

BACKGROUND

The Consolidated Plan is comprised of the following four federal entitlement grants received from the U.S. Department of Housing and Urban Development (HUD):

1. **Community Development Block Grant (CDBG)** – CDBG funds may be used by the City to perform a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. Priority must be given to activities that benefit low- and moderate-income persons. The City may also implement activities that aid in the prevention and elimination of slums and blight. Additionally, activities may be funded when they meet other community development needs having a particular urgency related to health or community welfare, such as following an earthquake. CDBG funds may not be used for activities that do not meet these broad national objectives.
2. **HOME Investment Partnerships Program (HOME)** – HOME is the largest federal block grant to state and local governments designed exclusively to produce affordable housing for low-income families. Managed by the Los Angeles Housing and Community Investment Department (HCIDLA), this program is dedicated to the City's Affordable Housing Trust Fund (AHTF) and the City's HCIDLA staff for program administration.
3. **Emergency Solutions Grant (ESG)** – The ESG program provides outreach, shelter, rapid rehousing, homelessness prevention and related services to persons experiencing homelessness, or for persons in danger of becoming homeless. This program is designed to be the first step in a continuum of assistance to enable individuals and families to move toward independent living as well as to prevent homelessness.
4. **Housing Opportunities for Persons with AIDS (HOPWA)** – The HOPWA program is administered by HCIDLA for both the City and County of Los Angeles. Through HOPWA, the City and County provide dedicated resources to develop and maintain affordable housing options, as well as supportive services for individuals with HIV/AIDS and their families.

41ST PROGRAM YEAR (PY) ACTION PLAN APPLICATION PROCESS AND PROPOSAL REVIEW METHODOLOGY

In October 2014, the Mayor's Office released a letter inviting applications for funding requests for the 41st PY Action Plan. Due to the uncertainty of the federal budget, applications for new projects were limited to economic development and neighborhood improvement categories. Entities applying for ongoing Public Service funding were asked to submit applications that reflected 30% budget reductions.

HCIDLA and the Commission on Community and Family Services (CCFS) convened community meetings to inform the general public about the Action Plan process and solicit their input. Meetings were held in Boyle Heights, Pacoima, South Los Angeles, and Central Los Angeles. During the meetings, community members expressed the need for more comprehensive family services, affordable housing, services for battered and abused spouses and homeless shelter operations. Attachment F provides a summary of public comments from the community meetings held in September 2014.

The City received nearly 110 requests totaling approximately \$170 million in the 41st PY. HCIDLA reviewed all applications for funding eligibility and project readiness. Funding recommendations were based on department review of project eligibility and readiness, alignment with the Consolidated Plan goals, and community input.

41ST PROGRAM YEAR ACTION PLAN BUDGET SUMMARY AND PROGRAM HIGHLIGHTS

Based on estimated federal entitlement, program income and prior year savings, the anticipated total budget for the 41st PY Action Plan is \$128.7 million. Figure 1 details the changes in total Action Plan resources per grant.

Figure 1: Comparison of 40th and 41st PY Estimated Resources

Description	Adopted	Estimated	\$ Change	% Change
	40th PY	41 st PY		
CDBG				
Federal Entitlement	\$51,090,928	\$50,596,500	(\$494,428)	
Program Income	20,083,193	18,828,629	(1,254,564)	
Prior Years Savings	4,290,756	5,991,378	1,700,622	
Midyear Reprogramming				
Total CDBG Budget	\$75,464,877	\$75,416,506	\$(48,371)	-0.06%
ESG				
Federal Entitlement	\$4,330,357	\$5,142,942	\$812,585	
Prior Years Savings	898,998		(898,998)	
Total ESG Budget	\$5,229,355	\$5,142,942	\$(86,413)	-1.65%
HOME				
Federal Entitlement	\$20,966,742	18,870,100	(2,096,642)	
Program Income	9,612,700	13,417,000	\$3,804,300	
Total HOME Budget	\$30,579,442	\$32,287,100	\$1,707,658	5.58%
HOPWA				
Federal Entitlement	\$15,919,579	15,919,579	\$0	
Prior Years Savings	3,286,176	\$3,952,000	665,824	
Total HOPWA Budget	\$19,205,755	\$ 19,871,579	\$665,824	3.46%
TOTAL RESOURCES	\$130,479,429	\$132,718,125	2,238,696	1.71%

