

HOUSING COMMITTEE REPORT relative to approval of repayment plan and request for fund allocation of \$6,319,138.16 to resolve the US Department of Housing and Urban Development (HUD) findings regarding various community development block grant projects.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. APPROVE the use of the City General Fund for a three-year repayment plan to HUD as follows, with General Fund appropriations for the second and third payments (Recommendation Nos. 1b and 1c) for a total of \$6,319,138.16, subject to the approval of Council and Mayor through the annual budget process:
 - a. \$2,000,000.00 in Fiscal Year (FY) 2018-19 (Unappropriated Balance)
 - b. \$1,974,592.72 in FY 2019-20 (July 31, 2019)
 - c. \$2,344,545.44 in FY 2020-21 (May 31, 2021)
2. DIRECT that upon approval of General Fund appropriations for FY 2019-20 and FY 2020-21 (Recommendation Nos. 1b and 1c, respectively), allow the payments to be reflected as revenue for the Community Development Block Grant (CDBG) Program for Program Year (PY) 45 and PY 46 Consolidated Plan Budgets, respectively, subject to the approval of Mayor and Council.
3. AUTHORIZE \$2,000,000 allocated in the FY 2018-19 Unappropriated Balance for the first repayment as follows:
 - a. \$337,629.18 for payment to the United States Treasury Department.
 - b. \$1,662,370.82 for payment to the CDBG Letter of Credit and reflect this as revenue for the CDBG program in the PY 44 Consolidated Plan budget.
4. AUTHORIZE the General Manager, Los Angeles Housing and Community Investment Department (HCIDLA), or designee, to:
 - a. Submit the repayment plan as detailed in Recommendation No. 1 to HUD for approval and proceed with the first installment of the repayment plan, in accordance with Recommendation No. 3.
 - b. Prepare and post for a 30-day public comment period a substantial amendment for the PY 44 Annual Action Plan to reflect the amendment in Recommendation No. 5.
 - c. Pay \$337,629.18 to the United States Treasury Department from the Community Development Trust Fund No. 424/43, Account No. 43R730 Repayment to U.S. Housing and Urban Development.
 - d. Prepare Controller's instructions and any technical adjustments consistent with the Mayor and Council actions related to this matter, subject to the approval of the City

Administrative Officer (CAO).

5. AMEND the PY 44 2018-19 Annual Action Plan to:

- a. Add total resources of \$2,859,316.62 consisting of \$1,196,945.80 in proceeds from the sale of property related to the Adams and La Brea North Project and \$1,662,370.82 of repayment to the local Letter of Credit.
- b. Reflect that of the \$2,859,316.62 to be used for PY 44, \$711,104.20 should be classified as program income per the letter from HUD.
- c. Approve the use of the additional \$2,859,316.62 in CDBG resources for the Vision Theater Renovation Project.

6. AUTHORIZE the Controller to:

- a. Establish a new account 43R730 - Repayment to U.S. Housing and Urban Development within Community Development Trust Fund No. 424/43.
- b. Transfer \$1,196,945.80 from the Low and Moderate Income Housing Fund No. 55J/43, and \$2,000,000 from the Unappropriated Balance, Fund No 100/58 to the Community Development Trust Fund No. 424/43, and appropriate therefrom as follows:

From:

<u>Fund</u>	<u>Account</u>	<u>Title</u>	<u>Amount</u>
55J/43	2100	Due to the Federal Government	\$1,196,945.80
100/58	580259	Repayment for Community Development Block Grant Projects	2,000,000.00
			Total: \$3,196,945.80

To:

<u>Fund</u>	<u>Account</u>	<u>Title</u>	<u>Amount</u>
424/43	43R730	Repayment to HUD	\$337,629.18
424/43	43R523	Vision Theater	2,859,316.62
			Total: \$3,196,945.80

Fiscal Impact Statement: The CAO reports that there here is a direct impact to the General Fund. The HCIDLA's proposal to submit a repayment plan to HUD would utilize up to \$6,319,138.16 in General Fund to repay HUD over a period of three years to resolve audit and review findings regarding previous CDBG and Section 108 Loan projects. There is currently \$2,000,000 in the Unappropriated Balance for repayment to HUD for Community Development Block Grant projects. The recommendations contained in the April 9, 2019 CAO report are in compliance with the City Financial Policies in that General Fund appropriations for the repayment to HUD in subsequent FYs will be subject to the approval of the Mayor and Council through the annual budget process.

Community Impact Statement: None submitted.

(Budget and Finance Committee waived consideration of the above matter)

Summary:

On April 10, 2019, your Committee considered April 9, 2019 CAO and April 4, 2019 HCIDLA reports relative to approval of repayment plan and request for fund allocation of \$6,319,138.16 to resolve the HUD findings regarding various community development block grant projects. According to the CAO, the HCIDLA is requesting approval of its plan for various CDBG and Section 108 Loan projects determined by HUD to be incomplete and/or ineligible for grant funds. On April 2, 2018, Council approved HCIDLA's proposal to HUD to resolve findings, with an estimated need for \$5,975,497.54 in General Fund. On February 28, 2019, the City received a response from HUD that accepted a majority of the City's proposal, but made changes that increased the amount owed to HUD. The HCIDLA is now requesting \$6,319,138.16 in General Fund to repay HUD over a three-year period. HCIDLA requests that the first installment of \$2,000,000 be made from a transfer of funds from the Unappropriated Balance for the repayment for CDBG projects, and the remaining payments be made in accordance with Attachment C of the April 4, 2019 HCIDLA report, attached to the Council file.

Of the \$6,319,138.16 in General Fund to be repaid to HUD, the HCIDLA is requesting to use \$337,629.18 to pay the US Treasury in FY 2018-19. HCIDLA additionally requests to recognize the balance of the repayment (\$5,981,508.98) as revenue to the CDBG program for the Program Year Consolidated Plan budget that coincides with each repayment installment made. Finally, HCIDLA requests to make a substantial amendment to the PY 44 2018-19 Annual Action Plan to recognize program income from the sale of a property (\$1,196,945.80) and repayment to HUD (\$1,662,370.82), and use the additional resources for the Vision Theater Project (\$2,859,316.62). After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the April 9, 2019 CAO report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
CEDILLO:	YES
KREKORIAN:	YES
HARRIS-DAWSON:	YES

ARL
4/10/19

-NOT OFFICIAL UNTIL COUNCIL ACTS-