

ENVIRONMENTAL FINDING and HOUSING COMMITTEE REPORT relative to the 43rd Program Year (PY) of the Housing and Community Development Consolidated Plan (Con Plan) - Fifth Year Action Plan (2017-18).

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. FIND that the 43rd PY Con Plan - Fifth Year Action Plan will not have a significant effect on the environment, pursuant to the City's environmental guidelines, and in compliance with the California Environmental Quality Act of 1970; that the Notice of Exemption reflects the independent judgment of the lead Agency of the City of Los Angeles; that the documents constituting the record of proceedings in this matter are located in the Council File in the custody of the City Clerk; and, acknowledge the Notice of Exemption for the 43rd PY Con Plan, to be submitted by the Los Angeles Housing and Community Investment Department (HCIDLA) and attached to the Council File.
2. APPROVE the 43rd PY Con Plan and the related budgets for the Community Development Block Grant (CDBG) Program, HOME Investment Partnership (HOME), Housing Opportunities for Persons with AIDS (HOPWA) and Emergency Solutions Grant (ESG), included as Attachment B to the Chief Legislative Analyst (CLA) report to the Housing Committee dated February 17, 2017, as amended to increase from \$125,000 to \$250,000 Row 18 – Healthy Neighborhood Market Network Program, and to decrease by \$125,000 Row 56 – Building Improvement Fund.
3. AUTHORIZE the General Manager, HCIDLA, or designee, to:
  - a. Sign, on behalf of the City, the Application for Federal Assistance for the CDBG, HOME, HOPWA and ESG programs and the associated Grantee Certifications, subject to the approval of the City Attorney as to form and legality.
  - b. Submit the annual 2017-2018 43rd PY Action Plan to the United States Housing and Urban Development Department (HUD) after Council and Mayor approval and the 30-day public comment period has been satisfied, as well as after the 2017 federal entitlements have been announced by HUD.
4. INSTRUCT the General Manager, HCIDLA, or designee, to:
  - a. Provide written notification to all applicants of the 43rd PY Con Plan, as follows:
    - i. To successful applicants, advising them of final award recommendations and required contracting processes to facilitate program implementation.
    - ii. To unsuccessful applicants, informing them that they are not recommended for award and further advising them of current and forthcoming alternative competitive application processes.
    - iii. For all categories, notify all departments that have requested CDBG funding, the relevant Council Offices, and the City Attorney of these correspondences.

- b. Provide written notice to all implementing departments and agencies to refrain from programming or expending CDBG savings and/or program income as articulated in the CDBG Expenditure Policy and Guidelines adopted by Council and approved by the Mayor (Council file No. 01-2765-S2).
  - c. Monitor public services and administrative services expenditures against the 43rd PY statutory spending limitations respectively and report to the Mayor and Council within 30 days with recommendations for necessary adjustments in the event it is anticipated that either cap will be exceeded.
  - d. Prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with the intent of the 43rd PY Con Plan actions, upon approval of the CLA; and, AUTHORIZE the Controller to implement these instructions.
  - e. Make revisions to the 43rd Program Year plan as needed when the final federal entitlements are announced by HUD, in alignment with the Contingency Language in Attachment A of the CLA report to the Housing Committee, subject to the approval of the CLA.
  - f. Execute contracts consistent with this action and final General Fund FY 2017-18 appropriation (where applicable) and subject to HUD's final determination of entitlement.
5. APPROVE the reprogramming of \$463,015 in CDBG funds, detailed in Attachment D of the CLA report to the Housing Committee, and approximately \$6.1 million in HOPWA prior year savings, as a source of revenue for the 43rd PY Action Plan budget, subject to verification of availability by the HCIDLA.
  6. INSTRUCT the HCIDLA, the CLA and the City Administrative Officer (CAO) to ensure that 43rd PY projects recommended for funding are in compliance with the City's CDBG expenditure policy and guidelines, to establish a multi-year future projects priority funding list, and to revise the current CDBG expenditure policy to comply with the aforementioned multi-year funding list for future program years.
  7. INSTRUCT all Departments receiving CDBG funds to submit billing and reimbursement documentation on a quarterly basis to the HCIDLA, and to continue to work with the CLA and the CAO to identify salary and expense savings throughout the fiscal year and transfer those savings to the General Fund to compensate for unrecovered related costs.
  8. INSTRUCT the CLA, with the assistance of the CAO and the HCIDLA, to meet with all departments with active CDBG projects on an as-needed basis to determine if additional savings can be realized; and, if such savings are found, DIRECT the HCIDLA, with the assistance of the CLA, to report to Council with recommendations for new expenditures of these funds.
  9. INSTRUCT the HCIDLA:

