

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: April 9, 2019

CAO File No. 0220-00540-1349

Council File No. 17-1392-S1

Council District: Citywide

To: The Mayor  
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department (HCID) transmittal dated April 4, 2019; Received by the City Administrative Officer on April 4, 2019

Subject: **REQUEST FOR APPROVAL OF REPAYMENT PLAN AND REQUEST GENERAL FUND ALLOCATION OF \$6,319,138.16 OVER A THREE-YEAR PERIOD TO RESOLVE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) FINDINGS REGARDING PREVIOUS COMMUNITY DEVELOPMENT BLOCK GRANT PROJECTS**

---

**RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Approve the use of City General Fund for a three-year repayment plan to the U.S. Housing and Urban Development (HUD) as follows, with General Fund appropriations for the second (1(b) below) and third (1(c) below) payments subject to approval of the Mayor and Council through the annual budget process;
  - a. \$2,000,000.00 in FY 2018-19 (Unappropriated Balance);
  - b. \$1,974,592.72 in FY 2019-20 (July 31, 2019); and,
  - c. \$2,344,545.44 in FY 2020-21 (May 31, 2021);

**\$6,319,138.16**
2. Upon approval of the General Fund appropriations for 1(b) and 1(c) above, allow the payments to be reflected as revenue for the Community Development Block Grant (CDBG) program for the Program Year (PY) 45 and PY 46 Consolidated Plan budgets, respectively, subject to the approval of the Mayor and Council;
3. Authorize \$2,000,000 allocated in the FY 2018-19 Unappropriated Balance for the first repayment as follows:
  - a. Use \$337,629.18 for payment to the United States Treasury Department; and,

- b. Use \$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 of the Housing and Community Investment Department (HCID), or designee, to:
  - a. Submit the repayment plan in Recommendation 1 to HUD for approval and proceed with the first installment of the repayment plan, in accordance with Recommendation 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 5 below;
  - 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; and,
  - 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;
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. 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; and,
  - b. Approve the use of the additional \$2,859,316.62 in CDBG resources for the Vision Theater Renovation project; and,
6. Authorize the Controller to:
  - a. Establish a new account "43R730 – Repayment to U.S. Housing and Urban Development" within the 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:

Fund	Acct	Title	Amount
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
		<b>Total</b>	<b>\$3,196,945.80</b>

To:

Fund	Acct	Title	Amount
424/43	43R730	Repayment to U.S. Housing and Urban Development	\$337,629.18
424/43	43R523	Vision Theater	2,859,316.62
		<b>Total</b>	<b>\$3,196,945.80</b>

**SUMMARY**

The Housing and Community Investment Department (HCID) requests approval of their repayment plan for various City Community Development Block Grant (CDBG) and Section 108 Loan projects determined by the U.S. Department of Housing and Urban Development (HUD) to be incomplete and/or ineligible for grant funds. On April 2, 2018, the Mayor and Council approved HCID'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 HCID now requests \$6,319,138.16 in General Fund to repay HUD over a three-year period. The Department requests that the first installment of \$2,000,000 be made from a transfer of funds from the Unappropriated Balance for the repayment for Community Development Block Grant (CDBG) projects, and the remaining payments be made in accordance with Attachment C to their transmittal dated April 4, 2019 (Report). Of the \$6,319,138.16 in General Fund to be repaid to HUD, the HCID requests to use \$337,629.18 to pay the U.S. Treasury in FY 2018-19.

The Department 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, the HCID 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). Additional information regarding the justification for providing resources to the Vision Theater Project, along with other CDBG and Section 108 Loan project information and HCID correspondence on this matter, is included in the HCID Report. This Office concurs with the recommendations of the Department, as amended to reflect that appropriations for payments from the General Fund for subsequent years are subject to the approval of the Mayor and Council through the annual budget process.

## **FISCAL IMPACT STATEMENT**

There is a direct impact to the General Fund. The Housing and Community Investment Department (HCID)'s proposal to submit a repayment plan to the U.S. Department of Housing and Urban Development (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 Community Development Block Grant (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 in this report are in compliance with the City Financial Policies in that General Fund appropriations for the repayment to HUD in subsequent fiscal years will be subject to the approval of the Mayor and Council through the annual budget process.

*RHL:EIC:02190127C*