

## TRANSMITTAL

To: **THE COUNCIL**

Date: **03/05/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

Housing Development Bureau  
1200 West 7th Street, Los Angeles, CA 90017  
tel 213.808.8638 | fax 213.808.8610  
hcidla.lacity.org

February 14, 2020

Council File: 13-0413  
Council Districts: Citywide  
Contact Persons: Brittany Batong: (213) 922-9627  
Sean Spear: (213) 808-8901

Honorable Eric Garcetti  
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 + COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUEST FOR AUTHORITY TO ADD TIME AND FUNDS TO THE BAE URBAN ECONOMICS CONTRACT (C-132971) TO ALLOW THE CONTRACTOR TO COMPLETE THE FEE STUDIES FOR THE BOND AND OCCUPANCY MONITORING PROGRAMS**

**SUMMARY**

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority to add time and funds to the BAE Contract (C-132971) for the purpose of allowing the contractor to complete the fee studies for the Bond and Occupancy Monitoring (OM) programs.

**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 HCIDLA, or designee, to execute a first amendment to the City's contract with BAE Urban Economics, contract number C-132971, to extend the term by four months for a new contract end date of June 30, 2020, and to increase the compensation by \$5,500 for a new total of \$85,490, subject to funding availability and approval of the City Attorney as to form.

B. AUTHORIZE the Controller to:

- i. Transfer appropriation within Fund No. 100/43, the source of fund for which is the Municipal Housing Finance Fund No. 815, as follows:

	<b>Account</b>	<b>Title</b>	<b>Amount</b>
From:	001010	Salaries, General	\$3,290.46
To:	003040	Contractual Services	\$3,290.46

- ii. Transfer appropriation within the Municipal Housing Fund No. 815 as follows:

	<b>Account</b>	<b>Title</b>	<b>Amount</b>
From:	43S299	Reimbursement of General Fund Costs	\$2,209.54
To:	43S143	Housing And Community Investment	\$2,209.54

- iii. Increase appropriation in the amount of \$2,209.54 in Fund No. 100/43, Account 003040 Contractual Services.

- C. AUTHORIZE the General Manager of HCIDLA, or designee, to prepare Controller instructions and any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and instruct the Controller to implement the instructions.

## **BACKGROUND**

HCIDLA facilitates the financing of housing development projects with business and community partners. Using federal, state, and local funding resources, the Department builds and preserves housing by leveraging funds with private investments to maximize the positive impact of its programs.

Since decreasing federal funding limits the Department's ability to pay for the administration of affordable housing programs, the City determined it must establish new and re-assess existing applicant and developer fees to recover the costs of City staff time and contractor expenses incurred towards this work. These fees will allow HCIDLA to recover costs related to administering these programs and reduce the Department's impact on the General Fund.

As such, HCIDLA retained BAE Urban Economics (C-132971) to analyze individual services and associated costs (direct, indirect, expenses, etc.) for two HCIDLA units, and to develop or update the basis for applicant/developer fees to recover City costs, either partially or in full.

### **Affordable Housing Bond Program**

HCIDLA acts as the primary issuer of multifamily tax-exempt housing bonds for qualified developments located in the City of Los Angeles. HCIDLA's Affordable Housing Bond Program (AHBP) manages projects that leverage federal HOME Investment Partnerships Program (HOME) funds with 4% tax credits and tax-exempt bonds. 4% tax credits are administered through the California Tax Credit Allocation Committee (CTCAC), and tax-exempt bonds are administered and allocated through California Debt Limit Allocation Committee (CDLAC).

In order to implement the AHBP, certain City staff time is required to issue the bonds, including documentation processing, execution of inducement letters, conducting appropriate hearings and meetings, and preparation of transmittals. The AHBP most recently comprehensively reviewed its expenses and established its fees in April 2005, as codified in HCIDLA's *Multi-Family Bond Policies and Procedures* (MHBPP), adopted by Mayor and City Council on April 20, 2005 (C.F. No. 04-2646), and updated as adopted by Mayor and City Council in September 2019 (C.F. No. 19-0334) under the new title *Affordable Housing Bond Policies and Procedures* (AHBPP).

### Occupancy Monitoring Program

As part of its obligation towards maintaining affordability of the housing produced with the AHBP, federal funds (i.e. HOME Investment Partnerships Program, Community Development Block Grant, Housing Opportunities for Persons with AIDS), Land Use, and former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) programs, HCIDLA's Occupancy Monitoring (OM) staff monitor affordable housing units in the City for compliance with regulatory agreements and affordability covenants and restrictions; and pursuant to federal, state, and local requirements.

A contract with Urban Futures Bond Administration is maintained to conduct the annual monitoring of all of HCIDLA's built units, which includes collecting rent rolls, tenant certifications, and income source documents to ensure tenants living in the restricted units are income-eligible, and that the rent limits are observed. The contractor prepares reports to evidence the results of compliance determination and on-site visits. City staff time is required to conduct and respond to audits; administer this contract; review and approve property management plans; maintain project data; respond to owner, tenant, and other public inquiries; and amend or terminate regulatory agreements as necessary. There are no fees currently charged to recover the costs of the contractor or OM staff.

### BAE Contract Extension

Significant progress has been made by BAE to establish fees that could recover costs from developers and owners participating in the Bond and OM programs. BAE staff worked with Bond and OM management, as well as other HCIDLA finance and operations staff, to define "work activity categories" to justify and/or increase current fees paid under the Bond program and for associated tasks that could be charged as fees as part of the OM program. Work activity categories were then reviewed by BAE and OM to determine how and when certain fees should be charged.

