

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 5, 2013

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Council File No. 10-1451

Council District: 1, 4, 13

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer

Reference: Community Development Department Transmittal dated February 1, 2013; Received by the City Administrative Officer on February 5, 2013

Subject: **STATUS OF A \$2.25 MILLION SUSTAINABLE COMMUNITIES CHALLENGE GRANT**

SUMMARY

The Community Development Department (CDD) requests authority to negotiate and execute agreements on a sole-source basis with the Los Angeles Conservation Corp (LACC) and the subcontractors identified in the Community Redevelopment Agency/Designated Local Authority's (CRA/DLA) Sustainable Communities Challenge Grant (Grant) proposal for the Northeast Los Angeles (NELA) Collaborative Project (Project). The goal of the Project is to develop a comprehensive approach to linking land use plans and economic development strategies to benefit those that live and work in the area and to implement the Los Angeles River Revitalization Master Plan. We recommend approval for CDD to negotiate and execute agreements with the LACC and the Grant partners (subcontractors) for the Project.

On June 29, 2012, the Council and Mayor (C.F. No. 10-1451) authorized CDD to: 1) Accept the transfer of the \$2.25 million Grant including all related documentation and records from CRA/DLA; 2) Negotiate and execute an assignment agreement with the U.S. Department of Housing and Urban Development (HUD) to assume the Grant for the Project; 3) Enter into a Cooperation Agreement with CRA/DLA's Oversight Board for up to \$263,367 in CRA/DLA matching funds for the completion of the Tierra West Advisors (TWA) contract, a consultant contracted by the former Community Redevelopment Agency (former Agency); and, 4) Negotiate and execute agreements with the partners identified in the Grant proposal and the Project contractors for not-to-exceed amounts as finalized and approved by CDD and HUD, for a term effective from date of execution to February 20, 2014. All authorities granted were subject to: CRA/DLA's Oversight Board and California Department of Finance (DOF) approval of the transfer of the Grant assignment agreement from CRA/DLA to CDD including the \$263,367 in CRA/DLA matching funds; HUD approval of the Grant re-assignment from CRA/DLA to CDD including a revised scope of work, budget and City-match proposal; and no impact to the City's General Fund. The CDD was instructed to report to Mayor and Council upon HUD approval of the Grant re-assignment with the negotiated scope of work, budget, partners and contracts for the revised Project. This transmittal provides a status update of the Grant reassignment and the Project.

On July 10, 2012, the CRA/DLA's Oversight Board approved the transfer of the Grant Agreement from

CRA/DLA to CDD including the \$263,367 in CRA/DLA matching funds. However on October 11, 2012, the DOF denied the \$263,367 in CRA/DLA matching funds as part of its review of CRA/DLA's six-month expenditure plan (Recognized Obligation Payment Schedule [ROPS 3]) for the period beginning January 2013. On October 18, 2012, the CRA/DLA challenged the DOF ruling on the CRA/DLA matching funds through the "meet and confer" process. On December 20, 2012, the DOF upheld the denial of the CRA/DLA matching funds.

The impact of the DOF determination is two-fold. First, it reduces the CRA/DLA match included by the CDD in the approved budget by \$263,367. The CRA/DLA match may be further reduced in an amount totaling \$606,000 should CRA/DLA expenditures which were incurred prior to the dissolution of the former Agency also be disallowed by the DOF. Secondly, the DOF action reduced funding available for the critical economic development and feasibility study of the proposed Riverfront District that will be completed by the TWA contract. It should be noted that CRA/DLA has resubmitted the \$263,367 in CRA/DLA matching fund request for the Grant to DOF for reconsideration as part of its ROPS 4 (also known as ROPS 13-14A) approval process. The CRA/DLA plans to show that the matching funds are an enforceable obligation because the former Agency and HUD had executed the \$2.25 million Grant Agreement effective February 21, 2011 which was prior to the effective date (June 28, 2011) of the legislation dissolving the former Agency. In May 2013, the DOF will make a final determination on the CRA/DLA's ROPS 4. If approved, the CDD will report back to the Council and Mayor on the \$263,367 in CRA/DLA matching funds which would be available for potential distribution in July 2013.

