

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 28, 2023

CAO File No. 0220-00540-1668

Council File No. 23-0038

Council District: Citywide

To: City Council
Mayor

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

Reference: Los Angeles Housing Department transmittal dated July 26, 2023; Received by the City Administrative Officer on July 26, 2023; Additional information received through July 27, 2023

Subject: **REQUEST FOR APPROVAL OF THE UNITED TO HOUSE LA (MEASURE ULA) FISCAL YEAR 2023-24 INTERIM PROGRAM GUIDELINES AND EXPENDITURE PLAN, AND AUTHORITY FOR RELATED ACTIONS**

RECOMMENDATIONS

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

1. Adopt Recommendations 3 through 6, 9, 10, 12, and 14 of the Los Angeles Housing Department transmittal, dated July 26, 2023 (Report), relative to the United to House LA (Measure ULA) 2023-24 Interim Program Guidelines and Expenditure Plan;
2. Approve the Measure ULA 2023-24 Expenditure Plan attached to the LAHD Report, which reflects amendments to the ULA Spending Plan categories approved in the 2023-24 Adopted Budget;
3. Approve the 2023-24 Interim Program Guidelines, attached to the LAHD Report, for the following Measure ULA Programs or Categories: Short-Term Emergency Assistance; Tenant Outreach and Education, Protections from Tenant Harassment; and Eviction/Defense Prevention;
4. Direct the LAHD to:
 - a. Prioritize Measure ULA revenue received (\$38.07 million as of July 1, 2023) for the following programs: 1) Short-Term Emergency Assistance; 2) Tenant Outreach and Education; 3) Eviction Defense/Prevention; and, 4) Protections from Tenant Harassment;
 - b. Revise the Multifamily Affordable Housing guidelines, with a proposed spending allocation of \$61.8 million, to ensure the guidelines specifically address each of the

three types of projects the Department intends to expedite, which include existing projects eligible for the proposed Accelerator Plus Program, existing projects eligible under the Fast Track Loan Program, or new projects on City-owned land;

- c. Revise the Income Support for Rent-Burdened At-Risk Seniors and Persons with Disabilities guidelines, with an allocation of \$25 million, to clearly outline the entity(ies) that will implement the program and the proposed operating procedures for the program;
 - d. Report back to the ULA COC, Council, and Mayor with the revised Program Guidelines for the Multifamily Affordable Housing Program and Income Support for Seniors and Persons with Disabilities Program;
 - e. Report back to the Council and Mayor with further detail regarding the Administration allocation included in the 2023-24 Expenditure Plan; and,
 - f. Begin or continue working with the Personnel Department and the Office of the City Administrative Officer's (CAO) Employee Relations Division to establish the appropriate classification and related actions for the Inspector General role/position; and,
5. Authorize the General Manager of the LAHD, or designee, to:
- a. Execute a sole-source contract with Cerida Investment Corp. dba AnswerNet to provide inbound and outbound call center services for the ULA short-term emergency assistance program, with a compensation amount up to \$500,000 and a term of one-year commencing on or about August 1, 2023, subject to contractor performance, funding availability, approval of the City Attorney as to form, and compliance with the City's contracting requirements;
 - b. Execute a sole-source contract with the Southern California Housing Rights Center to perform application screening, eligibility determinations, and disbursement of financial/rental assistance for the ULA short-term emergency assistance program, with a compensation amount up to \$20,700,000 and a term of one-year commencing on or about August 1, 2023, subject to contractor performance, funding availability, approval of the City Attorney as to form, and compliance with the City's contracting requirements; and,
 - c. Execute, on behalf of the ULA Citizens Oversight Committee (COC), a contract with a to-be-determined entity, after a selection process defined by the COC, to serve as an interim Inspector General, with a compensation amount up to \$250,000 and a term of up to two-years, subject to funding availability, review of the City Attorney as to form, and compliance with the City's procurement and contracting requirements;

6. Authorize the Controller to transfer and appropriate up to \$1,335,000 from the House LA Fund No. 66M/43, Account No. 43Y00B, Administration to the Community Investment for Families Department (CIFD), to a to be determined Fund and Account, to fund contracts or amendments to perform application intake services for the ULA short-term emergency assistance program, and expend funds upon written demand of the General Manager of the CIFD, or designee; and,
7. Authorize the General Managers of LAHD or CIFD, or designees, to make technical corrections as necessary to the transaction included in this report to implement the intent of the transaction, subject to the approval of the CAO.