After extensive conversations related to the above factors, HCIDLA determined that further internal policy discussions and potential procedural shifts are required before fees can be finalized. Specifically:

- The costs associated with Accessibility Compliance Monitoring, as conducted by the Accessible Housing Program (AcHP), and as related to Bond projects utilizing outside issuers, have been identified as a key factor in determining the true cost of implementing these programs. The results of an initial analysis of the AcHP program indicate that a wide array of costs related to Accessibility Compliance Monitoring have not been considered as part of the \$2,500 fee currently charged to Bond projects utilizing outside issuers. A much more involved review of this work has become necessitated.
- Additional analysis needs to be conducted to examine the Asset Management Division's Loan Portfolio section work functions as they relate to occupancy monitoring.

- An analysis to potentially update the proposed OM fee to account for a change in the frequency that HCIDLA monitors the units or to employ a sampling methodology. HCIDLA and BAE will explore the possibility of working back from the industry standard of \$50/unit that has been identified through the review of peer cities, to ascertain how much monitoring could occur from revenue based upon that standard.
- Internally, HCIDLA must examine the mechanisms that need to be put into place in order to enforce the determination and collection of Non-Compliance fees. This would involve the development of an Appeals Process.

Neither fee analysis can be finalized until HCIDLA and BAE are able to complete the above additional analyses. As such, HCIDLA is requesting to extend the term of the contract with BAE by four months, for a new contract end date of June 30, 2020 and to add \$5,500 for the purpose of completing this work.

### **FISCAL IMPACT**

There is no impact to the General Fund. The additional funds of \$5,500 that will be added to the contract with BAE are from salary and related costs savings that are funded by the Municipal Housing Finance Fund No. 815.

Prepared By:



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BRITTANY BATONG  
HDB Operations Manager

Reviewed By:



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SEAN L. SPEAR  
Assistant General Manager

Reviewed By:



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LYNDON O. SALVADOR  
Director of Accounting

Reviewed By:



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LUZ SANTIAGO  
Assistant General Manager

Reviewed By:



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LAURA K. GUGLIELMO  
Executive Officer

Approved By:



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RUSHMORE D. CERVANTES  
General Manager

ATTACHMENT:

Attachment A BAE Urban Economics Proforma Amendment C-132971-1

FIRST AMENDMENT  
TO AGREEMENT NUMBER C-132971 OF CITY OF LOS ANGELES CONTRACT  
BETWEEN  
THE CITY OF LOS ANGELES  
AND  
BAE URBAN ECONOMICS, INC.

FEE STUDY

THIS FIRST AMENDMENT to Agreement Number C-132971 of City of Los Angeles Contract is made and entered into by and between the City of Los Angeles, hereinafter referred to as the City, and BAE Urban Economics, Inc., a California corporation, hereinafter referred to as the Contractor.

WITNESSETH

WHEREAS, the City and the Contractor have entered into this Agreement, wherein the Contractor shall provide Fee Study services under the Municipal Housing Finance Fund, the Low and Moderate Income Housing Fund, and the Community Development Block Grant, said Agreement effective March 1, 2019, 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, the City and the Contractor are now desirous of further amending the Agreement as authorized by the City Council and the Mayor (refer to Council File Number 13-0413 approved by City Council on **XXXXber XX** 2020 and concurred by the Mayor on **XXXXber XX** 2020) which authorizes the General Manager of the Housing and Community Investment Department to prepare and execute an amendment to the Agreement for the purpose of: (a) adding additional funds in the amount of **Five Thousand Five Hundred Dollars (\$5,500)** for a new total of **Eight Five Thousand Four Hundred Ninety Dollars (\$85,490)**; (b) adding an additional four (4) months to the Agreement term for a new ending date of June 30, 2020; and (c) making such other changes as are required in connection with the foregoing, all as detailed elsewhere in this Amendment; and

WHEREAS, this First 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:

FIRST AMENDMENT

§1. Amend Section 201, “Time of Performance”, by deleting the current ending date of February 29, 2020, and replacing it with a new ending date of June 30, 2020.

This amendment adds an additional four (4) months for a total term of sixteen (16) months.

§2. Amend Section 301.A, “Compensation and Method of Payment” by deleting the contract total of Seventy-Nine Thousand Nine Hundred Ninety Dollars (\$79,990) and replacing it with the new total of **Eight Five Thousand Four Hundred Ninety Dollars (\$85,490)**.

This amendment adds **Five Thousand Five Hundred Dollars (\$5,500)**.

§3. Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.

§4. This Amendment is executed in three (3) duplicate originals, each of which is deemed to be an original. This Amendment includes three (3) pages, which constitute the entire understanding and agreement of the parties.

[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 First Amendment to the Agreement to be executed by their duly authorized representatives.

APPROVED AS TO FORM: Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2020

MICHAEL N. FEUER, City Attorney

By \_\_\_\_\_  
Deputy/Assistant City Attorney

For: THE CITY OF LOS ANGELES

RUSHMORE D. CERVANTES  
Housing and Community Investment  
Department

Date \_\_\_\_\_

ATTEST:

HOLLY L. WOLCOTT, City Clerk

By \_\_\_\_\_  
Laura K. Guglielmo  
Executive Officer

By \_\_\_\_\_  
Deputy City Clerk

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2020

Date \_\_\_\_\_

For: BAE URBAN ECONOMICS, INC.

By \_\_\_\_\_  
Matt Kowta  
President

By \_\_\_\_\_  
David Shiver  
Vice President

CFDA Number: CDBG 14.218

D-U-N-S® Number: 175495449

City Business License Number: 0002492665-0001-1

Council File/CAO File Number: 13-0413 Date of Approval XXXber, XX, 2020

Federal Award Identification Number: B-19-MC-06-0523, Federal Award Date: 08/13/2019

Research and Development Award: No

Said Agreement is Number C-132971 of City Contracts Amendment 1