

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 18, 2022

CAO File No. 0220-00540-1591

Council File No. 19-0685-S1

Council District: Citywide

To: The Mayor
The Council

From: *for* Matthew W. Szabo, City Administrative Officer 

Reference: Los Angeles Housing Department transmittal dated January 31, 2022; Received by the City Administrative Officer on February 14, 2022; Additional Information Received through March 17, 2022

Subject: **REQUEST FOR AUTHORITY OF VARIOUS ACTIONS RELATED TO THE CITY'S IMPLEMENTATION OF THE SENATE BILL 2 PERMANENT LOCAL HOUSING ALLOCATION**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Amend Recommendation II.C of the of the Los Angeles Housing Department (LAHD) transmittal, dated January 31, 2022 (Report), relative to the City's implementation of the Senate Bill 2 Permanent Local Housing Allocation, to correct the Contract No. to C-138612, and adopt Recommendations II.B through II.D of the LAHD Report, as amended;
2. Authorize the General Manager of the LAHD, or designee, to:
 - a. Accept the Fiscal Year (FY) 2021-22, Year I allocation in the amount of \$26,219,573, as summarized in Table 1 of this report, and accept the FY 2022-23, Year II allocation in the amount of \$40,753,337, as summarized in Table II of the LAHD Report. Both allocations, or budgets, are in accordance with the approved five-year plan for the Permanent Local Housing Allocation, per the State of California Department of Housing and Community Development requirements;
 - b. Execute an amendment to the City Contract No. C-136109 with CASK NX, LLC to increase the compensation amount by \$500,000 for a new total of up to \$1,855,000, and extend the contract term to June 30, 2023, to develop, implement, and maintain a new Prevailing Wage Compliance Package and a Proposition HHH Project Tracker using LAHD's current investment in the ServiceNow platform, and automate LAHD's Housing Development Bureau business processes, in substantial conformance with the draft Amendment attached to the LAHD Report, subject to funding availability, approval to the City Attorney as to form and legality, and completion of the Charter Section 1022 Determination process;

- c. Prepare Controller instructions and any technical corrections as necessary to the transactions included in this report to implement the intent of those transactions, subject to the approval of the City Administrative Officer;

3. Authorize the Controller to:

- a. Establish a new interest-bearing fund entitled “SB 2 Permanent Local Housing Allocation” for the receipt and disbursement of the annual, permanent allocation from the State of California, Department of Housing and Community Development, to be administered by LAHD;
- b. Establish new accounts and appropriate \$26,219,573 within the new fund as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43VB88	Administration Reserve for PLHA	\$ 209,575
43V723	Rental – New Construction	10,733,791
43V724	Rental – Preservation	5,768,306
43V726	Homeownership MIPA	5,119,815
43V919	Eviction Prevention Rental Assistance	1,247,002
43V920	ADU Accelerator Program	864,379
43V900	Contract Programming	378,698
43V143	Los Angeles Housing Department	1,220,269
43V299	Reimbursement of General Fund Costs	<u>677,738</u>
Total		\$ 26,219,573

- c. Increase appropriations in the amount of \$1,220,269 within the LAHD Fund No. 100/43 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries, General	\$ 1,022,614
001070	Salaries, As Needed	12,022
002120	Printing and Binding	7,000
003040	Contractual Services	20,000
006010	Office and Administrative	59,400
006030	Leasing	<u>99,233</u>
Total		\$ 1,220,269

SUMMARY

In its transmittal, dated January 31, 2022 (Report), the Los Angeles Housing Department (LAHD) requests approval of various actions relative to the City’s acceptance and implementation of the Senate Bill 2 (SB-2) Permanent Local Housing Allocation (PLHA). This includes authority to: 1) accept Year I SB-2 PLHA funding in the amount of \$26.2 million; 2) accept Year II SB-2 PLHA funding in the amount of \$40.8 million; 3) execute the Standard Agreement, annual progress reports, or any related documents for the Year II funding, in accordance with the PLHA grant

requirements; and, 4) execute amendments to three, existing LAHD information technology services contracts to support the LAHD’s Housing Development Bureau’s ongoing operations. The LAHD also requests that the Controller perform the following actions: 1) create a new interest-bearing fund for the receipt and disbursement of the PLHA funds; 2) establish and appropriate the PLHA funds within the new fund; and 3) increase appropriations within the LAHD’s budgetary accounts for the administration of the PLHA funds and programs.

