

TRANSMITTAL

To: **THE COUNCIL**

Date: **10/25/23**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read "Chris Thompson", with a long horizontal flourish extending to the right.

(Chris Thompson) for

KAREN BASS
Mayor

Ann Sewill, General Manager
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager

City of Los Angeles



Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017
Tel: 213.808.8808
housing.lacity.org

October 3, 2023

Council File: NEW
Council Districts: Citywide
Contact Persons: Marites Cunanan: (213) 808-8843
Ashley Atkinson: (213) 505-1631

Honorable Karen Bass
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR AUTHORITY TO EXECUTE A SECOND AMENDMENT TO CITY CONTRACT C-135654 WITH BAE URBAN ECONOMICS TO ADD FUNDING; EXTEND THE TERM; AND AMEND THE SCOPE OF WORK TO INCLUDE COMPLETION OF A LAND USE FEE STUDY

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, LAHD seeks authority to execute a second amendment to contract C-135654 with BAE Urban Economics, Inc. (BAE) to increase the contract amount by \$30,000, extend the contract term by three months to April 30, 2024, and amend the scope of work to include a Land Use fee study.

The fees for the Affordable Housing Land Use Covenant program currently cover the costs of preparing, amending, and monitoring the affordable housing covenants that restrict rents in mixed-income projects with up to 50% affordable units. These fees were established in 2016 via an amendment to Section 19.14 of the Los Angeles Municipal Code (C.F. No. 13-0413). Since that time, the State has passed significant new housing development legislation that the Land Use section is responsible for, including Senate Bills (SB) 8 and 330; and Assembly Bill (AB) 2556, the successor to AB 2222. This has created a need to update the Land Use Covenant fee schedule ordinance to account for the additional work required to implement state law.

Since BAE has successfully assisted the department on other fee studies over the past five years, LAHD is requesting authority to increase the amount and extend the term of BAE's existing contract; and to amend the

scope of work so that BAE Urban Economics can conduct a fee study to assess the Land Use program's current work.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager of LAHD, or designee, to execute a second amendment to City contract C-135654 with BAE Urban Economics, Inc. to increase funding by \$30,000, for a new total of \$160,000; extend the contract term by three months to April 30, 2024; and amend the Scope of Work to include the completion of a Land Use Fee Study, in substantial conformance to the draft document attached to the transmittal, subject to approval by the City Attorney as to form, and in compliance with the City's contracting requirements; and,
 - B. FIND that the services to be performed by BAE are for the performance of professional, scientific, expert, technical, or other special services of a temporary and occasional character for which competitive bidding is not practicable or advantageous and that the work can be performed more economically or feasibly by independent contractors than by City employees in accordance with Charter section 1022;
 - C. AUTHORIZE the Controller to transfer/appropriate an amount of \$30,000 within the Municipal Housing Finance Fund (MHFF) Fund No. 815 from Appropriation No. 43Y411 - Unallocated; to Appropriation No. 43Y844 Technical Services, to fund the completion of a Land Use Fee Study under the second amendment of City Contract C-135654 with BAE Urban Economics, Inc. and to expend funds upon written demand of the LAHD General Manager or designee.
 - D. AUTHORIZE the General Manager of LAHD, or designee, to prepare Controller instructions and make any necessary technical corrections that are consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Office (CAO), and instruct the Controller to implement these instructions.

BACKGROUND

As amended in December 2016 by Ordinance 184654, Section 19.14 of the Los Angeles Municipal Code dictates that fees be paid to the City by the developers of mixed-income projects in order to record an affordable housing covenant. Fees are currently specified for the following services:

- Housing Replacement Determinations pursuant to AB 2222
- Affordable Housing Covenant Preparation
- Affordable Housing Covenant Amendments
- Affordable Housing Covenant Assumptions and Terminations
- Affordable Housing Covenant Monitoring
- Filing Fee

Since 2017, LAHD has collected Land Use fees for 1,317 projects; prepared covenants; monitored them on an annual basis; and conducted amendments, assumptions and terminations as needed.

The Land Use Section also implements State law related to Land Use projects. This type of work has doubled over the last five years as the result of a series of legislative actions. SB 330 and its follow-up bill, SB 8 (together known as the Housing Crisis Act), require a complex analysis of all projects that propose to demolish existing dwelling units, and a determination of whether any replacement units are required. The review process includes identifying the number of existing residential units and bedroom types; outreach to existing and sometimes former tenants; review of the income of the tenants within the five years preceding the application; and issuance of a Replacement Unit Determination (RUD). These and other provisions of the Housing Crisis Act do not sunset until 2030.