SUMMARY

In its transmittal, dated July 26, 2023 (Report), the Los Angeles Housing Department (LAHD) requests authority for various items related to the United to House LA (Measure ULA) 2023-24 Interim Program Guidelines and Expenditure Plan. This includes requests for the Council and Mayor to: 1) approve the 2023-24 Interim Program Guidelines submitted by LAHD on behalf of the ULA Citizens Oversight Committee (COC); 2) approve the 2023-24 ULA Expenditure Plan submitted by the LAHD; 3) authorize the LAHD to execute sole-source contracts or amend sole-source contracts, consistent with the Mayor's declaration of a local emergency related to homelessness, in order to initiate the Measure ULA Homelessness Prevention Programs; 4) authorize the LAHD to execute a contract with a to-be-determined entity to serve as an interim Inspector General, with a contract amount not to exceed \$250,000 and a contract term of up to two years; and, 5) request that the City Attorney, with assistance from the LAHD, draft ordinances to amend two sections of the Los Angeles Municipal Code related to eviction notices. The LAHD also requests that Council: 1) authorize the Controller to transfer and appropriate \$420,000 from the Administration account within the House LA Fund to the Community Investment for Families (CIFD) to fund contract amendments to the CIFD's FamilySource Center (FSC) contracts for the provision of intake services related to the proposed Measure ULA short-term emergency assistance for tenants program, and 2) authorize the CIFD to execute amendments to the FSC contracts for the this purpose.

ULA Expenditure Plan

Measure ULA requires that LAHD provide an accounting of Measure ULA revenues collected in the previous fiscal year and an expenditure plan for the upcoming fiscal year by July 1, 2023, and by July 1st of each subsequent year, to the COC and Council. The expenditure plan submitted should comply, to the extent possible, with the program guidelines developed pursuant to Measure ULA. The LAHD submitted the required expenditure plan to the COC on June 8, 2023, which was approved by the COC on June 22, 2023. The 2023-24 ULA Expenditure Plan is attached to the LAHD Report for the Council and Mayor's consideration and adoption.

The 2023-24 Adopted Budget projected that \$672 million in ULA receipts would be available in 2023-24. Due to risks associated with Measure ULA's pending litigation, which is discussed in the LAHD Report, the 2023-24 Adopted Budget proposed to spend up to \$150 million of anticipated

receipts (spending plan) for six out of 10 Measure ULA categories or programs: 1) Acquisition and Rehabilitation of Affordable Housing; 2) Short-Term Emergency Assistance; 3) Income Support for Rent-Burdened At Risk Seniors and Persons with Disabilities; 4) Eviction Defense/Prevention; 5) Tenant Outreach and Education; and, 6) Protections from Tenant Harassment. The \$150 million spending plan did not include proposed expenditures under the Administration category.

The proposed ULA 2023-24 Expenditure Plan submitted by the LAHD and COC incorporates the following revisions to the spending plan in the 2023-24 Adopted Budget: 1) includes expenditures for the Multifamily Affordable Housing program instead of the Acquisition and Rehabilitation program, 2) revises expenditure amounts for the Homelessness Prevention categories in order to incorporate up to eight percent of anticipated revenue for ULA Administration (\$12 million); and, 3) includes a set-aside of three percent from the Administration allocation for COC staffing and related expenses (\$360,000).

The LAHD indicates that the Administration allocation is needed because the LAHD, other City departments, and potential partners and/or contractors do not have the resources to absorb ULA implementation costs in 2023-24. The LAHD is proposing to fund multiple contracts that will support ULA programs from the Administration allocation. The Administration allocation is also requested to support staffing and other expenses of the ULA COC, including a contract for an interim Inspector General. Below is the proposed breakdown of the Administration allocation based on the information provided in the LAHD Report:

Table: Administration Allocation Breakdown

Category	Amount
LAHD Contracts	\$ 4,200,000
CIFD FSC contracts	420,000*
Planned capacity building for Alternative Models/Acquisition and Rehabilitation of Affordable Housing categories	300,000
COC Allocation	360,000
Unallocated**	6,720,000
Total	\$ 12,000,000
* Reflects the amount proposed by the LAHD as opposed to the amount proposed by the CAO. The revision is discussed in the Contracts section of the report.	
** \$12 million allocation minus the proposed spending discussed in the LAHD report.	

As of July 1, 2023, the City has received \$38,068,325.88 in Measure ULA revenue. If the recommendations in this report are approved, the LAHD indicates that it will prioritize expenditures for the Short-term Emergency Assistance to Tenants program in light of the August 1, 2023 and February 1, 2024 payment deadlines for COVID-19 rental arrears. The remaining funding priorities are discussed in the LAHD Report.