Grant Status

Effective September 26, 2012, the CDD and HUD executed a Cooperative Agreement (Agreement) for the \$2.25 million Grant for the Project. HUD approved the revised scope of work, budget and City-match proposal for the Project. The Grant has a 20 percent match requirement which can be met through leveraged resources in the form of cash and/or verified in-kind contributions (or a combination thereof). The City's match obligation includes existing Program Year 38 Community Development Block Grant commitments to this geographic area and Workforce Investment Act (WIA) funding. On February 13, 2013, the CDD and HUD amended the Agreement and updated the City-match proposal. The CDD states that the amount of the HUD match used its transmittal dated February 1, 2013 was reduced from \$1.4 million to \$1.1 million due to HUD's recommendation to maintain the City match commitment at the amount negotiated in September 2012. The amount included in the CDD transmittal is higher because the pool of projects that CDD plans to use in order to meet the match requirement will exceed the amount required by HUD. The following table provides a summary of budget submitted to HUD, including both Grant and City-match funding:

No.	Category	HUD Grant	City-Match	Total
1.	Personnel	\$171,496	\$0	\$171,496
2.	Fringe Benefits	72,224	0	72,224
3.	Supplies	5,064	0	5,064
4.	Travel	5,850	0	5,850
5.	Subcontracts/Consultants	1,939,545	1,123,607	3,063,152
6.	Other Direct Costs	48,475	0	48,475
7.	Indirect Costs	7,346	0	7,346
8.	Total	\$2,250,000	\$1,123,607	\$3,373,607

The time of performance for the Project remains at 36-months, effective February 21, 2011 through February 20, 2014. The CDD states that HUD has agreed in concept to extend the time of performance because of the Grant suspension period resulting from the dissolution of the former Agency. The CDD plans to submit a formal request for additional time in February 2013, as directed by HUD.

Compliance with City Contracting Requirements

Charter Section 1022 permits the City to enter into a contract when it is determined "that the work can be performed more economically or feasibly by independent contractors than by City employees." The City Attorney states that HUD has characterized the partners as "Subrecipients" because the Grant was awarded to the CRA/LA and the partners. HUD required the CRA/LA, and is now requiring the CDD, to work with the partners for the purpose of completing the NELA work program. The CDD states that the LACC was recently added to the Project and HUD considers LACC a partner. The CDD and LACC executed a contract (C-121824) in an amount not-to-exceed \$60,000 for the term beginning September 26, 2012 and ending January 20, 1014. The contract will be paid with WIA funds and will provide economic and industry cluster analysis, demographic analysis, occupational needs assessment and propose solutions to overcome barriers to employment. The City Attorney concurs with HUD characterization as "Subrecipients" of the Grant for the partners which are nonprofit organizations.

The City Attorney has approved the sole source contract between the CDD and TWA for Project management and the completion of the economic development study. The City Attorney states that HUD has determined that the TWA contractor is a "Subrecipient" because the former Agency had previously executed a \$369,730 contract with TWA to prepare a redevelopment plan for adoption for the Project. Prior to the dissolution of the former Agency, the contractor had started working but did not finish and the CRA/LA had paid TWA for the work completed. The CRA/LA and TWA contract balance for the work not completed is \$263,367. However, the TWA contractor is a for-profit organization. The City Attorney has opined that the TWA contract is exempt from Charter Section 1022 because TWA previously worked on certain portions of the Project with the former Agency and it would save the City both time and money to continue working with the same contractor. Additionally, it would not be "advantageous" to the City to go out to bid for a new contractor due to the shortened timeline for implementation of the Grant and HUD approval of the City's award of a subaward to TWA.

