until a reprogramming is conducted. Additional reprogramming may be conducted as deemed necessary by Mayor and Council.
5. Each department receiving CDBG funds must submit monthly invoices to the Community Development Department (CDD) to enable CDD to draw down on the City's CDBG line of credit and reimburse the General Fund in a timely manner.
6. Each department allocated CDBG funds must submit an environmental checklist and Project Expenditure Plan (PEP) for the year to CDD for each project funded. These documents are to be submitted no later than March 15th for projects funded through the annual Consolidated Plan, and during the application process for reprogramming.
7. CDD shall provide monthly reports to the Mayor, President of the City Council, Chair of HCED Committee, City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) on all CDBG expenditure information which will include the following information for each program and administrative function: original and current allocation, expenditure, encumbrance (i.e. signed contracts), and unspent and unencumbered balances, including notations on disposition of these balances (i.e., declare savings and reasons for unspent funds).

**B. Readiness Process**

1. All projects proposed for funding during the annual Consolidated Plan process or during a Reprogramming process must meet a "readiness" standard that includes a CDD determination that the project is CDBG-eligible and able to fulfill all environmental requirements.

2. The operating department in charge of project administration will provide to the Mayor and CDD a written funding application that includes: lead agency, project budget and identification of all funding sources, a breakdown of requested funds by account, project schedule, and confirmation that the CDBG funds will be expended within the authorized period of project completion.
3. CDD will review submitted material, research project status and make a readiness determination for each project/application, and submit its findings to the Mayor's Office, CLA, and CAO.
4. For projects approved in the annual Consolidated Plan process, funds can be expended prior to the end of the Consolidated Plan year in which the funds are provided (April-March), or within the period specified by the Mayor and City Council during the approval process; notwithstanding the projects close out phase.
5. For projects approved during a reprogramming process, funds must be spent during the specified time period.
6. Borrowing of CDBG funds will not be allowed unless deemed necessary to meet federal timeliness requirements, or other instances deemed appropriate by the Mayor and Council.

**C. Reprogramming Process:**

1. City Departments and agencies should refrain from spending or programming their CDBG savings. All savings identified will be appropriated during reprogramming or as directed by the Council and Mayor.
2. The City will undergo a mid-year reprogramming process every program year in which all projects will be reviewed, subject to the policies and guidelines contained herein.
3. The CLA will monitor and maintain a log of Council Motions involving CDBG allocations and it will be made available to Committee and Council during the reprogramming process.
4. The CDD will submit to the Mayor's Office, President of the City Council, CAO, CLA, and Chair of HCED CDBG expenditure report(s) 45 days prior to each reprogramming, which will include the following information for each program: original allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.
5. Prior to each reprogramming, funding priorities will be established by the Mayor and Council, and reviewed by the CAO and CLA. A determination will be made subject to need, readiness, and availability of funds for each item.
6. Based on Mayor and Council adopted funding priorities for the consolidated plan year, and a "readiness" determination, as delineated below, the Mayor's Office will submit funding recommendations to the Council.

**D. Urgent Need**

1. Should a department or agency identify an urgent need that involves reprogramming or a change in scope, outside a regularly scheduled reprogramming process, a transmittal should be prepared and sent to the HCED Committee. The CAO at the direction of the Mayor and Council, will evaluate the request and make recommendations to the Committee. Urgent need would be considered for reallocation within the same project only and on the basis of public health and safety, disruption of critical services, compromised financial feasibility, and in relation to other standing priorities.

**E. Repayment of funds**

1. Projects from which funds were borrowed in previous reprogrammings for HUD timeliness purposes, are not interchangeable with other projects or subject to reprogramming, (Attachment 1). A change of scope for the same project may be considered subject to: (1) availability of funds; (2) a readiness determination; (3) Council priorities; and (4) meeting an expenditure deadline.
2. Funds borrowed from projects during the reprogramming process must show readiness within 24 months. Projects from which funds were borrowed (Attachment 1), that have not requested their funds by 2002-03 midyear reprogramming must re-apply for funds within the normal block grant process.
3. All requests for reimbursement of borrowed reprogrammed funds must be submitted to the Mayor's Office demonstrating "project readiness". CDD will review submitted material, research of project status and make a readiness determination for each project/application and submit to results to the Mayor's Office, CLA, CAO and Chair of HCED.

**Part II : Los Angeles Housing Department (LAHD)**

- A. Funding commitments for housing projects awarded through LAHD's NOFA would only be provided for a 24-month period after Council has awarded the RFP.
- B. LAHD shall provide monthly reports to the Mayor, President of the City Council, Chair of HCED Committee, CAO and CLA on all CDBG, HOME, HOPWA expenditure information which will include for each program and administrative function : original allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.

