

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: August 12, 2014

TO: Honorable Members of the Housing Committee

FROM: Gerry F. Miller *KEL*
Chief Legislative Analyst *for*

Council File No: 14-0310
Assignment No: 14-08-0578

Recommended Amendments to the Neighborhood Improvement Fund Call for Projects

SUMMARY

On April 7, 2014, the Housing Committee considered reports from the Housing and Community Investment Department (HCID) and the City Administrative Officer (CAO) on the Neighborhood Improvement Fund (NIF) Call for Projects process. The Committee instructed the Chief Legislative Analyst (CLA) to provide an additional report on this new program and continued the item. As the details of the NIF program have already been well documented by both the HCID and CAO reports, this report focuses on recommended amendments to the proposed program that ensure the greatest number of projects Citywide are competitive for funding.

Subsequent to release of the HCID report, the department provided an evaluation table showing how the proposed NIF projects will be scored. This report provides this evaluation table in Attachment 1. Should the amendments recommended in this report be adopted, the evaluation criteria contained in this table will need to be updated accordingly.

DISCUSSION

Projects funded by the NIF require the support of the Councilmember in whose district the project is located. Eligible projects for NIF funding include but are not limited to acquisition of land for site clearance and new construction, reconstruction of buckling sidewalks, and façade improvements. According to HCID every project must provide a public service or benefit (i.e. CDBG National Objective) after completion, and follow other federal requirements such as Davis-Bacon wage rates and ADA compliance.

The following are recommended amendments that will allow more projects to be competitive for NIF funding and encompass more neighborhoods of the City.

Amendment #1: Delete the 100 percent match requirement for project budgets at or below \$250,000.

HCID proposes that the NIF program provide gap financing only. Funding recipients are required to match at least 100 percent of NIF funds with funding from other sources. In the case

of smaller projects, such as sidewalk construction and façade improvements, the \$250,000 maximum funding award could be all that is required to complete the project. Under this proposed rule, these smaller projects would need to request half of their required budget from the NIF, and look for funding from other sources, potentially stalling the completion of the project. This amendment would allow projects with a budget at or below \$250,000 to be funded entirely from the NIF.

Amendment #2: Delete the inclusion of the Great Streets initiative and the Promise Zone from the evaluation factors used to score proposed projects.

HCID reports that priority will be given to projects that are located within one-half mile from a transit stop, part of the Great Streets initiative or located in the Promise Zone. We recommend deleting the Great Streets initiative and the Promise Zone from the evaluation factors used to score proposed projects and retaining priority for transit, for several reasons. The Great Streets initiative is a Mayor’s Office program to revitalize 15 street corridors, one per Council District. The Promise Zone is a federally designated geographic area comprising the neighborhoods of East Hollywood, Pico-Union/Westlake, Koreatown, Thai Town, and Little Armenia. The zone will receive federal technical assistance, coordinated federal staff support, and preferential access to federal funding sources, including bonus points for competitive grants. While these initiatives have the potential to provide much needed revitalization to select areas of the City, giving priority to applicants for being part of the Great Streets initiative or located in the Promise Zone places too many potential projects that are not located in these zones at a disadvantage. Removing these factors from consideration will ensure that more neighborhoods in need can compete for NIF funding. Projects that are part of the Great Streets or Promise Zone initiatives should be encouraged to apply for NIF funding, however we do not recommend they receive additional consideration based on these factors. We recommend that priority for projects along transit corridors be retained, as the NIF concept, as initially conceived and approved by HUD, included this requirement.

Subsequent to the release of the HCID report, the department has developed an evaluation factors table which provides additional details on how the projects that apply for NIF funding will be scored. This table is provided in Attachment 1. Should the amendments recommended by this report be adopted, the evaluation criteria contained in this table will need to be updated accordingly.

HCID proposes that projects will be scored out of 100 points possible under the following categories:

Project Readiness	40 points
Community Impact	30 points
Project Team Capacity	15 points
<u>Project Financials</u>	<u>15 points</u>
Total	100 points

RECOMMENDATIONS

That the Council:

1. Amend the NIF Call for Projects in the following manner:
 - a. Delete the 100 percent match requirement for project budgets at or below \$250,000.
 - b. Delete the inclusion of the Great Streets initiative and the Promise Zone from the evaluation factors used to score proposed projects.
2. Authorize the General Manager of the Housing and Community Investment Department, or designee, to:
 - a. Prepare and release an amended Call for Projects, including revised Neighborhood Improvement Fund Call for Projects Evaluation Factors, with projects to be funded by the Neighborhood Improvement Fund, subject to the review and approval of the City Attorney as to form; and
 - b. Submit recommendations of project awards to Council for review and approval, subject to the receipt of U.S. Department of Housing and Urban Development funding to the City.
 - c. Make any technical adjustments that may be required and are consistent with this action, subject to the approval of the Chief Legislative Analyst.

FISCAL IMPACT

There is no impact to the General Fund. The NIF Call for Projects is funded entirely with federal Community Development Block Grant funds.



Clay McCarter
Analyst

BACKGROUND

The Neighborhood Improvement Fund (NIF) was first introduced in January 2013 as part of the City's 39th (2013-14) Program Year Consolidated Plan. The fund was provided an initial allocation of \$2.5M in Community Development Block Grant (CDBG) funds to be used to invest and/or leverage funds for transportation-related projects. The former CRA provided matching funds for Metro Call for Projects, and with the elimination of the CRA, the NIF was envisioned to be an alternative source of matching funds. Upon the adoption of the 39th PY Consolidated Plan budget in March 2013, Council instructed HCID to report with recommendations to establish guidelines and procedures for the use of this fund. Due to a delay in these guidelines being released, Council appropriated \$2.4M of NIF funds for various CDBG projects, leaving a balance of \$100,000. As part of the adoption of the revised 39th Consolidated Plan in March 2014, Council appropriated an additional \$2.5M in CDBG funds to the NIF, bringing the total balance to \$2.6M.

Attachment: 1. Neighborhood Improvement Fund Call for Projects Evaluation Factors.

Neighborhood Improvement Fund Call for Projects—Evaluation Factors

Proposals will be evaluated based on the following categories and may include consideration of any or all of the listed factors, at the City’s discretion.

<p>1. Project Readiness</p> <ul style="list-style-type: none"> • Environmental issues cleared • Local approvals secured • Community concerns addressed • Site control attained 	<p>40 points</p>
<p>2. Community Impact</p> <ul style="list-style-type: none"> • Alignment with placed-based or other strategies • Visibility of the improvement in the community • Direct benefit to targeted population • Community and indirect benefits • Ability to leverage partnerships and resources 	<p>30 points</p>
<p>3. Project Team Capacity</p> <ul style="list-style-type: none"> • Applicant experience and expertise • Applicant financial stability 	<p>15 points</p>
<p>4. Project Financials</p> <ul style="list-style-type: none"> • Sources of funds are secured • Leverage beyond 100% match • Direct benefit is sustainable beyond 5 years 	<p>15 points</p>
<p>TOTAL</p>	<p>100 points</p>