



COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles

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Executive Director

May 24, 2011

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**HEARING TO APPROVE THE 2011-2012 ACTION PLAN FOR THE ALLOCATION
OF FEDERAL FUNDS (ALL DISTRICTS) (3 VOTE)**

SUBJECT

This letter recommends approval of the Fiscal Year 2011-2012 Action Plan to enable the County of Los Angeles (County) to apply for, receive, and administer Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) program funds from the U.S. Department of Housing and Urban Development (HUD) for housing and community development activities in the 49 participating cities and the unincorporated areas of the Urban County. This letter relates to two other items appearing on today's agenda for the Board of Commissioners of the Community Development Commission (Commission) and the Board of Commissioners of the Housing Authority.

IT IS RECOMMENDED THAT YOUR BOARD, AFTER THE PUBLIC HEARING:

1. Find that the approval of the Fiscal Year 2011-2012 Action Plan is not subject to the California Environmental Quality Act (CEQA) because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.
2. Approve the Action Plan for Fiscal Year 2011-2012, which will enable the Los Angeles Urban County to receive and administer an estimated \$58,804,391 in federal funds, comprised of the following: an estimated \$26,419,804 in new Thirty-Seventh Program Year (July 1, 2011 to June 30, 2012) CDBG funds; \$295,675 in Fiscal Year 2011-2012 CDBG funds received as a joint applicant with the City of Cerritos and \$908,999, with the City of Torrance;



\$13,983,459 in CDBG funds from prior years; \$3,327,395 in estimated future CDBG Program income; an estimated \$12,068,044 in Fiscal Year 2011-2012 HOME funds; and an estimated \$1,801,015 in Fiscal Year 2011-2012 ESG funds.

3. Designate the Commission to serve as the agent of the County of Los Angeles (County) for administration of the Action Plan for Fiscal Year 2011-2012 (Action Plan) and the allocated funds described herein; and authorize the transfer of these allocated funds in the Action Plan to the Commission.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The National Affordable Housing Act (NAHA) of 1990 (Cranston/Gonzalez Housing Act), as amended in 1992, requires that the County provide a single, consolidated submission of the proposed expenditure of funds to be eligible for the HUD formula grant funding, including CDBG, HOME, and ESG. The Action Plan satisfies these federal requirements to provide for the release of these allocated funds.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund.

All funds allocated in the Action Plan will be transferred to the Commission for administration. The Action Plan allocates an estimated \$58,804,391 in federal funds, as follows: an estimated \$26,419,804 in new Thirty-Seventh Program Year (July 1, 2011 to June 30, 2012) CDBG funds; \$295,675 in Fiscal Year 2011-2012 CDBG funds received as a joint applicant with the City of Cerritos and \$908,999 with the City of Torrance; \$13,983,459 in unexpended CDBG funds from prior years; \$3,327,395 in estimated future CDBG Program income; an estimated \$12,068,044 in Fiscal Year 2011-2012 HOME funds; and an estimated \$1,801,015 in Fiscal Year 2011-2012 ESG funds.

The above CDBG, HOME, and ESG allocations are estimates, as the final funding amounts have not been released by HUD. These estimates are based on the projected reductions of these three (3) federal funding sources which were proposed in the congressional appropriations process for Federal Fiscal Year 2011.

CDBG funds total \$44,935,332 and are comprised of new, reallocated, prior years', and CDBG Program income funds, of which \$5,362,240 will be used for administration costs. A total of \$30,231,263 in CDBG funds will be allocated among the five Supervisorial Districts for projects in the unincorporated areas of the County. Of the funds allocated by Supervisorial Districts, \$4,503,219, comprised of \$2,989,266 in new 2011-2012 funds and \$1,513,953 in prior year CDBG funds, will be distributed to the Housing Authority of the County of Los Angeles (Housing Authority) for capital improvement projects and services for residents of public housing. A total of

\$14,704,069 in CDBG funds will be allocated among the 49 participating cities. Projects to address housing and community needs will be implemented by the Commission, the Housing Authority, County departments, participating cities, and approximately 39 community-based organizations and other public agencies, such as school districts.

The City of Lawndale will receive a total of \$1,214,604 in Fiscal Year 2011-2012 CDBG funds and prior years' funds from other participating cities, in exchange for general funds, as follows: \$142,857 from the Fourth Supervisorial District; \$83,316 from the City of Agoura Hills; \$168,670 from the City of Santa Fe Springs; \$90,000 from the City of Hermosa Beach; \$645,841 from the City of Maywood; \$80,855 from El Segundo; and \$3,065 from the City of Bradbury. The City of Hawaiian Gardens will receive a total of \$338,199 in Fiscal Year 2011-2012 CDBG funds from other participating cities, in exchange for general funds, as follows: \$128,195 from the City of Manhattan Beach; \$24,434 from the City of Rolling Hills Estates; \$63,241 from the City of Malibu; and \$122,329 from the City of La Verne. The City of La Mirada will receive a total of \$295,675 from the City of Cerritos in exchange for general funds.