The PLHA is a new, permanent source of funding to all local governments in California to help cities and counties implement plans to increase affordable housing in California. Entitlement jurisdictions, including the City, were required to submit a five-year plan for the 2019-2024 funding cycle. On July 1, 2020, the Mayor and Council approved the LAHD’s proposed use of PLHA funds for the five-year cycle. The currently allocation plan includes funding for the following categories: 1) LAHD’s administration of the PLHA funds and programs; 2) the construction of new rental units; 3) the preservation of rental units; 4) loans for homeownership; 5) rental assistance through the City’s Eviction Defense Program; and, 6) rental subsidies for participants in the Los Angeles Dwelling (ADU) Accelerator pilot program. Additional information regarding the program categories is included in the LAHD Report. Subsequent to the release of its Report, the LAHD provided a revised breakdown of the PLHA Year I funding, which reflects technical corrections to the amounts under various program categories. The revised amounts (rounded to the nearest dollar) are shown in the Table below:

Table 1: Year I Budget for 2021-22, SB-2 PLHA Program Allocations Consistent with Five-Year Plan

Eligible Use Category	Admin	Rental – New Construction	Rental – Preservation	Home Ownership	Eviction Protection Payment Assistance	ADU Accelerator Program	Total Allocation
Year 1 Allocation	\$1,310,979	\$11,536,612	\$5,768,306	\$5,243,915	\$1,310,979	\$1,048,783	\$26,219,573
Percentage	5%	44%	22%	20%	5%	4%	100%

The Department reports that any changes to the SB-2 PLHA program allocations that are greater than 10 percent from what was approved in the five-year PLHA allocation plan would require a new Resolution, a new five-year allocation plan, and City Council approval. Any potential reallocations are also subject to the eligibility requirements in the SB-2 PLHA program Notice of Funding Availability and approval by the California Department of Housing and Community Development. Subsequent to the release of its Report, the LAHD indicated that a budget revision form must be submitted to HCD prior to initiating the reallocation process and that any reallocation may potentially delay future formula allocations for the current five-year plan. This Office notes that the Council and Mayor may choose to adjust the allocation plan and reallocate funding for other City priorities, such as the anticipated funding gaps for the Homekey Program or the operating costs through project based rental subsidies for Supportive Housing units.

Contract Amendment Requests

The LAHD also requests authority to execute amendments to increase the contract ceiling for the following LAHD contracts for the described information technology (IT) services: 1) Satwic Inc.

(C-139113) in the amount of \$539,796 to create solutions that improve data analytics, reporting capacity and overall program management, in coordination with a to-be-determined vendor for the new affordable housing information system; 2) 3Di, Inc. (C-138612) in the amount of \$83,400 to continue to update and maintain the Universal Notice of Funding Availability (UNOFA) system, an online application platform that allows developers to apply for County and City financing in one portal; and, 3) CASK NX, LLC (C-136109) in the amount of \$500,000 to develop, implement, and maintain a new Prevailing Wage Compliance Package and a Proposition HHH (HHH) Project Tracker using LAHD's current investment in the ServiceNow platform. In addition to increasing the compensation amounts by the amounts previously listed for each contract, the LAHD also requests authority to extend the contract term end date to June 30, 2023. The LAHD provided additional information regarding the CASK NX, LLC (CASK) scope of services that was not included in its Report. The LAHD notes that CASK will potentially streamline the prevailing wage process and improve the HHH program data collection and management by expediting and converting the current paper workflow process to an online paperless process, enabling constituents to submit, upload documents, manage, and check their submissions online.

Pursuant to Charter Section 1022, the Personnel Department determined on June 4, 2020 that City employees have the necessary qualifications to perform the IT services included in the Satwic, Inc. and 3Di, Inc. scopes of work. This Office, however, determined on June 30, 2020 that the work can be performed more feasibly by a contractor than City forces due to insufficient City staff and the intermittent nature of the proposed work. The Council approved a waiver from the Charter Section 1022 Determination process for the original CASK contract to develop the application system and support for the Emergency Rental Assistance Subsidy Program (C.F. 20-0401-S1). The LAHD submitted a Charter Section 1022 review request for the proposed CASK amendment to the Personnel Department on March 16, 2022. If the Personnel Department determines that City employees have the necessary qualification to perform the proposed scope of work, the LAHD will need to submit a 1022 Feasibility Determination request to the Office of the City Administrative Officer to determine whether it is more feasible to contract.

This Office concurs with the recommendations of the Department, as amended, to: 1) refer to Table 1 of this report for the Year I funding breakdown; 2) correct the City contract number of the 3Di, Inc. contract; 3) incorporate revised Controller instructions provided by the Department subsequent to the release of its Report; and, 4) include language indicating that execution of the CASK amendment be subject to completion of the Charter Section 1022 Determination process.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The acceptance of the Senate Bill 2 (SB-2) Permanent Local Housing Allocation (PLHA) award will fund expenses incurred for the programs in the proposed SB-2 PLHA allocation plan.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.