

TRANSMITTAL

To:

THE COUNCIL

Date: 6/23/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garcetti', is written over a light blue circular stamp.

(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau
1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

June 19, 2017

Council File: 15-0600-S71
Council Districts: City wide
Contact Persons: Doug Swoger: (213) 808-8948
Laura Guglielmo: (213) 808-8405

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

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUEST FOR AUTHORITY TO UTILIZE \$150,000 OF PROGRAM INCOME TO ENTER INTO AN INDIVIDUAL TASK AND PLACEMENT AGREEMENT UNDER THE CITY'S MASTER PLACEMENT AGREEMENT WITH FUSE CORPS, FOR PLACEMENT OF A FELLOW IN THE HCIDLA'S ASSET MANAGEMENT DIVISION

SUMMARY

In 2015, the Los Angeles City Administrative Officer (CAO) executed a Master Placement Agreement (Master Agreement) with Fuse Corps (City Contract No. C-125791), through which any City department may work directly with Fuse Corps (Fuse) to identify fellowship opportunities. The Master Agreement is effective for a term of three years from June 1, 2015 to May 31, 2018. The Master Agreement governs the general terms and conditions of the City's participation in the Fuse Corps Program and can be used by any City department that identifies an appropriate fellowship project and funding source.

HCIDLA requests authority to utilize \$150,000 in funds from HCIDLA's Low and Moderate Income Housing Fund to enter into an Individual Task and Placement Agreement, pursuant to the Master Agreement with Fuse, to place a Fuse Corps Fellow (Fuse Fellow) in HCIDLA's Asset Management Division. The purpose of the Fuse Fellow assistance will be to develop a more integrated and comprehensive asset management model that will ultimately focus Asset Management staff's time more efficiently while creating a comprehensive and actionable set of reports and trends with regard to HCIDLA's affordable housing portfolio. HCIDLA anticipates that with the assistance of the Fuse Fellow, Asset Management staff will be better able to identify potential problems and opportunities both at the project and portfolio level.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate City Council Committee(s) and forward it to the City Council for review and approval immediately thereafter;
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. Authorize the General Manager of HCIDLA, or designee, to execute an Individual Task and Placement Agreement with Fuse Corps for an amount not to exceed \$150,000, with the purpose of placing a Fuse Fellow in HCIDLA's Asset Management Division for a term of one year, subject to review and approval of the City Attorney as to form;
 - B. Upon execution of the Individual Task and Placement Agreement with Fuse Corps (City Contract No. 125791), authorize the General Manager of HCIDLA to use \$150,000 of Low and Moderate Income Housing Fund program income to fund a Fuse Fellow to develop a comprehensive asset management model for HCIDLA's Asset Management Division;
 - C. Authorize the Controller to establish a new account, 43N616 Fuse Program, and appropriate \$150,000 within FUND No. 55J/43 Low and Moderate Income Housing Fund, and to expend those funds upon proper demand of the General Manager of HCIDLA; and
 - D. Authorize the General Manager of HCIDLA, or designee, to prepare Controller instructions and any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer and instruct the Controller to implement the instructions.

BACKGROUND

Fuse is a nonprofit organization that seeks to drive and impact change by enlisting talented mid-career professionals and pairing them with civic organizations. Fuse works with civic leaders to identify challenges, then recruits and places entrepreneurial professionals in yearlong fellowships working across subject areas such as education, health, poverty, workforce and economic development, and the environment.

The CAO has executed a Master Agreement with Fuse through which any City department can work directly with Fuse to identify Fellowship opportunities. The Master Agreement is effective for a term of three years, from June 1, 2015 through May 31, 2018. The Master Agreement governs the general terms and conditions of the City's participation in the Fuse Program, and can be used by any City department that identifies an appropriate project and funding source. Payment of \$150,000 for the Fuse Fellow is provided to Fuse by individual departments.

The Fuse Program model is comprised of seven main components:

- 1) Scope Positions - The Fuse board and staff help City departments identify specific challenges that are well suited for Fuse Fellows to address. Fuse helps to define specific achievable deliverables at the outset of each project, as well as identifying an individual "champion" within the host department who can directly manage, advise, support, and position the Fuse Fellow for success.
- 2) Recruit Candidates - Fuse conducts a dedicated executive search to fill each unique fellowship opportunity. Outreach is conducted to solicit experienced leaders from the private and social sectors, utilizing extensive networks. Department hosts are encouraged to participate in the final Fuse Fellow selection.
- 3) Train Fuse Fellows – Fuse Fellows attend the Fuse Leadership Institute prior to starting their fellowship. The Institute begins with a week of pre-fellowship training on design thinking, rapid prototyping, influencing strategy, change management, negotiation principals, leadership, and other tools. In addition, Fuse Fellows are offered on-going training opportunities throughout the yearlong fellowship.
- 4) Executive Coach - Each Fuse Fellow is paired with an experienced executive coach as well as a host "champion" within their placement department to ensure the greatest opportunity in achieving success with project goals.
- 5) Manage Fellowships - Fuse organizes monthly meetings among current Fuse Fellows to create peer-to-peer support; meetings are also attended by Fuse alumni and other guest speakers who help Fuse Fellows to brainstorm effective approaches for challenges faced. Fuse staff also conducts regular "check-in" meetings with Fuse Fellows and their hosts to monitor progress and provide additional feedback and management support as needed, to each project.
- 6) Network Resources - Fuse has an extensive national network of cross-sector community leaders that have mentored Fuse Fellows and engaged directly in Fuse projects. Currently, Fuse is building local advisory boards in cities such as San Francisco and Los Angeles.
- 7) Promote Outcomes - Fuse works with government partners to broadly communicate project success through social media, utilizing various Fuse case studies. Fuse highlights their government partnerships as national models of civic innovation, and at the conclusion of each fellowship project, Fuse Fellows and hosts speak at conferences and other events, including a capstone public presentation that showcases fellowship project success.

Utilizing the above model, the goal of each fellowship is to achieve specific deliverables outlined in the project scope of work at the outset of the partnership between Fuse and the department partner. Fuse Fellows have no employment relationship with the City; instead, Fuse and the City department come to agreement on the Fuse Fellow placement and project objectives, then memorialize the agreement with an Individual Task and Placement Agreement (see Attachment 1 to this transmittal) in accordance with the Fuse Master Agreement.

HCIDLA Asset Management Division

In 2013, HCIDLA assumed responsibility of the affordable housing units and loans of the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA). As a result, HCIDLA's portfolio of loans and regulated affordable housing units nearly doubled. Currently, HCIDLA has an affordable housing loan portfolio valued at \$1.9 billion in loan receivables, representing over 40,000 affordable housing units, including the CRA/LA portfolio. After the incorporation of CRA/LA assets, HCIDLA reorganized its Housing Development Bureau in order to create an Asset Management Division (AMD) responsible for the management of the combined portfolio of loans and affordable housing covenants.

Since its creation in 2013, the AMD has brought current a backlog of delinquent loan invoicing and collections, and the affordable housing loan portfolio has generated over \$160 million of program income to support the City's affordable housing and community development goals. A recent audit performed by the City Controller's Office found a 93% compliance rate with the rent and occupancy requirements of HCIDLA's affordable housing portfolio. HCIDLA continually strives to improve its asset management of the affordable housing portfolio.

The AMD has multiple sources of data and information on HCIDLA's affordable housing portfolio, including financial performance, occupancy and compliance with affordable restrictions, and physical property condition. However, that information is not integrated into a system that allows for a comprehensive assessment of the portfolio or individual affordable housing projects. Currently, HCIDLA is working with the National Equity Fund (NEF), a low income housing tax credit syndicator, to implement a sophisticated software solution to improve HCIDLA's affordable housing asset management. NEF has developed industry-leading, proprietary software for management of their portfolio of affordable housing developments, and has made the software available for use by HCIDLA to better integrate and organize key data on the affordable housing portfolio. The Fuse Fellow will continue the work with NEF to further design and implement the customer-focused, web-based asset management software for HCIDLA.

Fellowship with HCIDLA Asset Management Division

Starting in October 2017, the Fuse Fellow will begin analyzing HCIDLA's affordable housing portfolio and evaluating the AMD's work practices, and policies and procedures for efficiency and effectiveness. The Fuse Fellow will establish relationships with key stakeholders, including other public lenders, such as the County of Los Angeles and State of California, and HCIDLA's affordable housing developer partners. As part of the analysis, the Fuse Fellow will also evaluate other lenders' best practices for affordable housing asset management.

With this foundation of knowledge, the Fuse Fellow will develop a more integrated and comprehensive asset management model that will focus AMD staff time efficiently while generating better and more comprehensive information about HCIDLA's affordable housing portfolio and the clients served. The improved asset management model should include:

- Integrated and comprehensive information on the affordable housing properties and loans;
- Criteria that better identifies at-risk or underperforming properties, as well as highlights opportunities to improve performance;

- Comprehensive asset management guidelines; and
- Training for AMD staff focused on affordable housing loan portfolio and asset management principles and strategies.

The Fuse Fellow will also identify and develop viable opportunities to enhance program income revenue generated by HCIDLA's loan portfolio.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations made in this report will allow for an amount, not to exceed \$150,000 in program income from the Low and Moderate Income Housing Fund, for a Fuse Fellow to assist HCIDLA's Asset Management Division.