Contingency Language Concerning Federal Entitlement Allocations

HUD has issued instructions (CPD Notice 14-015, October 21, 2014) that Action Plans are not to be submitted to HUD until after the federal fiscal year 2015 formula allocations have been announced. Currently, the City is estimating the amount of the entitlement funding and needs to

plan if the amount allocated by HUD is different from the City's estimate. Since the draft Action Plan must be made available for public comment, one option HUD suggests, so that there is only one public comment period needed for the Action Plan, is for grantees to incorporate contingency provisions on how to handle an increase or decrease in the federal allocation compared to estimates. With that in mind, the contingency provisions for the 41st Program Year Action Plan are as follows.

1. **CDBG:** If the federal allocation results in a decrease to the public service and administration caps, the cut will be applied proportionately to the line items. If the federal allocation results in an increase in the caps, no further action will occur with the public services and administration line items.
For the remaining reductions or addition of funds, if the federal allocation is no more than \$250,000 higher or lower than the planned allocation, the entirety of the difference will be added to or subtracted from the *Neighborhood Improvement Fund*. If the federal allocation is more than \$250,000 higher or lower than planned, after applying the increase or reduction to the *Neighborhood Improvement Fund* line item, the additional amounts should be added or subtracted from the following line items split evenly: *Neighborhood Improvement Fund and Homeownership Assistance/Rehabilitation Comprehensive*. This latter instruction will be capped at \$250,000 from/to each Fund, however, and if the addition or reduction exceeds \$500,000, the Action Plan shall be revised and resubmitted to Council and Mayor for approval, with a corresponding community input process.
2. **ESG:** If the federal allocation is different from the planned allocation, the proportionate increase or decrease in the administration cap will be applied to the LAHSA and HCIDLA administration line items. For the program line items, HCIDLA is directed to work with LAHSA to identify where the cuts or additional funding will be applied. The Action Plan shall be revised and resubmitted to Council and Mayor for approval, with a corresponding community input process.
3. **HOME:** If the federal allocation is different from the planned allocation, the proportionate increase or decrease in the administration cap will be applied to the HCIDLA administration line item and the balance in reductions or additions will be applied to the Affordable Housing Trust Fund Program Delivery line item.
4. **HOPWA:** If the federal allocation is different from the planned allocation, the proportionate increase or decrease in the administration cap will be applied to administration. For the program line items, HCIDLA will apply a decrease in funding proportionately to non-housing-related line items and would apply an increase in funding to predominantly emergency transitional or permanent housing line items.

Reprogramming of Prior Year's CDBG Balances

The City conducts a mid-year review of CDBG program expenditures. This process is performed to ensure the City expends its CDBG entitlement in a timely manner. The federal government requires that the City retain no more than 1.5 times its annual CDBG entitlement two months prior to the end of the program year, i.e., January 30, 2015. In addition to monitoring compliance with the CDBG timeliness expenditure mandate, conducting an annual CDBG project progress review allows the City the opportunity to reprogram funds to more urgent needs, thus facilitating a more efficient management of CDBG funds and delivery of programs to communities in need.

On September 18, 2014, HCIDLA sent out account balances to the City departments asking for the status of projects and CDBG funding and to identify funding that could be made available for

other projects, a process frequently referred to as *reprogramming*. After reviewing the information submitted, HCIDLA set up meetings to meet with some departments where there were questions regarding information provided and potential funding available.

During the October meetings with City departments, HCIDLA staff was joined by staff from the offices of the Mayor, Chief Legislative Analyst (CLA), and City Administrative Officer (CAO). Meetings were held with the following eight City departments and bureaus: Cultural Affairs; Disability; Economic and Workforce Development; Engineering; Housing and Community Investment; Recreation and Parks; Street Services; and Transportation. The status of projects was discussed, including impediments to ongoing projects and CDBG unspent savings available for reprogramming. The total amount identified as savings available for Program Year 41 (April 2015-March 2016) is \$5,991,378.

At the time of the October meetings, the City had an amount equal to 2.03 times this year's entitlement funding that was undisbursed. The HCIDLA reports that as of January 7, 2015, the City has not yet met the timeliness ratio of 1.5 times the City's CDBG entitlement. Currently, the City's CDBG letter of credit equals 1.71 times the City's annual allocation.