Since SB 330 went into effect on January 1, 2020, 1,662 RUDs have been issued. Today, SB 330/SB 8 RUDs are processed with the fee established in 2016 for AB 2222, which does not accurately reflect the staff time and cost required. At this time, the fee ordinance needs to be amended to include SB 330/SB 8 work.

Processing this volume of work with the required accuracy and attention to both tenants and developers has resulted in an increase in processing times for the Land Use Unit's core function of processing covenants. This was formerly at 8-10 weeks and is now at 16-24 weeks. New positions have been allocated to this function, and staff were hired on an emergency basis in May 2023. However, with an increasing volume of RUD applications, RUD processing time has also grown from 10-12 weeks to 12-16 weeks. The implementation of Executive Directive 1 in January 2023 resulted in shorter timelines for 100% affordable projects, but even longer timelines for others. To alleviate these extended timelines, LAHD allocated \$200,000 in funds from the Foreclosure Registry to an existing tenant outreach contractor, Interwest Consulting Group, Inc. (Interwest), in City Contract C-138119 to conduct the portion of the RUD process related to the tenant's Right to Return and related rights. Interwest began providing this service in May 2023 and is contracted to perform it through November 2023, with a pending extension until November 2024. Following completion of the Land Use Fee Study, LAHD's proposed ordinance will allow for developers to pay for the consultant services related to the tenant's Right to Return and other rights.

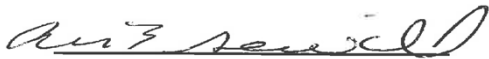
BAE is an established economic analysis firm with a track record of successful service to LAHD and the City. On April 7, 2020 and April 20, 2020, respectively, the City Council and Mayor approved LAHD's request to negotiate and execute a three-year contract with BAE, from February 1, 2020 to January 31, 2023, to provide a Systematic Code Enforcement Program (SCEP) fee study and an analysis of the Trust Fund (C.F. No. 20-0303). City contract C-135654 was amended on September 20, 2022, to increase the amount by \$10,000 and extend the term to January 31, 2024 in order to study and analyze relocation benefits for the South Los Angeles Community Plan Implementation Overlay District (C.F. No. 17-1054-S2).

In order to allow for Land Use fees to reflect new state legislative requirements, LAHD would like to increase BAE's contract by \$30,000, amend the scope of work to include an updated fee study to update the Land Use fee ordinance, and extend the contract by three months to allow time for the study to be conducted.

FISCAL IMPACT

There is no impact on the General Fund. The additional \$30,000 will be funded through the Municipal Housing Finance Fund, into which the current Land Use fee revenues are deposited.

Approved By:

A handwritten signature in dark ink, appearing to read "Ann Sewill", written over a horizontal line.

ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENT:

Attachment 1 - BAE_C-135654-2_Draft

SECOND AMENDMENT
TO AGREEMENT NUMBER C-135654 OF CITY OF LOS ANGELES CONTRACT
BETWEEN
THE CITY OF LOS ANGELES
AND
BAE URBAN ECONOMICS, INC.

THIS SECOND AMENDMENT to Agreement Number C-135654 of the City of Los Angeles Contract is made and entered into by and between the City of Los Angeles (“City”), a municipal corporation, and BAE Urban Economics, Inc. (“Contractor”), a California corporation.

WITNESSETH

WHEREAS, the City and the Contractor have entered into an agreement wherein Contractor shall provide certain services which have been funded by the Systematic Code Enforcement Fee Trust Fund, the Affordable Housing Trust Fund, and the Municipal Housing Finance Fund, in the Los Angeles Housing Department (“LAHD”) budget, said agreement effective February 1, 2020, which together with all amendments thereto shall hereinafter be referred to as the Agreement; and

WHEREAS, Section 405 of the Agreement provides for amendments to the Agreement; and

WHEREAS, on February 1, 2023, the City and Contractor entered into the First Amendment to (a) add additional funds in the amount of Ten Thousand Dollars (\$10,000) for a new total of One Hundred Thirty Thousand Dollars (\$130,000); and (b) extend the term of the Agreement to January 31, 2024; and

WHEREAS, the City and the Contractor are desirous of further amending the Agreement as authorized by the City Council and the Mayor (Council File Number ##-#### adopted by City Council on XXXXXXXX ##, 202#, and concurred by the Mayor on XXXXXXXX ##, 202#), which authorizes the General Manager of LAHD to prepare and execute an amendment to the Agreement for the purpose of: (a) adding additional funds in the amount of **Thirty Thousand Dollars (\$30,000)** for a new total of **One Hundred Sixty Thousand Dollars (\$160,000)**; (b) extending the term of the Agreement by three (3) months through **April 30, 2024**; and (c) making such other changes as are required in connection with the foregoing, all as detailed elsewhere in this Amendment; and

WHEREAS, this Amendment is necessary and proper to continue and/or complete certain activities authorized under the Agreement.