**Attachments:**

1. CDBG Repayment Obligations - List of Borrowed Projects

is:reprogrampol(072103)hcdede

## CDBG REPAYMENT OBLIGATION

Project	Amount	Comments	C.F. No.
<b>E. 60th Street</b>	<b>\$ 300,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<i>Block Grant Investment Fund - Adams/La Brea</i>	<i>2,120,000</i>	<i>Funds borrowed in 2001-02 Mid-Year Reprogramming</i>	<i>01-0012</i>
<b>Block Grant Investment Fund</b>	<b>580,000</b>	<b>Funds borrowed in 2001-02 Consolidated Plan</b>	<b>99-2469-S1</b>
<b>Block Grant Investment Fund</b>	<b>22,387</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<i>Business Improvements District</i>	<i>120,000</i>	<i>Funds were borrowed to balance the 2001-02 Consolidated Plan budget because of a reduction in the City's entitlement.</i>	<i>99-2469-S1</i>
<b>Brownfields Development Opportunities</b>	<b>300,000</b>	<b>Funds borrowed in 2001-02 Consolidated Plan</b>	<b>99-2469-S1</b>
<b>Brownfields Development Opportunities</b>	<b>300,000</b>	<b>A total of \$800,000 was borrowed in the 2001-02 Mid-Year Reprogramming, of which \$500,000 was repaid in the 28PY Consolidated Plan.</b>	<b>01-0012 and 01-2765</b>
<b>Centre Street Mixed Use</b>	<b>1,310,556</b>	<b>Funds borrowed in 2000-01 Mid-Year Reprogramming</b>	<b>99-2469-S1</b>
<b>Cornfields</b>	<b>600,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>Delano Recreation Center</b>	<b>250,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<i>EDA Matching</i>	<i>500,000</i>	<i>Funds borrowed in 2001-02 Mid-Year Reprogramming</i>	<i>01-0012</i>
<b>Imperial Courts</b>	<b>280,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>Lennar</b>	<b>1,575,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>MG Academy</b>	<b>301,500</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>Sears</b>	<b>4,035,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>South Central Family Clinic</b>	<b>100,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>Temple Beverly</b>	<b>2,032,078</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>TNI</b>	<b>2,823,113</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming \$7,932,475 - A repayment of \$3,420,000 has been approved (CF:01-2765-s10)</b>	<b>01-0012</b>
<b>Commerce Avenue</b>	<b>80,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>LAHSA (St. John's Well Center)</b>	<b>385,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>WLCAC Gym</b>	<b>105,000</b>	<b>Funds borrowed in 2001-02 Mid-Year Reprogramming</b>	<b>01-0012</b>
<b>Total</b>	<b>\$ 18,119,634</b>		

Projects in **BOLD** have been repaid

Projects in *Italics* no longer need to be repaid

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2002 JUN 28 AM 7:03

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

June 27, 2002

CITY CLERK

BY \_\_\_\_\_  
DEPUTY

**TO:** Honorable Members of the Housing and Community Development and Economic Development and Employment Committees

**FROM:** Ronald F. Deaton *RFD*  
Chief Legislative Analyst

**(REVISED)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
EXPENDITURE POLICY AND GUIDELINES**

**SUMMARY:**

*g*  
On May 8, 2002 the Housing and Community Development (HCD) Committee reviewed a report from this office (May 7, 2002) relative to the proposed CDBG Expenditure Policy and Guidelines. The Committee members requested the CLA to incorporate the HCD and Economic Development and Employment (EDE) Committee and Committee Chairs in information gathering and review process functions as well as instructed this office to monitor Council motions related to reprogramming.

Additional recommendations made by the Committee are included as follows: (1) develop a uniform CDBG reporting document, that would facilitate monitoring, reporting and enforcement; (2) identify other sources of funds other than CDBG to fund 28<sup>th</sup> year priority list (e.g. UDAG for LA's Best); (3) create a tracking mechanism for capital, industrial, commercial and parks projects that includes: project expenditure schedules, contract obligations, land use restrictions and regulations (e.g. EIRs, CEQA); and (4) request a report with a list of projects that receive 50% or more of their budget from CDBG.

The Revised Policy also includes the Community Development Department's (CDD) recommended changes. The Los Angeles Housing Department (LAHD) had no revisions.