The DOF denial of the CRA/DLA match funds created a \$263,367 funding gap which the CDD proposes to fill, in part, by reallocating a total of \$151,988 within existing HUD funding from three subcontractors to the TWA contract for a total of \$326,988 to pay for a portion of the economic development study as follows:

Contractor	Approved HUD Funding	Proposed HUD Funding Decrease	Proposed HUD Funding Increase	Proposed HUD Amount
Occidental College	\$150,000	\$73,635	\$0	\$76,365
Workforce Investment Board	125,000	65,000	0	60,000
CRA/DLA	13,353	13,353	0	0
Tierra West Advisor	175,000	0	151,988	326,988
Total	\$463,353	\$151,988	\$151,988	\$463,353

The CDD and TWA executed a contract (C-121796) in an amount not-to-exceed \$326,988 for the term beginning September 26, 2012 and ending January 20, 2014. The TWA contract will total \$438,000 (\$175,000 for Project management and \$263,000 for the completion of the economic development study). The CDD and TWA contract will pay for the Project management and a portion (up to \$151,988) for the completion of the economic development study. The balance (\$111,012) of the funding required to complete the economic development study may be funded through resources allocated by the Los Angeles Department of Water and Power (DWP) to the Department of Public Works, Bureau of Engineering (BOE) through a Cooperative Agreement (C-121629) which includes a task to "Develop an economic development strategy for implementing a riverfront district with recommendations regarding sustainable financing for long-term LA River revitalization" (2.1.4). The DWP and CDD states that the portion of the TWA contract funded under DWP/BOE Cooperative Agreement will not exceed \$200,000.

The CDD and BOE will each enter into separate contracts with TWA and use their respective funding to pay for the cost of the economic development study. The BOE states that it plans to go to the Department of Public Works, Board of Public Works (BPW) to request authorization to also enter into a sole-source contract to TWA (i.e. one of BOE existing on-call consultant firms) in order to fulfill the obligations of the Project. The DWP states that the economic development study is an allowable cost under the DWP/BOE Cooperative Agreement. Once the BOE and TWA contract for the economic development study is executed, the BOE will send a "notice to proceed" to DWP for approval. Once the DWP approves the "notice to proceed", the funds from the DWP/BOE Cooperative Agreement will be used to cover the remaining costs of the economic development study. Upon completion of the Public Works contracting process, the Project will be fully-funded. No further City and/or Community Development Block Grant funding will be required to complete economic development study.

Community Development Department

Per the Grant Agreement, a total of \$310,455 in Grant Funds will be allocated to the CDD. In November 2012, the Council and Mayor approved the first Financial Status Report for Fiscal Year 2012-13 (C.F. No. 12-0600-S166) which appropriated \$211,626 in Grant Funds to CDD for the current fiscal year as follows:

- \$137,737 will be used to pay a portion of the direct costs for three CDD positions (two Senior Management Analyst II and one Project Coordinator);
- \$12 for as-needed salaries;
- \$7,854 for travel expenses;
- \$847 for office and administration expense;
- \$11,019 for leasing expenses; and,
- \$54,160 for related costs for the three CDD positions.

The Controller instructions contained in this report include the balance (\$98,826) of the Grant funds for the CDD.

Department of City Planning

Due to the shortened timeline for implementation of the Grant, the scope of work was revised and the

funding was reduced for the Department of City Planning (DCP). The DCP work program will be a Master Plan/Vision Document that will establish land use, design and mobility recommendations for the forthcoming update to the Northeast Community Plan. It will not include Environmental Impact Report work as originally envisioned. Instead, the recommendations will go forward to the City Planning Commission, which can take action to ensure that the detailed recommendations are included in the forthcoming Community Plan update. The funding for the DCP was reduced from \$500,000 to an amount not to-exceed \$320,000, which will be allocated as follows:

- \$155,061 for direct costs for one Planning Assistant position for 18 months, 750 hours of technical work (as-needed) by other Planning staff and \$5,000 overtime for after hour meetings and workshops; and,
- \$164,939 for related costs for the Planning Assistant and the 750 hours of technical work.