NOW, THEREFORE, the City and the Contractor agree that the Agreement be amended as follows:

[Remainder of page intentionally left blank.]

SECOND AMENDMENT

- §1. Amend the third “WHEREAS” paragraph by deleting it in its entirety and replacing it with the following:

“WHEREAS, the project that is the subject of this Agreement, hereinafter called the Agreement, has been established by the City as one of the above-described programs, and has been funded by the Systematic Code Enforcement Fee Trust Fund, the Affordable Housing Trust Fund, and the Municipal Housing Finance Fund in the LAHD budget which has been approved by the Los Angeles City Council and the Mayor; and”

- §2. Amend Section 201, “Time of Performance,” by deleting the current ending date of “January 31, 2024” and replacing it with a new ending date of “April 30, 2024.”

This amendment adds an additional three (3) months for a total term of fifty-one (51) months.

- §3. Amend Section 202, “Services to be Provided by the Contractor,” by inserting the following as a new subsection C after subsection B:

“C. Land Use Fee Study

1. Kick-Off Meeting

Contractor shall meet with the LAHD Asset Management Division’s project manager to discuss the overall project and LAHD Asset Management division activities, identify key contacts for the project within the Division, review key background materials, and discuss project schedule and workflow. As part of this kick-off task, Contractor staff will review any relevant background information provided by LAHD Asset Management Division staff, such as program descriptions and activity reports, departmental budgets, staffing plans, and the prior fee study.

2. Collect Baseline Data

Contractor shall meet with the appropriate staff from the LAHD Asset Management Division, conduct interviews where appropriate, and collect baseline data regarding staff time dedicated to functions necessary to process the following applications/services: AB 2222 Replacement Unit Determinations, Affordable Housing Covenants, Covenant Amendments, Covenant Assumptions and Terminations, Affordable Housing Covenant Monitoring, and Filings. Contractor shall first work with the LAHD Asset Management Division’s project manager to develop staff time accounting templates that identify the City staff that would be involved in processing each type of application and the amount of each staff type’s hours that would be needed and applicable hourly staff costs, updating templates used in the 2016 fee study update. Contractor shall then provide the templates to

the LAHD Asset Management Division to update with current estimates of staff hours for each function, accounting for increased level of effort associated with carrying out requirements of new ordinances and laws.

3. Update Fee Models

The LAHD Asset Management Division's project manager will provide Contractor with the updated staff time templates for each of the application types. The project manager will also provide Contractor with updated departmental overhead, citywide overhead, allocated lease and parking, and other allocated cost factors to apply to the direct staff costs. Contractor shall utilize the information provided by LAHD Asset Management Division staff to prepare updated fee models that calculate the total direct and indirect costs for processing each type of application, to serve as the basis for updated fees.

4. Develop Fee Recommendations

Using the updated fee models from Task 3, Contractor shall identify the recommended full cost recovery fees for each of the application types, calculated on a per application, per unit, or other appropriate basis for incorporation into the LAHD Asset Management Division's updated fee schedule.

5. Prepare and Present Administrative Draft and Draft Reports

Contractor shall prepare an Administrative Draft Asset Management Division Fee Study to document the research, analysis, assumptions and methodologies, and recommended fee for each of the application types defined in Task 2. Contractor shall submit an Administrative Draft Report for Asset Management Division staff to review. Contractor staff shall be available to walk LAHD Asset Management Division staff through the report and answer any questions. LAHD Asset Management Division staff will provide the Contractor with a single, consolidated set of staff comments on the Administrative Draft. Contractor shall make revisions as appropriate and prepare a Draft Report for public review. The budget for this task provides for Contractor to be available to assist LAHD Asset Management Division staff in making up to one presentation for the Draft Report.