Prepared by:



DOUGLAS SWOGER
Director of Housing
Asset Management Division

Reviewed by:



LAURA GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Attachment 1: Individual Task and Placement Agreement

CITY OF LOS ANGELES
FUSE CORPS
INDIVIDUAL TASK AND PLACEMENT AGREEMENT

Fellowship: City of Los Angeles, Housing and Community Investment Department

Fellow Reports to: Doug Swoger, Director of Housing, Housing and Community Investment Department

Location of Fellowship: Los Angeles, California

Fellowship time base: Full-Time

General Terms and Conditions between the City and FUSE Corps.

The City department executing this Individual Task and Placement Agreement and FUSE Corps (FUSE) acknowledge that the terms and conditions of the Master Placement Agreement, City Contract #C-125791, apply to the City department and FUSE as it relates to the performance of this Individual Task and Placement Agreement. FUSE and department shall notify the Office of the City Administrative Officer upon execution of this placement agreement.

Project Description:

The following provides a general overview of the proposed fellowship project. This project summary and the potential deliverables that follow will be collaboratively revisited by the host agency, the Fellow, and FUSE staff during the first month of the project, after which a revised scope of work will be developed and agreed upon by the Fellow and the host agency.

Starting in October 2017, it is proposed that the FUSE Fellow will begin his or her work with a review of the current work practices, policies and procedures of the Housing + Community Investment Department and Asset Management Division to evaluate efficiency and effectiveness. The fellow will also analyze the department's affordable housing portfolio and how the National Equity Fund's software might help gather and organize key data. The fellow will establish relationships with key stakeholders with city agencies, other public lenders at the county and state government level, and private sector affordable housing development partners. As part of the project analysis, the fellow will also evaluate other lenders' best practices for affordable housing portfolio and asset management, and make recommendations when appropriate.

With this foundation of knowledge, the fellow will develop a more integrated and comprehensive asset management model that will help focus staff time efficiently while creating a more comprehensive and actionable set of reports and trends about the portfolio. Success will be demonstrated by developing a sustainable model to help the agency identify potential problems and opportunities both at the project level and at the portfolio level.

Fellow Support provided by the Placement:

Rushmore Cervantes, General Manager of the Housing and Community Investment Department, and his/her staff will facilitate introductions and meetings with key staff within the City as well as elected officials as appropriate. The Housing and Community Investment Department will provide basic office infrastructure (workspace, email, phone etc). The fellow will be supervised Doug Swoger, Director of Housing, Housing and Community Investment Department.

Financial Considerations Between the City and FUSE Corps regarding the Fellow:

The Housing and Community Investment Department will provide no stipend to the Fellow in addition to that provided by FUSE.

The Housing and Community Investment Department will directly reimburse the Fellow for expenses the Fellow incurs to execute duties required by this role such as travel expenses, consistent with the City Controller's Travel Policy. All such travel expenses require written pre-approval of the Department. The Housing and Community Investment Department will have no financial obligation for expenses related to duties required by FUSE, such as travel by the Fellow to FUSE trainings or events.

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Financial Commitment Between the City and FUSE Corps as it Relates to the Individual Placement for FUSE Fellow for the Period Effective July 1, 2017.

By executing this Individual Task and Placement Agreement, the Housing and Community Investment Department notifies FUSE that the Housing and Community Investment Department has appropriated sufficient funds and taken all necessary steps to commit to the Placement and Funding Structure below. FUSE will submit invoices directly to the Housing and Community Investment Department for the two amounts listed below, the amount and timing of which are set forth for all departments in the City's Master Contract with FUSE.

Placement and Funding Timeline	Placement and Funding Structure
April 30, 2017	Agreement between FUSE and City Department to host a fellow in the upcoming program year
May 1, 2017	Recruitment begins for FUSE fellows to fill projects
July 14, 2017	Payment of initial half of \$150,000 total fee is due (\$75,000)
Late August or Early September 2017	Target dates by which Department will interview Finalists
September 25-29, 2017	Weeklong Orientation Training in San Francisco for all Fellows
October 2, 2017	Fellows' first official day working onsite, including structured onboarding actions directed by the Fellow's direct report
January 15, 2018	Payment of second half of \$150,000 total fee is due (\$75,000)
Late March or Early April 2018	Weeklong Midterm Training in Los Angeles for all Fellows
September 28, 2018	Final day of work for Fellow

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the Effective Date.

FUSE CORPS

CITY OF LOS ANGELES

By: _____

By: _____

Date: _____

Date: _____

Name: James Weinberg

Name: Rushmore Cervantes

Title: Chief Executive Officer

Title: General Manager