The CDBG Reimbursable Contracts with four cities currently repaying Section 108 loans will be amended to reduce the allocations of Fiscal Year 2011-2012 CDBG funds in order to set aside annual repayment amounts that are due under separate Section 108 loan agreements. The following amounts will be subtracted from their Fiscal Year 2011-2012 allocations: \$553,735 from the City of Bell Gardens; \$57,383 from the City of Claremont; \$164,488 from the City of Culver City; and \$345,297 from the City of San Fernando. Additionally, \$165,704 will be subtracted from the Fifth Supervisorial District's Fiscal Year 2011-2012 allocation to set aside the Section 108 loan annual repayment amount for the unincorporated West Altadena redevelopment area.

HOME funds total \$12,068,044, of which \$1,206,804 will be used for HOME Program administration, as determined by HUD. The First-Time Homebuyer Program will use \$2,715,310 in Fiscal Year 2011-2012 HOME funds to provide homeownership opportunities in the unincorporated areas of the County and participating cities. Housing development and rehabilitation activities will use \$6,335,723 on a first-come, first-served basis. In addition, \$1,810,207 will be made available for community housing development organizations. HOME funds may be reprogrammed for homeownership, development, and rehabilitation needs.

ESG funds total \$1,801,015. These funds will be allocated to the Los Angeles Homeless Services Authority (LAHSA) for projects to assist the homeless in the unincorporated areas of the County of Los Angeles and participating cities. LAHSA will conduct a Request for Proposal (RFP) process to award these funds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On May 27, 2008, your Board approved the Five-Year Consolidated Plan for 2008-2013 and the first Fiscal Year 2008-2009 Action Plan of the Consolidated Plan. These

documents have been updated as required by HUD. The current Fiscal Year 2010-2011 Action Plan ends on June 30, 2011, and a new Action Plan must be adopted by your Board to continue receiving funding from HUD. This Action Plan includes a description of the activities to be undertaken during Fiscal Year 2011-2012 to address the objectives of the Consolidated Plan's five-year strategy.

Standard CDBG Advance or Reimbursable Contracts will be entered into with recipients of CDBG funds. Reimbursable Contracts for Fiscal Year 2011-2012 will be executed with the Cities of Agoura Hills, Santa Fe Springs, Hermosa Beach, Maywood, El Segundo, Bradbury, Cerritos, Manhattan Beach, Rolling Hills Estates, Malibu, La Verne; these participating cities have agreed to transfer their entire new allocations to the Cities of Lawndale, La Mirada, and Hawaiian Gardens in exchange for general funds.

A Memoranda of Understanding will be executed with participating cities wishing to implement single-family Homeowner Rehabilitation activities using HOME funds. These funds will be used for homeownership, housing development, and redevelopment activities throughout the unincorporated County and in participating cities.

In addition to the above proposed allocations, the Executive Director of the Commission is requesting authority to terminate CDBG contracts with operating agencies that fail to address administrative deficiencies, CDBG Program compliance issues, or other contract obligations. Following consultation with County Counsel and the respective Supervisorial Districts, the Commission will determine whether it is in the best interest of the County to suspend funding for the CDBG Program year and terminate the contracts. If so, the Commission will then recover any disallowed or unexpended funds and return said funds to the appropriate Supervisorial Districts.

All public notice requirements contained in 24 Code of Federal Regulations Part 91 Section 91.105 of the NAHA for approval of the Action Plan have been satisfied. A total of five community meetings were held in September 2010. Comments received at these meetings have been incorporated into the Action Plan and were posted on the Commission website in late April 2011 to update the public regarding the comments received at the meetings. Notices of the 30-day public comment period and public hearing were published in newspapers throughout the County in different languages and copies of the draft Action Plan were made available for review at public libraries. The public comment period will conclude on May 24, 2011.

The Action Plan is attached to this Board letter. The following documents are also attached: Fiscal Year 2011-2012 CDBG Program Funding Summary; Fiscal Year 2011-2012 HOME Grant Reservations and Set-Asides; and Proposed Use of ESG Funds. These items appear as Attachments A through C, respectively.

All of the projects proposed in the Action Plan are being federally funded. As applicable, the administering agencies will be subject to the prevailing wage requirements of the Davis-Bacon Act Related Acts, and Section 3 of the Housing and

Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance. However, where Section 3 is not applicable, the agencies will be subject to the County's Greater Avenues for Independence (GAIN) Program and General Relief Opportunity for Work (GROW) Program, which furthers the same or similar goals.

This letter has been reviewed by County Counsel.

ENVIRONMENTAL DOCUMENTATION

The Action Plan is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34(a)(1), because it is a planning document and does not involve activities that will alter existing environmental conditions. The Action Plan is not subject to the provisions of CEQA, pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

Each program within the Action Plan will be reviewed for environmental impact on a project-by-project basis before funding is released.

