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CITY CLERK

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CALIFORNIA

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this matter, please refer to the  
Council File No.: [17-1392](#)

**OFFICIAL ACTION OF THE LOS ANGELES CITY COUNCIL**

March 28, 2018

**Council File No.:** [17-1392](#)

**Council Meeting Date:** March 27, 2018

**Agenda Item No.:** 15

**Agenda Description:** HOUSING and BUDGET AND FINANCE COMMITTEES' REPORT relative to the resolution of a US Department of Housing and Urban Development (HUD) audit regarding previous community development block grant projects.

**Council Action:** HOUSING AND BUDGET AND FINANCE COMMITTEES' REPORT - ADOPTED

**Council Vote:**

YES	BLUMENFIELD	YES	HARRIS-DAWSON	YES	O'FARRELL
YES	BONIN	YES	HUIZAR	ABSENT	PRICE
YES	BUSCAINO	YES	KORETZ	YES	RODRIGUEZ
YES	CEDILLO	ABSENT	KREKORIAN	YES	RYU
YES	ENGLANDER	ABSENT	MARTINEZ	YES	WESSON

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**Pursuant to Charter/Los Angeles Administrative Code Section(s): 341**

FILE SENT TO MAYOR:

LAST DAY FOR MAYOR TO ACT:

**APPROVED**

**\*DISAPPROVED**

**\*VETO**

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
**DATE SIGNED**

HOUSING and BUDGET AND FINANCE COMMITTEE'S REPORT relative to request for authority to submit to the US Department of Housing and Urban Development (HUD) for findings regarding previous community development block grant projects.

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

1. APPROVE the proposal from the Los Angeles Housing and Community Investment Department (HCIDLA) as detailed in its November 28, 2017 report, attached to the Council file, to resolve the HUD audit and review findings with payment in the total amount of \$5,974,497.54 in General Fund over three years, as outlined in the draft letter to HUD attached to the November 28, 2017 HCIDLA report, attached to the Council file.
2. AUTHORIZE the General Manager, HCIDLA, or designee, to submit the draft letter attached to the November 28, 2017 HCIDLA report, attached to the Council file.
3. INSTRUCT the General Manager, HCIDLA, or designee, upon response by HUD regarding the City's proposal, to report to the Mayor and Council with recommendations to implement the response from HUD.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is a direct impact to the General Fund. Approval of the Recommendations under Option A in the February 8, 2018 City Administrative Officer report, attached to the Council file, provides approval of the HCIDLA's proposal to submit a request to HUD to utilize the General Fund to repay HUD in the total amount of up to \$5,974,497.54 over a period of three years to resolve audit and review findings regarding previous Community Development Block Grant (CDBG) and Section 108 Loan projects. Approval of the Recommendations under Option B in this Report instructs HCIDLA to revise their draft letter to HUD to propose repayment as either a reduction to the City's future CDBG allocations or a combination of the grant reduction and General Fund repayment over a three-year period.

Community Impact Statement: None submitted.

Summary:

On February 14, 2018, the Housing Committee considered February 8, 2018 and November 28, 2017 HCIDLA reports relative to a request for authority to submit to HUD for findings regarding previous community development block grant projects. According to the CAO, the HCIDLA is requesting approval of their proposal to resolve audit and monitoring review findings and requests for repayment for various CDBG and Section 108 Loan projects determined by HUD to be incomplete and/or ineligible for grant funds. The HCID is further requesting approval to submit the draft letter attached to the November 28, 2017 HCIDLA report to HUD on behalf of the City. The HCID is also requesting an allocation of \$5,974,497.54 in the General Fund for repayment for ineligible CDBG expenditures to resolve the findings.

The draft letter to HUD requests a three-year repayment plan for the City to pay a total of \$8,672,244.14. Of this amount, \$8,334,615.14 is to be paid to the City's future Consolidated Plan Line of Credit and \$337,629 is to be paid to the US Treasury in order to resolve the findings

and requests for repayment as determined by HUD. The HCID states that \$2,697,746.60 is available from the proceeds of the sale of properties acquired with CDBG funds and may be used as part of the repayment to HUD. Of the original amount owed (\$8,672,244.14), a balance of \$5,974,497.54 remains to be paid by the City.

The CAO concurs that the City is obligated to repay the balance of \$5,974,497.54 for past ineligible CDBG expenditures. However, in order to mitigate the impact on the General Fund, this Office has included consideration of an alternative Option B. Council and Mayor may exercise this option to instruct HCID to amend the draft letter to HUD to request either a reduction to the City's future CDBG allocations or a combination of the grant reduction and General Fund repayment over a three-year period. The off-set of future grants can be applied for funds owed to the CDBG line of credit. However, funds owed to the US Treasury (\$337,629) cannot be resolved through an offset to future grants and must be directly paid by the City. The Recommendations contained in the February 8, 2018 CAO Report are therefore presented as two options: Option A commits the City to use General Fund to repay the full \$5,974,497.54 owed; and Option B commits the City to use either a either a reduction to the City's future CDBG allocations or a combination of the grant reduction and General Fund repayment over a three-year period.

After consideration and having provided an opportunity for public comment, the Housing Committee moved to recommend approval of Option A as detailed in the CAO report and the above recommendations. Subsequently, on February 26, 2018, the Budget and Finance Committee also considered this matter and after having provided an opportunity for public comment, moved to concur with the Housing Committee. 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

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	YES
KORETZ:	YES
BLUMENFIELD:	YES

BONIN: YES

ARL  
3/22/18

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**