

TRANSMITTAL

To: **THE COUNCIL**

Date: **10/28/19**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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October 2, 2019

Council File: 07-2438-S8
Council District: Citywide
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO EXECUTE AN ELEVENTH AMENDMENT TO THE NEIGHBORHOOD STABILIZATION PROGRAM CONTRACT WITH RESTORE NEIGHBORHOODS, L.A., INC. (C-115683) TO INCREASE THE TOTAL CONTRACT COMPENSATION BY \$433,673.99 AND EXTEND THE CONTRACT TERM TO JUNE 30, 2020; AND TO AMEND THE TERM OF THE MUNICIPAL HOUSING FINANCE FUND LOAN WITH THE GRANT SUB-RECIPIENT

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval, and requests authority to amend City Contract Number C-115683 with Restore Neighborhoods, L.A., Inc. (RNLA) to extend the contract term until June 30, 2020 and add funds in the amount of \$433,673.99. The \$433,673.99 is requested to pay for RNLA incurred program delivery costs totaling \$393,794.76, and the balance of \$39,879.23 will be used to pay for fiscal year 2020 costs. The contract amendment is necessary to reimburse the expenses and pay for fiscal year 2020 costs, which will be paid from \$2,193,916.23 in available NSP Program Income funds.

In addition, the maturity date of the Municipal Housing Finance Fund loan ("MHFF Loan"), which has been used by RNLA to cover administrative expenses, must be extended in correlation with the City Contract with RNLA.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward it to City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager, HCIDLA, or designee, to negotiate and execute the Eleventh Amendment to the existing Professional Services Agreement with Restore Neighborhoods, L.A., Inc. (Contract No. C-115683), for continued work relating to project development, program wind-down, audits and program closeout, subject to approval as to form by the City Attorney, to include the following provisions:
 - i. Extend the contract end date from June 30, 2019 to June 30, 2020;
 - ii. Add additional NSP1 funds of \$184,561.81 and NSP2 funds of \$249,112.18 for a total of \$433,673.99 to existing Contract No. C-115683
 - iii. Amend the MHFF Loan to extend the maturity date from June 30, 2019 to June 30, 2020, to align with the extended RNLA contract termination date (listed above).
 - B. AUTHORIZE the Controller to:
 - i. Increase appropriation within the Neighborhood Stabilization Program Fund No. 50T from available program income as follows:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
43E820	NSP Program Adm	\$ 25,669.00
43E818	NSP Program Operation	<u>\$158,892.81</u>
	Total	<u>\$184,561.81</u>

- ii. Increase appropriation within the ARRA-Neighborhood Stabilization Program Fund No. 52J from available program income as follows:

<u>Account</u>	<u>Title</u>	<u>Amount</u>
43F868	NSP2/ARRA Program	\$249,112.18

- C. AUTHORIZE the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments that are consistent with the Mayor and Council actions on this matter, subject to the approval of the Office of the City Administrative Officer, and authorize the City Controller to implement those instructions.

BACKGROUND

On September 23, 2008, a response to the Federal Directive for Housing and Economic Recovery Act of 2008 (H.R. 3221) was issued through a City Motion (Garcetti-Alarcon) to address the negative impacts of foreclosure upon the City's most affected neighborhoods and to develop stabilization strategies with other agencies (C.F. 07-2438-S8). The United States Department of

Housing and Urban Development (HUD) provided a total award of \$142.7 million to the City through three grant allocations: NSP1 (\$32.8 million), NSP2 (\$100 million) and NSP3 (\$9.8 million), collectively, the “NSP Grant”, totaling of \$142.7 million.

On February 25, 2009, the Mayor and City Council authorized HCIDLA to administer the NSP Grant and to create RNLA, a non-profit holding and development organization to carry out the NSP Grant goals and objectives of stabilizing neighborhoods and addressing blight created from foreclosed and abandoned properties (C.F. 07-2438-S8).

Since 2009, RNLA has implemented the NSP Grant on behalf of HCIDLA to reduce the number of foreclosed and/or vacant properties in order to improve and stabilize neighborhoods most impacted by foreclosures in the City of Los Angeles. In carrying out the NSP national objective, RNLA has been charged with the responsibility of acquiring and rehabilitating foreclosed or abandoned properties and redeveloping them into affordable housing for resale or rental opportunities for income eligible households.