**BACKGROUND:**

On February 5, 2002, as part of the 2002-03 Consolidated Plan approval (CF: 01-2765), the City Council instructed the Chief Legislative Analyst (CLA) to establish a working group to review and report on the Mayor's proposed CDBG Expenditure Policy and Guidelines. The CLA conducted several meetings with the Mayor's Office and the City Administrative Office (CAO) to discuss policies and procedures.

The intent of the policy is to clarify and delineate how CDBG funds will be allocated within the annual plan process and how savings will be reprogrammed in a regular program year. As proposed, a mid-year reprogramming will be initiated in September, additional

**HOUSING & COMMUNITY  
DEVELOPMENT  
ECONOMIC DEVELOPMENT  
& EMPLOYMENT**

JUL 02 2002

reprogrammings may be conducted as deemed necessary by the Mayor and Council. The policy also provides a "Readiness Standard" by which all projects will be subjected to before CDBG funds are allocated. Funds will be allocated according to Council and Mayor priorities, project readiness and availability of funds for a specific program year.

Mayor and Council 28<sup>th</sup> Year CDBG Funding Priorities in priority order:

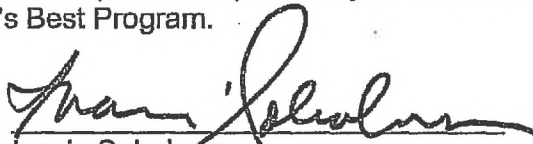
1. Repayment of previously borrowed CDBG funds to meet HUD timeliness requirements (e.g. TNI Phase I) - attached list of projects
2. LA's Best
3. Housing Trust Fund
4. Targeted Neighborhood Initiative Phase II - Year II
5. Other projects - Council Motions, transmittals, correspondence, change of scope for projects on borrowed list.

Additionally, the funding commitment for housing projects awarded through the Housing Department's Notice for Funding Availability (NOFA) will be provided for a 24-month period after Council has awarded the RFP.

#### RECOMMENDATIONS:

That the City Council:

1. Approve the Revised Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.
2. Instruct CDD, with assistance of the Mayor's Office and CAO to develop a uniform CDBG reporting document, that would facilitate monitoring, reporting and enforcement.
3. Instruct CDD, with the assistance of Recreation and Parks, General Services, Public Works, City Attorney and other departments as necessary, to report to the HCD and EDE Committees with a tracking mechanism for capital, industrial, commercial and parks projects that includes project expenditure schedules; contract obligations and land use restrictions and regulations (i.e. EIRs, CEQA)
4. Instruct CDD to provide to HCD and EDE Committees a list of CDBG funded projects whose budget are 50% or more funded with CDBG, and how many years each program has been majority funded by CDBG.
5. Request the Mayor's Office and CDD to report to HCD and EDE Committees relative to other sources of funds (i.e. UDAG) that may be used to fund the priority list and specifically the LA's Best Program.

  
Ivania Sobalvarro  
Legislative Analyst

Attachment:

1. Revised CDBG Policy Guidelines

Includes recommended changes from HCD Comte on May, 8, 2002 and CDD.

**PROPOSED**

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
EXPENDITURE POLICY AND GUIDELINES**

**Part I - CDBG General Program**

**A. General**

1. All project program and administrative funds (with the exception of Los Angeles Housing Development- Notice Of Funding Availability (NOFA)) allocated to City Departments must be expended within one program year (April 1 through March 31), or funds are subject to reprogramming.
2. Funding for capital projects would only be provided for the portion of the project that may reasonably be expended in one program year.
3. The City will undergo a mid-year reprogramming process in September of every year in which all projects will be reviewed, subject to the policies and guidelines contained herein.
4. All Council Motions or reprogramming requests will be referred to the Housing and Community Development (HCD) and Economic Development and Employment (EDE) Committees and continued in ~~Committee~~ until a reprogramming is conducted. Additional reprogramming may be conducted as deemed necessary by Mayor and Council.
5. Each department receiving CDBG funds must submit monthly invoices to the Community Development Department (CDD) to enable CDD to reimburse the General Fund and draw down on the City's CDBG line of credit.
6. Each department allocated CDBG funds must submit an environmental checklist and project expenditure plan for the year to CDD for each project funded. These documents are to be submitted no later than March 15th for projects funded through the annual Consolidated Plan, and during the application process for reprogramming.
7. CDD shall provide monthly reports to the Mayor, **Chairs of HCD and EDE Committees**, City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) on all CDBG expenditure information which will include the following information for each program and administrative function: original and current allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.