- a. With the assistance of the CLA and the CAO, to report on the feasibility of changing the Con Plan program start year from April 1st to July 1st, including the amount of funding that would be required to fund providers and staff and a strategy to minimize the one-time impact to the General Fund, if the program year is modified.
- b. To provide the CLA with a quarterly report, at minimum, of the CDBG timeliness ratio and CDBG balances and notify the CLA immediately should the City be at risk for missing the timeliness test.
- c. To issue a Request for Proposals for a slum blight study for the San Pedro Beacon Street / Pacific Corridors areas of Council District 15 and report to Council with the recommended award.

10. FIND that program work can be performed more economically or feasibly by independent contractors than by City employees and, in accordance with Charter Section 1022, approve of the use of the contractors listed in the Neighborhood Improvement Projects (Attachment G of the CLA report to the Housing Committee).

11. AUTHORIZE the Controller, if necessary, to process a Reserve Fund loan for up to \$12 million, to be available April 1, 2017 for up to \$4 million for the period April 1 to June 30, 2017, and \$8 million for the period July to September 2017 for cash flow purposes related to the Consolidated Plan grants (CDBG, ESG, HOPWA), to be fully reimbursed from grant receipts in FY 2017-2018.

Fiscal Impact Statement: The CLA reports that the PY 43 CDBG will provide approximately \$26 million to support positions (direct salaries: \$12.7 million; expenses including contracts: \$3.7 million; and related cost reimbursement: \$9.6 million). For PY 43, the CAO has calculated total related costs to be approximately \$10.5 million. Of this amount, approximately \$9.6 million can be funded with CDBG dollars. This results in a balance of approximately \$900,000 in related costs that may be considered by the Council and Mayor to be potentially funded with a General Fund allocation. For reference, the previous year's PY 42 fiscal impact was estimated at \$800,000 in related costs paid by the General Fund. The City's financial policies state that the City will pursue program grants, but will limit financial support of these programs to avoid commitments beyond available funding.

Community Impact Statement: None submitted.

## SUMMARY

In a report to the Housing Committee dated February 17, 2017, the CLA recommends the approval of various actions for the acceptance of 43rd PY Con Plan grant funds totaling \$124,791,376. The Mayor's Proposed Con Plan allocates HUD funds from CDBG, HOME, ESG, and HOPWA federal grants over a 12-month program year from April 1, 2017 through March 31, 2018.

The CLA reports that the Mayor's Proposed Con Plan budget uses estimated entitlement amounts for each grant, as HUD usually does not release the amounts until February. The Mayor's budget assumes that the City will receive in PY 43 the same CDBG, HOME, and ESG

grant entitlement as it did in PY 42. Based on HUD estimates, HOPWA resources are expected to increase. The CLA normally waits to release its recommendations for approval until the City receives the actual entitlement amounts. This year, however, the CLA recommends using the Mayor's assumed entitlements.

The CLA has identified \$463,015 in CDBG funds for reprogramming towards PY 43 projects. These revised figures are included in the proposed PY 43 Con Plan Budget. Also, to ensure grant funds continue to be spent in a timely manner, the CLA recommends that Council authorize HCIDLA and the CLA to review expenditure rates of grant programs throughout the program year and make reprogramming recommendations as necessary.

The CLA goes on to report that the HCIDLA requests a Reserve Fund loan of up to \$12 million to cover cash flow for the period April 1 to September 2017. According to the CLA, this is necessary to ensure that service providers and agencies are funded in the period between approval of the Con Plan and receipt of grant funds.

At its special meeting held February 21, 2017, the Housing Committee discussed this matter with a representative of the CLA. Committee recommended that Council approve the Mayor's proposed 43rd PY Con Plan budget and CLA recommendations as amended to increase the Healthy Neighborhood Market Network Program from \$125,000 to \$250,000, and to decrease the Building Improvement Fund by \$125,000.

Respectfully Submitted,

HOUSING COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CEDILLO:	YES 
KORETZ:	ABSENT
HUIZAR:	YES
PRICE:	YES
HARRIS-DAWSON:	ABSENT

jaw

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**