

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT** Committee

reports as follows:

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to a transition plan for the management of the housing assets, functions and responsibilities of the former Community Redevelopment Agency of Los Angeles (CRA/LA).

Recommendation for Council action:

INSTRUCT the Chief Legislative Analyst and City Administrative Officer (CLA/CAO) with the assistance of the Los Angeles Housing Department (LAHD), to report to Council in 30 days with a detailed transition plan that also identifies staffing and other necessary resources.

Fiscal Impact Statement: The CLA/CAO report that there is no immediate impact to the General Fund as a result of the recommendations contained in this report. The cost of the three positions for two months is approximately \$67,000, including direct and indirect costs. It was anticipated that the former CRA/LA's Low and Moderate Income Housing Fund (LMIHF) and Loan Portfolio revenue would be transferred to the City along with the Housing assets; however, these issues remain unresolved. In the event that these funds do not materialize in the current fiscal year, the CAO will make the necessary adjustments in the Year-End Financial Status Report. An estimated fiscal impact associated with the assets, functions and resources to be transferred from the former Community Redevelopment Agency to the Los Angeles Housing Department will be provided in a subsequent report to the Mayor and Council.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on May 2, 2012, the Housing, Community and Economic Development (HCED) Committee considered a joint report from the CLA/CAO dated April 17, 2012 relative to a transition plan for the management of the housing assets, functions and responsibilities of the former CRA/LA.

The CRA/LA was dissolved effective February 1, 2012 as a result of the December 29, 2011 California Supreme Court ruling which upheld the redevelopment agency elimination bill (Assembly Bill 1x 26). Although the Council subsequently elected to opt-out as the Successor Agency to the CRA/LA, it adopted a Resolution (Council File 12-0049) on January 25, 2012 opting to retain the housing assets and functions of the former CRA/LA and instructed LAHD with the assistance of the CAO and CLA to report with a transition plan for the short-term and long-term management of the housing assets and functions of the former CRA/LA.

Pursuant to that Council Action, the CLA/CAO prepared a joint report dated April 17, 2012 entitled: Report on Transition of Housing Assets and Functions from the Former Community Redevelopment Agency of Los Angeles (CRA/LA) to the Los Angeles Housing Department (LAHD), and representatives of the CLA/CAO appeared before the HCED Committee on May 2, 2012, along with the interim General Manager of the LAHD, to present that report and to respond to related questions.

The CLA/CAO reported that in March 2012 the LAHD provided a transition plan to the CLA that included management for projects currently in development, portfolio management (loans), occupancy compliance, accounting, systems, and legal. The LAHD proposes a two-phase plan with the first phase focusing on transition and the second phase focusing on implementation. Additionally, the CLA/CAO reported that LAHD is requesting 12 new positions to address the anticipated workload as part of the first phase of the transition; however the CLA/CAO is still analyzing that request and will report back, but supports the LAHD filling of 3 of the requested positions at this time. A request to fill one of the 3 positions has already been submitted for consideration by the Managed Hiring Committee. In terms of funding, the CAO reported that it anticipated that the housing and LMIHF funds from the former CRA/LA could be used for the requested positions. However, if the transfer of funds from the former CRA/LA (now known as the Designated Local Authority [DLA]) has not been resolved by the end of the fiscal year, the CAO will make recommendations in the mid-year Financial Status Report relative to funding for the positions.

The LAHD reported that in March 2012, the State Department of Finance (DOF) opined, in a set of Frequently Asked Questions (FAQ) on its website, that the transfer of housing functions from former redevelopment agencies does not result in the housing successor agency also receiving the accompanying rents and loan proceeds funds. Those funds revert to the taxing entity and the City would only receive 30 percent of the funds, approximately \$1.7 million. This falls short of the resources the LAHD would need to carry out the housing functions of the former CRA/LA. The LAHD estimates that its short-term costs would total \$4 million annually for the first three years and long-term costs would be \$2 million annually thereafter for staff and consultants to manage the housing asset covenants and loan portfolios. The transfer of housing assets to the LAHD would include 23,000 affordable housing units which would double the LAHD's portfolio.

The LAHD further reported that at this time the former CRA/LA's housing assets have not yet been transferred to the City. The LAHD has been working with the DLA to determine what will ultimately be transferred. However, the DOF's opinion has now jeopardized this process. The LAHD sent a letter to the DOF and copied the Governor requesting that the DOF change its position on the issue of loan proceeds, but has not yet received a response. Additionally, the LAHD noted that cities and housing advocacy groups throughout the state have also been petitioning the Governor and the DOF since there does not appear to be a legal basis for the position the DOF has taken on this issue. The LAHD is concerned that once the housing assets are transferred, it will not have the ability to enforce the covenants without the loans and loan proceeds, nor would it have the ability to refinance those loans if the DOF does not change its position.

In light of the current uncertainty, the Committee questioned how much reliance the Council can place on the LAHD transition plan based on LAHD's anticipation of what the state will do. The LAHD stated that initially it received information from the DOF that housing successor agencies would receive the loan proceeds and made decisions based on that information. Now the DOF is providing different information. In terms of the transfer of assets, the LAHD reports that there is nothing in the legislation that requires the DLA to act to transfer the housing assets, however

the DLA is deferring to the Oversight Board which is meeting for the first time on May 2, 2012 and the LAHD is hoping the Oversight Board will make the transfer in time for the LAHD to begin the transition by July 1, 2012. Regarding the DOF decision on loan proceeds, the LAHD reports that there are three ways the situation can be resolved: first would be for the DOF to change its FAQ, the second would be through pending state legislation such as Senate Bill 654 or Assembly Bill 1585, and the third would be through the court system. It is hoped that the DOF will simply change its FAQ. In the meantime, the CLA/CAO will monitor the situation and requested to report back to the Committee in 30 days.

After further discussion, and after providing an opportunity for public comment, the Committee recommended approval of the recommendation in the joint CLA/CAO report for the CLA/CAO to report back. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CARDENAS:	YES
REYES:	ABSENT
ALARCON:	YES
PERRY:	YES
WESSON:	ABSENT

REW
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Not Official Until Council Acts