**B. Readiness Standard**

All projects proposed for funding during the annual Consolidated Plan process or Reprogramming must meet a "readiness" standard that includes the following:

1. A CDD determination that the project is CDBG-eligible and able to fulfill all environmental requirements.
2. The operating department in charge of project administration will provide to the Mayor and CDD along with written funding application, the following documentation: lead agency, project budget and identification of all funding sources, project schedule, and confirmation that the CDBG funds will be expended within the authorized period of project completion.
3. **CDD will review submitted material, research of project status and make a readiness determination for each project/application and submit to results to the Mayor's Office, CLA and CAO.**
4. For projects approved in the annual Consolidated Plan process, funds can be expended prior to the end of the Consolidated Plan year in which the funds are provided (April-March), or within the period specified by the Mayor and City Council during the approval process;
5. For projects approved during a reprogramming process, funds must be spent during the specified time period.
6. Borrowing of CDBG funds will not be allowed unless deemed necessary to meet federal timeliness matters.

**3. Reprogramming Process:**

1. The City will undergo a mid-year reprogramming process in September of every program year **in which all projects will be reviewed**, subject to the policies and guidelines contained herein.
2. All Council Motions or reprogramming requests will be referred to the HCD and EDE Committees and continued in Committee until a reprogramming is conducted. Additional reprogramming may be conducted as deemed necessary by Mayor and Council.
3. **The CLA will monitor and maintain a log of Council Motions and will be made available during the reprogramming process.**
4. The CDD will submit to the Mayor's Office, CAO, and CLA, CDBG expenditure report(s) 45 days prior to each reprogramming, which will include the following information for each program: original allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.

5. Prior to each reprogramming, funding priorities will be established by the Mayor and Council, and reviewed by the CAO and CLA. A determination will be made subject to need, readiness, and availability of funds for each item.
6. Based on Mayor and Council adopted funding priorities for the **consolidated plan year, and a "readiness" determination**, as delineated below, the Mayor's Office will submit recommendations to Council. The CAO and CLA will review recommendations and report to Council.
7. Future funding priorities will be established by Mayor and Council (**Attachment 2 1**).

**3. Repayment of funds**

1. Projects from which funds were borrowed in previous reprogrammings for HUD timeliness purposes, are not interchangeable with other projects or subject to reprogramming, (**Attachment 2**). **A Change of scope for the same project may be considered subject to: (1) availability of funds; (2) a readiness determination; (3) Council priorities; and (4) meeting expenditure deadline of November 1, 2003.**
2. Funds borrowed from projects during the reprogramming process must show readiness within 24 months from November 1, 2001 in order to be repaid or funds will revert to block grant.
3. All requests for reimbursement of borrowed reprogrammed funds must be submitted to the Mayor's Office as a transmittal demonstrating "project readiness". **CDD will review submitted material, research of project status and make a readiness determination for each project/application and submit to results to the Mayor's Office, CLA, CAO and Chairs of HCD and EDE.**

**Part II : Los Angeles Housing Department (LAHD)**

- A. Funding commitments for housing projects awarded through LAHD's NOFA would only be provided for a 24-month period after Council has awarded the RFP.
- B. LAHD must submit monthly invoices to CDD to enable CDD to reimburse the General Fund and draw down on the City's CDBG line of credit.
- C. LAHD must submit a yearly expenditure plan to CDD for each project funded. These documents are to be submitted by March 15 for projects funded through the annual Consolidated Plan, and during the application process for reprogramming.
- D. LAHD shall provide monthly reports to the Mayor, **Chairs of HCD and EDE Committees**, CAO and CLA on all CDBG, HOME, HOPWA expenditure

information which will include for each program and administrative function :  
original allocation, expenditure, encumbrance (i.e. signed contracts), unspent  
and unencumbered balances.

**Attachments:**

1. Mayor and Council 28th Year CDBG Funding Priorities in priority order
2. CDBG Repayment Obligations - List of Borrowed Projects

is:reprgpolicy(0624)joint2

**Attachment 1**

**Mayor and Council 28<sup>th</sup> Year CDBG Funding Priorities in priority order:**

1. Repayment of previously borrowed CDBG funds to meet HUD timeliness requirements (e.g. TNI Phase I). - Attached list of projects
2. LA's Best
3. Housing Trust Fund
4. Targeted Neighborhood Initiative Phase II - Year II
5. Other projects, **Council Motions, transmittals, correspondence, change of scope for projects on borrowed list.**