The CAO recommends approving the 2023-24 Expenditure Plan at this time in order to not delay the proposed rental assistance program but recommends that the LAHD report back to the Council

and Mayor regarding the proposed Administration allocation. This report back is recommended to allow the Council and Mayor to determine whether the allocation is needed and appropriate, or if the ULA revenue that comes in during the fiscal year should be spent in other categories.

Program Guidelines

The LAHD provided Interim Program Guidelines for six House LA Programs: 1) Multifamily Affordable Housing; 2) Short-Term Emergency Assistance; 3) Income Support for Rent-Burdened At Risk Seniors and Persons with Disabilities; 4) Eviction Defense/Prevention; 5) Tenant Outreach and Education; and, 6) Protections from Tenant Harassment. The LAHD notes that the guidelines provided will be for an interim period and, if approved, will be effective until the full ULA program guidelines are provided and approved by the Council and Mayor.

The guidelines for the six proposed programs build upon existing LAHD programs and/or contracts. The CAO does not have any concerns with the guidelines proposed for the Short-Term Emergency Assistance, Eviction Defense/Prevention, Tenant Outreach and Education, or the Protections from Tenant Harassment programs at this time. The CAO, however, recommends that the LAHD revise the program guidelines for the proposed Multifamily Affordable Housing and Income Support for Rent-Burdened At Risk Seniors and Persons with Disabilities programs.

Multifamily Affordable Housing

The LAHD recommends that the proposed spending allocation for the ULA Multifamily Affordable Housing category fund the creation of an Accelerator Plus program. The LAHD indicates that the program is intended to quickly start supportive and/or affordable housing projects of 40 units or more, with entitlements and other leveraged funding sources, by providing an infusion of funding to close funding gaps and allow projects to go forward quickly. Subsequent to the release of its Report, the LAHD clarified that the proposed spending allocation for this category should be \$61,804,680 and not \$57,000,000, the amount listed in the guidelines of the LAHD Report.

Subsequent to the release of its Report, this Office also clarified with the Department that the Multifamily Affordable Housing Guidelines are addressing three types of housing projects, with the goal of expediting the creation of affordable housing units. The proposed guidelines, however, outline the LAHD's current funding guidelines and applying them to projects in different phases of the development and financing process, even if the funding guidelines may not be applicable or appropriate to the projects. The CAO recommends that the guidelines be revised to address the three specific project types, which include:

1. Accelerator Plus Program – According to LAHD, the goal of this new program is to expedite projects that have an existing LAHD funding commitment of up to \$12 million/\$140,000 per unit under the Proposition HHH (Prop HHH) or the Affordable Housing Managed Pipeline (AHMP) and are ready to start construction, but for an additional funding source. In this case, the Department would increase the City's funding commitment needed to cover the missing leveraging source in order to expedite the start of construction. Therefore, the City commitment may increase above the \$12 million/\$140,000 per unit commitment. For these

projects, the guidelines should clearly outline the maximum overall City funding commitment for a project as the City will be increasing its per project and per unit commitment to cover a missing state, county, or federal funding source.

2. Fast Track Loan Program – In 2022-23, the Council and Mayor approved the Fast Track Loan Program (C.F. 23-0206) to fund projects that have secured full funding and have started or are about to start construction but, due to the increase in construction costs or other market conditions as a result of the COVID-19 pandemic, are experiencing a funding gap. For these projects, the CAO recommends that the guidelines be revised to include the information required to verify the funding gap reported in order to prevent overfunding projects. The revised guidelines should include the required information to ensure the project has exhausted all reasonable funding options, including a deferred developer fee requirement, and a rollover of any accrued City interest expense into the principal of the City loan, post permanent loan conversion.
3. Funding for new projects on City-owned land – The proposed guidelines also reference funding for projects on City-owned land that do not have a current funding commitment. For these types of projects, the CAO recommends that the Department consider whether the current guidelines (\$12 million/project and \$140,000/unit) should be revisited given the increased construction costs and construction loan interest rate environment.

The LAHD has also confirmed that the proposed interest rate between zero (0) and three (3) percent listed in the guidelines should be amended to a recommended one (1) to three (3) percent simple interest. A zero percent interest would negatively impact projects with a tax credit allocation because a zero percent interest loan could be viewed as a grant by the Internal Revenue Service and reduce the amount of eligible tax credit basis, resulting in a reduction of tax credit proceeds that could be awarded to a Low Income Housing Tax Credits-financed project. A zero percent interest is also not a prudent financial practice given that all LAHD loans are simple interest residual receipts loans that are only repaid when the project has generated sufficient income to start making payments. Additionally, the aggregate interest expense is drastically lower as a simple interest loan than it would be if the interest were charged against unpaid interest (i.e. compounded interest). Lastly, a simple interest rate of up to three percent is recommended since the LAHD has the ability to reduce this simple interest rate to one percent if the project needs this reduction to make it financially viable.