6. Prepare and Submit Final Report

After completion of presentations and receipt of input on the Draft Report, Contractor and LAHD Asset Management Division staff shall discuss and agree upon any necessary refinements or revisions to the Draft Report. Contractor shall make revisions to the Draft Report and provide the City a final copy of the report in electronic format, including related schedules and cost documentation in Excel format so that it can be updated and/or edited for future use by City staff. The budget for this task reflects an expectation

that the revisions to create the final report will be relatively minor in nature and will represent refinements rather than requiring additional research, fundamental restructuring of the fee calculation methodologies, etc. Contractor has included a contingency budget as part of the overall project budget, which could be used to cover expenses for more substantial re-working of the report.

- §4. Amend Section 301, “Compensation and Method of Payment,” by deleting the current total dollar amount of One Hundred Thirty Thousand Dollars (\$130,000) and replacing it with the new total dollar amount of **One Hundred Sixty Thousand Dollars (\$160,000)**.

This amendment adds an additional **Thirty Thousand Dollars (\$30,000)**.

- §5. Amend to add Section 451, “Contractor Data Reporting,” as follows:

“§451. Contractor Data Reporting

If Contractor is a for-profit, privately owned business, Contractor shall, within 30 days of the effective date of the Contract and on an annual basis thereafter (i.e., within 30 days of the annual anniversary of the effective date of the Contract), report the following information to City via the Regional Alliance Marketplace for Procurement (“RAMP”) or via another method specified by City: Contractor’s and any Subcontractor’s annual revenue, number of employees, location, industry, race/ethnicity and gender of majority owner (“Contractor/Subcontractor Information”). Contractor shall further request, on an annual basis, that any Subcontractor input or update its business profile, including the Contractor/Subcontractor Information, on RAMP or via another method prescribed by City.”

- §6. Amend Exhibit C - Professional Fee Schedule, by deleting it in its entirety and replacing it with the revised Exhibit C -Professional Fee Schedule, attached hereto and incorporated herein.
- §7. Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.
- §8. This Amendment is executed in three (3) duplicate originals, each of which is deemed to be an original. This Amendment includes six (6) pages and one (1) exhibit, which constitute the entire understanding and agreement of the parties. Alternatively, this Amendment may be executed with electronic signatures, resulting in an electronic final original, which shall be uploaded to the LACityClerk Connect website.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Second Amendment to be executed by their duly authorized representatives.

APPROVED AS TO FORM:
HYDEE FELDSTEIN SOTO, City Attorney

Executed this ____ day of _____ 2023

By _____
Deputy/Assistant City Attorney

For: CITY OF LOS ANGELES

ANN SEWILL
General Manager
Los Angeles Housing Department

Date _____

ATTEST:

HOLLY L. WOLCOTT, City Clerk

By _____
Luz C. Santiago
Assistant General Manager

By _____
Deputy City Clerk

Executed this ____ day of _____ 2023

Date _____

For: BAE Urban Economics, Inc., a
California corporation

(Contractor's Corporate Seal)

By _____
Matt Kowta
President

City Business License Number: 0002492655-0001-1

Internal Revenue Service ID Number: 94-3185917

Council File/CAO File Number: ##-####; Date of Approval: ###/###/####

Said Agreement is Number C-135654 of City Contracts, Amendment 2

EXHIBIT C

PROFESSIONAL FEE SCHEDULE

A. SCEP Fee Study and Trust Fund Analysis Fee Schedule

<i>BAE Staff Title Hourly Billing Rate</i>	BAE Staff Hours				Cost
	Kowta Principal \$300	Varon V.P. \$210	Barker Sr. Assoc. \$185	Ohmit Analyst \$95	
Task Areas					
1. Project Kick-Off and Information Gathering					
Kickoff Meeting and Prep	4	2	2	2	\$2,180
Task A: Meet and confer wwith SCEP staff for project understanding	4	8	8	8	\$5,120
					<u>\$7,300</u>
2. Program Revenue and Expense Projections					
Task B: Review and analyze FY1819, FY1920 and Trust Fund revenue	8	10	15	20	\$9,175
Task C: Study annual revenues and expenses with staff cost adjustments	8	10	15	20	\$9,175
					<u>\$18,350</u>
3. Develop Fee Recommendations					
Task D: Analyze current SCEP fee revenue cover projected expenses	2	10	20	20	\$8,300
Task E: Develop two budget scenarios and Emergency Reserve projection	2	10	20	20	\$8,300
Task F: Survey five jurisdictions with similar programs and fees	2	5	10	20	\$5,400
					<u>\$22,000</u>
4. Prepare and Submit Draft Report (Task G)	10	15	30	30	\$14,550
5. Prepare and Submit Final Report (Task H)	10	10	12	15	\$8,745
Expenses (principal travel for presentations, if needed)					\$500
TOTAL, without contingency	50	80	132	155	\$71,445
Contingency @ five percent					\$5,716
TOTAL, including contingency	50	80	132	155	\$77,161