GDBG REPAYMENT OBLIGATIONS*			
Project	Amount	Comments	C.F. No.
E. 60th Street	\$ 300,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
Block Grant Investment Fund - Adams/La Brea	2,120,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
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Brownfields Development Opportunities	300,000	A total of \$800,000 was borrowed in the 2001-02 Mid-Year Reprogramming, of which \$500,000 was repaid in the 28PY Consolidated Plan.	01-0012 and 01-2765
Centre Street Mixed Use	1,310,556	Funds borrowed in 2000-01 Mid-Year Reprogramming	99-2469-S 1
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EDA Matching	500,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
Imperial Courts	280,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
Lennar	1,575,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
MG Academy	301,500	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
Sears	4,035,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
South Central Family Clinic	100,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
Temple Beverly	2,032,078	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
TNI	7,932,475	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
WLCAC Gym	105,000	Funds borrowed in 2001-02 Mid-Year Reprogramming	01-0012
<b>Total</b>	<b>\$22,763,996</b>		

**J. MICHAEL CAREY**  
City Clerk

**FRANK T. MARTINEZ**  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

**CITY OF LOS ANGELES**  
CALIFORNIA



**JAMES K. HAHN**  
MAYOR

Office of the  
**CITY CLERK**  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1048  
General Information - (213) 978-1133  
Fax: (213) 978-1040

**HELEN GINSBURG**  
Chief, Council and Public Services Division

01-2765-S2

May 16, 2002

HOUSING & COMMUNITY DEVELOPMENT COMMITTEE  
ECONOMIC DEVELOPMENT & EMPLOYMENT COMMITTEE

In accordance with Council Rules, communication from the CLA relative to Community Development Block Grant Expenditure Policy and Guideline, was referred on May 16, 2002, to the HOUSING & COMMUNITY DEVELOPMENT COMMITTEE and ECONOMIC DEVELOPMENT & EMPLOYMENT COMMITTEE.

*J. Michael Carey*

City Clerk  
amm



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**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

2002 MAY -9 AM 6:52

CITY CLERK

BY \_\_\_\_\_ DEPUTY

May 7, 2002

*mm*

**TO:** Honorable Members of the Housing and Community Development and Economic Development and Employment Committees

**FROM:** Ronald F. Deaton *RFD*  
Chief Legislative Analyst

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
EXPENDITURE POLICY AND GUIDELINE**

**SUMMARY**

On February 5, 2002, as part of the 2002-03 Consolidated Plan approval (CF: 01-2765), the City Council instructed the Chief Legislative Analyst (CLA) to establish a working group to review and report on the Mayor's proposed CDBG Expenditure Policy and Guidelines. The CLA conducted several meetings with the Mayor's Office and the City Administrative Office (CAO) to discuss policies and procedures.

The intent of the policy is to clarify and delineate how CDBG funds will be allocated within the annual plan process and how savings will be reprogrammed in a regular program year. As proposed, a mid-year reprogramming will be initiated in September, additional reprogrammings may be conducted as deemed necessary by the Mayor and Council. The policy also provides a "Readiness Standard" by which all projects will be subjected to before CDBG funds are allocated. Funds will be allocated according to Council and Mayor priorities, project readiness and availability of funds for a specific program year.

Mayor and Council 28<sup>th</sup> Year CDBG Funding Priorities in priority order:

1. Repayment of previously borrowed CDBG funds to meet HUD timeliness requirements (e.g. TNI Phase I)
2. LA's Best
3. Housing Trust Fund
4. Targeted Neighborhood Initiative Phase II - Year II
5. Other projects

Additionally, the funding commitment for housing projects awarded through the Housing Department's Notice for Funding Availability (NOFA) will be provided for a 24-month period after Council has awarded the RFP.

**HOUSING & COMMUNITY  
DEVELOPMENT**

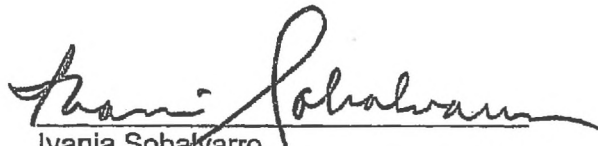
**ECONOMIC DEVELOPMENT  
& EMPLOYMENT**

MAY 16 2002

**RECOMMENDATION:**

That the City Council:

1. APPROVE the proposed Community Development Block Grant (CDBG) Expenditure Policy and Guidelines.

  
Ivania Sobalvarro  
Legislative Analyst

Attachment:

1. Community Development Block Grant (CDBG) Expenditure Policy and Guidelines



**PROPOSED**  
**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**  
**EXPENDITURE POLICY AND GUIDELINES**

**Part I - CDBG General Program**

**A. General**

1. All project program and administrative funds (with the exception of Los Angeles Housing Development- Notice Of Funding Availability (NOFA)) allocated to City Departments must be expended within one program year (April 1 through March 31), or funds are subject to reprogramming.
2. Funding for capital projects would only be provided for the portion of the project that may reasonably be expended in one program year.
3. The City will undergo a mid-year reprogramming process in September of every year which will be subject to the policies and guidelines contained herein.
4. All Council Motions or reprogramming requests will be referred to the HCD Committee and continued in Committee until a reprogramming is conducted. Additional reprogramming may be conducted as deemed necessary by Mayor and Council.
5. Each department receiving CDBG funds must submit monthly invoices to the Community Development Department (CDD) to enable CDD to reimburse the General Fund and draw down on the City's CDBG line of credit.
6. Each department allocated CDBG funds must submit an environmental checklist and project expenditure plan for the year to CDD for each project funded. These documents are to be submitted no later than March 15th for projects funded through the annual Consolidated Plan, and during the application process for reprogramming.
7. CDD shall provide monthly reports to the Mayor, City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) on all CDBG expenditure information which will include the following information for each program and administrative function: original allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.

**B. Readiness Standard**

All projects proposed for funding during the annual Consolidated Plan process or Reprogramming must meet a "readiness" standard that includes the following:

1. A CDD determination that the project is CDBG-eligible and able to fulfill all environmental requirements.
2. The operating department in charge of project administration will provide to the Mayor along with written funding application, the following documentation: lead agency, project budget and identification of all funding sources, project schedule, and confirmation that the CDBG funds will be expended within the authorized period of project completion.
3. For projects approved in the annual Consolidated Plan process, funds can be expended prior to the end of the Consolidated Plan year in which the funds are provided (April-March), or within the period specified by the Mayor and City Council during the approval process;
4. For projects approved during a reprogramming process, funds must be spent during the specified time period.
5. Borrowing of CDBG funds will not be allowed unless deemed necessary to meet federal timeliness matters.

**C. Reprogramming Process:**

1. The City will undergo a mid-year reprogramming process in September of every program year which will be subject to the policies and guidelines contained herein.
2. All Council Motions or reprogramming requests will be referred to the HCD Committee and continued in Committee until a reprogramming is conducted. Additional reprogramming may be conducted as deemed necessary by Mayor and Council.
3. The CDD will submit to the Mayor's Office, CAO, and CLA, CDBG expenditure report(s) 45 days prior to each reprogramming, which will include the following information for each program: original allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.
4. Prior to each reprogramming, funding priorities will be established by the Mayor and Council, and reviewed by the CAO and CLA. A determination will be made subject to need, readiness, and availability of funds for each item.
5. Based on Mayor and Council adopted funding priorities for the 28<sup>th</sup> year, as delineated below, the Mayor's Office will submit recommendations to Council. The CAO and CLA will review recommendations and report to Council.
6. Future funding priorities will be established by Mayor and Council.

**D. Mayor and Council 28<sup>th</sup> Year CDBG Funding Priorities in priority order:**

1. Repayment of previously borrowed CDBG funds to meet HUD timeliness requirements (e.g. TNI Phase I). - Attached list of projects
2. LA's Best
3. Housing Trust Fund
4. Targeted Neighborhood Initiative Phase II - Year II
5. Other projects

**E. Repayment of funds**

1. Projects from which funds were borrowed in previous reprogrammings for HUD timeliness purposes, are not interchangeable with other projects or subject to reprogramming. (See attached list)
2. Funds borrowed from projects during the reprogramming process must show readiness within 24 months from November 1, 2001 in order to be repaid or funds will revert to block grant.
3. All requests for reimbursement of borrowed reprogrammed funds must be submitted to the Mayor's Office as a transmittal demonstrating "project readiness".

**Part II : Los Angeles Housing Department (LAHD)**

- A. Funding commitments for housing projects awarded through LAHD's NOFA would only be provided for a 24-month period after Council has awarded the RFP.
- B. LAHD must submit monthly invoices to CDD to enable CDD to reimburse the General Fund and draw down on the City's CDBG line of credit.
- C. LAHD must submit a yearly expenditure plan to CDD for each project funded. These documents are to be submitted by March 15 for projects funded through the annual Consolidated Plan, and during the application process for reprogramming.
- D. LAHD shall provide monthly reports to the Mayor, CAO and CLA on all CDBG, HOME, HOPWA expenditure information which will include for each program and administrative function : original allocation, expenditure, encumbrance (i.e. signed contracts), unspent and unencumbered balances.