CONTRACTING PROCESS

The County does not use a competitive process to award CDBG contracts to non-profit agencies. Each Supervisorial District utilizes the Community Resources Investment Strategy (CRIS), citizen input from community meetings, and consultations with the Commission to select agencies that best meet community needs.

HOME funds are used to implement a variety of affordable housing development and rehabilitation programs available to households earning less than 80% of the area median income for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as determined by HUD. HOME funds for development are made available on an annual basis through a competitive Notice of Funds Available (NOFA). Funds are made available to for-profit and non-profit developers. Projects are selected to maximize the impacts of HOME funds based on viability, financial feasibility, and appropriateness to geographic location and community need. Funds are also made available on a first-come, first-served basis to income-qualified buyers for the purchase of existing housing and for owner-occupied single-family housing in need of rehabilitation.

ESG funds are allocated to LAHSA. LAHSA contracts with non-profit and government agencies in order to provide housing and services for homeless individuals and families through an RFP process that solicits proposals for new and continuing projects. The

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2011-2012 Winter Shelter Program will begin in November 2011, and LAHSA will issue an RFP to identify service providers in August 2011. It is anticipated that current County ESG-funded shelter and services contracts will be renewed for an additional year.

IMPACT ON CURRENT PROJECTS

The projects contained in the Action Plan will benefit low- and moderate-income residents of the unincorporated County and participating cities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", with a horizontal line extending to the right from the end of the signature.

SEAN ROGAN
Executive Director

Enclosures

ATTACHMENT A

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Thirty-Seventh Year Grant (July 1, 2011 - June 30, 2012)

Funding Summary

Grant Funds To Be Received

Thirty-Seventh Year Urban County Entitlement Funds	\$26,419,804
Received for the City of Cerritos	\$295,675
Received for the City of Torrance	\$908,999
TOTAL (revenues for Thirty-Seventh Program Year)	\$27,624,478
Revenues for Thirty-Seventh Program Year	\$27,624,478
Prior Years Funds	\$13,983,459 ¹
Projected Program Income	\$3,327,395
TOTAL REVENUES	\$ 44,935,332

Distribution of CDBG Funds for the Thirty-Seventh Program Year

Unincorporated Areas	\$30,231,263 ²
Participating Cities	\$14,704,069 ³
TOTAL	\$ 44,935,332

¹ Includes Districts' unallocated/reprogrammed funds, countywide prior year funds, and reallocated/prior year funds of participating cities.

² Includes reallocated funds, prior years' funds, and projected program income.

³ Includes reallocated funds and prior years' funds.

ATTACHMENT B

**FISCAL YEAR 2011-2012 HOME GRANT FUND RESERVATIONS
AND SET-ASIDES**

The following chart depicts the distribution of HOME funds among housing activities within the Los Angeles Urban County.

HOME PROGRAM	FUNDS
Total Funds (Estimated)	\$ 12,068,044 HOME
Administration	\$1,206,804 (HUD Determined - 10%)
Community Housing Development Organizations (CHDO)	\$ 1,810,207 (HUD Determined - 15%)
Homebuyer Assistance	\$ 2,715,310 FY 2011-2012 HOME
New Construction:	\$ 3,620,413
Rehabilitation:	\$ 2,715,310

*Funds among activities may be reprogrammed

ATTACHMENT C

PROPOSED USE OF ESG FUNDS

The Los Angeles Homeless Services Authority (LAHSA) proposes to use the 2011-2012 Emergency Shelter Grant allocation to meet the purpose of the Stewart B. McKinney Homeless Assistance Act 24 CFR 576.1 (b), and to meet the homeless needs, goals, and objectives identified in the 2008-2013 Consolidated Plan. In response to public input relative to homelessness, LAHSA has adopted policies to geographically allocate homeless resources where need has been identified.

The priorities for use of ESG funds are operations and essential services. Operations funds will be used to fund overnight shelters through the winter shelter and emergency housing programs. Essential services funds will be used to support the access center program, the emergency response team and the emergency housing program. All of these programs are located throughout Los Angeles County. The winter shelter program provides temporary nightly shelter during the period of time in which Los Angeles usually experiences its most inclement weather, November 1 to March 31. The emergency response team conducts outreach and referrals to homeless persons who are sent to LAHSA through phone calls from City Council offices, Board of Supervisors offices, business owners and community members. The emergency housing program provides 24 hour shelter to homeless individuals and families. The services provided assist participants in obtaining a more stable housing environment and developing the necessary independent living skills to maintain that housing environment.

The following is an estimate of the percentages of the ESG funds to be allocated to the various activities eligible under ESG:

ELIGIBLE ACTIVITY	PERCENTAGE	ESTIMATED ALLOCATION
Operations	65%	\$1,170,660
Essential Services	30%	\$540,304
Administration	5%	\$90,051
TOTAL	100%	\$1,801,015

LAHSA will meet the matching funds requirement with 100% federal Supportive Housing Program funds for the 2011-2012 Program Year.