The Contractor reserves the right to re-allocate budget as necessary to best serve project needs, including use of the contingency budget if data collection requires time beyond the hours estimated in the budget upon approval by the City; however, in no event shall the total cost exceed the fixed fee amount unless the City requests that the Contractor complete work beyond the agreed upon scope, fees for which shall be agreed upon by Contractor and the City in advance, in writing, and charged on an agreed upon hourly time and materials basis. The Contractor's standard hourly rates for this project are listed in the chart above. Contractor's hourly billing rates shall be fixed for the duration of this Agreement and may be adjusted annually upon the City's approval.

BAE REVISED Proposed SCEP Fee Study Schedule As of 2/10/20							
Project Activities	Feb 2020	March 2020	April 2020	May 2020	June 2020	July 2021	Complete Date
1. Project Kick-Off and Information Gathering							
Kickoff Meeting and Prep	X	X					3/5/2020*
Task A: Meet and confer with SCEP staff							3/31/2020
2. Program Revenue and Expense Projections							4/15/2020
Task B: Analyze FY1819, FY1920 and Trust Fund revenue							
Task C: Study budget with staff cost adjustments							
3. Develop Fee Recommendations							5/15/2020
Task D: Analyze current SCEP fee revenue							
Task E: Develop two budget scenarios							
Task F: Survey five jurisdictions with similar programs							
4. Prepare and Submit Draft Report (Task G)							6/5/2020
5. Prepare and Submit Final Report (Task H)**							6/30/2020
Report Presentations, if needed							June/July

*As allowable by the contracting timeline.

**Turnaround time for the Final Report can be sooner, depending on the length of City review .

Direct costs for expenses such as travel, data purchase, meals, etc. shall be passed on to the City without markup. All expenses for travel must receive prior approval from the City and must be documented and shall be paid only in accordance with City policies and procedures. Any and all direct costs for expenses must be documented and shall be paid only in conformance with City policies and procedures.

B. South LA CPIO District Relocation Benefit Study Fee Schedule

The services rendered by the Contractor shall be compensated upon approval of the invoice and in accordance with the project cost table below.

South LA CPIO District Relocation Benefits Study Cost									
Task	Kowta		Richey		Sudarmadji		BAE Total		
	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	
1. Coordination with LAHD Staff	4	\$1,280	1	\$155	1	\$105	6	\$1,540	
2. Research Average Asking Apartment Rent in South LA CPIO District and 5-Mile Radius	3	\$960	1	\$155	4	\$420	8	\$1,535	
3. Review Average RSO-Regulated Rent in South LA CPIO District and Calculate Payment Amounts	3	\$960	1	\$155	5	\$525	9	\$1,640	
4. Prepare Draft and Final Report of Findings	8	\$2,560	2	\$310	2	\$210	12	\$3,080	
5. Meetings/Presentations	6	\$1,920	1	\$155	1	\$105	8	\$2,180	
TOTAL	24	\$7,680	6	\$930	13	\$1,365	43	\$9,975	
Hourly Rates		\$320		\$155		\$105			

C. Land Use Fee Study

The services rendered by the Contractor shall be compensated upon approval of the invoice and in accordance with the project cost table below. The Contractor reserves the right to re-allocate budget as necessary to best serve project needs; however, in no event shall the total cost exceed the fixed fee amount unless LAHD requests that the Contractor complete work beyond the agreed upon scope.

	BAE Staff Hours				Budget Total
	Kowta Principal	Barker VP	Richey Sr. Assoc.	Sudarmadji Analyst	
	\$330	\$270	\$210	\$115	
1. Project Kick Off	4	4			\$2,400
2. Collect Baseline Data	4	8	15	2	\$6,860
3. Update Cost Allocation Models	6	6	8	2	\$5,510
4. Prepare and Present Administrative Draft and Draft Reports	8	16	10	2	\$9,290
5. Prepare and Submit Final Report	2	2	2	2	\$1,850
Expenses					\$250
Total	24	36	35	8	\$26,160