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Submitted in HCED Committee

Council File No: 11-2106-S3

Item No.: 7

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER *Report from the City Administrative Officer*

Date: June 4, 2013

CAO File No. 0220-00540-1046

Council File No. 11-2106-S3 & S1,
11-2106, 11-0223,
10-0799, 10-0685,
07-2438-S8

Council District: Various

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Transmittal from the Los Angeles Housing Department dated May 6, 2013; received by the City Administrative Officer on May 13, 2013

Subject: **REQUEST FROM THE LOS ANGELES HOUSING DEPARTMENT FOR AUTHORITY TO EXECUTE A CONTRACT AMENDMENT WITH RESTORE NEIGHBORHOODS LA, INC., TO MAKE ADJUSTMENTS IN THE NEIGHBORHOOD STABILIZATION PROGRAM AND FOR APPROVAL OF TWELVE EXEMPT POSITIONS**

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) requests authority to execute the Eighth Amendment to Contract No. C-115683 with Restore Neighborhoods LA, Inc. (RNLA) to continue the acquisition, rehabilitation and sale of foreclosed and abandoned housing properties to meet the Neighborhood Stabilization Program (NSP) grant requirements. The amount being added to the RNLA contract is \$717,586. The term of the contract would be increased by one year from March 1, 2014 through February 28, 2015 for a total of six years. In addition, the General Manager of LAHD requests authority to make adjustments to receive, transfer and appropriate NSP funds. The Department also requests approval for 12 exempt positions for two years with a possible one-year extension to support the NSP.

The City's NSP is funded by a grant for the U.S. Department of Housing and Urban Development (HUD). The goal of the NSP is to address foreclosed and abandoned residential properties and to prevent neighborhood nuisances. To date, HUD has awarded the City three NSP Grants, called NSP1, NSP2 and NSP3, for a combined total of \$142.7 million. The LAHD is the City's designated administrator of the NSP (C.F. 07-2438-S8 and C.F. 08-1933).

The RNLA is a nonprofit holding and development corporation which was created specifically to meet the requirements of the NSP to benefit low and moderate income families in the City of Los Angeles. Since 2009, the LAHD has contracted with RNLA (Contract No. C-115683) to purchase and rehabilitate foreclosed or abandoned single-family and multi-family housing properties. Once

rehabilitated, the RNLA may sell the single-family properties to qualified homebuyers. In addition, the RNLA creates affordable rental housing opportunities with the rehabilitated multi-family properties. The LAHD has amended the RNLA contract six times to add funding to the contract and to change the term of the contract. The table in Attachment A includes the execution dates, terms, amounts for each amendment, and the amounts expended for the RNLA contract by each NSP. The table also includes the amount of advance or bridge funding that has been provided to RNLA. The total contract amount for RNLA is \$xxx million and the total amount expended as of xxx, 2013 is \$xxx million.

In January 2013, the Mayor and Council authorized an increase to Contract No. C-115683 (C.F. 11-2106-S1) to include additional NSP program income grant funds for continued program operations costs. For this purpose, LAHD estimates that RNLA will incur additional administrative costs up to \$717,586, which is the amount included in the proposed Eighth Amendment. The extension of the contract for one year through February 2015 will allow for the completion of all rehabilitation construction projects.

The income generated from sales of RNLA homes and from the Walk-in Program (public homebuyer program) is used to further the NSP including acquisition, rehabilitation, property management, appraisals, or sales of acquired residential properties. The RNLA is required to use program income before drawing down other program funds. As of May 10, 2013, \$15,430,480 in program income has been generated. The LAHD will be submitting a separate transmittal with recommendations regarding the use of the program income funds.

Under the HUD grant performance requirements, LAHD has met the 100 percent expenditure goals of the NSP1 and NSP2 grants and the 50 percent expenditure goal of the NSP3 grant in February 2013. The 100 percent expenditure goal of the NSP3 grant is March 1, 2014. Per HUD requirements, LAHD monitors RNLA on a weekly, monthly, quarterly and annual basis. For the period from March 1, 2011 through September 30, 2012, LAHD states that the services provided by RNLA are "Satisfactory." As of May 2013, more than 800 housing units have been funded by the three NSP grants. The Department will submit a separate report addressing NSP grant goals and accomplishments.