Income Support for Rent-Burdened Seniors and Persons with Disabilities

The LAHD proposes to use the Income Support for Rent-Burdened Seniors and Persons with Disabilities spending allocation to launch a time-limited subsidy program for seniors and seniors with disabilities who are currently experiencing or at risk of experiencing homelessness. The proposed spending allocation will also be used to create a fund available for moving and transition expenses. The guidelines for this category are missing critical information, such as the entity or entities that will implement the program and other operating procedures, which should be provided to the Council and Mayor prior to authorizing expenditures for this type of program. Subsequent to the release of its Report, the LAHD indicated that this program will supplement and expand on the

LAHD's existing contract with the Los Angeles Homeless Services Authority (LAHSA) for rapid rehousing/time-limited subsidies and that the Department will return to Council requesting the contract authorization for this purpose. The CAO recommends that the guidelines be revised to clarify this intention since the existing language notes that the funding will be allocated to LAHSA or an equivalent provider with experience in managing short-term rental subsidy programs. The revised guidelines should also confirm how much of the allocation will be for direct services to constituents versus administrative costs.

Contract Requests and Other Related Actions

LAHD and CIFD Contracts

In its Report, the LAHD also requests authority to execute contracts or amendments needed to implement the recommended Homelessness Prevention programs. The proposed contracts, including the contractors, funding breakdown, and contractual services, can be found on the Attachment of this report. The recommendations of this report incorporate revisions for the contract authority related to the Cerida Investment Corp. dba AnswerNet (AnswerNet) and Southern California Housing Rights Center (HRC) contracts for services related to the short-term emergency assistance program. In its Report, the LAHD originally requested authority to execute an amendment to its existing contracts with AnswerNet and HRC. The CAO recommends that the Council authorize the Department to execute new sole-source contracts as opposed to amendments for the ULA rental assistance program since the existing contracts are specific to the Council District 13 Rental Aid Program. The Department concurs with this revision. The LAHD indicates that a sole-source is requested pursuant to the Mayor's declaration of a local emergency related to homelessness. The contractors for the sole-source contracts (CASK, AnswerNet, and HRC) are recommended due to their past experience and proven capacity in assisting the LAHD implement previous rental assistance programs in the City.

The LAHD also recommends an allocation of \$420,000 to the CIFD to fund contract amendments to the FSC contracts for the provision of intake services related to the proposed Measure ULA short-term emergency assistance for tenants program. Subsequent to the release of its Report, the LAHD indicated that CIFD (and the FSCs) would provide a physical, in-person location for tenants and landlords who are applying for the rent relief program to submit documents and get assistance from a staff person to complete and upload application documents. The inclusion of the CIFD's FSC system is recommended to address lack of digital access in vulnerable communities. Subsequent to the release of the LAHD Report, the CIFD provided the CAO a revised estimate for the cost of funding two Intake Coordinators at 15 FSCs for nine months. The cost of salaries and related costs is estimated to be \$1,335,000. As such, the CAO recommends increasing the proposed allocation to the CIFD and FSC contract amendments from \$420,000 to \$1.33 million.

Lastly, the LAHD requests authority to execute, on behalf of the COC, a contract with a to-be-determined entity, after a selection process defined by the COC, to serve as an interim Inspector General. The CAO concurs with this recommendation, with the condition that the contract be subject to funding availability, review of the City Attorney as to form, and compliance with the City's procurement and contracting requirements. The CAO recommends this contract as a short-term

solution while the LAHD continues to work with the Personnel Department and the Office of the City Administrative Officer's Employee Relations Division to establish the appropriate classification and related actions for the Inspector General role/position since the creation of the position may be a lengthy process.

Amendments to the Los Angeles Municipal Code

The LAHD requests that the City Attorney draft an ordinance to amend Section 151.09.C.9 of Article 1, Chapter XV, and Section 165.05.B.5 of Article 5, Chapter XVI of the Los Angeles Municipal Code in order to require that landlords file notices terminating a tenancy either electronically or on a form prescribed by LAHD in order to enable electronic processing and data capture. This revision is requested to support the City's efforts in tracking eviction noticing and deter illegal evictions. The CAO concurs with this recommendation.

