

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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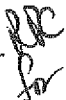
Date: June 24, 2011

CAO File No. 0220-00540-0949

Council File No. 11-0932

Council District: All

To: The Budget and Finance Committee

From: Miguel A. Santana, City Administrative Officer 

Reference: Report from the Housing Authority of the City of Los Angeles (HACLA) dated June 6, 2011 (C.F. 11-0932); City Administrative Officer Report dated June 3, 2011 (C.F. 11-0932); City Administrative Officer Report dated June 10, 2011 (C.F. 11-0932)

Subject: **SUPPLEMENTAL REPORT RELATIVE TO THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES' (HACLA) REQUEST TO WAIVE PAYMENT IN LIEU OF TAXES (PILOT) FEES**

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### SUMMARY

At the Budget and Finance Committee (Committee) meetings held June 6, 2011 and June 13, 2011, the Committee heard and discussed reports from the Housing Authority of the City of Los Angeles (HACLA) and this Office relative to a request from HACLA that the City waive the Payment In Lieu Of Taxes (PILOT) fees for the years 2005 through 2011 at an estimated total amount of \$14.2 million (C.F. 11-0932). At the meeting held June 13, 2011, the Committee instructed HACLA to work with this Office and the Chief Legislative Analyst (CLA) regarding \$9 million in the PILOT fees requested to be waived. HACLA proposed to utilize this \$9 million to fund costs associated with the Jordan Downs Housing Development project (\$4 million) and to provide a one-time budget solution for HACLA (\$5 million). In response to the Committee's request, this Office, through discussion with the CLA and HACLA, has provided revised recommendations relative to the PILOT fee waiver. These revised recommendations include a waiver of the PILOT fees from 2005 through 2008, and an instruction to HACLA to provide additional information prior to approval of the waiver of the 2009 through 2011 PILOT fees.

The HACLA previously requested to utilize \$5 million of the waived PILOT fees to off-set federal budget cuts to HACLA. HACLA indicates that the federal budget cuts to HACLA in the current year total \$7.7 million, and that the Authority has already implemented a number of off-setting measures, totaling \$2.7 million, to partially mitigate the \$7.7 million federal reduction. The Authority originally requesting the remaining \$5 million of the federal reduction be mitigated with the PILOT fee monies, of which approximately \$3 million would be allocated to the Section 8 Housing Assistance Program (Section 8) and \$2 million to the Public Housing program. However, in subsequent conversations with HACLA, the Authority has modified their request to include only \$2.6 million in PILOT funds in order to maintain operations associated with Section 8. HACLA indicates the Authority will institute additional staff reductions and other means to reduce on-going expenditures.

As previously detailed within the CAO report dated June 10, 2011 (C.F. 11-0932), HACLA proposed to utilize \$4 million in waived PILOT fees to fund the remediation and/or mitigation costs associated with the presence of heavy metals and petroleum hydrocarbons at the Jordan Downs site. HACLA indicates that initial estimates of this remediation and/or mitigation cost vary between \$4 million to \$10 million. HACLA notes that the soil testing associated with the site has been completed, and the Authority is currently in the process of executing a contract with a vendor who will provide a detailed Remediation Action Plan (Plan). HACLA anticipates the Plan, which will include a detailed cost analysis of the needed remediation and/or mitigation, will take four to six months to complete.

As new HACLA Board of Commissioners (Board) members are currently in the Council confirmation process, the new HACLA Board has not yet had the opportunity to review the Jordan Downs project. HACLA has agreed to utilize the time that it will take to complete the Plan to provide the PILOT waiver request associated with the Jordan Downs project to the HACLA Board of Commissioners for review and approval. Additionally, the Council has previously requested additional information relative to the status of the Jordan Downs project, which has not yet been provided by HACLA (C.F. 11-0600-S49). Therefore, it is recommended that HACLA resubmit the waiver request associated with Jordan Downs, providing additional detail relative to the status of the Jordan Downs project, after the HACLA Board has had the opportunity to review the project and associated waiver request.

While it is recommended that HACLA report back relative to their PILOT waiver request, there is an urgency associated with a portion of the PILOT fee waiver request as much of the remaining \$5.2 million of the approximately \$14.2 million in 2005-2011 PILOT fees would be allocated to projects for which the funding need is immediate. As such, in consultation with the CLA, this Office recommends that the Committee approve a waiver of the PILOT fees for the years 2005 through 2008, and instruct HACLA to resubmit the PILOT fee waiver associated with 2009 through 2011, providing additional information relative to the Jordan Downs project. The PILOT fees for 2005 through 2008 total approximately \$7.8 million, and the recommended expenditure plan is as follows:

<u>Expenditure Item</u>	<u>Amount</u>
Summer Youth Employment Program	\$1,200,000
Summer Night Lights Program	500,000
Mar Vista Summer Activities Program	100,000
Recreation and Parks Programming	1,000,000
Public Housing Capital Projects	2,400,000
Section 8 Housing Assistance Program	<u>2,582,349</u>
<b>TOTAL:</b>	<b>\$7,782,349</b>

The above expenditure plan is in accordance with the plan previously detailed within the CAO report dated June 3, 2011 (C.F. 11-0932). A total of \$1.2 million would be provided to the Community Development Department for the Summer Youth Employment Program, in order to provide jobs for youth at HACLA's public housing developments. The Summer Night Lights (SNL) program would be allocated \$500,000 to provide SNL programming at various HACLA public housing developments. A total of \$100,000 would be allocated to provide summer recreational programming for the Mar Vista community. The Department of Recreation and Parks would be provided \$1 million from HACLA to continue the provision of recreational programming and maintenance services at seven HACLA public housing developments. HACLA would utilize \$2.4

million for installation of ADA-compliant sidewalks, trash bin enclosures, and other infrastructure improvements at various public housing developments. The remaining approximately \$2.6 million would be allocated to HACLA to provide a one-time budget solution associated with the Section 8 program, as described previously within this report.

## RECOMMENDATIONS

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

1. Note and file the City Administrative Officer (CAO) reports dated June 3, 2011 and June 10, 2011 (C.F. 11-0932) insomuch as all applicable recommendations of these prior reports have been incorporated herein;
2. Approve the waiver of the Housing Authority of the City of Los Angeles' (HACLA) Payment in lieu of Taxes (PILOT) fees for 2005 through 2008, totaling \$7,782,349;
3. Approve the following PILOT funds expenditure plan and direct HACLA to allocate the accrued \$7,782,349 in PILOT funds from 2005 through 2008 to the following expenditures:

<u>Expenditure Item</u>	<u>Amount</u>
Summer Youth Employment Program	\$1,200,000
Summer Night Lights Program	500,000
Mar Vista Summer Activities Program	100,000
Recreation and Parks Programming	1,000,000
Public Housing Capital Projects	2,400,000
Section 8 Housing Assistance Program	<u>2,582,349</u>
<b>TOTAL:</b>	<b>\$7,782,349</b>

4. Instruct HACLA to provide a supplemental report to the Council and Mayor regarding PILOT fee waivers for the years 2009 through 2011 in the amount of approximately \$6.4 million, after first obtaining approval of the HACLA Board of Commissioners of the waiver request, and providing additional detail regarding the Jordan Downs project in accordance with prior Council direction (C.F. 11-0600-S49);
5. Instruct HACLA to provide an annual report to the Council and Mayor no later than April 1 of each year, in order to request waivers of PILOT fees as applicable and to report on actual expenditures associated with PILOT fees previously waived;
6. Authorize the General Manager of the Community Development Department (CDD), or designee, to accept \$1.2 million from HACLA for the Summer Youth Employment Program and to prepare Controller instructions relative to the appropriation and expenditure of these funds that are consistent with this action, subject to the approval of the CAO, and authorize the Controller to implement the instructions;
7. Authorize the Director of the Mayor's Office of Gang Reduction of Youth Development (GRYD), or designee, to accept \$500,000 from HACLA for the Summer Night Lights Program and to prepare Controller instructions relative to the appropriation and expenditure

of these funds that are consistent with this action, subject to the approval of the CAO, and authorize the Controller to implement the instructions;

8. Authorize the General Manager of the Department of Recreation and Parks (RAP), or designee, to accept \$1 million from HACLA in order to reimburse the General Fund for recreational and maintenance services provided by RAP, instruct RAP to deposit such funds as a General Fund receipt, and authorize the Controller to recognize such funds as a General Fund receipt; and
9. Authorize the General Managers of CDD and RAP, and the Director of the Mayor's GRYD Office, or designees, to prepare Controller instructions for any technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and authorize the Controller to implement the instructions.

### **FISCAL IMPACT STATEMENT**

There is a positive impact to the General Fund as a result of approval of the recommendations of this report. If the City approves the waiver of the Payment in lieu of Taxes (PILOT) fees for the Housing Authority of the City of Los Angeles (HACLA), HACLA has agreed to provide \$2.7 million to the City for various services. Of the \$2.7 million, \$1.7 million would be allocated for increased services for the Summer Youth Employment Program (SYEP) (\$1.2 million) and the Summer Night Lights (SNL) Program (\$500,000), and \$1 million would reimburse the General Fund for Recreation and Parks (RAP) programming. The recommendations of this report are in compliance with the Cities Financial Policies as the one-time funds provided by HACLA for SYEP and SNL would be provided for one-time expenditures associated with these programs, and the \$1 million allocated to RAP would reimburse the General Fund for these services.

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