Approval to contract with RNLA required a Charter Section 1022 determination. In December 2008, the Personnel Department identified City classifications that possess some of the necessary skills, knowledge and abilities to perform the work. However, LAHD would have needed to hire additional staff to carry out the tasks outlined by the NSP, because LAHD did not have sufficient staff available to perform the work. Therefore, this Office determined that it was more feasible to contract for the NSP services.

The LAHD requests corrections to appropriations to the NSP Fund No. 50T to offset amounts that were previously authorized in 2011-12 and 2012-13. In addition, the Department requests that uncommitted funds from prior fiscal years be appropriated into current year accounts to be used for 2012-13 administrative costs, RNLA administrative costs, or future NSP administrative costs.

In June 2010, the Mayor and Council authorized the following 26/27 grant-funded exempt resolution positions to administer and operate the City's NSP (C.F. 10-0685 and C.F. 10-0799):

Number	Class Code	Classification Title
1	8500	Community Housing Programs Manager
1	9171-1	Senior Management Analyst I
1	9184-2	Management Analyst II
1	9184-1	Management Analyst I
1	1542	Project Assistant
7	1539	Management Assistant
1	1571	Finance Development Officer
1	1569-3	Rehabilitation Construction Specialist III
2	1569-2	Rehabilitation Construction Specialist II
3	1569-1	Rehabilitation Construction Specialist I
1	1523-1	Senior Accountant I
4	1513-2	Accountant II
2	1368	Senior Clerk Typist
1	1223-2	Accounting Clerk II

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Since the initial NSP expenditure goals have been achieved and the Program will be closing down in the next two years, LAHD requests a reduction in the number of positions to support and administer the Program. The proposed positions would be as follows:

Number	Class Code	Classification Title
1	9171-1	Senior Management Analyst I
2	9184-2	Management Analyst II
1	1571	Finance Development Officer
5	1539	Management Assistant
2	1513-2	Accountant II
1	1368	Senior Clerk Typist

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The Civil Service Commission needs to review and approve the classifications for exemption pursuant to Charter Section 1001 (d) (4). In addition, LAHD requests that one of the current NSP exempt Rehabilitation Construction Specialist Is be changed to a Management Analyst II. Therefore, this Office recommends that the authority to exempt and fill the positions be addressed in a separate report. The Department concurs with this recommendation and will provide position descriptions, organization charts, funding sources and a plan to reduce and then eliminate the positions as the NSP ends.

RECOMMENDATIONS

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

1. Authorize the General Manager, Los Angeles Housing Department (LAHD), or designee, to execute the Eighth Amendment to Contract No. C-115683 with Restore Neighborhoods LA, Inc. to include the following provisions, subject to the review and approval of the City Attorney as to form:

- a. Increase the total contract in an amount not to exceed \$717,568 to reflect the additional City funding sources in Recommendation 1.b. below;
 - b. Amend Exhibit H, entitled "Administrative Budget," to:
 - i. Increase Neighborhood Stabilization Program 1 (NSP1) funds allocated for Administrative Costs by \$143,517, from \$1,358,246 to an amount not to exceed \$1,501,763;
 - ii. Increase NSP2 funds allocated of Administrative Costs by \$502,310, from \$2,217,040 to an amount not to exceed \$2,719,350; and,
 - iii. Increase NSP3 funds allocated for Administrative Costs by \$71,759, from \$387,558 to an amount not to exceed \$459,317;
 - c. Increase the contract term for one year from March 1, 2014 through February 28, 2015;
2. Authorize the City Controller to:
- a. Allocate funds to Contract No. C-115683 that were authorized in C.F. 07-2438-S8 for NSP sub-recipient grant program activities as follows:
 - i. An amount not to exceed \$143,517 in NSP Fund No. 50T, Department 43, Account 43E820, NSP Program Administration;
 - ii. An amount not to exceed \$502,310 in NSP2-ARRA Fund No. 52J, Department 43, Account 43F830, NSP2/ARRA Program Admin – RNLA; and,
 - iii. An amount not to exceed \$71,759 in NSP3-WSRA Fund No. 53T, Department 43, Account 43G820, Program Administration;
 - b. Reduce appropriations by an amount not to exceed \$44,305 within NSP Fund No. 50T, Department 43, Account 43F304, Admin Reserve, to be consistent with the 2011-12 Adopted Budget, which resulted in \$44,305 being appropriated to NSP Fund No. 50T, Department 43, Account 43H143, Housing;
 - c. Reduce appropriations by an amount not to exceed \$58,106 within NSP Fund No. 50T, Department 43, Account 43F304, Admin Reserve, to be consistent with the 2012-13 Adopted Budget, which resulted in \$58,106 being appropriated to NSP Fund No. 50T, Department 43, Account 43J112, City Attorney;

d. Transfer appropriations within NSP Fund No. 50T, Department 43, as follows:

Transfer from:

Account No.	Account Name	Amount
43E143	Housing	\$0.74
43F143	Housing	79,724.85
43F299	Related Costs	39,143.53
43F844	Technical Services	437,350.00
43G143	Housing	181,767.12
43G299	Related Costs	17,160.60
	Total	\$755,146.84

Transfer to:

Account No.	Account Name	Amount
43E820	NSP Program Administration	\$37,225.61
43F304	Admin Reserve	198,795.38
43J143	Housing	372,892.85
43J299	Related Costs	146,233.00
	Total	\$755,146.84

e. Expend funds on an as-needed basis in an amount not to exceed \$755,146.84 from the accounts listed above in NSP Fund No. 50T, Department 43, upon the proper written demand by the General Manager, LAHD, or designee, whereby \$755,146.84 consists of:

- i. An amount not to exceed \$355,939.84 for administration costs in 2012-13; and,
- ii. An amount not to exceed \$399,207.00 for reimbursement of administrative costs from prior fiscal years that were initially paid from other City fund sources for NSP projects;

f. Transfer appropriations within NSP2—ARRA Fund No. 52J, Department 43 as follows:

Transfer from:

Account No.	Account Name	Amount
43F304	Admin Reserve	\$382,542.57
43G143	Housing	177,755.99
43G245	NSP/Professional Svcs Contracts	177,972.85
43H143	Housing	290,000.00
43H108	Building and Safety	98,639.97
43H299	Related Costs	144,947.77
	Total	\$1,271,850.15

Transfer to:

Account No.	Account Name	Amount
43F830	NSP2/ARRA Program Admin-RNLA	\$502,310.00
43J143	Housing	502,740.15
43J299	Related Costs	266,800.00
	Total	\$1,271,850.15

g. Expend funds on an as-needed basis in an amount not to exceed \$1,271,850.15 from the accounts listed above in NSP2—ARRA Fund No. 52J, Department 43, upon the proper written demand by the General Manager, LAHD, or designee, whereby \$1,271,850.15 consists of:

- i. An amount not to exceed \$769,540.15 for administration costs in 2012-13; and,
- ii. An amount not to exceed \$502,310.00 for Contract No. C-115683 that was authorized in C.F. 07-2438-S8 for NSP sub-recipient grant program activities described in Recommendation 1 above;

h. Increase appropriations within General Fund 100, Department 43, for 2012-13 as follows:

Account No.	Account Name	Amount
1010	Salaries	\$503,596
1090	Salaries Overtime	36,713
3040	Contractual Services	52
3310	Transportation	34,726
6010	Office and Admin	14,640
6030	Leasing	1,732
	Total	\$591,459

3. Instruct the City Clerk to place on the agenda for the first Council meeting in 2013-14, or shortly thereafter, the following items for Council action:

a. Authorize the City Controller to take the following actions:

- i. Transfer appropriations within NSP Fund No. 50T, Department 43 as follows:

Transfer from:

Account No.	Account Name	Amount
43F820	NSP Program Administration	\$403,957

Transfer to:

Account No.	Account Name	Amount
43K143	Housing	\$293,654
43K299	Related Costs	110,303
	Total	\$403,957

- ii. Expend funds on an as-needed basis in an amount not to exceed \$403,957 from the accounts listed above in NSP Fund No. 50T, Department 43, upon the proper written demand by the General Manager, LAHD, or designee;
- iii. Transfer appropriations within NSP2—ARRA Fund No. 52J, Department 43 as follows:

Transfer from:

Account No.	Account Name	Amount
43F304	Admin Reserve	\$461,667

Transfer to:

Account No.	Account Name	Amount
43K143	Housing	\$335,605
43K299	Related Costs	126,062
	Total	\$461,667