Communication from the COC

The LAHD's Report includes communication from the COC requesting that Council explore all possibilities for expediting Measure ULA program implementation, including advancing the \$150 million that the 2023-24 Adopted Budget proposed to spend. The communication was submitted since the 2023-24 Adopted Budget proposed to spend up to \$150 million of anticipated ULA receipts but it did not include a General Fund appropriation or any other cash flow mechanism to front-fund ULA expenditures. The LAHD did not include a recommendation related to this communication. The CAO also does not recommend any action related to this communication at this time.

ULA Measure Provision Providing LAHD Discretion over funding of \$50 million or less

The CAO would like to highlight that one of the ULA measure provisions provides the LAHD discretionary authority to approve funding in the amount of \$50 million or less for any eligible affordable housing program project, without further Council review. The Department, however, can choose to bring forward all funding commitments to Council and Mayor for consideration.

Recap of Recommendations

This Office concurs with the Department's recommendations related to approval of the 2023-24 Expenditure Plan submitted by the LAHD, approval of multiple contracts or amendments, and the amendments to the Los Angeles Municipal Code related to eviction notices. The CAO proposes the following revisions to the LAHD recommendations: 1) to approve four out of six Measure ULA program guidelines; 2) authorize the LAHD to execute new contracts, as opposed to amendments, with AnswerNet and HRC for the ULA Short-term Emergency Rental Assistance program; 3) add language to the recommendation for the interim Inspector General contract to make it subject to funding availability and the City Attorney's review as to form; and, 4) increase the proposed amount for the FSC contracts from \$420,000 to \$1,335,000 based on a revised funding need provided by the Community Investment for Families Department.

The CAO also recommends additional recommendations not included in the LAHD Report. This includes: 1) directing the LAHD to prioritize ULA revenue for four Homelessness Prevention programs, which memorializes the plan outlined in the LAHD Report; 2) directing the LAHD to revise the Multifamily Affordable Housing and Income Support for Rent-Burdened At-Risk Seniors and Persons with Disabilities guidelines; 3) directing the LAHD to report to the Council and Mayor with further detail regarding the Administration allocation included in the 2023-24 Expenditure Plan; and, 4) instructing the LAHD to continue working with the Personnel Department and the Office of the City Administrative Officer's Employee Relations Division to establish the appropriate classification and related actions for the Inspector General role/position.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund at this time. The actions recommended in this report will be funded by revenue collected from Measure United to House LA (Measure ULA). In the event Measure ULA is invalidated, the City's General Fund may be obligated to cover any spent funds. Up to \$150 million in Federal Emergency Management Agency reimbursements to the General Fund may be available for this purpose in 2024-25 and 2025-26.

FINANCIAL POLICIES STATEMENT

The recommendations stated in this report are in compliance with the City's Financial Policies in that one-time revenues will be used to fund one-time expenditures.

MWS:YC:MOF:02240008c

Attachment

Attachment: Proposed 2023-24 United to House LA (ULA) Contracts

Contractor	ULA Funding Category		ULA Proposed Amount	ULA Contractual Service
	Homelessness Prevention	Administration		
Cask NX LLC	\$ -	\$ 1,000,000	\$ 1,000,000	Application systems for the short-term emergency assistance, tenant outreach and education, and protections from tenant harassment programs.
LA Grants Group dba LAGRANT Communications	\$ 2,000,000		\$ 2,000,000	Expanded tenant outreach and education media campaign.
Cerida Investment Corp. dba AnswerNet.	\$ -	\$ 500,000	\$ 500,000	Inbound and outbound rental assistance call center services for the short-term emergency assistance program.
Southern California Housing Rights Center	\$ 18,400,000	\$ 2,300,000	\$ 20,700,000	Application screening, eligibility determinations, and disbursement of financial assistance for the short-term emergency assistance program.
Legal Aid Foundation of Los Angeles	\$ 26,000,000	\$ -	\$ 26,000,000	Services for the eviction defense and prevention and the tenant outreach and education programs.
Satwic, Inc.	\$ -	\$ 400,000	\$ 400,000	Services for the short-term emergency assistance, tenant outreach and education, and protections from tenant harassment programs by updating and enhancing the LAHD website, databases, and dashboards.
FamilySource Center contracts	\$ -	\$ 1,335,000	\$ 1,335,000	Application intake services for the short-term emergency assistance for tenants program.
Interim Inspector General contract	\$ -	\$ 250,000	\$ 250,000	Interim Inspector General
Total	\$ 46,400,000	\$ 5,785,000	\$ 52,185,000	