In addition, the DCP will provide \$10,000 in Grant match funds to the Project. The City's General Fund is the funding source for the \$10,000 in Grant match funds. On February 12, 2013, Council referred to Housing, Community and Economic Development Committee a Motion (Reyes-LaBonge) relative to authorizing the Controller to establish new accounts and to make appropriations with the Community Challenge Grant Fund to complete the NELA Riverfront Vision Plan (C.F. No. 10-1451-S1). This report addresses the Controller instructions contained in the Motion.

RECOMMENDATIONS

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

1. Authorize the General Manager, Community Development Department (CDD), or designee to negotiate and execute agreements with the subcontractors (partners) identified in the Community Redevelopment Agency/Designated Local Authority (CRA/DLA) Grant proposals and the Los Angeles Conservation Corp and with the subcontractor Tierra West Advisors, on a sole-source basis, for the term beginning September 26, 2012 and ending January 20, 2014, subject to approval of the City Attorney and compliance with the City's contracting requirements as follows:

No.	Name	Amount not-to-Exceed
1	Tierra West Advisors	\$326,988
2.	University of Southern California (USC) - Metamorphosis	834,500
3.	Occidental College	76,365
4.	Worker Education Resource Center	50,000
5.	Los Angeles Economic Development Corporation	60,000
6.	Department of Planning	320,000
7.	Los Angeles Conservation Corp	271,692
Total		\$1,939,545

2. Authorize the Controller to:

- a. Establish new accounts and appropriate within Community Challenge Grant Fund No. 53W as follows:

Account	Title	Amount
22J168	Planning Department	\$155,061
22J622	CDD Costs	98,826
22J628	Planning Costs	164,939
22J623	Los Angeles Economic Development Corporation	60,000
22J624	Worker Education Resource Center	50,000
22J625	USC Metamorphosis Project	834,500
22J626	Occidental College: Urban and Environmental	76,365
22J628	Los Angeles Conservation Corps	271,692
22J629	Tierra West Advisors	326,988
	Total	\$2,038,371

- b. Appropriate \$155,061 to Fund No. 100/68 Account No. 1010 Salaries;
3. Authorize the General Manager, CDD, or designee to prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with this action subject to the approval of the City Administrative Officer and instruct the Controller to implement these instructions; and,
4. Instruct the General Manager, CDD, or designee to report back to the Mayor and Council on the proposed allocation of CRA/DLA Grant match fund, if approved by the California Department of Finance as part of the CRA/DLA's Recognized Obligation Payment Schedule 4 (also known as ROPS 13-14A).

FISCAL IMPACT STATEMENT

There is no impact on the General Fund. Approval of the recommendations will result in implementation of a \$2.25 million Sustainable Communities Challenge Grant between the Community Development Department (CDD) and the U.S. Department of Housing and Urban Development (HUD) to fund the Northeast Los Angeles Collaborative Project. The Tierra West Advisors (TWA) contract will total \$438,000 (\$175,000 for Project management and \$263,000 for the completion of the economic development study). The CDD and TWA executed a contract for an amount not-to-exceed \$326,988 which will pay for the Project management and a portion (up to \$151,988) for the economic development study. The balance of funding for the economic development study may be funded through resources allocated by the Los Angeles Department of Water and Power (DWP) to the Department of Public Works, Bureau of Engineering (BOE) through a Cooperative Agreement. The CDD states that a portion of the TWA contract funded under DWP/BOE Cooperative Agreement will not exceed \$200,000. As such, the recommendations are in compliance with the City's Financial Policies in that a one time expenditure of a General Fund department is an adjunct to a one-time source of funds from HUD.