- iv. Expend funds on an as-needed basis in an amount not to exceed \$461,667 from the accounts listed above in NSP2—ARRA Fund No. 52J, Department 43, upon the proper written demand by the General Manager, LAHD, or designee;
- v. Establish new accounts within NSP3—WSRA Fund No. 53T, Department 43 as follows:

Account No.	Account Name
43K143	Housing
43K299	Related Costs

- vi. Transfer appropriations within NSP3—WSRA Fund No. 53T, Department 43 as follows:

Transfer from:

Account No.	Account Name	Amount
43G304	Admin Reserve	\$9,191
43G820	Program Administration	281,350
	Total	\$288,541

Transfer to:

Account No.	Account Name	Amount
43K143	Housing	\$209,753
43K299	Related Costs	78,788
	Total	\$288,541

- vii. Expend funds on an as-needed basis in an amount not to exceed \$288,541 from the accounts listed above in NSP3—WSRA Fund No. 53T, Department 43, upon the proper written demand by the General Manager, LAHD, or designee;
- viii. Increase appropriations within General Fund 100, Department 43, for 2013-14 as follows:

Account No.	Account Name	Amount
1010	Salaries	\$839,012

- 4. Authorize the General Manager, LAHD, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions on these matters, subject to the approval of the City Administrative Officer, and request the Controller to implement these instructions.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report address the expenditure of Neighborhood Stabilization Program (NSP) grant funds issued by the U.S. Department of Housing and Urban Development. The recommendations also authorize the Los Angeles Housing Department to negotiate and execute a contract amendment with Restore Neighborhoods LA, Inc. in an amount not to exceed \$717,586, to continue the acquisition, rehabilitation and sale of foreclosed and abandoned housing properties to meet the NSP grant requirements. The recommendations comply with the City's Financial Policies in that the continuation of the NSP grant activities is contingent on the continuation of federal funding.

MAS:MMR:02130145C

Attachment

ATTACHMENT A

**Los Angeles Housing Department
Neighborhood Stabilization Program
Restore Neighborhoods, L.A., Inc. Contract C-115683**

Contract History	Council File	Date of Contract	Term of Contract	NSP1 Contract Amount	NSP1 Amount Expended	NSP2 Contract Amount	NSP2 Amount Expended	NSP3 Contract Amount	NSP3 Amount Expended	Advances / Bridge Loans	Amount Expended / Bridge Loans	Contract and Loan Total	Expended Total
Original	07-2438-S8	July 2009	March 1, 2009 - September 30, 2010	\$ 21,828,963	\$ 16,432,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,828,963	\$ 16,432,872
First Amendment	09-2721	April 2010	March 1, 2009 - September 30, 2010	-	-	-	-	-	-	250,000	250,000	250,000	250,000
Second Amendment	10-0685 10-0799	November 2010	March 1, 2009 - February 28, 2014	8,213,751	8,057,400	47,217,040	42,323,124	-	-	-	-	55,430,791	50,380,524
Third Amendment	09-2721 11-0223	May 2011	March 1, 2009 - February 28, 2014	-	-	-	-	-	-	505,000	496,122	505,000	496,122
Fourth Amendment	10-0799 11-0223	January 2012	March 1, 2009 - February 28, 2014	-	-	-	-	4,831,558	2,293,126	-	-	4,831,558	2,293,126
Fifth Amendment	11-2106	January 2012	March 1, 2009 - February 28, 2014	(1,483,376)	3,656,085	28,100,000	26,399,304	-	-	-	6,569	26,616,624	30,061,958
Sixth Amendment	11-2106	December 2012	March 1, 2009 - February 28, 2014	3,129,009	887,899	2,663,214	8,747,429	2,000,000	963,022	-	-	7,792,223	10,598,350
Seventh Amendment	11-2106-S1	January 2013	March 1, 2009 - February 28, 2014	TBD	2,294,904	TBD	8,765,994	TBD	3,121,774	-	-	22,744,841	14,182,672
Proposed Eighth Amendment	11-2106-S3	TBD	March 1, 2009 - February 28, 2015	143,517	-	502,310	-	71,759	-	-	-	717,586	-
Total				\$ 31,831,864	\$ 31,329,160	\$ 78,482,564	\$ 86,235,851	\$ 6,903,317	\$ 6,377,922	\$ 755,000	\$ 752,691	\$ 140,717,586	\$ 124,695,624