From 2009 to 2015, RNLA acquired, rehabilitated and turned approximately 880 affordable housing property units, including 56 units developed into Supportive Housing (SH) for the homeless in partnership with the Los Angeles County Department of Health. RNLA has also forged into other innovative partnerships with the City’s Department of Recreation and Parks to create nine pocket parks and with Habitat for Humanity to create a demonstration project involving three pre-fabricated, net-zero energy efficient homes on property sites too costly to repair. Also noteworthy is that RNLA has generated employment for 61 Los Angeles-based contractors, including Minority Business Enterprises/Women Business Enterprises (MBE/WBE) contractors.

In total, RNLA has been involved in grant activities in the amount of more than \$140 million in NSP funds for the rehabilitation and/or redevelopment of the aforementioned 880 affordable housing units, previously vacant and/or abandoned foreclosed properties in severe disrepair.

NSP Grant Program Update

As of September 23, 2019, there are \$2,193,916.23 in NSP funds generated through program income that are available for reinvestment purposes. Table 1, below, provides a summary of NSP funds.

TABLE 1 – AVAILABLE NSP PROGRAM INCOME FUNDS	
NSP1	\$903,455.96
NSP2	\$1,290,460.27
NSP3	\$0.00
Total	\$2,193,916.23

HCIDLA requests authority to allocate \$433,673.99 in NSP Program Income funds to pay for expenses incurred by HCIDLA’s NSP sub-recipient, RNLA.

Eleventh RNLA Amendment

The RNLA cumulative contract amount is \$140,823,146 and expire on June 30, 2019. An eleventh contract amendment to the existing RNLA Contract Agreement (C-115683) is necessary to

reimburse RNLA for program related expenditures. The amendment will extend the contract end date to June 30, 2020 and add the \$433,673.99 referenced above.

The previous NSP transmittal, dated November 23, 2016 (C.F. 11-2106-S5), requested HCIDLA to look into the feasibility of transitioning RNLA, from their current role as a subrecipient of the federal NSP grant, into a support organization, which would include the role of housing developer. At that time, RNLA was provided funding in the amount of \$825,597 for the development of eleven housing lots on NSP land. Additional funding was not provided, in the approximate amount of \$400,000, because RNLA was operating with the assumption that their program delivery costs would be paid from developer fees earned from the project. However, after evaluating this option, HCIDLA decided to continue its existing agreement with RNLA as the NSP grant subrecipient and not transition them to a developer for NSP. Consequently, this transmittal includes the allowable NSP program delivery costs of approximately \$400,000 from Fiscal years 2016--2019 for the development of 15 housing units on NSP lots along with the estimated program delivery costs for fiscal year 2020.

The requested amount of \$433,673.99 will be used to pay for RNLA program delivery costs that were already incurred totaling \$393,794.76 and the balance of \$39,879.23 will be used to pay for fiscal year 2020 costs.

Municipal Housing Finance Fund (MHFF) Loan

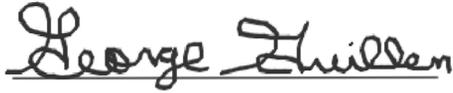
On November 25, 2009, HCIDLA was authorized to provide RNLA a loan of \$250,000 using resources from the MHFF Loan (C.F. 09-2721). Consistent with its intent, the MHFF Loan has been used by RNLA as working capital to cover administrative and operational expenses pending reimbursement from the NSP Grant. Due to the added NSP2 award of \$100 million and associated exponential workload increase, in February 2011 the Mayor and City Council authorized an increase to the MHFF Loan by an additional \$450,000 to the current loan amount of \$700,000.

The MHFF Loan provided an advance of funding to RNLA for NSP program work, as outlined in the scope of the RNLA contract; therefore, the Loan maturity date also runs parallel to the RNLA contract term date. With remaining program administration under the existing RNLA contract through June 30, 2019, the MHFF Loan maturity date must be extended in unison with the RNLA contract. Therefore, HCIDLA requests to extend the MHFF Loan Maturity date in conjunction with the extended term date of the RNLA existing contract to June 30, 2020.

FISCAL IMPACT

There is no fiscal impact to the General Fund as a result of these amendments. The \$433,673.99 will be paid from available NSP Program Income funds.

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