HUD reviews the performance of the City to determine whether it is carrying out its CDBG-assisted activities in a timely manner. HUD considers an entitlement recipient (the City) to be failing to carry out its CDBG activities in a timely manner if sixty days (January 30) prior to the end of the grantee's current program year (March 31), the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year (24 CFR §570.902[a]). The City and other entitlement recipients must spend program income before entitlement funding, so timeliness is also affected by the total program income received during the year.

HUD is aware of the City potentially not meeting the timeliness standard. HUD staff has indicated if it is not met, HUD will issue a letter to the City and the City would have one year to correct the under spending. If this were to occur, HCIDLA would need to submit to HUD a corrective action plan showing a spending plan for the City for the year and would report quarterly to HUD on the progress on the City's CDBG projects.

Program Income

Although the City anticipated the loss of CDBG program, program income estimates for PY 41 are not as low as might be anticipated due to a higher projected forecast for program income resulting from housing loans. The program income from housing loans is forecast at \$16.3 million, making up the bulk of the anticipated \$18.8 million in CDBG program income. It is anticipated that this level of program income may not be available in future years.

Public Services

According to the CDBG regulations, the City may expend no more than 15% of the total CDBG annual entitlement plus the prior year's program income on public services. The amount available for public services in the 41st PY is approximately \$12.5 million based on the calculation below.

41st PY Public Service Cap Calculation	
41 st PY Estimated Entitlement Amount	50,596,500
40 th PY Program Income Receipts	32,969,823
Total Basis for Public Services Cap	\$83,566,323
Multiply by 15%	0.15
Maximum Amount Available for Public Services	\$12,534,948

In PY 40, the City faced funding reductions to public services, and continues to face reductions for PY41. To improve the livability of our neighborhoods, and create a more sustainable and livable city, it is important that we continue to fund program delivery systems like Homeless Emergency Shelters, FamilySource Centers, Domestic Violence Shelters, Aging Senior Centers, and AIDS prevention services.

Economic Development

The Economic Development Fund is to be used for gap financing, public infrastructure costs, or closing costs of capital industrial or commercial economic development projects. While Economic Development is still a top priority of the Mayor, the amount of additional funding for the Economic Development Fund is less than in prior years. Currently, there are \$6 million in the Economic Development Fund from PY 39 and 40 and additional funds may be made available after those funds have been expended.

Housing and Related Programs

HOPWA is a federal program designed to provide housing assistance and related supportive services to low-income persons living with HIV/AIDS and their families. HCIDLA is redesigning the HOPWA System to reflect shifts in national and local trends and approaches to serving individuals with HIV/AIDS. The goal of an upcoming Request for Proposals is to develop a regional approach to HOPWA programs to ensure that clients in all areas of the county will have access to HOPWA-funded housing and services. Based on the redesigned system starting mid-year, there are new line items added to the budget to reflect the new HOPWA system.

Neighborhood Improvement

The Neighborhood Improvement Fund is designed to provide gap financing to fund capital projects for neighborhood improvements. In 2014, the Neighborhood Improvement Fund Request for Proposals was released by HCIDLA. Based on the number of proposals received, it is anticipated that additional funds will be needed to fund all projects received. This year's budget builds upon this program with ongoing allocation.

Great Streets Los Angeles focuses on developing streets provide economic revitalization, and supporting great neighborhoods. This project will work with four Great Streets, providing funding for their street improvement needs, traffic calming, bike lane infrastructure and other improvements. This would encourage commerce by creating lively and pedestrian-friendly neighborhoods, which could include medians, Pocket parks, among other projects.

FISCAL IMPACT STATEMENT

Given the projected reduction to the CDBG program, the General Fund may be affected by the loss of funding to support various City Departments that carry out CDBG-funded program services. Per CDBG regulations, the City is subject to statutory limitation that restricts expenditures for program administration to 20%. Based on estimated entitlement and program income reductions, funding for CDBG grant administration is limited to approximately \$14.0 million for the 41st PY. While each impacted department was asked to identify capacity in other grants or revenue sources to absorb personnel costs, it is recommended that departments work with the Office of the City Administrative Officer to identify the impact and any alternate funding options.