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### Summary of CDBG Balances as of 8/21/15 by Status of Projects

Status of Projects	CDBG Balance as of 4/1/2015	Total Expenditures through 8/21/15	Funds Encumbered	Unencumbered Funds
Accounts need setting up	\$ 2,677,140	\$ 260,264	\$ -	\$ 2,416,876
Additional funds needed, known amt	619,113	17,630	170,004	431,478
Additional funds needed, unknown amt	708,704	100,000	265,017	343,687
Contract execution needed	2,299,114	-	317,229	1,981,884
Funds available	4,272,825	774,306	109,000	3,389,519
Funds expended	2,880,410	2,869,605	-	10,805
Ineligible	150,000	-	150,000	-
Invoice needed	24,434,045	9,759,931	1,910,079	12,764,035
Lawsuit	117,756	-	117,756	0
PEP needed	9,625,787	-	10,199	9,615,587
PEP being developed	12,587,958	-	-	12,587,958
PEP pending approval	3,740,432	-	-	3,740,432
PEP approved	66,699,498	7,035,249	11,498,414	48,165,835
Reimburse City costs	622,451	315,973	-	306,478
Scope still being developed	4,966,936	4,146	-	4,962,790
Scope unknown	3,459,164	-	-	3,459,164
<b>Total</b>	<b>\$ 139,861,333</b>	<b>\$ 21,137,105</b>	<b>\$ 14,547,699</b>	<b>\$ 104,176,529</b>



**Timeliness Calculations for PY 41 (2015-16)**

GOAL: Have no more than 1.5 times the annual entitlement on hand by Jan. 30, 2016

Row	Action	Time of Measurement				Calculations
		B April 1, 2015	C May 20, 2015	E July 7, 2015	F August 14, 2015	
1	PY 41 (2015-16) Entitlement	\$ 49,954,532	\$ 49,954,532	\$ 49,954,532	\$ 49,954,532	
2	Letter of Credit Balance <b>Target</b> for January 30, 2016	\$ 74,931,798	\$ 74,931,798	\$ 74,931,798	\$ 74,931,798	Row 1 x 1.5
3	Grant balance on hand	119,717,514	118,628,949	115,124,434	110,755,773	
4	Grant drawdown needed to meet timeliness before program income adjustment	\$ 44,785,716	\$ 43,697,151	\$ 40,192,636	\$ 35,823,975	Row 3 - row 2
5	Add <b>projected</b> program income to be recorded by 1/30/16 as budgeted in Consolidated Plan *	9,805,564	8,485,514	7,529,330	4,618,925	See footnote*
6	Total expenditures needed to meet timeliness criteria after Program Income adjustment	\$ 54,591,279	\$ 52,182,665	\$ 47,721,966	\$ 40,442,900	Row 4 + row 5
7	Actual Ratio	2.59	2.54	2.46	2.31	(Goal is 1.5)
8	Average expenditures per month to meet timeliness, if PI still to arrive after January	4,549,000	5,023,000	5,396,000	5,302,000	Row 6 ÷ months remaining till 1/30

10 **FOOTNOTES**

11	* Program Income (PI) to be recorded thru 1/30/16 (9 months only, as PI rec'd in January is recorded in February)					
12	PI Projected	\$ 9,805,564	\$ 9,805,564	\$ 9,805,564	\$ 9,805,564	
13	Actual Receipts (Cumulative) as of above dates	-	(1,320,050)	(2,276,233)	(5,186,639)	
14	Program Income Projected still to be received	\$ 9,805,564	\$ 8,485,514	\$ 7,529,330	\$ 4,618,925	





## Status of CDBG Balances through August 21, 2015

Program Year	FMS ACCT	FY	Title	Amount
34	22E302	2008	HUMAN SERVICES DELIVERY SYSTEM - CBDO	\$ 30.00
	22E428	2008	BROADWAY STREETScape & FAÇADE	200,858.96
35	22F112	2010	CITY ATTORNEY - PACE	1,044.47
	22F246	2009	WATTSTAR THEATER	27,487.47
	22F260	2009	HACLA - COMMUNITY SERVICE CENTERS	2,845.00
	22F365	2010	CITY ATTORNEY - FALCON	0.31
	22F442	2009	MACARTHUR PARK RESTROOM PROJECT (GSD)	1,458.86
36	22G262	2010	CASH FOR COLLEGE	133.00
	22G309	2010	DAY LABORER - CBDO	4,722.00
	22G339	2010	FAMILY SOURCE CENTERS - CBDO	24,107.00
	22G510	2010	LAUREL CANYON AND FOX POCKET	2,836.87
	22G515	2010	SPIRALING ORCHARD GREEN BUILDING PROJECT	150,000.00
	43K184	2014	SUN VALLEY LIGHTING IMPROVEMENTS - PHASE 3 (PW BSL)	61,341.05
	43L184	2015	SUN VALLEY LIGHTING IMPROVEMENTS - PHASE 3 (PW BSL)	16,373.77
37	22H122	2012	CDD - STAFF	2,070.00
	22H262	2011	CASH FOR COLLEGE	549.00
	22H302	2011	FAMILY SOURCE CENTERS - CBDO	37,136.00
	22H309	2011	DAY LABORER - CBDO	6,075.00
	22H413	2011	RITA WALTERS	1,920.00
	22H622	2012	LA BUSINESSSOURCE - REPROGRAM	2,552.07
38	22J122	2013	CDD - STAFF	48,500.00
	22J140	2013	BOYLE HEIGHTS NEIGHBORHOOD CITY HALL (CHICAGO BUILDING)	10,838.15
	22J165	2013	AIDS POLICY DEVELOPMENT	87,314.05
	22J243	2012	LA BUSINESSSOURCE PROGRAM	4,415.54
	22J246	2012	WATTSTAR THEATER	60,223.17
	22J309	2012	FAMILY SOURCE CENTERS - CBDO	30,691.14
	22J357	2012	LAHSA HOMELESS EMERGENCY SHELTER & SERVICES	688.00
	22J413	2012	RITA WALTERS	22,769.54
	22J607	2013	ICON SFV	50,000.00
	43J559	2012	URGENT REPAIR PROGRAM	38,096.46
39	22K244	2013	LA BUSINESSSOURCE PROGRAM	9,617.21
	22K252	2013	HEALTHY NEIGHBORHOOD MARKET NETWORK	103.51
	22K309	2013	FAMILY SOURCE CENTERS - CBDO	4,158.54
	22K429	2013	CBDO-LITE HOMELESS PORTAL	288.00
	22K502	2013	CLEAN STREETS PILOT PROGRAM	600,000.00
	43K112	2014	CITY ATTORNEY ADM FOR HCIDLA	9.90
	43K122	2014	RENT	33,821.33
	43K143	2014	HCIDLA ADM AND PROGRAM DELIVERY	586,432.89
	43K165/43	2014	AIDS POLICY DEVELOPMENT	32,902.29
	43K184	2014	EAST HOLLYWOOD LIGHTING DISTRICT	0.83
	43K299	2014	REIMBURSEMENTS TO GENERAL FUND	421,813.19
	43K571	2014	CENTRAL AVENUE FAÇADE IMPROVEMENTS	450,000.00
	43K575	2014	UNCOMMITTED BALANCE	115,860.00
	43L184	2015	EAST HOLLYWOOD LIGHTING DISTRICT	65,532.27
	43K174	2014	COMMUNITY BEAUTIFICATION	0.04
40	43L112	2015	CITY ATTORNEY RESIDENTIAL ENFORCEMENT (CARE) (FORMERLY PACE)	164,741.86
	43L112	2015	CITY ATTORNEY TARP	328,848.48
	43L140	2015	MARANTHA CHURCH--MARLTON SQUARE DEMOLITION	21,938.78
	43L143	2015	HCIDLA ADM AND PROGRAM DELIVERY	999,923.39
	43L174	2015	CITY TREES	200,583.00
	43L299	2015	CITY ATTORNEY RESIDENTIAL ENFORCEMENT (CARE) (FORMERLY PACE)	81,288.91

Program Year	FMS ACCT	FY	Title	Amount
	43L350	2014	LAHSA ASSISTANCE TO HOMELESS	491.00
	43L420	2014	AGING DELIVERY SYSTEM	268,181.00
	43L430	2014	PROJECT SAVE	22,844.25
	43L506	2014	CENTRAL AVENUE FAÇADE IMPROVEMENTS	50,000.00
	43L517	2014	PACOIMA SMART CROSSWALKS	250,000.00
	43L559	2014	URGENT REPAIR PROGRAM	285,000.00
	43L583	2014	RITA WALTERS	1,230.00
	43L588	2014	HANDYWORKER	506,436.81
	43L589	2014	CD 1 STREET IMPROVEMENTS	99,164.00
Various	22E122	2009	CDD - STAFF	19.38
	22G122	2011	CDD - STAFF	320.00
<b>Total</b>				<b>\$ 6,498,627.74</b>